

**Third Quarter Financial Results**  
**For the Nine Months Ended October 31, 2006 - Consolidated**

December 8, 2006

Company name: **Dr. Ci:Labo Co., Ltd.**  
Listings: The First Section of Tokyo Stock Exchange  
Security code: 4924  
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**1. Notes Related to the Preparation of This Report**

- (1) Use of simplified accounting method: Used  
The simplified accounting method is used for tax effect accounting and calculation of income taxes. The simplified accounting method is partially used for other transactions that have negligible impact on financial results.
- (2) Changes in accounting policies from the last accounting period: None
- (3) Changes in the scope of consolidation and application of the equity method: None

**2. Consolidated Operating Results and Financial Position for the Nine Months Ended October 31, 2006 (February 1, 2006 to October 31, 2006)**

(1) Operating Results

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended October 31, 2006	12,754	15.7	1,239	94.1	1,241	84.5	566	70.4
Nine months ended October 31, 2005	11,021	9.2	638	-	672	-	332	-
Year ended January 31, 2006	16,978	11.8	2,434	-21.5	2,467	-20.4	1,278	-20.3

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended October 31, 2006	2,075.59	2046.63
Nine months ended October 31, 2005	1,221.53	1,199.40
Year ended January 31, 2006	4,690.57	4,610.49

- Notes:
- The percentage figures shown in net sales, operating income, ordinary income and net income represent year-on-year changes.
  - The Company started disclosure of consolidated quarterly results other than "net sales" from this fiscal year, and therefore year-on-year comparisons are not available.

[Review of Operating Results]

During the third quarter (August – October, 2006), the Japanese economy showed an overall trend of gradual recovery reflecting improved corporate earnings, despite persisting uncertain conditions including rising costs of raw materials. Under these circumstances, the Group took measures to expand sales in the domestic market, including broadening of its product range by launching “3D-Deep Botolium” and establishment of comprehensive sales and marketing campaign frameworks for electronic and mail-order sales as well as for storefronts in anticipation of strong demand in the fourth quarter in which demand rises to its highest levels. The Group also examined cost-effectiveness, revising the content of free samples, and working to achieve cost reductions. Overseas, the Group continued to focus on over-the-counter sales activity in Taiwan where operations were solid, and realized increases in sales. In North America, where the Group's operations are centered on wholesale activities, the Group implemented measures aimed at improving its name recognition. In South Korea, the Group made improvements in its Web-related activities to bolster Web sales. In Hong Kong and Hawaii, the Group made progress in its efforts to raise efficiency, and the effects of these activities have gradually begun to show. As a result, the Group's consolidated net sales for the end of the quarter increased 15.7% from a year earlier to ¥12,754 million, ordinary income climbed 84.5% to ¥1,241 million and net income jumped 70.4% to ¥566 million.

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Nine months ended October 31, 2006	10,490	7,598	72.4	27,812.16
Nine months ended October 31, 2005	8,970	6,488	72.3	23,782.93
Year ended January 31, 2006	10,785	7,431	68.9	27,214.14

[Review of Change in Financial Position]

At the end of the quarter, the Group's total assets amounted to ¥10,490 million, a fall of ¥295 million from the end of the previous fiscal year. This mainly reflects a reduction in cash and deposits corresponding to the payment of taxes and dividends, as well as a decrease in the balance of trade accounts receivable resulting from the difference in levels of sales between the end of the fiscal year and the end of the third quarter. Total liabilities amounted to ¥2,891 million, with current liabilities falling ¥935 million from the previous fiscal year end to ¥1,912 million due primarily to a reduction in income taxes payable resulting from the refinancing of short-term borrowings with long-term ones as well as the completion of tax payments. Long-term liabilities increased ¥472 million to ¥979 million due mainly to an increase in long-term borrowings reflecting the refinancing of short-term borrowings with long-term ones. Net assets advanced ¥167 million to ¥7,598 million, which was mainly attributable to an increase in retained earnings as a result of the accumulation of profits for the period.

### (3) Cash flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	million yen	million yen	million yen	million yen
Nine months ended October 31, 2006	957	-634	-473	2,583
Nine months ended October 31, 2005	-	-	-	-
Year ended January 31, 2006	404	-2,566	1,227	2,733

Note: The Company started disclosure of consolidated quarterly cash flows from the quarter under review and cash flows for the same period in the previous year are therefore not available.

#### **Attachments**

- Condensed Consolidated Balance Sheets
- Condensed Consolidated Statements of Operations
- Condensed Consolidated Statements of Cash Flows

[Reference]

[Forecast of Earnings for the Year Ending January 31, 2007]

The Group's operations for the current fiscal year to date have been in line with expectations and the Group therefore leaves unchanged its consolidated earnings forecast announced on March 16, 2006.

The above forecasts are based on the information currently available. Actual results may differ from the above forecasts depending on various conditions.

## Condensed Balance Sheets

(In thousand yen)

	As of	As of	Increase/decrease		As of
	October 31, 2006	October 31, 2005	Amount	%	January 31, 2006
	Amount	Amount	Amount	%	Amount
<b>Assets</b>					
Current assets:					
Cash and deposits	2,583,030	1,010,937	1,572,092		2,733,382
Accounts receivable - trade	2,133,873	1,843,634	290,239		2,731,006
Inventories	1,772,824	1,559,712	213,112		1,594,752
Other	365,618	769,001	-403,383		342,341
Allowance for doubtful accounts	-23,907	-13,471	-10,435		-21,554
Total current assets	6,831,439	5,169,814	1,661,624	32.1	7,379,927
Noncurrent assets:					
Tangible fixed assets	2,077,674	2,039,231	38,442		2,042,170
Intangible fixed assets	891,763	777,391	114,371		805,222
Investments and other assets	689,212	984,036	-294,823		558,255
Total noncurrent assets	3,658,650	3,800,659	-142,009	-3.7	3,405,647
Total assets	10,490,089	8,970,473	1,519,615	16.9	10,785,575
<b>Liabilities and Shareholders' equity</b>					
Current liabilities					
Accounts payable - trade	357,128	420,929	-63,800		406,167
Short-term borrowings	-	1,000,000	-1,000,000		1,094,758
Current portion of long-term borrowings	543,000	-	543,000		-
Accounts payable - other	699,396	855,133	-155,736		684,230
Other	312,897	205,240	107,656		662,692
Total current liabilities	1,912,423	2,481,303	-568,880	-22.9	2,847,848
Long-term liabilities					
Long-term borrowings	957,000	-	957,000		500,000
Other	22,391	521	21,870		6,688
Total long-term liabilities	979,391	521	978,870	1,878.8	506,688
Total liabilities	2,891,814	2,481,824	409,990	16.5	3,354,536
Shareholders' equity:					
Capital stock	-	1,121,113	-	-	1,122,328
Capital surplus	-	1,598,713	-	-	1,599,928
Retained earnings	-	4,422,001	-	-	5,367,456
Unrealized gain (loss) on available-for-sale securities	-	-4,689	-	-	-20,160
Foreign currency translation adjustments	-	64	-	-	10,041
Treasury stock	-	-648,554	-	-	-648,554
Total shareholders' equity	-	6,488,648	-	-	7,431,038
Total liabilities and shareholders' equity	-	8,970,473	-	-	10,785,575
<b>Net assets</b>					
Shareholders' capital					
Capital stock	1,123,327	-	-	-	-
Capital surplus	1,600,927	-	-	-	-
Retained earnings	5,552,072	-	-	-	-
Treasury stock	-648,554	-	-	-	-
Total shareholders' capital	7,627,772	-	-	-	-
Valuation and translation adjustments					
Unrealized gain (loss) on available-for-sale securities	-35,816	-	-	-	-
Foreign currency translation adjustments	6,318	-	-	-	-
Total valuation and translation adjustments	-29,498	-	-	-	-
Total net assets	7,598,274	-	-	-	-
Total liabilities and net assets	10,490,089	-	-	-	-

## Condensed Statements of Operations

(In thousand yen)

	Nine months ended October 31, 2006	Nine months ended October 31, 2005	Increase/decrease		Year ended January 31, 2006
	Amount	Amount	Amount	%	Amount
Net sales	12,754,424	11,021,252	1,733,172	15.7	16,978,759
Cost of sales	2,529,486	2,051,036	478,450	23.3	3,121,371
Gross profit	10,224,938	8,970,216	1,254,722	14.0	13,857,388
Selling, general and administrative expenses	8,985,063	8,331,361	653,701	7.8	11,422,636
Operating income	1,239,874	638,854	601,020	94.1	2,434,751
Non-operating revenues	21,867	37,836	-15,968	-42.2	41,527
Non-operating expenses	20,721	4,059	16,661	410.5	8,311
Ordinary income	1,241,021	672,631	568,390	84.5	2,467,967
Extraordinary profits	-	85,944	-85,944	-100.0	82,000
Extraordinary losses	7,275	9,368	-2,093	-22.3	57,635
Income before income taxes	1,233,745	749,206	484,539	64.7	2,492,331
Income taxes	666,847	416,579	250,268	60.1	1,214,249
Net income	566,897	332,627	234,270	70.4	1,278,082

## Condensed Statements of Cash Flows

(In thousand yen)

	Nine months ended	Year ended
	October 31, 2006	January 31, 2006
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	1,233,745	2,492,331
Depreciation and amortization	278,623	290,552
Amortization for long-term prepaid expenses	16,727	11,929
Increase in allowance for doubtful accounts	2,339	4,129
Increase (decrease) in reserve for employees' bonuses	34,607	-967
Increase (decrease) in allowance for bonus points redemption	21,888	-12,048
Increase in reserve for retirement benefits	4,478	670
Interest and dividend income	-2,367	-2,212
Interest expense	11,072	5,099
Loss on disposal of fixed assets	8,343	57,635
Increase (decrease) in trade receivables	598,112	-331,746
Increase in inventories	-176,894	-314,205
Increase (decrease) in trade payables	-48,455	100,141
Decrease in advances	-	44,518
Increase (decrease) in accounts payable-other	29,626	-108,235
Increase (decrease) in consumption tax payable	20,383	-124,688
Increase (decrease) in consumption tax receivable	15,219	-15,219
Other	36,201	57,217
Sub total	2,083,651	2,154,903
Interest and dividends received	2,367	2,212
Interest paid	-9,479	-5,568
Income taxes paid	-1,119,147	-1,746,931
Net cash provided by operating activities	957,392	404,616
Cash flows from investing activities		
Acquisition of tangible fixed assets	-166,833	-1,848,352
Acquisition of intangible fixed assets	-239,197	-549,495
Purchase of investment securities	-100,000	-120,000
Payment of lease/guarantee deposits	-25,825	-63,440
Proceeds from collection of lease/guarantee deposits	6,166	51,550
Expenditure for other investments	-108,337	-36,460
Net cash used in investing activities	-634,028	-2,566,199
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-1,098,260	1,087,642
Proceeds from long-term borrowings	1,000,000	500,000
Proceeds from share issuance	1,998	18,144
Cash dividend payment	-377,237	-378,366
Net cash used in/provided by financing activities	-473,500	1,227,419
Effect of exchange rate changes on cash and cash equivalents	-216	27,460
Decrease in cash and cash equivalents	-150,352	-906,703
Cash and cash equivalents at the beginning of the period	2,733,382	3,640,085
Cash and cash equivalents at the end of the period	2,583,030	2,733,382

Note: The Company started disclosure of consolidated quarterly cash flows from the quarter under review and cash flows for the same period in the previous year are therefore not available.