April 28, 2009

Financial Results for the Fiscal Year Ended February 28, 2009

Name of company listed: Nippon Shikizai, Inc. Stock exchange listing: JASDAQ
Stock code number: 4920 URL: http://www.shikizai.com
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Scheduled date of annual general meeting of shareholders: May 28, 2009
Scheduled date of filing of Annual Securities Report: May 29, 2009

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results (March 1, 2008 – February 28, 2009)

(1) Consolidated results of operations

(Percentage represents relevant change in percentage compared to the same period of the previous year)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 2009	6,766	(12.4)	(114)	-	(382)	-	(203)	-
Fiscal year ended Feb. 2008	7,724	8.7	146	(43.1)	49	(81.0)	(504)	-

	Net income per share (basic)	Net income per share (diluted)	Return on equity	Ordinary income to total assets	Operating income to sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 2009	(47.19)	-	(13.5)	(5.2)	(1.7)
Fiscal year ended Feb. 2008	(116.98)	-	(26.5)	0.7	1.9

Reference: Equity in earnings of non-consolidated subsidiaries Feb. 2009: - million yen Feb. 2008: - million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2009	6,944	1,356	19.5	314.39
As of Feb. 29, 2008	7,788	1,664	21.4	385.66

Reference: Shareholders' equity Feb. 2009: 1,356 million yen Feb. 2008: 1,664 million yen

(3) Consolidated 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
Fiscal year ended Feb. 2009	154	(355)	118	457
Fiscal year ended Feb. 2008	(74)	(394)	454	573

2. Dividends

	Dividends per share			Total dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
(Record date)	Interim	Year-end	Annual			
	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Feb. 2008	-	-	0.00	-	-	-
Fiscal year ended Feb. 2009	-	-	0.00	-	-	-
Fiscal year ending Feb. 2010 (forecast)	-	10.00	10.00	-	269.7	-

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2010 (March 1, 2009 – February 28, 2010)

(Percentage represents relevant change in percentage compared to the same period of the previous year)

	Sales		Operating income		Ordinary income		Net income		Net income per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	3,070	(18.2)	12	(8.6)	(38)	-	(73)	-	(17.08)
Full year	6,489	(4.1)	317	-	160	-	16	-	3.71

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standards: None

2) Other changes: None

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at end of period (including treasury stock)

Feb. 2009:	4,318,444 shares	Feb. 2008:	4,318,444 shares

2) Number of treasury stock at end of period

Feb. 2009:	2,599 shares	Feb. 2008:	1,800 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results (March 1, 2008 – February 28, 2009)

(1) Non-consolidated results of operations

(Percentage represents relevant change in percentage compared to the same period of the previous year)

	Sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 2009	5,537	(9.0)	144	(47.9)	(101)	-	(80)	-
Fiscal year ended Feb. 2008	6,082	10.0	276	(17.5)	204	(44.6)	(384)	-

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Fiscal year ended Feb. 2009	(18.77)	-
Fiscal year ended Feb. 2008	(89.10)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2009	6,595	1,317	20.0	305.26
As of Feb. 29, 2008	7,063	1,433	20.3	332.12

Reference: Shareholders' equity Feb. 2009: 1,317 million yen Feb. 2008: 1,433 million yen

2. Non-consolidated Forecast for the Fiscal Year Ending February 28, 2010 (March 1, 2009 – February 28, 2010)

(Percentage represents relevant change in percentage compared to the same period of the previous year)

	Sales		Operating income		Ordinary income		Net income		Net income per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	2,580	(15.8)	79	(48.9)	5	(95.3)	(29)	-	(6.76)
Full year	5,472	(1.2)	370	157.4	213	-	69	-	16.13

* Cautionary statement with respect to forward-looking statements

The above forecasts were made by management based on currently available data and information. Please be aware that actual results may turn out different from those forecast as the Company's business is affected by many factors.

1. Results of Operations

(1) Analysis of Operating Results

In the current fiscal year under review, a worldwide recession began as the global turmoil in financial markets originating with the U.S. subprime mortgage crisis impacted the real economy. In Japan, there were declines in corporate earnings, chiefly at companies dependent on exports as the yen strengthened, and rising unemployment. In addition, consumers became increasingly reluctant to make purchases. Overall, the result was a further downturn in consumer sentiment.

In this highly volatile operating environment, Japan’s cosmetics industry cut back on the development of new products, postponed new product introductions and reduced inventories. The result was a downturn at Nippon Shikizai in orders in Japan for the manufacture of cosmetics under contract.

In response, Nippon Shikizai concentrated on capturing orders to manufacture cosmetics for overseas cosmetics companies that do not have factories in Japan. Priority was also placed on basic research and research involving cosmetics ingredients. In addition, Nippon Shikizai participated in many exhibitions in Japan and other countries. All these measures were aimed at establishing relationships with new customers and receiving orders for new products.

Due to these activities, there was steady growth in sales of products sold under the brands of overseas cosmetics companies. Furthermore, sales benefited from the development of innovative products, such as a three-dimensional type of foundation, new orders for lipstick resulting from research involving lip color, and an expanded lineup of UV-protection products.

However, total sales were much lower than in the previous fiscal year. The cause was a sharp decline in cosmetics sales in Japan as consumer sentiment in Japan and overseas weakened even more in the fiscal year’s second half.

At THEPENIER PHARMA INDUSTRIE S.A. (Thepenier), a consolidated subsidiary in France, there were big declines in sales and earnings. One reason is the termination of sales to a large customer because of a problem that occurred in 2007 involving the quality of a mouthwash product. Performance was also hurt by the economic downturn and weakening consumer sentiment in the EU countries and by the establishment of a reserve for doubtful accounts associated with the mouthwash problem. Although Thepenier reduced its workforce and took other restructuring actions, sales and earnings fell sharply.

To improve the financial condition of Thepenier, Nippon Shikizai conducted a debt-equity swap that converted all of its loans to this subsidiary into stock. In addition, actions were taken to have executives take responsibility for the poor performance and provide a base for a recovery. Compensation for Nippon Shikizai directors has been cut by 10% to 20%, directors have voluntarily returned 140 million yen of retirement benefits, and the portion of employees’ bonuses linked to annual earnings was lowered.

In association with the Thepenier debt-equity swap, Nippon Shikizai has forfeited amounts due from this subsidiary totaling 193 million yen. In addition, a non-operating expense of 141 million yen has been posted for a foreign exchange loss resulting from the difference between the exchange rate on the day the debt-equity swap took place and the day the results of this swap were posted on the balance sheet. There were extraordinary losses of 190 million yen for impairment losses for idle assets in Kita-ibaraki and 42 million yen for the closure of the Ayase factory.

Due to these factors, consolidated sales decreased 12.4% to 6,766 million yen and there was an operating loss of 114 million yen (compared with operating income of 146 million yen one year earlier), ordinary loss of 382 million yen (49 million yen income one year earlier), and net loss of 203 million yen (504 million yen loss one year earlier).

Because of this performance, there will be no dividend for this fiscal year.

Results by business segment were as follows.

Cosmetics

Sales of foundation and lipstick were lower, but makeup for the eyes is still very popular. As a result, sales of eye liner and mascara remained strong, mainly for products using the brands of overseas cosmetics companies. Overall, sales of eye makeup increased 15.7%. In addition, Nippon Shikizai conducted aggressive sales activities for UV-protection and quasi-drug products that are backed by the company’s existing technologies. The result was 20.2% growth in combined sales of these two products.

However, higher sales in these categories were not enough to offset the downturn in orders for all cosmetics products caused by the severe weakening in consumer sentiment in the fiscal year’s second half.

Total segment sales decreased 8.2% to 5,763 million yen and operating income was down 25.6% to 556 million yen.

Pharmaceuticals and other products

In this segment, performance was impacted by the termination of mouthwash sales to a large customer and a drop in new orders caused by weakening economies in the EU and consumer sentiment. The result was a 30.5% decrease in sales to 1,003 million yen, and an operating loss of 134 million yen compared with a 3 million yen loss one year earlier.

Sales by geographic region were as follows.

Japan

In Japan’s cosmetics market, there was a further downturn in consumer sentiment starting in the third quarter of the fiscal year because of the economic recession. Despite this challenging operating environment, Nippon Shikizai was able to hold the sales decline to the smallest amount possible through sales activities that targeted primarily new orders for overseas cosmetics brands, mainly makeup products, and UV-protection and quasi-drug products. After excluding 457 million yen of sales in the previous fiscal year from a product sold only for a limited time, sales in Japan were down only 1.6 percentage points.

Segment sales decreased 9.0% to 5,537 million yen and operating income was down 22.1% to 680 million yen.

There are no sales in the pharmaceuticals and other products segment in Japan.

France

Market conditions in France became increasingly challenging because of the severe EU economic recession and worsening consumer sentiment. In the pharmaceuticals and other products segment, which accounts for most operations in France, there was a large decline in sales because of lower sales of mouthwash and weak sales of pharmaceuticals due to the poor performance of econazole.

Sales in France decreased 23.1% to 1,323 million yen and the operating loss increased from 131 million yen to 258 million yen.

Outlook for the new fiscal year ending on February 28, 2010

Market conditions in fiscal 2009 are expected to remain challenging in Japan and other countries based on the global economic recession, yen’s strength against the U.S. dollar, and outlook for an extended period of weak stock prices.

In response, the Nippon Shikizai Group is leveraging its expertise in cosmetics technology and new product development to conduct aggressive marketing activities targeting customers in Japan and overseas. To better support global business operations, the sales organization was divided into domestic and overseas units in April 2009. This provides a sales framework that can identify the needs of overseas customers and provide these customers with services that precisely match those needs. For administrative operations, the accounting and corporate planning departments have been combined to create the Administration Division. This provides a framework for extending management and financial assistance to Thepenier.

As was explained earlier, Nippon Shikizai has taken actions in the current fiscal year aimed at restoring the financial soundness of Thepenier, such as by eliminating all doubtful accounts and conducting a debt-equity swap.

The operating environment for Thepenier is expected to remain difficult due to the outlook for a prolonged economic downturn in Europe. This company is increasing efforts to rebuild its operating base in many ways, including a workforce reduction and measures to become more efficient. The Group will again reduce directors’ compensation in the new fiscal year and take decisive actions to cut operating expenses, such as by lowering salaries for supervisory personnel. The goal is to become profitable.

Based on this outlook, Nippon Shikizai forecasts consolidated sales of 6,489 million yen, down 4.1%, and improvements from an operating loss of 114 million yen to operating income of 317 million yen, an ordinary loss of 382 million yen to ordinary income of 160 million yen, and a net loss of 203 million yen to net income of 16 million yen.

(2) Analysis of Financial Condition

1) Balance sheet position

Assets

Total assets were 6,944 million yen at the end of the current fiscal year, 843 million yen less than one year earlier.

Current assets decreased 742 million yen to 2,842 million yen. There was a 318 million yen decrease in trade notes and accounts receivable because of lower sales caused by the economic recession and the discounting and sale of some trade notes receivable. Inventories decreased 259 million yen mainly because of lower sales and the write-off of doubtful accounts associated with mouthwash.

Fixed assets decreased 101 million yen to 4,101 million yen. There was a 359 million yen decrease in tangible fixed assets, including the effect of the write-down of idle real estate at Kita-ibaraki, and a 246 million yen increase in investments and other assets due to an increase in deferred tax assets.

Liabilities and net assets

Total liabilities were 5,588 million yen, 535 million yen less than one year earlier. In current liabilities, lower sales were responsible for decreases of 189 million yen in trade notes and accounts payable and 162 million yen in other accounts payable. In long-term liabilities, there was a 132 million yen decrease in the allowance for directors’ retirement benefits because of the voluntary return by all directors of part of these benefits.

Shareholders’ equity decreased 203 million yen to 1,362 million yen. There was a 189 million yen reversal of the capital surplus to offset a loss, based on a resolution approved at last year’s shareholders meeting, and a 13 million yen decrease in retained earnings. Valuation and translation adjustments decreased 103 million yen. This was the result of a 45 million yen decrease in unrealized holding gain on other securities caused by falling stock prices and a 69 million yen decrease in foreign currency translation adjustments because of the yen’s rapid appreciation against the euro.

The result of these items was a 307 million yen decrease in net assets to 1,356 million yen.

2) Cash flow position

There was a net decrease of 116 million yen in cash and cash equivalents to 457 million yen at the end of the current fiscal year. This was the net result of an 82 million yen decrease caused by positive operating and financing cash flows and negative investing cash flows and a 33 million yen decrease due to exchange rate changes, mainly a steel decline in the euro’s value relative to the yen.

The major components of cash flows were as follows.

(Operating cash flows)

Net cash provided by operating activities was 154 million yen, an improvement of 228 million yen compared with the negative operating cash flow in the previous fiscal year. Cash was provided mainly by a 287 million yen decrease in trade receivables as trade notes receivable were discounted and sold and by the receipt of a 31 million yen penalty payment for the termination of a land purchase contract. Uses of cash included 103 million yen for interest paid and 20 million yen for income taxes paid. In addition, there were no payments for directors’ retirement benefits compared with payments of 155 million yen in the previous fiscal year.

(Investing cash flows)

Net cash used in investing activities decreased 38 million yen to 355 million yen. There were proceeds of 31 million yen from the sale of investment securities and proceeds of 23 million yen from the withdrawal of time deposits. Purchases of tangible fixed assets were 392 million yen and purchases of intangible fixed assets were 16 million yen.

(Financing cash flows)

Net cash provided by financing activities decreased 335 million yen to 118 million yen. The main reason was that net proceeds from fund procurement activities totaled 179 million yen compared with 515 million yen in the previous fiscal year. There were payments of 60 million yen for the redemption of corporate bonds.

(Reference) Cash flow indices

	FY2/05	FY2/06	FY2/07	FY2/08	FY2/09
Shareholders’ equity ratio (%)	34.0	33.4	28.1	21.4	19.5
Shareholders’ equity ratio based on market prices (%)	27.1	24.7	23.7	22.7	10.4
Years of debt redemption	5.5	10.9	6.5	-	25.4
Interest coverage ratio (times)	7.5	3.6	5.7	-	1.4

Notes: 1. Shareholders’ equity ratio: Shareholders’ equity / Total assets
2. Shareholders’ equity ratio based on market prices: Market capitalization / Total assets
3. Years of debt redemption: Interest-bearing debt / Operating cash flow
4. Interest coverage ratio: Operating cash flow / Interest payments
* There are no years of debt redemption and interest coverage ratio figures for FY2/08 because the Company had negative operating cash flows.

(3) Fundamental Policy Regarding Allocation of Earnings and Dividends for the Current and Next Fiscal Years

The Company regards the return of earnings to shareholders as one of its highest priorities. The fundamental policy is to continuously pay a stable dividend relative to results of operations.

Retained earnings are used to achieve growth, mainly through capital expenditures to upgrade and expand production facilities, raise productivity and develop new products.

The Company has made the difficult decision to suspend the dividend applicable to the fiscal year that ended on February 28, 2009 in consideration of the fiscal year’s operating results and the outlook for business activities.

(4) Business Risks

The businesses, operating results and financial condition of the Nippon Shikizai Group are vulnerable to the following risks that may have a significant effect on investment decisions.

The Group is taking actions to prevent these problems, spread out risk exposure, hedge risks and otherwise deal with these risks to minimize their potential effect on business activities.

1) Changes in interest rates and foreign exchange rates

At the end of the current fiscal year, the Group had debt totaling 3,919 million yen. As a result, changes in interest rates and other trends in financial markets could affect operating results. In addition, sales, expenses, assets, liabilities and other items denominated in foreign currencies are converted into yen when preparing the consolidated and non-consolidated financial statements. Consequently, foreign exchange rates used for this conversion may cause changes in Japanese yen-denominated figures even though there was no change in the corresponding values in local currencies.

2) Laws and regulations

The Group is active in the cosmetics and pharmaceuticals industries, which is governed by the provisions of the Pharmaceutical Affairs Law. Amendments to this law, revisions in standards for its application and other such changes could affect operating results.

3) Interruptions and reductions in business activities due to natural disasters, accidents and other events

Earthquakes, typhoons and other natural disasters could have a serious impact on the Group's manufacturing bases. Although the Group conducts periodic disaster response drills and inspections of facilities, there is no assurance that the Group will be able to perfectly prevent or mitigate disruptions to operations due to a natural disaster or accident. The Zama Factory, which is the Group's primary production facility, is located in a region of Japan where Tokai earthquake (an earthquake of a historic magnitude said to take place on in centuries) could occur. Such an earthquake could stop production activities, cause delays in the Group's ability to supply products and result in other problems that may affect the Group's operating results and financial condition.

4) Product liability

The Group may at some time supply products that have unexpected defects or that require a recall. The Group is taking every action possible to ensure the quality of its products. However, a major product liability judgment or product recall that entails substantial expenses that are not covered by insurance policies could have a detrimental effect on the reputation of the Group's products. This loss of trust could affect the Group's businesses, operating results and financial condition.

5) Performance of overseas subsidiary

The Company's subsidiary THEPENIER PHARMA INDUSTRIE S.A. (Thepenier) manufactures and sells pharmaceuticals and cosmetics. Thepenier has been performing poorly since its 2000 acquisition by the Company. In response, the Company has executing a management rehabilitation plan at this subsidiary that includes the provision of substantial assistance for all aspects of Thepenier's operations and aims to improve this company's sales and earnings. As of February 28, 2009, investments (stock) in Thepenier totaled 632 million yen. Consequently, a further deterioration in the performance of Thepenier may affect the operating results and financial condition of the Group.

2. Corporate Group

The Nippon Shikizai Group (the Group) is made up of Nippon Shikizai, Inc. (the Company), one subsidiary, and one affiliate.

The Company manufactures and performs research and development, both under contract for client companies, for cosmetics (including quasi-drugs). Subsidiary THEPENIER PHARMA INDUSTRIE S.A. primarily manufactures under contract for client companies pharmaceuticals and cosmetics in France.

An affiliate Quatre Saison, Ltd. holds 28.9% of the total outstanding shares of the Company, but has no other relationship (sales, technology, manufacturing, personnel, etc.) with this company other than the sharing of certain directors.

The business activities of the Group and roles of the Company and its subsidiary are as follows.

(1) Cosmetics

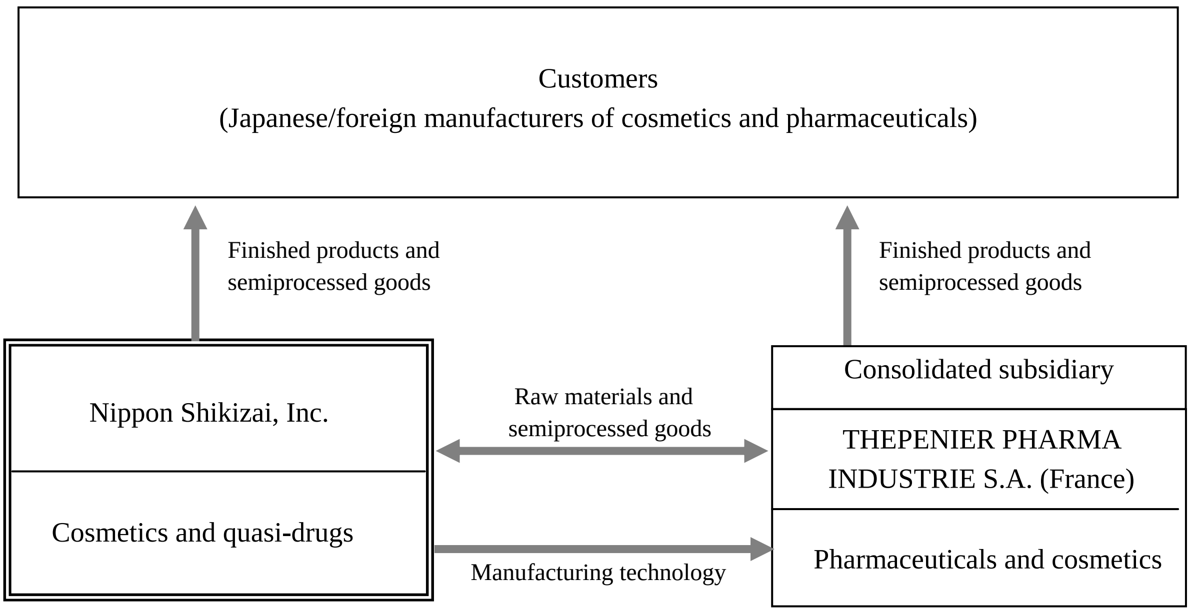
Main products are foundation, eye shadow, rouge, lipsticks, lip creams, moisturizers and UV cream; these products are manufactured and sold by the Company and its subsidiary.

(2) Pharmaceuticals and other products

Major products are econazole, medicinal toothpastes, mouthwashes, ear washes and hygiene products; these products are manufactured and sold by the subsidiary.

For some cosmetics products, the Company and its subsidiary sell and purchase raw materials and semiprocessed goods to each other, and these two companies manufacture and sell semiprocessed goods and finished products.

Presented below is a schematic of major business activities within the Group.



3. Management Policies

(1) Fundamental Policy

The corporate philosophy is “the high technology product innovation of Nippon Shikizai is being monitored throughout the world.” In line with this policy, the Company earns the trust of society as a developer and manufacturer of cosmetics while striving to increase its earnings and enterprise value for the benefit of shareholders.

Furthermore, as an organization specializing in the OEM manufacture of cosmetics and pharmaceuticals that do not bear its own brand, the Group’s goal is to use highly sophisticated technology and extensive data resources to supply products that excel in terms of quality and reliability. As a partner for cosmetics manufacturers and other companies, the Group is building an infrastructure capable of performing every step from the formulation of proposals through R&D and the manufacture of finished products.

(2) Targets and Performance Indicators

The Group places priority on performance indicators associated with improving profitability and financial soundness. The objective is to improve the ordinary income to sales ratio and equity ratio by leveraging the Group’s R&D and technological expertise, which are superior to those of competitors, to conduct operations in a highly profitable and efficient manner.

(3) Medium- and Long-term Management Strategies

The Group is taking actions involving the following issues in order to continue growing.

The Group will work even harder at developing value-added products by taking advantage of expertise in developing cosmetics and technologies that have been accumulated over many years. In addition, the Group will conduct extensive sales activities targeting overseas cosmetics distributors and manufacturers.

At the same time, actions will be taken to cut costs and improve efficiency throughout the Group in order to switch to a better profit structure.

For the cosmetics business of Thepenier, Nippon Shikizai will extend a full line of support involving technology, product development and sales in order to deepen Thepenier’s ties to the Group. The objective is to reinforce and enlarge this company’s base of operations.

(4) Key Issues

The operating environment remains uncertain due. Global financial instability, with no end in sight, economic downturns, the yen’s strength and dollar’s weakness, and reductions in production and inventories are all creating challenges. Furthermore, in Japan, rising unemployment and growing fears about earning a living are expected to make consumers even less willing to spend their money. This negative mood is beginning to impact sales of cosmetics and other household goods.

In response to these challenges, based on its medium- and long-term vision, the Group plans to further strengthen ties among Group companies while using resources more efficiently and where they can produce the greatest benefits. To accomplish these goals, initiatives to improve efficiency will be conducted in line with a clearly defined Group strategy.

The Group is focused on quickly identifying trends and changes involving the kinds of products customers want and then using advanced technologies to develop products that meet these needs. Another theme is working hard on developing relationships with new customers.

Group companies are determined to switch to a better profit structure by achieving low-cost operations. This will involve primarily initiatives for the optimum allocation of resources and greater operating efficiency along with cuts in personnel and administrative expenses.

Another goal is reinforcing and upgrading quality assurance systems in order to supply products that are different and superior to those of competitors.

At Thepenier, where measures have already been taken to restore financial soundness, the goal is to make this company even more closely linked to the Group. This will facilitate rapid decision-making and greater flexibility in business operations to respond to dramatic changes in market conditions. By taking these actions, the Group aims to raise the efficiency of overseas operations and maximize synergies within the Group.

Finally, to improve the soundness and transparency of the Group’s management, a highly effective internal control system will be established that can strengthen corporate governance for the entire Group.

(5) Establishment and Operation of Internal Controls

Please see the corporate governance report “Basic policy and arrangement of the internal control system.”

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: thousand yen)

		As of February 29, 2008			As of February 28, 2009			Difference
Account	*	Amount		%	Amount		%	Amount
Assets								
I Current assets								
1. Cash and deposits	*1		856,535			716,552		
2. Trade notes and accounts receivable			1,369,847			1,051,349		
3. Inventories			1,167,907			908,385		
4. Deferred tax assets			99,932			63,578		
5. Others			95,057			105,737		
6. Allowances for doubtful accounts			(4,277)			(10,722)		
Total current assets			3,585,002	46.0		2,834,881	40.8	(742,052)
II Fixed assets								
1. Tangible fixed assets								
(1) Buildings and structures	*1	4,765,093			4,373,462			
Accumulated depreciation		3,100,174	1,664,919		2,939,466	1,433,996		
(2) Machinery and vehicles		2,576,193			2,514,228			
Accumulated depreciation		2,118,051	458,142		2,074,571	439,657		
(3) Tools, furniture and fixtures		604,022			560,134			
Accumulated depreciation		491,427	112,594		479,093	81,040		
(4) Land	*1		1,407,903			1,328,473		
(5) Construction in progress			-			1,125		
Total tangible fixed assets			3,643,559	46.8		3,284,292	47.3	(359,267)
2. Intangible fixed assets			187,033	2.4		198,265	2.9	11,231
3. Investments and other assets								
(1) Investment securities	*1		204,656			143,800		
(2) Deferred tax assets			12,767			356,326		
(3) Others			165,822			179,331		
(4) Allowances for doubtful accounts			(10,546)			(52,003)		
Total investments and other assets			372,700	4.8		627,455	9.0	246,686
Total fixed assets			4,203,294	54.0		4,110,013	59.2	(101,349)
Total assets			7,788,296	100.0		6,944,894	100.0	(843,402)

(Unit: thousand yen)

		As of February 29, 2008		As of February 28, 2009		Difference
Account	*	Amount	%	Amount	%	Amount
Liabilities						
I Current liabilities						
1. Trade notes and accounts payable		958,859		769,761		
2. Short-term borrowings	*1	1,228,150		1,867,832		
3. Current portion of corporate bonds		60,000		290,000		
4. Other accounts payable		409,014		246,495		
5. Accrued income taxes		15,539		185		
6. Contingent loss reserve		33,332		11,807		
7. Others		315,640		242,208		
Total current liabilities		3,020,536	38.8	3,428,290	49.4	407,754
II Long-term liabilities						
1. Corporate bonds		290,000		-		
2. Long-term borrowings	*1	2,222,000		1,761,417		
3. Deferred tax liabilities		7,790		2,990		
4. Allowance for retirement benefits		161,278		133,368		
5. Allowance for directors' retirement benefits		347,790		215,550		
6. Others		74,135		46,406		
Total long-term liabilities		3,102,994	39.8	2,159,732	31.1	(943,262)
Total liabilities		6,123,530	78.6	5,588,023	80.5	(535,507)
Net assets						
I Shareholders' equity						
1. Common stock		552,749	7.1	552,749	7.9	-
2. Capital surplus		1,052,539	13.5	862,847	12.4	(189,691)
3. Retained earnings		(37,272)	(0.5)	(51,230)	(0.7)	(13,958)
4. Treasury stock		(1,117)	(0.0)	(1,436)	(0.0)	(319)
Total shareholders' equity		1,566,898	20.1	1,362,928	19.6	(203,969)
II Valuation and translation adjustments						
1. Unrealized holding gain (loss) on other securities		50,891	0.7	5,138	0.1	(45,752)
2. Deferred hedge gain (loss)		(31,745)	(0.4)	(20,842)	(0.3)	10,903
3. Foreign currency translation adjustments		78,721	1.0	9,645	0.1	(69,075)
Total valuation and translation adjustments		97,866	1.3	(6,057)	(0.1)	(103,924)
Total net assets		1,664,765	21.4	1,356,871	19.5	(307,894)
Total liabilities and net assets		7,788,296	100.0	6,944,894	100.0	(843,402)

(2) Consolidated income statements

(Unit: thousand yen)

		From March 1, 2007 to February 29, 2008			From March 1, 2008 to February 28, 2009			Difference
Account	*	Amount		%	Amount		%	Amount
I Sales			7,724,525	100.0		6,766,967	100.0	(957,557)
II Cost of sales	*2		6,496,770	84.1		5,728,608	84.7	(768,162)
Gross profits			1,227,754	15.9		1,038,359	15.3	(189,395)
III SG&A expenses	*1,2		1,081,232	14.0		1,153,021	17.0	71,789
Operating income (loss)			146,522	1.9		(114,661)	(1.7)	(261,184)
IV Non-operating income								
1. Interest income		1,202			1,449			
2. Dividend income		7,356			7,054			
3. Rent income		5,042			5,555			
4. Foreign exchange gain		5,290			-			
5. Others		31,447	50,339	0.6	17,584	31,644	0.5	(18,694)
V Non-operating expenses								
1. Interest expenses		98,440			107,080			
2. Commissions paid		30,500			16,750			
3. Foreign exchange loss		-			158,999			
4. Others		18,023	146,963	1.9	16,272	299,103	4.4	152,139
Ordinary income (loss)			49,898	0.6		(382,120)	(5.6)	(432,018)
VI Extraordinary income								
1. Gains on sales of fixed assets	*3	160			-			
2. Reversal of allowance for directors' retirement benefits		-			132,240			
3. Penalty payment for the termination of land purchase contract		-			31,352			
4. Other extraordinary income		-	160	0.0	11,989	175,581	2.6	175,420
VII Extraordinary losses								
1. Losses on disposal of fixed assets	*4	14,103			46,266			
2. Losses on valuation of investment securities		-			3,123			
3. Directors' retirement benefits		155,300			-			
4. Provision of allowance for prior-year directors' retirement benefits		319,270			-			
5. Additional retirement benefits		-			31,481			
6. Impairment losses	*5	-			190,322			
7. Provision for contingent loss reserve	*6	32,190			8,298			
8. Other extraordinary losses		-	520,863	6.7	26	279,519	4.2	(241,344)
Loss before income taxes			470,803	(6.1)		486,057	(7.2)	(15,253)
Current income taxes		21,465			7,821			
Deferred income taxes		12,689	34,154	0.4	(290,228)	(282,407)	(4.2)	(316,562)
Net loss			504,958	(6.5)		203,650	(3.0)	301,308

(3) Consolidated statement of changes in shareholders' equity

Previous fiscal year (March 1, 2007 – February 29, 2008) (Unit: thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of February 28, 2007	552,749	1,052,539	467,686	(1,117)	2,071,857
Changes in the current fiscal year					
Net loss			(504,958)		(504,958)
Changes (net) in items other than shareholders' equity					
Total changes in the current fiscal year	-	-	(504,958)	-	(504,958)
Balance as of February 29, 2008	552,749	1,052,539	(37,272)	(1,117)	1,566,898

	Valuation and translation adjustments				Total net assets
	Unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Total valuation and translation adjustments	
Balance as of February 28, 2007	76,496	(24,878)	28,490	80,108	2,151,965
Changes in the current fiscal year					
Net loss					(504,958)
Changes (net) in items other than shareholders' equity	(25,605)	(6,866)	50,231	17,758	17,758
Total changes in the current fiscal year	(25,605)	(6,866)	50,231	17,758	(487,200)
Balance as of February 29, 2008	50,891	(31,745)	78,721	97,866	1,664,765

Current fiscal year (March 1, 2008 – February 28, 2009) (Unit: thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of February 29, 2008	552,749	1,052,539	(37,272)	(1,117)	1,566,898
Changes in the current fiscal year					
Reversal of legal capital surplus		(189,691)	189,691		-
Net loss			(203,650)		(203,650)
Acquisition of treasury stock				(319)	(319)
Changes (net) in items other than shareholders' equity					
Total changes in the current fiscal year	-	(189,691)	(13,958)	(319)	(203,969)
Balance as of February 28, 2009	552,749	862,847	(51,230)	(1,436)	1,362,928

	Valuation and translation adjustments				Total net assets
	Unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments	Total valuation and translation adjustments	
Balance as of February 29, 2008	50,891	(31,745)	78,721	97,866	1,664,765
Changes in the current fiscal year					
Reversal of legal capital surplus					-
Net loss					(203,650)
Acquisition of treasury stock					(319)
Changes (net) in items other than shareholders' equity	(45,752)	10,903	(69,075)	(103,924)	(103,924)
Total changes in the current fiscal year	(45,752)	10,903	(69,075)	(103,924)	(307,894)
Balance as of February 28, 2009	5,138	(20,842)	9,645	(6,057)	1,356,871

(4) Consolidated cash flow statements

(Unit: thousand yen)

Account	*	From March 1, 2007 to February 29, 2008 Amount	From March 1, 2008 to February 28, 2009 Amount
I Cash flows from operating activities			
Loss before income taxes		(470,803)	(486,057)
Depreciation		325,458	337,905
Impairment losses		-	190,322
Increase (decrease) in contingent loss reserve		32,190	(16,471)
Decrease in allowance for retirement benefits		(20,668)	(4,410)
Increase (decrease) in allowance for directors' retirement benefits		347,790	(132,240)
Increase (decrease) in allowance for doubtful accounts		(5,011)	60,370
Interest and dividend income		(8,559)	(8,504)
Interest expenses		98,440	107,080
Foreign exchange loss		-	141,651
Gain on sales of investment securities		-	(11,989)
Loss on valuation of investment securities		-	3,123
Gain on sales of tangible fixed assets		(160)	-
Losses on disposal of tangible fixed assets		14,103	46,266
Directors' retirement benefits		155,300	-
Penalty payment for the termination of land purchase contract		-	(31,352)
Decrease in trade receivable		55,969	287,268
Decrease (increase) in inventories		(148,352)	212,391
Decrease in trade payable		(160,481)	(152,182)
Decrease in accrued consumption taxes		(6,727)	(3,659)
Decrease in other current liabilities		(13,860)	(176,717)
Others		(35,756)	(124,269)
Subtotal		158,869	238,552
Interests and dividends received		8,303	8,558
Interests paid		(86,956)	(103,642)
Directors' retirement benefits paid		(155,300)	-
Penalties received on the termination of land purchase contract		-	31,352
Income taxes refund (paid)		951	(20,338)
Net cash provided by (used in) operating activities		(74,131)	154,481
II Cash flows from investing activities			
Payment for time deposits		(320,500)	(297,500)
Withdrawal of time deposits		320,500	320,500
Purchases of tangible fixed assets		(391,705)	(392,669)
Proceeds from sales of tangible fixed assets		160	-
Purchases of intangible fixed assets		(1,927)	(16,584)
Purchases of investment securities		(1,574)	(947)
Proceeds from sales of investment securities		-	31,137
Proceeds from collection of long-term loans receivable		450	219
Others		160	-
Net cash used in investing activities		(394,436)	(355,844)
III Cash flows from financing activities			
Net increase in short-term borrowing		-	520,000
Proceeds from long-term borrowings		1,150,000	571,250
Repayment of long-term borrowings		(635,710)	(912,150)
Redemption of corporate bonds		(60,000)	(60,000)
Acquisition of treasury stock		-	(319)
Net cash provided by financing activities		454,290	118,780
IV Effect of exchange rate changes on cash and cash equivalents		8,568	(33,815)
V Increase (decrease) in cash and cash equivalents		(5,709)	(116,398)
VI Cash and cash equivalents at beginning of year		579,626	573,916
VII Cash and cash equivalents at end of period	*	573,916	457,518

Segment Information

a. Operating segment information

Previous fiscal year (March 1, 2007 – February 29, 2008) (Unit: thousand yen)

	Cosmetics	Pharmaceuticals and other products	Total	Eliminations or corporate	Consolidated
I. Sales and operating income (loss)					
Sales					
(1) Sales to outside customers	6,280,656	1,443,868	7,724,525	-	7,724,525
(2) Sales and transfers – Inter-segment	-	-	-	-	-
Total	6,280,656	1,443,868	7,724,525	-	7,724,525
Operating expenses	5,533,482	1,447,415	6,980,897	597,105	7,578,002
Operating income (loss)	747,174	(3,546)	743,627	(597,105)	146,522
II. Assets, depreciation and capital expenditures					
Assets	5,593,176	877,348	6,470,524	1,317,771	7,788,296
Depreciation	272,179	48,454	320,633	4,825	325,458
Capital expenditures	303,289	17,277	320,567	699	321,267

Notes: 1. Method of segmentation: Segments are based on the type of products handled.

2. Primary operations of the principal operating segments are as follows:

(1) Cosmetics: Foundation, eye shadow, rouge, lipsticks, lip creams, moisturizers and sunscreen lotions

(2) Pharmaceuticals and other products: Econazole, medicinal toothpastes, mouthwashes, ear washes and hygiene products

3. Unallocated operating expenses (597,105 thousand yen) included in eliminations or corporate consist primarily of expenses related to the administration divisions, including the General Affairs Division and the Accounting Division of the Company.

4. Assets (1,317,771 thousand yen) included in eliminations or corporate consist primarily of surplus funds under management (cash, deposits and securities) at the Company, land for factory and fixed assets of the administration division.

5. Following the revisions to the retirement benefit system for directors in the current fiscal year, directors' retirement benefits, charged to income as extraordinary loss as incurred in prior periods, are reclassified and included in selling, general and administrative expenses in the amount recognized in the current fiscal year.

Compared with the previous method, this change increased operating expenses in eliminations or corporate by 28,520 thousand yen, and reduced operating income by the same amount.

Current fiscal year (March 1, 2008 – February 28, 2009) (Unit: thousand yen)

	Cosmetics	Pharmaceuticals and other products	Total	Eliminations or corporate	Consolidated
I. Sales and operating income (loss)					
Sales					
(1) Sales to outside customers	5,763,520	1,003,447	6,766,967	-	6,766,967
(2) Sales and transfers – Inter-segment	-	-	-	-	-
Total	5,763,520	1,003,447	6,766,967	-	6,766,967
Operating expenses	5,207,347	1,137,812	6,345,160	536,469	6,881,629
Operating income (loss)	556,172	(134,365)	421,807	(536,469)	(114,661)
II. Assets, depreciation, impairment losses and capital expenditures					
Assets	4,877,066	603,404	5,480,471	1,464,422	6,944,894
Depreciation	291,622	41,433	333,056	4,849	337,905
Impairment losses	190,322	-	190,322	-	190,322
Capital expenditures	381,913	27,340	409,253	-	409,253

Notes: 1. Method of segmentation: Segments are based on the type of products handled.

2. Primary operations of the principal operating segments are as follows:

(1) Cosmetics: Foundation, eye shadow, rouge, lipsticks, lip creams, moisturizers and sunscreen lotions

(2) Pharmaceuticals and other products: Econazole, medicinal toothpastes, mouthwashes, ear washes and hygiene products

3. Unallocated operating expenses (536,469 thousand yen) included in eliminations or corporate consist primarily of expenses related to the administration divisions, including the General Affairs Division and the Accounting Division of the Company.

4. Assets (1,464,422 thousand yen) included in eliminations or corporate consist primarily of surplus funds under management (cash, deposits and securities) at the Company, land for factory and fixed assets of the administration division.

5. Supplementary information

Following the revisions to the Corporation Tax Law, the Company computes depreciation of assets purchased on or before March 31, 2007 equally over five years, and book as a depreciation expense, the difference between the memorandum value, and 5% of the acquisition value, beginning in the fiscal year following the fiscal year in which the asset's value reaches 5% of the acquisition value based on depreciation methods prior to corporation tax law revisions. Compared with the previous method, this change increased operating expenses in the Cosmetics segment by 21,124 thousand yen and eliminations or corporate by 21,124 thousand yen, and reduced operating income by the same amount.

b. Geographical segment information

Previous fiscal year (March 1, 2007 – February 29, 2008) (Unit: thousand yen)

	Japan	France	Total	Eliminations or corporate	Consolidated
I. Sales and operating income (loss)					
Sales					
(1) Sales to outside customers	6,008,326	1,716,199	7,724,525	-	7,724,525
(2) Sales and transfers – Inter-segment	73,810	4,507	78,318	(78,318)	-
Total	6,082,137	1,720,707	7,802,844	(78,318)	7,724,525
Operating expenses	5,208,230	1,852,202	7,060,433	517,569	7,578,002
Operating income (loss)	873,906	(131,495)	742,411	(595,888)	146,522
II. Assets	5,053,013	1,429,626	6,482,639	1,305,657	7,788,296

Notes: 1. Geographical segmentation: By locations of manufacturing facilities.

2. Unallocated operating expenses (597,105 thousand yen) included in eliminations or corporate consist primarily of expenses related to the administration divisions, including the General Affairs Division and the Accounting Division of the Company.

3. Assets (1,317,771 thousand yen) included in eliminations or corporate consist primarily of surplus funds under management (cash, deposits and securities) at the Company, land for factory and fixed assets of the administration division.

4. Following the revisions to the retirement benefit system for directors in the current fiscal year, directors' retirement benefits, charged to income as extraordinary loss as incurred in prior periods, are reclassified and included in selling, general and administrative expenses in the amount recognized in the current fiscal year.

Compared with the previous method, this change increased operating expenses in eliminations or corporate by 28,520 thousand yen, and reduced operating income by the same amount.

Current fiscal year (March 1, 2008 – February 28, 2009) (Unit: thousand yen)

	Japan	France	Total	Eliminations or corporate	Consolidated
I. Sales and operating income (loss)					
Sales					
(1) Sales to outside customers	5,447,976	1,318,990	6,766,967	-	6,766,967
(2) Sales and transfers – Inter-segment	89,547	4,230	93,778	(93,778)	-
Total	5,537,524	1,323,221	6,860,745	(93,778)	6,766,967
Operating expenses	4,856,936	1,581,803	6,438,740	442,888	6,881,629
Operating income (loss)	680,587	(258,582)	422,005	(536,667)	(114,661)
II. Assets	4,461,853	1,033,649	5,495,502	1,449,391	6,944,894

Notes: 1. Geographical segmentation: By locations of manufacturing facilities.

2. Unallocated operating expenses (536,469 thousand yen) included in eliminations or corporate consist primarily of expenses related to the administration divisions, including the General Affairs Division and the Accounting Division of the Company.

3. Assets (1,464,422 thousand yen) included in eliminations or corporate consist primarily of surplus funds under management (cash, deposits and securities) at the Company, land for factory and fixed assets of the administration division.

4. Supplementary information

Following the revisions to the Corporation Tax Law, the Company computes depreciation of assets purchased on or before March 31, 2007 equally over five years, and book as a depreciation expense, the difference between the memorandum value, and 5% of the acquisition value, beginning in the fiscal year following the fiscal year in which the asset's value reaches 5% of the acquisition value based on depreciation methods prior to corporation tax law revisions. Compared with the previous method, this change increased operating expenses in Japan by 21,124 thousand yen and eliminations or corporate by 21,124 thousand yen, and reduced operating income by the same amount.

c. Overseas sales

Previous fiscal year (March 1, 2007 – February 29, 2008) (Unit: thousand yen)

	Europe	Other areas	Total
I. Overseas sales	1,952,871	124,704	2,077,575
II. Consolidated sales	-	-	7,724,525
III. Share of overseas sales in consolidated sales (%)	25.3	1.6	26.9

Notes: 1. Method of geographical segmentation: Geographical proximity.
2. Each segment consists primarily of the following countries or areas:
(1) Europe: France, Italy, Britain, Greece, Germany, Belgium, Portugal, and Switzerland
(2) Other areas: North America, Taiwan, S. Korea, Hong Kong, and Malaysia
3. Overseas sales include sales of the Company and its consolidated subsidiary to customers in countries and areas outside Japan.

Current fiscal year (March 1, 2008 – February 28, 2009) (Unit: thousand yen)

	Europe	Other areas	Total
I. Overseas sales	1,407,728	510,868	1,918,596
II. Consolidated sales	-	-	6,766,967
III. Share of overseas sales in consolidated sales (%)	20.8	7.5	28.4

Notes: 1. Method of geographical segmentation: Geographical proximity.
2. Each segment consists primarily of the following countries or areas:
(1) Europe: France, Italy, Britain, Greece, Germany, Belgium, Switzerland, and Spain
(2) Other areas: North America, Taiwan, S. Korea, Hong Kong, Malaysia, Singapore, and China
3. Overseas sales include sales of the Company and its consolidated subsidiary to customers in countries and areas outside Japan.

** This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*