

## Dr. Ci:Labo (4924)

| Consolidated Fiscal Year<br>(Million Yen) |  | Sales  | OP     | RP     | NP    | EPS<br>(Yen) | DPS<br>(Yen) | BPS<br>(Yen) |
|---|--|--------|--------|--------|-------|--------------|--------------|--------------|
| FY07/2010                                 |  | 31,789 | 8,370  | 8,376  | 4,699 | 17,366       | 3,200        | 58,155       |
| FY07/2011                                 |  | 36,233 | 10,247 | 10,176 | 5,999 | 22,280       | 6,700        | 57,193       |
| FY07/2012CoE                              |  | 41,000 | 11,300 | 11,280 | 6,610 | 26,329       | 7,900        | -            |
| FY07/2011                                 |  | YoY    | 14.0%  | 22.4%  | 21.5% | 27.7%        | -            | -            |
| FY07/2012CoE                              |  | YoY    | 13.2%  | 10.3%  | 10.8% | 10.2%        | -            | -            |
| Consolidated Half Year<br>(Million Yen)   |  | Sales  | OP     | RP     | NP    | EPS<br>(Yen) | DPS<br>(Yen) | BPS<br>(Yen) |
| Q1-Q2 FY07/2011                           |  | 17,463 | 5,148  | 5,144  | 2,853 | -            | -            | -            |
| Q3-Q4 FY07/2011                           |  | 18,770 | 5,099  | 5,032  | 3,146 | -            | -            | -            |
| Q1-Q2 FY07/2012CoE                        |  | 19,740 | 5,470  | 5,460  | 3,200 | -            | -            | -            |
| Q3-Q4 FY07/2012CoE                        |  | 21,260 | 5,830  | 5,820  | 3,410 | -            | -            | -            |
| Q1-Q2 FY07/2012CoE                        |  | YoY    | 13.0%  | 6.3%   | 6.1%  | 12.2%        | -            | -            |
| Q3-Q4 FY07/2011CoE                        |  | YoY    | 13.3%  | 14.3%  | 15.7% | 8.4%         | -            | -            |
| Consolidated Quarters<br>(Million Yen)    |  | Sales  | OP     | RP     | NP    | EPS<br>(Yen) | DPS<br>(Yen) | BPS<br>(Yen) |
| Q1 FY07/2011                              |  | 7,429  | 1,971  | 1,957  | 1,069 | -            | -            | -            |
| Q2 FY07/2011                              |  | 10,034 | 3,177  | 3,187  | 1,784 | -            | -            | -            |
| Q3 FY07/2011                              |  | 8,078  | 2,069  | 2,073  | 1,165 | -            | -            | -            |
| Q4 FY07/2011                              |  | 10,692 | 3,030  | 2,959  | 1,981 | -            | -            | -            |
| Q1 FY07/2012                              |  | 7,759  | 2,099  | 2,105  | 1,250 | -            | -            | -            |
| Q2 FY07/2012CoE                           |  | 11,981 | 3,371  | 3,355  | 1,950 | -            | -            | -            |
| Q1 FY07/2012                              |  | YoY    | 4.4%   | 6.5%   | 7.6%  | 16.9%        | -            | -            |
| Q2 FY07/2012CoE                           |  | YoY    | 19.4%  | 6.1%   | 5.3%  | 9.3%         | -            | -            |

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (31 January 2012)

#### Purchase Rates Recovery

Dr. Ci:Labo, developing the market for pharmaceutical cosmetics, is to see a recovery in recent trading. In Q1 (Aug to Oct) FY07/2012, sales rose only 4.4% YoY, while Q2 (Nov to Jan) started with the same sort of trends in trading. Most recently, however, purchase rates by newly registered members in the mainstay mail order are on the verge of seeing trend of recovery, while corrections in sales with wholesaling in Q1 have turned out to be one-off. It appears that corrections of sales growth rates with the Company are now starting to subdue, and the Company is on the verge of retrieving two-digit growth rates in sales in the near future, as it used to do so over the past few years.

The Company is mainly in charge of supplying users with cosmetics for skin-care, developed by Yoshinori Shirono, the founder (and the current chairman) of the Company, who has also been a doctor who specializes in beauty dermatology. Products, here, incorporating Aqua-Collagen-Gel Series as the core constituents, are called pharmaceutical cosmetics. The Company has been seeing steady increases in sales for years, replacing products by system cosmetics makers through offering innovated products & services in line with users' needs in many aspects. The Company saw recurring profit margins 28.1% and ROE 39.9% in

FY07/2011. At the end of the day, the number of registered members with mail order should reach 13 to 14 million in Japan versus 7.87 million as of the end of Q1. The Company is so eager to make further progress with its enlightenment activities in Japan where it appeals relative superiority with own products, and thus the market should be more cultivated by itself. Looking forward, developments in the overseas markets like in China are already in sight, and the developments here are expected to be the key driver with sales in a long-term view.

In Q1 (Aug to Oct), there were no fundamental changes in the Company's strategy to enhance the number of newly registered members in mail order, but the Company spots that it made a change in "how it looks like". In the same old way, the Company acquires new members by offering free samples at first, and then, persuades them to actually purchase own products. In Q1, the Company offered opportunities to win miniaturized products together with a pouch at the lottery. As a result, the Company saw some newly registered members who were mainly triggered by the opportunities to acquire the prize, and their purchase rates for own products after the achievements were disappointing. To date, the Company is to make a changeover back to the same old way in terms of "how it looks like", and the purchase rates for own products after the registration among new members will be back to the levels prior to the change.

## 2.0 Company Profile

### The Leader of Pharmaceutical Cosmetics

|                          |   |  |
|--------------------------|---|--|
| <b>Company Name</b>      | Dr. Ci:Labo Co. Ltd.<br><a href="#">Website</a><br><a href="#">IR Information</a><br><a href="#">Share Price</a>  |  |
| <b>Established</b>       | 26 February 1999  |  |
| <b>Listing</b>           | 26 March 2003: TSE1 (Ticker:4924)   |  |
| <b>Capital</b>           | ¥1,192m (as of the end of October 2011)   |  |
| <b>No. of Shares</b>     | 254,085 shares, including 3,000 treasury (as of the end of October 2011)  |  |
| <b>Main Features</b>     | <ul style="list-style-type: none"> <li>● Commanding 30% or more in the domestic market for pharmaceutical cosmetics</li> <li>● Exposed mainly to mail order, and also to retailing at department stores as well as to wholesaling for drug stores.</li> <li>● Production, 100% outsourced</li> <li>● Developing overseas markets in China etc.</li> </ul> |  |
| <b>Business Segments</b> | I . Cosmetics Business<br>II . Health Food Business   |  |
| <b>Top Management</b>    | President: Tomomi Ishihara, Chairman: Yoshinori Shirono   |  |
| <b>Shareholders</b>      | CIC Ltd. 26.1%, Yoshinori Shirono 21.9% (as of the end of October 2011, WRJ estimates)  |  |
| <b>Headquarters</b>      | Shibuya-ku, Tokyo, JAPAN  |  |
| <b>No. of Employees</b>  | Consolidated:692, Unconsolidated:627 (as of the end of October 2011)  |  |

Source: Company Data

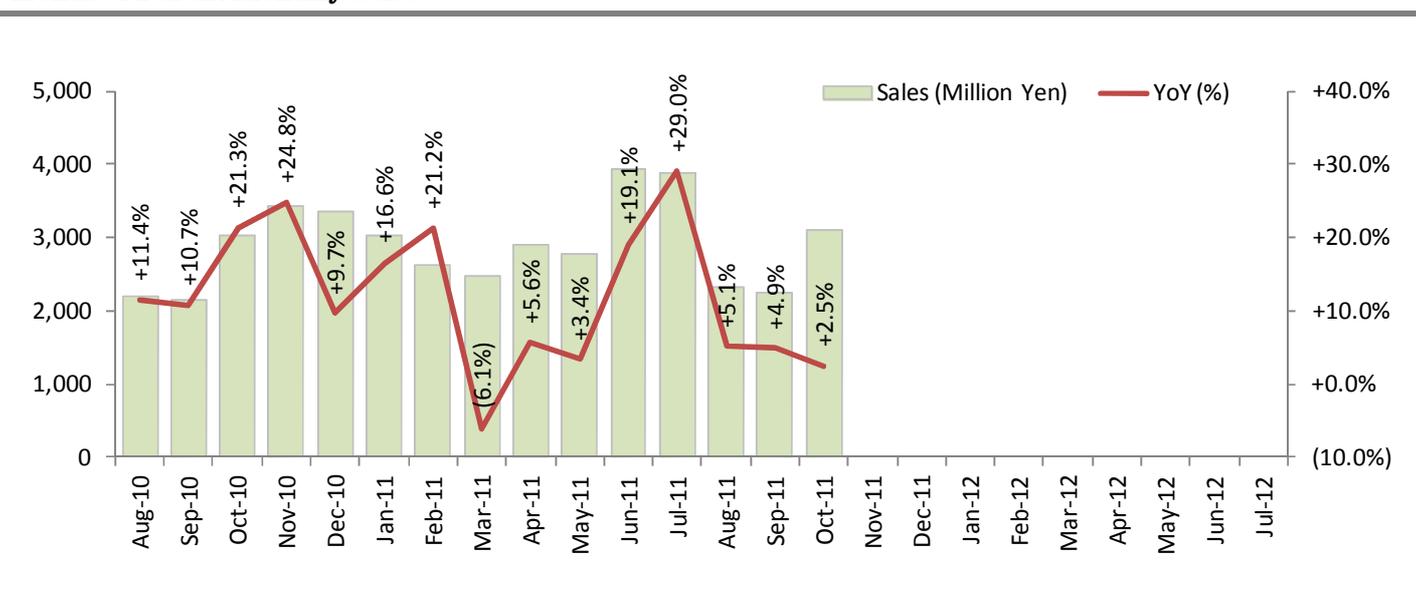
## 3.0 Recent Trading & Prospects

### Q1 FY07/2012 Results

In Q1 FY07/2012, sales came in at ¥7.8bn (up 4.4% YoY), operating profit ¥2.1bn (up 6.5%), recurring profit ¥2.1bn (up 7.6%) and net profit ¥1.3bn (up 16.9%). When compared with H1 Company Forecasts, the Company achieved only almost 40% of prospective sales and earnings. The Company's trading is exposed to seasonal factors, making Q1 trading smaller than Q2 trading, but this time it appears that the corrections in Q1 results were larger than regular years, and thus the results were unexpectedly worse than assumptions in Company Forecasts.

In terms of parent monthly sales (effectively in line with consolidated trends), sales in August came in at up 5.1% YoY, up 4.9% in September and up 2.5% in October. By sales channel, the mainstay mail order (63% of sales) saw a 9.9% YoY growth in sales. The number of newly registered members came in at 243,000, making the number of total registered members increase to 7.87 million, up 3.2% from 7.63 million as of the end of FY07/2011. The number of newly registered member, here, was in line with expectations, but purchase rates for own products after the registrations were below the levels of expectations, and thus it appears that the Company suffered a shortage in sales to this extent. For the sakes of sales enhancement, the Company made a changeover in "how it looks like", concerning the strategy to acquire new members, from offering free samples to offering a prize (some ¥1,500 in retailing prices) comprising miniaturized products and a pouch at the lottery. As a result, the Company saw some newly registered members whose main intentions were to acquire free pouches, having been succeeded by lowered purchase rates among newly registered members as a whole, when compared with the regular levels. On the other hand, sales of wholesaling (21% of sales) suffered from a 10.6% YoY decrease, having accepted returns of some inventories at distributors.

#### Trends of Parent Monthly Sales



Source: Company Data, WRJ Calculation

Gross profit margins in Q1 came in at 83.5%, up 0.4% points from 83.1% during the same periods in the previous year. Given increasing exposure to relatively high-margin mail order in sales, and decreasing exposure to relatively low-margin wholesaling, it appear that the Company saw some benefits of sales mix

improvements. Meanwhile, SG&A ratio to sales came down to 56.4% by 0.2% points from 56.6% during the same periods in the previous year, having resulting in a 0.6%-points improvement in operating profit margins to 27.1% from 26.5%, combined with improvements at the gross profit levels. In August and September, advertising costs, mainly associated with television advertisement, were temporarily reduced, and this was the key reason for marginally reduced exposure to SG&A costs with the Company.

Given improvements at operating levels, the Company saw improved recurring profit margins 27.1%, up 0.5% points from 26.4% while net profit margins 16.1%, up 1.7% points from 14.4%. In Q1 FY07/2012 results, the Company was free from accumulated earnings tax, while the tax was charged during the same periods in the previous year, and thus the rates of corporate tax etc. came down during the same periods when compared with the levels in the previous year, having resulted in higher improvements in margins at net levels than at recurring levels.

As of the end of Q1, total assets stood at ¥17.7bn, net assets at ¥13.9bn and net cash at ¥6.4bn, implying that the Company is in a fairly solid state in terms of balance sheets.

### **Major Shareholders & Number of Shares Outstanding**

As of the end of Q1 FY07/2012, effective holding ratio by Chairman Shirono, for the Company, stood at 49.6% in our estimates. As of 31 January 2011 (the end of Q2 FY07/2011), collective holdings by Chairman Shirono, CIC Ltd.(100% held by Chairman Shirono) and Tomoko Shirono stood at 53.4%, but CIC Ltd., coping with a share buyback scheme, sold 20,000 shares to the Company, having lowered effective holding ratio by Chairman Shirono down to 49.6% as of 31 July 2011 (the end of FY07/2011).

On 19 August, the Company wrote off 26,813 treasury shares, having made the number of shares outstanding down to 254,055 from 280,868, but effective holdings ratio by Chairman Shirono remained unchanged, as this is based on the number of shares outstanding, excluding treasury shares. On top of this, Chairman Shirono sold his personal holdings 7,000 shares to CIC Ltd., on 9 September, having made a change to CIC Ltd. from Chairman Shirono for the Company's top shareholder. Still, this did not make any changes for effective holdings ratio by Chairman Shirono. Finally, as of the end of Q1 FY07/2012 (31 October), the number of shares outstanding increased by 30, as a result of excises of stock options, but this is too small to make any meaningful changes in holding ratios by major shareholders.

| Effective Holdings by Chairman Shirono                 | 31-Jan         | 31-Jul         | 19-Aug         | 9-Sep          | 31-Oct         |
|--|----------------|----------------|----------------|----------------|----------------|
| Yoshinori Shirono                                      | 62,047         | 62,047         | 62,047         | 55,047         | 55,047         |
| CIC Ltd.   | 78,500         | 58,500         | 58,500         | 65,500         | 65,500         |
| Tomoko Shirono   | 4,000          | 4,000          | 4,000          | 4,000          | 4,000          |
| No. of Shares Out. (Including Treasury)                | 280,520        | 280,868        | 254,055        | 254,055        | 254,085        |
| Treasury Shares  | 9,813          | 29,813         | 3,000          | 3,000          | 3,000          |
| No. of Shares Out. (Excluding Treasury)                | 270,707        | 251,055        | 251,055        | 251,055        | 251,085        |
| <b>Effective Holdings by Chairman Shirono (Shares)</b> | <b>144,547</b> | <b>124,547</b> | <b>124,547</b> | <b>124,547</b> | <b>124,547</b> |
| Yoshinori Shirono                                      | 22.9%          | 24.7%          | 24.7%          | 21.9%          | 21.9%          |
| CIC Ltd.   | 29.0%          | 23.3%          | 23.3%          | 26.1%          | 26.1%          |
| Tomoko Shirono   | 1.5%           | 1.6%           | 1.6%           | 1.6%           | 1.6%           |
| No. of Shares Out. (Excluding Treasury)                | 100.0%         | 100.0%         | 100.0%         | 100.0%         | 100.0%         |
| <b>Effective Holdings by Chairman Shirono (Ratio)</b>  | <b>53.4%</b>   | <b>49.6%</b>   | <b>49.6%</b>   | <b>49.6%</b>   | <b>49.6%</b>   |

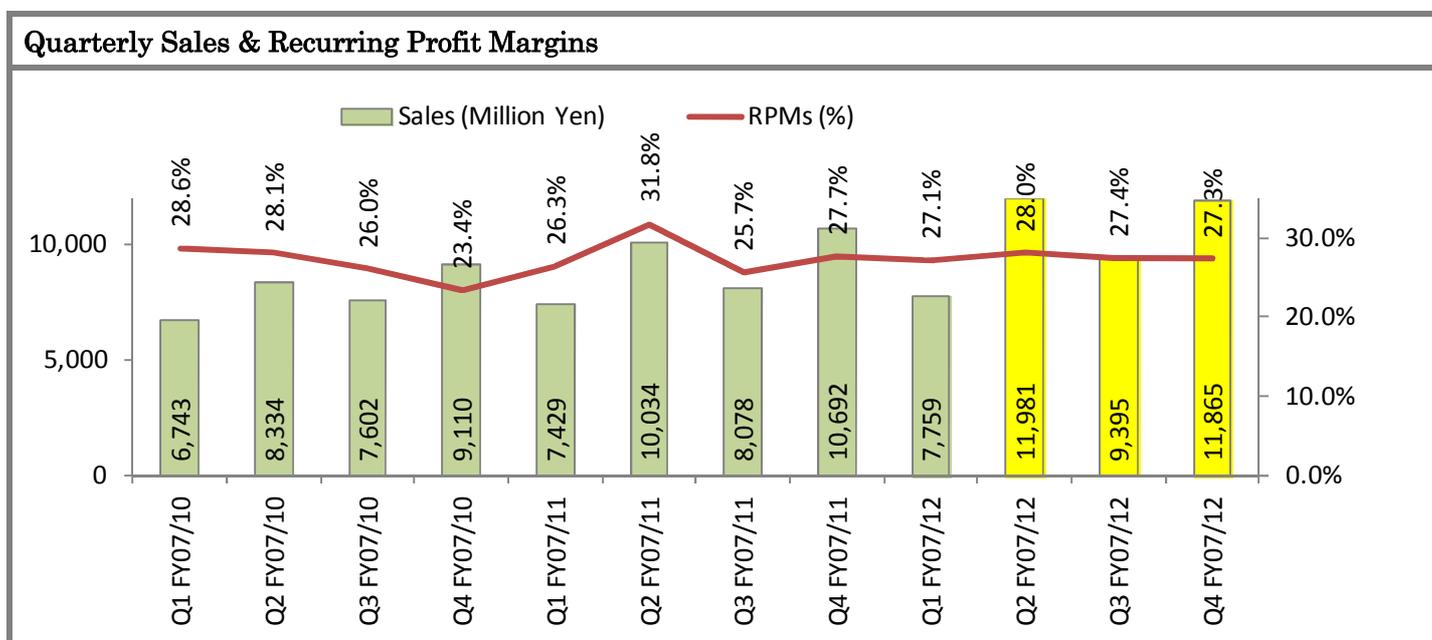
Source: Company Data, WRJ Calculation

### FY07/2012 Company Forecasts

In FY07/2012, the Company is going for prospective sales ¥41.0bn (up 13.2% YoY), operating profit ¥11.3bn (up 10.3%), recurring profit ¥11.3bn (up 10.8%) and net profit ¥6.6bn (up 10.2%). Increases in sales and earnings are expected to be driven by increasing demand for the mainstay Aqua-Collagen-Gel Series through mail order, as in FY07/2011. The expected number of newly registered members for mail order is 1.3m, overshooting 1.01m in FY07/2011. The Company now holds payout ratio target 30%, calling for dividend per share ¥7,900, implying payout ratio 30.0% and dividend on equity 11.8%.

It appears that Q1 results were below the levels of assumptions in Company Forecasts, but full-year Company Forecasts have remained unchanged so far. Trading at the beginning of Q2 was also not inspiring, but most recent trading is to start getting rather buoyant as mentioned earlier. Still, it looks hard to meet Company Forecasts in H1 in terms of sales, while prospective earnings could be almost met, when improving efficiency of advertising etc. are considered.

The Company's sales, on a monthly basis, have a tendency to be volatile, depending on whether sales promotion campaigns are being carried out or not, and this gives meaningful impacts to sales on a quarterly basis. In reality, sales in Q2 (Nov to Jan) and Q4 (May to Jul) are relatively larger than those in Q1 (Aug to Oct) and Q3 (Feb to Apr) in every fiscal year. In Q2 and Q4, there are payments of bonuses for the bulk of potential users and their family, making the Company to enhance sales promotion campaigns for the sake of acquiring new users as much as possible, while this has been successful to a large extent. Such trends are expected to continue in FY07/2012.



Source: Company Data, WRJ Calculation

### Long-Term Prospects

According to the 3rd Mid-Term Management Plan (FY07/2011 to FY07/2013), prospective sales in the last year, i.e., FY07/2013, are ¥47.0bn and recurring profit margins 26.5% versus, ¥31.8bn and 26.3% , respectively, in FY07/2010 results. In the first year of the Plan, i.e., FY07/2011, prospective sales and earnings were exceeded, while prospective earnings in FY07/2012 are expected to be exceeded by the most recent Company Forecasts. Still, prospective sales remain at ¥41.0bn, as in the Plan. Therefore, prospective profit margins are now higher than the Plan. Recurring profit margins in FY07/2012 are now expected to be 27.5% in the most recent Company Forecasts versus 26.5% in the Plan. It appears that the Company is now more conservative in carrying out front-loaded investments for the future than the assumptions in the Plan.

Prospective recurring profit ¥11.3bn in FY07/2012, by the most recent Company Forecasts, is exceeded by 3.9% compared with the levels in the Plan. Prospective net profit is exceeded by as much as 8.5%, as now the Company is free from accumulated tax charges, although this was not incorporated in the Plan. On top of this, decreases in the number of shares outstanding, having actually fed through to date, were also unexpected in the Plan, and this makes the overshoots even larger at earnings per share, exceeding the Plan by 17.0%.

| a) The 3rd Mid-Term Mgt Plan (14 Sep 2010) | FY07/2011 | FY07/2012 | FY07/2013 |
|--|-----------|-----------|-----------|
| Sales (Million Yen)                        | 36,000    | 41,000    | 47,000    |
| Recurring Profit (Million Yen)             | 9,600     | 10,860    | 12,450    |
| Net Profit (Million Yen)                   | 5,270     | 6,090     | 6,970     |
| Earnings Per Share (Yen)                   | 19,469    | 22,498    | 25,750    |
| Sales (YoY, %)                             | +13.2%    | +13.9%    | +14.6%    |
| Recurring Profit Margins (%)               | 26.7%     | 26.5%     | 26.5%     |
| b) FY07/2011 Results Release (8 Sep 2011)  | FY07/2011 | FY07/2012 | FY07/2013 |
| Sales (Million Yen)                        | 36,233    | 41,000    | -         |
| Recurring Profit (Million Yen)             | 10,176    | 11,280    | -         |
| Net Profit (Million Yen)                   | 5,999     | 6,610     | -         |
| Earnings Per Share (Yen)                   | 22,280    | 26,329    | -         |
| Sales (YoY, %)                             | +14.0%    | +13.2%    | -         |
| Recurring Profit Margins (%)               | 28.1%     | 27.5%     | -         |
| b) / a) - 1                                | FY07/2011 | FY07/2012 | FY07/2013 |
| Sales                                      | +0.6%     | +0.0%     | -         |
| Recurring Profit                           | +6.0%     | +3.9%     | -         |
| Net Profit                                 | +13.8%    | +8.5%     | -         |
| Earnings Per Share                         | +14.4%    | +17.0%    | -         |

Source: Company Data, WRJ Calculation

## 4.0 Business Model

### Leading the Market for Pharmaceutical Cosmetics

The Company is the distinguished leader in the market for pharmaceutical cosmetics in Japan, holding market share over 30%. Even the largest peers are estimated to hold less than 10% market share in Japan. The market for cosmetics in Japan, comprising those for skin-care (some 45% of the market) and those for makeup (some 55%) is congested with some 30,000 suppliers, while the collective market equates to as much as ¥2.2 trillion pa. Still, it is generally accepted that the market has no more growth potential in the future. On the other hand, the Company's products, basically belonging to the skin-care side, are all pharmaceutical cosmetics, meaningfully distinguished from so-called system cosmetics that account for the bulk of the market. Pharmaceutical cosmetics, characterized by relative superiority in many aspects, when compared with system cosmetics, are increasing sales by replacing system cosmetics, while the Company appears increasing market share in the market for pharmaceutical cosmetics as the key player.

Pharmaceutical cosmetics are cosmetics, developed by dermatologists etc. or medicine manufacturers, together with their specialty knowledge & know-how, mainly in the field of skin-care. The main effect is a moisturizing action on the skin of (dominantly) women's faces. Meanwhile, there is a concept of doctors' cosmetics, in which parts, developed by medicine manufacturers, are excluded from pharmaceutical cosmetics. In the field of doctors' cosmetics, the Company, dedicating itself to this field, has market share over 40% in Japan.



- The key brand with the Company, accounting for some 90% of sales.
- Target age: Forties and above
- ASP: ¥5,000

· Labo Labo



- Target age: Twenties to Thirties
- ASP : ¥2,000

GENOMER



- Target age: Above 45
- ASP : ¥10,000

Source: Company Data

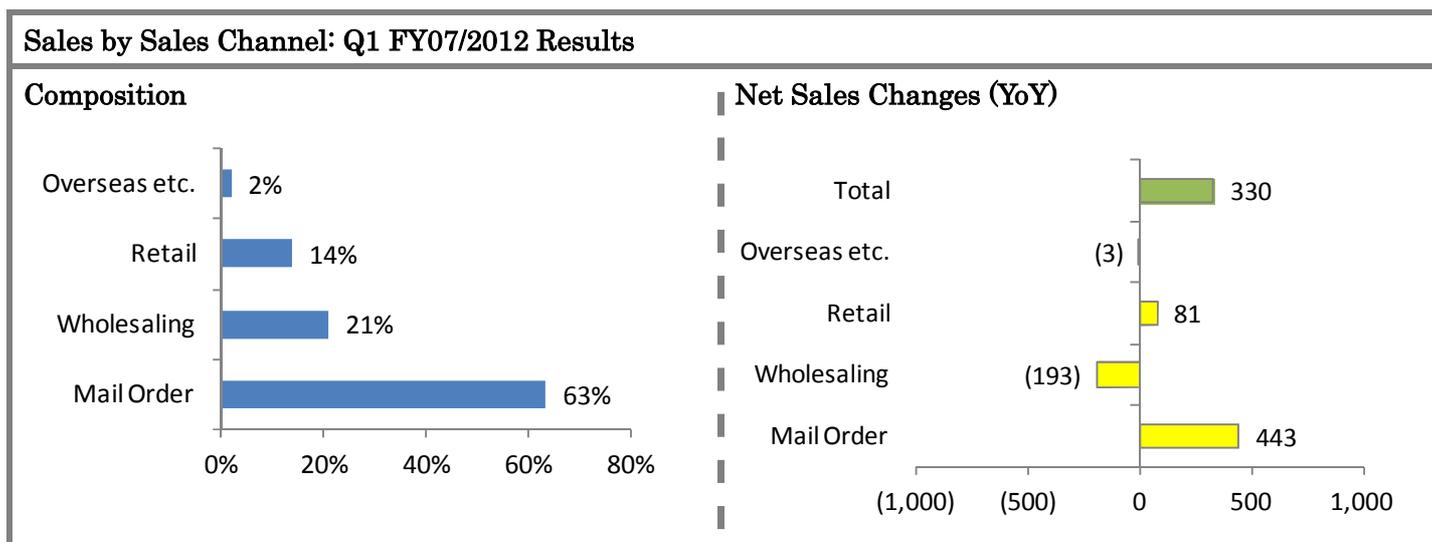
### Aqua-Collagen-Gel Series

The Company's sales in Q1 FY07/2012 came in at ¥7.8bn (up 4.4% YoY), 94.1% exposed to Cosmetics Business and 5.9% to Health Food Business, and thus the Company is almost all exposed to Cosmetics Business. By sales channel, the Company is mainly exposed to mail order with a 63% share in sales, and this category accounted for ¥443m (134%) out of the net increases in overall sales ¥330m with the Company, in Q1 FY07/2012. On the wholesaling side (21% of sales), the Company suffered from one-of decreases in sales, having generated net decreases in sales ¥193m with the Company.

The number of items for the Company's pharmaceutical cosmetics is as many as some 290, while the Company's sales hinge on some well-selling items. Sales of the top ten items, collectively, accounted for 53.0% of total in Q1 FY07/2012. The top item, "Aqua-Collagen-Gel Enrich-Lift-EX", accounted for 22.0% of sales, on its own. This is skin-care cosmetics, made of aqua collagen, and is the key item of Aqua-Collagen-Gel Series, having collectively accounted for 36.9% of sales.

Average retailing prices for "Aqua-Collagen-Gel Enrich-Lift-EX" are a touch below ¥9,000, while it is estimated that one has to spend some ¥20,000 to gain the same effects as the Company's product by means of system cosmetics. In the scheme, advocated by major suppliers of system cosmetics, it is a minimal requirement to go through all the four processes, comprising a) skin toner, b) milky lotion, c) beauty liquid and d) makeup base, in order to bring forth constant moisturizing with the skin, prior to makeup, and four different system cosmetics, for the four processes, are of necessity for this operation as a whole, and this costs ¥20,000, collectively. "Aqua-Collagen-Gel Enrich-Lift-EX" is meaningfully and/or relatively superior to

system cosmetics in a respect that the cost is less than half and that it needs only one process versus four with system cosmetics while offering roughly the same effects.



Source: Company Data, WRJ Calculation

### Mail Order

The number of registered members for the Company's mail order stands at 7.87 million (as of the end of Q1 FY07/2012), while the Company expects 10m in a couple of years or so, and 13m to 14m, at the end of the day. The Company has been continuously increasing the number of the registered members, claiming for relative superiority of own products in which they deal by means of diversified marketing measures, while carefully taking care of the existing user base with CRM etc. It is estimated that there are many candidates for new members still believing in superstitions that have been created by the major suppliers of system cosmetics. As far as it can be anticipated that future improvements of recognition on the Company's scheme will be feeding through, there is a decent room for the Company's mail order members to go on increasing in the future. In addition to periodical distribution of catalogues by real mailing, the Company is running ads on own website. Users are supposed to be exposed to new product developments etc. through such media, and this persuades new order placements with the Company, which is the basic scheme for the sake of sales enhancement in mail order.

One of the ways for the Company's mail order members to place order with the Company is to take advantage of Internet media, including Smartphone etc (E-Commerce). The Company has been seeing increasing exposure to this category, up to some 40% of sales to date. The remaining 60% of sales here is mainly accounted for by order placement through telephone calls. Going forward, the Company is likely to see even larger exposure to E-Commerce, but the Company has an intention to cap the levels at some 50%, while maintaining order placement through telephone calls for the remaining 50%. This is because the Company places emphasis upon direct communications with users through telephone calls. It is aimed at here to keep up with the most recent users' needs to feed back to the developments of new products, coping with such needs though the live voices of users. On top of this, the Company's task is not considered to be of only being a supplier of products but also of other services (e.g. coping with needs to have comfortable chats with somebody among elderly members), and the emphasis upon order placement through telephone calls offers good opportunities for the Company to efficiently carry it out.

### Trends in Age Composition

Over the past three years, sales of mail order have been driven by increasing exposure to elderly users over 40 years old. In other words, it seems that the favorable characteristics of the Company's products have been gradually recognized in the market to date. Still, it is too early to estimate that the recognition, in the market, has sufficiently improved, and thus further improvements from here on are expected.

| Sales Breakdown |               |               |             |
|-----------------|---------------|---------------|-------------|
| Age Group       | Current       | 3 Years Ago   | Net Changes |
| 10-19           | 0.4%          | 0.8%          | (0.4%)      |
| 20-29           | 7.9%          | 20.7%         | (12.8%)     |
| 30-39           | 28.8%         | 38.7%         | (9.9%)      |
| 40-49           | 27.5%         | 20.4%         | +7.1%       |
| 50-59           | 18.0%         | 11.6%         | +6.4%       |
| 60-69           | 17.4%         | 7.8%          | +9.6%       |
| <b>Total</b>    | <b>100.0%</b> | <b>100.0%</b> | <b>-</b>    |

Source: Company Data, WRJ Calculation

Region-wise, it is estimated that the recognition by users remains lower in non-metropolitan regions than in the metropolitan regions, while the levels in non-metropolitan regions are expected to be as high as in metropolitan regions sooner or later. Thus, there is a room for recognition for favorable characteristics of the Company's products to improve in this respect, too.

## 5.0 Financial Statements

### Per Share Data

| Per Share Data                 | Cons.Act<br>FY<br>07/2007 | Cons.Act<br>FY<br>07/2008 | Cons.Act<br>FY<br>07/2009 | Cons.Act<br>FY<br>07/2010 | Cons.CoE<br>FY<br>07/2011 | Cons.CoE<br>FY<br>07/2012 |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| (Yen)                          |                           |                           |                           |                           |                           |                           |
| Earnings Per Share             | 2,051                     | 7,677                     | 11,208                    | 17,366                    | 22,280                    | 26,329                    |
| Dividend Per Share             | 600                       | 3,100                     | 2,700                     | 3,200                     | 6,700                     | 7,900                     |
| Net Assets Per Share           | 31,428                    | 36,899                    | 43,541                    | 58,155                    | 57,193                    | 76,820                    |
| a) No. of Shares Out. (Shares) | 277,988                   | 278,916                   | 280,348                   | 280,496                   | 280,868                   | 254,055                   |
| b) Treasury Shares (Shares)    | 3,198                     | 7,198                     | 9,813                     | 9,813                     | 29,813                    | 3,000                     |
| a) - b)                        | 274,790                   | 271,718                   | 270,535                   | 270,683                   | 251,055                   | 251,055                   |

Source: Company Data, WRJ Calculation

## Summarized Financial Statements

| Summarized Financial Statements     | Cons.Act<br>FY | Cons.Act<br>FY | Cons.Act<br>FY | Cons.Act<br>FY | Cons.CoE<br>FY | Cons.CoE<br>FY |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| (Million Yen)                       | 07/2007        | 07/2008        | 07/2009        | 07/2010        | 07/2011        | 07/2012        |
| Sales                               | 9,078          | 21,618         | 25,900         | 31,789         | 36,233         | 41,000         |
| Operating Profit                    | 1,161          | 3,817          | 5,403          | 8,370          | 10,247         | 11,300         |
| Recurring Profit                    | 1,148          | 3,823          | 5,391          | 8,376          | 10,176         | 11,280         |
| <i>Extraordinary Balance Etc.</i>   | (52)           | (303)          | (80)           | (50)           | (63)           | (140)          |
| <i>Pretax Profit</i>                | 1,095          | 3,520          | 5,311          | 8,326          | 10,113         | 11,140         |
| <i>Tax Charges</i>                  | 532            | 1,416          | 2,264          | 3,627          | 4,114          | 4,530          |
| Net Profit                          | 563            | 2,104          | 3,047          | 4,699          | 5,999          | 6,610          |
| <i>Dividend Paid</i>                | 164            | 842            | 730            | 866            | 1,682          | 1,983          |
| Net Assets                          | 8,636          | 10,026         | 11,779         | 15,742         | 14,358         | 19,286         |
| Total Assets                        | 11,861         | 13,262         | 15,252         | 21,520         | 20,190         | -              |
| Operating Cash Flow                 | 749            | 3,071          | 2,803          | 6,584          | 4,886          | -              |
| Investment Cash Flow                | (392)          | (572)          | (674)          | (452)          | (412)          | -              |
| <i>Operating CF + Investment CF</i> | 357            | 2,498          | 2,128          | 6,131          | 4,474          | -              |
| Financing Cash Flow                 | (781)          | (1,742)        | (1,392)        | (712)          | (7,363)        | -              |
| Sales YoY (%)                       | -              | -              | +19.8%         | +22.7%         | +14.0%         | +13.2%         |
| Recurring Profit Margins (%)        | 12.6%          | 17.7%          | 20.8%          | 26.3%          | 28.1%          | 27.5%          |
| Tax Charges / Pretax Profit (%)     | 48.6%          | 40.2%          | 42.6%          | 43.6%          | 40.7%          | 40.7%          |
| Payout Ratio (%)                    | 29.3%          | 40.4%          | 24.1%          | 18.4%          | 30.1%          | 30.0%          |
| Net Assets / Total Assets (%)       | 72.8%          | 75.6%          | 77.2%          | 73.2%          | 71.1%          | -              |
| ROE (%)                             | -              | 22.6%          | 27.9%          | 34.1%          | 39.9%          | 39.3%          |
| DOE (%)                             | 1.9%           | 9.9%           | 7.3%           | 7.3%           | 11.6%          | 11.8%          |

Source: Company Data, WRJ Calculation

### Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

Company name: Walden Research Japan Incorporated

Headquarters office : #1110 4-12-4 Hatchobori, Chuo, Tokyo, JAPAN 104-0032

URL: [www.walden.co.jp](http://www.walden.co.jp)

E-mail: [info@walden.co.jp](mailto:info@walden.co.jp)

Phone : +81 3 3553 3769