



Period Ended July 2009 1st Quarter

December 11, 2008

Dr.Ci-Labo Co., Ltd.

- 1. Financial Results for the Period Ended July 2009
1st Quarter (Performance Highlights)**
- 2. Summary for the Period Ended July 2009 1st Quarter**



**Financial Results for the 11th
Period (Period Ended July 2009)
1st Quarter**

Performance Highlights



1. Major B/S Items

(¥ Million)

	Same Period Prior Year		Period Ended July 2009 1st Quarter		YoY Change	
	Period Ended 7/ 2008	Percentage	Period Ended 10/2008	Percentage	Change	Percentage
Current Assets	9,708	73.2 %	8,185	70.2 %	▲1,523 ※1	84.3 %
Fixed Assets	3,553	26.8 %	3,473	29.8 %	▲80	97.7 %
Total Assets	13,262	100.0 %	11,658	100.0 %	▲1,603	87.9 %
Current Liabilities	3,207	24.2 %	2,467	21.2 %	▲740 ※2	76.9 %
Fixed Liabilities	28	0.2 %	28	0.2 %	0	100.8 %
Total Liabilities	3,236	24.4 %	2,496	21.4 %	▲740	77.1 %
Total Net Assets	10,026	75.6 %	9,162	78.6 %	▲863	91.4 %
Total Liabilities and Net Assets	13,262	100.0 %	11,658	100.0 %	▲1,603	87.9 %

※1 : This is primarily due to a reduction of current deposits by 945 million yen through payment of corporate tax, etc., distribution of dividends, etc. , and decrease of account receivables by 497 Million yen .

※2 : This is primarily due to a decrease of accrued corporate taxes by 934 million yen through tax payments, and the increase of money unpaid by 218 million yen for advertising expenses.

Performance Highlights



2. Consolidated P/L Major Items

(¥ Million)

	Period Ended 7/2008 1st Quarter		Period Ended 7/2009 1st Quarter		YoY Change	
	07/8 - 07/10	Percentage of Sales	08/8 - 08/10	Percentage of Sales	Change	Percentage
Sales	4,325	100.0 %	4,741	100.0 %	415	109.6 %
Cost of Goods Sold	773	17.9 %	924	19.5 % ※1	151	119.6 %
Gross Profit on Sales	3,552	82.1 %	3,817	80.5 %	264	107.4 %
SGA	3,081	71.2 %	3,595	75.8 % ※2	514	116.7 %
Operating Profit	471	10.9 %	221	4.7 %	▲249	47.0 %
Recurring Profit	467	10.8 %	207	4.4 %	▲260	44.3 %
Net Income	189	4.4 %	114	2.4 %	▲75	60.3 %
Extraordinary Losses	69	1.6 %	4	0.1 %	▲65	6.0 %

※1 : The sales cost ratio increased by 1.6% compared to the prior year, due to a temporary increase of returns from distribution stock accompanied by major product renewal, and an increase of the cost percentage by selling higher cost goods.

※2 : The percentage of SGA against sales increased by 4.6% compared to the prior year, due to concentrated action of promotion expenses in October towards the 2nd Quarter, the biggest demand period. Especially, the percentage of sales promotion expenses against sales has risen by 3.6% compared to the prior year, due to distribution of free samples and placement of store fixtures, while the transport cost to deliver free samples compared to the prior year has risen by 2%.

Performance Highlights



3. Sales, General and Administrative Expenses Major Items

(¥ Million)

	Period Ended 7/2008 1st Quarter		Period Ended 7/2009 1st Quarter		YoY Change	
	2007/8 - 2007/10	Percentage of Sales	2008/8 - 2008/10	Percentage of Sales	Change	Percentage
Sales	4,325	100.0 %	4,741	100.0 %	415	109.6 %
Cost of Goods Sold	773	17.9 %	924	19.5 %	151	119.6 %
SGA	3,081	71.2 %	3,595	75.8 %	514	116.7 %
Advertisement	840	19.4 %	934 ※1	19.7 %	93	111.2 %
Sales Promotion	348	8.1 %	557 ※2	11.7 %	208	159.9 %
Personnel Expenses	711	16.4 %	736	15.5 %	25	103.5 %
Depreciation	117	2.7 %	126	2.7 %	10	108.8 %
Equipment Investment	149	3.5 %	78	1.7 %	▲70	52.7 %

※1 : A total increase of 93 million yen resulting from aggressive use of Web advertisements, monthly issue of magazines, and folded advertisements in newspapers while reducing mass advertisements of TV and magazines..

※2 : An increase due to a increase of cost of free samples for aggressive acquisition promotion of new mail-order members, for sales growth in 2nd Quarter, the biggest demand period, and due to replacement of store fixtures for in-store sales promotion.

Performance Highlights



4. Sales by Business Segment

(¥ Million)

	Period Ended 7/2008 1st Quarter		Period Ended 7/2009 1st Quarter		YoY Change	
	2007/8 - 2007/10	Percentage of Sales	2008/8 - 2008/10	Percentage of Sales	Change	Percentage
Cosmetics Division	4,240	98.0 %	4,598	97.0 %	357	108.4 %
Health Foods Division	46	1.1 %	120	2.5 %	74	259.8 %
Appliances and Other Division	39	0.9 %	22	0.5 %	▲16	58.2 %
Total	4,325	100.0 %	4,741	100.0 %	415	109.6 %

Performance Highlights

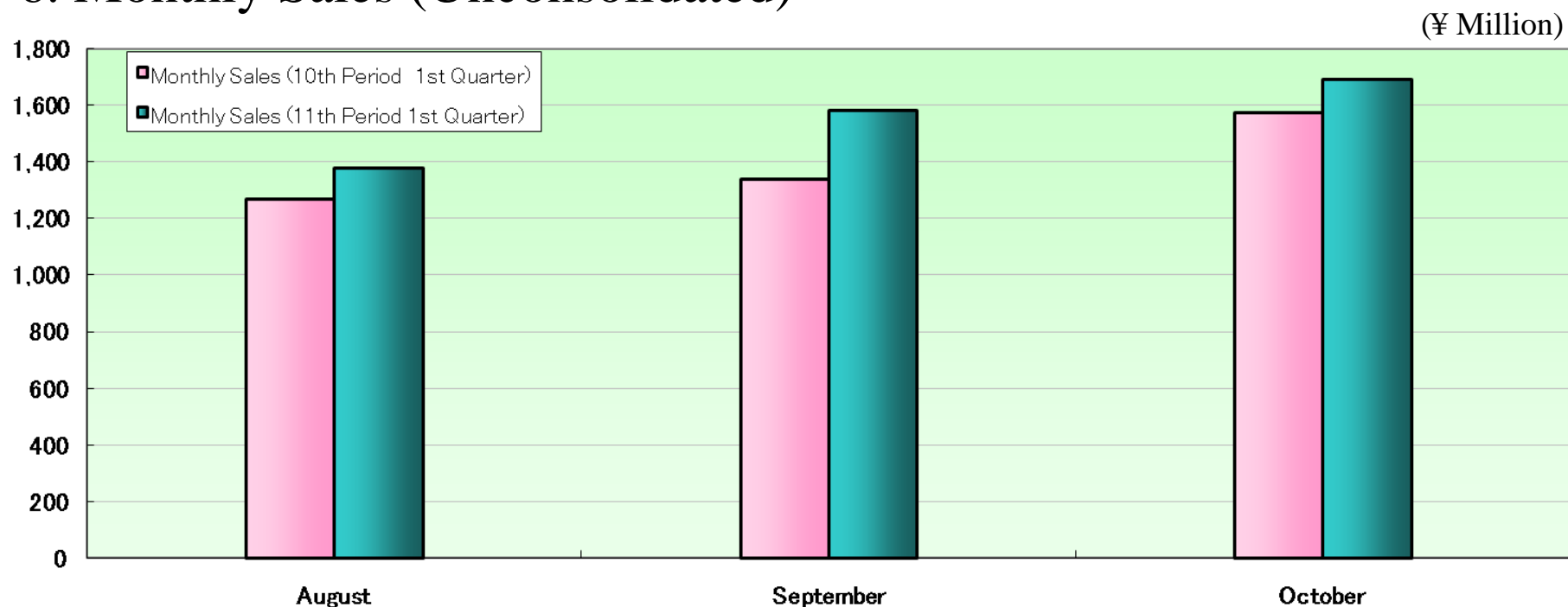


5. Sales by Sales Channel

(¥ Million)

	Period Ended 7/2008 1st Quarter		Period Ended 7/2009 1st Quarter		YoY Change	
	2007/8 - 2007/10	Percentage of Sales	2008/8 - 2008/10	Percentage of Sales	Change	Percentage
Mail Order Sales	1,791	41.4 %	2,514	53.0 %	722	140.3 %
Wholesale	1,290	29.8 %	1,237	26.1 %	▲53	95.9 %
Counseling-Type Sales	1,034	23.9 %	840	17.7 %	▲193	81.3 %
Overseas Business and Other	209	4.8 %	149	3.1 %	▲60	71.2 %
Total	4,325	100.0 %	4,741	100.0 %	415	109.6 %

6. Monthly Sales (Unconsolidated)



Monthly Sales (¥ Million)	August	September	October
10th Period 1st Quarter (2007.8-2007.10)	1,270	1,340	1,578
11th Period 1st Quarter (2008.8-2008.10)	1,382	1,584	1,692
MoM (%)	108.8 %	118.2 %	107.2 %

Performance Highlights



7. Cash Flow Statements

(¥ Million)

	Period Ended 7/2008 1st Quarter	Period Ended 7/2009 1st Quarter	YoY Change
	2007/8 - 2007/10	2008/8 - 2008/10	Change
Cash Flow from Operations	184	▲162	▲346
Cash Flow from Investment Activities	▲93	▲56	36
Cash Flow from Financial Activities	▲283	▲702	▲419
Change in Cash and Cash Equivalents	▲211	▲931	▲720

Performance Highlights



(Reference) Major Unconsolidated P/L Items

(¥ Million)

	Period Ended 7/2008 1st Quarter		Period Ended 7/2009 1st Quarter		YoY Change	
	2007/8 - 2007/10	Percentage of Sales	2008/8 - 2008/10	Percentage of Sales	Change	Percentage
Sales	4,189	100.0 %	4,659	100.0 %	470	111.2 %
Cost of Goods Sold	806	19.3 %	941	20.2 %	135	116.7 %
Gross Profit on Sales	3,382	80.7 %	3,717	79.8 %	335	109.9 %
Sales, General and Administrative Expenses	2,901	69.3 %	3,502	75.2 %	600	120.7 %
Operating Profit	480	11.5 %	215	4.6 %	▲265	44.8 %
Recurring Profit	490	11.7 %	213	4.6 %	▲277	43.5 %
Net Income	490	11.7 %	114	2.5 %	▲375	23.4 %
Extraordinary Losses	0	0.0 %	4	0.1 %	4	-



**Summary of the 1st Quarter of the
Fiscal Year ending July 31, 2009**

Summary of Product Sales in the Period Ended July 2009 1st Quarter



Top Sales by Products

(million)

Rank	Product	1 st Quarter	Composition	Vs Same Period Prior Year
1	Aqua Collagen Gel Super Moisture (Including Medicated Aqua Collagen Gel Super Moisture)	999	21.1 %	79.2 %
2	Aqua In-Derm DN Essence	352	7.4 %	286.2 %
3	Aqua Collagen Gel Enriched Lift	208	4.4 %	—
4	Aqua Collagen Gel Super Sensitive	125	2.6 %	61.9 %
5	Photo White C Laser Plus (Including Super Photo White C)	110	2.3 %	169.2 %
6	Aqua Collagen Gel Mature Lift EX	104	2.2 %	221.3 %
7	Aqua Collagen Gel Super 1000	88	1.9 %	—
8	UV & WHITE Moisture Milk	74	1.6 %	105.7 %
9	Super Washing Foam	73	1.5 %	—
10	3D Deep Botolium Premium Lift	67	1.4 %	58.3 %
Total		4,741	100.0 %	109.6 %

Aqua Collagen Gel Series	1,562	32.9 %	101.0 %
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* Does not include campaign set products

Summary of Sales by Product

■ Continued favorable sales of Aqua In-Derm DN Essence

- Ad-hoc sales of large size (100ml) has greatly increased sales.

Mail order sales have been especially favorable.

⇒ When set sales with other products is included, Aqua In-Derm accounts for 12% of mail order sales.



■ Aqua Collagen Gel Series

- Medicated Aqua Collagen Gel Super Moisture has made a good sales start.

From 9/25 to 10/31, sales of 652 million yen were recorded.

⇔ Because of returns from distribution stock of previous package of Aqua Collagen Gel Super Moisture, the total sales of Aqua Collagen Super Moisture dipped from the prior year.

- Sales of Aqua Collagen Enriched Lift continues to be favorable.

Renewed package to increase repeat sales from target customers in the second half.

Summary of Sales Channel (Mail Order Sales) in the Period Ended July 2009 1st Quarter



Transition of Number of Mail Order Purchasers

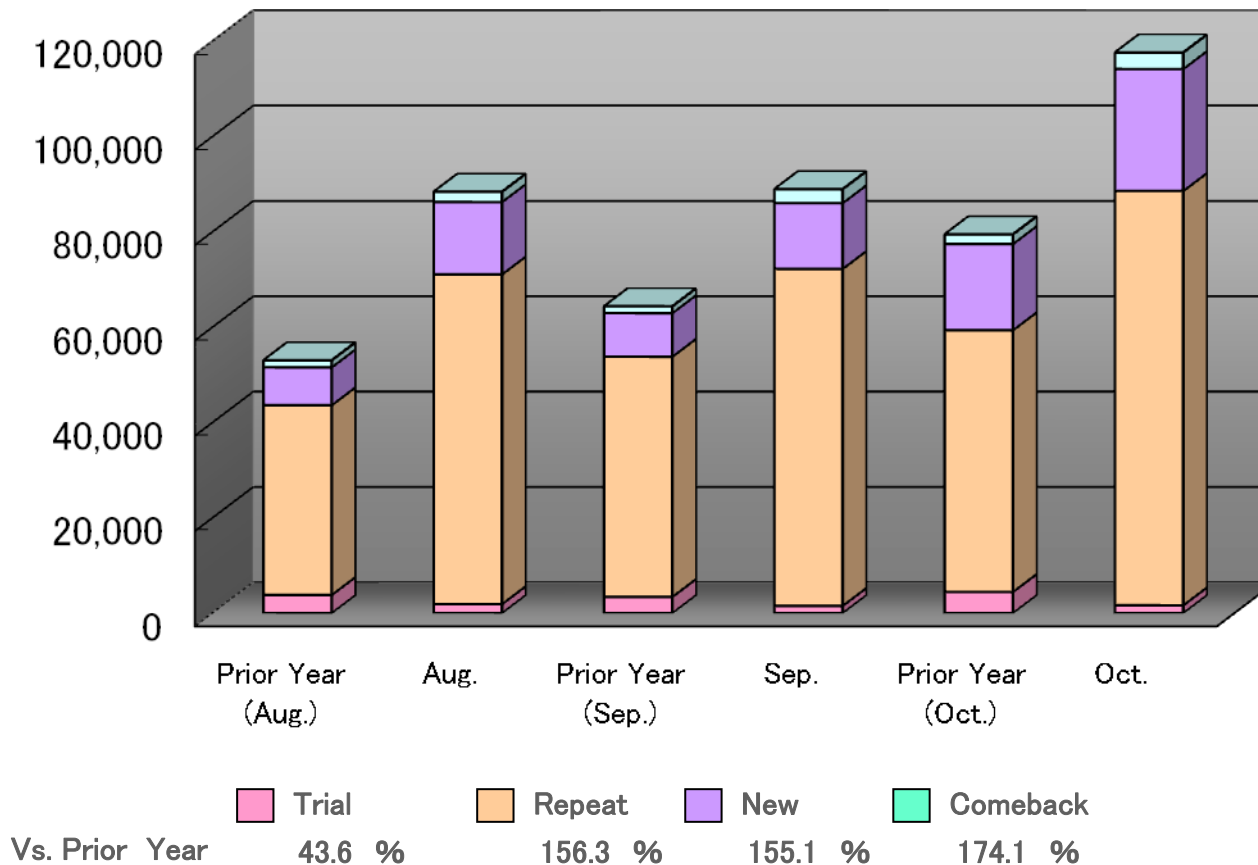
Main factors for the increase in repeat purchasers

- Step Up Discount
- Issue of Monthly Magazine
- Sales start of medicated Aqua Collagen Gel
- Periodical delivery of health foods started.

Main factors for the increase in repeat purchasers

- Aggressive promotion according to sales start of medicated Aqua Collagen Gel

⇒ Remarkable increase of purchases by new customers and existing customers in October.










Domestic Stores Status of Rollout

Counseling Type Sales

		End of 10 th Period	Changes During the Period	End of the Period Under Review
Directly Managed Stores		5	-	5
Dr.Ci: Labo	Department Stores	79	Store Opened 4 Stores Closed 1	82
	GMS	35	6	41
Genomer		1	-	1
dr.brandt		2	1	3
Total		122	+10	132

Wholesale

Brands Handled by Channel	End of 10 th Period	No. of Stores as of End of Period (Stores)
Drug Stores 	2,700	3,700
Convenience Shops 	6,850	6,850
Pharmacies 	5,000	5,500
Variety Shops  	750	800
Cosmetic Specialty Shops 	114	123

■ Wholesale

■ QVC continues to be favorable: Sales growth (YoY) 135.2%

- Aqua Collagen Gel Mature Lift EX showed great sales growth.

■ Shift of Labo Labo to drug stores as major sales channel started to work out.

- Number of stores in drug stores increased from 2,700 stores ⇒ 3,700 stores.
- Labo Labo Peeling Gel recorded successful sales, and stock turnover at stores has improved.

■ Sluggish sales of Dr. Ci-Labo brand

- As store sales at major variety shops was sluggish, stock delivery was not promoted, and the sales were sluggish.
- Returns from distribution stock of previous version of Aqua Collagen Gel have resulted in a sales decline.

■ Comparison against same period prior year

Dr. Ci-Labo: Sales growth (YoY): 78.1%

Labo Labo: Sales growth (YoY): 230.7%

■ Counseling-Type Store Sales

■ Same store sales growth (YoY): 76.1%

- Situation of department stores ▪GMS has worsened nationwide.
⇒New customer acquisition continues to be very slow.
- Returns from distribution stock of previous version of main products have resulted in a sales decline.

Directly Managed Stores ▪Department Stores: Same store sales growth (YoY) : 76.3%

GMS: Same store sales growth (YoY): 75.1%

■ Effect of Opening New Store: 60 Million Yen

Failed to register large profit increase.

■ Comparison by Brand against same period prior year

Dr. Ci-Labo: Same store sales growth (YoY): 75.6%

Genomer: Same store sales growth (YoY): 107.6%

dr. brandt: Same store sales growth (YoY): 107.8%

Summary of Sales Channels (Overseas) in the Period Ended July 2009 1st Quarter



Overseas Stores Rollouts Status

※1. USA includes Takashimaya New York store (wholesale).

※2. As for Malaysia, store openings are by distributors.

	Hong Kong	Taiwan	Hawaii	USA	Malaysia	Total
Sales Format	In-Store Sales Wholesale	In-Store Sales Mail Order Sales	In-Store Sales	In-Store Sales Wholesale Mail Order Sales	Wholesale	
Number of Stores (End of Oct. 2008)	4	10	1	2 ※1	2 ※2	19 Stores
Number of Newly Opened Stores	1	—	—	—	—	1 Store
Number of Closed Stores	—	—	—	—	—	0 Store

■ Taiwan: Fall in income, due to sluggish economy of entire market.

■ Hong Kong: Shifted to store rollout focusing more on profitability than sales size and even though sales declined, it continues to remain in surplus.

■ USA: Restructuring has almost been completed. New sales channel will be established in the near future.