

**Third Quarter Financial Results**  
**For the Nine Months Ended April 30, 2010 — Consolidated**

June 10, 2010

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/>  
 Representative: Tomomi Ishihara, President and COO  
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 Filing of quarterly financial report: June 11, 2010  
 Start of cash dividend payments: —

(Amounts rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Nine Months Ended April 30, 2010**  
**(August 1, 2009 to April 30, 2010)**

(1) Operating Results

(Percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Third quarter ended April 30, 2010	22,679	25.1	6,217	78.2	6,244	79.5	3,513	88.3
Third quarter ended April 30, 2009	18,127	—	3,488	—	3,479	—	1,865	—

	Net income per share	Diluted net income per share
	yen	yen
Third quarter ended April 30, 2010	12,983.51	12,969.67
Third quarter ended April 30, 2009	6,853.27	6,836.32

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Third quarter ended April 30, 2010	18,725	14,580	77.9	53,874.07
FY ended July 31, 2009	15,252	11,779	77.2	43,540.94

(Reference) Shareholders' equity: Third quarter ended April 30, 2010: 14,580 million yen  
 Fiscal year ended July 31, 2009: 11,779 million yen

**2. Dividends per share**

Period	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
	yen	yen	yen	yen	yen
FY ended July 31, 2009	—	—	—	2,700.00	2,700.00
FY ended July 31, 2010	—	—	—	—	—
FY ending July 31, 2010 (forecast)	—	—	—	2,800.00	2,800.00

Note: Revision to quarterly dividend forecast: None

### 3. Forecast of Earnings for the Year Ending July 31, 2010 (August 1, 2009 to July 31, 2010)

(Percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY ending July 31,2010	30,800	18.9	7,500	38.8	7,500	39.1	4,150	36.2	15,339.29

Note: Revision to consolidated earnings forecast during period under review: None

### 4. Other Information

(1) Changes affecting the status of significant subsidiaries during the period (scope of consolidation): None

(2) Use of simplified accounting methods: yes

Note: For details, see "4.Other Matters" section (2) beginning on page 6.

(3) Changes in accounting principles, procedures and presentation methods for quarterly financial statements (Changes in key accounting standards for quarterly financial reporting. )

Changes resulting from revisions to accounting standards: None

Others: None

(4) Shares issued (common stock)

Shares issued (including treasury stock) at end of term

April 30,2010 : 280,461

July 31,2009 : 280,348

Treasury stock

April 30,2010 : 9,813

July 31,2009 : 9,813

Average shares issued

April 30,2010 : 270,574

April 30,2009 : 272,213

※Appropriate use of business forecasts • other special items

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 the consolidated performance forecast in [Qualitative Information • Financial Statements] on page 6.

## **Qualitative Information / Financial Statements**

### **1. Qualitative Information Regarding the Consolidated Management Performance**

During our consolidated third quarter reporting period, Japan's economy entered a phase of gradual recovery from the global economic recession, underpinned by signs of improved operating results at major exporters backed by a recovery in demand in international markets. Uncertainty, however, remains as the result of unimpeded deflationary trends, disappointing consumer spending and a stagnant employment environment.

Faced with these challenging broader economic conditions, we at the Dr. Ci:Labo Group collectively worked to generate increased sales revenues. This was accomplished by acquiring new customers primarily through sales of the Aqua-Collagen-Gel series, improving its service offerings as well as marketing more effectively to existing customers by revamping existing products and other initiatives.

By individual sales channel, each segment posted positive results.

In the mail order segment, in addition to greater use of TV infomercials, we experimented with new marketing initiatives, including running radio commercials for our health food products such as health beverage Aojiru and Placenta EXII, in an attempt to attract new customers. In addition, our enhanced service offerings, such as greater product selection for our regular delivery service and an upgrade of our mobile website, proved successful in retaining existing clients, which lead to solid sales revenue growth for the segment, or a 31.9% increase year on year (yoy).

In the face-to-face retail segment, we opened eight new stores and closed five underperforming stores, in our continued pursuit to improve operating profitability. Solid sales of our revamped Genomer lineup, stronger-than-expected purchases from existing customers and steady growth of purchases from new customers after March 2010 contributed to positive sales growth for the entire segment, as face-to-face retail sales revenues were up 5.2% yoy.

In the wholesale segment, we actively expanded sales of Aqua-Collagen-Gel-Enrich-Lift-EX and BB Perfect Cream. In addition, we also lobbied our drug store partners to carry our new Labo Labo brand First Aging Care Line and experimented with new sales initiatives, such as expanding exclusive merchandise for other retailers, to generate increased sales revenues. As a result, third quarter wholesale sales revenues grew by a robust 25.5% yoy.

Internationally, while momentum slowed slightly in the United States and Hong Kong as the result of a slowdown in these economies and the refinement of our sales channels, sales to department stores in Taiwan—one of our principal sales channels in the region—are on the path to recovery and television shopping sales revenue was solid, meaning overall sales revenue marked positive growth. Sales revenue also saw a firm increase in Singapore and Malaysia, where business is conducted through our sales agents, boosted by the opening of new stores in the region. As a result, revenue from international sales grew by 13.5% over the third quarter of last year.

We continued to realize strong profit margin growth in the third quarter, underpinned by increased sales revenue, strong performance by high margin products centered on the Aqua-Collagen-Gel series, continued effectiveness of our product ad campaigns and a reduction in distribution costs for our membership magazine and direct mail marketing.

Overall for our third quarter of the fiscal year ending July 31, 2010, sales totaled 22.679 billion yen, up 25.1% year over year, operating profits were 6.217 billion yen, up 78.2% year over year, recurring profits totaled 6.244 billion yen, up 79.5% year over year, and net profit for the quarter tallied 3.513 billion yen, up 88.3% year over year.

For a review of each business segment, see the following.

#### <Cosmetics Business>

Our cosmetic products business overall saw sound performance buoyed by the strength of our Dr. Ci:Labo brands, the Aqua-Collagen-Gel series and BB Perfect Cream. The Aqua-Collagen-Gel series experienced a boost in sales revenue underpinned by active sales promotion activities that contributed to the continued solid performance of Enrich-Lift-EX and the limited time offer of an economy size version of our Super Sensitive product for sensitive skin. BB Perfect Cream recorded higher sales revenues as the result of the combination of our revamped product lineup expanding sales across all channels with sales initiatives, including television infomercials and in-store sales promotions. We made efforts to expand revenues under the Labo Labo brand by launching sales of the First Aging Care Line and actively lobbying our drug store partners to carry the line on their shelves. In addition, sales of Astamoisture-Gel, a newly released product jointly developed with Seven & i Holdings Co., Ltd., got off to a strong start, increasing our already high expectations for the venture going forward. The Genomer brand also saw higher sales revenue due to marketing initiatives focused on revamped products, such as our Genomer Night-Up Cream, and the decision to begin offering the product lineup through mail order sales. The dr. brandt brand, however, recorded a decrease in sales revenue resulting from retail store downsizing made to improve operating efficiency.

Overall, sales for the cosmetics business increased by 23.3% yoy to 21.825 billion yen.

#### <Health Foods Division >

Our health foods business posted solid sales growth, underpinned by the further penetration of our regular delivery service. Furthermore, marketing of our health beverage Aojiru and Placenta EXII on radio commercials enabled us to capture new comparatively older customer segments unattainable through our cosmetic products alone.

Overall, sales for health foods increased by 76.3% yoy to 605 million yen.

#### <Equipment and Other businesses>

Our beauty devices and other businesses saw sales revenue grow to 247 million yen, up 191.8% compared to the year-earlier period, buoyed by strong sales of sets packaging our cosmetic products with our beauty devices such as Aqua Sonia and Ionical EX.

#### <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 increased by 3.473 billion yen, in comparison to the previous consolidated fiscal year end. This was mainly due to brisk performance that increased cash and cash equivalents by 3.530 billion yen.

#### (Liabilities)

Total liabilities increased by 671 million yen compared to the previous consolidated fiscal year end. Principal factors for this change were a 70 million yen increase in the loyalty rewards point reserve to match growing point payouts, a 236 million yen increase in accrued income tax resulting from higher profits, and an 123 million yen increase in accounts payable due to increases in raw material procurement and product manufacturing.

#### (Net Assets)

The total net asset increased by 2.801 billion yen compared to the previous consolidated fiscal year end. While the 3<sup>rd</sup> Quarter Consolidated Profits totaled 3.513 billion yen, retained earnings increased by 2.782 billion yen due to 730 million yen in dividend payments.

### (2) Cash Flow

Cash and cash equivalents (hereafter referred to as “cash”) as of the end of the 3<sup>rd</sup> Quarter Consolidated Fiscal Period saw an increase of 3.530 billion yen compared to the previous consolidated fiscal year end to 8.860 billion yen.

The status of each cash flow and the principal factors are described below.

#### (Cash Flow from Operating Activities)

Operating cash flows totaled 4.611 billion yen. While the pre-tax adjustment quarterly net profit totaled 6.215 billion yen, capital decreased by 2.468 billion yen due to income tax payments.

#### (Cash Flow from Investment Activities)

362 million yen was expended on investment activities. This was mainly due to the 117 million yen spent on the acquisition of PP&E, and 244 million yen spent on intangibles.

#### (Cash Flow from Financial Activities)

Capital expended in financial activities totaled 715 million yen. This was mainly due in part to payment on dividends totaling 724 million yen.

### **3. Qualitative Information Regarding the Consolidated Performance Forecast**

No changes have been made to our consolidated earnings forecast for full-year fiscal 2010 as indicated in our Second Quarter Earnings Report for the Fiscal Year Ending July 31, 2010 released on March 15, 2010. The performance forecasts noted above were created using materials available as of the date of the announcement. Due to various factors, the actual performance may differ from forecast.

### **4. Other Matters**

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

None

- (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 third 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

None

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousands of yen)

	Third quarter ended April 30, 2010	FY ended July 31,2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	8,860,678	5,330,500
Accounts receivable-trade	3,512,063	3,634,243
Securities	290,787	290,561
Products	—	1,446,908
Merchandise	—	58,558
Products and merchandise	1,632,981	—
Raw materials and stored goods	780,784	768,044
Other	436,771	457,443
Allowance for doubtful accounts	△90,674	△56,282
Total current assets	15,423,393	11,929,978
<b>Noncurrent assets</b>		
<b>Tangible fixed assets</b>		
Buildings	201,943	200,319
Accumulated depreciation	△108,927	△94,385
Buildings(Net)	93,015	105,934
Tools, furniture and fixture	1,005,527	899,342
Accumulated depreciation	△687,486	△603,593
Tools, furniture and fixture(Net)	318,041	295,749
Construction in process	1,014	—
Total tangible fixed assets	412,070	401,683
<b>Intangible fixed assets</b>		
Software	818,570	850,865
Other	41,182	32,371
Total intangible fixed assets	859,752	883,237
<b>Investments and other assets</b>		
Investment real estate	1,653,289	1,653,289
Accumulated depreciation	△81,964	△75,123
Investment real estate(Net)	1,571,324	1,578,166
Other	459,066	459,414
Total investments and other assets	2,030,390	2,037,580
Total noncurrent assets	3,302,214	3,322,501
<b>Total assets</b>	18,725,607	15,252,480

(Thousands of yen)

	Third quarter ended April 30, 2010	FY ended July 31,2009
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	648,003	524,117
Accounts payable-other	1,186,721	1,125,518
Income taxes payable	1,685,748	1,449,332
Reserve for bonuses	170,074	55,909
Allowance for bonus points redemption	114,520	43,564
Other	273,830	229,899
Total current liabilities	4,078,898	3,428,342
<b>Long-term liabilities</b>		
Reserve for retirement benefits	45,439	37,493
Other	20,360	7,296
Total long-term liabilities	65,800	44,789
Total liabilities	4,144,699	3,473,131
<b>Net assets</b>		
<b>Shareholders' capital</b>		
Common stock	1,167,047	1,162,198
Additional paid-in capital	1,644,447	1,639,598
Retained earnings	13,492,553	10,709,996
Treasury stock	△1,669,873	△1,669,873
Total shareholders' capital	14,634,175	11,841,920
<b>Valuation and translation adjustments</b>		
Net unrealized gains (losses) on available-for-sale securities	16,185	3,127
Foreign currency translation adjustments	△69,452	△65,699
Total valuation and translation adjustments	△53,266	△62,571
Total net assets	14,580,908	11,779,348
<b>Total liabilities and net assets</b>	18,725,607	15,252,480

**(2) Consolidated Statement of Income**  
(FY10 3<sup>rd</sup> Quarter Consolidated Cumulative Period)

(Thousands of yen)

	Third quarter ended April 30, 2009	Third quarter ended April 30, 2010
Net sales	18,127,608	22,679,552
Cost of sales	3,336,115	4,128,099
Gross profit	14,791,493	18,551,452
Selling, general and administrative expenses	11,302,883	12,333,487
Operating income	3,488,609	6,217,965
Non-operating revenues		
Interest income	8,184	1,759
Dividends received	—	1,731
Foreign exchange profits	—	1,770
Commissions	11,703	9,680
Compensation paid for returns of defective merchandise	—	19,579
Other	8,942	3,823
Total non-operating revenues	28,831	38,345
Non-operating expenses		
Foreign exchange losses	25,449	—
Depreciation and Amortization	7,870	11,395
Other	4,286	103
Total non-operating expenses	37,606	11,499
Ordinary income	3,479,834	6,244,811
Extraordinary profit		
Settlement payments received	13,000	—
Total Extraordinary Profits	13,000	—
Extraordinary losses		
Loss on disposal of fixed assets	90,168	9,734
Valuation loss on investment securities	24,840	20,040
Total extraordinary losses	115,008	29,774
Net income before taxes	3,377,825	6,215,036
Income taxes	1,512,274	2,702,036
Net income	1,865,551	3,513,000

**(3) Consolidated Statements of Cash Flows**

(Thousands of yen)

	Third quarter ended April 30, 2009	Third quarter ended April 30, 2010
<b>Cash flows from operating activities</b>		
Income before income taxes	3,377,825	6,215,036
Depreciation and amortization	382,741	372,970
Amortization of long-term prepaid expenses	20,901	17,212
Increase(decrease) in allowance for doubtful accounts	△7,796	21,101
Increase(decrease) in reserve for employees' bonuses	83,500	114,164
Increase (decrease) in allowance for bonus points redemption	△202,278	70,955
Increase(decrease) in reserve for retirement benefits	10,523	7,946
Interest and dividend income	△8,933	△3,491
Interest expense	1,208	—
Loss on disposal of fixed assets	90,168	9,734
Valuation loss on investment securities	24,840	20,040
Increase(decrease) in trade receivables	△176,764	119,664
Increase (decrease)in inventories	△479,021	△140,269
Increase (decrease) in trade payables	255,073	125,967
Increase (decrease) in accounts payable-other	△19,782	59,898
Increase (decrease) in consumption tax payable	△35,952	52,460
Increase (decrease) in changes in deposits received	9,588	△4,458
Other	5,077	18,314
Sub total	3,330,918	7,077,248
Interest and dividends received	8,572	3,208
Interest expense	△1,208	—
Income taxes paid	△1,764,321	△2,468,731
Net cash provided by (used in) operating activities	1,573,961	4,611,725

<b>Cash flows from investing activities</b>		
Acquisition of securities	△290,000	—
Acquisition of tangible fixed assets	△115,029	△117,093
Income from sale of tangible fixed assets	1,212	—
Acquisition of intangible fixed assets	△204,784	△244,861
Payment of lease/guarantee deposits	△4,979	△2,928
Proceeds from collection of lease/guarantee deposits	27,998	1,960
Net cash provided by (used in) investing activities	△585,583	△362,922
<b>Cash flows from financing activities</b>		
Repayment of long-term borrowings	△164,000	—
Proceeds from share issuance	9,224	9,698
Expenditure for Acquisition of Treasury Shares	△399,989	—
Dividend payment	△836,124	△724,834
Net cash provided by (used in) financing activities	△1,390,890	△715,135
<b>Effect of exchange rate changes on cash and cash equivalents</b>	△37,758	△3,488
<b>Decrease in cash and cash equivalents</b>	△440,270	3,530,178
<b>Cash and cash equivalents at the beginning of the period</b>	4,645,168	5,330,500
<b>Net decrease in cash and cash equivalents associated with exclusion From scope of consolidation</b>	△13,915	—
<b>Cash and cash equivalents at the end of the period</b>	4,190,982	8,860,678

**(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

**6. Other information**

None