

Interim Financial Results
for the Six Months Ended July 31, 2006 - Consolidated

September 11, 2006

Company name: **Dr. Ci:Labo Co., Ltd.**
Listings: The First Section of Tokyo Stock Exchange
Security code: 4924
URL: <http://www.ci-labo.com>
Head office: Tokyo, Japan
Representative: Tomomi Ishihara, President and COO
Contact: Tadaaki Sato, Managing Director and General Manager of Corporate Administration Division
Telephone: +81-3-6419-2500
Date of the meeting of the Board of Directors: September 11, 2006
Basis of presentation: Japanese GAAP

1. Consolidated Financial Results for the Six Months Ended July 31, 2006
(February 1, 2006 to July 31, 2006)

(1) Operating Results

(Amounts rounded to the nearest million yen)

	Net sales		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
Six months ended July 31, 2006	8,545	18.0	708	6.1	698	0.9
Six months ended July 31, 2005	7,240	3.3	667	-42.2	692	-40.5
Year ended January 31, 2006	16,978	11.8	2,434	-21.5	2,467	-20.4

	Net income		Net income per share	Net income per share, fully diluted
	million yen	%	yen	yen
Six months ended July 31, 2006	294	-21.3	1,076.84	1,061.55
Six months ended July 31, 2005	373	-35.4	1,372.87	1,346.84
Year ended January 31, 2006	1,278	-20.3	4,690.57	4,610.49

- Notes: 1. Investment gains or losses on the equity method:
Six months ended July 31, 2006: - million yen
Six months ended July 31, 2005: - million yen
Year ended January 31, 2006: - million yen
2. Average number of shares issued and outstanding during the period (consolidated basis):
Six months ended July 31, 2006: 273,097 shares

Six months ended July 31, 2005: 272,059 shares

Year ended January 31, 2006: 272,479 shares

3. Changes in accounting method: None
4. Percentage figures shown in the net sales, operating income, ordinary income and net income columns represent year-on-year changes.

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Six months ended July 31, 2006	10,538	7,333	69.6	26,844.08
Six months ended July 31, 2005	9,426	6,566	69.7	24,071.44
Year ended January 31, 2006	10,785	7,431	68.9	27,214.14

- Notes: 1. Total number of shares issued and outstanding at the end of the period (consolidated basis):
Six months ended July 31, 2006: 273,190 shares
Six months ended July 31, 2005: 272,778 shares
Year ended January 31, 2006: 273,058 shares

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
Six months ended July 31, 2006	747	-337	-466	2,672
Six months ended July 31, 2005	135	-2,472	636	1,952
Year ended January 31, 2006	404	-2,566	1,227	2,733

(4) Scope of Consolidation and Application of the Equity Method:

Number of consolidated subsidiaries: 8

Number of non-consolidated subsidiaries to which the equity method is applicable: -

Number of affiliated companies to which the equity method is applicable: -

(5) Changes in the Scope of Consolidation or Application of the Equity Method

Consolidated subsidiaries:

Newly included: None

Newly excluded: None

Affiliated companies to which the equity method is applicable:

Newly included: None

Newly excluded: None

**2. Forecast of Consolidated Earnings for the Year Ending January 31, 2007
(February 1, 2006 to January 31, 2007)**

	Net sales	Ordinary income	Net income
	million yen	million yen	million yen
Full year	20,000	2,680	1,340

Note: Projected net income per share for the full year: ¥4,905.01

* The above forecasts are based on the information currently available. Actual results may differ from the above forecast depending changes in economic conditions and business environment.

5. Consolidated Financial Statements

Consolidated Balance Sheets

(In thousand yen)

	As of July 31, 2006		As of July 31, 2005		As of January 31, 2006	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets						
Cash and deposits	2,672,834		1,952,428		2,733,382	
Accounts receivable-trade	2,237,364		1,918,802		2,731,006	
Inventories	1,785,283		1,401,245		1,594,752	
Other	305,103		363,244		342,341	
Allowance for doubtful accounts	-22,872		-11,603		-21,554	
Total current assets	6,977,714	66.2	5,624,117	59.7	7,379,927	68.4
Noncurrent assets						
Tangible fixed assets						
Buildings	425,443		427,677		433,840	
Land	1,315,697		1,324,336		1,315,697	
Other	304,857		280,623		292,631	
Total tangible fixed assets	2,045,999		2,032,637		2,042,170	
Intangible fixed assets						
Software	680,814		590,970		716,451	
Other	159,839		80,138		88,771	
Total intangible fixed assets	840,653		671,108		805,222	
Investments and other assets						
Investment securities	347,814		774,394		264,000	
Lease/guarantee deposits	238,087		269,969		222,544	
Other	88,140		54,323		71,711	
Total investments and other assets	674,042		1,098,687		558,255	
Total noncurrent assets	3,560,696	33.8	3,802,433	40.3	3,405,647	31.6
Total assets	10,538,410	100.0	9,426,551	100.0	10,785,575	100.0

(In thousand yen)

	As of July 31, 2006		As of July 31, 2005		As of January 31, 2006	
	Amount	%	Amount	%	Amount	%
Liabilities						
Current liabilities						
Accounts payable-trade	313,366		326,919		406,167	
Short-term borrowings	-		1,000,000		1,094,758	
Accrued expenses	783,464		985,307		684,230	
Income taxes payable	369,067		347,456		486,152	
Reserve for bonuses	20,578		18,935		16,839	
Allowance for bonus points redemption	114,611		103,931		99,159	
Other	75,557		56,094		60,540	
Total current liabilities	1,676,645	15.9	2,838,644	30.1	2,847,848	26.4
Long-term liabilities						
Long-term borrowings	1,500,000		-		500,000	
Reserve for retirement benefits	4,661		807		1,104	
Other	23,567		20,939		5,584	
Total long-term liabilities	1,528,229	14.5	21,746	0.2	506,688	4.7
Total liabilities	3,204,875	30.4	2,860,391	30.3	3,354,536	31.1
Shareholders' equity						
Capital stock	-	-	1,120,438	11.9	1,122,328	10.4
Capital surplus	-	-	1,598,038	17.0	1,599,928	14.8
Retained earnings	-	-	4,462,876	47.3	5,367,456	49.8
Unrealized gain (loss) on available-for-sale securities	-	-	33,394	0.4	-20,160	-0.1
Foreign currency translation adjustments	-	-	-33	-0.0	10,041	0.0
Treasury stock	-	-	-648,554	-6.9	-648,554	-6.0
Total shareholders' equity	-	-	6,566,160	69.7	7,431,038	68.9
Total liabilities and shareholders' equity	-	-	9,426,551	100.0	10,785,575	100.0

(In thousand yen)

	As of July 31, 2006		As of July 31, 2005		As of January 31, 2006	
	Amount	%	Amount	%	Amount	%
Net assets						
Shareholders' capital						
Capital stock	1,123,219	10.7	-	-	-	-
Capital surplus	1,600,819	15.2	-	-	-	-
Retained earnings	5,279,258	50.1	-	-	-	-
Treasury stock	-648,554	-6.2	-	-	-	-
Total shareholders' capital	7,354,742	69.8	-	-	-	-
Valuation and translation adjustments						
Unrealized gain (loss) on available-for-sale securities	-28,491	-0.3	-	-	-	-
Foreign currency translation adjustments	7,284	0.1	-	-	-	-
Total valuation and translation adjustments	-21,207	-0.2	-	-	-	-
Total net assets	7,333,535	69.6	-	-	-	-
Total liabilities and net assets	10,538,410	100.0	-	-	-	-

Consolidated Statements of Operations

(In thousand yen)

	As of July 31, 2006		As of July 31, 2005		As of January 31, 2006	
	Amount	%	Amount	%	Amount	%
Net sales	8,545,142	100.0	7,240,084	100.0	16,978,759	100.0
Cost of sales	1,705,543	20.0	1,294,602	17.9	3,121,371	18.4
Gross profit	6,839,598	80.0	5,945,482	82.1	13,857,388	81.6
Selling, general and administrative expenses	6,131,349	71.8	5,277,830	72.9	11,422,636	67.3
Operating income	708,249	8.3	667,651	9.2	2,434,751	14.3
Non-operating revenues						
Interest income	449		165		412	
Dividend income	2,815		1,800		1,800	
Foreign exchange gains	-		16,949		30,433	
Other	8,307	0.1	6,301	0.3	8,881	0.2
Total non-operating revenues	11,573		25,215		41,527	
Non-operating expenses						
Interest expenses	8,682		562		5,099	
Foreign exchange losses	7,777		-		-	
Other	5,218	0.2	286	0.0	3,211	0.0
Total non-operating expenses	21,679		849		8,311	
Ordinary income	698,143	8.2	692,018	9.5	2,467,967	14.5
Extraordinary profits						
Gain on reversal of allowance for doubtful accounts	-		5,812		-	
Compensation for cancellation of store leasing contract	-	0.0	82,000	1.2	82,000	0.5
Total extraordinary profits	-		87,812		82,000	
Extraordinary losses						
Loss on disposal of noncurrent assets	5,559	0.0	8,640	0.0	57,635	0.3
Total extraordinary losses	5,559		8,640		57,635	
Income before income taxes	692,583	8.1	771,189	10.7	2,492,331	14.7
Income tax, inhabitants tax and enterprise tax	353,899		335,768		1,236,815	
Income tax adjustments	44,599	4.7	61,918	5.5	-22,565	7.2
Net income	294,083	3.4	373,502	5.2	1,278,082	7.5

Consolidated Statements of Retained Earnings

(In thousand yen)

	Six months ended July 31, 2006		Six months ended July 31, 2005		Year ended January 31, 2006	
	Amount		Amount		Amount	
Capital surplus						
Balance, beginning of period		-		1,590,856		1,590,856
Increase in capital surplus						
Issuance of new shares by capital increase	-	-	7,182	7,182	9,072	9,072
Balance, end of period		-		1,598,038		1,599,928
Retained earnings						
Balance, beginning of period		-		4,469,773		4,469,773
Increase in retained earnings						
Net income	-	-	373,502	373,502	1,278,082	1,278,082
Decrease in retained earnings						
Dividends	-	-	380,399	380,399	380,399	380,399
Balance, end of period		-		4,462,876		5,367,456

Consolidated Statement of Changes in Shareholders' Capital
(February 1, 2006 to July 31, 2006)

(In thousand yen)

	Shareholders' capital				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital
Balance as of January 31, 2006	1,122,328	1,599,928	5,367,456	-648,554	7,441,158
Changes during period					
Issuance of new shares	891	891			1,782
Cash dividends			-382,281		-382,281
Net income			294,083		294,083
Disposal of treasury stock					
Net change in items other than shareholders' capital during period					
Total changes during period	891	891	-88,197	-	-86,415
Balance as of July 31, 2006	1,123,219	1,600,819	5,279,258	-648,554	7,354,742

	Valuation and translation adjustments			Total net assets
	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments	
Balance as of January 31, 2006	-20,160	10,041	-10,119	7,431,038
Changes during period				
Issuance of new shares				1,782
Cash dividends				-382,281
Net income				294,083
Disposal of treasury stock				
Net change in items other than shareholders' capital during period	-8,330	-2,757	-11,088	-11,088
Total changes during period	-8,330	-2,757	-11,088	-97,503
Balance as of July 31, 2006	-28,491	7,284	-21,207	7,333,535

Consolidated Statements of Cash Flows

(In thousand yen)

	Six months ended	Six months ended	Year ended
	July 31, 2006	July 31, 2005	January 31, 2006
	Amount	Amount	Amount
Cash flows from operating activities			
Income before income taxes	692,583	771,189	2,492,331
Depreciation and amortization	178,419	124,592	290,552
Amortization for long-term prepaid expenses	10,353	5,528	11,929
Increase (decrease) in allowance for doubtful accounts	1,623	-5,812	4,129
Increase (decrease) in reserve for employees' bonuses	3,739	1,127	-967
Increase in reserve for retirement benefits	3,557	373	670
Increase (decrease) in allowance for bonus points redemption	15,451	-7,276	-12,048
Interest and dividend income	-3,265	-1,965	-2,212
Interest expense	8,682	562	5,099
Loss on disposal of fixed assets	5,559	8,640	57,635
Share issuance expense	-	279	318
Decrease (increase) in trade receivables	492,226	475,930	-331,746
Increase in inventories	-192,125	-126,518	-314,205
Increase in other assets	-24,638	-53,006	-5,003
Increase (decrease) in trade payables	-86,276	32,090	100,141
Increase in advances	-	-	44,518
Increase (decrease) in accounts payable-other	124,158	154,656	-108,235
Decrease in consumption tax payable	-	-148,746	-124,688
Decrease (increase) in consumption tax receivable	12,186	-	-15,219
Increase (decrease) in other liabilities	-6,337	-122,786	61,902
Other	3,142	-	-
Subtotal	1,239,042	1,108,858	2,154,903
Interest and dividend received	3,265	1,965	2,212
Interest paid	-8,677	-562	-5,568
Income taxes paid	-485,861	-974,824	-1,746,931
Net cash provided by operating activities	747,768	135,436	404,616
Cash flows from investing activities			
Acquisition of tangible fixed assets	-64,795	-1,685,119	-1,848,352
Acquisition of intangible fixed assets	-131,769	-154,707	-549,495
Purchase of investment securities	-100,000	-660,394	-120,000
Sale of investment securities	-	120,000	-
Payment of lease/guarantee deposits	-19,933	-61,110	-63,440
Proceeds from collection of lease/guarantee deposits	3,638	-	51,550
Expenditure for other investments	-24,253	-31,303	-36,460
Net cash used in investing activities	-337,113	-2,472,635	-2,566,199
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	-1,092,570	1,000,000	1,087,642
Proceeds from long-term borrowings	1,000,000	-	500,000
Proceeds from share issuance	1,782	14,084	18,144
Cash dividends paid	-375,613	-377,596	-378,366
Net cash used in/provided by financing activities	-466,402	636,488	1,227,419
Effect of exchange rate changes on cash and cash equivalents	-4,800	13,053	27,460
Increase in cash and cash equivalents	-60,547	-1,687,656	-906,703
Cash and cash equivalents at the beginning of the period	2,733,382	3,640,085	3,640,085
Cash and cash equivalents at the end of the period*	2,672,834	1,952,428	2,733,382