

**First Quarter Financial Results
For the Three Months Ended October 31, 2007 — Consolidated**

December 7, 2007

Company name: **Dr. Ci:Labo Co., Ltd.**
 Shares listed on: The First Section of the Tokyo Stock Exchange
 Security code: 4924
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**1. Consolidated Financial Results for the Three Months Ended October 31, 2007
(August 1, 2007 to October 31, 2007)**

Due to a change in fiscal year dates, figures for the fiscal period ended July 31, 2007, are based on an irregular six-month accounting period. The first quarter of the previous fiscal period (February 1 – April 30, 2007), therefore, does not correspond to the same calendar period as the current first quarter (August 1 – October 31, 2007), and a comparison of these figures in therefore not presented.

(1) Operating Results

(Amounts rounded down to the nearest million yen)

	Net sales	Operating income	Ordinary income	Net income
	million yen	million yen	million yen	million yen
Three months ended October 31, 2007	4,325	471	467	189
Six months ended July 31, 2007	9,077	1,161	1,147	563

	Net income per share	Diluted net income per share
	yen	yen
Three months ended October 31, 2007	689.12	683.00
Six months ended July 31, 2007	2,051.06	2,032.19

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Three months ended October 31, 2007	11,603	8,655	74.6	31,492.50
Six months ended July 31, 2007	11,860	8,636	72.8	31,428.32

(3) Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Three months ended October 31, 2007	184	(93)	(283)	3,740
Six months ended July 31, 2007	748	(392)	(780)	3,952

2. Forecast of Earnings for the Year Ending July 31, 2008 (August 1, 2007 to July 31, 2008)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	million yen	million yen	million yen	million yen	yen
Interim	11,000	1,900	1,900	1,100	4,003.06
Full year	21,700	3,400	3,400	1,900	6,914.37

3. Other Information

- (1) Changes affecting the status of significant subsidiaries during the period (scope of consolidation): Yes
Removed: 1 (Dr. Ci:Labo Hawaii Inc.)
- (2) Use of simplified accounting methods: Yes
- (3) Changes in accounting policies from last accounting period: None

Note: For details, refer to “4. Other Matters” (p. 4) in the “Review of Operating Results and Financial Statements” section.

The above forecasts are based on information currently available. Actual results may differ from the above forecasts due to a range of factors. For details, refer to “3. Review of Consolidated Earnings Forecast” (p. 4) in the “Review of Operating Results and Financial Statements” section.

Review of Operating Results and Financial Statements

1. Review of Consolidated Operating Results

The Japanese economy continued with its mild recovery during the first quarter, assisted by strong levels of capital expenditure on the back of improved corporate earnings, despite concerns regarding the effect of trends in oil prices and the impact of the subprime mortgage crisis in the U.S. Sales of skin-care products grew amid flatness in the cosmetics market, but the Company faces a tough business environment, overall, due to new market entrants from other sectors, changes in the sales environment, and other factors.

Under these circumstances, the Group took measures to broaden its product range, launching, under the Dr Ci:Labo brand, Aqua-In-Derm DN Essence, a pre-moisturizing booster, and Aqua Serum Enrich Body, a moisture-retention body cream infused with fragrances of nature. Turning to individual sales channels, in electronic and mail-order sales, the Group worked to bolster its e-commerce activities by starting the Step Up Program, a new service offering graded discounts, launching Biteki Shifuku, a community website, and implementing a broad renewal of its public mobile site. With regard to face-to-face store-based sales, the Group opened three new shops located within department stores.

The Group revised its business activities in overseas markets, and resolved to withdraw from South Korea. With regard to other regions, while the Group continued to pursue cost reductions and increased efficiency, in Hong Kong and Taiwan it also worked to expand new store openings and broaden recognition. The Group is also currently considering opportunities for entering markets in new regions.

As a result, the Group's consolidated net sales for the first quarter amounted to ¥4,325 million, ordinary income came to ¥467 million, and net income of ¥189 million was posted.

2. Review of Consolidated Financial Position

(1) Changes in Financial Position

Total assets amounted to ¥11,603 million at the end of the first quarter, a decline of ¥257 million from the end of last fiscal year. This mainly reflects dividend payments of ¥107 million and a reduction in cash and time deposits due to ¥181 million in repayments on long-term borrowings.

Total liabilities amounted to ¥2,947 million, a decline of ¥276 million from the end of last fiscal year, and net assets came to ¥8,655 million.

(2) Consolidated Cash Flow Position

Cash and cash equivalents amounted to ¥3,740 million at the end of the first quarter, a decline of ¥211 million from the end of last fiscal year.

Net cash provided by operating activities totaled ¥184 million. This primarily reflects quarterly net income before taxes of ¥398 million as well as inflows in the form of ¥112 million in depreciation and amortization and ¥77 million in collections on trade receivables. These items were offset by ¥478 million in income tax payments.

Net cash used in investing activities was ¥93 million. This primarily reflects ¥133 million in outflows for the acquisition of intangible fixed assets, including systems investments made in conjunction with the construction of core systems, which were offset by ¥60 million in proceeds from the collection of loans.

Net cash used in financing activities was ¥283 million. This mainly reflects ¥107 million in dividend payments and ¥181 million in repayments on long-term borrowings.

3. Review of Consolidated Earnings Forecast

Results for the first quarter were largely in line with plans, and there are no changes from the consolidated earnings forecast released on September 13, 2007.

Earnings forecasts are based on information available as of the date of the release of these materials. Actual results may differ from forecasts due to a range of factors.

4. Other Matters

(1) Changes affecting the status of significant subsidiaries during the period (scope of consolidation)
Dr. Ci:Labo Hawaii Inc., a consolidated subsidiary during last fiscal year, was merged with Ci:Labo USA Inc. in July 2007, the latter remaining as the surviving entity and the former being removed from the scope of consolidation.

(2) Use of simplified accounting methods
Simplified accounting methods are employed for tax-effect accounting and the calculation of income taxes. Simplified accounting methods are also used for certain other transactions that have a negligible impact on financial results.

(3) Changes in accounting policies from last accounting period
None.

Condensed Consolidated Balance Sheets

(In thousand yen)

	As of October 31, 2007	As of July 31, 2007
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	3,870,261	4,090,048
Accounts receivable-trade	2,144,212	2,224,553
Inventories	1,620,859	1,560,104
Other	323,962	396,191
Allowance for doubtful accounts	(32,596)	(30,288)
Total current assets	7,926,698	8,240,608
Noncurrent assets		
Tangible fixed assets	402,219	404,397
Intangible fixed assets	1,061,294	948,578
Investments and other assets	2,213,143	2,266,980
Total noncurrent assets	3,676,657	3,619,956
Total assets	11,603,356	11,860,565
Liabilities		
Current liabilities		
Accounts payable-trade	411,443	430,839
Current portion of long-term borrowings	849,000	974,000
Accounts payable-other	944,164	841,499
Other	609,684	790,266
Total current liabilities	2,814,292	3,036,604
Long-term liabilities		
Long-term borrowings	108,000	164,000
Other	25,602	23,770
Total long-term liabilities	133,602	187,770
Total liabilities	2,947,895	3,224,375
Net assets		
Shareholders' capital		
Common stock	1,148,356	1,145,840
Additional paid-in capital	1,625,956	1,623,440
Retained earnings	6,593,523	6,569,023
Treasury stock	(648,554)	(648,554)
Total shareholders' capital	8,719,281	8,689,750
Valuation and translation adjustments		
Net unrealized gains (losses) on other securities	(65,385)	(82,404)
Foreign currency translation adjustments	1,565	28,844
Total valuation and translation adjustments	(63,820)	(53,560)
Total net assets	8,655,461	8,636,190
Total liabilities and net assets	11,603,356	11,860,565

Condensed Consolidated Statements of Operations

(In thousand yen)

	Three months ended October 31, 2007	Six months ended July 31, 2007
	Amount	Amount
Net sales	4,325,937	9,077,864
Cost of sales	773,174	1,743,926
Gross profit	3,552,763	7,333,938
Selling, general and administrative expenses	3,081,717	6,172,164
Operating income	471,045	1,161,773
Non-operating revenues	11,138	11,355
Non-operating expenses	14,784	25,582
Ordinary income	467,399	1,147,546
Extraordinary gains	812	-
Extraordinary losses	69,822	52,241
Net income before taxes	398,390	1,095,304
Income taxes	209,015	531,948
Net income	189,374	563,356

Condensed Consolidated Statements of Cash Flows

(In thousand yen)

	Three months ended October 31, 2007	Six months ended July 31, 2007
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	398,390	1,095,304
Depreciation and amortization	112,388	197,593
Amortization of long-term prepaid expenses	5,577	15,174
Increase in allowance for doubtful accounts	2,375	3,452
Increase in reserve for employees' bonuses	45,171	6,296
Increase (decrease) in allowance for bonus points redemption	(4,026)	13,265
Increase in reserve for retirement benefits	2,865	4,042
Interest and dividend income	(4,351)	(5,959)
Interest expense	3,824	8,314
Loss on disposal of fixed assets	4,515	33,850
Valuation loss on investment securities	66,000	-
Decrease in trade receivables	77,102	195,984
Increase in inventories	(68,185)	(8,505)
Increase (decrease) in trade payables	(10,226)	116,523
Increase (decrease) in accounts payable-other	24,146	(31,788)
Increase (decrease) in consumption tax payable	21,650	(86,874)
Increase (decrease) in consumption tax receivable	(237)	281
Other	(15,971)	2,019
Sub total	661,008	1,558,976
Interest and dividends received	6,345	3,965
Interest paid	(4,120)	(7,825)
Income taxes paid	(478,823)	(806,170)
Net cash provided by (used in) operating activities	184,409	748,945
Cash flows from investing activities		
Acquisition of tangible fixed assets	(15,805)	(43,257)
Acquisition of intangible fixed assets	(133,702)	(207,603)
Payment of lease/guarantee deposits	(3,539)	(12,151)
Proceeds from collection of lease/guarantee deposits	5	8,976
Deposits into time deposit accounts	-	(138,033)
Proceeds from collection of loans	60,000	-
Net cash provided by (used in) investing activities	(93,041)	(392,068)
Cash flows from financing activities		
Repayment of long-term borrowings	(181,000)	(362,000)
Proceeds from share issuance	5,031	14,958
Dividend payment	(107,188)	(433,925)
Net cash provided by (used in) financing activities	(283,157)	(780,967)
Effect of exchange rate changes on cash and cash equivalents	(19,508)	17,459
Decrease in cash and cash equivalents	(211,298)	(406,632)
Cash and cash equivalents at the beginning of the period	3,952,015	4,358,647
Cash and cash equivalents at the end of the period	3,740,717	3,952,015