

**Nippon Shikizai, Ink.**  
**Summary of Financial Results for the Fiscal Year Ended February 28, 2011**  
**[Japanese Standard] (Consolidated)**

As the Nippon Shikizai, Inc. has today announced consolidated earnings for the fiscal year ended February 28, 2011, we will now report as follows.

**Consolidated Financial Results**

- **Net sales:**                   **6,664 million yen (1.3% increase from the previous period)**
- **Operating income:**       **403 million yen (64.8% increase from the previous period)**
- **Ordinary income:**       **305 million yen (128.5% increase from the previous period)**
- **Net income:**               **53 million yen (Net income of 50 million yen in the previous period)**

**Summary of Consolidated Operating Results**

The Japanese economy in the first half of this consolidated fiscal year consistently maintained a gradual recovery within the backdrop of economic recovery in emerging Asian countries beginning with China and the improvement of corporate earnings and incentives for stimulating consumption within Japan. However, in the latter half of this consolidated fiscal year, due to a series of issues causing concern including the effects of domestic policies coming full circle and a slowdown in exports due to the appreciating yen and increasing commodity prices such as crude oil/metal, a sense of uncertainty continues to remain over the future in terms of the domestic employment situation and attitudes towards consumer spending.

Under this economic situation, according to figures announced by the Ministry of Trade, Economy and Industry for shipments of cosmetics from January to December of the 2010 fiscal year, the Japanese cosmetics market expanded with 99.9% growth by value of shipment compared to the previous period (104.6% growth by shipment quantity compared to the previous period) for “makeup cosmetics” and a 104.5% growth by value of shipment compared to the previous period (108.1% growth by shipment quantity compared to the previous period) for “skincare cosmetics”. However, the growth rate of shipment quantity has been continuously higher than the growth rate of value of shipment over the past few years, which shows the continuing severe market environment is a reflection of consumer intent to cut back on spending and consumer preferences for low prices.

While the market environment has been very severe, at our Group, by globally developing proposal-based business that makes use of our strengths in product development and technology, we have endeavored to expand our markets with foreign cosmetics makers and companies involved in other industries. Furthermore, in April of last year, we launched our “Business structure reforms project aimed at further growth (STEP-UP80)”, in addition to embarking on the development of new prescriptions with foundation, eye liner/mascara, and UV products as a strategic focus area aiming for sales expansion, and working together as a group, we have strived to improve our earnings structure through cost reductions and improvements in production.

## **The business performance in each segment**

### ***(Cosmetics)***

- Sales: 6,080 million yen (2.3% increase from the previous period)
- Operating income: 969 million yen (27.9% increase from the previous period)

In Japan, while consumer confidence remained low, foundation, eye liner/mascara and face powders struggled due to influence of inventory adjustments and price reductions of cosmetics makers. Meanwhile, the success of proposal-based business with existing customers enabled the increase of lip balm/lip gloss sales in lipstick and a favorable increase of sales of skincare cosmetics such as skin lotion/essence/skin milk/facial cleansing cream. As a result, domestic sales exceeded the sales of previous period.

On the other hand, for overseas sales, the sales of mascara did not reach the sales of the previous period, however, since the response to our high level technology successfully enabled the reception of new orders from overseas cosmetic makers, the sales of UV products/lipstick and facial cleansing cream increased favorably.

### ***(Pharmaceuticals and other products)***

- Sales: 584 million yen (8.0% decrease from the previous period)
- Operating income: 4 million yen (Operating loss of 38 million yen in the previous period)

For pharmaceuticals and other products sales handled by our French consolidated subsidiary, THEPENIER PHARMA INDUSTRIE S.A.S. (hereafter, "THEPENIER"), against a backdrop of a prolonged economic recession in Europe, and with the market environment remaining severe as consumer confidence continues to be low, we endeavored to compensate for a slump in sales of healthcare products overall and medicinal toothpaste with new orders for mouth wash, etc. and increased sales of athlete's foot remedies. However, overall sales of pharmaceuticals and other products including healthcare products fell below sales of the previous period in the end.

However, in terms of costs, the measures for improving revenue that have been in place for the past two years were successful in enabling us to significantly reduce manufacturing costs and operating costs.

## **The business performance in each country**

### ***(Japan)***

Under the very severe market environment, due to our successful efforts to focus on expanding our markets with companies involved in other industries, such as pharmaceutical companies, and global sales development to overseas cosmetics makers, the sales of skincare cosmetics including UV products and lipstick favorably increased and exceeded the results of the previous period. In terms of profits, company-wide efforts towards reducing costs and improving production were successful in supporting profits, and we were able to achieve profits that exceeded those recorded for the previous period.

### ***(France)***

Due to the serious impact from credit impairment and tight fiscal policies of each government resulting from the South Europe debt issue and its roots in the Greece problem, a sense of uncertainty in the European market still remains.

Under this severe business environment, THEPENIER worked on order acquisition from new customers, and as a result, the sales of facial cleansing cream increased. However, due to impact from decreased sales of mascara from sales in the previous period, our cosmetic business is still struggling.

In addition, in pharmaceuticals and other products, the sales of our athlete's food remedy partially recovered, however, the recovery was not sufficient enough for sales to exceed sales of the previous period.

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

With respect to our performance forecast for next period, an uncertain business environment is projected due to the unparalleled Great East Japan Earthquake and nuclear accident. However, at the Company, working together as a group, we will continue to focus on globally developing proposal-based business for new customer development and new product acquisition. At the same time, we will also strongly promote various measures to improve our earnings structure under our business structure reforms project STEP-UP80. The forecast for business performance in the entire financial year are 6,921 million yen for sales, 509 million yen for operating income, 434 million yen for ordinary income, and 204 million yen in net income.

However, the above forecast was established prior to the Great East Japan Earthquake and nuclear accident. The impact from the earthquake and the accident on our business performance for the next period is difficult to project at this point, therefore, it is not considered in our business performance forecast. We will disclose the impact from the earthquake and the accident at a later date as soon as we identify the impact on our business performance forecast for the next period.

(%: change in full year from the previous year or in 2nd quarter (cumulative) from the same period previous year)

	2nd quarter (cumulative) (increase/decrease)	Full year (increase/decrease)
Net Sales	3,361 million yen (Down 1.0%)	6,921 million yen (Up 3.9%)
Operating income	190 million yen (Down 2.5%)	509 million yen (Up 26.5%)
Ordinary income	149 million yen (Up 5.1%)	434 million yen (Up 41.9%)
Net income	16 million yen (Down 87.7%)	204 million yen (Up 279.6%)
Net income per share	3.86 yen	47.43 yen

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

(Thousands of yen)

	At February 28, 2010		At February 28, 2011	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and deposits	*1	569,559	*1	929,868
Trade notes and accounts receivable	*1,2	1,892,726	*1	1,592,685
Merchandise and finished goods		443,431		433,852
Work in progress		40,520		48,654
Raw materials and supplies		379,146		375,147
Deferred tax assets		80,692		106,138
Others		97,171		95,904
Allowance for doubtful accounts		(624)		(543)
<b>Total Current Assets</b>		<b>3,502,624</b>		<b>3,581,708</b>
<b>Fixed Assets</b>				
<b>Tangible Fixed Assets</b>				
Buildings and structures		4,430,532		4,385,672
Accumulated depreciation		(3,085,532)		(3,143,264)
Buildings and structures - net	*1	1,344,999	*1	1,242,408
Machinery and vehicles		2,577,348		2,467,925
Accumulated depreciation		(2,193,200)		(2,131,982)
Machinery and vehicles - net		384,147		335,943
Tools, furniture and fixtures		560,002		533,524
Accumulated depreciation		(501,653)		(489,708)
Tools, furniture and fixtures - net		58,348		43,815
Land	*1	1,328,760	*1	1,326,477
Construction in progress		1,125		-
<b>Total Tangible Fixed Assets</b>		<b>3,117,380</b>		<b>2,948,644</b>
<b>Intangible Fixed Assets</b>		<b>202,862</b>		<b>200,991</b>
<b>Investments and Other Assets</b>				
Investment securities	*1	171,662	*1	167,345
Deferred tax assets		276,916		3,433
Others		158,442		145,116
Allowance for doubtful accounts		(56,782)		(45,363)
<b>Total Investments and Other Assets</b>		<b>550,238</b>		<b>270,531</b>
<b>Total Fixed Assets</b>		<b>3,870,481</b>		<b>3,420,168</b>
<b>Total Assets</b>		<b>7,373,106</b>		<b>7,001,876</b>

	At February 28, 2010	At February 28, 2011
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade notes and accounts payable	1,015,852	975,721
Short-term borrowings	*1 2,217,792	*1 1,885,855
Current portion of corporate bonds	100,000	133,400
Accounts payable-other	269,210	320,903
Income tax payable	15,806	40,711
Contingent loss reserve	3,193	2,158
Others	*1 386,686	*1 310,732
<b>Total Current Liabilities</b>	<b>4,008,541</b>	<b>3,669,482</b>
<b>Long-Term Liabilities</b>		
Corporate bonds	350,000	316,600
Long-term borrowings	*1 1,208,911	*1 1,339,863
Allowance for retirement benefits	117,821	102,241
Allowance for directors' retirement benefits	172,910	172,910
Others	59,842	55,171
<b>Total Long-Term Liabilities</b>	<b>1,909,486</b>	<b>1,986,786</b>
<b>Total Liabilities</b>	<b>5,918,028</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	79,968	90,698
Treasury stock	(1,436)	(2,084)
<b>Total Shareholder's Equity</b>	<b>1,413,135</b>	<b>1,423,218</b>
<b>Valuation and Translation Adjustments</b>		
Unrealized holding gain (loss) on other securities	22,832	18,033
Deferred hedge gain (loss)	(10,410)	(3,901)
Foreign currency translation adjustment	29,520	(91,742)
<b>Total Valuation and Translation Adjustments</b>	<b>41,942</b>	<b>(77,610)</b>
<b>Total Net Assets</b>	<b>1,455,078</b>	<b>1,345,607</b>
<b>Total Liabilities and Net Assets</b>	<b>7,373,106</b>	<b>7,001,876</b>

## (2) Consolidated Statements of Income

(Thousands of yen)

	Fiscal year ended		Fiscal year ended	
	February 28, 2010		February 28, 2011	
<b>Sales</b>		6,579,989		6,664,354
<b>Cost of sales</b>	*2	5,418,364	*2	5,310,776
<b>Gross profit</b>		1,161,625		1,353,578
<b>SG&amp;A expenses</b>	*1	917,071	*1	950,517
<b>Operating income</b>		244,553		403,061
<b>Non-operating income:</b>				
Interest income		791		361
Dividend income		5,213		5,413
House Rent income		3,546		3,031
Gain on allowance of investment securities		-		3,531
Others		14,408		9,148
<b>Total Non-operating Income</b>		23,959		21,485
<b>Non-operating expenses:</b>				
Interest expense		114,870		103,008
Corporate bond issue costs		9,500		2,159
Commission fee		3,000		2,000
Others		7,235		11,416
<b>Total Non-operating Expenses</b>		134,606		118,584
<b>Ordinary Income</b>		133,907		305,962
<b>Extraordinary Income:</b>				
Reversal of allowance for doubtful accounts		2,728		81
Proceed from adjustment of loss on disposal of fixed assets on prior year		2,469		-
Reversal of special retirement expenses		15,582		-
Refund of the profession tax paid by the overseas subsidiaries in the previous year		-		10,396
<b>Total Extraordinary Income</b>		20,780		10,477
<b>Extraordinary Loss:</b>				
Loss on disposal of fixed assets	*3	11,453	*3	3,623
Loss on valuation of investment securities		992		-
Loss on valuation of inventories		38,295		-
Others		2,168		-
<b>Total Extraordinary Loss</b>		52,909		3,623
<b>Income before income taxes</b>		101,777		312,816
Income taxes		10,599		33,706
Refund of income taxes for prior periods		-		(21,321)
Adjustment for corporate tax		40,971		246,543
<b>Total Corporate Income Tax</b>		51,570		258,927
<b>Net Income</b>		50,206		53,888

### (3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended February 28, 2010	Fiscal year ended February 28, 2011
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	101,777	312,816
Depreciation	318,779	286,000
Increase (decrease) in contingent loss reserve	(8,837)	(491)
Increase (decrease) in allowance for retirement benefits	(17,875)	(1,645)
Increase (decrease) in allowance for directors' retirement benefits	(42,640)	-
Increase (decrease) in allowance for doubtful accounts	(7,120)	(1,222)
Interest and dividend income	(6,004)	(5,774)
Interest expenses	114,870	103,008
Corporate bond issue costs	9,500	2,159
Loss (gain) on valuation of investment securities	992	-
Gain on allowance of investment securities	-	(3,531)
Loss on retirement of tangible fixed assets	11,453	3,623
Decrease (increase) in trade receivable	(834,428)	240,705
Decrease (increase) in inventories	49,621	(17,631)
Increase (decrease) in trade payable	241,406	(18,538)
Increase (decrease) in accrued consumption taxes	55,283	(29,626)
Increase (decrease) in other current liabilities	(19,069)	70,674
Others	25,696	26,237
<b>Subtotal</b>	<b>(6,593)</b>	<b>966,764</b>
Interest and dividends received	6,179	5,963
Interest paid	(130,718)	(115,909)
Income taxes refund (paid)	596	(13,375)
<b>Net Cash Provided by Operating Activities</b>	<b>(130,536)</b>	<b>843,443</b>
<b>Cash Flows from Investing Activities:</b>		
Payment for time deposits	(302,500)	(327,500)
Withdrawal of time deposits	302,500	397,500
Purchases of tangible fixed assets	(56,489)	(179,167)
Purchases of intangible fixed assets	(6,834)	(5,421)
Others	-	105
<b>Net Cash Used in Investment Activities</b>	<b>(63,323)</b>	<b>(114,483)</b>

(Thousands of yen)

	Fiscal year ended February 28, 2010	Fiscal year ended February 28, 2011
<b>Cash Flows from Financing Activities:</b>		
Net increase (decrease) in short-term borrowings	177,800	(157,800)
Proceeds from long-term borrowings	650,000	1,290,000
Repayment of long-term borrowings	(1,030,345)	(1,333,185)
Proceeds from corporate bonds issue	490,500	97,840
Redemption of corporate bonds	(340,000)	(100,000)
Purchase of treasury stock	-	(647)
Cash dividends paid	-	(42,695)
Repayment of lease debt	(29,081)	(26,391)
Others	126,433	(20,656)
<b>Net Cash Provided by Financing Activities</b>	<b>45,306</b>	<b>(293,536)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>1,871</b>	<b>(4,928)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(146,683)</b>	<b>430,494</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>457,518</b>	<b>310,835</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>* 310,835</b>	<b>* 741,330</b>



#### (4) Segment information

##### *Performance by Business Segment*

Year Ended February 28, 2011 (March 1, 2010 to February 28, 2011)

(Thousand of yen)

	Cosmetics	Pharmaceuticals and other products	Total	Eliminations or corporate	Consolidated
I. Sales and operating income (loss)					
Sales					
(1) Sales to outside customers	6,080,159	584,195	6,664,354	-	6,664,354
(2) Sales and transfer-Inter-segment	-	-	-	-	-
Total	6,080,159	584,195	6,664,354	-	6,664,354
Operating expenses	5,110,597	580,013	5,690,611	570,682	6,261,293
Operating income	969,561	4,181	973,743	(570,682)	403,061
II. Assets, depreciation and capital expenditures					
Assets	5,010,938	530,266	5,541,204	1,460,672	7,001,876
Depreciation	229,083	46,530	275,613	10,386	286,000
Capital expenditures	148,909	46,309	195,219	35,222	230,442

Notes: 1. Method for business segmentation: According to the kinds of products

2. Main product names in each business

(1) Cosmetics

Foundation, eye shadow, mascara, rouge, lipsticks, lip balm, skin milk and sunscreen, etc.

(2) Pharmaceuticals and other products

Athlete's foot remedies, medicinal toothpaste, mouthwash, ear washing agents, and hygiene products, etc.

3. Among operating expenses, the total value of unclassifiable operating expenses included in "Eliminations or Corporate" was 570,682 thousand yen, and this was mainly comprised of costs incurred by the Company's Administrative Departments such as General Affairs Department and Accounting Department.

4. Among assets, the total value of corporate assets included in "Eliminations or Corporate" was 1,460,672 thousand yen, and this was mainly comprised of surplus funds (cash, deposits and securities), and fixed assets relating to industrial land and the Administration Department.

Year Ended February 28, 2011 (March1, 2010 to February 28, 2011)

(Thousand of yen)

	Japan	France	Total	Eliminations or corporate	Consolidated
I. Sales and operating income (loss)					
Sales					
(1) Sales to outside customers	5,731,021	933,333	6,664,354	-	6,664,354
(2) Sales and transfer-Inter-segment	32,539	-	32,539	(32,539)	-
Total	5,763,560	933,333	6,696,894	(32,539)	6,664,354
Operating expenses	4,768,673	959,179	5,727,853	533,439	6,261,293
Operating income (loss)	994,887	(25,846)	969,040	(565,979)	403,061
II. Assets	4,594,539	949,939	5,544,478	1,457,398	7,001,876

Notes: 1. Method of geographical segmentation: By locations of manufacturing facilities.

2. Among operating expenses, the total value of unclassifiable operating expenses included in “Eliminations or Corporate” was 570,682 thousand yen, and this was mainly comprised of costs incurred by the Company’s Administrative Departments, such as General Affairs Department and Accounting Department.

3. Among assets, the total value of corporate assets included in “Eliminations or Corporate” was 1,460,672 thousand yen, and this was mainly comprised of surplus funds (cash, deposits and securities), and fixed assets relating to industrial land and the Administration Department.

Year Ended February 28, 2011 (March1, 2010 to February 28, 2011)

(Thousand of yen)

	Europe	Other Areas	Total
Overseas sales	1,026,267	323,708	1,349,975
Consolidated net sales	-	-	6,664,354
Share of overseas sales in consolidated net sales (%)	15.4	4.9	20.3

Notes: 1. Method of geographical segmentation: Geographical proximity.

2. Major countries and regions.

(1) Europe: France, Italy, Britain, Germany, Belgium, Switzerland and Netherland

(2) Other Areas: North America, Taiwan, Korea, Hong Kong, Malaysia and China

3. Overseas sales refer to sales in countries or regions outside of Japan reported by the Company and its consolidated subsidiaries.