Summary of Financial Results

For the First Half of the Fiscal Year Ending December 31, 2011 (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.

July 29, 2011

POLA ORBIS HOLDINGS INC.

Listing:	Tokyo Stock Exchange, First Section (Code No. 4927)
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Filing Date of Quarterly Securities Report:	August 12, 2011
Start of Cash Dividend Payment:	September 12, 2011
Supplemental Materials Prepared for Quarterly Financial Results:	Yes
Conference Presentation for Quarterly Financial Results:	Yes (For Analysts)

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the First Half of Fiscal 2011 (January 1, 2011 – June 30, 2011)

(1) Consolidated Operating Results (Six Months Ended June 30)

(Percentage figures show year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Half Fiscal 2011	78,937	(1.1)	5,534	3.1	5,962	15.0	2,989	50.6
First Half Fiscal 2010	79,838	1.8	5,369	16.7	5,184	1.2	1,984	(13.5)

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
First Half Fiscal 2011	54.08	—
First Half Fiscal 2010	38.70	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
Second Quarter Fiscal 2011	189,410	153,561	81.0	2,775.83
Fiscal 2010	187,771	153,104	81.5	2,767.55

Reference: Equity capital: Second Quarter of Fiscal 2011: ¥153,459 million Fiscal 2010: ¥153,001 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2010	—	0.00	—	40.00	40.00
Fiscal 2011	—	20.00			
Fiscal 2011 (Forecast)			—	25.00	45.00

Note: Revisions to the cash dividends forecast in the quarter under review: None

3. Consolidated Performance Forecast for the Fiscal Year Ending December 31, 2011

(January 1, 2011 – December 31, 2011)

(Percentage figures show 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
Fiscal 2011	162,000	(2.0)	11,100	(9.5)	11,600	(5.3)	7,300	3.0	132.05

Note: Revisions to the consolidated performance forecast in the quarter under review: None

4. Other Information (For more details, see “2. Other Information” on page 6.)

(1) Changes in significant subsidiaries during the current quarter : None

(2) Adoption of simplified accounting procedures and specific accounting procedures : Yes
Note: This item indicates whether simplified accounting procedures and specific accounting procedures have been adopted in preparing quarterly consolidated financial statements.

(3) Changes in accounting policies, procedures, and presentation methods
1) Changes associated with revision of accounting standards : Yes
2) Changes other than (3)-1) : None
Note: This item indicates whether there were changes in accounting policies, procedures, and presentation methods for the preparation of quarterly consolidated financial statements stated in “Changes to the Basis for the Preparation of Quarterly Consolidated Financial Statements.”

(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 June 30, 2011 57,284,039 shares
At December 31, 2010 57,284,039 shares
2) Number of shares of treasury stock at the end of each period
At June 30, 2011 2,000,000 shares
At December 31, 2010 2,000,000 shares
3) Average number of shares issued and outstanding in each period
Six months ended June 30, 2011 55,284,039 shares
Six months ended June 30, 2010 51,284,039 shares

Information Regarding the 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 Projections 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, see “1, Qualitative Information on Consolidated Performance for the First Half of Fiscal 2011 - (3) Qualitative Information on Consolidated Performance Forecast” on page 6.

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1. Qualitative Information on Consolidated Performance for the First Half of Fiscal 2011

(1) Qualitative Information on Consolidated Operating Results

The first half—January 1, 2011 through June 30, 2011—of fiscal 2011, ending December 31, 2011, closed on a positive note as the domestic economy began moving toward recovery again. Despite lingering economic challenges in the wake of the Great East Japan Earthquake, consumers appeared to be more in a purchasing frame of mind and production activities got back on track with the restoration of supply chains.

The core business of the POLA ORBIS Group (the "Group") is cosmetics, and conditions in the cosmetics industry seem to be mirroring those that characterize the economy overall. The downturn in consumer spending that followed the earthquake and tsunami seems to be bottoming out, and demand trends should resume a slow but definitely upward path. In addition, for cosmetics companies with an overseas presence, steady demand for products in Asia, especially China, will likely sustain aggressive expansion activity in this region.

Navigating this market environment with a three-year management plan just launched this fiscal year, the Group endeavored to accurately identify changes on the business horizon, improve the profitability of domestic flagship brands and raise the profile of brands under development. The Group also made deeper inroads overseas, highlighted by the May 2011 signing of an agreement to bring U.S. cosmetics company H2O PLUS HOLDINGS, LLC under the Group umbrella. The impact of this acquisition on consolidated results will likely show up in the third quarter.

Given the market conditions and corporate responses described above, the Group achieved the following consolidated results for the first half of fiscal 2011.

Operating Results Overview (Millions of yen)

	Six Months Ended June 30			
			Year-on-Year	
	2010	**2011**	Amount Change	Percent Change
Net Sales	¥79,838	**¥78,937**	¥(900)	(1.1)%
Operating Income	5,369	**5,534**	164	3.1%
Ordinary Income	5,184	**5,962**	777	15.0%
Net Income	¥ 1,984	**¥ 2,989**	¥1,005	50.6%

Operating Results by Segment

Net Sales (Segment Sales to External Customers) (Millions of yen)

	Six Months Ended June 30			
	2010	**2011**	Year-on-Year Amount Change	Year-on-Year Percent Change
Beauty Care	¥74,065	**¥73,271**	¥(793)	(1.1)%
Real Estate	1,547	**1,552**	5	0.3%
Others	4,225	**4,113**	(112)	(2.7)%
Total	¥79,838	**¥78,937**	¥(900)	(1.1)%

Segment Income (Loss) (Operating Income [Loss]) (Millions of yen)

	Six Months Ended June 30			
	2010	**2011**	Year-on-Year Amount Change	Year-on-Year Percent Change
Beauty Care	¥4,477	**¥4,520**	¥ 42	0.9%
Real Estate	535	**659**	124	23.2%
Others	(71)	**144**	216	—
Reconciliations	428	**209**	(218)	(51.1)%
Total	¥5,369	**¥5,534**	¥164	3.1%

Effective from the first quarter of fiscal 2011, the Group adopted the management approach described in "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and has divided the Group's businesses into two reportable segments: "Beauty Care" and "Real Estate." Consequently, previously disclosed segments "Cosmetics Business" and "Fashion Business" are now included under "Beauty Care," and "Pharmaceuticals Business" and "Other Business" are included under "Others."

Actual business results for the first half of fiscal 2010 have been stated according to current reportable segment classifications.

Beauty Care

The beauty care segment hinges on flagship brands POLA and ORBIS and five brands under development—***pdc***, ***Future Labo***, ***Orlane Japon***, ***decencia*** and ***THREE***.

In the POLA-brand cosmetics business, efforts were focused on creating sales channels matched to market needs through the development of department store outlets and customer-attracting POLA THE BEAUTY stores, which integrate cosmetics, counseling and esthetic treatments. Efforts were also directed toward boosting customer satisfaction through measures to enhance the sales techniques and counseling skills of store staff. Although sales of POLA-brand cosmetics were adversely impacted by marketing challenges caused by the earthquake and tsunami, especially in eastern Japan, domestic sales came in at roughly the same level as in the corresponding period a year ago, mainly because of favorable results in western Japan and the successful April introduction of new products in the series ***B.A***. Meanwhile, robust demand for ***B.A*** in Thailand and brisk sales at department stores in China underpinned a huge year-on-year improvement in overseas sales.

In the POLA-brand fashion business, sales of new lifestyle and healthcare products were good but not high enough to offset sluggish results paralleling a decrease in the number of sales fairs held, a consequence of issues associated with the earthquake and tsunami. In the end, sales of POLA-brand fashion products settled below the level achieved in the first half of fiscal 2010.

In the ORBIS-brand cosmetics business, the main goal was to achieve a higher ratio of repeat business and improve profitability by revamping product menus and strengthening online sales. Consumer interest in skincare products was steady, with a significant contribution from the mainstay ***AQUA FORCE*** series, which was relaunched in March 2011. Unfortunately, sales opportunities were hindered by disaster-related obstacles, which invariably led to a drop in the number of customer visits to stores in the disaster zone and in the Tokyo metropolitan area. As a result, domestic sales fell year-on-year. Overseas, however, sales grew, despite some initial reluctance to buy exports from Japan immediately after the disaster due to rumored radioactive contamination from the accident at the Fukushima Daiichi nuclear plant. Newly opened stores in China delivered particularly good results, which lifted sales of ORBIS-brand cosmetics higher year-on-year.

In the ORBIS-brand fashion business, ladies' functional undergarments, which debuted in April 2011, posted brisk sales and underpinned a year-on-year improvement in sales in this business category.

Brands under development posted higher sales than in the corresponding period a year ago, mainly due to solid interest in products under the ***THREE*** and ***pdc*** labels.

All told, net sales—sales to external customers—by the beauty care segment in the first half of fiscal 2011 reached ¥73,271 million, slipping 1.1% from the corresponding period in fiscal 2010. Nevertheless, operating income edged up 0.9% year-on-year, to ¥4,520 million.

Real Estate

The real estate segment concentrates on the leasing of office buildings in major cities. Efforts are currently directed toward at least sustaining rents but leaning more toward higher rents and raising occupancy rates by creating attractive office environments. Another area of emphasis is the rental residential properties business, which the segment got involved in just last fiscal year. This business spotlights new-model condominiums perfect for families with young children. The segment experienced a slowdown in contracts for office expansion and relocation and fielded an increase in requests for reduced rents, due to issues associated with the Great East Japan Earthquake, but managed to show a year-on-year increase in sales for the first half of fiscal 2011, thanks to persistent marketing efforts aimed at protecting rent levels.

As a result, net sales—sales to external customers—by the real estate segment in the first half of fiscal 2011 inched up 0.3%, to ¥1,552 million, and operating income climbed 23.2%, to ¥659 million.

Others

Other businesses are pharmaceuticals, building maintenance and commercial printing.

The pharmaceuticals business draws on results accumulated by Group companies in research related to cosmetics and quasi-pharmaceuticals to develop and sell new drugs for dermatological conditions. So far, two products—***Lulicon***, an antifungal agent for topical application, and ***DIVIGEL***, a treatment for menopausal symptoms—have successfully been brought to market. In addition, existing ethical pharmaceuticals, such as the laxative ***Alosenn***, have been supplied to medical institutions, including universities, hospitals and private practices throughout Japan. Sales of generic drugs were favorable during the first half of fiscal 2011 and exceeded the level posted in the corresponding period a year ago, despite the impact of a knee-jerk increase in demand back in the first half of fiscal 2010 to deal with revisions to the official price list for medicines in Japan.

The building maintenance and commercial printing businesses cater primarily to the needs of Group companies. During the first half of fiscal 2011, these businesses focused on expanding respective external order composition and directed efforts toward reinforcing respective marketing activities to secure contracts from new customers. Unfortunately, orders declined due to issues that track back to the earthquake and tsunami, leading to year-on-year decreases for both businesses.

Consequently, net sales—sales to external customers—by other businesses in the first half of fiscal 2011 slipped 2.7%, to ¥4,113 million. On a brighter note, other businesses collectively returned to the black, with operating income of ¥144 million, for the first half of fiscal 2011, after falling into the red, with an operating loss of ¥71 million, in the corresponding period a year ago.

(2) Qualitative Information on Consolidated Financial Position

As of June 30, 2011, total assets stood at ¥189,410 million, up 0.9%, or ¥1,638 million, from December 31, 2010, the end of the previous fiscal year. Key increases were ¥3,306 million in short-term investments in securities following the purchase of bond securities and cash trusts, ¥967 million in other current assets due to the booking of short-term deferred tax assets, and ¥726 million in merchandise and finished goods. Key decreases were ¥2,274 million in cash and deposits and ¥1,153 million in notes and accounts receivable - trade.

On June 30, 2011, total liabilities amounted to ¥35,849 million, up 3.4%, or ¥1,181 million, from December 31, 2010. Key increases were ¥1,154 million in income taxes payable and ¥1,335 million in non-current liabilities due to the booking of asset retirement obligations associated with implementation of Accounting Standard for Asset Retirement Obligations. Key decreases were ¥686 million in provision for bonuses and ¥253 million in short-term loans payable due to repayment of bank borrowings extended to overseas subsidiaries.

Total net assets settled at ¥153,561 million, up 0.3%, or ¥456 million, from December 31, 2010. The key increase came from quarterly net income of ¥2,989 million, and the key decrease came from the application of ¥2,211 million to distribute cash dividends.

Consolidated Cash Flows

The balance of cash and cash equivalents at the end of the first half of fiscal 2011 was ¥37,001 million, down 12.5%, or ¥6,506 million, from the end of the previous fiscal year. The status of cash flows from operating activities, investing activities and financing activities for the first half of fiscal 2011 and noteworthy increases and decreases to these cash flows are described below.

Cash flows from operating activities

Net cash provided by operating activities dropped 36.0% from the corresponding period a year ago, to ¥5,595 million. The primary components contributing to increased cash were ¥4,353 million in income before income taxes, ¥2,461 million in depreciation and amortization, a ¥1,170 million decrease in notes and accounts receivable - trade, and a ¥954 million non-cash adjustment associated with the implementation of Accounting Standard for Asset Retirement Obligations. Major components leading to decreased cash were ¥1,081 million in income taxes paid for enterprise and local taxes and a ¥684 million increase in inventories.

Cash flows from investing activities

Net cash used in investing activities tumbled 72.4% from the corresponding period a year ago, to ¥9,405 million. This significant decrease reflects the fact that proceeds of ¥22,543 million from the sale and redemption of short-term investments in securities offset a large portion of the ¥23,983 million used to purchase short-term investments in securities and the ¥6,395 million used to purchase investments in securities paralleling the application of surplus capital in line with investment plans.

Cash flows from financing activities

Net cash used in financing activities soared 120.4% from the corresponding period a year ago, to ¥2,542 million. The main reason for this huge increase was the application of ¥2,030 million to distribute cash dividends.

(3) Qualitative Information on Consolidated Performance Forecast

Changes to the consolidated performance forecast for the first half are exactly as announced on July 21, 2011.

Management has made no changes to the full-year consolidated performance forecast announced on April 28, 2011. But the acquisition of interest in U.S.-based H2O PLUS HOLDINGS, LLC, and the transfer of shares in P.O. Media Service Inc. to another company are being assessed for possible impact on consolidated performance to be incurred from the third quarter of the current fiscal year. Any performance forecast revisions, including changes associated with the aforementioned equity investment and divestiture will be disclosed by the time POLA ORBIS HOLDINGS settles its accounts for the third quarter.

(Information for reference)

Fiscal 2010 Cumulative Results (Millions of yen)

	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥35,893	¥79,838	¥119,886	¥165,253
Operating Income	1,201	5,369	8,440	12,270
Ordinary Income	1,362	5,184	8,357	12,247
Net Income	¥ 578	¥ 1,984	¥ 3,780	¥ 7,086

Fiscal 2010 Results by Quarter (Millions of yen)

	Q1	Q2	Q3	Q4
Net Sales	¥35,893	¥43,944	¥40,047	¥45,367
Operating Income	1,201	4,168	3,070	3,830
Ordinary Income	1,362	3,821	3,173	3,890
Net Income	¥ 578	¥ 1,406	¥ 1,795	¥ 3,305

2. Other Information

(1) Changes in Significant Subsidiaries

Not applicable

(2) Outline of Adoption of Simplified Accounting Procedures and Specific Accounting Procedures

1) Simplified accounting procedures

a. Valuation of inventories

The book value of certain inventories that were clearly deemed to be declining in profitability has been reduced, after estimating the net selling value of such inventories.

b. Depreciation of non-current assets

For non-current assets that are depreciated using the declining-balance method, the depreciation expense is computed by the proportional distribution of the depreciation expense for the fiscal year.

c. Calculation of income taxes and deferred tax assets and liabilities

POLA ORBIS HOLDINGS (the "Company") and certain consolidated subsidiaries perform additions/subtractions and tax deductions for important items only to compute the amount of income taxes payable.

The recoverability of deferred income tax assets is determined using the forecasts for future performance and tax planning used for the previous fiscal year, as it is considered that there have been no significant changes in the operating environment and no significant temporary differences have occurred since the end of the previous fiscal year.

2) Special accounting procedures for the preparation of the quarterly consolidated financial statements

Not applicable

(3) Outline of Changes in Accounting Policies, Procedures, and Presentation Methods

1) Changes to the basis of preparing quarterly consolidated financial statements

<u>Adoption of accounting standards related to asset retirement obligations</u>

Effective from the first quarter of fiscal 2011, the Group adopted "Accounting Standards for Asset

Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008).

As a result of these changes, operating income and ordinary income declined by ¥32 million, respectively, and income before income taxes decreased by ¥986 million.

2) Changes in presentation method

Consolidated statements of income

With the adoption of "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, issued on March 24, 2009), which is based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), the line item "Income before minority interests" was used in the first half of fiscal 2011.

3, Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Second Quarter Fiscal 2011 June 30, 2011	Fiscal 2010 December 31, 2010
Assets		
Current assets		
Cash and deposits	**¥ 32,403**	¥ 34,678
Notes and accounts receivable – trade	**18,389**	19,543
Short-term investments in securities	**35,476**	32,169
Merchandise and finished goods	**10,148**	9,421
Work in process	**1,586**	1,644
Raw materials and supplies	**4,292**	4,276
Other	**6,538**	5,570
Allowance for doubtful accounts	**(68)**	(74)
Total current assets	**108,767**	107,230
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	**16,750**	17,136
Land	**22,296**	22,296
Other, net	**12,391**	12,217
Total property, plant and equipment	**51,438**	51,651
Intangible assets	**4,165**	4,140
Investments and other assets		
Investments in securities	**17,680**	17,538
Other	**7,526**	7,363
Allowance for doubtful accounts	**(167)**	(151)
Total investments and other assets	**25,038**	24,750
Total non-current assets	**80,642**	80,541
Total assets	**¥189,410**	¥187,771

(Millions of yen)

	Second Quarter Fiscal 2011 June 30, 2011	Fiscal 2010 December 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable – trade	**¥ 3,452**	¥ 3,549
Short-term loans payable	**1,500**	1,753
Income taxes payable	**2,272**	1,118
Provision for bonuses	**966**	1,653
Other	**15,503**	15,548
Total current liabilities	**23,695**	23,623
Non-current liabilities		
Provision for retirement benefits	**7,080**	7,306
Other	**5,073**	3,737
Total non-current liabilities	**12,153**	11,044
Total liabilities	**35,849**	34,667
Net assets		
Shareholders' equity		
Common stock	**10,000**	10,000
Capital surplus	**90,718**	90,718
Retained earnings	**55,525**	54,746
Treasury stock	**(2,199)**	(2,199)
Total shareholders' equity	**154,044**	153,265
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	**77**	210
Deferred loss on hedges	**(51)**	—
Foreign currency translation adjustments	**(610)**	(475)
Total valuation and translation adjustments	**(584)**	(264)
Minority interests	**101**	103
Total net assets	**153,561**	153,104
Total liabilities and net assets	**¥189,410**	¥187,771

(2) Consolidated Statements of Income

(Millions of yen)

	Six Months Ended June 30	
	First Half Fiscal 2010 (January 1, 2010 – June 30, 2010)	**First Half Fiscal 2011 (January 1, 2011 – June 30, 2011)**
Net sales	¥79,838	**¥78,937**
Cost of sales	15,939	**15,204**
Gross profit	63,898	**63,733**
Selling, general and administrative expenses		
Sales commissions	21,251	**21,268**
Promotion expenses	7,445	**7,453**
Advertising expenses	3,395	**3,273**
Salaries, allowances and bonuses	8,574	**8,725**
Provision for bonuses	765	**796**
Provision for point program	1,580	**1,448**
Other	15,515	**15,233**
Total selling, general and administrative expenses	58,529	**58,199**
Operating income	5,369	**5,534**
Non-operating income		
Interest income	160	**251**
Dividend income	20	**20**
Foreign exchange gains	—	**112**
Other	146	**127**
Total non-operating income	328	**511**
Non-operating expenses		
Interest expense	50	**27**
Foreign exchange losses	377	—
Office transfer expenses	50	—
Other	34	**56**
Total non-operating expenses	513	**83**
Ordinary income	¥ 5,184	**¥ 5,962**

(Millions of yen)

	Six Months Ended June 30	
	First Half Fiscal 2010 (January 1, 2010 – June 30, 2010)	**First Half Fiscal 2011 (January 1, 2011 – June 30, 2011)**
Extraordinary income		
Gain on sales of non-current assets	¥ 517	—
Reversal of allowance for doubtful accounts	10	—
Reversal of provision for loss on business liquidation	—	**¥ 1**
Other	53	**0**
Total extraordinary income	581	**2**
Extraordinary losses		
Loss on disposal of non-current assets	70	**192**
Loss on advanced depreciation deduction of non-current assets	517	—
Impairment loss	21	**19**
Loss on disaster	—	**428**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**954**
Other	89	**16**
Total extraordinary losses	698	**1,610**
Income before income taxes	5,067	**4,353**
Income taxes – current	1,708	**2,679**
Income taxes – deferred	1,460	**(1,313)**
Total income taxes	3,169	**1,366**
Income before minority interests	—	**2,986**
Minority interests in net loss of consolidated subsidiaries	(86)	**(3)**
Net income	¥1,984	**¥ 2,989**

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended June 30	
	First Half Fiscal 2010 (January 1, 2010 – June 30, 2010)	**First Half Fiscal 2011 (January 1, 2011 – June 30, 2011)**
Cash flows from operating activities		
Income before income taxes	¥5,067	**¥4,353**
Depreciation and amortization	2,326	**2,461**
Impairment loss	21	**19**
Amortization of goodwill	40	—
Loss on disposal of non-current assets	70	**192**
Loss on disaster	—	**428**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**954**
Increase (decrease) in allowance for doubtful accounts	(7)	**10**
Decrease in provision for retirement benefits	(132)	**(226)**
Decrease in provision for bonuses	(416)	**(686)**
Increase (decrease) in provision for point program	61	**(228)**
Decrease in other provision	(16)	**(2)**
Interest and dividend income	(181)	**(272)**
Interest expense	50	**27**
Foreign exchange losses (gains)	301	**(84)**
Decrease in notes and accounts receivable – trade	558	**1,170**
Decrease (increase) in inventories	771	**(684)**
Decrease in notes and accounts payable – trade	(21)	**(105)**
Increase (decrease) in consumption taxes payable	294	**(272)**
Increase in other assets	(90)	**(507)**
Increase in other liabilities	308	**181**
Other	40	**(8)**
Subtotal	9,045	**6,720**
Interest and dividends received	125	**330**
Interest paid	(50)	**(19)**
Income taxes paid	(378)	**(1,081)**
Payments for loss on disaster	—	**(354)**
Net cash provided by operating activities	¥8,740	**¥5,595**

(Millions of yen)

	Six Months Ended June 30	
	First Half Fiscal 2010 (January 1, 2010 – June 30, 2010)	**First Half Fiscal 2011 (January 1, 2011 – June 30, 2011)**
Cash flows from investing activities		
Payments into time deposits	¥ (848)	**¥ (827)**
Proceeds from withdrawal of time deposits	2,222	**904**
Purchase of short-term investments in securities	(19,043)	**(23,983)**
Proceeds from sales and redemption of short-term investments in securities	3,790	**22,543**
Purchase of property, plant and equipment	(1,831)	**(820)**
Purchase of intangible assets	(676)	**(765)**
Purchase of investments in securities	(17,687)	**(6,395)**
Purchase of long-term prepaid expenses	(25)	**(41)**
Payments for lease and guarantee deposits	(137)	**(88)**
Proceeds from collection of lease and guarantee deposits	141	**113**
Other	16	**(43)**
Net cash used in investing activities	(34,079)	**(9,405)**
Cash flows from financing activities		
Cash dividends paid	(1,025)	**(2,030)**
Net decrease in short-term loans payable	—	**(258)**
Repayments of lease obligations	(127)	**(252)**
Net cash used in financing activities	(1,153)	**(2,542)**
Effect of exchange rate changes on cash and cash equivalents	(37)	**(154)**
Net decrease in cash and cash equivalents	(26,529)	**(6,506)**
Cash and cash equivalents at beginning of period	68,817	**43,507**
Cash and cash equivalents at end of period	¥42,288	**¥37,001**

(4) Going Concern Assumptions

Not applicable

(5) Segment Information

a) Business Segment Information (Millions of yen)

	Six Months Ended June 30, 2010							
	Cosmetics	Fashion	Pharmaceuticals	Real Estate	Others	Subtotal	Elimination or Corporate	Consolidated
Net Sales								
(1) Sales to External Customers	¥68,068	¥6,008	¥3,138	¥1,547	¥1,075	¥79,838	—	¥79,838
(2) Intersegment Sales and Transfers	26	0	—	320	2,925	3,272	¥(3,272)	—
Total	68,094	6,008	3,138	1,867	4,001	83,111	(3,272)	79,838
Operating Income (Loss)	¥ 4,785	¥(366)	¥(336)	¥ 535	¥ 181	¥ 4,799	¥ 569	¥ 5,369

Notes: 1. Business segments are classified for internal management purposes.
2. Primary products for each business segment:
(1) Cosmetics: Cosmetics (***B.A.*** series, ***APEX-i***, ***AQUA FORCE, Clear***, ***Pure Natural***, ***White Diamante***, ***Sowan Hypnotique***, “***Tsutsumu***” series, ***THREE***), health foods (***KENBISANSEN***)
(2) Fashion: Ladies’ underwear (***Sofical***), ladies’ apparel (***amian, Crea+mure***), jewelry (***LA VIE D’OR***)
(3) Pharmaceuticals: Pharmaceutical products (***Lulicon Cream 1%, Lulicon Solution 1%, Alosenn***)
(4) Real Estate: Office buildings for lease
(5) Others: Printing and building maintenance

b) Geographical Segment Information

Geographical segment information is omitted, as net sales of the domestic segment account for more than 90% of the total sales of all segments for the six months ended June 30, 2010.

c) Overseas Sales

Overseas sales are omitted, as overseas sales account for less than 10% of the consolidated net sales for the six months ended June 30, 2010.

(Segment Information)

1. General Information about Reportable Segments

A reportable segment is a component of the Group, for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group primarily develops, manufactures and markets cosmetics products and related products. It promotes a multi-brand strategy of holding a range of brands and winning appropriate market shares for each brand in order to satisfy the diversifying values of each customer. Comprehensive strategies are planned and products are marketed by each brand name in Japan and overseas. In addition to its cosmetics business, a variety of businesses are conducted to contribute to the Group’s profits.

Therefore, reportable segments consist of the Beauty Care business, the Group’s core business, and the Real Estate business, which indirectly supports the Group’s core business.

The Beauty Care business manufactures and markets cosmetics and health foods and sells fashion items (women’s underwear, women’s apparel and jewelry) under the following brand names: ***POLA, ORBIS, pdc, FUTURE LABO, ORLANE JAPON, decencia, and ACRO***. The Real Estate business is engaged in the leasing of office buildings and residential properties.

2. Information about Reported Segment Profit or Loss

(Millions of yen)

	Six Months Ended June 30, 2011						
	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Recorded in the Consolidated Statements of Income (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥73,271	¥1,552	¥74,824	¥4,113	¥78,937	—	¥78,937
Intersegment Sales or Transfers	72	347	419	3,296	3,716	¥(3,716)	—
Total	73,344	1,899	75,244	7,409	82,654	(3,716)	78,937
Segment Income	¥ 4,520	¥ 659	¥ 5,179	¥ 144	¥ 5,324	¥ 209	¥ 5,534

Notes: 1. The Other businesses classification is not a reportable segment and contains the pharmaceuticals, building maintenance and printing businesses.

2. The segment income reconciliation of ¥209 million includes intersegment transaction eliminations of ¥1,133 million minus corporate expenses of ¥923 million. Corporate expenses were primarily the Company's administrative expenses not allocated to reportable segments.

3. Segment income is adjusted for operating income reported in the consolidated statements of income.

(Supplementary Information)

Effective from the first quarter of fiscal 2011, the Group adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

(6) Significant Changes in Shareholders' Equity

Not applicable

(7) Significant Subsequent Event

Business Combination – Acquisition of H2O PLUS HOLDINGS, LLC

On May 29, 2011, the Board of Directors of POLA ORBIS HOLDINGS INC. (the "Company") approved a definitive agreement to acquire directly and indirectly all outstanding shares of H2O PLUS HOLDINGS, LLC ("H2O PLUS"), a Chicago-based leading developer, manufacturer and marketer of sea-derived natural skincare products mainly in North America and Asia. Following the acquisition, H2O PLUS was made a wholly owned subsidiary of the Company on July 1, 2011. As a result of the transaction, CSW H2O Holdings, Inc., a pure holding company of H2O PLUS, as well as H2O PLUS, LLC and H2O PLUS CANADA CORP., two subsidiaries of H2O PLUS, have also become wholly owned subsidiaries of the Company. In addition, H2O PLUS, H2O PLUS, LLC and CSW H2O Holdings, Inc. have been filed with the Director of the Kanto Local Finance Bureau as specific subsidiaries in accordance with the Japanese Financial Instruments and Exchange Act, as each of their capital is more than 10% of the Company's capital.

1. Outline of Business Combination

1) Names and Main Businesses of Acquired Companies

a. H2O PLUS HOLDINGS, LLC

(a) Name:	H2O PLUS HOLDINGS, LLC
(b) Business:	Holding company (manufacture and marketing of cosmetics products via subsidiary)
(c) Capital:	US$35,663 thousand (At December 31, 2010)

b. H2O PLUS, LLC

(a) Name:	H2O PLUS, LLC
(b) Business:	Manufacture and marketing of cosmetics products
(c) Capital:	US$35,663 thousand (At December 31, 2010)

c. CSW H2O Holdings, Inc.

(a) Name:	CSW H2O Holdings, Inc.
(b) Business:	Holding company
(c) Capital:	US$17,000 thousand (At December 31, 2010)

d. H2O PLUS CANADA CORP.

(a) Name:	H2O PLUS CANADA CORP.
(b) Business:	Marketing of cosmetics products
(c) Capital:	C$8,802 thousand (At December 31, 2010)

2) Names of Selling Investor Groups and Individuals

a. Williams Capital Partners, L.P.

b. NMS Fund, LP

c. Directors and Former Directors of H2O PLUS

3) Reason for Business Combination

To become a highly profitable global company — the Company's long-term strategic goal — by strengthening its global business base through the acquisition of H2O PLUS, which has developed retail points of distribution in 22 countries, mainly in North America and Asia.

4) Date of Business Combination

July 1, 2011

5) Legal Method Used for Business Combination

Purchase of Shares in Cash

6) Names of Companies and Percentage of Voting Rights after Business Combination

a. H2O PLUS HOLDINGS, LLC	100%
b. H2O PLUS, LLC	100%
c. CSW H2O Holdings, Inc.	100%
d. H2O PLUS CANADA CORP.	100%

2. Breakdown of Acquisition Cost

Purchase consideration	Cash	¥7,954 million	(Estimated amount)
Expenses directly related to acquisition	Advisory fees	¥380 million	(Estimated amount)
Acquisition cost		¥8,335 million	

Purchase consideration and the expenses directly related to the acquisition are not fixed but provisional.

3. Amount of Assets Acquired and Liabilities Assumed on the Combination Date and Breakdown Thereof

Not yet determined as of disclosure of this report

4. Reason for and Amount of Goodwill Incurred, and Amortization Method and Period Thereof

Not yet determined as of disclosure of this report

Sale of Shares of Significant Subsidiary

On July 1, 2011, the Board of Directors of P.O. REAL ESTATE INC., a consolidated subsidiary of the Company, approved the sale of all shares of P.O. MEDIA SERVICE INC. held by P.O. REAL ESTATE INC. to a third party outside the Group. The transaction was implemented on July 29, 2011.

1. Reason for Sale

On February 14, 2011, POLA ORBIS announced its medium-term management plan, under which the Company aims to reinforce its operating base, mainly through the selection and concentration of appropriate resources as one of its growth strategies. The Company targets the concentration of such resources to maximize the Group's corporate value, bolstered by the sale of shares of P.O. MEDIA SERVICE INC.

2. Name of Purchaser

TAIHEI CO., LTD

3. Date of Sale

July 29, 2011

4. Name and Business of Subsidiary Sold, and Its Business with POLA ORBIS

1) Name:	P.O. MEDIA SERVICE INC.
2) Business:	Commercial printing
3) Business with POLA ORBIS:	Sales of brochure

5. Number of Shares Sold, Selling Price, Gain on Sales and Percentage of Shareholding after Sale

1) Number of Shares:	200
2) Selling Price:	¥756 million
3) Gain on Sales:	Approximately ¥500 million (Including the reversal of unrealized profit in property, plant and equipment owned by P.O. MEDIA SERVICE INC.)
4) Percentage of Shareholding:	－%