

## Summary of Financial Results

### For the Three Months of the Fiscal Year Ending December 31, 2014 (Consolidated)

These financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan. The following English translation is based on the original Japanese-language document.

April 30, 2014

#### **POLA ORBIS HOLDINGS INC.**

Listing: Tokyo Stock Exchange, First Section (Code No.: 4927)  
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 Filing Date of Quarterly Securities Report: May 15, 2014  
 Start of Cash Dividend Payment: —  
 Supplemental Materials Prepared for Quarterly Financial Results: Yes  
 Conference Presentation for Quarterly Financial Results: None

(Amounts less than one million yen have been truncated)

#### **1. Consolidated Performance for the Three Months of Fiscal 2014 (January 1, 2014–March 31, 2014)**

##### **(1) Consolidated Operating Results**

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014 Three Months	50,213	21.8	5,453	240.6	5,160	140.6	2,470	96.3
FY2013 Three Months	41,238	5.9	1,601	30.7	2,144	35.7	1,258	74.3

Note: Comprehensive income: ¥2,825 million (-42.4%) for the three months of FY 2014;  
¥4,904 million (78.3%) for the three months of FY 2013

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2014 Three Months	44.68	44.65
FY2013 Three Months	22.76	22.75

##### **(2) Consolidated Financial Position**

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2014 First Quarter	220,279	175,047	79.2	3,155.75
FY2013	218,005	173,887	79.5	3,133.82

Reference: Equity capital: FY2014 First Quarter: ¥174,462 million; FY2013: ¥173,250 million

#### **2. Dividends**

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2013	—	25.00	—	30.00	55.00
FY2014	—	—	—	—	—
FY2014 (Forecast)	—	40.00	—	47.00	87.00

Note: Revisions to the cash dividends forecast announced most recently: None

#### **3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2014**

(January 1, 2014–December 31, 2014)

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half	95,500	4.5	7,500	18.9	7,400	0.9	3,600	5.8	65.12
Full Year	198,000	3.5	17,650	10.2	17,900	0.4	8,800	20.2	159.18

Note: Revisions to the consolidated performance forecast announced most recently: Yes

**Notes to Summary Information**

- (1) Changes in significant subsidiaries during the current period  
(Changes in specific subsidiaries resulting in changes in the scope of consolidation) : None
- (2) Application of special accounting methods for the preparation of the quarterly consolidated financial statements : None
- (3) Changes in accounting policies, accounting estimates, and restatement
- |  |        |
|--|--------|
| 1) Changes in accounting policies associated with revision of accounting standards | : None |
| 2) Changes other than (3)-1)   | : None |
| 3) Changes in accounting estimates   | : None |
| 4) Restatements  | : None |
- (4) Number of shares issued and outstanding (common stock)
- |   |                   |
|---|-------------------|
| 1) Number of shares issued and outstanding at the end of each period (including treasury stock) |                   |
| At March 31, 2014   | 57,284,039 shares |
| At December 31, 2013  | 57,284,039 shares |
| 2) Number of shares of treasury stock at the end of each period                                 |                   |
| At March 31, 2014   | 2,000,000 shares  |
| At December 31, 2013  | 2,000,000 shares  |
| 3) Average number of shares issued and outstanding in each period                               |                   |
| Three months ended March 31, 2014   | 55,284,039 shares |
| Three months ended March 31, 2013   | 55,284,039 shares |

**Information Regarding Quarterly Review Procedures**

This quarterly financial report is not included in the scope of the quarterly review procedures pursuant to the Financial Instruments and Exchange Act (the "Act"). At the time of disclosure of this report, review procedures for the quarterly financial statements pursuant to the Act, have not been completed.

**Explanation of Appropriate Use of Performance Forecast and Other Special Items**

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties. For performance projections, please refer to "1. Qualitative Information on Consolidated Performance for the First Quarter of Fiscal 2014 (3) Explanation of Consolidated Performance Forecast and other Predictive Information" on page 5.

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## 1. Qualitative Information on Consolidated Performance for the First Quarter of Fiscal 2014

### (1) Explanation of Consolidated Operating Results

In the first quarter of the fiscal year ending December 31, 2014 (January 1–March 31, 2014), the Japanese economy recovered modestly as personal consumption picked up amid government economic measures and monetary policies that improved the employment and income climates, with demand surging ahead of a consumption tax hike. Despite uncertain prospects because of downside risks from an economic slump overseas and concerns about the consumption tax rise fueling a slowdown in personal consumption, the Japanese economy looks set to continue recovering owing to the impacts of government policies.

The domestic cosmetics market improved overall as a result of the momentum of a recovery in the Japanese economy. The overseas cosmetics market continued to expand steadily despite economic slowdowns in China and elsewhere in Asia.

It was within this market environment that the POLA ORBIS Group (the “Group”) endeavored to strengthen its domestic earnings structure, accelerate overseas development, and increase corporate value by improving capital efficiency in keeping with a three-year medium-term management plan started in the current fiscal year.

As a result of these factors, the Group achieved the following consolidated operating results for the first quarter of this fiscal year.

Consolidated net sales for the first quarter of fiscal 2014 increased 21.8%, year on year to ¥50,213 million. This reflected the impacts of new product launches for flagship brands, and a demand surge for domestic brands ahead of a hike in the consumption tax. Operating income rose 240.6% year on year to ¥5,453 million, as the above sales gain drove gross profit higher. With the yen rising from the end of the previous fiscal year and leading to foreign exchange losses, ordinary income advanced 140.6% year on year to ¥5,160 million. Net income thus increased 96.3% year on year to ¥2,470 million.

<u>Operating Results Overview</u>		(Millions of yen)		
Three Months Ended March 31				
	2013	2014	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥41,238	<b>¥50,213</b>	¥8,975	21.8
Operating Income	1,601	<b>5,453</b>	3,852	240.6
Ordinary Income	2,144	<b>5,160</b>	3,015	140.6
Net Income	¥ 1,258	<b>¥ 2,470</b>	¥ 1,212	96.3

Operating Results by Segment

Net Sales (Segment Sales to External Customers)		(Millions of yen)		
Three Months Ended March 31				
	2013	2014	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥38,559	<b>¥47,110</b>	¥8,550	22.2
Real Estate	719	<b>762</b>	43	6.0
Others	1,960	<b>2,341</b>	381	19.4
Total	¥41,238	<b>¥50,213</b>	¥8,975	21.8

  

Segment Income (Loss) (Operating Income [Loss])		(Millions of yen)		
Three Months Ended March 31				
	2013	2014	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥1,472	<b>¥5,266</b>	¥3,793	257.6
Real Estate	321	<b>341</b>	20	6.4
Others	(132)	<b>(16)</b>	116	—
Reconciliations of Segment Income (Note)	(60)	<b>(138)</b>	(78)	—
Total	¥1,601	<b>¥5,453</b>	¥3,852	240.6

Note: Reconciliations of segment income refer to elimination of profits arising from inter-company transactions and expenses not allocated to reportable segments. Please see note 2 in “1. Information about Net Sales and Profit (Loss) by Reportable Segment” on page 11 and 12 for the details of reconciliations of segment income during the period.

Beauty Care

The Beauty Care segment consists of the flagship brands *POLA* and *ORBIS*; the brands under development — *pd*, *FUTURE LABO*, *ORLANE*, *decencia*, and *THREE*, and the overseas brands *Jurlique* and *H2O PLUS*.

POLA is making concerted efforts to boost customer satisfaction. These include aggressively developing sales channels through POLA THE BEAUTY stores, which integrate sale of cosmetics, consulting and esthetic treatments, and through department store outlets; increasing customer contact points through expansion of the door-to-door sales organization; and further enhancing POLA’s sales-process quality and consulting skills. In the domestic market, in January the Group announced *SIGNS SHOT*, which reduces signs of facial tension. High-end items enjoyed particularly strong sales as an impending consumption tax rise fueled demand. Overseas markets grew steadily, as department store operations attracted more customers in the key Chinese market. As a result, POLA recorded net sales above those recorded in the corresponding period of the previous year.

ORBIS efforts are to improve a skincare-focused product strategy, reinforce online sales, and leverage new infrastructural systems to evolve customer communications while enhancing the efficiency of sales promotions. In the domestic market, *ORBIS=U*, a new skincare series that embodies the concept of OIL-FREE skincare, was launched in February as a key product strategy of brand rebuilding. Customer numbers and per-capita spending rose as the impending increase of consumption tax drove demand. In overseas markets, ORBIS has continued to work to increase brand awareness. As a result, ORBIS exceeded the net sales of the corresponding period of the previous year.

Meanwhile, due to strong sales of *THREE* and *decencia*, sales of brands under development were up from a year earlier, reflecting strong demand ahead of the consumption tax rise.

For overseas brands, the Group endeavored to maintain high expansion and contribute to revenues and earnings, focusing on Asia as a growth driver. The *Jurlique* business expanded, centered on the Chinese market, while *H2O PLUS* enjoyed favorable sales in the North American market. As a result of these factors, overseas brand sales increased year on year.

As a result of the factors noted above, net sales—sales to external customers—were ¥47,110 million, up 22.2% year on year, and operating income was ¥5,266 million, up 257.6% year on year.

Real Estate

The Real Estate segment concentrates on the leasing of office buildings in cities. Efforts are currently directed toward sustaining rent levels but leaning more toward raising rents and occupancy rates by creating attractive office environments. Another area of emphasis is the rental residential properties business. This business highlights new-model condominiums perfect for families with young children. During the first quarter of fiscal 2014, the Group continued to make efforts to sustain rent levels and attract tenants.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥762 million, up 6.0% year on year, and operating income reached ¥341 million, up 6.4% year on year.

Others

The Others segment comprises the pharmaceuticals and building maintenance businesses.

The pharmaceuticals business draws on results accumulated by Group companies in research related to cosmetics and quasi-pharmaceuticals to develop and sell new drugs. During the first quarter of fiscal 2014, due to the Group's continued sales activities specializing in the field of dermatology, the market expanded further for *Lulicon*, an antifungal agent for topical application, and sales were higher than a year earlier, another factor being demand fueled by the impending consumption tax hike.

The building maintenance business primarily caters to the needs of Group companies. In the first quarter of fiscal 2014, the Group engaged in sales activities to conclude contracts with new customers and secured advance orders ahead of the consumption tax increase, resulting in higher sales than a year earlier.

As a reflection of the above, net sales—sales to external customers—generated by the Others segment totaled ¥2,341 million, up 19.4% year on year, while operating loss amounted to ¥16 million (operating loss was ¥132 million in the corresponding period of the previous year).

**(2) Explanation of Consolidated Financial Position**

As of March 31, 2014, total assets stood at ¥220,279 million, up 1.0%, or ¥2,274 million, from December 31, 2013. Factors contributing to this increase included the following: increases of ¥2,505 million in notes and accounts receivable – trade, ¥984 million in merchandise and finished goods, ¥2,964 million in buildings and structures associated with the completion of the Takashimadai condominium building, ¥7,299 million in short-term investments in securities from the management of surplus funds, and ¥6,220 million in investments in securities. These were offset to some degree by decreases of ¥17,109 million in cash and deposits and ¥2,016 million in other under property, plant and equipment, primarily because of construction in progress account transfers.

Total liabilities amounted to ¥45,232 million, up 2.5%, or ¥1,114 million, from December 31, 2013. The key change was an increase of ¥1,675 million in notes and accounts payable – trade.

Net assets amounted to ¥175,047 million, up 0.7%, or ¥1,160 million, from December 31, 2013. Factors contributing to this increase included the following: net income of ¥2,470 million and an increase of ¥441 million in foreign currency translation adjustments as a result of exchange rate movements. These were partially offset by a decrease of ¥1,658 million in dividends from retained earnings.

**(3) Explanation of Consolidated Performance Forecast and Other Predictive Information**

In light of results for the first quarter of fiscal 2014 and current economic conditions, the Company has revised the prospective results impact of a demand downturn following a surge ahead of the consumption tax increase. For the first half of fiscal 2014, the Company thus altered its consolidated performance forecasts, as follows, for figures announced on February 13, 2014. The Company has retained its full-year forecasts, as it believes that the higher consumption tax will have a minimal impact throughout the year.

**Revisions to the Consolidated Performance Forecast for the First Half of Fiscal 2014**

	(Millions of yen, Except Net Income Per Share and Percent Change)				
	Six Months Ending June 30				
	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Previous Forecast (A)	¥94,600	¥6,900	¥7,100	¥3,450	62.40
<b>Current Forecast (B)</b>	<b>95,500</b>	<b>7,500</b>	<b>7,400</b>	<b>3,600</b>	<b>65.12</b>
Amount Change (B-A)	900	600	300	150	—
Percent Change (%)	1.0	8.7	4.2	4.3	—
Actual Result for First Half of Fiscal 2013	¥91,415	¥6,305	¥7,335	¥3,402	61.55

(Information for reference)

**Cumulative Results for Fiscal 2013**

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥41,238	¥91,415	¥137,346	¥191,355
Operating Income	1,601	6,305	9,809	16,017
Ordinary Income	2,144	7,335	10,852	17,836
Net Income	¥ 1,258	¥ 3,402	¥ 4,905	¥ 7,318

**Quarterly Operation Results for Fiscal 2013**

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥41,238	¥50,177	¥45,930	¥54,009
Operating Income	1,601	4,704	3,504	6,208
Ordinary Income	2,144	5,190	3,516	6,983
Net Income	¥ 1,258	¥ 2,144	¥ 1,502	¥ 2,413

**2. Summary Information (Notes)**

**(1) Changes in Significant Subsidiaries during the Current Period**

None



**3. Quarterly Consolidated Financial Statements****(1) Consolidated Balance Sheets**

(Millions of yen)

	FY2013 December 31, 2013	FY2014 First Quarter March 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	¥ 34,492	¥ 17,383
Notes and accounts receivable – trade	24,023	26,528
Short-term investments in securities	17,608	24,907
Merchandise and finished goods	12,099	13,084
Work in process	1,699	1,884
Raw materials and supplies	4,983	5,376
Other	7,779	8,538
Allowance for doubtful accounts	(150)	(155)
Total current assets	102,537	97,547
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,286	21,250
Land	22,380	22,330
Other, net	16,322	14,305
Total property, plant and equipment	56,989	57,886
Intangible assets		
Goodwill	15,856	15,890
Right of trademark	12,327	12,455
Other	9,842	9,881
Total intangible assets	38,025	38,227
Investments and other assets		
Investments in securities	14,122	20,343
Other	6,450	6,396
Allowance for doubtful accounts	(120)	(121)
Total investments and other assets	20,452	26,618
Total non-current assets	115,467	122,732
Total assets	¥218,005	¥220,279

(Millions of yen)

	FY2013 December 31, 2013	FY2014 First Quarter March 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	¥ 4,105	¥ 5,780
Short-term loans payable	1,034	1,501
Income taxes payable	3,568	3,070
Provision for bonuses	1,731	1,832
Other provision	2,731	2,151
Other	17,470	17,563
Total current liabilities	<u>30,640</u>	<u>31,899</u>
Non-current liabilities		
Long-term loans payable	1,000	1,000
Provision for retirement benefits	5,908	5,805
Other provision	67	67
Other	6,500	6,459
Total non-current liabilities	<u>13,477</u>	<u>13,332</u>
Total liabilities	<u>44,117</u>	<u>45,232</u>
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	90,718	90,718
Retained earnings	67,941	68,753
Treasury stock	(2,199)	(2,199)
Total shareholders' equity	<u>166,460</u>	<u>167,272</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	454	413
Foreign currency translation adjustments	6,335	6,777
Total accumulated other comprehensive income	<u>6,789</u>	<u>7,190</u>
Subscription rights to shares	90	103
Minority interests	546	480
Total net assets	<u>173,887</u>	<u>175,047</u>
Total liabilities and net assets	<u>¥218,005</u>	<u>¥220,279</u>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**  
Consolidated Statements of Income

(Millions of yen)

	Three Months Ended March 31	
	FY2013 (January 1, 2013– March 31, 2013)	FY2014 (January 1, 2014– March 31, 2014)
Net sales	¥41,238	¥50,213
Cost of sales	8,131	9,666
Gross profit	33,107	40,547
Selling, general and administrative expenses		
Sales commission	10,253	12,133
Promotion expenses	4,612	4,867
Advertising expenses	1,395	1,667
Salaries, allowances and bonuses	4,754	5,126
Provision for bonuses	1,053	1,122
Provision for point program	406	415
Other	9,030	9,759
Total selling, general and administrative expenses	31,505	35,093
Operating income	1,601	5,453
Non-operating income		
Interest income	109	90
Foreign exchange gains	390	–
Other	64	60
Total non-operating income	564	151
Non-operating expenses		
Interest expense	16	33
Foreign exchange losses	–	391
Other	5	19
Total non-operating expenses	21	444
Ordinary income	2,144	5,160
Extraordinary income		
Gain on sales of non-current assets	211	18
Other	1	0
Total extraordinary income	213	19
Extraordinary losses		
Loss on disposal of non-current assets	50	14
Loss on business liquidation	1,001	–
Business structure improvement expenses	–	34
Other	1	14
Total extraordinary losses	1,053	63
Income before income taxes	1,304	5,116
Income taxes – current	1,008	3,060
Income taxes – deferred	(966)	(364)
Total income taxes	42	2,696
Income before minority interests	1,262	2,419
Minority interests in net income (loss) of consolidated subsidiaries	3	(50)
Net income	¥ 1,258	¥ 2,470

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three Months Ended March 31	
	FY2013 (January 1, 2013– March 31, 2013)	FY2014 (January 1, 2014– March 31, 2014)
Income before minority interests	¥1,262	¥2,419
Other comprehensive income		
Valuation difference on available-for-sale securities	266	(40)
Foreign currency translation adjustments	3,374	444
Share of other comprehensive income of associates accounted for using equity method	1	1
Total other comprehensive income	3,642	405
Quarterly comprehensive income	4,904	2,825
Comprehensive income attributable to owners of the parent	4,893	2,871
Comprehensive income attributable to minority interests	¥ 11	¥ (46)

**(3) Notes to Consolidated Financial Statements  
(Going Concern Assumptions)**

Not applicable for the first quarter of fiscal 2014 (January 1, 2014–March 31, 2014)

**(Significant Changes in Shareholders' Equity)**

None

**(Segment Information)**

I. First Quarter of Fiscal 2013 (January 1, 2013–March 31, 2013)

1. Information about Net Sales and Profit (Loss) by Reportable Segment

							(Millions of yen)	
	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Statements of Income (Note 3)	
	Beauty Care	Real Estate	Subtotal					
Net Sales								
Sales to External Customers	¥38,559	¥719	¥39,278	¥1,960	¥41,238	–	¥41,238	
Intersegment Sales or Transfers	18	167	186	617	803	¥(803)	–	
Total	38,578	886	39,464	2,577	42,042	(803)	41,238	
Segment Income (Loss)	¥ 1,472	¥321	¥ 1,794	¥ (132)	¥ 1,661	¥ (60)	¥ 1,601	

- Notes:
1. "Others" comprises business operations that are not categorized as reportable segments and include the pharmaceuticals and building maintenance.
  2. The segment income reconciliation of ¥(60) million includes intersegment transaction eliminations of ¥504 million minus corporate expenses of ¥564 million, not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.
  3. Segment income is adjusted for operating income reported in the quarterly consolidated statements of income.

2. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment  
(Significant Impairment Loss of Non-current Assets)

None

(Significant Changes in Goodwill)

None

## II. First Quarter of Fiscal 2014 (January 1, 2014–March 31, 2014)

## 1. Information about Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Statements of Income (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥47,110	¥762	¥47,872	¥2,341	¥50,213	–	¥50,213
Intersegment Sales or Transfers	19	150	169	743	913	¥(913)	–
Total	47,129	912	48,041	3,084	51,126	(913)	50,213
Segment Income (Loss)	¥ 5,266	¥341	¥ 5,608	¥ (16)	¥ 5,592	¥(138)	¥ 5,453

- Notes:
1. “Others” comprises business operations that are not categorized as reportable segments and include the pharmaceuticals and building maintenance.
  2. The segment income reconciliation of ¥(138) million includes intersegment transaction eliminations of ¥446 million minus corporate expenses of ¥584 million, not allocated to each segment. Corporate expenses are primarily the Company’s administrative expenses not allocated to reportable segments.
  3. Segment income is adjusted for operating income reported in the quarterly consolidated statements of income.

2. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment  
(The Significant Impairment Loss of Non-current Assets)

None

## (Significant Changes in Goodwill)

None