Interim Financial Results for the Fiscal Year Ending February 28, 2009

Name of company listed: Nippon Shikizai, Inc. Stock exchange listing: JASDAQ
Stock code number: 4920 URL: http://www.shikizai.com
President: Kouji Okumura
Contact: Yasuhiko Tsuchiya, Director, Accounting Division Telephone: +81-(0)3-3456-0561

Scheduled date of filing of Semiannual Report: November 25, 2008

(Amounts are rounded down to the nearest million yen)

1. Interim Consolidated Financial Results (March 1, 2008 – August 31, 2008)

(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. 2008	3,753	(10.5)	13	(93.7)	(34)	-	(76)	-
First half ended Aug. 2007	4,193	21.3	222	33.6	198	(11.4)	(18)	-
Fiscal year ended Feb. 2008	7,724	-	146	-	49	-	(504)	-

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
First half ended Aug. 2008	(17.73)	-
First half ended Aug. 2007	(4.25)	-
Fiscal year ended Feb. 2008	(116.98)	-

Reference: Equity in earnings of non-consolidated subsidiaries

Aug. 2008: - million yen Aug. 2007: - 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 Aug. 31, 2008	7,947	1,597	20.1	370.04
As of Aug. 31, 2007	7,824	2,172	27.8	503.24
As of Feb. 29, 2008	7,788	1,664	21.4	385.66

Reference: Shareholders' equity

Aug. 2008: 1,597 million yen Aug. 2007: 2,172 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
First half ended Aug. 2008	26	(326)	195	477
First half ended Aug. 2007	127	(233)	94	578
Fiscal year ended Feb. 2008	(74)	(394)	454	573

2. Dividends

	Dividends per share		
(Record date)	Interim	Year-end	Annual
	Yen	Yen	Yen

Fiscal year ended Feb. 2008	-	-	0.00
Fiscal year ending Feb. 2009	-	-	0.00
Fiscal year ending Feb. 2009 (forecast)	-	0.00	

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2009 (March 1, 2008 – February 28, 2009)

(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	6,990	(9.5)	(228)	-	(368)	-	(211)	-	(48.88)

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: None

2) Other changes: None

(3) Number of shares outstanding (common stock)

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

Aug. 2008: 4,318,444 shares Aug. 2007: 4,318,444 shares Feb. 2008: 4,318,444 shares

2) Number of treasury stock at end of period

Aug. 2008: 2,599 shares Aug. 2007: 1,800 shares Feb. 2008: 1,800 shares

Note: Please refer to "Per Share Information" on page 39 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, 2008 – August 31, 2008)

(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. 2008	3,066	(4.7)	156	(29.8)	121	(41.8)	(71)	-
First half ended Aug. 2007	3,216	19.5	222	6.7	208	(22.6)	20	-
Fiscal year ended Feb. 2008	6,082	-	276	-	204	-	(384)	-

	Net income per share (basic)
	Yen
First half ended Aug. 2008	(16.56)
First half ended Aug. 2007	4.75
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 Aug. 31, 2008	7,197	1,369	19.0	317.32
As of Aug. 31, 2007	6,920	1,864	26.9	431.96

As of Feb. 29, 2008	7,063	1,433	20.3	332.12

Reference: Shareholders' equity

Aug. 2008: 1,369 million yen Aug. 2007: 1,864 million yen Feb. 2008: 1,433 million yen

2. Non-consolidated Forecast for the Fiscal Year Ending February 28, 2009 (March 1, 2008 – February 28, 2009)

(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	5,704	(6.2)	158	(42.8)	64	(68.6)	19	-	4.40

<u>* Cautionary statement with respect to forward-looking statements</u>

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, Japan's economy was impacted by concerns about the U.S. economic outlook and turmoil in financial markets caused by the U.S. subprime mortgage crisis along with the rising cost of crude oil and other natural resources. As a result, consumer spending and corporate earnings, which had been flat, started declining and fears about an economic downturn in Japan grew.

In Japan's cosmetics industry, the decline in the number of children as the population ages is reducing the number of consumers who buy cosmetics. The uncertain economic outlook is making the operating environment even more challenging. The result was a weak performance during the first half of all new and redesigned cosmetics products. For Nippon Shikizai, which manufactures cosmetics under contract, these challenges made it increasingly difficult to sell products in Japan. To offset this weakness, actions were taken to expand overseas in order to stabilize operating results. As a result, sales to overseas customers (except consolidated subsidiary THEPENIER PHARMA INDUSTRIE S.A. of France and overseas companies affiliated with Japanese companies) increased 79.4% to 799 million yen. Unfortunately performance of the entire Nippon Shikizai Group continued to be disappointing, including weakness at Thepenier.

In this environment, the Group concentrated on using new ingredients to create innovative products with new functions and textures. Another goal is developing receptacle filling techniques in order to upgrade skills in offering proposals for new products. As part of sales activities, the Group worked on establishing ties with new customers in Japan and other countries, such as by aggressively seeking new customers overseas and participating in exhibitions. Capturing contracts from existing customers to manufacture their new products was another aim of sales activities. Due to these initiatives, sales of eyeliner, mascara and lipstick were much higher than in the first half of the previous fiscal year. This performance allowed Nippon Shikizai to minimize the decline total cosmetics sales. Thepenier continued to seek the cause of the product quality problem that occurred in the second half of the previous year (formation of needle-shaped crystals in mouthwash), but has not yet identified the cause. Thepenier resumed production of this mouthwash in February 2008 at the request of the marketer. However, a reoccurrence of the crystallization problem in some products prevented Thepenier from contributing to first half sales. The result was a substantial decrease in sales in the first half of the fiscal year. In addition, loss on valuation of inventories and other expenses associated with the quality problem at Thepenier produced a large operating loss at this company.

Due to these factors, consolidated sales decreased 10.5% to 3,753 million yen, operating income was down 93.7% to 13 million yen, and there was an ordinary loss of 34 million yen compared with income of 198 million yen one year earlier.

There were several extraordinary losses: impairment losses, which is the difference between the expected sales proceeds from idle assets in Kita-ibaraki and its book value of 190 million yen; a 25 million yen addition to the provision for contingent loss reserve due to the poor performance of Thepenier; and additional retirement benefits of 22 million yen. After these items, there was a loss before income taxes of 275 million yen compared with income of 3 million yen one year earlier. After inclusion of a tax-effect accounting benefit resulting from the impairment losses for the idle assets in Kita-ibaraki, there was a net loss of 76 million yen compared with an 18 million yen loss one year earlier.

Results by business segment were as follows.

Cosmetics

Makeup for the eyes remains is still the most popular category of cosmetics. However, the Company succeeded in capturing new orders in Japan and overseas for mascara due to the excellent reputation of mascara products of a client company on a cosmetics Web site where individuals recommend products. In addition, there was a big increase in sales of lipstick and other cosmetics because of the success of ideas for new products using new ingredients to improve functions and texture. The result was a big increase in sales in this category, mainly due to new orders for lipstick from companies in Japan.

In the foundation category, the preferences of consumers have been shifting from foundation with a light and dry sensation to products with a moist feeling. This has caused a steady decline in sales of the Company's conventional powder foundation products. This decline continued in the first half of the current fiscal year.

To increase sales of foundation products, the Company is researching basic materials and improving receptacle filling methods. The aim is to develop products that deliver the moisture that consumers want as well as to offer a larger variation of foundation products.

Segment sales decreased 4.8% to 3,124 million yen and there was a 5.2% decrease in operating income to 397 million yen.

Pharmaceuticals and other products

Thepenier is still working on determining the cause of the product quality problem that occurred in the second half of the previous year (formation of needle-shaped crystals in mouthwash), but has not yet identified the cause. One possible cause is ingredients supplied by other companies. Another is a problem involving a production process or formulations of ingredients used during production. However, the cause has not yet been identified. In February 2008, the marketer of this mouthwash product asked Thepenier to resume production. Unfortunately, the crystallization problem occurred again in some products and Thepenier was unable to continue production. Thepenier continues to take the actions needed to locate the cause and resume operations as quickly as possible. However, since the production of this mouthwash has been suspended, Thepenier reported a large operating loss in the first half.

Segment performance was also impacted by a decline at Thepenier in sales of econazole, its antifungal medication, which is a core product category along with mouthwash products. The result was a 30.8% decrease in segment sales to 629 million yen and an operating loss of 45 million yen compared with operating income of 92 million yen one year earlier.

Since the pharmaceuticals and other products segment represents only the operations of Thepenier, which is located in France, there are no production and sales activities in Japan.

Sales by geographic region were as follows.

Japan

There was a big increase in sales in the first half of the previous fiscal year in Japan because of a large order from a client company for the production of a product that was sold for only a limited time. In the first half of the current fiscal year, sales in Japan were down slightly due to a decline in the number of new products and product improvements at client companies. Excluding the contribution of the previous fiscal year's large order, sales in Japan were 128 million yen higher than one year earlier. This increase was attributable to strong sales of mascara and lipstick and to an increase in exports because of new orders for UV cream and foundation products.

Overall, segment sales decreased 4.7% to 3,066 million yen and operating income was down 3.1% to 495 million yen.

France

In France, the weakening U.S. economy is producing signs of a downturn in consumer spending and a further decline in employment statistics. In this environment, sales have been flat as the number of new customers in the cosmetics segment decreased. Nevertheless, a new order was received from a major customer for the manufacture of mascara products that are sold worldwide. As a result, mascara sales are expected to start increasing in the second half of this fiscal year. In the pharmaceuticals and other products segment, sales of personal hygiene and pharmaceutical products both declined. In particular, sales of two core products were much lower. Sales of mouthwash fell due to the suspension of production and sales of econazole were lower because of fierce competition.

Segment sales in France decreased 26.8% to 751 million yen and there was an operating loss of 132 million yen compared with operating income of 6 million yen one year earlier.

Outlook for fiscal year ending on February 28, 2009

Nippon Shikizai expects that the economic and financial environment will become even more difficult in Japan and overseas because of the U.S. and European financial crisis and concerns of a global economic downturn.

In this challenging environment, the Group expects to have difficulty in capturing orders in Japan for manufacturing cosmetics. Furthermore, Thepenier is unlikely to resume production of pharmaceutical products (mouthwash) before the end of this fiscal year. Based on this outlook, the Group believes that second half sales and earnings will be less than in the first half.

The senior management of the Company is consideration actions to take responsibility for the large loss that is expected in the current fiscal year and achieve a recovery in performance. Actions under consideration include a reduction in officers' salaries and bonuses of parent company directors (reduction of 10% to 20% in second-half compensation), the voluntary return of directors' retirement benefits for directors, a reduction in the Thepenier workforce, and other measures to cut operating expenses.

To increase equity at Thepenier, where liabilities now exceed assets, the Company plans to conduct a debt-equity swap of 7,035 thousand euros (about 1.1 billion yen).

For the fiscal year ending on February 28, 2009, the Company forecasts a 9.5% decrease in consolidated sales to 6,990 million yen, an operating loss of 228 million yen compared with operating income of 146 million yen in the previous fiscal year, an ordinary loss of 368 million yen compared with ordinary income of 49 million yen in the previous fiscal year, and a net loss of 211 million yen compared with a loss of 504 million yen in the previous fiscal year.

On a non-consolidated basis, the Company forecasts a 6.2% decrease in sales to 5,704 million yen, a 42.8% decrease in operating income to 158 million yen, a 68.6% decrease in ordinary income to 64 million yen and net income of 19 million yen compared with a net loss of 384 million yen in the previous fiscal year.

(2) Analysis of Financial Condition

1) Assets

Compared with the end of the previous fiscal year, current assets decreased 65 million yen, or 1.8%, to 3,519 million yen and fixed assets increased 224 million yen, or 5.3%, to 4,427 million yen. The result was an increase of 158 million yen, or 2.0%, in total assets to 7,947 million yen. This was mainly attributable to an increase in the "others" component of investments and other assets. Deferred tax assets had been posted in association with deductible temporary differences resulting from impairment losses for idle assets in Kita-ibaraki. Now that the decision has been made to sell these assets, the Company believes that these deferred tax assets can be used.

2) Liabilities and net assets

(Liabilities)

Current liabilities increased 858 million yen, or 28.4%, to 3,879 million yen and long-term liabilities decreased 631 million yen, or 20.4%, to 2,471 million yen. This increased total liabilities by 226 million yen, or 3.7%, to 6,350 million yen. The increase was mainly the result of funds procured from 120 million yen of short-term borrowings and 106 million yen of long-term borrowings. The increase in short-term borrowings includes the transfer of 440 million yen from long-term borrowings to the current portion of long-term borrowings.

(Net assets)

Shareholders' equity decreased 76 million yen, or 4.9%, to 1,490 million yen and valuation and translation adjustments increased 9 million yen, or 9.3%, to 106 million yen. Net assets decreased 67 million yen, or 4.1%, to 1,597 million yen.
The main cause was a 76 million yen decrease in retained earnings because of the net loss. The 189 million yen reversal of the legal capital surplus was transferred to retained earnings to eliminate the negative retained earnings at the end of the previous fiscal year. This action was taken in accordance with a resolution that was approved at the 51th annual general meeting of shareholders.

3) Cash flows

Cash and cash equivalents decreased 101 million yen, or 17.5%, during the fiscal year's first half to 477 million yen

The major components of cash flows were as follows.

(Operating cash flows)

Net cash provided by operating activities was 26 million yen compared with a positive cash flow of 127 million yen one year earlier. This was mainly due to a large loss before income taxes at Thepenier because of the problem concerning the mouthwash production.

(Investing cash flows)

Net cash used in investing activities was 326 million yen compared with a negative cash flow of 233 million yen one year earlier. The primary uses of cash were 314 million yen for purchases of tangible fixed assets and 10 million yen for purchase of intangible fixed assets.

(Financing cash flows)

Net cash provided by financing activities was 195 million yen compared with a positive cash flow of 94 million yen one year earlier. This was mainly the net result of net increases of 120 million yen in short-term borrowings and 105 million yen in long-term borrowings and payments of 30 million yen for the redemption of corporate bonds.

(Reference) Cash flow indices

	FY2/07	Interim FY2/08	FY2/08	Interim FY2/09

Shareholders' equity ratio (%)	28.1	27.8	21.4	20.1
Shareholders' equity ratio based on market prices (%)	23.7	23.6	22.7	21.2
Years of debt redemption (years)	6.5	26.9	-	152.9
Interest coverage ratio (times)	5.7	2.8	-	0.5

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 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 Company has made the difficult decision to suspend the dividend applicable to the fiscal year that ending 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 first half of the current fiscal year, the Group had debt totaling 3,996 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 interim 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 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 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 August 31, 2008, loans from the Company to Thepenier totaled 1,051 million yen. Consequently, a further deterioration in the operating results 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 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

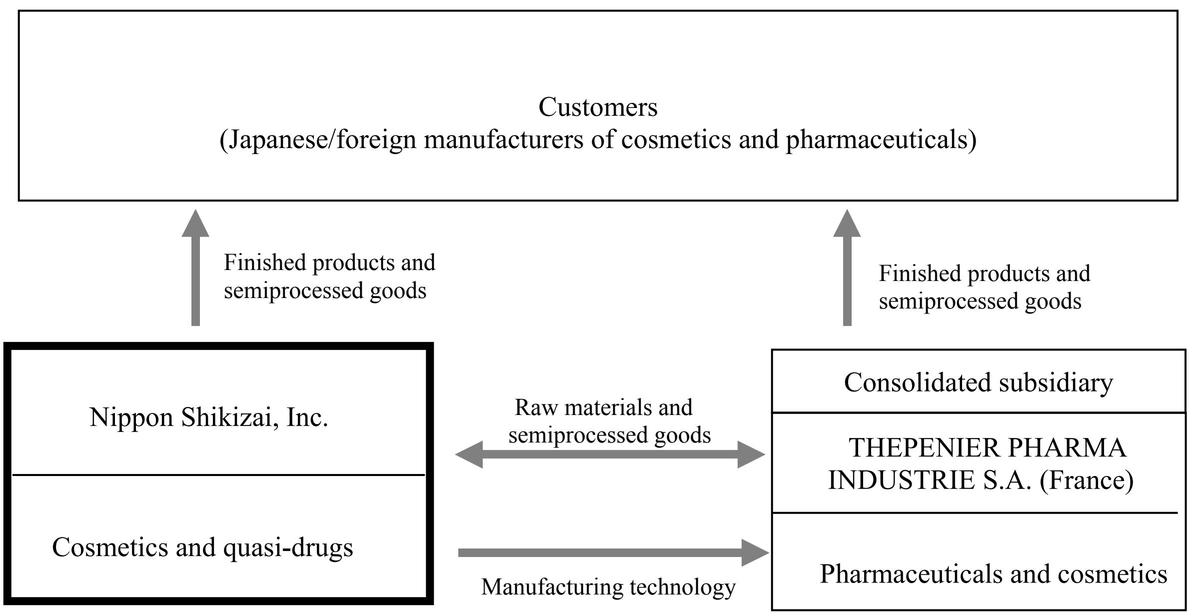
Main products are foundation, eye shadow, rouge, lipsticks, lip creams, moisturizers and UV cream; these products are manufactured and sold by the Company and its subsidiary.

(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 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. Despite indications that the downturn in the cosmetics market may finally come to an end, sales have declined slowly in the past three consecutive years in market sectors accounting for most products made by the Company. As a result, the operating environment has remained challenging, due in part to the decline in prices of cosmetics products during the past several years.

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 the Company to improve the quality control system, 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) Use the resources of the entire Group to 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 cutting costs in order to improve productivity.

3) At Thepenier, which has been performing poorly, conduct unified sales activities with Nippon Shikizai to improve sales capabilities, which is a key issue at this subsidiary. The aim is to expand and upgrade overseas operations, particularly in Europe.

4) Maintain a rigorous system of internal controls to ensure that business operations conform to applicable laws and regulations.

4. Interim Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: thousand yen)

Account	*	As of August 31, 2007 Amount	%	As of August 31, 2008 Amount	%	As of February 29, 2008 Amount	%
Assets							
I. Current assets							
1. Cash and deposits	*2	860,733		759,086		856,535	
2. Trade notes and accounts receivable	*3	1,401,614		1,479,804		1,369,847	
3. Inventories		1,071,019		1,102,521		1,167,907	
4. Others		186,138		182,724		194,990	
5. Allowances for doubtful accounts		(4,150)		(4,710)		(4,277)	
Total current assets		3,515,355	44.9	3,519,426	44.3	3,585,002	46.0
II. Fixed assets							
1. Tangible fixed assets	*1						
(1) Buildings	*2	1,707,510		1,664,215		1,656,322	
(2) Machinery and vehicles		450,684		499,445		458,142	
(3) Land	*2	1,407,805		1,331,837		1,407,903	
(4) Others	*2	141,678		117,063		121,192	
Total tangible fixed assets		3,707,679	47.4	3,612,562	45.4	3,643,559	46.8
2. Intangible fixed assets		186,880	2.4	196,089	2.5	187,033	2.4
3. Investments and other assets							
(1) Investment securities	*2	232,277		202,459		204,656	
(2) Others		196,410		477,452		178,590	
(3) Allowances for doubtful accounts		(13,820)		(60,836)		(10,546)	
Total investments and other assets		414,867	5.3	619,075	7.8	372,700	4.8
Total fixed assets		4,309,427	55.1	4,427,727	55.7	4,203,294	54.0
Total assets		7,824,783	100.0	7,947,153	100.0	7,788,296	100.0

(Unit: thousand yen)

Account	*	As of August 31, 2007 Amount	%	As of August 31, 2008 Amount	%	As of February 29, 2008 Amount	%
Liabilities							
I. Current liabilities							
1. Trade notes and accounts payable		1,199,796		968,613		958,859	
2. Short-term borrowings	*	1,043,150		1,789,000		1,228,150	
3. Current portion of corporate bonds		60,000		300,000		60,000	
4. Other accounts payable		348,185		395,439		409,014	
5. Contingent loss reserve		33,128		32,857		33,332	
6. Others		388,065		393,130		331,180	
Total current liabilities		3,072,325	39.2	3,879,041	48.8	3,020,536	38.8
II. Long-term liabilities							
1. Corporate bonds		320,000		20,000		290,000	
2. Long-term borrowings	*	2,017,325		1,887,075		2,222,000	
3. Allowance for retirement benefits		175,472		157,202		161,278	
4. Allowance for directors' retirement benefits		-		355,550		347,790	
5. Others		67,357		51,232		81,925	
Total long-term liabilities		2,580,155	33.0	2,471,059	31.1	3,102,994	39.8
Total liabilities		5,652,480	72.2	6,350,101	79.9	6,123,530	78.6
Net assets							
I. Shareholders' equity							
1. Common stock		552,749	7.1	552,749	7.0	552,749	7.1
2. Capital surplus		1,052,539	13.5	862,847	10.8	1,052,539	13.5
3. Retained earnings		449,338	5.7	75,896	1.0	(37,272)	(0.5)
4. Treasury stock		(1,117)	(0.0)	(1,436)	(0.0)	(1,117)	(0.0)
Total shareholders' equity		2,053,509	26.3	1,490,055	18.8	1,566,898	20.1
II. Valuation and translation adjustments							
1. Unrealized holding gain (loss) on other securities		68,036	0.9	48,268	0.6	50,891	0.7
2. Deferred hedge gain (loss)		(23,001)	(0.3)	(21,457)	(0.3)	(31,745)	(0.4)
3. Foreign currency translation adjustments		73,757	0.9	80,185	1.0	78,721	1.0
Total valuation and translation adjustments		118,793	1.5	106,996	1.3	97,866	1.3
Total net assets		2,172,302	27.8	1,597,052	20.1	1,664,765	21.4
Total liabilities and net assets		7,824,783	100.0	7,947,153	100.0	7,788,296	100.0

(2) Consolidated income statements

(Unit: thousand yen)

Account	*	From March 1, 2007 to August 31, 2007			From March 1, 2008 to August 31, 2008			From March 1, 2007 to February 29, 2008		
		Amount		%	Amount		%	Amount		%
I. Sales			4,193,176	100.0		3,753,971	100.0		7,724,525	100.0
II. Cost of sales			3,448,606	82.2		3,109,179	82.8		6,496,770	84.1
Gross profits			744,569	17.8		644,791	17.2		1,227,754	15.9
III. SG&A expenses	*		521,579	12.5		630,851	16.8		1,081,232	14.0
Operating income			222,989	5.3		13,940	0.4		146,522	1.9
IV. Non-operating income										
1. Interest income		560			900			1,202		
2. Dividend income		5,989			5,043			7,356		
3. Rent income		2,513			2,663			5,042		
4. Foreign exchange gain		10,402			-			5,290		
5. Others		11,558	31,024	0.7	9,112	17,720	0.5	31,447	50,339	0.6
V. Non-operating expenses										
1. Interest expenses		45,934			55,820			98,440		
2. Commissions paid		-			-			30,500		
3. Foreign exchange loss		-			242			-		
4. Loss on credits sold		5,656			4,466			-		
5. Others		4,098	55,689	1.3	5,328	65,856	1.8	18,023	146,963	1.9
Ordinary income (loss)			198,325	4.7		(34,195)	(0.9)		49,898	0.6
VI. Extraordinary income										
Gains on sales of fixed assets	*	-	-	-	-	-	-	160	160	0.0
VII. Extraordinary losses										
1. Losses on disposal of fixed assets	*	7,656			3,325			14,103		
2. Losses on valuation of investment securities		-			100			-		
3. Directors' retirement benefits		155,300			-			155,300		
4. Provision of allowance for prior-year directors' retirement benefits		-			-			319,270		
5. Impairment losses	*	-			190,322			-		
6. Additional retirement benefits		-			22,426			-		
7. Provision for contingent loss reserve	*	31,958	194,914	4.6	25,411	241,585	6.4	32,190	520,863	6.7
Income (loss) before income taxes			3,410	0.1		(275,781)	(7.3)		(470,803)	(6.1)
Current income taxes		6,946			36,940			21,465		
Deferred income taxes		14,811	21,758	0.5	(236,198)	(199,258)	(5.3)	12,689	34,154	0.4
Net loss			(18,347)	(0.4)		(76,523)	(2.0)		(504,958)	(6.5)

(3) Consolidated statement of changes in shareholders' equity

Previous 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

Current interim period (March 1, 2008 – August 31, 2008) (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 period					
Reversal of legal capital surplus		(189,691)	189,691		-
Net loss			(76,523)		(76,523)
Acquisition of treasury stock				(319)	(319)
Changes (net) in items other than shareholders' equity					
Total changes in the current period	-	(189,691)	113,168	(319)	(76,843)
Balance as of August 31, 2008	552,749	862,847	75,896	(1,436)	1,490,055

	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 period					
Reversal of legal capital surplus					-
Net loss					(76,523)
Acquisition of treasury stock					(319)
Changes (net) in items other than shareholders' equity	(2,622)	10,287	1,464	9,129	9,129
Total changes in the current period	(2,622)	10,287	1,464	9,129	(67,713)
Balance as of August 31, 2008	48,268	(21,457)	80,185	106,996	1,597,052

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

(4) Consolidated cash flow statements

(Unit: thousand yen)

		From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
Account	*	Amount	Amount	Amount
I. Cash flows from operating activities				
Income (loss) before income taxes		3,410	(275,781)	(470,803)
Depreciation		152,392	163,009	325,458
Impairment losses		-	190,322	-
Increase (decrease) in contingent loss reserve		31,958	(726)	32,190
Decrease in allowance for retirement benefits		(6,075)	(4,951)	(20,668)
Increase (decrease) in allowance for directors' retirement benefits		-	7,760	347,790
Increase (decrease) in allowance for doubtful accounts		(1,800)	48,623	(5,011)
Interest and dividend income		(6,550)	(5,944)	(8,559)
Interest expenses		45,934	55,820	98,440
Losses on valuation of investment securities		-	100	-
Gain on sales of tangible fixed assets		-	-	(160)
Losses on disposal of tangible fixed assets		7,656	3,325	14,103
Directors' retirement benefits		155,300	-	155,300
Decrease (increase) in trade receivable		25,491	(109,630)	55,969
Decrease (increase) in inventories		(54,038)	66,489	(148,352)
Increase (decrease) in trade payable		77,852	7,928	(160,481)
Decrease in accrued consumption taxes		(840)	(1,729)	(6,727)
Increase (decrease) in other current liabilities		(62,502)	21,474	(13,860)
Others		(60,786)	(78,617)	(35,756)
Subtotal		307,402	87,473	158,869
Interests and dividends received		6,243	5,751	8,303
Interests paid		(43,184)	(57,355)	(86,956)
Directors' retirement benefits paid		(155,300)	-	(155,300)
Income taxes refund (paid)		12,674	(9,739)	951
Net cash provided by (used in) operating activities		127,835	26,131	(74,131)
II. Cash flows from investing 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		(232,704)	(314,916)	(391,705)
Proceeds from sales of tangible fixed assets		-	-	160
Purchases of intangible fixed assets		(573)	(10,594)	(1,927)
Purchases of investment securities		(1,061)	(816)	(1,574)
Proceeds from collection of long-term loans receivable		222	126	450
Others		160	-	160
Net cash used in investing activities		(233,956)	(326,200)	(394,436)
III. Cash flows from financing activities				
Net increase in short-term borrowing		-	120,000	-
Proceeds from long-term borrowings		450,000	571,250	1,150,000
Repayment of long-term borrowings		(325,385)	(465,325)	(635,710)
Redemption of corporate bonds		(30,000)	(30,000)	(60,000)
Acquisition of treasury stock		-	(319)	-
Net cash provided by financing activities		94,615	195,605	454,290

IV. Effect of exchange rate changes on cash and cash equivalents		9,939	7,573	8,568
V. Decrease in cash and cash equivalents		(1,565)	(96,890)	(5,709)
VI. Cash and cash equivalents at beginning of year		579,626	573,916	579,626
VII. Cash and cash equivalents at end of period	*	578,060	477,025	573,916

Significant Items in Preparing Interim Consolidated Financial Statements

Item	From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
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 interim 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.	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.	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.

Item	From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
	(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.	(3) Inventories Finished products, semiprocessed goods and work in process: Same as on the left. Raw materials: 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.
	Supplies: Stated at cost, cost being determined by the last purchase price method. 2. Depreciation and amortization of depreciable 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	Supplies: Same as on the left. 2. Depreciation and amortization of depreciable 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	Supplies: Same as on the left. 2. Depreciation and amortization of depreciable 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

<table>
<tr><th>Item</th><th>From March 1, 2007
to August 31, 2007</th><th>From March 1, 2008
to August 31, 2008</th><th>From March 1, 2007
to February 29, 2008</th></tr>
<tr><td></td><td>(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.</td><td>(Supplementary information)
Due to the revision of the Corporation Tax Law, the Company computes depreciation of tangible fixed 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.
The effect of this change was to decrease operating income by 10,621 thousand yen, and increase ordinary loss and net loss by 10,621 thousand yen respectively.</td><td>(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 fiscal year.
The effect of this change on profit/loss is insignificant.</td></tr>
<tr><td></td><td>(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 its domicile.

(3) Long-term prepaid expenses
Straight-line method.</td><td>(2) Intangible fixed assets
Same as on the left.

(3) ――――――</td><td>(2) Intangible fixed assets
Same as on the left.

(3) ――――――</td></tr>
</table>

Item	From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
	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) Allowance 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. Recognition standards for significant reserves (1) Allowances for doubtful accounts Same as on the left. (2) Allowance for retirement benefits Same as on the left.	3. Recognition standards for significant reserves (1) Allowances for doubtful accounts Same as on the left. (2) Allowance 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) ―――――	(3) Allowance for directors' retirement benefits Due to the approval of a resolution at the May 2008 annual general meeting of shareholders to terminate the directors' retirement benefit system, payments due to eligible directors for the period served until the termination date were posted to provide for the payment of these benefits.	(3) Allowance for directors' retirement benefits To provide for directors' retirement benefits, the Company provides allowances for the aggregate amount payable at the end of the fiscal year pursuant to the company's rules on directors' retirement benefits.

Item	From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
			(Change in accounting policy) In prior fiscal years, directors' retirement benefits have been recognized as expenses upon payment. Assuming that shareholder approval for the applicable resolution is received at the annual general meeting of shareholders to be held in May 2008, the Company plans to terminate its monetary benefit system for directors. The Board of Directors approved a resolution on February 22, 2008 to pay directors' retirement benefits applicable to the period served until the termination date upon retirement of the eligible directors. Due to this decision, the total amount of accrued directors' retirement benefits for the period served as of February 29, 2008, which is 347,790 thousand yen, was recorded as an allowance for directors' retirement benefits. In addition, the portion of this allowance applicable to prior fiscal years was recognized as an extraordinary loss of 319,270 thousand yen and the portion of this allowance applicable to the fiscal year that ended on February 29, 2008, which is 28,520 thousand yen, was included in SG&A expenses for this fiscal year.

Item	From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
			Compared with the previous accounting method, these actions reduced operating income and ordinary income by 28,520 thousand yen and increased the loss before income taxes by 347,790 thousand yen. As is explained above, this change was made because of the resolution approved by the Company's Board of Directors in February 2008 and does not apply to consolidated financial statements for the first half of the fiscal year. Interim operating income and ordinary income are 13,020 thousand yen higher and the loss before income taxes is 332,290 thousand yen less than if these changes had been applied to the interim financial statements.
	(4) Contingent loss reserve This reserve is based on reasonable estimates of potential losses as required in order to prepare for contingencies that may occur in the future.	(4) Contingent loss reserve Same as on the left.	(4) Contingent loss reserve Same as on the left.

Item	From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
	4. Translation of principal foreign currency-denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are translated into yen at the spot 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 into yen at the spot exchange rate in effect on the balance sheet date, and revenue and expenses are translated into yen at the average exchange rate for the current interim period. Translation adjustments are stated as a component of foreign exchange translation adjustment in the net assets.	4. Translation of principal foreign currency-denominated assets and liabilities Same as on the left.	4. Translation of principal foreign currency-denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are translated into yen at the spot 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 into yen at the spot exchange rate in effect on the balance sheet date, and revenue and expenses are translated into yen at the average exchange rate for the current fiscal year. Translation adjustments are stated as a component of foreign exchange translation adjustment in the net assets.
	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. (2) Means and objects of hedging Means of hedging: Interest rate swaps Objects of hedging: Borrowings	5. Accounting treatment for significant lease transactions Same as on the left. 6. Accounting method of significant hedges (1) Hedge accounting Same as on the left. (2) Means and objects of hedging Means of hedging: Same as on the left. Objects of hedging: Same as on the left.	5. Accounting treatment for significant lease transactions Same as on the left. 6. Accounting method of significant hedges (1) Hedge accounting Same as on the left. (2) Means and objects of hedging Means of hedging: Same as on the left. Objects of hedging: Same as on the left.

Item	From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
	(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. 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.	(3) Policy on hedging Same as on the left. (4) Assessing the effectiveness of a hedge Same as on the left. 7. Other important accounting items (1) Accounting treatment for consumption taxes Same as on the left. (2) ―――	(3) Policy on hedging Same as on the left. (4) Assessing the effectiveness of a hedge Same as on the left. 7. Other important accounting items (1) Accounting treatment for consumption taxes Same as on the left. (2) ―――

Item	From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
5. Definition of cash in cash flow statements	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.	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.

Reclassifications

From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008
(Consolidated balance sheets) Effective from the current interim period, “Machinery and vehicles” included in “Other tangible fixed assets” in the previous interim period, is reclassified and presented as a separate line item, given that it now exceeds 5/100 of total assets. In the previous interim period, “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 the previous interim period, is reclassified and presented as a separate line item, given that it now exceeds 10/100 of total non-operating expenses. In the previous interim period, “Loss on credits sold” amounted to 3,553 thousand yen.	―――――― ――――――

Notes

Notes to consolidated balance sheets

(Unit: thousand yen)

As of August 31, 2007	As of August 31, 2008	As of February 29, 2008
*1. Accumulated depreciation of tangible fixed assets 5,600,691	*1. Accumulated depreciation of tangible fixed assets 5,842,409	*1. Accumulated depreciation of tangible fixed assets 5,709,653
(1)	(2)	
*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 886,570	Buildings 861,555	Buildings 852,759
Land 1,330,899	Land 1,254,699	Land 1,330,899
Tangible fixed assets, other 9,039	Tangible fixed assets, other 7,526	Tangible fixed assets, other 8,035
Investment securities 179,277	Investment securities 158,360	Investment securities 161,067
Total 2,658,286	Total 2,534,642	Total 2,605,262
(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 268,150	Short-term borrowings 227,750	Short-term borrowings 233,150
Long-term borrowings 499,825	Long-term borrowings 412,075	Long-term borrowings 397,000
Total 767,975	Total 639,825	Total 630,150

As of August 31, 2007	As of August 31, 2008	As of February 29, 2008
*3.	*3. Trade notes receivable/payable maturing at the end of interim period are treated as if they were settled at the clearing date of notes. Consequently, as the interim period end date was a bank holiday, the following notes receivable/payable maturing at interim period end were included in the ending balance of notes receivable/payable of the interim period. Trade notes receivable 89,568	*3.
4. 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. Credit facility total 1,000,000 Credit used 330,000 Credit available 670,000 Term loan credit limit total 1,300,000 Credit used 800,000 Credit available 500,000	4. 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, 2008 under these agreements were as follows. Credit facility total 1,000,000 Credit used 450,000 Credit available 550,000 Term loan credit limit total 800,000 Credit used 631,250 Credit available 168,750	4. 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 29, 2008 under these agreements were as follows. Credit facility total 1,000,000 Credit used 330,000 Credit available 670,000 Term loan credit limit total 800,000 Credit used 200,000 Credit available 600,000

As of August 31, 2007	As of August 31, 2008	As of February 29, 2008
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 net assets at the end of February 2007. (However, deductions for losses resulting from asset impairment accounting applied to fixed assets in Kita-ibaraki 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 net assets at the end of February 2007. (However, deductions for losses resulting from asset impairment accounting applied to fixed assets in Kita-ibaraki 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)

From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
*1. Significant components and corresponding amounts of SG&A expenses Officers' salaries and bonuses 84,149 Employees' salaries and allowances 80,016 Retirement benefits 7,763 Depreciation 8,845 Commissions paid 66,285	*1. Significant components and corresponding amounts of SG&A expenses Officers' salaries and bonuses 99,179 Employees' salaries and allowances 98,166 Retirement benefits 8,432 Provision of allowance for directors' retirement benefits 7,760 Depreciation 9,582 Commissions paid 89,137 Provision of allowance for doubtful accounts 48,623	*1. Significant components and corresponding amounts of SG&A expenses Officers' salaries and bonuses 193,507 Employees' salaries and allowances 172,908 Employees' bonuses 60,403 Retirement benefits 14,927 Provision of allowance for directors' retirement benefits 28,520 Depreciation 17,943 Commissions paid 150,992 Provision of allowance for doubtful accounts 26
*2. ―――	*2. ―――	*2. Significant components of gains on sales of fixed assets Machinery and vehicles 160

From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
*3. Significant components of losses on disposal of fixed assets	*3. Significant components of losses on disposal of fixed assets	*3. Significant components of losses on disposal of fixed assets
Buildings 3,196	Buildings 904	Buildings 3,540
Machinery and vehicles 4,181	Machinery and vehicles 2,292	Machinery and vehicles 7,406
Tangible fixed assets, other 278	Tangible fixed assets, other 128	Tangible fixed assets, other 3,156
Total 7,656	Total 3,325	Total 14,103

From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
*4. ――――――	*4. Impairment losses Impairment losses on fixed assets at the Group for the current interim period as follows. Nippon Shikizai, Inc. Location: Kita-Ibaraki City, Ibaraki Prefecture Use of asset: Idle assets Account: Land, etc. Impairment loss: 190,322 thousand yen 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 190,322 thousand yen was booked as impairment loss to the account of extraordinary losses pertaining thereto. For information, a collectible amount on an asset is measured on the basis of its net selling price based on the estimated sales amount.	*4. ――――――
*5. 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.	*5. Provision for contingent loss reserve Same as on the left.	*5. Provision for contingent loss reserve Same as on the left.

Notes to consolidated statement of changes in shareholders' equity

Previous 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 (Shares)	Decrease (Shares)	Number of shares as of Aug. 31, 2007 (Shares)
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 interim period but an effective date in the following interim period

Not applicable.

Current interim period (March 1, 2008 – August 31, 2008)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Feb. 29, 2008 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares as of Aug. 31, 2008 (Shares)
Outstanding shares				
Common shares	4,318,444	-	-	4,318,444
Total	4,318,444	-	-	4,318,444
Treasury stock				
Common shares (Note)	1,800	799	-	2,599
Total	1,800	799	-	2,599

Note: Number of treasury stock increased by 799 common shares was due to the acquisition of odd lot shares.

2. Dividends

(1) Dividends payment

Not applicable.

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

Not applicable.

Previous fiscal year (March 1, 2007 – February 29, 2008)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Feb. 28, 2007 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares as of Feb. 29, 2008 (Shares)
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 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, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
*Reconciliation of balance sheet items to cash and cash equivalents in consolidated cash flow statements	*Reconciliation of balance sheet items to cash and cash equivalents in consolidated cash flow statements	*Reconciliation of balance sheet items to cash and cash equivalents in consolidated cash flow statements
Cash and deposits 860,733	Cash and deposits 759,086	Cash and deposits 856,535
Term deposits with maturities longer than three months (280,500)	Term deposits with maturities longer than three months (280,500)	Term deposits with maturities longer than three months (280,500)
Special deposit (2,172)	Special deposit (1,560)	Special deposit (2,118)
Cash and cash equivalents 578,060	Cash and cash equivalents 477,025	Cash and cash equivalents 573,916

Accounting for Leases

(Unit: thousand yen)

From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
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 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. 2. Outstanding lease commitments at period-end Note: Outstanding balance of lease commitments at period-end include amounts applicable to interest since the outstanding balance of lease commitments at period-end is insignificant in the context of tangible fixed assets. 3. Lease payments and depreciation equivalents 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.	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 Note: Same as on the left. 2. Outstanding lease commitments at period -end Note: Same as on the left. 3. Lease payments and depreciation equivalents 4. Calculation of depreciation equivalents Same as on the left.	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 year-end balance equivalents of the leased property 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 year-end Note: Outstanding balance of lease commitments at period-end include amounts applicable to interest since the outstanding balance of lease commitments at year-end is insignificant in the context of tangible fixed assets. 3. Lease payments and depreciation equivalents 4. Calculation of depreciation equivalents Same as on the left.

Securities

Previous interim period

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)

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

Current interim period

1. Securities with market value classified as “Other Securities”

(Unit: thousand yen)

	As of August 31, 2008		
	Acquisition cost	Carrying value	Valuation gain/loss
Equity	113,452	193,002	79,549
Total	113,452	193,002	79,549

Note: Securities with market value at 100 thousand yen was written down in the current interim period. 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)

	As of August 31, 2008
	Carrying value
Other securities Unlisted stock	9,456

Previous fiscal year

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

(Unit: thousand yen)

	As of February 29, 2008		
	Acquisition cost	Carrying value	Valuation gain/loss
Equity	112,736	195,199	82,463
Total	112,736	195,199	82,463

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)

	As of February 29, 2008
	Carrying value
Other securities Unlisted stock	9,456

Derivatives

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

Not applicable since the Group applies the hedge accounting method.

Current interim period (March 1, 2008 – August 31, 2008)

Information on contract values and notional principal amounts

(Unit: thousand yen)

Risk covered	Type of transaction	Contract amount	Fair value	Unrealized gain (loss)
Interest rate	Swap transaction	168,750	(1,926)	(1,926)

Notes: 1. Valuation method

Swap transaction are calculated on the basis of quotations posted by financial institutions.

2. Derivative transactions to which the hedge accounting method is applied are not included in the amounts above.

Previous fiscal year (March 1, 2007 – February 29, 2008)

Not applicable since the Group applies the hedge accounting method.

Segment Information

a. 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, 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. Unallocated 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 of the Company.

Current interim period (March 1, 2008 – August 31, 2008) (Unit: thousand yen)

	Cosmetics	Pharmaceuticals and other products	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to outside customers	3,124,605	629,365	3,753,971	-	3,753,971
(2) Sales and transfers – Inter-segment	-	-	-	-	-
Total	3,124,605	629,365	3,753,971	-	3,753,971
Operating expenses	2,727,209	675,009	3,402,218	337,813	3,740,031
Operating income (loss)	397,396	(45,643)	351,753	[337,813]	13,940

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: Medicinal toothpastes, mouthwashes, ear washes and hygiene products
3. Unallocated operating expenses (337,813 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.

Previous fiscal year (March 1, 2007 – February 29, 2008)

(Unit: thousand yen)

	Cosmetics	Pharmaceuticals and other products	Total	Eliminations or corporate	Consolidated
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

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.

b. 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, 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. Unallocated 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 of the Company.

Current interim period (March 1, 2008 – August 31, 2008) (Unit: thousand yen)

	Japan	France	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to outside customers	3,005,239	748,732	3,753,971	-	3,753,971
(2) Sales and transfers – Inter-segment	61,407	2,407	63,814	[63,814]	-
Total	3,066,646	751,139	3,817,786	[63,814]	3,753,971
Operating expenses	2,571,411	884,127	3,455,538	284,492	3,740,031
Operating income (loss)	495,235	(132,987)	362,247	[348,307]	13,940

Notes: 1. Geographical segmentation: By locations of manufacturing facilities.
2. Unallocated operating expenses (337,813 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.

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

	Japan	France	Total	Eliminations or corporate	Consolidated
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

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.

c. Overseas sales

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

Previous 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.

Current interim period (March 1, 2008 – August 31, 2008) (Unit: thousand yen)

	Europe	Other areas	Total
Overseas sales	936,834	135,714	1,072,548
Consolidated sales	-	-	3,753,971
Share of overseas sales in consolidated sales (%)	25.0	3.6	28.6

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, 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.

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

	Europe	Other areas	Total
Overseas sales	1,952,871	124,704	2,077,575
Consolidated sales	-	-	7,724,525
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.

Per Share Information

(Unit: yen)

From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
Net assets per share 503.24 Net loss per share (basic) 4.25	Net assets per share 370.04 Net loss per share (basic) 17.73	Net assets per share 385.66 Net loss per share (basic) 116.98
Net income per share (diluted) is not presented since the Company posted net loss, and has no outstanding dilutive securities.	Same as on the left.	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, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
Net loss	18,347	76,523	504,958
Amount not available to common shareholders	-	-	-
Net loss available to common stock	18,347	76,523	504,958
Average number of shares outstanding	4,316,644 shares	4,315,978 shares	4,316,644 shares

Subsequent Events

From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
Not applicable.	1. The Board of Directors of the Company on August 28, 2008 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 26, 2008. (1) Details of the syndicated loan agreement Syndicated commitment line (2) Type of agreement Commitment line: 850 million yen (3) Contract period From September 26, 2008 to May 26, 2009 (4) Arranger and agent Mizuho Bank, Ltd. (5) Syndicate members: The Shoko Chukin Bank, Ltd. (Joint-arranger) The Sawayaka Shinkin Bank (6) Financial covenants Of the agreements, certain covenants were applied to these below. 1) Net assets on the consolidated balance sheets at the end of each fiscal year must be at least 80% of total net assets at the end of February 2008. (However, deductions for losses resulting from asset impairment accounting applied to fixed assets in Kita-ibaraki can be excluded. Furthermore, for the fiscal year ending in February 2009, extraordinary losses recorded by subsidiaries of the Company can be added back when calculating net assets.) 2) Net assets on the non-consolidated balance sheets at the end of each fiscal year must be at least 80% of total net assets at the end of February 2008.	Reduction in legal capital surplus and appropriation of surplus At the Company's annual general meeting of shareholders on May 29, 2008, shareholders approved a resolution concerning a reduction in the legal capital surplus and the appropriation of surplus. (1) Purposes of reduction in legal capital surplus and legal retained earnings and appropriation of surplus The reductions in the legal capital surplus and legal retained earnings and appropriation of surplus were performed for the purposes of eliminating the retained loss at the end of the fiscal year that ended on February 29, 2008 and to provide flexibility regarding future actions involving equity. (2) Reductions in legal capital surplus and legal retained earnings and description Pursuant to Article 448, Paragraph 1 of the Company Law, the Company reduces the legal capital surplus or other capital surplus or legal retained earnings and transfer that amount to retained earnings brought forward. The amount of these reductions and the date of effectiveness are as follows. 1) Amount of reductions 189,691,970 yen of the legal capital surplus of 1,052,539,050 yen and 78,828,000 yen of the legal retained earnings of 78,828,000 yen 2) Date of effectiveness May 29, 2008 (3) Appropriation of other surpluses and description Pursuant to Article 452 of the Company Law, after executing the above transfer, a company may transfer other capital surpluses to retained earnings brought forward. In addition, a general reserve may be reversed to offset a loss. The item and amount of surplus to be reduced and increased are as follows.

From March 1, 2007 to August 31, 2007	From March 1, 2008 to August 31, 2008	From March 1, 2007 to February 29, 2008
	3) The Company must not report an ordinary loss of more than 400,000,000 yen on the consolidated income statement. 4) The Company must not report an ordinary loss on the non-consolidated income statements.	1) Surplus items reduced, amount of reduction Other capital surplus: 189,691,970 yen Legal retained earnings: 78,828,000 yen (In accordance with reduction of reserve listed in item (2) above) General reserve: 810,000,000 yen 2) Surplus item increased and amount of increase Retained earnings brought forward: 1,078,519,970 yen (4) Schedule 1) Board of Directors resolution April 25, 2008 2) Annual General Meeting of shareholders resolution May 29, 2008 3) Effective date May 29, 2008

** 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.*