

Conference Presentation for Financial Results of Fiscal 2012 First Half

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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.

1. Highlights of Consolidated Performance
2. Segment Analysis and Progress of Key Strategies
3. Forecasts for Fiscal 2012
4. Initiatives for the Second Half Onward

Consolidated net sales were roughly in line with Company forecasts. Operating income grew, as sharp year-on-year growth in existing businesses offset an operating loss of ¥966 million at Jurlique.

First Half Consolidated

Net sales: ¥86,407 million (+9.5%)
Operating income: ¥5,652 million (+2.1%)

(year-on-year basis)

Existing Business

Net sales: ¥82,675 million (+4.7%); Operating income: ¥6,618 million (+19.6%)

- Sales growth with sharp rise in profits at both POLA and ORBIS
- Strong performance by brands under development, continuation of double-digit sales growth

Jurlique

Net sales: ¥3,732 million ; Operating loss: 966million

- Sales and operating income both roughly in line with Company forecasts
- First half acquisition-related costs: ¥1,009 million
 - ⇒ Inventory valuation differences (cost): 733 million
 - Depreciation and amortization of non-current assets and good will (SG&A): 275million

Difference between Second Quarter Performance and Company Forecasts

(Millions of yen)	FY2012 1H Results	year-on-year	Change from Forecast on May 1	Factors
Consolidated net sales	86,407	+7,470 (+9.5%)	+7 (+0.0%)	<ul style="list-style-type: none"> Consolidated net sales roughly in line with Company forecasts
Operating income	5,652	+118 (+2.1%)	+952 (+20.3%)	<p>【Cost】</p> <ul style="list-style-type: none"> Although the cost of sales ratio rose due to consolidation of overseas brands, it was approximately in line with Company forecasts, due to an improved cost of sales ratio for flagship brands <p>【SG&A】</p> <ul style="list-style-type: none"> POLA: cost efficiency; time lag in implementation ORBIS: Cost efficiency improving at a faster pace than Company forecasts
Ordinary income	6,008	+46 (+0.8%)	+1,108 (+22.6%)	<ul style="list-style-type: none"> Boost from higher operating income and effected by foreign exchange
Net income	2,785	-204 (-6.8%)	+785 (+39.3%)	<ul style="list-style-type: none"> Ordinary income up due to growth in operating income Reversal of provision for directors' retirement benefits due to introduction of stock option program

Highlights of Consolidated Performance

[P&L Summary]

(Millions of yen)	FY2011	FY2012	YoY		Compared with May 1 revised forecasts	
	1H Results	1H Results	Amount	%	Amount	%
Net sales	78,937	86,407	7,470	9.5%	7	0.0%
Cost of sales	15,204	17,744	2,540	16.7%	-55	-0.3%
Gross profit	63,733	68,662	4,929	7.7%	62	0.1%
Selling, general and administrative expenses	58,199	63,010	4,811	8.3%	-889	-1.4%
Operating income	5,534	5,652	118	2.1%	952	20.3%
Ordinary income	5,962	6,008	46	0.8%	1,108	22.6%
Income before income taxes	4,353	6,030	1,677	38.5%	1,230	25.6%
Net income	2,989	2,785	-204	-6.8%	785	39.3%

Effect of Jurlique

Up 3,732 million

Up 1,479 million including ¥733 million in inventory valuation differences accompanying acquisition of Jurlique

Up 3,218 million including amortization of goodwill and other items

Down 966 million

Summary of Consolidated results

Consolidated net sales ⇒ Steady performance centering on flagship brands.

Sharp profit growth supported by addition of overseas brands

Operating income ⇒ Slight increase in profits due to recording depreciation and amortization costs relating to Jurlique's acquisition

Net income ⇒ Profits fell as higher tax costs offset a large reduction in extraordinary losses from the previous period

Analysis of Consolidated P&L Changes

Net Sales to Operating Income

(Millions of yen)	FY2011	FY2012	YoY		Compared with May 1 revised forecasts	
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Consolidated net sales

- POLA ⇒ up ¥1,619 mil.
 - ORBIS ⇒ up ¥256 mil.
 - Jurlique ⇒ up ¥3,732 mil.
 - H2O PLUS ⇒ up ¥1,331 mil.
- (year-on-year basis)

Cost of sales

- Cost of sales ratio: 1H FY2011: 19.26% ⇒ 1H FY2012: 20.54%
- Factor lowering the ratio: Improvements in cost of sales ratio centering on flagship brands
- Factors raising the ratio: Impact of newly consolidating H2O PLUS and Jurlique, as well as inventory valuation differences of ¥733 million

SG&A

- Personal expense ⇒ up ¥1,307 mil.
 - Sales-related expenses ⇒ up ¥879 mil. (Overseas brands: up ¥4,429 mil.)
 - Administrative expenses ⇒ up ¥1,987 mil.
 - Sales Commissions ⇒ up ¥637 mil.
- (year-on-year basis)

Operating income

- up ¥118 mil. (up ¥367 mil. in the Beauty Care segment)
- (year-on-year basis)

Analysis of Consolidated P&L Changes Operating Income to Net Income

(Millions of yen)	FY2011	FY2012	YoY		Compared with May 1 revised forecasts	
	1H Results	1H Results	Amount	%	Amount	%
Operating income	5,534	5,652	118	2.1%	952	20.3%
Non-operating income	511	431	-80	-15.7%	181	72.5%
Non-operating expenses	83	75	-8	-9.8%	25	51.0%
Ordinary income	5,962	6,008	46	0.8%	1,108	22.6%
Extraordinary income	2	121	119	5,767.2%	121	—
Extraordinary losses	1,610	99	-1,511	-93.8%	0	-0.6%
Income before income taxes	4,353	6,030	1,677	38.5%	1,230	25.6%
Income taxes	1,366	3,254	1,888	138.2%	454	16.2%
Minority interests in net loss of consolidated subsidiaries	-3	-9	-6	—	-9	—
Net income	2,989	2,785	-204	-6.8%	785	39.3%

Non-operating income/expenses

- Drop in interest income due to decrease in investment of funds: -¥5 mil
- Decline in profits reflecting lower foreign exchange gains: ¥-43 mil

(year-on-year basis)

Extraordinary income/losses

- Reversal of provisions for directors' retirement benefits: 119 mil.
- Loss on disaster: -¥428 mil. (amount recorded in FY2011)
- Asset retirement obligations: -¥954 mil. (amount recorded in FY2011)

(year-on-year basis)

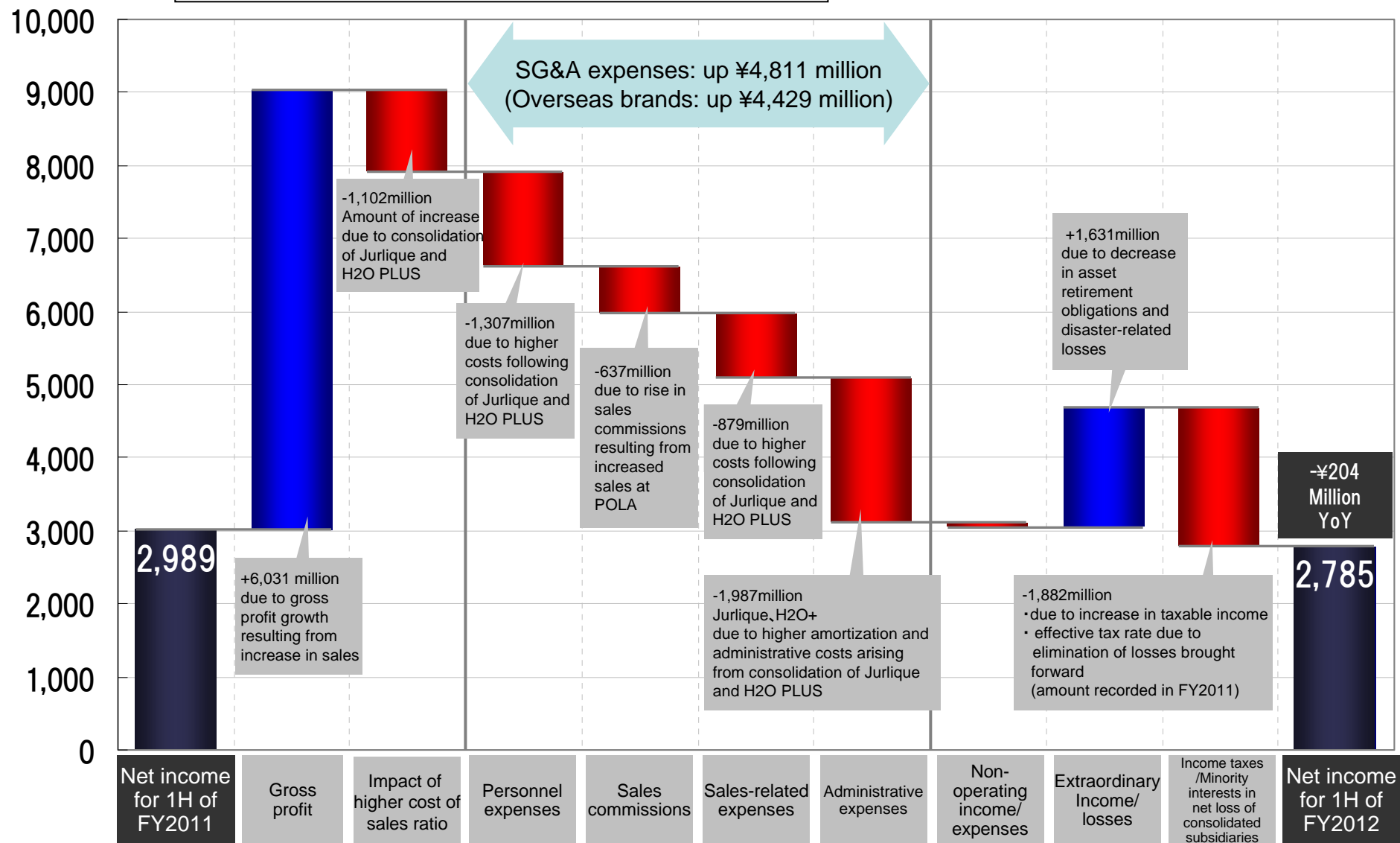
Income taxes

- Increase in income taxes due to higher taxable income: +¥1,171 mil.
- Change in effective tax rate due to elimination of losses brought forward : +¥710 mil. (amount recorded in FY2011)

(year-on-year basis)

Factors Impacting Net Income

(Millions of yen)



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Operating Results by Segment

(Millions of yen)	FY2011	FY2012	YoY		Compared with May 1 revised forecasts	
	1H Results	1H Results	Amount	%	Amount	%
Consolidated net sales	78,937	86,407	7,470	9.5%	7	0.0%
Beauty Care	73,271	80,691	7,420	10.1%	-308	-0.4%
Real Estate	1,552	1,444	-108	-7.0%	44	3.1%
Others	4,113	4,271	158	3.9%	271	6.8%
Operating income	5,534	5,652	118	2.1%	952	20.3%
Beauty Care	4,520	4,887	367	8.1%	687	16.4%
Real Estate	659	627	-32	-4.9%	127	25.5%
Others	144	-12	-156	—	87	—
Reconciliations	209	149	-59	-28.7%	49	49.3%

Beauty Care Segment Operating Results, by Product Type

(Millions of yen)	FY2011	FY2012	YoY	
	1H Results	1H Results	Amount	%
Net sales	73,271	80,691	7,420	10.1%
Cosmetics	67,500	74,645	7,145	10.6%
Fashion	5,771	6,046	275	4.8%
Operating income	4,520	4,887	367	8.1%
Cosmetics	4,936	5,028	91	1.9%
Fashion	-416	-140	275	—

◆ Cosmetics ⇒ Steady performances of flagship brands and brands under development.

Sharp sales growth, owing to contribution of overseas brands.

Slight increase in operating income, partly due to costs relating to acquisition of overseas brands.

◆ Fashion ⇒ Sales events held as planned this period, contrasting with the previous year when the earthquake led to the cancellation of some events and caused other issues. Improvement in operating income reflecting sales growth.

• Figures are based on the same calculation methods used for the same period of the previous year for reference purposes only (unaudited)

Beauty Care Segment Operating Results, by Brand

(Millions of yen)	FY2011	FY2012	YoY		FY2010
	1H Results	1H Results	Amount	%	1H Results
					%
Net sales	73,271	80,691	7,420	10.1%	8.9%
POLA	46,449	48,069	1,619	3.5%	3.1%
ORBIS	23,398	23,655	256	1.1%	-2.1%
Brands under development	3,423	3,903	480	14.0%	19.3%
Overseas brands (Jurlique and H2O+)	—	5,063	5,063		
Operating income	4,520	4,887	367	8.1%	9.2%
POLA	2,504	3,293	788	31.5%	46.1%
ORBIS	2,900	3,825	925	31.9%	22.8%
Brands under development	-885	-753	131	—	—
Overseas brands (Jurlique and H2O+)	—	-1,477	-1,477		

- ◆ POLA ⇒ Ensured sales growth through revitalization of the sales organization and launches of major new products (*WHITE SHOT, B.A SUMMER*) Achieved sharp increase in profits due to streamlining sales-related expenses and revising schedules for implementation
- ◆ ORBIS ⇒ Accelerating efforts to rebuild the ORBIS brand. Steady progress with initiatives to improve profitability
- ◆ Brands under development ⇒ Double-digit overall growth continuing on from the first quarter. THREE maintaining roughly 50% year-on-year growth
- ◆ Overseas brands ⇒ Jurlique performing roughly in line with Company forecasts. H2O PLUS changed Chinese agents from February. Operating income factors including ¥1,009 million costs relating to Jurlique's acquisition

Note: Consolidated operating income and losses are shown for each brand, for reference purpose only (unaudited).

Real Estate/Others Segment Results

(Millions of yen)	FY2011 1H Results	FY2012 1H Results	YoY	
			Amount	%
Real Estate segment net sales	1,552	1,444	-108	-7.0%
Operating income	659	627	-32	-4.9%

◆ Although sales and profits fell due to vacancies at multi-tenant buildings, sales and operating income exceeded their corresponding Company forecasts by ¥44 million and ¥127 million, respectively.

(Millions of yen)	FY2011 1H Results	FY2012 1H Results	YoY Change	
			Amount	%
Others segment net sales	4,113	4,271	158	3.9%
Operating income	144	-12	-156	—

- ◆ Pharmaceuticals ⇒ Firm sales due to increase in medical institutions using mainstay product *Lulicon*
- ◆ Building maintenance ⇒ Strong performance reflecting new orders received for building maintenance, repairs/renovation and outsourcing work

Note: The commercial printing business was excluded from the scope of consolidation from 3Q of FY2011.

(FY2011 1H results: Net sales: approx. ¥230 mil.; Operating income: approx. ¥200 mil.)

1 - Generate stable profits with flagship brands

POLA

Door-to-door sales	Products	<ul style="list-style-type: none"> ◆ Launch of <i>WHITE SHOT CX</i> in February ◆ Launch of <i>B.A THE MAKE SUMMER</i> in March ◆ Launch of <i>B.A SUMMER</i> (skincare cosmetics) in April
	Sales channels	<ul style="list-style-type: none"> ◆ Number of POLA THE BEAUTY(PB) stores rose by 17 to 550 (+ 4 target) ◆ PB store 1H sales: +11.3% Note: Reference: Esthe Inn +3.6%; Conventional door-to-door sales: -8.2% ◆ PB existing store 1H sales: +9.9% ◆ Sales offices (including PB stores): +29 offices (year-on-year basis)
	Customers	<ul style="list-style-type: none"> ◆ Amount spent per customer: -3.0% (year-on-year basis) ◆ Number of customers: +7.4% (new customers: +15.9%)
Non-door-to-door sales	Department stores	<ul style="list-style-type: none"> ◆ Number of outlets: outlets at 33 stores, up by 2 from a year earlier ◆ Double-digit growth reflecting robust sales of the <i>B.A</i> series
	Business use	<ul style="list-style-type: none"> ◆ Double-digit growth driven by increase in new customers



WHITE SHOT CX,
Launched in February



B.A / B.A RED SUMMER
(skincare cosmetics)
launched in April

1 - Generate stable profits with flagship brands

ORBIS

Products	<ul style="list-style-type: none"> ◆ Limited edition launch of <i>AQUA FORCE SHEET MASK</i> in March ◆ Launch of <i>AQUA PEELING GEL</i> in April
Sales channels	<ul style="list-style-type: none"> ◆ Online order ratio: 3.1 pt ◆ Mail-order catalog costs: -¥180 million (year-on-year basis)
Customers	<ul style="list-style-type: none"> ◆ Amount spent per customer: Mail-order sales: +11.4%; Store sales: +0.1% ◆ Mail-order skincare purchaser ratio: +5.1 pt ◆ Mail-order sales ratio for skincare products out of new customer sales: +3.9 pt ◆ Mail-order repeat customer ratio: +0.5 pt (year-on-year basis)
service	<ul style="list-style-type: none"> ◆ Ranked third in the 2011 Japan Customer Satisfaction Index (JCSI) survey *Ranked highest in the mail-order sales category ◆ ORBIS West Japan Distribution Center opened (Nishinomiya, Hyogo Prefecture)



AQUA FORCE SHEET MASK,
Launched in March



ORBIS West Japan
Distribution Center
Picking Line

2 – Accelerate growth of brands under development

T H R E E

- ◆ First-half sales up roughly 50% year on year
- ◆ Number of outlets: total of 15, up by one from a year earlier
- ◆ New format for department store business, opening outlets within duty-free stores



THREE AC line, launched in May

3 – Develop presence overseas by capitalizing on the Group's strengths

Overseas brands

- ◆ Jurlique ⇒ Number of outlets in department stores in China: 12 more outlets than the previous year
- ◆ H2O PLUS ⇒ Revamp of corporate identity, change of Chinese agent
Stronger ties to agents in each country
(held global distributor conference in February)



Jurlique
Rose Moisture Plus Collection

Existing brands

- ◆ POLA ⇒ Completion of all procedures for obtaining direct sales license in China (approval pending)
Start of personnel training prior to launch of operations
- ◆ ORBIS ⇒ Start of efforts to rebuild the ORBIS brand overseas



POLA door-to-door sales in China
Training of store-manager candidates

4 – Reinforce R&D capabilities

**POLA
CHEMICAL
INDUSTRIES**

- ◆ Creating product development synergies in two overseas brands

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Assumptions of Revisions to Forecasts for FY2012

(Millions of yen)	Current full-year forecast	year-on-year	Change from Forecast on May 1	Factors
Consolidated net sales	182,000	+15,342 (+9.2%)	±0 (+0.0%)	—
Operating income	14,200	+1,346 (+10.5%)	+400 (+2.9%)	<ul style="list-style-type: none"> + Difference with Company forecast for first-half operating income: ¥952 million — Delay in implementing first-half spending plan — Considering strategic investment overseas, depending on the situation
Ordinary income	14,700	+1,377 (+10.3%)	+400 (+2.8%)	<ul style="list-style-type: none"> • Growth in operating income
Net income	7,200	-839 (-10.4%)	+200 (+2.9%)	<ul style="list-style-type: none"> • Increase in income before taxes due to rise in operating income

Revised Forecasts for Fiscal 2012

Raising full-year operating income forecast by ¥400 million to ¥14,200 million.
Aiming for operating income growth of 10% or more,
in line with the fundamental policy of the Medium-term Management Plan

(Millions of yen)	FY2012 full-year Revision plan	May 1 revised forecasts			FY2011		
		Plan	Amount	%	Results	Amount	%
Consolidated net sales	182,000	182,000	0	0.0%	166,657	15,342	9.2%
Beauty Care	170,200	170,200	0	0.0%	154,778	15,421	10.0%
Real Estate	2,900	2,900	0	0.0%	3,089	-189	-6.1%
Others	8,900	8,900	0	0.0%	8,790	109	1.2%
Operating income	14,200	13,800	400	2.9%	12,853	1,346	10.5%
Beauty Care	12,500	12,100	400	3.3%	10,787	1,712	15.9%
Real Estate	1,100	1,100	0	0.0%	1,283	-183	-14.3%
Others	300	300	0	0.0%	501	-201	-40.2%
Reconciliations	300	300	0	0.0%	280	19	7.1%
Ordinary income	14,700	14,300	400	2.8%	13,322	1,377	10.3%
Net income	7,200	7,000	200	2.9%	8,039	-839	-10.4%

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POLA

Continue to strengthen the sales organization

- ◆ Accelerate creation of new sales offices (increase overall number)
- ◆ Ensure stable growth of POLA THE BEAUTY
 - ⇒ Accomplish plan to open 30 new stores in 2012
 - ⇒ Achieve growth at existing stores by increasing new customers and POLA LADIES



Esthe Inn



POLA THE BEAUTY

Develop products and promotions centering on the B.A series

- ◆ Launch new products for autumn and winter
- ◆ Re-promote existing products



B.A The Eye Cream,
to be launched in October,
¥21,000



B.A The Precious Synergy Esthe Set,
to be launched in September
(limited-quantity is available), ¥9,450

Develop new business models

- ◆ Introduction of the second Moving Salon in July



Moving Salon (exterior)



Moving Salon (interior)

ORBIS



— New brand statement —

「オイルフリー派ダ」宣言

“Oil-free ha-da” (oil-free brand) declaration

1. Reorganize skincare business

- ⇒ Develop new expertise in OIL CUT (oil-free) product
- ⇒ Reinforce lineup of anti-aging products
(Strengthen products for customers in 30s and 40s)

2. Revamp sales channels and customer communication

- ⇒ Partially reorganize ORBIS THE NET (October)
- ⇒ Increase Internet order ratio and reduce media costs
- ⇒ Promote two-way communication

Reinforce earnings structure

- ◆ Increase customer loyalty
- ◆ Raise repeat-customer ratio and amount spent per customer
- ◆ Reduce sales-related expenses
- ◆ Restrain across-the-board discounts

3. Further improve the quality of services

- ⇒ Establish distribution centers in East and West Japan
- ⇒ Offer nationwide next-day delivery service
(same-day delivery in key Kanto and Kansai cities)

4. Internal branding

- ⇒ Transforming employee awareness and behavior
- ⇒ Developing an organizational culture that seeks new challenges

Focusing on profits by reinforcing earnings structure to contribute to the consolidated performance in the medium term

Initiatives for the Second Half Onward (3)

Accelerate growth of the portfolio of brands under development

T H R E E

- ◆ Adopt an approach focused on overseas expansion
- ◆ Enter the spa business (in Japan)



Spa
(computer-generated image)

Accelerate development of the Group's presence overseas

Jurlique

- ◆ China ⇒ Accelerate store openings, especially in department stores
- ◆ Hong Kong ⇒ Strengthen products and promotions for the Christmas shopping season
- ◆ DFS ⇒ Continue negotiating store openings in Asia and Europe
- ◆ Japan ⇒ Revise product and store-opening strategy as a key country



Jurlique stores in China

h2o+

- ◆ Plan to launch products in autumn 2012 developed by POLA CHEMICAL INDUSTRIES
- ◆ Promote new brand image through a revamp of the corporate identity



H2O PLUS
Total Source Night Cream

POLA

- ◆ Prepare to launch door-to-door sales business in China
 - ⇒ Secure properties to open stores (to form a service network)
 - ⇒ Train candidates for store-manager and sales staff

ORBIS

- ◆ Rebuild the ORBIS brand overseas

Overseas sales ratio: FY2011 3% ⇒ FY2012 9% (Plan)

Progress toward goals of 2011–2013 Medium-term Management Plan

Generate stable profits with flagship brands and invest funds to implement growth strategy



Management Indicators

• CAGR: Compound annual growth rate

- ◆ Consolidated net sales ⇒ CAGR* of 2–3%
- ◆ Operating income ⇒ CAGR of 10% or higher
- ◆ Operating margin ⇒ 9% (10% in Japan) in 2013

	FY2011 (Result)	year-on-year	FY2012 (Plan)	year-on-year	2011~2012 CAGR
Consolidated net sales	166,657 million	+0.8%	182,000 million	+9.2%	4.9%
Operating income	12,853 million	+4.8%	14,200 million	+10.5%	7.6%
Operating margin	7.7%	+0.3pt	7.8%	+0.1pt	—

Corporate Philosophy

“Inspire all people and touch their hearts”

Management Indicators

Net sales: ¥250.0 billion or more
 Overseas sales ratio: 20% or more
 Operating margin: Top level in the industry (13–15%)

Scale

