

Third Quarter Financial Results
For the Nine Months Ended April 30, 2009 — Consolidated

June 11, 2009

Company name: **Dr. Ci:Labo Co., Ltd.**
 Shares listed on: The First Section of the Tokyo Stock Exchange
 Security code: 4924
 URL: <http://www.ci-labo.com/>
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1. Consolidated Financial Results for the Nine Months Ended April 30, 2009
(August 1, 2008 to April 30, 2009)

(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
Nine months ended April 30, 2009	18,127	3,488	3,479	1,865
Nine months ended April 30, 2008	15,791	2,900	2,860	1,360

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended April 30, 2009	6,853.27	6,836.32
Nine months ended April 30, 2008	4,951.99	4,914.36

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
AS of April 30, 2009	13,394	10,505	78.4	38,831.72
AS of July 31, 2008	13,262	10,026	75.6	36,898.97

2. Dividends per share

Period	Interim	Year-end	Annual
	yen	yen	yen
FY ended July 31, 2008	—	3,100	3,100
FY ending July 31, 2009 (forecast)	—	2,700	2,700

3. Forecast of Earnings for the Year Ending July 31, 2009 (August 1, 2008 to July 31, 2009)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	million yen	million yen	million yen	million yen	yen
Full year	24,820	4,530	4,510	2,500	9,157.84

4. Other Information

- (1) Changes affecting the status of significant subsidiaries during the period (scope of consolidation): Yes
Removed: 1 (DR. CI: LABO KOREA)
For details, see “Other Matters” section (1) beginning on page6.
- (2) Use of simplified accounting methods: Yes
For details, see “Other Matters” section (2) beginning on page6.
- (3) Changes in accounting principles, procedures and presentation methods for quarterly financial statements
(Changes I key accounting standards for quarterly financial reporting.)
Changes resulting from revisions to accounting standards: yes
Others: None
For details, see “Other Matters” section (3) beginning on page6.
- (4) Shares issued (common stock)

Shares issued (including treasury stock) at end of term
April 30,2009 : 280,340
July 31,2008 : 278,916

Treasury stock
April 30,2009 : 9,813
July 31,2008 : 7,198

Average shares issued
April 30,2009 : 272,213
April 30,2008 : 274,831

The above forecasts are based on information currently available. Actual results may differ from the above forecasts due to a range of factors. For matters relating to performance forecasts, see 3.

Qualitative Information Regarding Consolidated Performance Forecast in [Qualitative Information • Financial Statements] on page 5.

AS of the current consolidated fiscal year, Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 12) and Application Guidelines related to Accounting Standards for Quarterly Report (Accounting Standards Board of Japan Article 14) will be applied. Further, in accordance with the Regulation for Consolidated Quarterly Reporting, a quarterly consolidated financial report will be prepared.

Qualitative Information / Financial Statements

1. Qualitative Information Regarding the Consolidated Management Performance

During the consolidated 3rd cumulative accounting term under review, the financial uncertainties that had been triggered by the global financial crisis have had a serious impact on the domestic economy leading to deterioration in both corporate performance and employment conditions. Sluggishness in personal consumption became pronounced and the recessionary trend of the economy continues to persist.

In such an environment, the Group strengthened the sales of Aqua Collagen Enrich Lift EX and BB Perfect Cream and also introduced a major new product, Super White 377, in April, continuing the Group's efforts to expand sales through aggressive promotion activities.

By sales outlets, mail order sales continue to be strong. Through the active rollout of product trial campaigns for Aqua Collagen Enrich Lift EX, which is our new customer development tool, many new customers were acquired and this contributed to the growth in sales. The conversion of the point system from the 3rd quarter from the gift exchange type to a cash conversion type encouraged existing customer purchases. The success of these measures, cumulatively through the 3rd quarter combined, resulted in a 29.7% increase in sales over the same period in the previous fiscal year. Similar success has been achieved in wholesale sales with initiation of the rollout of limited products including BB Perfect Cream and Aqua Collagen Gel Super 1000 in the Doctor CiLabo brand to the drug store route. The specialized retail outlet route also continues to perform strongly. Cumulatively, the sales in the 3rd quarter in the wholesale segment grew 10.2% over the same period in the previous fiscal year. In counseling-type sales through retail stores, measures to enhance existing customer satisfaction such as through the introduction of a point system similar to that offered in the mail order sales was introduced in March in order to stimulate sales and, although some signs of improvement have been seen, compared with the other routes, the situation remains severe. The combination of the above has resulted in cumulative results through the 3rd quarter declining year over year by 4.4% from the same period in the previous fiscal year.

In terms of the Group's overseas performance, with the recession hitting the overall market in Taiwan, sales of existing outlets stagnated and the sales situation has become even more severe. In Hong Kong, having moved the main sales route to space saving store outlets, sales have declined but improvements in efficiency have been achieved resulting in improved profitability. Significant sales declines have been experienced in the United States where, in addition to contracting the wholesale routes, the economy has been hit by a significant deterioration. Overseas sales, cumulatively through the 3rd quarter combined, resulted in a year- over-year decline of 26.6% over the same period in the previous fiscal year.

In terms of profit performance, sales campaigns conducted for Aqua Collagen Gel Enrich Lift EX were successful and, in addition to the mail order sales being strong, advertising and promotion activities were conducted in an efficient manner resulting in a steady increase in profits.

Against sales of ¥18,127 million (114.8% versus the same quarter the fiscal year earlier), operating profit of ¥3,488 million (120.3%), current profit of ¥3,479 million (121.6%) and a quarterly net profit of ¥1,865 million (137.1%) were recorded.

<Cosmetics Business>

Continued brand enhancement and expansion of customers continue to be the primary theme. In the Doctor CiLabo brand, with the Aqua Collagen Gel Enrich Soft EX campaign, a greater than expected number of customers was acquired from the targeted customer segment and this has contributed to the expansion of the customer base. In April, Super White 377, which is positioned as a core product for the future, was introduced and, with aggressive promotion programs which were conducted primarily in the greater Tokyo area, the sales situation has been extremely successful.

The LaboLabo brand continues to be rolled out to the drug store segment and has shown steady progress. Independent counters were expanded in two locations for the Genomer brand, but as it is positioned at the higher end of the price spectrum among our products, the severe consumption trend impacted on it, and the measures have not achieved the desired success.

Focus on increasing the brand awareness of dr. brandt continues and a new retail outlet has been opened to

achieve a steady increase in its sales. The combined sales in the cosmetics business were ¥17,698 million, a 14.9% increase over the same period in the previous fiscal year.

<Health Foods Division >

In the health foods business, sales of Rose Charge and Karada Mint, which were developed in response to requests on the community forum in the Company's website, showed strong performance, and at the same time, our regular delivery service has taken root and higher sales were achieved. The sales for this segment were ¥343 million, a 181.0% increase over the same quarter, the year earlier.

< Beauty Appliances & Other Division>

With respect to beauty appliances and other businesses, the Group engages in the sales of beauty appliances including "Aqua Sonia" and "Ionical EX" but the sales are handled as supplemental activity in support of cosmetics products and active sales promotion is not being undertaken, thus, no expansion in sales was achieved. The total sales in this segment for the quarter were ¥84 million, a 43.6% decline over the same quarter, the year earlier.

<Investment>

During the Third quarter, there was no investment business activity that was recorded in sales.

2. Qualitative Information Regarding the Consolidated Financial Statements

(1) Changes in the Financial Position

(Assets)

Total assets, compared with the previous consolidated accounting year, increased by ¥132 million, primarily due to a ¥456 million increase in inventory associated with the introductions of new products and an increase by ¥152 million in accounts receivables due to strong sales. This was partially offset by a ¥454 million decline in cash due to payment of corporate taxes and purchase of treasury shares and a decrease of ¥146 million in intangible fixed assets due to amortization of software and other intangible assets.

(Liabilities)

Total liabilities declined ¥346 million from the end of the previous consolidated accounting year. This was composed primarily of a reduction in accrued corporate taxes of ¥263 million due to interim payment of taxes, a ¥202 million reduction in point service reserves associated with the reconfiguration of the point program and a reduction in borrowings by ¥164 million after making contractual repayments. The reduction in liabilities was offset partially by an increase in accounts payable of ¥226 million, associated with sourcing of new products.

(Net Assets)

Total net assets increased ¥478 million from the end of the previous consolidated accounting year. This was primarily a result of consolidated accumulated net profit for the third quarter of ¥1,865 million offset by a reduction in surplus by ¥842 million and a reduction in net assets by ¥399 million from the purchase of treasury shares.

(2) Cash Flow

The balance of cash and cash equivalents (hereinafter, the “Funds”) as of the end of the current consolidated Third quarter stood at ¥4,190 million, a ¥440 million reduction over the end of the previous consolidated year end. The status of each cash flow and the principal factors are described below.

(Cash Flow from Operating Activities)

Cash flows from operating activities totaled ¥1,573 million and consisted principally of ¥3,377 million in 3rd quarter profit before adjustments for taxes offset by a ¥479 million increase in inventory and a ¥1,764 million payment of corporate taxes.

(Cash Flow from Investment Activities)

Funds expended in investment activities were ¥585 million. This was composed of expenditure of ¥290 million for the acquisition of securities, ¥115 million for the acquisition of tangible fixed assets and ¥204 million for the acquisition of intangible fixed assets.

(Cash Flow from Financial Activities)

Cash used in financing activities totaled ¥1,390 million and consisted principally of the payment of dividends totaling ¥836 million, the repayment of ¥164 million in long-term borrowings and a ¥399 million payment for purchase of treasury shares.

3. Qualitative Information Regarding the Consolidated Performance Forecast

There are no changes to the performance forecast announced February 20, 2009

4. Other Matters

(1) Changes affecting the status of significant subsidiaries during the period (scope of consolidation)

Dr. Ci:Labo Korea is currently in liquidation, and the value of our equity interests in its total assets, sales, net income, and retained earnings do not have a material impact on our consolidated financial statements. We therefore removed it from the scope of consolidated results.

The Company was in the process of liquidation and as of November 2008, the liquidation has been concluded.

(2) Use of simplified accounting and/or accounting procedures specific to preparation of quarterly consolidated financial statements

(i) Calculation of tax expenses

We calculate tax expense by determining a reasonable estimate of our effective tax rate after applying tax-effect accounting to pretax net income for the fiscal year, which includes the first quarter under review, and multiplying quarterly pretax net income by said estimated effective tax rate. Income taxes are reported inclusive of income tax adjustments.

(3) Changes in accounting principles, procedures, and/or presentation methods used in the preparation of quarterly consolidated financial statements

From the fiscal year ending July 31, 2009, we have adopted the *Accounting Standard for Quarterly Financial Reporting* (ASBJ Statement No. 12) and its accompanying *Guidance on Accounting Standard for Quarterly Financial Reporting* (ASBJ Guidance No. 14). We prepare quarterly consolidated financial statements in accord with the Regulations on Quarterly Consolidated Financial Statements.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousands of yen)

	As of April 30, 2009	As of July 31, 2008
	Amount	Amount
Assets		
Current assets		
Cash and time deposits	4,190,982	4,645,168
Accounts receivable-trade	3,024,550	2,871,712
Securities	290,288	—
Products	1,299,873	1,075,175
Merchandise	96,918	68,950
Stored Goods	752,904	548,677
Other	425,321	516,651
Allowance for doubtful accounts	△41,260	△17,920
Total current assets	10,039,578	9,708,416
Noncurrent assets		
Tangible fixed assets		
Buildings	200,521	202,397
Accumulated depreciation	△88,202	△72,875
Buildings(Net)	112,319	129,521
Tools, furniture and fixture	906,343	803,452
Accumulated depreciation	△572,477	△491,549
Tools, furniture and fixture(Net)	333,866	311,902
Total tangible fixed assets	446,185	441,424
Intangible fixed assets		
Software	856,264	956,813
Other	71,055	117,149
Total intangible fixed assets	927,320	1,073,963
Investments and other assets		
Investment real estate	1,653,289	1,653,289
Accumulated depreciation	△72,499	△64,629
Investment real estate(Net)	1,580,789	1,588,660
Other	415,791	449,792
Allowance for doubtful accounts	△14,853	—
Total investments and other assets	1,981,727	2,038,452
Total noncurrent assets	3,355,233	3,553,840
Total assets	13,394,812	13,262,256

Liabilities		
Current liabilities		
Accounts payable-trade	781,583	554,967
Current portion of long-term borrowings	—	164,000
Accounts payable-other	976,727	986,299
Income taxes payable	785,676	1,049,082
Accrued Consumption Taxes	81,441	117,394
Reserve for bonuses	135,310	51,810
Allowance for bonus points redemption	15,984	218,262
Other	76,213	65,821
Total current liabilities	2,852,936	3,207,638
Long-term liabilities		
Reserve for retirement benefits	32,898	23,375
Other	3,949	5,129
Total long-term liabilities	36,847	28,505
Total liabilities	2,889,784	3,236,143
Net assets		
Shareholders' capital		
Common stock	1,161,811	1,157,099
Additional paid-in capital	1,639,211	1,634,699
Retained earnings	9,440,157	8,508,571
Treasury stock	△1,669,873	△1,269,884
Total shareholders' capital	10,571,307	10,030,486
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities	△702	△1,832
Foreign currency translation adjustments	△65,577	△2,539
Total valuation and translation adjustments	△66,279	△4,372
Total net assets	10,505,028	10,026,113
Total liabilities and net assets	13,394,812	13,262,256

(2) Consolidated Statement of Income

Consolidated Period from 1st Quarter to 3rd Quarter

(In thousand yen)

	Nine months ended April 30, 2009
	Amount
Net sales	18,127,608
Cost of sales	3,336,115
Gross profit	14,791,493
Selling, general and administrative expenses	11,302,883
Operating income	3,488,609
Non-operating revenues	
Interest income	8,184
Commissions	11,703
Others	8,942
Total non-operating revenues	28,831
Non-operating expenses	
Foreign exchange losses	25,449
Depreciation and Amortization	7,870
Others	4,286
Total non-operating expenses	37,606
Ordinary income	3,479,834
Extraordinary Profit	
Settlement Payments Received	13,000
Total Extraordinary Profits	13,000
Extraordinary losses	
Loss on disposal of fixed assets	90,168
Valuation loss on investment securities	24,840
Total extraordinary losses	115,008
Net income before taxes	3,377,825
Income taxes	1,512,274
Net income	1,865,551

Consolidated 3rd Quarter

(In thousand yen)

	Consolidated 3 rd Quarter
	Amount
Net sales	6,089,231
Cost of sales	1,137,698
Gross profit	4,951,533
Selling, general and administrative expenses	3,894,604
Operating income	1,056,929
Non-operating revenues	
Interest income	2,858
Foreign Exchange Gains	16,393
Commissions	3,920
Others	3,217
Total non-operating revenues	26,390
Non-operating expenses	
Depreciation and Amortization	2,623
Others	1,643
Total non-operating expenses	4,267
Ordinary income	1,079,052
Extraordinary Profit	
Settlement Payments Received	13,000
Reversal of Allowance for Bad Debts	5,970
Total Extraordinary Profit	18,970
Extraordinary losses	
Loss on disposal of fixed assets	3,544
Total extraordinary losses	3,544
Net income before taxes	1,094,477
Income taxes	494,310
Net income	600,167

(3) Consolidated Statements of Cash Flows

(In thousand yen)

	Nine months ended April 30, 2009
	Amount
Cash flows from operating activities	
Income before income taxes	3,377,825
Depreciation and amortization	403,643
Increase(decrease) in allowance for doubtful accounts	△7,796
Increase(decrease) in reserve for employees' bonuses	83,500
Increase (decrease) in allowance for bonus points redemption	△202,278
Increase(decrease) in reserve for retirement benefits	10,523
Interest and dividend income	△8,933
Interest expense	1,208
Loss on disposal of fixed assets	90,168
Valuation loss on investment securities	24,840
Increase(decrease) in trade receivables	△176,764
Increase (decrease)in inventories	△479,021
Increase (decrease) in trade payables	255,073
Increase (decrease) in accounts payable-other	△19,782
Increase (decrease) in consumption tax payable	△35,952
Increase (decrease) in changes in deposits received	9,588
Other	5,077
Sub total	3,330,918
Interest and dividends received	8,572
Interest expense	△1,208
Income taxes paid	△1,764,321
Net cash provided by (used in) operating activities	1,573,961
Cash flows from investing activities	
Acquisition of securities	△290,000
Acquisition of tangible fixed assets	△115,029
Income from sale of tangible fixed assets	1,212
Acquisition of intangible fixed assets	△204,784
Payment of lease/guarantee deposits	△4,979
Proceeds from collection of lease/guarantee deposits	27,998
Net cash provided by (used in) investing activities	△585,583
Cash flows from financing activities	
Repayment of long-term borrowings	△164,000
Proceeds from share issuance	9,224
Expenditure for Acquisition of Treasury Shares	△399,989
Dividend payment	△836,124
Net cash provided by (used in) financing activities	△1,390,890
Effect of exchange rate changes on cash and cash equivalents	△37,758
Decrease in cash and cash equivalents	△440,270
Cash and cash equivalents at the beginning of the period	4,645,168
Net decrease in cash and cash equivalents associated with exclusion	△13,915
Cash and cash equivalents at the end of the period	4,190,982

AS of the current consolidated fiscal year, Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 12) and Application Guidelines related to Accounting Standards for Quarterly Report (Accounting Standards Board of Japan Article 14) will be applied. Further, in accordance with the Regulation for Consolidated Quarterly Reporting, a quarterly consolidated financial report will be prepared.

(4) Notes on the going-concern assumption

None.

(5) Segment information

Segment information by type of business

Our consolidated group operates in the following business segments: cosmetics, health foods, appliances and other products, and investment. The sales and operating income of the cosmetics segment both account for more than 90 percent of the combined total sales and total operating income, respectively, of all segments. Segment information by type of business is therefore omitted from this document.

Segment information by geographic location

Our consolidated group operates in the following geographic locations: Japan, Asia, and North America. Sales in Japan account for more than 90 percent of the combined total sales of all segments. Segment information by geographic location is therefore omitted from this document.

Overseas sales

Overseas sales account for less than 10 percent of total consolidated sales. Information on overseas sales is therefore omitted from this document.

(6) Notes on material changes in shareholders' capital

None.