

**Nippon Shikizai, Inc.**  
**Summary of Financial Results for the Six Months Ending February 29, 2012**  
**[Japanese Standard] (Consolidated)**

As the Nippon Shikizai, Inc. has today announced consolidated earnings for the first half of the fiscal year ending February 29, 2012, we will now report as follows.

**Consolidated Financial Results**

- **Net sales:** 3,637 million yen (7.1% increase from the previous period)
- **Operating income:** 249 million yen (27.9% increase from the previous period)
- **Ordinary income:** 200 million yen (40.8% increase from the previous period)
- **Net income:** 274 million yen (Net income of 134 million yen in the same period previous year)

**Summary of Consolidated Operating Results**

The Japanese economy in the first half of this consolidated fiscal year was on track to a gradual recovery. However, new concerns overseas including financial insecurity and concern about a decline in the economy in the United States and Europe and the rapid strengthening of the yen added to domestic factors such as the sense of uncertainty regarding a stable supply of electricity and material procurement caused by the Great East Japan Earthquake on March 11 and nuclear power plant accident as well as concern regarding a drop in individual consumption due to a mood of voluntary restraint. As a result, the outlook on the economic climate has become more uncertain.

While the market environment has been very severe, our Group, in the framework of our midterm growth strategy for the “Business structure reforms project (STEP-UP80)” launched last fiscal year, focused mainly on the development of new prescriptions, sales expansion, and promotion of globally developing proposal-based business in focus areas such as foundation, eye liner/mascara, and UV products. Subsequently, we were able to produce positive results including the acquisition of makeup cosmetics orders for domestic cosmetic makers and the reception of new orders from major overseas cosmetic makers.

**The business performance in each country**

***(Japan)***

The cosmetics business of our company successfully received orders for new products and acquired orders exceeding the same period in the previous year mainly in foundation, eye liner/mascara, UV products, and skincare products.

In terms of profits, improvement in the rate of profit and cost reductions by STEP-UP80 in addition to the factor of increased sales produced a large increase.

***(France)***

In the European economy where our subsidiary THEPENIER PHARMA INDUSTRIE S.A.S. (hereinafter referred to as THEPENIER) is located, the difficult business climate continued as before with the downturn in individual consumption amid the backdrop of the recurrence of sovereign risk in EU nations such as Greece and Portugal and prolonged economic stagnation, etc. within the region.

Under this business environment, THEPENIER was forced to experience difficult management results as the current exchange rate factor was added to an increase in labor costs from a revision in the wage rate, etc. as well as a slump in the company’s primary pharmaceuticals and over-the-counter drugs.

### **Information Concerning Consolidated Earnings Forecasts**

With respect to our consolidated performance forecast for the full-year ending February 29, 2012, there is no change from the "Notice regarding generation of extraordinary income/loss and revision of forecasts for the first half of the fiscal year ending February 29, 2012 and full year performance" announced on September 27, 2011.

(%: change from the same period previous year)

	Full year (increase/decrease)
Net Sales	7,187 million yen (Up 7.8%)
Operating income	482 million yen (Up 19.6%)
Ordinary income	403 million yen (Up 31.8%)
Net income	399 million yen (Up 641.7%)
Net income per share	92.68 yen

**【Appendix】**  
**Consolidated Quarterly Financial Statements**  
**(1) Consolidated Quarterly Balance Sheets**

(Thousands of yen)

	At August 31, 2011	At February 28, 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and deposits	786,446	929,868
Trade notes and accounts receivable	1,780,769	1,592,685
Inventories	927,861	857,654
Others	205,944	202,043
Allowance for doubtful accounts	(598)	(543)
<b>Total Current Assets</b>	<b>3,700,422</b>	<b>3,581,708</b>
<b>Fixed Assets</b>		
<b>Tangible Fixed Assets</b>		
Buildings and structures -net	1,232,633	1,242,408
Machinery and vehicles -net	322,552	335,943
Land	1,189,108	1,326,477
Others -net	48,833	43,815
<b>Total Tangible Fixed Assets</b>	<b>2,793,127</b>	<b>2,948,644</b>
<b>Intangible Fixed Assets</b>	<b>199,754</b>	<b>200,991</b>
<b>Investments and Other Assets</b>		
Investment securities	157,554	167,345
Others	266,505	148,549
Allowance for doubtful accounts	(49,122)	(45,363)
<b>Total Investments and Other Assets</b>	<b>374,938</b>	<b>270,531</b>
<b>Total Fixed Assets</b>	<b>3,367,819</b>	<b>3,420,168</b>
<b>Total Assets</b>	<b>7,068,242</b>	<b>7,001,876</b>

(Thousands of yen)

	At August 31, 2011	At February 28, 2011
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade notes and accounts payable	959,044	975,721
Short-term borrowings	1,439,804	1,885,855
Current portion of corporate bonds	166,800	133,400
Income tax payable	6,886	40,711
Contingent loss reserve	2,336	2,158
Others	753,526	631,636
<b>Total Current Liabilities</b>	<b>3,328,397</b>	<b>3,669,482</b>
<b>Long-Term Liabilities</b>		
Corporate bonds	316,500	316,600
Long-term borrowings	1,410,903	1,339,863
Allowance for retirement benefits	78,150	102,241
Allowance for directors' retirement benefits	172,910	172,910
Others	150,972	55,171
<b>Total Long-Term Liabilities</b>	<b>2,129,435</b>	<b>1,986,786</b>
<b>Total Liabilities</b>	<b>5,457,833</b>	<b>5,656,268</b>
<b>NET ASSETS</b>		
<b>Shareholder's Equity</b>		
Common stock	552,749	552,749
Capital surplus	781,854	781,854
Retained earnings	322,091	90,698
Treasury stock	(2,114)	(2,084)
<b>Total Shareholder's Equity</b>	<b>1,654,580</b>	<b>1,423,218</b>
<b>Valuation and Translation Adjustments</b>		
Unrealized holding gain (loss) on other securities	12,059	18,033
Deferred hedge gain (loss)	(10,639)	(3,901)
Foreign currency translation adjustment	(45,591)	(91,742)
<b>Total Valuation and Translation Adjustments</b>	<b>(44,171)</b>	<b>(77,610)</b>
<b>Total Net Assets</b>	<b>1,610,409</b>	<b>1,345,607</b>
<b>Total Liabilities and Net Assets</b>	<b>7,068,242</b>	<b>7,001,876</b>

(2) Consolidated Quarterly Statements of Income  
(Six Months Ended August 31, 2011)

(Thousands of yen)

	Six Months Ended August 31, 2010	Six Months Ended August 31, 2011
<b>Sales</b>	3,394,585	3,637,034
<b>Cost of sales</b>	2,690,957	2,879,139
<b>Gross profit</b>	703,628	757,895
<b>SG&amp;A expenses</b>	508,527	508,358
<b>Operating income</b>	195,100	249,536
<b>Non-operating income:</b>		
Interest income	216	74
Dividend income	3,915	4,136
Insurance premiums refunded cancellation	—	1,901
Gain on allowance of investment securities	3,531	—
Others	4,950	4,083
<b>Total Non-operating Income</b>	12,612	10,196
<b>Non-operating expenses:</b>		
Interest expense	55,574	43,664
Corporate bond issue costs	—	1,859
Contribution	—	10,448
Others	9,701	3,262
<b>Total Non-operating Expenses</b>	65,276	59,234
<b>Ordinary Income</b>	142,436	200,498
<b>Extraordinary Income:</b>		
Reversal of allowance for doubtful accounts	145	—
Gain on sales of fixed assets	—	5,843
Refund of the profession tax paid by the overseas subsidiaries in the previous year	10,832	—
<b>Total Extraordinary Income</b>	10,977	5,843
<b>Extraordinary Loss:</b>		
Loss on disposal of fixed assets	3,224	4,166
Loss on revision of retirement benefit plan	—	69,450
<b>Total Extraordinary Loss</b>	3,224	73,617
<b>Income before income taxes</b>	150,189	132,724
Income taxes	8,277	3,639
Adjustment for corporate tax	7,062	(145,437)
<b>Total Corporate Income Tax</b>	15,339	(141,797)
<b>Income before minority interests</b>	—	274,522
<b>Net Income</b>	134,849	274,522

### (3) Consolidated Quarterly Statements of Cash Flows

(Thousands of yen)

	Six Months Ended August 31, 2010	Six Months Ended August 31, 2011
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	150,189	132,724
Depreciation	135,420	134,443
Increase (decrease) in allowance for retirement benefits	(3,203)	(29,944)
Increase (decrease) in allowance for doubtful accounts	(145)	55
Interest and dividend income	(4,131)	(4,211)
Interest expenses	55,574	43,664
Corporate bond issue costs	—	1,859
Gain on allowance of investment securities	(3,531)	—
Loss (gain) on sales of fixed assets	—	(5,843)
Loss on disposal of fixed assets	3,224	4,166
Decrease (increase) in trade receivable	334,491	(167,551)
Decrease (increase) in inventories	54,286	(61,436)
Increase (decrease) in trade payable	(185,309)	(20,879)
Increase (decrease) in accrued consumption taxes	(31,175)	101
Increase (decrease) in other current liabilities	61,226	88,427
Others	(7,947)	84,492
<b>Subtotal</b>	<b>558,969</b>	<b>200,067</b>
Interest and dividends received	4,173	4,231
Interest paid	(62,845)	(45,427)
Income taxes refund (paid)	(8,317)	(7,836)
<b>Net Cash Provided by Operating Activities</b>	<b>491,980</b>	<b>151,034</b>
<b>Cash Flows from Investing Activities:</b>		
Payment for time deposits	(144,500)	(74,500)
Withdrawal of time deposits	144,500	127,000
Purchases of tangible fixed assets	(37,887)	(46,611)
Proceeds from sales of tangible fixed assets	—	144,060
Purchases of intangible fixed assets	(1,221)	(4,870)
Others	31	—
<b>Net Cash Used in Investment Activities</b>	<b>(39,077)</b>	<b>145,077</b>

(Thousands of yen)

	Six Months Ended August 31, 2010	Six Months Ended August 31, 2011
<b>Cash Flows from Financing Activities:</b>		
Net increase (decrease) in short-term borrowings	(17,800)	(390,000)
Proceeds from long-term borrowings	640,000	850,000
Repayment of long-term borrowings	(608,772)	(835,010)
Proceeds from corporate bonds issue	—	98,140
Redemption of corporate bonds	(50,000)	(66,700)
Purchase of treasury stock	(333)	(30)
Repayment of lease debt	(12,946)	(11,141)
Cash dividends paid	(42,542)	(42,853)
Others	10,286	6,544
<b>Net Cash Provided by Financing Activities</b>	<b>(82,108)</b>	<b>(391,051)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(5,626)</b>	<b>3,770</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>365,168</b>	<b>(91,168)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>310,835</b>	<b>741,330</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>676,003</b>	<b>650,161</b>

**(4) Segment information*****Performance by Business Segment***

Six Months Ended August 31, 2011 (March 1, 2011 to August 31, 2011)

(Thousand of yen)

	Report segment			Adjustment (Note 1)	Consolidated quarterly statements of income amount (Note 2)
	Japan	France	Total		
Sales					
Sales to outside customers	3,154,686	482,348	3,637,034	—	3,637,034
Sales and transfer-Inter-segment	30,632	—	30,632	(30,632)	—
Total	3,185,318	482,348	3,667,667	(30,632)	3,637,034
Segment profit (loss)	297,287	(45,166)	252,120	(2,584)	249,536

Notes: 1. The -2,584 thousand yen adjustment in segment profit (loss) is for the elimination of intersegment transactions.

2. Segment profit has been adjusted with operating income of the consolidated quarterly statements of income.