October 26, 2007

Interim Financial Results for the Fiscal Year Ending February 29, 2008

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(Amounts are rounded down to the nearest million yen)

1. Interim Consolidated Financial Results (March 1, 2007 – August 31, 2007)

(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	%
First half ended Aug. 2007	4,193	21.3	222	33.6	198	(11.4)	(18)	-
First half ended Aug. 2006	3,456	7.2	166	19.5	223	185.1	(720)	-
Fiscal year ended Feb. 2007	7,103	-	257	-	262	-	(588)	-

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
First half ended Aug. 2007	(4.25)	-
First half ended Aug. 2006	(166.93)	-
Fiscal year ended Feb. 2007	(136.21)	-

Reference: Equity in earnings of consolidated subsidiaries
Aug. 2007: - million yen Aug. 2006: - million yen Feb. 2007: - million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2007	7,824	2,172	27.8	503.24
As of Aug. 31, 2006	7,615	1,961	25.8	454.22
As of Feb. 28, 2007	7,654	2,151	28.1	498.53

Reference: Shareholders' equity
Aug. 2007: 2,172 million yen Aug. 2006: 1,961 million yen Feb. 2007: 2,151 million yen

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financial activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
First half ended Aug. 2007	127	(233)	94	578
First half ended Aug. 2006	272	(215)	(86)	473
Fiscal year ended Feb. 2007	514	(30)	(418)	579

2. Dividends

	Dividends per share (Yen)		
(Record date)	Interim	Year-end	Annual
Fiscal year ended Feb. 2007	-	-	0.00
Fiscal year ending Feb. 2008	-	-	10.00
Fiscal year ending Feb. 2008 (forecast)	-	10.00	

3. Consolidated Forecast for the Fiscal Year Ending February 29, 2008 (March 1, 2007 – February 29, 2008)

(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
Full year	7,913	11.4	356	38.5	237	(9.5)	(25)	-	(5.79)

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 interim consolidated financial statements

1) Changes caused by revision of accounting standards: Yes
2) Other changes: None
Note: Please refer to "Significant Items in Preparing Interim Consolidated Financial Statements" on page 16 for further information.

(3) Number of shares outstanding (common stock)

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

Aug. 2007:	4,318,444 shares	Aug. 2006:	4,318,444 shares	Feb. 2007:	4,318,444 shares

2) Number of treasury stock at end of period

Aug. 2007:	1,800 shares	Aug. 2006:	1,000 shares	Feb. 2007:	1,800 shares

Note: Please refer to "Per Share Information" on page 33 for the number of shares used in calculating net income per share.

(Reference) Summary of Non-consolidated Financial Results

1. Interim Non-consolidated Financial Results (March 1, 2007 – August 31, 2007)

(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	%
First half ended Aug. 2007	3,216	19.5	222	6.7	208	(22.6)	20	-
First half ended Aug. 2006	2,690	12.3	208	82.5	269	242.6	(687)	-
Fiscal year ended Feb. 2007	5,527	-	335	-	370	-	(740)	-

	Net income per share (basic)
	Yen
First half ended Aug. 2007	4.75
First half ended Aug. 2006	(159.14)
Fiscal year ended Feb. 2007	(174.43)

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2007	6,920	1,864	26.9	431.96
As of Aug. 31, 2006	7,089	1,896	26.8	439.31
As of Feb. 28, 2007	6,867	1,850	26.9	428.74

Reference: Shareholders' equity

Aug. 2007:	1,864 million yen	Aug. 2006:	1,896 million yen	Feb. 2007:	1,850 million yen

2. Non-consolidated Forecast for the Fiscal Year Ending February 29, 2008 (March 1, 2007 – February 29, 2008)

(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
Full year	6,145	11.2	387	15.5	302	(18.4)	72	-	16.68

* 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 first half of the fiscal year, the Japanese economy expanded at a moderate pace as capital expenditures and consumer spending continued to grow. However, there was a weakening in exports to the United States as the subprime loan problem triggered a steep drop in stock prices and exchange rate volatility, causing concerns about financial instability.

Competition in Japan's cosmetics industry became even more intense as the cosmetics market matured and new competitors from other industries emerged. Challenging market conditions persisted in the cosmetics contract manufacturing business as well, with client companies making strong demands for cost reductions and the development of new technologies.

In Europe, economic expansion continued due to healthy exports and internal demand, although the growth rate slowed in France.

In this environment, the Group took a number of steps to attract new customers and raise sales. Initiatives included strengthening skills in offering proposals, and participating in exhibitions such as the Cosmeeting exhibition in Paris.

Consolidated sales increased 21.3% year-on-year to 4,193 million yen, operating income rose 33.6% to 222 million yen, and ordinary income was down 11.4% to 198 million yen, due to a significant decrease in foreign exchange gain. However, an extraordinary loss of 155 million, mainly due to directors' retirement benefits, resulted in a net loss of 18 million yen (compared with a net loss of 720 million yen in the previous interim period).

The provision for contingent loss reserve of 31 million yen under extraordinary loss represents the estimated potential loss resulting from quality problems (detected after the balance sheet date) with certain mouthwashes manufactured and marketed by our French subsidiary THEPENIER PHARMA INDUSTRIE S.A.

Results by business segment were as follows.
(Cosmetics)
Performance in this segment benefited from strong sales of eyeliner, mascara and other new products. However, there was a small decline in operating income because of the higher cost of containers, growth in selling, general and administrative expenses, and poor operating results at Thepenier.

The result was a 16.5% increase in segment sales to 3,283 million yen and a 0.6% decrease in operating income to 419 million yen.
(Pharmaceuticals and other products)
This segment achieved large increases in sales and earnings. There was a recovery in sales of econazole and steady growth in sales of mouthwashes. Cost reduction measures targeting containers and other items also contributed to the strong performance.

Segment sales were up 42.7% to 909 million yen and operating income improved from 8 million yen one year ago to 92 million yen.

Sales by geographic region were as follows.
(Japan)
Sales increased in Japan as growth in consumer spending supported strong sales of new products and a steady increase in sales to customers who started purchasing Nippon Shikizai products in the previous fiscal year. The result was a 19.5% increase in sales to 3,216 million yen and 8.3% increase in operating income to 510 million yen.
(France)
Despite a downturn in performance of the cosmetics business in France, sales and earnings improved as initiatives to increase sales produced growth in sales of established products in the pharmaceuticals and others business. Sales increased 28.4% to 1,026 million yen and operating income improved to 6 million yen from last year's first half loss of 37 million yen.

Outlook for the fiscal year

Japan's economy is likely to continue its gradual expansion despite a number of sources of concern in Japan and other countries. In particular, unseasonable weather, the high cost of crude oil, and worries about the upcoming direction of the U.S. economy make the outlook unclear.

In this challenging operating environment, the Group will continue to focus on strengthening skills in offering proposals and on increasing sales in Japan and overseas. Another objective is improving profitability by raising the efficiency of manufacturing operations. In addition, completing the rehabilitation plan at Thepenier is one of the highest priorities. All Group resources will be used to achieve this goal.

Unfortunately, there was a problem involving the quality of some mouthwash products manufactured and sold by Thepenier. Due to this incident, the Group had to lower its sales and earnings forecasts for the second half of the fiscal year. Work is now under way to identify the cause of this problem and to minimize its effect on sales and earnings.

Due to the impact of this problem, for the fiscal year ending in February 29, 2008, the Company is forecasting consolidated sales of 7,913 million yen, operating income of 356 million yen, ordinary income of 237 million yen and a net loss of 25 million yen.

Due to the reasons listed in the October 11, 2007 announcement of revisions to the consolidated and non-consolidated fiscal year forecasts, the non-consolidated forecasts are for sales of 6,145 million yen, operating income of 387 million yen, ordinary income of 302 million yen and net income of 72 million yen.

(2) Analysis of Financial Condition

1) Assets

Compared with the end of the previous fiscal year, current assets increased 67 million yen, or 2.0%, to 3,515 million yen and fixed assets increased 103 million yen, or 2.5%, to 4,309 million yen. The result was an increase of 170 million yen, or 2.2%, in total assets to 7,824 million yen.

Growth in current assets was mainly attributable to higher inventories and an increase in tangible fixed assets was the main component of the growth in fixed assets.

2) Liabilities and net assets

Current liabilities increased 142 million yen, or 4.8%, to 3,072 million yen and long-term liabilities increased 8 million yen, or 0.3%, to 2,580 million yen. This increased total liabilities by 150 million yen, or 2.7%, to 5,652 million yen.

Higher current liabilities mainly reflected increases in trade notes and accounts payable and growth in long-term borrowings was responsible for the increase in long-term liabilities.

Net assets increased 20 million yen, or 0.9%, to 2,172 million yen mainly because of an increase in foreign currency translation adjustments.

3) Cash flows

Cash and cash equivalents increased 104 million yen, or 22.2%, during the fiscal year's first half to 578 million yen. This was the net result of an increase of 80 million in cash and cash equivalents in the previous fiscal year along with net contribution of first half cash flows: net cash provided by operating activities decreased 144 million yen, net cash used in investment activities decreased 18 million yen, and there was a 180 million yen improvement in cash provided by financing activities.

The major components of first half cash flows were as follows.

(Operating cash flows)

Net cash provided by operating activities decreased 53.1% to 127 million yen mainly because of a 155 million yen payment for directors' retirement benefits.

(Investment cash flows)

Net cash used in investment activities increased 8.6% to 233 million yen mainly because of the purchase of machinery and equipment to improve manufacturing productivity.

(Financing cash flows)

Net cash provided by financing activities was 94 million yen compared with a negative cash flow of 86 million yen one year earlier. The difference was mainly due to proceeds from long-term borrowings.

(Reference) Cash flow indices

	FY2/06	Interim FY2/06	FY2/07	Interim FY2/07
Shareholders' equity ratio (%)	33.4	25.8	28.1	27.8
Shareholders' equity ratio based on market prices (%)	24.7	25.1	23.7	23.6
Years of debt redemption (years)	10.9	13.5	6.5	26.9
Interest coverage ratio (times)	3.6	6.3	5.7	2.8

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

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

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 dividend applicable to the current fiscal year will be determined in accordance with actual fiscal year operating results and the outlook for sales and earnings.

(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 interim period, the Nippon Shikizai Group had debt totaling 3,440 million yen. As a result, changes in interest rates and other trends in financial markets could affect operating performance. In addition, sales, expenses, assets, liabilities and other items denominated in foreign currencies are converted into yen when preparing the interim 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 Nippon Shikizai Group is active in the cosmetics industry, 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 Nippon Shikizai 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 Nippon Shikizai 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

Nippon Shikizai subsidiary THEPENIER PHARMA INDUSTRIE S.A. (Thepenier) manufactures and sells pharmaceuticals and cosmetics. Thepenier has been performing poorly since its 2000 acquisition by Nippon Shikizai. In response, Nippon Shikizai 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 August 31, 2007, loans from Nippon Shikizai to Thepenier totaled 862 million yen. Consequently, a further deterioration in the operating results of Thepenier may affect the operating results and financial condition of the Nippon Shikizai Group.

2. Corporate Group

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

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.

Avante Inc., an associated company, holds 21.4% of the voting rights 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

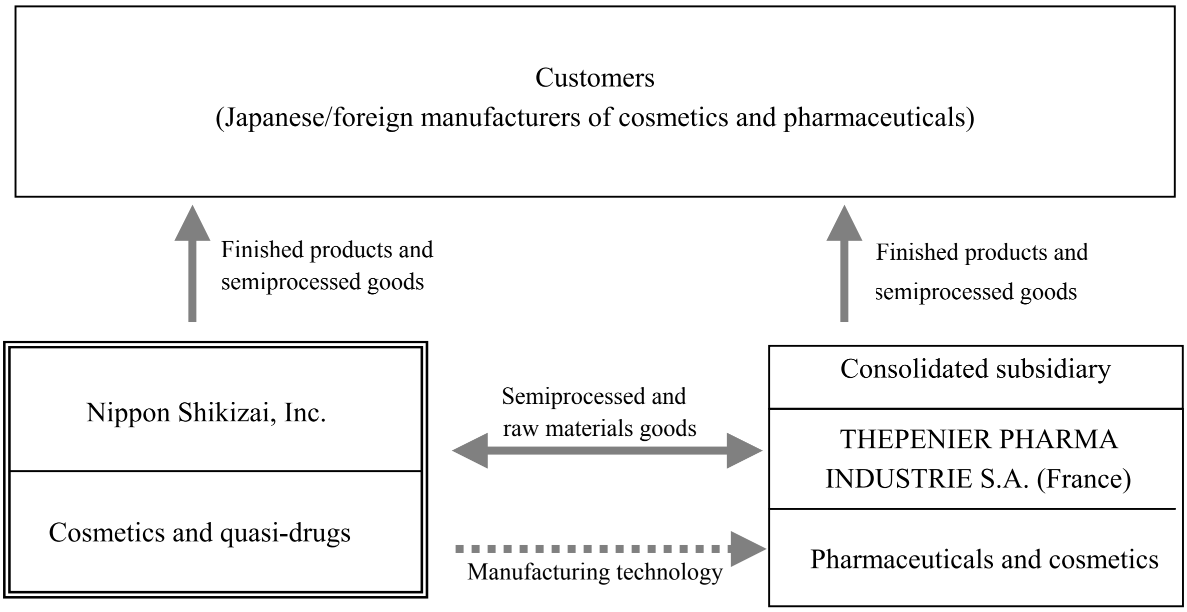
Main products are foundation, eye shadow, rouge, lipsticks, lip creams, moisturizers and UV cream; all are manufactured and sold by the Company and its subsidiary.

(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 ordinary income to sales ratio and equity ratio in order to operate efficiently backed by R&D and technological skills that are superior to those of competitors.

(3) Medium- and Long-term Management Strategies

Japan's cosmetics market is mature due to the country's slowing population growth. Furthermore, the operating environment has been challenging for some time as the tendency of consumers to purchase lower-priced items in recent years has continued, even though there were indications that the downturn may finally be about to end.

The April 2005 enactment of amendments to Japan's Pharmaceutical Affairs Law broadened responsibility for product quality, safety and distribution from manufacturers to include both manufacturers and marketers. This change made it easier to separate the roles of manufacturing and sales and should lead to a substantial increase in the volume of production outsourced to the Company by its clients.

In response to these market conditions in Japan, measures to increase sales and cut costs are important issues for the Company. As one means of accomplishing these two goals, the Company acquired Thepenier, a company located in France in February 2000 and made it a subsidiary.

The Group plans to establish an operating framework with four manufacturing and sales bases: Japan, Europe, Southeast Asia and North America. Management believes this will enable the Group to increase sales as well as become more competitive on a global scale.

"Made in France" cosmetics have an excellent reputation in Japan as well as in the U.S. and elsewhere, enabling the creation of prestigious brands. Furthermore, demand for French cosmetics is strong. For these reasons, the Group will be conducting marketing activities on a global scale.

Moreover, to become still more cost competitive, the Company plans to consider the acquisition and use of production bases in Southeast Asia.

(4) Key Issues

The Group currently faces a challenging operating environment as competition intensifies. Based on its medium- and long-term management strategies, important goals are as follows.

1) Increase sales through new products that have clearly defined targets and the development of ties with new customers.
2) Establish a competitive edge by reinforcing and enhancing the company-wide quality assurance framework, and switch to a better profit structure through actions such as boosting profitability by enhancing productivity.
3) Make the Nippon Shikizai Group more powerful by deepening ties with Thepenier and through other means with the aim of expanding overseas operations, particularly in Europe.
4) Establish a foundation for building internal control systems.

4. Interim Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: thousand yen)

Account	*	As of August 31, 2006 Amount	%	As of August 31, 2007 Amount	%	As of February 28, 2007 Amount	%
Assets							
I. Current assets							
1. Cash and deposits	*2	756,419		860,733		862,335	
2. Trade notes and accounts receivable		1,289,694		1,401,614		1,416,712	
3. Inventories		973,954		1,071,019		1,002,419	
4. Others		200,964		186,138		170,623	
5. Allowances for doubtful accounts		(3,866)		(4,150)		(4,250)	
Total current assets		3,217,165	42.2	3,515,355	44.9	3,447,840	45.0
II. Fixed assets							
1. Tangible fixed assets	*1						
(1) Buildings	*2	1,639,098		1,707,510		1,652,482	
(2) Machinery and vehicles		-		450,684		-	
(3) Land	*2	1,609,922		1,407,805		1,406,933	
(4) Other tangible fixed assets	*2	510,870		141,678		550,879	
Total tangible fixed assets		3,759,891	49.4	3,707,679	47.4	3,610,296	47.2
2. Intangible fixed assets		198,881	2.6	186,880	2.4	187,114	2.5
3. Investments and other assets							
(1) Investment securities	*2	236,394		232,277		249,560	
(2) Others		212,461		196,410		174,089	
(3) Allowances for doubtful accounts		(9,641)		(13,820)		(14,884)	
Total investments and other assets		439,214	5.8	414,867	5.3	408,765	5.3
Total fixed assets		4,397,986	57.8	4,309,427	55.1	4,206,176	55.0
Total assets		7,615,152	100.0	7,824,783	100.0	7,654,017	100.0

(Unit: thousand yen)

		As of August 31, 2006		As of August 31, 2007		As of February 28, 2007	
Account	*	Amount	%	Amount	%	Amount	%
Liabilities							
I. Current liabilities							
1. Trade notes and accounts payable		852,402		1,199,796		1,107,419	
2. Short-term borrowings	*2	1,066,392		1,043,150		965,710	
3. Current portion of corporate bonds		130,000		60,000		60,000	
4. Other accounts payable		449,904		348,185		438,817	
5. Contingent reserve		-		33,128		-	
6. Others		416,708		388,065		358,304	
Total current liabilities		2,915,407	38.3	3,072,325	39.2	2,930,251	38.3
II. Long-term liabilities							
1. Corporate bonds		465,000		320,000		350,000	
2. Long-term borrowings	*2	2,016,075		2,017,325		1,970,150	
3. Liabilities for retirement benefits		188,355		175,472		176,022	
4. Others		69,251		67,357		75,627	
Total long-term liabilities		2,738,681	35.9	2,580,155	33.0	2,571,800	33.6
Total liabilities		5,654,088	74.2	5,652,480	72.2	5,502,051	71.9
Net assets							
I. Shareholders' equity							
1. Common stock		552,749	7.3	552,749	7.1	552,749	7.2
2. Capital surplus		1,052,539	13.8	1,052,539	13.5	1,052,539	13.8
3. Retained earnings		335,084	4.4	449,338	5.7	467,686	6.1
4. Treasury stock		(737)	(0.0)	(1,117)	(0.0)	(1,117)	(0.0)
Total shareholders' equity		1,939,634	25.5	2,053,509	26.3	2,071,857	27.1
II. Valuation and translation adjustments							
1. Unrealized holding gain on other securities		68,967	0.9	68,036	0.9	76,496	1.0
2. Deferred hedge gain (loss)		(24,801)	(0.3)	(23,001)	(0.3)	(24,878)	(0.3)
3. Foreign currency translation adjustments		(22,735)	(0.3)	73,757	0.9	28,490	0.3
Total valuation and translation adjustments		21,429	0.3	118,793	1.5	80,108	1.0
Total net assets		1,961,064	25.8	2,172,302	27.8	2,151,965	28.1
Total liabilities and net assets		7,615,152	100.0	7,824,783	100.0	7,654,017	100.0

(2) Consolidated income statements

(Unit: thousand yen)

		From March 1, 2006 to August 31, 2006			From March 1, 2007 to August 31, 2007			From March 1, 2006 to February 28, 2007		
Account	*	Amount		%	Amount		%	Amount		%
I. Sales			3,456,198	100.0		4,193,176	100.0		7,103,935	100.0
II. Cost of sales			2,810,611	81.3		3,448,606	82.2		5,881,587	82.8
Gross profits			645,587	18.7		744,569	17.8		1,222,348	17.2
III. SG&A expenses	*1		478,716	13.9		521,579	12.5		964,766	13.6
Operating income			166,870	4.8		222,989	5.3		257,581	3.6
IV. Non-operating income										
1. Interest income		120			560			440		
2. Dividend income		5,198			5,989			6,510		
3. Rent income		2,347			2,513			4,589		
4. Foreign exchange gain		89,456			10,402			108,028		
5. Others		12,423	109,546	3.2	11,558	31,024	0.7	35,932	155,501	2.2
V. Non-operating expenses										
1. Interest expenses		43,507			45,934			90,349		
2. Commissions paid		-			-			38,500		
3. Loss on credits sold		-			5,656			-		
4. Others		8,970	52,478	1.5	4,098	55,689	1.3	21,834	150,684	2.1
Ordinary income			223,938	6.5		198,325	4.7		262,398	3.7
VI. Extraordinary income										
1. Prior-year adjustment		16,481			-			16,936		
2. Gains on sales of fixed assets	*2	-	16,481	0.4	-	-	-	55,974	72,911	1.0
VII. Extraordinary losses										
1. Losses on sales of fixed assets	*3	-			-			311		
2. Losses on disposal of fixed assets	*4	16,134			7,656			21,047		
3. Directors' retirement benefits		-			155,300			-		
4. Impairment losses	*5	873,590			-			877,257		
5. Provision for contingent losses	*6	-	889,724	25.7	31,958	194,914	4.6	-	898,616	12.6
Income (loss) before income taxes			(649,304)	(18.8)		3,410	0.1		(563,306)	(7.9)
Current income taxes		97,546			6,946			26,030		
Adjustment to prior-year income taxes		-			-			(12,172)		
Deferred income taxes		(26,160)	71,386	2.1	14,811	21,758	0.5	10,924	24,781	0.4
Net loss			(720,690)	(20.9)		(18,347)	(0.4)		(588,088)	(8.3)

(3) Consolidated statement of changes in shareholders' equity

Previous interim period (March 1, 2006 – August 31, 2006) (Unit: thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of February 28, 2006	552,749	1,052,539	1,098,949	(737)	2,703,499
Changes in the current period					
Dividend of surplus (Note)			(43,174)		(43,174)
Net loss			(720,690)		(720,690)
Changes (net) in items other than shareholders' equity					
Total changes in the current period	-	-	(763,864)	-	(763,864)
Balance as of August 31, 2006	552,749	1,052,539	335,084	(737)	1,939,634

	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, 2006	74,747	-	24,076	98,824	2,802,323
Changes in the current period					
Dividend of surplus (Note)					(43,174)
Net loss					(720,690)
Changes (net) in items other than shareholders' equity	(5,780)	(24,801)	(46,812)	(77,395)	(77,395)
Total changes in the current period	(5,780)	(24,801)	(46,812)	(77,395)	(841,259)
Balance as of August 31, 2006	68,967	(24,801)	(22,735)	21,429	1,961,064

(Note) Appropriation of earnings resolved at the annual general meeting of shareholders in May 2006.

Current interim period (March 1, 2007 – August 31, 2007) (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 period					
Net loss			(18,347)		(18,347)
Changes (net) in items other than shareholders' equity					
Total changes in the current period	-	-	(18,347)	-	(18,347)
Balance as of August 31, 2007	552,749	1,052,539	449,338	(1,117)	2,053,509

	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 period					
Net loss					(18,347)
Changes (net) in items other than shareholders' equity	(8,460)	1,877	45,267	38,684	38,684
Total changes in the current period	(8,460)	1,877	45,267	38,684	20,336
Balance as of August 31, 2007	68,036	(23,001)	73,757	118,793	2,172,302

Previous fiscal year (March 1, 2006 – February 28, 2007) (Unit: thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of February 28, 2006	552,749	1,052,539	1,098,949	(737)	2,703,499
Changes in the current fiscal year					
Dividend of surplus (Note)			(43,174)		(43,174)
Net loss			(588,088)		(588,088)
Acquisition of treasury stock				(379)	(379)
Changes (net) in items other than shareholders' equity					
Total changes in the current fiscal year	-	-	(631,262)	(379)	(631,641)
Balance as of February 28, 2007	552,749	1,052,539	467,686	(1,117)	2,071,857

	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, 2006	74,747	-	24,076	98,824	2,802,323
Changes in the current fiscal year					
Dividend of surplus (Note)					(43,174)
Net loss					(588,088)
Acquisition of treasury stock					(379)
Changes (net) in items other than shareholders' equity	1,748	(24,878)	4,413	(18,716)	(18,716)
Total changes in the current fiscal year	1,748	(24,878)	4,413	(18,716)	(650,358)
Balance as of February 28, 2007	76,496	(24,878)	28,490	80,108	2,151,965

(Note) Appropriation of earnings resolved at the annual general meeting of shareholders in May 2006.

(4) Consolidated cash flow statements

(Unit: thousand yen)

		From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
Account	*	Amount	Amount	Amount
I. Cash flows from operating activities				
Income (loss) before income taxes		(649,304)	3,410	(563,306)
Depreciation		133,041	152,392	288,017
Impairment losses		873,590	-	877,257
Increase in contingent reserves		-	31,958	-
Decrease in liabilities for retirement benefits		(7,107)	(6,075)	(25,594)
Decrease in allowance for doubtful accounts		(6,809)	(1,800)	(1,987)
Interest and dividend income		(5,318)	(6,550)	(6,951)
Interest expenses		43,507	45,934	90,349
Gain on sales of tangible fixed assets		-	-	(55,974)
Losses on sales of intangible fixed assets		-	-	311
Losses on disposal of tangible fixed assets		16,134	7,656	21,047
Directors' retirement benefits		-	155,300	-
Decrease (increase) in trade receivable		3,761	25,491	(112,042)
Increase in inventories		(53,493)	(54,038)	(65,540)
Increase (decrease) in trade payable		(100,230)	77,852	138,524
Increase (decrease) in accrued consumption taxes		11,360	(840)	17,643
Increase (decrease) in other current liabilities		100,717	(62,502)	57,025
Others		(30,331)	(55,568)	(5,400)
Subtotal		329,520	312,620	653,378
Interests and dividends received		5,287	6,243	6,755
Interests paid		(40,648)	(43,184)	(81,258)
Directors' retirement benefits paid		-	(155,300)	-
Income taxes refund (paid)		(21,826)	7,456	(63,926)
Net cash provided by operating activities		272,332	127,835	514,948
II. Cash flows from investment activities				
Payment for time deposits		(114,500)	(114,500)	(320,500)
Withdrawal of time deposits		114,500	114,500	320,500
Purchases of tangible fixed assets		(208,266)	(232,704)	(327,890)
Proceeds from sales of tangible fixed assets		-	-	294,913
Purchases of intangible fixed assets		(6,478)	(573)	(7,369)
Proceeds from sales of intangible fixed assets		-	-	11,068
Purchases of investment securities		(896)	(1,061)	(1,385)
Proceeds from sales of investment securities		-	160	-
Proceeds from collection of long-term loans receivable		213	222	430
Net cash used in investment activities		(215,426)	(233,956)	(30,234)
III. Cash flows from financial activities				
Net increase in short-term borrowing		100,000	-	-
Proceeds from long-term borrowings		650,000	450,000	1,000,000
Repayment of long-term borrowings		(688,181)	(325,385)	(1,084,785)
Redemption of corporate bonds		(105,000)	(30,000)	(290,000)
Acquisition of treasury stock		-	-	(379)
Payment of dividends		(43,174)	-	(43,174)
Net cash provided by (used in) financial activities		(86,355)	94,615	(418,339)
IV. Effect of exchange rate changes on cash and cash equivalents		3,670	9,939	14,347
V. Increase (decrease) in cash and cash equivalents		(25,779)	(1,565)	80,722
VI. Cash and cash equivalents at beginning of year		498,903	579,626	498,903
VII. Cash and cash equivalents at end of period		473,124	578,060	579,626

Significant Items in Preparing Interim Consolidated Financial Statements

	From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
1. Scope of consolidation	There is a consolidated subsidiary: THEPENIER PHARMA INDUSTRIE S.A.	Same as on the left.	Same as on the left.
2. Subject to equity method	Not applicable. The Company does not have any non-consolidated subsidiaries or affiliates.	Same as on the left.	Same as on the left.
3. Accounting period of consolidated subsidiary	The consolidated subsidiary's interim period ends on June 30. Financial statements of the consolidated subsidiary as of the consolidated subsidiary's balance sheet date are used in the preparation of interim consolidated financial statements. Appropriate adjustments are made for significant transactions during the periods from the balance sheet date of the consolidated subsidiary and the balance sheet date of the interim consolidated financial statements.	Same as on the left.	The consolidated subsidiary's fiscal year ends on December 31. Financial statements of the consolidated subsidiary as of the consolidated subsidiary's balance sheet date are used in the preparation of consolidated financial statements. Appropriate adjustments are made for significant transactions during the periods from the balance sheet date of the consolidated subsidiary and the balance sheet date of the consolidated financial statements.
4. Accounting standards	1. Valuation basis and valuation method of significant assets (1) Securities Other Securities Marketable securities: Market value method on market prices at the closing date. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.) Non-marketable securities: Stated at cost, cost being determined by moving average method. (2) Derivatives Market value method. (3) Inventories Finished products, semiprocessed goods and work in process: Stated at cost, cost being determined by the period-average method. Raw materials: Stated at cost, cost being determined by the monthly-average method.	1. Valuation basis and valuation method of significant assets (1) Securities Other Securities Marketable securities: Same as on the left. Non-marketable securities: Same as on the left. (2) Derivatives Same as on the left. (3) Inventories Finished products, semiprocessed goods and work in process: Same as on the left. Raw materials: Same as on the left.	1. Valuation basis and valuation method of significant assets (1) Securities Other Securities Marketable securities: Market value method on market prices at the closing date. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.) Non-marketable securities: Same as on the left. (2) Derivatives Same as on the left. (3) Inventories Finished products, semiprocessed goods and work in process: Same as on the left. Raw materials: Same as on the left.

	From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
	Supplies: Stated at cost, cost being determined by the last purchase price method. 2. Depreciation and amortization of significant assets (1) Tangible fixed assets The Company computes depreciation of tangible fixed assets by the declining-balance method. However, depreciation on buildings (excluding attached structures) acquired on and after April 1, 1998 is computed by the straight-line method. Overseas subsidiary computes depreciation by the straight-line or declining-balance method in accordance with the accounting standards generally accepted in the country of its domicile. Useful life for major item is as follows: Buildings 10-47 years (2) Intangible fixed assets The Company computes amortization of intangible fixed assets by the straight-line method. The development costs of software intended for internal use are amortized over an expected useful life of five years by the straight-line method. Overseas subsidiary computes amortization of intangible fixed assets by the straight-line method in accordance with the accounting standards generally accepted in the country of their domicile. (3) Long-term prepaid expenses Straight-line method.	Supplies: Same as on the left. 2. Depreciation and amortization of significant assets (1) Tangible fixed assets The Company computes depreciation of tangible fixed assets by the declining-balance method. However, depreciation on buildings (excluding attached structures) acquired on and after April 1, 1998 is computed by the straight-line method. Overseas subsidiary computes depreciation by the straight-line or declining-balance method in accordance with the accounting standards generally accepted in the country of its domicile. Useful life for major item is as follows: Buildings 10-47 years Machinery and vehicles 4-9 years (Changes in accounting policy) Due to the revision of the Corporation Tax Law, the Company computes depreciation of tangible fixed assets purchased on and after April 1, 2007 by the revised standard from the current interim period. The effect of this change on profit/loss is insignificant. (2) Intangible fixed assets Same as on the left. (3) Long-term prepaid expenses Same as on the left.	Supplies: Same as on the left. 2. Depreciation and amortization of significant assets (1) Tangible fixed assets The Company computes depreciation of tangible fixed assets by the declining-balance method. However, depreciation on buildings (excluding attached structures) acquired on and after April 1, 1998 is computed by the straight-line method. Overseas subsidiary computes depreciation by the straight-line or declining-balance method in accordance with the accounting standards generally accepted in the country of its domicile. Useful life for major item is as follows: Buildings 10-47 years (2) Intangible fixed assets Same as on the left. (3) Long-term prepaid expenses Same as on the left.

	From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
	3. Recognition standards for significant reserves (1) Allowances for doubtful accounts To prepare for credit losses on receivables, the Company provides allowances equal to the estimated amount of uncollectible receivables for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility. (2) Liabilities for retirement benefits To provide for employees' retirement benefits, the Company books amounts deemed to have accrued at the end of interim period, based on the projected benefit obligation and the pension fund assets as of the end of the current fiscal year. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of ten years which falls within the average remaining years of service of the employees. (3) ――――― 4. Translation of principal foreign currency-denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are translated into yen at the exchange rate in effect on the interim balance sheet date. Exchange gain or loss is accounted as income or loss. The balance sheet accounts of overseas subsidiary are also translated at the exchange rate in effect on the balance sheet date. Translation adjustments are stated as a component of foreign exchange translation adjustment in the net assets.	3. Recognition standards for significant reserves (1) Allowances for doubtful accounts Same as on the left. (2) Liabilities for retirement benefits Same as on the left. (3) Contingent loss reserve This reserve is based on a reasonable estimate of the amount required with regard to potential losses from contingent events. 4. Translation of principal foreign currency-denominated assets and liabilities Same as on the left.	3. Recognition standards for significant reserves (1) Allowances for doubtful accounts Same as on the left. (2) Liabilities for retirement benefits To provide for employees' retirement benefits, the Company books amounts based on the projected benefit obligation and the pension fund assets as of the end of the current fiscal year. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of ten years which falls within the average remaining years of service of the employees. (3) ――――― 4. Translation of principal foreign currency-denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are translated into yen at the exchange rate in effect on the balance sheet date. Exchange gain or loss is accounted as income or loss. The balance sheet accounts of overseas subsidiary are also translated at the exchange rate in effect on the balance sheet date. Translation adjustments are stated as a component of foreign exchange translation adjustment in the net assets.

	From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
	5. Accounting treatment for significant lease transactions Finance leases, other than those which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by a method similar to that applicable to ordinary finance lease transactions. 6. Accounting method of significant hedges (1) Hedge accounting Deferred hedge accounting. However, short-cut method is used for currency option contracts in the cases where necessary conditions are met. (2) Means and objects of hedging Means of hedging: Interest rate swaps, currency options Objects of hedging: Borrowings, foreign currency-denominated monetary liabilities and scheduled foreign currency-denominated monetary transactions. (3) Policy on hedging The Company uses financial derivative transactions to reduce risk from fluctuations in interest rates and risks from fluctuations in foreign currency exchange. All derivative transactions the Company enters into comply with the Company's internal "Rules on Derivative Transactions and Risk Management." (4) Assessing the effectiveness of a hedge The Company primarily assesses the effectiveness for hedging the risk of changes in cash flows resulting from fluctuations in market interest rates on borrowings by rate analysis of the sum total of price fluctuation involving hedging instrument, that is, interest rate swap transactions, and the sum total of interest rate changes on borrowings. Effectiveness is assessed at least once every six months, including the balance sheet date. However, effectiveness of foreign currency options accounted by the short-cut method is not assessed.	5. Accounting treatment for significant lease transactions Same as on the left. 6. Accounting method of significant hedges (1) Hedge accounting Deferred hedge accounting. (2) Means and objects of hedging Means of hedging: Interest rate swaps Objects of hedging: Borrowings (3) Policy on hedging The Company uses financial derivative transactions to reduce risk from fluctuations in interest rates. All derivative transactions the Company enters into comply with the Company's internal "Rules on Derivative Transactions and Risk Management." (4) Assessing the effectiveness of a hedge The Company primarily assesses the effectiveness for hedging the risk of changes in cash flows resulting from fluctuations in market interest rates on borrowings by rate analysis of the sum total of price fluctuation involving hedging instrument, that is, interest rate swap transactions, and the sum total of interest rate changes on borrowings. Effectiveness is assessed at least once every six months, including the balance sheet date.	5. Accounting treatment for significant lease transactions Same as on the left. 6. Accounting method of significant hedges (1) Hedge accounting Deferred hedge accounting. However, short-cut method is used for currency option contracts in the cases where necessary conditions are met. (2) Means and objects of hedging Means of hedging: Interest rate swaps, currency options Objects of hedging: Borrowings, foreign currency-denominated monetary liabilities and scheduled foreign currency-denominated monetary transactions. (3) Policy on hedging The Company uses financial derivative transactions to reduce risk from fluctuations in interest rates and risks from fluctuations in foreign currency exchange. All derivative transactions the Company enters into comply with the Company's internal "Rules on Derivative Transactions and Risk Management." (4) Assessing the effectiveness of a hedge The Company primarily assesses the effectiveness for hedging the risk of changes in cash flows resulting from fluctuations in market interest rates on borrowings by rate analysis of the sum total of price fluctuation involving hedging instrument, that is, interest rate swap transactions, and the sum total of interest rate changes on borrowings. Effectiveness is assessed at least once every six months, including the balance sheet date. However, effectiveness of foreign currency options accounted by the short-cut method is not assessed.

	From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
	7. Other important accounting items (1) Accounting treatment for consumption taxes Consumption taxes are accounted by the tax-exclusion method. (2) Accounting for deferred assets Bond issue expenses are amortized as accrued.	7. Other important accounting items (1) Accounting treatment for consumption taxes Same as on the left. (2) Accounting for deferred assets Same as on the left.	7. Other important accounting items (1) Accounting treatment for consumption taxes Consumption taxes are accounted by the tax-exclusion method. Non-deductible consumption taxes are charged to income in the year in which it is recognized. (2) Accounting for deferred assets Same as on the left.
5. Definition of cash in cash flow statements	For the purpose of interim consolidated cash flow statements, cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.	Same as on the left.	For the purpose of consolidated cash flow statements, cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.

Changes in Significant Items in Preparing Interim Consolidated Financial Statements

From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
(Accounting Standard for Impairment of Fixed Assets) Effective from the current interim period, the Company has adopted "Accounting Standards for the Presentation of the Impairment of Fixed Assets," (Business Accounting Council, August 9, 2002) and "Guidance for Accounting Standards for Impairment of Fixed Assets" (ASBJ Guidance No. 6 : Accounting Standards Board of Japan, October 31, 2003). The effect of this change was to increase operating income by 3,935 thousand yen, ordinary income by 3,594 thousand yen, and loss before income taxes by 869,995 thousand yen. The amounts of impairment losses are directly deducted from the corresponding carrying amounts of assets, in accordance with the revised standards for the interim consolidated financial statements.	―――――	(Accounting Standard for Impairment of Fixed Assets) Effective from the current fiscal year, the Company has adopted "Accounting Standards for the Presentation of the Impairment of Fixed Assets," (Business Accounting Council, August 9, 2002) and "Guidance for Accounting Standards for Impairment of Fixed Assets" (ASBJ Guidance No. 6: Accounting Standards Board of Japan, October 31, 2003). The effect of this change was to increase operating income by 6,559 thousand yen, ordinary income by 5,990 thousand yen, and loss before income taxes by 871,266 thousand yen. The amounts of impairment losses are directly deducted from the corresponding carrying amounts of assets, in accordance with the revised standards for the consolidated financial statements.
(Accounting Standard for Presentation of Net Assets on Balance Sheet) Effective from the current interim period, the Company has adopted "Accounting Standard for Presentation of Net Assets on Balance Sheet" (ASBJ Statement No. 5, December 9, 2005) and "Guidance for Presentation of Net Assets on Balance Sheet" (ASBJ Guidance No. 8, December 9, 2005). Under the former accounting standard, amounts equivalent to "Total shareholders' equity" totaled 1,985,865 thousand yen. Due to this revision, net assets in the balance sheet for the current interim period are presented based on the revised standard.	―――――	(Accounting Standard for Presentation of Net Assets on Balance Sheet) Effective from the current fiscal year, the Company has adopted "Accounting Standard for Presentation of Net Assets on Balance Sheet" (ASBJ Statement No. 5, December 9, 2005) and "Guidance for Presentation of Net Assets on Balance Sheet" (ASBJ Guidance No. 8, December 9, 2005). Under the former accounting standard, amounts equivalent to "Total shareholders' equity" totaled 2,176,844 thousand yen. Due to this revision, net assets in the balance sheet for the current fiscal year are presented based on the revised standard.

Reclassifications

From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007
(Consolidated balance sheets) Effective from the current interim period, “Other accounts payable” included in “Other current liabilities” in prior periods, is reclassified and presented as a separate line item, given that it now exceeds 5/100 of total liabilities and net assets. In the prior year, “Other accounts payable” amounted to 354,674 thousand yen. ―――――	(Consolidated balance sheets) Effective from the current interim period, “Machinery and vehicles” included in “Other tangible fixed assets” in prior periods, is reclassified and presented as a separate line item, given that it now exceeds 5/100 of total assets. In the prior year, “Machinery and vehicles” amounted to 372,038 thousand yen. (Consolidated income statements) Effective from the current interim period, “Loss on credits sold” included in “Others” under non-operating expenses in prior periods, is reclassified and presented as a separate line item, given that it now exceeds 10/100 of total non-operating expenses. In the prior year, “Loss on credits sold” amounted to 3,553 thousand yen.

Notes

Notes to consolidated balance sheets

(Unit: thousand yen)

As of August 31, 2006	As of August 31, 2007	As of February 28, 2007
*1. Accumulated depreciation of tangible fixed assets 5,489,018	*1. Accumulated depreciation of tangible fixed assets 5,600,691	*1. Accumulated depreciation of tangible fixed assets 5,442,089
*2. Assets pledged as collateral and corresponding liabilities	*2. Assets pledged as collateral and corresponding liabilities	*2. Assets pledged as collateral and corresponding liabilities
(1) Assets pledged as collateral are as follows:	(1) Assets pledged as collateral are as follows:	(1) Assets pledged as collateral are as follows:
Cash and deposits 252,500	Cash and deposits 252,500	Cash and deposits 252,500
Buildings 902,623	Buildings 886,570	Buildings 891,850
Land 1,534,890	Land 1,330,899	Land 1,330,899
Tangible fixed assets, other 7,220	Tangible fixed assets, other 9,039	Tangible fixed assets, other 9,189
Investment securities 179,638	Investment securities 179,277	Investment securities 193,539
Total 2,876,873	Total 2,658,286	Total 2,677,978
(2) Liabilities corresponding to assets pledged as collateral:	(2) Liabilities corresponding to assets pledged as collateral:	(2) Liabilities corresponding to assets pledged as collateral:
Short-term borrowings 449,074	Short-term borrowings 268,150	Short-term borrowings 290,710
Long-term borrowings 853,575	Long-term borrowings 499,825	Long-term borrowings 630,150
Total 1,302,649	Total 767,975	Total 920,860
3. Syndicated credit facility and term loan agreement For the purpose of obtaining flexibility and stability in the procurement of funds as well as to diversify funding sources, the Company used a syndicate of four banks to establish a credit facility and term loan agreement. Loans outstanding as of August 31, 2006 under these agreements were as follows.	3. Syndicated credit facility and term loan agreement For the purpose of obtaining flexibility and stability in the procurement of funds as well as to diversify funding sources, the Company used a syndicate of five banks to establish a credit facility and term loan agreement. Loans outstanding as of August 31, 2007 under these agreements were as follows.	3. Syndicated credit facility and term loan agreement For the purpose of obtaining flexibility and stability in the procurement of funds as well as to diversify funding sources, the Company used a syndicate of five banks to establish a credit facility and term loan agreement. Loans outstanding as of February 28, 2007 under these agreements were as follows.
Credit facility credit total 1,000,000	Credit facility credit total 1,000,000	Credit facility credit total 1,000,000
Credit used 430,000	Credit used 330,000	Credit used 330,000
Credit available 570,000	Credit available 670,000	Credit available 670,000
Term loan credit limit 1,300,000	Term loan credit limit 1,300,000	Term loan credit limit 1,300,000
Credit used 1,300,000	Credit used 800,000	Credit used 350,000
Credit available -	Credit available 500,000	Credit available 950,000
	(Note) Financial covenants Of the agreements, certain covenants were applied to these below. 1) Net assets on the consolidated and non-consolidated balance sheets at the end of each fiscal year must be at least 80% of total shareholders' equity at the end of February 2006. (However, deductions for losses resulting from asset impairment accounting applied to fixed assets in Kita-ibaraki and Hanegi can be excluded.) 2) The Company must not report an ordinary loss on the consolidated or non-consolidated income statements in two consecutive fiscal years.	(Note) Financial covenants Of the agreements, certain covenants were applied to these below. 1) Net assets on the consolidated and non-consolidated balance sheets at the end of each fiscal year must be at least 80% of total shareholders' equity at the end of February 2006. (However, deductions for losses resulting from asset impairment accounting applied to fixed assets in Kita-ibaraki and Hanegi can be excluded.) 2) The Company must not report an ordinary loss on the consolidated or non-consolidated income statements in two consecutive fiscal years.

Notes to consolidated income statements

(Unit: thousand yen)

<table>
<tr><th>From March 1, 2006 to August 31, 2006</th><th>From March 1, 2007 to August 31, 2007</th><th>From March 1, 2006 to February 28, 2007</th></tr>
<tr><td>*1. Significant components and corresponding amounts of selling, general and administrative expenses
Officers' salaries and bonuses 82,046
Employees' salaries and allowances 70,205
Retirement benefits 6,656
Depreciation 9,440
Commissions paid 60,425
Provision of allowance for doubtful accounts 5,810</td><td>*1. Significant components and corresponding amounts of selling, general and administrative expenses
Officers' salaries and bonuses 84,149
Employees' salaries and allowances 80,016
Retirement benefits 7,763
Depreciation 8,845
Commissions paid 66,285</td><td>*1. Significant components and corresponding amounts of selling, general and administrative expenses
Officers' salaries and bonuses 167,641
Employees' salaries and allowances 143,068
Employees' bonuses 62,949
Retirement benefits 13,212
Depreciation 18,274
Commissions paid 126,297
Provision of allowance for doubtful accounts 7,714</td></tr>
<tr><td>*2. ――――</td><td>*2. ――――</td><td>*2. Significant components of gain on sales of fixed assets
Buildings 1,846
Land 53,798
Tangible fixed assets, other 329
Total 55,974</td></tr>
<tr><td>*3. ――――</td><td>*3. ――――</td><td>*3. Significant components of losses on sales of fixed assets
Intangible fixed assets 311</td></tr>
<tr><td>*4. Significant components of losses on disposal of fixed assets
Buildings 15,057
Tangible fixed assets, other 1,076
Total 16,134</td><td>*4. Significant components of losses on disposal of fixed assets
Buildings 3,196
Machinery and vehicles 4,181
Tangible fixed assets, other 278
Total 7,656</td><td>*4. Significant components of losses on disposal of fixed assets
Buildings 15,204
Tangible fixed assets, other 5,843
Total 21,047</td></tr>
<tr><td>*5. Impairment losses
Impairment losses on fixed assets at the Group for the current interim period as follows.
Nippon Shikizai, Inc.
Location: Setagaya-ward, Tokyo
Use of asset: Welfare facilities
Account: Land, buildings, etc.
Impairment loss: 353,231 thousand yen

Location: Kita-Ibaraki-city, Ibaraki prefecture
Use of asset: Pre-construction site of factory
Account: Land, etc
Impairment loss: 387,533 thousand yen</td><td>*5. ――――</td><td>*5. Impairment losses
Impairment losses on fixed assets at the Group for the current fiscal year as follows.
Nippon Shikizai, Inc.
Location: Setagaya-ward, Tokyo
Use of asset: Welfare facilities
Account: Land, buildings, etc.
Impairment loss: 353,231 thousand yen

Location: Kita-Ibaraki-city, Ibaraki prefecture
Use of asset: Pre-construction site of factory
Account: Land, etc
Impairment loss: 387,533 thousand yen</td></tr>
</table>

<table>
<tr><th>From March 1, 2006 to August 31, 2006</th><th>From March 1, 2007 to August 31, 2007</th><th>From March 1, 2006 to February 28, 2007</th></tr>
<tr>
<td>THEPENIER PHARMA INDUSTRIE S.A.
<table>
<tr><td>Location</td><td>Montagne, France</td></tr>
<tr><td>Use of asset</td><td>Cosmetic business assets</td></tr>
<tr><td>Account</td><td>Land, buildings, etc.</td></tr>
<tr><td>Impairment loss</td><td>106,349 thousand yen</td></tr>
</table>
<table>
<tr><td>Location</td><td>Montagne, France</td></tr>
<tr><td>Use of asset</td><td>Pharmaceutical business assets</td></tr>
<tr><td>Account</td><td>Land</td></tr>
<tr><td>Impairment loss</td><td>26,475 thousand yen</td></tr>
</table>
Assets in business use are evaluated collectively based on the grouping used in managerial accounting practices at the Group while idle assets are respectively evaluated.
The Company’s assets among those listed above are idle with their evaluations considerably deteriorated below the book values. Therefore they were devalued to their collectible amounts after an aggregate variance of 740,765 thousand yen was booked as impairment loss to the account of extraordinary losses pertaining thereto. The above listed assets of Thepenier Pharma Industrie S.A. were devalued to their collectible amounts because their productivity or physical evaluations were well below the book values, and an aggregate variance of 132,825 thousand yen was booked as impairment loss to the account of extraordinary losses pertaining thereto.
For information, a collectible amount used above is net proceeds from sale of an asset in question estimated by a real estate appraiser, etc.

*6. ____________</td>
<td>*6. Provision for contingent loss reserve
A provision was made that represents estimated losses in the future associated with quality problems involving some mouthwashes manufactured by a consolidated subsidiary.</td>
<td>THEPENIER PHARMA INDUSTRIE S.A.
<table>
<tr><td>Location</td><td>Montagne, France</td></tr>
<tr><td>Use of asset</td><td>Cosmetic business assets</td></tr>
<tr><td>Account</td><td>Land, buildings, etc.</td></tr>
<tr><td>Impairment loss</td><td>109,285 thousand yen</td></tr>
</table>
<table>
<tr><td>Location</td><td>Montagne, France</td></tr>
<tr><td>Use of asset</td><td>Pharmaceutical business assets</td></tr>
<tr><td>Account</td><td>Land</td></tr>
<tr><td>Impairment loss</td><td>27,206 thousand yen</td></tr>
</table>
Assets in business use are evaluated collectively based on the grouping used in managerial accounting practices at the Group while idle assets are respectively evaluated.
The Company’s assets among those listed above are idle with their evaluations considerably deteriorated below the book values. Therefore they were devalued to their collectible amounts after an aggregate variance of 740,765 thousand yen was booked as impairment loss to the account of extraordinary losses pertaining thereto. The above listed assets of Thepenier Pharma Industrie S.A. were devalued to their collectible amounts because their productivity or physical evaluations were well below the book values, and an aggregate variance of 136,491 thousand yen was booked as impairment loss to the account of extraordinary losses pertaining thereto.
For information, a collectible amount used above is net proceeds from sale of an asset in question estimated by a real estate appraiser, etc.

*6. ____________</td>
</tr>
</table>

Notes to consolidated statement of changes in shareholders' equity

Previous interim period (March 1, 2006 – August 31, 2006)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Feb. 28, 2006 (Shares)	Increase during the current period (Shares)	Decrease during the current period (Shares)	Number of shares as of Aug. 31, 2006 (Shares)	Remarks
Outstanding shares					
Common shares	4,318,444	-	-	4,318,444	
Total	4,318,444	-	-	4,318,444	
Treasury stock					
Common shares	1,000	-	-	1,000	
Total	1,000	-	-	1,000	

2. Dividends

(1) Dividends payment

Resolution	Type of share	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on May 26, 2006	Common shares	43,174	10	February 28, 2006	May 27, 2006

(2) Dividends with a record date in the current period but an effective date in the following period

Not applicable.

Current interim period (March 1, 2007 – August 31, 2007)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Feb. 28, 2007 (Shares)	Increase during the current period (Shares)	Decrease during the current period (Shares)	Number of shares as of Aug. 31, 2007 (Shares)	Remarks
Outstanding shares					
Common shares	4,318,444	-	-	4,318,444	
Total	4,318,444	-	-	4,318,444	
Treasury stock					
Common shares	1,800	-	-	1,800	
Total	1,800	-	-	1,800	

2. Dividends

(1) Dividends payment

Not applicable.

(2) Dividends with a record date in the current period but an effective date in the following period

Not applicable.

Previous fiscal year (March 1, 2006 – February 28, 2007)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Feb. 28, 2006 (Shares)	Increase during the current fiscal year (Shares)	Decrease during the current fiscal year (Shares)	Number of shares as of Feb. 28, 2007 (Shares)	Remarks
Outstanding shares					
Common shares	4,318,444	-	-	4,318,444	
Total	4,318,444	-	-	4,318,444	
Treasury stock					
Common shares	1,000	800	-	1,800	
Total	1,000	800	-	1,800	

Note: Number of treasury stock increased by 800 common shares was due to the acquisition of odd lot shares.

2. Dividends

(1) Dividends payment

Resolution	Type of share	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on May 26, 2006	Common shares	43,174	10	February 28, 2006	May 27, 2006

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Not applicable.

Notes to consolidated cash flow statements

(Unit: thousand yen)

From March 1, 2006 to August 31, 2006		From March 1, 2007 to August 31, 2007		From March 1, 2006 to February 28, 2007	
Reconciliation of balance sheet items to cash and cash equivalents in interim consolidated cash flow statements:		Reconciliation of balance sheet items to cash and cash equivalents in interim consolidated cash flow statements:		Reconciliation of balance sheet items to cash and cash equivalents in consolidated cash flow statements:	
Cash and deposits	756,419	Cash and deposits	860,733	Cash and deposits	862,335
Cash and term deposits with maturities longer than three months	(280,500)	Cash and term deposits with maturities longer than three months	(280,500)	Cash and term deposits with maturities longer than three months	(280,500)
Special deposit	(2,794)	Special deposit	(2,172)	Special deposit	(2,208)
Cash and cash equivalents	473,124	Cash and cash equivalents	578,060	Cash and cash equivalents	579,626

Accounting for Leases

(Unit: thousand yen)

From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
Finance lease transactions other than those in which the title of the leased property is transferred to the lessee.	Finance lease transactions other than those in which the title of the leased property is transferred to the lessee.	Finance lease transactions other than those in which the title of the leased property is transferred to the lessee.
1. Acquisition cost, accumulated depreciation and period-end balance equivalents of the leased property.	1. Acquisition cost, accumulated depreciation and period-end balance equivalents of the leased property.	1. Acquisition cost, accumulated depreciation and year-end balance equivalents of the leased property.
Tangible fixed assets, others: Acquisition cost 287,414 Accumulated depreciation 57,129 Period-end balance 230,284	Machinery and vehicles: Acquisition cost 240,502 Accumulated depreciation 78,194 Period-end balance 162,308	Tangible fixed assets, others: Acquisition cost 309,990 Accumulated depreciation 83,642 Year-end balance 226,348
Intangible fixed assets, others: Acquisition cost 18,474 Accumulated depreciation 13,643 Period-end balance 4,830	Tangible fixed assets, others: Acquisition cost 127,483 Accumulated depreciation 35,560 Period-end balance 91,922	Intangible fixed assets, others: Acquisition cost 34,972 Accumulated depreciation 17,073 Year-end balance 17,898
Total: Acquisition cost 305,888 Accumulated depreciation 70,773 Period-end balance 235,115	Intangible fixed assets, others: Acquisition cost 113,369 Accumulated depreciation 26,951 Period-end balance 86,417	Total: Acquisition cost 344,963 Accumulated depreciation 100,716 Year-end balance 244,246
	Total: Acquisition cost 481,355 Accumulated depreciation 140,706 Period-end balance 340,648	
Note: Acquisition cost equivalents include amounts applicable to interest since the outstanding balance of lease commitments at period-end are insignificant in the context of tangible fixed assets.	Note: Same as on the left.	Note: Acquisition cost equivalents include amounts applicable to interest since the outstanding balance of lease commitments at year-end are insignificant in the context of tangible fixed assets.
2. Outstanding lease commitments at period-end. Within one year 55,340 Over one year 179,775 Total 235,115	2. Outstanding lease commitments at period-end. Within one year 88,020 Over one year 252,628 Total 340,648	2. Outstanding lease commitments at year-end. Within one year 63,917 Over one year 180,329 Total 244,246
Note: Outstanding balance of lease commitments at period-end include amounts applicable to interest since the outstanding balance of lease commitments at period-end are insignificant in the context of tangible fixed assets.	Note: Same as on the left.	Note: Outstanding balance of lease commitments at period-end include amounts applicable to interest since the outstanding balance of lease commitments at year-end are insignificant in the context of tangible fixed assets.
3. Lease payments and depreciation equivalents Lease payments 21,077 Depreciation equivalent 21,077	3. Lease payments and depreciation equivalents Lease payments 41,125 Depreciation equivalent 41,125	3. Lease payments and depreciation equivalents Lease payments 48,540 Depreciation equivalents 48,540
4. Calculation of depreciation equivalents Depreciation is calculated based on the straight-line method, assuming the lease period to be the useful life and a residual value of zero.	4. Calculation of depreciation equivalents Same as on the left.	4. Calculation of depreciation equivalents Same as on the left.

Securities

Previous interim period (March 1, 2006 – August 31, 2006)

1. Securities with market value classified as "Other Securities"

(Unit: thousand yen)

	As of August 31, 2006		
	Acquisition cost	Carrying value	Valuation gain/loss
Equity	110,831	226,938	116,106
Total	110,831	226,938	116,106

Note: Except for securities whose price is expected to recover, securities whose value has declined by more than 50% from the book value are written down. In the case of securities whose value has declined by 30% to 50% from the book value are written down if their price is not expected to recover.

2. Securities without market quotations

(Unit: thousand yen)

Security	As of August 31, 2006
	Carrying value
Other securities Unlisted stock	9,456

Current interim period (March 1, 2007 – August 31, 2007)

1. Securities with market value classified as "Other Securities"

(Unit: thousand yen)

	As of August 31, 2007		
	Acquisition cost	Carrying value	Valuation gain/loss
Equity	112,222	222,820	110,598
Total	112,222	222,820	110,598

Note: Except for securities whose price is expected to recover, securities whose value has declined by more than 50% from the book value are written down. In the case of securities whose value has declined by 30% to 50% from the book value are written down if their price is not expected to recover.

2. Securities without market quotations

(Unit: thousand yen)

Security	As of August 31, 2007
	Carrying value
Other securities Unlisted stock	9,456

Previous fiscal year (March 1, 2006 – February 28, 2007)

1. Securities with market value classified as "Other Securities"

(Unit: thousand yen)

	As of February 28, 2007		
	Acquisition cost	Carrying value	Valuation gain/loss
Equity	111,321	240,104	128,782
Total	111,321	240,104	128,782

Note: Except for securities whose price is expected to recover, securities whose value has declined by more than 50% from the book value are written down. In the case of securities whose value has declined by 30% to 50% from the book value are written down if their price is not expected to recover.

2. Securities without market quotations

(Unit: thousand yen)

Security	As of February 28, 2007
	Carrying value
Other securities Unlisted stock	9,456

Derivatives

Previous interim period (March 1, 2006 – August 31, 2006)
Not applicable since the Company applies the hedge accounting method.

Current interim period (March 1, 2007 – August 31, 2007)
Not applicable since the Company applies the hedge accounting method.

Previous fiscal year (March 1, 2006 – February 28, 2007)
Not applicable since the Company applies the hedge accounting method.

Stock Options

Not applicable.

Business Combinations

Not applicable.

Segment Information

1. Operating segment information

Operating segment information for the previous interim period, current interim period, and previous fiscal year are as follows.

Previous interim period (March 1, 2006 – August 31, 2006) (Unit: thousand yen)

	Cosmetics	Pharmaceuticals and other products	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to outside customers	2,818,885	637,312	3,456,198	-	3,456,198
(2) Sales and transfers – Inter-segment	-	-	-	-	-
Total	2,818,885	637,312	3,456,198	-	3,456,198
Operating expenses	2,397,360	629,033	3,026,394	262,933	3,289,327
Operating income	421,525	8,278	429,804	[262,933]	166,870

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. Operating expenses (262,933 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.

Current interim period (March 1, 2007 – August 31, 2007) (Unit: thousand yen)

	Cosmetics	Pharmaceuticals and other products	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to outside customers	3,283,865	909,310	4,193,176	-	4,193,176
(2) Sales and transfers – Inter-segment	-	-	-	-	-
Total	3,283,865	909,310	4,193,176	-	4,193,176
Operating expenses	2,864,731	817,140	3,681,872	288,314	3,970,186
Operating income	419,134	92,169	511,303	[288,314]	222,989

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. Operating expenses (288,314 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.

Previous fiscal year (March 1, 2006 – February 28, 2007) (Unit: thousand yen)

	Cosmetics	Pharmaceuticals and other products	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to outside customers	5,706,554	1,397,381	7,103,935	-	7,103,935
(2) Sales and transfers – Inter-segment	-	-	-	-	-
Total	5,706,554	1,397,381	7,103,935	-	7,103,935
Operating expenses	4,989,218	1,343,812	6,333,030	513,323	6,846,353
Operating income	717,335	53,569	770,904	[513,323]	257,581

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. Operating expenses (513,323 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.

2. Geographical segment information

Geographical segment information for the previous interim period, current interim period, and previous fiscal year are as follows.

Previous interim period (March 1, 2006 – August 31, 2006) (Unit: thousand yen)

	Japan	France	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to outside customers	2,662,562	793,635	3,456,198	-	3,456,198
(2) Sales and transfers – Inter-segment	28,001	5,415	33,416	[33,416]	-
Total	2,690,564	799,051	3,489,615	[33,416]	3,456,198
Operating expenses	2,218,865	836,804	3,055,669	233,658	3,289,327
Operating income (loss)	471,698	(37,753)	433,945	[267,075]	166,870

Notes:

1. Geographical segmentation: By locations of manufacturing facilities.
2. Operating expenses (262,933 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.

Current interim period (March 1, 2007 – August 31, 2007) (Unit: thousand yen)

	Japan	France	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to outside customers	3,171,462	1,021,713	4,193,176	-	4,193,176
(2) Sales and transfers – Inter-segment	45,059	4,317	49,376	[49,376]	-
Total	3,216,521	1,026,031	4,242,553	[49,376]	4,193,176
Operating expenses	2,705,536	1,019,035	3,724,571	245,614	3,970,186
Operating income	510,985	6,996	517,981	[294,991]	222,989

Notes:

1. Geographical segmentation: By locations of manufacturing facilities.
2. Operating expenses (288,314 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.

Previous fiscal year (March 1, 2006 – February 28, 2007) (Unit: thousand yen)

	Japan	France	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to outside customers	5,470,037	1,633,897	7,103,935	-	7,103,935
(2) Sales and transfers – Inter-segment	57,285	6,933	64,219	[64,219]	-
Total	5,527,323	1,640,831	7,168,155	[64,219]	7,103,935
Operating expenses	4,678,288	1,713,623	6,391,912	454,441	6,846,353
Operating income (loss)	849,035	(72,792)	776,242	[518,661]	257,581

Notes:

1. Geographical segmentation: By locations of manufacturing facilities.
2. Operating expenses (513,323 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.

3. Overseas sales

Overseas sales for the previous interim period, current interim period, and previous fiscal year are as follows.

Previous interim period (March 1, 2006 – August 31, 2006) (Unit: thousand yen)

	Europe	Other areas	Total
Overseas sales	935,488	63,300	998,789
Consolidated sales	-	-	3,456,198
Share of overseas sales in consolidated sales (%)	27.1	1.8	28.9

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, Portugal, Switzerland, and Spain
   (2) Other areas: North America, Taiwan, and S. Korea
3. Overseas sales include sales of the Company and its consolidated subsidiary to customers in countries and areas outside Japan.

Current interim period (March 1, 2007 – August 31, 2007) (Unit: thousand yen)

	Europe	Other areas	Total
Overseas sales	1,126,536	60,273	1,186,809
Consolidated sales	-	-	4,193,176
Share of overseas sales in consolidated sales (%)	26.9	1.4	28.3

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, Portugal, Switzerland, and Belgium
   (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.

Previous fiscal year (March 1, 2006 – February 28, 2007) (Unit: thousand yen)

	Europe	Other areas	Total
Overseas sales	1,953,685	99,162	2,052,847
Consolidated sales	-	-	7,103,935
Share of overseas sales in consolidated sales (%)	27.5	1.4	28.9

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, Switzerland, and Spain
   (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.

Per Share Information

(Unit: Yen)

From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
Net assets per share 454.22 Net loss per share (basic) 166.93 Net income per share (diluted) is not presented since the Company posted net loss, and has no outstanding dilutive securities.	Net assets per share 503.24 Net loss per share (basic) 4.25 Net income per share (diluted) is not presented since the Company posted net loss, and has no outstanding dilutive securities.	Net assets per share 498.53 Net loss per share (basic) 136.21 Net income per share (diluted) is not presented since the Company posted net loss, and has no outstanding dilutive securities.

Note: The following is a reconciliation of net loss per share (basic)

(Unit: thousand yen)

	From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
Net loss	720,690	18,347	588,088
Amount not available to common stock	-	-	-
Net loss available to common stock	720,690	18,347	588,088
Average number of shares outstanding	4,317,444 shares	4,316,644 shares	4,317,377 shares

Subsequent Events

From March 1, 2006 to August 31, 2006	From March 1, 2007 to August 31, 2007	From March 1, 2006 to February 28, 2007
The Board of Directors of the Company on August 22, 2006 approved a syndicated loan agreement in order to diversify fund procurement channels and position the Company to implement dynamic and stable fund procurement. The syndicated loan agreement was signed on September 29, 2006. (1) Details of the syndicated loan agreement Syndicated commitment line and a term loans for a specified period. (2) Type of agreement (billion yen) Commitment line: 1.0 Term loan for specified period: 1.3 (3) Arranger and agent Mizuho Bank (4) Syndicate members: Shoko Chukin Bank (Co-arranger) The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sawayaka Shinkin Bank Mitsubishi UFJ Trust and Banking Corporation (5) Financial covenants Of the agreements, certain covenants were applied to these below. 1) Net assets on the consolidated and non-consolidated balance sheets at the end of each fiscal year must be at least 80% of total shareholders' equity at the end of February 2006. (However, deductions for losses resulting from asset impairment accounting applied to fixed assets in Kita-ibaraki and Hanegi can be excluded.) 2) The Company must not report an ordinary loss on the consolidated or non-consolidated income statements in two consecutive fiscal years.	Not applicable.	Not applicable.

** 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.*