NOEVIR

Annual Report 2008

Year ended September 20, 2008

Although fiscal 2008, the year ended September 20, 2008, saw a decline in revenues, by increasing focus on the core cosmetics business and efforts to bolster the Company's financial position, Noevir surpassed its net income forecasts identified at the beginning of the period. Net income also significantly exceeded year-on-year margins for the second consecutive fiscal year. Noevir is determined to address business issues and achieve the goals set out in its medium-term management plan.

Right: Nearly a decade after its launch, the Noevir 505 *skincare line was renewed in October 2008.*

Financial Highlights

Noevir Co., Ltd, and Subsidiaries
Years ended September 20, 2008 and 2007

	Millions of yen	
	2008	2007
FOR THE YEAR:		
Net sales	¥ 58,669	¥ 59,352
Operating income	4,043	3,869
Net income	2,937	2,018
AT YEAR-END:		
Total assets	95,818	99,787
Total equity	51,600	44,223
	Yen	
PER SHARE:		
Basic EPS	¥ 71.94	¥ 56.33
Total equity	1,247.93	1,232.78
Cash dividends applicable to the year	36.00	36.00

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A Discussion with Top Management

Hiroshi Okura, President and CEO

Q1. First, could you give us your views on the Noevir Group's distinctive features and operating environment?

CEO: The mainstay of the Noevir Group is its cosmetics business—ranging from excellent prestige skincare products, primarily made available through direct sales, to retail products popular with the young adult segment. In the skincare field, Noevir's forte, we earn high praise for our R&D expertise in deriving ingredients from natural sources. This, together with the synergistic effect gained from the pharmaceutical business of Noevir's subsidiary, Tokiwa Pharmaceutical, enables us to consistently provide highly functional products. Nonetheless, despite the exacting market environment surrounding our linchpin of direct sales, Noevir is working to reinforce its sales structure with its own complementary systems.

In October 2007, Noevir was listed on the Second Section of the Tokyo Stock Exchange. Noevir is striving for new growth as it works to further expand its operations and raise corporate value.

Q2. How would you evaluate Noevir's performance during fiscal 2008?

CEO: The Noevir Group is in the process of building a new management platform. Although our mainstay cosmetics business continued to achieve stable profits, contraction in the health food and pharmaceutical markets was a factor in the decline of consolidated net sales—bringing into sharp relief management issues related to growth. In fiscal 2008, we placed emphasis on a process of selection and focus as well as efforts to enhance efficiency. Coupled with the Company's aggressive and expeditious decision making, these endeavors contributed to an increase in both operating and net income.

Q3. Could you please provide us with a medium-term management plan progress report and an outlook for fiscal 2009?

CEO: We reviewed the medium-term management plan taking into account the economic environment both within and outside of Japan. Ending September 20, 2011, the plan has four goals: improving our sales force, increasing our competitiveness in the market, maintaining a strong financial position and reinforcing our internal control structure. To achieve these goals, the main thrust of our efforts will focus on the transformation and enhancement of interaction with customers, development and supply of luxury skincare products, and the upgrade of our quality assurance structure. We have set an operating income margin of 10%, on a consolidated basis, as a numerical target for fiscal 2011. For fiscal 2008, the operating income margin was 6.9%, with earnings per share (EPS) of ¥71.94. Both of these exceeded the respective results of the previous fiscal year.

In fiscal 2009, Noevir will continue to make efforts to expand its core brands' share in the cosmetics and health food segments. Simultaneously, the Company will endeavor to bring its pharmaceutical segment back to profitability through the implementation of income-oriented management driven by a maximum level of efficiency. As the aviation business of our U.S.-based subsidiary will be impacted by deteriorating economic conditions in the United States and Europe, management decisions in the other segment will be undertaken with caution.

Q4. Please tell us about the Company's R&D policy and the fields in which you are active?

CEO: Based on our guiding principle of "Noevir, where beauty is science," the primary emphasis of our endeavors is to discover as yet unknown active ingredients from natural sources. The research facilities Noevir has established throughout Japan pay particular attention to subarctic and subtropical plants for their characteristic vitality and the mechanisms which enable them to survive in an especially harsh environment. Our ongoing fundamental research explores health and beauty, making no distinction between cosmetics and pharmaceuticals or inner beauty and outward appearance. Against the backdrop of market demand that focuses on high-performance products, Noevir pays particular attention to anti-aging. Moreover, through collaborative research with academic institutions, Noevir's long-term vision with regard to product development is to conduct comprehensive anti-aging research across a broad spectrum of fields, including neurological-related research.

Q5. Our next question is for the COO. What are your thoughts about the Noevir and Tokiwa brand strategies?

COO: The Noevir cosmetics brand is well-known throughout the Japanese market for highly reliable prestige skincare cosmetics that contain botanical ingredients. In addition to our core demographic of women in their 40s, we are also actively targeting customers in their 20s and 30s who are new to the prestige market by establishing showrooms in urban areas. Amid the market trend toward natural ingredients, we have set ourselves apart from competitors as a leading company that promotes the functionality of products that preserve an environment natural to the skin. Moreover, by placing Tokiwa's Brand Strategy Department at the center of our efforts, we will maximize the unique characteristics of the Nov and Sana brands, while working to establish a firmer position in the retail market.

Q6. Could you tell us about the business plan for the cosmetics segment?

COO: Noevir will continue to specialize in offering exceptionally functional, high-value-added products. To address issues of convenience and closed sales channels, Noevir has deployed systems that support the activities of our sales representatives—comprising Noevir Support, Noevir Style and Noevir Showrooms. These initiatives will work to improve performance, while customer data obtained through direct sales and mail order services will be reflected in product development. In addition, we opened our second store in Shanghai, China, in August 2008. We will continue to show enterprise in our

Top: The Nov III *line of cosmetics for sensitive skin is the result of joint research and development with dermatologists.*
Left: Noevir 99*, our flagship skincare line, blends the abundant natural offerings of botanicals from the East and the West.*

Takashi Okura,
Vice President and
COO

development activities by ascertaining opportunities available for overseas expansion.

Tokiwa has integrated pharmaceutical elements into cosmetics, and will continue to adhere to its new "cosmeceuticals" strategy and develop evidence-based functional products.

Q7. What are the business plans and measures designed to improve performance in the pharmaceutical and health food segments?

COO: Amid an ongoing decline in the over-the-counter (OTC) pharmaceutical and deposit system markets, the Noevir Group continues to rigorously pursue enhanced investment efficiency and will endeavor to expand the market share of its flagship products. In the pharmaceuticals segment, in tandem with emphasizing promotions of *Nanten Nodo Ame* cough drops in the OTC market, Tokiwa will concentrate on the creation of strong sales channels and products that can offer customers solutions with deposit system medicine kits. We will also advance selection and focus efforts to efficiently raise profitability. In the health food segment, Tokiwa will strengthen its lineup, including *Min Min Da Ha* and other functional drinks with high market share. For nutritional supplements, we will bring to market products based on health maintenance and other quality of life themes. In concert with encouraging repeat purchases, we will endeavor to create a fortified sales structure. Headquarters sales division's dedicated experts will effectively facilitate sales representative education and training in addition to ensuring the regular availability of our products in stores and that they remain immune to the effects of the market environment.

Q8. What is being done with regard to corporate governance?

COO: Regarded as management issues of the utmost importance, Noevir will continue to be strongly committed to corporate governance and transparency. Noevir will strive to raise the level of internal control, making as-needed improvements to its internal control system, while also improving business processes and educating its employees.

Q9. Finally, may we have a few words from the CEO for Noevir's stakeholders?

CEO: Under its medium-term management plan, the Noevir Group is currently engaged in a transformation to a new business model and solidifying its platform for growth. We will continue our work to raise competitiveness and the level of trust in Noevir's brands within the realm of health and beauty which continue to attract significant interest from society. We will endeavor to boost corporate value and fulfill our social responsibilities to foster lifelong relationships with all of our stakeholders.

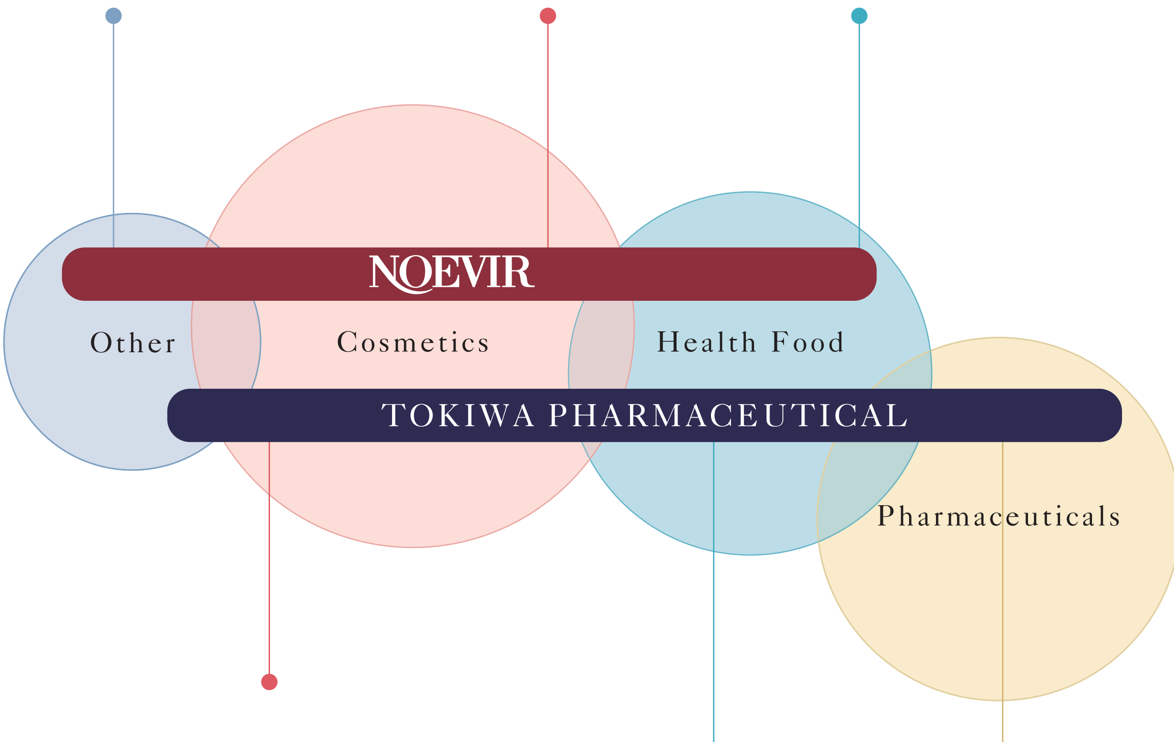
Hiroshi Okura, President and CEO

Takashi Okura, Vice President and COO

Noevir Apparel and
Intimate Apparel

Noevir Cosmetics

Noevir Health Food



Sana Cosmetics

Nov Cosmetics

Tokiwa
Health Food

Tokiwa Pharmaceuticals

Segment	Activities	Main Products	Channels: Direct Sales	Mail Order	Variety Stores	Super-markets	Drug-stores	Conve-nience Stores	Contract Manufac-turing
Cosmetics	**Noevir Brand** A wide range of products, from high-performance functional skincare, to makeup, hair care products and toiletries.	*Noevir 99 Skincare* Line *Noevir 505 Skincare* Line *Noevir Speciale* Line *Noevir No-AGX* *Noevir Whiteness Concentrate KJ* *Noevir Fairydew*	○	○					
	Other Brands (Nov/Sana/Bonanza) A versatile collection of well-regarded brands, including dermatologist-recommended Nov cosmetics for sensitive skin; Sana's popular skincare, makeup and body care products; and Bonanza's contract manufacturing of cosmetics.	*Sana Nameraka Honpo* Line *Sana Maikohan Makeup* *Sana Excel Makeup* *Sana Esteny Body Care* *Nov III Skincare* Line *Nov Oligomarine* Line *Nov Water* Line *ACT-NOV a* Line		○	○	○	○	○	○
Pharmaceuticals	**Tokiwa Brand** An abundant lineup of OTC pharmaceuticals, from medicine kits to cold remedies, cough drops and medicinal drinks.	*Medicine Kits* *Nanten Nodo Ame* Cough Drops *Gronviter Delux K*	○		○	○	○	○	○
Health Food	**Noevir Brand** Mainly nutritional supplements with high-quality natural ingredients and also including health food products, such as sea salt and teas.	*Noevir Cordyceps Sinensis* *Noevir Agaricus Hyper* *Noevir L-C-Q10 II* *Noevir Enzycle*	○	○					
	Tokiwa Brand Highly competitive functional drinks and supplements for health and beauty.	*Min Min Da Ha* Energy Drink *Vita C* Energy Drink		○	○	○	○	○	○
Other	**Noevir Brand** Apparel for both women and men. Noevir's subsidiary in North America sells and leases aircraft.	*Air Talk* *Air Talk Homme* *MLLE* *MLLE Suite Model* *Dramatic Rose*	○	○					

SPECIALE


SPECIALE
LOTION
NOEVIR
GINZA TOKYO
SPECIALE
CREAM
NOEVIR
GINZA TOKYO

Noevir —

High-Performance Products Derived from Natural Ingredients

Noevir's products are based on the guiding principle, "Noevir, where beauty is science." This is a philosophy we have ingrained in the development process, from skincare products, Noevir's forte, to nutritional supplements and toiletries. Noevir uses proprietary formulating techniques to transform effective ingredients discovered from natural sources into functional products. The expertise required to accomplish this is one element of Noevir's ability to excel in a competitive market. Moreover, because the products Noevir offers are intended for continuous use in daily life, Noevir's research and planning activities center on enhancing the quality of life.

Product Strategy

As a pioneer in cosmetics derived from natural sources, Noevir annually launches a number of high-performance, special treatment products with an emphasis on *Noevir 505* and *Noevir 99*, prestige skincare lines that generate a high volume of repeat orders. Noevir offers a lineup of products that meet market needs, with specific emphasis on highly functional products that offer anti-aging and skin brightening properties. In recent years, Noevir has begun to make efforts to enhance makeup products with the recognition of trends within the youth demographic. In addition, in pursuit of total inward and outward beauty, Noevir incorporates the fruits of its research on natural ingredients into nutritional supplements, while it also offers toiletries, as well as undergarments and other apparel products.

To address diversifying customer needs and to pursue products with a distinctive edge, Noevir leverages its synergies with Tokiwa, a subsidiary that specializes in OTC pharmaceutical manufacturing. Noevir also puts into practice aggressive measures to boost product efficacy, such as upgrades to its R&D facilities.

Major Activities in Fiscal 2008

In the fiscal year under review, Noevir enhanced its *Noevir 80 Pure* herbal skincare line and its top luxury *Noevir Speciale* line to further enhance its array of skincare products. *Noevir 80 Pure* contains plant-derived collagen, hyaluronic acid and amino acid, together with the benefits of 14 types of botanicals for an herbal skincare line that is gentle and aids the retention of moisture even for those with sensitive skin. *Noevir Speciale Cream N* boasts a top-class position in Japan's luxury cream market in terms of units sold. Having recently been renewed, this cream utilizes a proprietary technique to better permeate the skin. By incorporating the results of this research to their maximum potential, the cream provides an even further enhanced sensation when applied to the skin.

In addition to the new functional skincare product *Noevir Fairydew*, the body care product *Hot Up Gel*, makeup products *Ururu Lip Gloss*, *Ururu Eyeliner* and *Irotsuya Eyes*, Noevir has launched *Enzycle* and *Menoformula II* nutritional supplements aimed at improving the quality of life.

Noevir New Products for the Year

Noevir Fairydew special treatment is based on a new "non-accumulation" concept to facilitate the skin's own natural cleansing process. Ideal for use in massage, *Noevir Fairydew* contains ac-11, alpha-lipoic acid, Noevir's proprietary Ezogomana extract ingredient and other notable new ingredients.

Launched in spring 2008, *Ururu Lip Gloss* and *Ururu Eyeliner* have added a seven-color shimmer to the array of Noevir makeup products. *Ururu Eyeliner* adds a touch of sparkle to the eyes, while *Ururu Lip Gloss* provides just the right amount of shine for beautiful, luscious lips.

Tokiwa New Products for the Year

Shuchuryoku is a functional drink containing glucose, salmon DNA, arginine and caffeine. With a unique name that literally means "concentration power," *Shuchuryoku* is targeted at students and office workers.

The *ACT-NOV a* line is a comprehensive lineup of innovative skincare products that focuses on the treatment of acne. Utilizing the results of clinical research in the dermatological field conducted for the Nov brand of hypoallergenic cosmetics, the *ACT-NOV a* line bolsters the product lineup to form another pillar of the Nov brand.

Tokiwa Pharmaceutical —

Energetic Lineup Drives Market Creation

While maintaining an emphasis on functionality, Tokiwa uses its unique marketing to propel a stream of hit products with eye-catching names. Tokiwa boosts its strong retail presence as a brand of original products that includes cosmetics, pharmaceuticals and functional drinks. In the deposit system market, in which Tokiwa has been active for over 60 years, we have provided products ranging from cold remedies and antacids to nutritional supplements. Tokiwa is able to leverage synergies between the health and beauty markets, and with its pharmaceuticals, cosmetics, functional drinks and nutritional supplements, it is in a unique position as it aims to boost growth.

Product Strategy

Tokiwa is shifting its focus to areas with strong growth potential, such as mass market cosmetics and functional drinks. In cosmetics, the core Tokiwa brand *Sana Nameraka Honpo Soymilk Isoflavone* skincare line has further enhanced its lineup, with a cumulative total of over 22 million units sold as of December 2008. The Sana brand has also seen favorable sales of the *Sana Maikohan* line and the *Keana Putty Shokunin* concealer line of makeup products. In addition, amid increasing demand in Japan for hypoallergenic cosmetic products, the Nov brand, which has been recommended by approximately 80% of Japan's dermatologists, is steadily expanding sales, having successfully been introduced to the retail market from medical institution sales channels. In pharmaceuticals, *Nanten Nodo Ame* cough drops are consistently popular. At the same time, the health food category has seen the functional drink *Min Min Da Ha* gain market share, while the related products of *Kyo Kyo Da Ha* and *Shuchuryoku* are in a lineup created by Tokiwa that is expanding market boundaries.

Moving forward, Tokiwa will continue to offer pharmaceutical, beauty and nutritional supplement products that meet the diverse and highly segmented market needs.

Major Activities in Fiscal 2008

In cosmetics, considering the strong demand for a brightening function from dedicated users of the *Sana Nameraka Honpo* skincare line, sales were boosted with the launch of four skincare items that incorporated arbutin, a skin brightening ingredient. In the Sana brand of makeup products, we launched *Keana Putty Shokunin Clear* pore-smoothing makeup base, a product in the enormously popular line which has sold a cumulative total of 1.65 million units since its launch in 2006. In the Nov brand, we commenced sales of the well-received *ACT-NOV a*, a new product line based on acne research cultivated through clinical dermatology. In addition, we launched *Cellpharma*, a brand of body cosmetics made available mainly through dermatological medical institutions, a sales channel originally cultivated with the Nov brand.

Top: With over 22 million units sold, the Sana Nameraka Honpo Soymilk Isoflavone *skincare line is Tokiwa's best seller.*


505
MILK LOTION
NOEVIR
GINZA TOKYO
505
SKIN LOTION
NOEVIR
GINZA TOKYO
505
CREAM NOEVIR
NOEVIR 505

Noevir Sales Strategy —

Diversified Expansion for New Business Development

Operating fundamentally as a direct sales company, Noevir is focusing on the personal beauty consultation given by its sales representatives. We are also developing diversified sales strategies in line with changes in consumer lifestyles. Noevir has identified the making of sales force improvements as one of the goals of its medium-term management plan. Consequently, in addition to attracting new customers, Noevir's theme of communication reflects the emphasis placed on building close relationships with consumers and sales representatives.

Sales Force Strengthening

To expand sales of luxury skincare and functional cosmetics products requiring counseling services, Noevir prioritizes honing the already exceptional communication skills of its trained sales representatives, which will enhance our competitive advantage. Noevir provides Company-wide backup to address the issues confronting its network of 180,000 independent sales representatives. This backup is evidenced by the introduction of Noevir Support, a system that has enhanced the convenience of transactions with sales representatives, as well as Noevir's sales-facilitating support for follow-up activities and proposals. Additional efforts include the development of facilities linked to improving sales representative activities, such as the installation of a model room within Noevir's Shiga Training Center to provide suggestions for a store's layout and design.

To further raise communication skills and deepen understanding of beauty and cosmetics, we established the Noevir Ginza Academy educational initiative. In addition, headquarters and sales representatives conduct home party-style Café Noevir events to offer customers opportunities to try Noevir products. The Noevir Color Communication advisory service, which provides comprehensive consultations on colors—from makeup to fashion—represents another area in which we are making concerted efforts.

Noevir focuses on acquiring new sales representatives and increasing the number of those who are consistently profitable, whether they continue their business over a lifetime or pass it on to the next generation.




Left: Individual color analysis and advice, through Noevir Color Communication, creates sales opportunities.
Center left: Café Noevir plays a leading role in customer retention and acquisition by providing an opportunity for customers to sample products and receive beauty advice.
Center right: Noevir Ginza Academy provides independent sales representatives with training in skincare, makeup and nail care.
Right: The Noevir Showroom in Omotesando, Tokyo, was established so that as many people as possible would be able to experience luxury cosmetics.

Diverse Sales Strengths

To demonstrate the qualities of the Noevir brand to the consumer category that does not shop via direct sales, Noevir is expanding membership of Noevir Style, its membership-based online mail order service. Additionally, the information obtained through this service is used in a database that greatly improves the efficiency of product development, marketing and sales.

Another measure has been the introduction of Noevir Showrooms, first established in November 2007 and steadily rolled out to include Sapporo, Kanazawa, Nagoya and Omotesando in Tokyo. Together with raising Noevir brand awareness, these Noevir Showrooms are venues where consumers have increased opportunities to experience high-quality Noevir products and thus serve to attract new customers.

By focusing on these initiatives, which are designed to aid the business activities of sales representatives, as well as by continuing to make refinements, Noevir is adapting with flexibility to the changes in its market environment.

Noevir Business Model

Direct Sales

Support Structure

Noevir Style

In addition to the traditional method of purchasing merchandise through sales representatives, this shopping service allows customers to purchase items via Internet and mobile phone sites as well as by telephone, facsimile and post.

Noevir Showroom

Noevir Support

Service that allows sales representatives to order merchandise directly from headquarters

Tokiwa Pharmaceutical Sales Strategy —
Reinforcing Brand Strength

As a market leader in deposit sales of pharmaceuticals, a home delivery system for OTC pharmaceuticals, Tokiwa works through the retail market, mail order and an array of other channels to offer cosmetics, energy drinks, nutritional supplements and a range of other product categories. Furthermore, including the business development practice of product contract original equipment manufacturing (OEM), Tokiwa endeavors to find multiple contact points with its customers.

Expanding Sales Channels

Tokiwa's retail market is currently made up of a wide range of sales channels, ranging from drugstores and convenience stores to the Internet, in which target consumer groups are segmented based upon a clear concept, with marketing methods conducted according to each individual brand. A notable example is the Nov brand of hypoallergenic skincare products that, together with improvements made through collaboration with dermatologists and other health care professionals, is enabling Tokiwa to successfully expand its sales distribution channels into the retail market.

Meanwhile, the Tokiwa Style e-commerce site is a new channel that fulfills a dual role, acting as a direct point of contact with consumers and facilitating the collection of customer information. In deposit sales, amid a trend toward market contraction as a result of greater availability of alternatives, mainly through drugstores, Tokiwa will emphasize the promotion of efficiency.

Both Sana and Nov brands are pioneering overseas development, mainly in North America and Asia. The remarkable growth of sales in Asia is driving future development of both pharmaceuticals and health foods.

Efficient Advertising

With regard to pharmaceuticals, cosmetics, functional drinks and other mainstay products, aggressive and efficient development of advertising and sampling initiatives is boosting brand awareness levels. In December 2007, a radio commercial for *Nanten Nodo Ame* cough drops garnered much attention for its top rating in the Radio Advertising Bureau Japan-sponsored *Radio Commercial Popularity Survey—Tokyo Area*. In combination with defining radio as the main target medium for advertising, effective advertising efforts also contribute to sales through radio program and commercial tie-ups as well as by guiding consumers to promotional sites.

Top: The comprehensive ACT-NOV a *line comprises innovative skincare products that focus on the treatment of acne.*

NOEVIR 80 PURE

R&D Characteristics

Noevir conducts highly original R&D based on its guiding principle of "Noevir, where beauty is science."

Noevir places its primary focus on thorough botanical research. Centering on research facilities and pilot farms throughout Japan, Noevir utilizes 120 evaluation methods to analyze approximately 2,000 varieties of plants obtained from around the world. Many of the active ingredients discovered by Noevir have garnered much attention in the market as functional products geared toward anti-aging or for their skin brightening ability, becoming a source of Noevir's brand strength.

These discoveries place Noevir at the top of the cosmetics industry in terms of the number of patent applications in the botanical category made to the Japan Patent Office over the past five years. They provide proof positive of the Noevir Group's robust R&D capabilities.

Next comes Noevir's dedication to comfortable feeling skincare products. In addition to products that are exceptionally functional, another critical element that Noevir considers in the development of high-performance skincare products is the impact on emotions when cosmetics are used. For many years, Noevir has been conducting wide-ranging research with dermatological data from 200,000 individuals as well as research into physical properties, brain science, psychology and sensory functions.

Moreover, synergies with Group company Tokiwa have leveraged the company's expertise in pharmaceuticals for the development of cosmetics and have spurred aggressive efforts in the nutritional supplement field.

The R&D budget of the Noevir Group in the fiscal year ended September 20, 2008 was ¥1,659 million.

Research Network

Noevir has established a closely connected research network that links its 11 Japanese research centers, including pilot farms, with the New Jersey R&D Center in the United States. With their herbal gardens, the Shiga Research Center, which focuses on formulating cosmetics, and the Kobe Research Center, which undertakes beauty science research and specializes in the development of new active ingredients for cosmetics and nutritional supplements, form the core of Noevir's R&D activities. These facilities are in constant communication with the Tokiwa R&D Center where the Group conducts its pharmaceutical business. Furthermore, generating groundbreaking products, the Kitami Okhotsk North Botanical Research Center in Hokkaido and the Minami Daito Island Marine Research Center in Okinawa Prefecture are venues for research focused on the effective components and functionality of subarctic and subtropical plants that possess the vitality and mechanisms adapted to harsh natural environments. The New Jersey R&D Center collects and immediately disseminates to the Company's research centers in Japan information on cosmetics, pharmaceutical products and ingredients from all over the world, as well as pharmaceutical-related information from within the United States.

Left: The Shiga Research Center focuses on cosmetics formulation.
Right: Pharmaceutical research is conducted at the Tokiwa R&D Center.

In addition, Noevir conducts joint research with a number of universities and is moving forward with medicinal plant research as well as research into the medical treatment of neurological symptoms.

From Research to Market

The results stemming from basic research, announced as follows at various academic symposiums held in fiscal 2008, will be introduced to the market as a number of new products in the first half of fiscal 2009.

- The results of Noevir's research into the efficacy of plant extracts have shed light on cell communication between the dermal and epidermal layers of the skin. Through this research we have discovered an ingredient that strengthens the basal membrane between the dermis and epidermis, and promotes anti-aging, antioxidation and skin brightening. This research has also led to the discovery of an ingredient that promotes production of a dermal matrix component related to the skin's firmness and elasticity. These results were reported at the Japanese Society of Pharmacognosy in September 2008.
- Noevir, which has developed a method to assess skin softness by using an intercellular lipid model, has discovered a mechanism that softens the entire horny cell layer through a type of oil that gives pliancy to intercellular lipids in this layer. This discovery was announced at the Japanese Society of Biorheology in June 2008.

Major joint research initiatives with academic institutions are as follows:

- Using genetic techniques, conducting research with Osaka University's Faculty of Medicine, into the relationship between nerve fibers in the epidermis and itchiness.
- Conducting research with Keio University's School of Medicine, focused on Alzheimer's, amyotrophic lateral sclerosis (ALS or Lou Gehrig's disease) and other neurodegenerative diseases. (See page 16 for details.)
- With the Kitami Institute of Technology carrying out efficacy assessments of the traditional herbal medicines of the indigenous Ainu people and of boreal plants.

Noevir's Dedication to the Comfortable Application of Cosmetics

The ultimate goal in the development of cosmetics is to raise the quality of life of the people who use them. Noevir has for many years advanced research into brain functions and incorporated into *Noevir Speciale Lotion N*, Noevir's top luxury line of cosmetics, the results of research that scientifically revealed the sensations perceived by the brain when cosmetics are applied. Furthermore, Noevir has undertaken the development of a system whereby brain waves are measured to give a numerical value to the level of satisfaction one feels when using cosmetics. These and other developments represent our concerted efforts to incorporate an emotional dimension in the products we develop.

Elsewhere, another center of attention is the impact that emulsification technology is having on how cosmetics feel to the skin. In the emulsification process, oil and water are generally mixed using a surface acting agent. Noevir, however, utilizes fatty acids and amino acids—the same elements already present in the skin—in combination with its proprietary emulsification techniques. Moreover, in the production stage, in any process that exhibits a sensitive response associated with emulsification, subtle adjustments are made through visual inspection and by manual operations. In so doing, Noevir R&D maintains the quality that represents the essence of the Noevir brand.

Joint Brain Cell Research

Noevir and Keio University's School of Medicine have been conducting joint research into nerve cell death since 2002. The Noevir & Keio Research Laboratory was established to advance these efforts and undertakes research that leads to therapeutic medicines that will treat incurable neurological disorders, such as ALS and Alzheimer's disease. In combination with this, the facility works toward long-term advances in the development of cosmetics and nutritional supplements that incorporate the results of neurological science research. These research results have been applied to the development of *Noevir Gomore* hair tonic and the nutritional supplements, *Noevir Cordyceps Sinensis* and *P-Serine SP*.

Noevir will continue to create breakthrough products from the perspective of neurological science, thereby enhancing emotional health and expanding the role played by cosmetics.

Noevir Gomore

Noevir Cordyceps Sinensis

Manufacturing Systems

The Noevir Group produces a wide range of products, from cosmetics to pharmaceuticals, nutritional supplements and health food. To ensure the stable provision of these products, state-of-the-art manufacturing systems are in place with process-wide quality assurance thoroughly implemented from raw material procurement to manufacturing and shipment.

Noevir has two main manufacturing facilities. The Shiga Factory, which is a government-approved, quasi-drug manufacturing facility, handles the majority of cosmetics manufacturing and is ISO 9001 certified for quality assurance. Here, all processes—again from raw material procurement to manufacturing and shipment—are monitored by a Computer Integrated Manufacturing (CIM) system. This system features a real-time link to computer systems used by sales divisions to achieve rapid, systematic mass production. A recipient of the Prime Minister's Award for its afforestation campaign, the Shiga Factory is ISO 14001 certified for environmental management.

The Mie Factory handles most of Tokiwa's manufacturing, which meets the Good Manufacturing Practice (GMP) standards for manufacturing and quality control of pharmaceutical and quasi-drug products set by the Japanese Ministry of Health, Labour and Welfare. Under these standards, this factory manufactures pharmaceuticals and health food products, mainly energy drinks.

Realizing that the critical factor underpinning the Noevir Group's brand value is the trust that consumers place in our product quality, we will continue to enhance our manufacturing facilities and management.

The development of comfortable feeling skincare cosmetics represents an important facet of Noevir's operations. Helping to elicit these sensations of comfort are the emulsification techniques utilized in the manufacturing process. In combination with emulsification technique development, Noevir cultivates proprietary expertise through such measures as manual operations for delicate processes.

Corporate Governance

While striving to maximize corporate value, Noevir places great emphasis on maintaining the trust of all its stakeholders. Having made effective corporate governance a top management priority, Noevir has put in place the necessary management structure and audit controls. Through internal controls and risk management, Noevir works to ensure strict adherence to legal requirements and the highest level of ethical corporate behavior.

Organizational Structure

Noevir's board of directors consists of 14 members. Meetings are held on a monthly basis, with extraordinary meetings convened as necessary. With a view to strengthening corporate governance, the board of directors performs duties that maintain the effectiveness of the internal control system and has established a framework whereby the entire Company strictly adheres to legal requirements and the articles of incorporation.

Noevir has adopted a corporate auditor system, with a board of corporate auditors comprising one standing corporate auditor and two outside auditors. In addition, Noevir has established an Internal Audit Department, made up of six full-time staff, that conducts regular audits across all divisions and reports directly to the CEO. The corporate auditors, the Internal Audit Department and an independent auditor attend board of corporate auditors' meetings. This facilitates mutual cooperation and enables a three-way audit control system that effectively executes its duties.

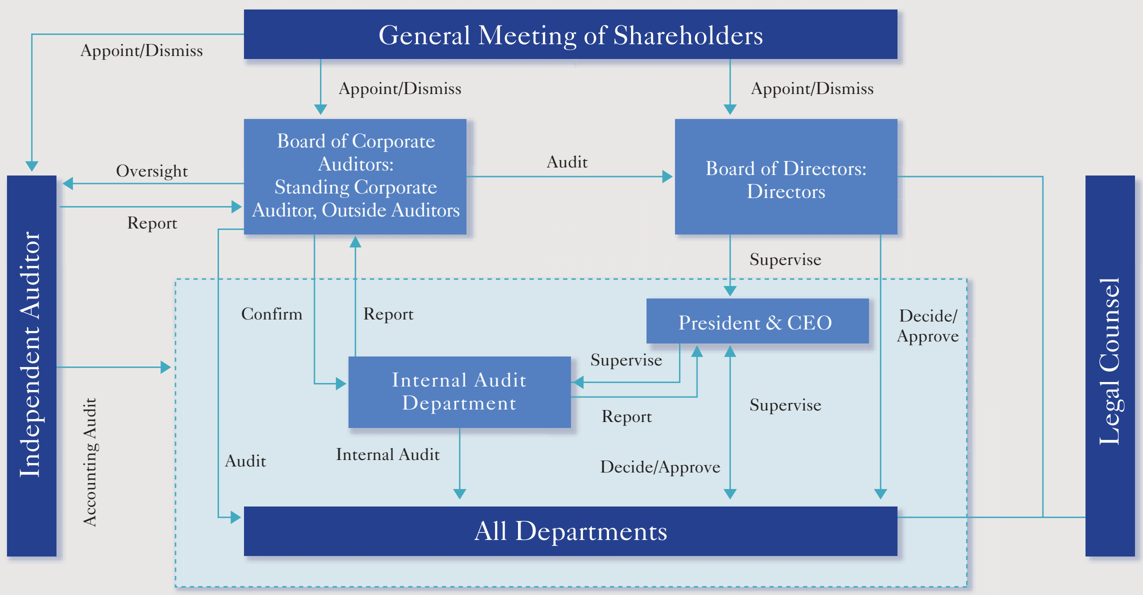
As part of the emphasis placed on maintaining the trust of its stakeholders, Noevir discloses important management and financial-related information pertaining to the Group in a timely and appropriate manner, thus ensuring management transparency.

To disseminate investor relations (IR) information, Noevir established a dedicated department, created the position of IR director and assigned staff responsible for IR-related activities. Noevir regularly holds briefings for analysts and institutional investors, and conducts briefings for overseas investors in London.

Internal Control System Strengthening

To ensure the appropriate and sound execution of its business operations, Noevir endeavors to maintain corporate governance that strictly adheres to legal requirements and its articles of incorporation. Noevir undertakes the storage and management of information associated with directors' duties, the execution of which is thoroughly streamlined. Noevir works to maintain clarity in its risk management structure as well as strengthen and promote its compliance structure under the Noevir Group Strategy and the Noevir Code of Conduct. Securing a structure for reporting to an independent board of auditors and an effective framework to execute audits, Noevir continues to further enhance its internal control system.

Corporate Governance Organizational Structure



Corporate Social Responsibility

Basic Philosophy and Activities

In addition to supporting consumers' health and lifestyles through its products, Noevir recognizes CSR as an important management goal.

As a pioneer in natural cosmetics, the Noevir Group has continuously carried out activities that contribute to environmental protection. In July 2008, Noevir became the first private company to participate in the Rokko Mountain Range Green Belt Development Project, an initiative to manage mountain areas that forms one element of recovery efforts following the Great Hanshin-Awaji Earthquake Disaster. Noevir supports the goals of this project, solicited by the Ministry of Land, Infrastructure, Transport and Tourism, by conducting forest maintenance in the Rokko Mountain Range.

Noevir also participates in joint academic research. We established a research laboratory with Keio University to pursue better treatments for Alzheimer's disease and amyotrophic lateral sclerosis (ALS or Lou Gherig's disease). Having established an endowment to create a course specializing in this field, Noevir continues to support activities that address social issues.

Overview

Fiscal 2008, ended September 20, 2008, brought slightly lower net sales to the Noevir Group, although with regard to earnings, both operating income and net income increased. Net sales dipped slightly to ¥58,669 million, a decrease of ¥683 million, or 1.2%. The Noevir brand of cosmetics, the Group's core business, recorded robust sales in the cosmetics segment owing to successful measures to support sales, favorable sales for the premium cosmetics lines launched in the second half of the fiscal year, as well as the continuing sales growth of consolidated subsidiary, Tokiwa Pharmaceutical Co., Ltd. Nonetheless, the growth in cosmetics was offset by declines in the pharmaceutical and health food segments.

Cost of sales declined ¥42 million to ¥20,700 million, even though cost of sales as a percentage of net sales rose 0.4 of a percentage point to 35.3% due to a change in the composition of net sales as a result of growth in the aviation business.

The ratio of selling, general and administrative (SG&A) expenses to net sales declined 0.7 of a percentage point, to 57.8%. SG&A expenses for fiscal 2008 contracted ¥815 million to ¥33,926 million. Despite strengthened promotion efforts for major new product launches and increased investments to upgrade the host computer and IT infrastructure, this decline was largely due to two factors: the reduction of advertising expenses in line with more efficient advertising and promotion, including a shift from television to radio, and because goodwill for Tokiwa Pharmaceutical, the consolidated subsidiary acquired in August 2002, became fully amortized in the first half of fiscal 2008.

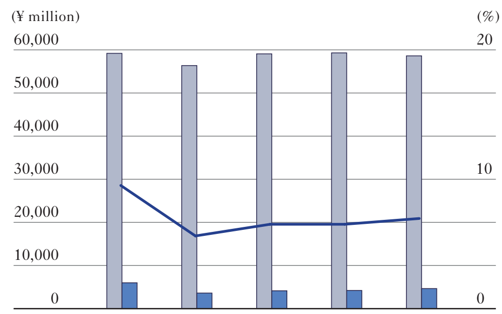
Operating income for fiscal 2008 was ¥4,043 million, an increase of ¥174 million, or 4.5%. As a result of gains on sales of property, plant and equipment owing to the sale of real estate held by Noevir and a decrease in loss on the sale and disposal of property, plant and equipment, net income grew a dramatic ¥919 million, or 45.5%, to ¥2,937 million.

Assets, Liabilities and Equity

Total assets at the fiscal year-end were down ¥3,969 million to ¥95,818 million. This was largely due to a decrease in fixed assets, particularly real estate holdings. The decrease in fixed assets is based on Noevir's strategy of divesting underperforming assets. Total current assets declined ¥1,028 million to ¥61,396 million, while fixed assets also fell by ¥2,941 million, to ¥34,422 million.

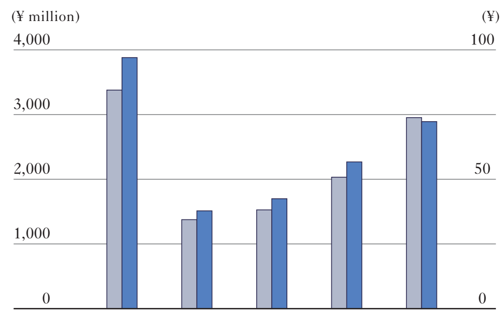
Total liabilities at the fiscal year-end were ¥44,218 million, a decline of ¥11,347 million. As of the end of the fiscal year under review, Noevir reclassified its unsecured zero coupon yen convertible bonds, due 2009, shifting ¥6,760 million to the current portion of

Net Sales/Operating Income/Operating Income Margin



	2004	2005	2006	2007	2008
Net sales	59,129	56,503	59,345	59,352	58,669
Operating income	5,592	3,171	3,858	3,869	4,043
Operating income margin	9.5	5.6	6.5	6.5	6.9

Net Income/Earnings per Share



	2004	2005	2006	2007	2008
Net income	3,373	1,336	1,507	2,018	2,937
Earnings per share	96.28	37.57	42.08	56.33	71.94

long-term debt. During the fiscal year under review, Noevir also repaid in full the current portion of loans from banks and other financial institutions totaling ¥9,350 million and purchased and retired unsecured zero coupon yen convertible bonds, due 2009. Taking the aforementioned into consideration, total current liabilities contracted ¥2,554 million to ¥19,281 million. Long-term liabilities declined by ¥8,792 million from the end of the previous fiscal year, to ¥24,937 million.

Total equity at the end of fiscal 2008 was ¥51,600 million, an increase of ¥7,377 million from the previous fiscal year-end.

Cash Flows

In the fiscal year under review, net cash provided by operating activities exceeded net cash used in investing and financing activities, resulting in a ¥256 million increase in cash and cash equivalents. At the end of the fiscal year, cash and cash equivalents totaled ¥35,914 million.

Net cash provided by operating activities was ¥6,985 million, an increase of ¥180 million over the previous fiscal year. This was largely due to an increase of ¥1,427 million in income before income taxes and minority interests.

Net cash used in investing activities amounted to ¥14 million. Major outflows were purchases of property, plant and equipment totaling ¥1,355 million and increase in other assets of ¥1,115 million, which more than offset the principal inflow of ¥2,442 million representing proceeds from sales of property, plant and equipment.

Net cash used in financing activities was ¥6,597 million, an increase of ¥3,864 million over the previous fiscal year. This was mainly due to repayments of long-term debt of ¥9,350 million and an outflow of ¥1,997 million for payments for purchasing redemption of convertible bond, which more than offset the inflow of ¥6,039 million in proceeds from share issuance of common stock.

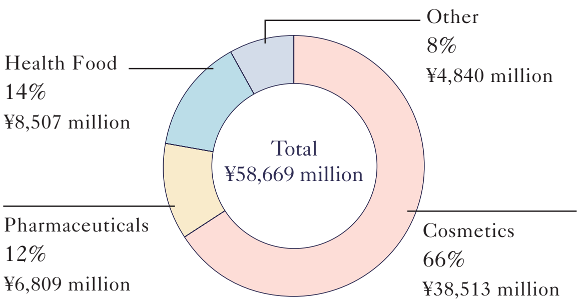
Six-Year Summary

Years ended September 20	Millions of yen					
	2003	2004	2005	2006	2007	2008
Net sales	¥ 50,754	¥ 59,129	¥ 56,503	¥ 59,345	¥ 59,352	¥ 58,669
Operating income	5,840	5,592	3,171	3,858	3,869	4,043
Net income	2,605	3,373	1,336	1,507	2,018	2,937
Total assets	106,781	106,732	104,463	101,508	99,787	95,818
Shareholders' equity / total equity*	38,942	41,949	43,186	43,341*	44,223	51,600
Capital expenditures	2,317	2,075	2,807	1,467	2,094	2,725
Depreciation	1,558	1,899	1,739	1,678	1,493	2,064
R&D costs	1,268	1,229	1,229	1,334	1,640	1,659
Cash dividends per share (yen)	30.00	30.00	30.00	30.00	36.00	36.00
Earnings per share, basic (yen)	74.58	96.28	37.57	42.08	56.33	71.94
Shareholders' equity / equity* per share (yen)	1,114.71	1,184.10	1,205.53	1,209.41*	1,232.78	1,247.93
ROE (%)	6.9	8.3	3.1	3.5	4.6	6.1
ROA (%)	2.8	3.2	1.3	1.5	2.0	3.0
Equity ratio (%)	36.5	39.3	41.3	42.7	44.3	53.9
Number of employees (consolidated)	2,410	2,445	2,544	2,461	2,370	2,333

* Due to changes in accounting standards, shareholders' equity is now presented as equity, and certain items which were previously presented as liabilities are now components of equity. Please see Note 2. j. for details.

	2006	2007	2008
	Millions of yen		
Cosmetics			
Net sales	¥ 37,000	¥ 37,982	¥ 38,513
Operating income	6,054	6,282	6,399
Operating income margin (%)	16.4	16.5	16.6
Pharmaceuticals			
Net sales	7,762	7,624	6,809
Operating income	(203)	(496)	(571)
Operating income margin (%)	(2.6)	(6.5)	(8.4)
Health Food			
Net sales	9,651	9,227	8,507
Operating income	(424)	(315)	212
Operating income margin (%)	(4.4)	(3.4)	2.5
Other			
Net sales	4,932	4,519	4,840
Operating income	121	137	149
Operating income margin (%)	2.5	3.0	3.1

Sales By Segment



Segment Information

1) Cosmetics

Noevir Brand

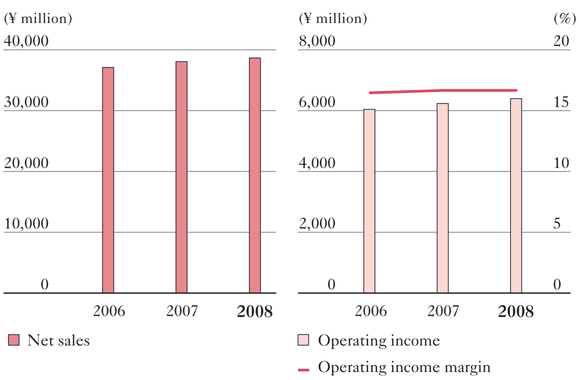
In the cornerstone segment of cosmetics, the renewal of the *Noevir Speciale* line of luxury cosmetics in June 2008 contributed significantly to sales. In skincare, our new special treatment product, *Noevir Fairydew*, which focuses on the skin's natural cleaning cycle, was launched in January 2008. Also contributing to sales was the *Noevir 80 Pure* herbal skincare line, an upgraded line of products released in February 2008 that fully masters the concept of original botanical ingredients. Furthermore, Noevir has made available such unique makeup products as *Noevir Panda Clear* and *Motepika Nose*, *Gomore*, a quasi-drug shampoo that promotes hair growth, and *Hot Up Gel*, a figure-enhancing warming massage gel. In more accurately incorporating customers' views and needs in the product planning process, we have successfully garnered favorable market evaluations.

In other efforts, Noevir has been steadily opening Noevir Showrooms—in Kanazawa, Sapporo and Nagoya—since November 2007. We are endeavoring to attract new customers by offering these showrooms as venues where users can freely try Noevir products.

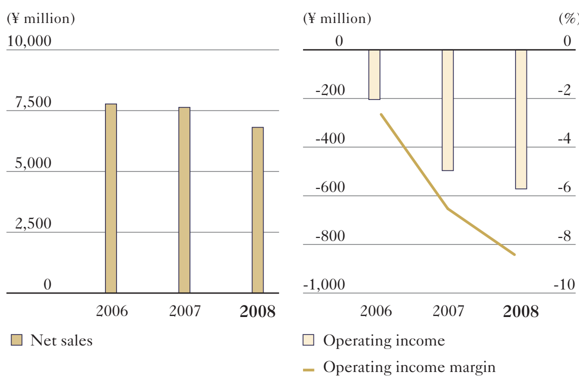
Other Brands

The *Nov III* line—part of the hypoallergenic Nov brand first launched 10 years ago—was renewed in November 2007 with the sophisticated *Nov Barrier Concentrate III* special treatment. Drawing on long years of research and Tokiwa's technical expertise, *Nov Barrier Concentrate III* has made a major contribution to sales,

Cosmetics



Pharmaceuticals



together with Tokiwa's enhanced range of hypoallergenic makeup products.

In the Sana brand, Tokiwa adopted an aggressive approach toward sales activities by stepping up television commercials in major cities and in-store promotions for the *Sana Nameraka Honpo Soymilk Isoflavone* skincare line. As a result, sales remained strong. In August 2007, Tokiwa launched *Sana Nameraka Honpo Essence*, a new product that has made a significant contribution to sales.

Accounting for these factors, cosmetics segment sales increased 1.4% compared with the previous fiscal year, to ¥38,513 million. On the earnings front, operating income climbed 1.9% year on year to ¥6,399 million.

2) Pharmaceuticals

Sales rose for *Vita C Royal 3000*, an energy drink which contains 3,000mg of taurine, *New Gronviter D* and other principal medicinal drinks. However, sales of other pharmaceutical products declined due to contraction in the deposit system market.

As a result, pharmaceutical segment sales were ¥6,809 million, a decrease of 10.7% from the previous fiscal year. The operating loss was ¥571 million, in comparison with an operating loss of ¥496 million in the previous fiscal year.

3) Health Food

Noevir Brand

The launch of an upgraded *Noevir L-C-Q10 II* in November 2007 contributed to sales in this segment. In February 2008, Noevir launched *Noevir Oyster Extract*, a nutritional supplement containing oyster extract derived from a patented manufacturing process by Tokiwa. Nevertheless, overall sales in this segment declined due to contraction in the health food market.

Other Brands

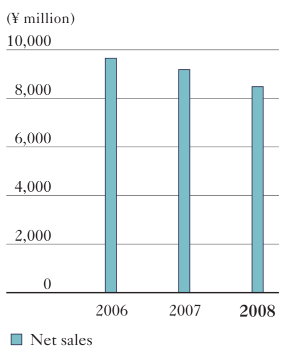
Tokiwa's mainstay energy drink *Min Min Da Ha* and its sister product, *Kyo Kyo Da Ha*, continued to sell well as a result of effective advertising campaigns, making a substantial contribution to sales. Sales were also bolstered by the launch in October 2007 of *Chelatina* breath-freshening tablets, which were advertised under the catchphrase, "Fresh Breath for Everyday Confidence."

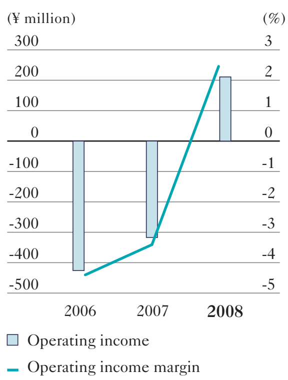
As a result, although health food segment sales came to ¥8,507 million, a decrease of 7.8% compared with the previous year, operating income for the segment increased to ¥212 million. This was an improvement from the ¥315 million operating loss of the previous year owing to a decline in SG&A expenses and because goodwill became fully amortized in the first half of fiscal 2008.

4) Other

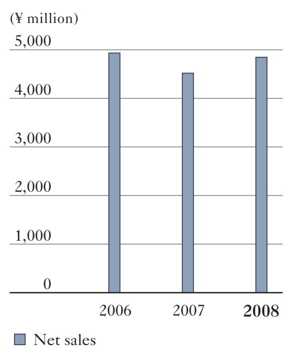
Sales of apparel for both women and men declined from the previous year when increased sales were recorded as a result of new product launches. The North American aviation business maintained its previous year's strong showing. As a result, overall revenues and earnings in this segment increased. In specific terms, segment sales climbed 7.1% to ¥4,840 million from the previous fiscal year, while operating income increased 8.8% to ¥149 million.

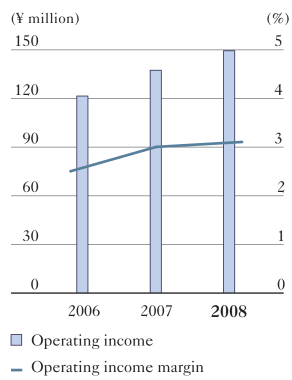
Health Food





Other





Consolidated Balance Sheets

Noevir Co., Ltd. and Subsidiaries
20th September, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2008	2007	2008
CURRENT ASSETS:			
Cash and cash equivalents	¥ 35,914	¥ 35,658	$ 338,811
Receivables:			
Trade notes	3,414	5,140	32,208
Trade accounts	8,241	7,779	77,745
Other	2,291	2,371	21,614
Allowance for doubtful receivables	(73)	(208)	(689)
Inventories (Note 4)	10,008	10,275	94,415
Deferred tax assets (Note 9)	886	957	8,358
Prepaid expenses and other current assets	715	452	6,746
Total current assets	61,396	62,424	579,208
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	14,439	15,830	136,217
Buildings and structures	21,035	21,631	198,443
Machinery and equipment	5,229	4,747	49,330
Furniture and fixtures	6,581	6,820	62,085
Construction in progress	19	3	179
Total	47,303	49,031	446,254
Accumulated depreciation	(23,557)	(23,290)	(222,236)
Net property, plant and equipment	23,746	25,741	224,018
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	807	1,058	7,613
Goodwill	38	623	358
Software	1,927	171	18,179
Rental deposits	1,240	1,235	11,699
Deferred tax assets (Note 9)	2,710	3,648	25,566
Long-term deposits	3,000	3,000	28,302
Other assets (Note 6)	954	1,887	9,000
Total investments and other assets	10,676	11,622	100,717
TOTAL	¥ 95,818	¥ 99,787	$ 903,943

LIABILITIES AND EQUITY	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 6)	¥ 6,760	¥ 9,350	$ 63,774
Payables:			
Trade notes	301	500	2,840
Trade accounts	5,377	4,954	50,726
Other	3,688	3,902	34,792
Income taxes payable	762	138	7,189
Liability for product returns	1,503	1,733	14,179
Accrued expenses	481	548	4,538
Other current liabilities	409	710	3,858
Total current liabilities	19,281	21,835	181,896
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	12	8,773	114
Liability for retirement benefits (Note 7)	5,043	5,047	47,575
Long-term guarantee deposits received	19,875	19,852	187,500
Other long-term liabilities	7	57	66
Total long-term liabilities	24,937	33,729	235,255
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11, 12 and 13)			
EQUITY (Notes 6, 8 and 15):			
Common stock, authorised, 145,000 thousand shares; issued, 41,337 thousand shares in 2008 and 35,837 thousand shares in 2007	7,319	4,284	69,047
Capital surplus—Additional paid-in capital	6,809	3,774	64,236
Retained earnings	37,564	35,917	354,377
Net unrealised gain on available-for-sale securities	92	226	868
Foreign currency translation adjustments	(195)	(18)	(1,840)
Treasury stock—at cost: 14,587 shares in 2008 and 2007	(21)	(21)	(198)
Total	51,568	44,162	486,490
Minority interests	32	61	302
Total equity	51,600	44,223	486,792
TOTAL	¥95,818	¥99,787	$903,943

See notes to consolidated financial statements.

Consolidated Statements of Income

Noevir Co., Ltd. and Subsidiaries
Years Ended 20th September, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES	¥58,669	¥59,352	$553,481
COST OF SALES (Note 10)	20,700	20,742	195,283
Gross profit	37,969	38,610	358,198
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	33,926	34,741	320,056
Operating income	4,043	3,869	38,142
OTHER INCOME (EXPENSES):			
Interest and dividend income	175	122	1,651
Interest expense	(72)	(180)	(679)
Gain (loss) on sales of property, plant and equipment	624	(140)	5,887
Loss on disposal of property, plant and equipment	(60)	(79)	(566)
Reversal of allowance for doubtful receivables	155	—	1,462
Impairment loss on fixed assets (Note 5)	(63)	(16)	(594)
Other—net	539	338	5,084
Other income—net	1,298	45	12,245
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	5,341	3,914	50,387
INCOME TAXES (Note 9):			
Current	1,347	1,257	12,707
Deferred	1,067	636	10,066
Total income taxes	2,414	1,893	22,773
MINORITY INTERESTS IN NET INCOME	(10)	3	(94)
NET INCOME	¥ 2,937	¥ 2,018	$ 27,708

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.r and 14):			
Basic net income	¥ 71.94	¥ 56.33	$ 0.68
Diluted net income	62.67	47.83	0.59
Cash dividends applicable to the year	36.00	36.00	0.34

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Noevir Co., Ltd. and Subsidiaries
Years Ended 20th September, 2008 and 2007

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus: Additional Paid-in Capital	Retained Earnings	Net Unrealised Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, 21ST SEPTEMBER, 2006	35,823	¥4,284	¥3,774	¥34,973	¥ 418	¥(103)	¥(21)	¥43,325	¥ 16	¥43,341
Net income				2,018				2,018		2,018
Cash dividends, ¥30.00 per share				(1,074)				(1,074)		(1,074)
Repurchase of treasury stock	(0)						(0)	(0)		(0)
Net change in the year					(192)	85		(107)	45	(62)
BALANCE, 20TH SEPTEMBER, 2007	35,823	4,284	3,774	35,917	226	(18)	(21)	44,162	61	44,223
Net income				2,937				2,937		2,937
Cash dividends, ¥36.00 per share				(1,290)				(1,290)		(1,290)
Issuance of common stock	5,500	3,035	3,035					6,070		6,070
Net change in the year					(134)	(177)		(311)	(29)	(340)
BALANCE, 20TH SEPTEMBER, 2008	41,323	¥7,319	¥6,809	¥37,564	¥ 92	¥(195)	¥(21)	¥51,568	¥ 32	¥51,600

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus: Additional Paid-in Capital	Retained Earnings	Net Unrealised Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, 20TH SEPTEMBER, 2007	$40,415	$35,604	$338,840	$ 2,132	$ (170)	$(198)	$416,623	$ 575	$417,198
Net income			27,708				27,708		27,708
Cash dividends, $0.34 per share			(12,171)				(12,171)		(12,171)
Issuance of common stock	28,632	28,632					57,264		57,264
Net change in the year				(1,264)	(1,670)		(2,934)	(273)	(3,207)
BALANCE, 20TH SEPTEMBER, 2008	$69,047	$64,236	$354,377	$ 868	$(1,840)	$(198)	$486,490	$ 302	$486,792

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Noevir Co., Ltd. and Subsidiaries
Years Ended 20th September, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 5,341	¥ 3,914	$ 50,387
Adjustments for:			
Income taxes—paid	(729)	(2,207)	(6,877)
Depreciation	2,064	1,493	19,472
Amortisation of goodwill	601	1,144	5,670
Provision for (reversal of) doubtful receivables	(199)	55	(1,877)
Loss (gain) on sales of property, plant and equipment	(624)	140	(5,887)
Loss on disposal of property, plant and equipment	60	79	566
Loss (gain) on sales of marketable and investment securities	0	(66)	0
Provision for (reversal of) retirement benefits	(4)	48	(38)
Impairment loss on fixed assets (Note 5)	63	16	594
Changes in assets and liabilities:			
Decrease in trade receivables	1,225	1,316	11,557
Decrease in inventories	181	1,065	1,708
Increase (decrease) in trade payable	189	(24)	1,783
Increase (decrease) in long-term guarantee deposits received	23	(1)	217
Other—net	(1,206)	(167)	(11,378)
Total adjustments	1,644	2,891	15,510
Net cash provided by operating activities	6,985	6,805	65,897
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	2,442	3,273	23,038
Purchases of property, plant and equipment	(1,355)	(893)	(12,783)
Proceeds from sales of marketable and investment securities	17	155	160
Purchases of marketable and investment securities	(3)	(16)	(28)
Increase in other assets	(1,115)	(1,064)	(10,519)
Net cash provided by (used in) investing activities	(14)	1,455	(132)
FINANCING ACTIVITIES:			
Repayments of long-term debt	(9,350)	(1,700)	(88,208)
Proceeds from share issuance of common stock	6,039	—	56,972
Payments for purchasing redemption of convertible bond	(1,997)	—	(18,840)
Repurchase of treasury stock	—	(0)	—
Proceeds from investments in minority interests	—	41	—
Dividends paid	(1,289)	(1,074)	(12,161)
Net cash used in financing activities	(6,597)	(2,733)	(62,237)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(118)	44	(1,113)
NET INCREASE IN CASH AND CASH EQUIVALENTS	256	5,571	2,415
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	35,658	30,087	336,396
CASH AND CASH EQUIVALENTS, END OF YEAR	¥35,914	¥35,658	$338,811

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Noevir Co., Ltd. and Subsidiaries
Years Ended 20th September, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 consolidated financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Noevir Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥106 to $1, the approximate rate of exchange at 20th September, 2008. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The accompanying consolidated financial statements include the accounts of the Company and its 13 (14 in 2007) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The excess of the purchase price over the fair value of the net assets of the acquired subsidiaries ("goodwill") is amortised using the straight-line method over 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealised profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, which mature or become due within three months of the date of acquisition.

c. Inventories – Inventories of the Company and its domestic subsidiaries are stated at cost, determined by the average cost method, while inventories of foreign subsidiaries are stated at lower of cost, determined principally by the first-in, first-out method, or market.

d. Marketable and Investment Securities – All of the Group's marketable securities are classified as available-for-sale securities and are reported at fair value, with unrealised gains and losses, net of applicable taxes, reported as a separate component of equity. The cost of securities sold is determined based on the moving-average cost method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, individual available-for-sale securities are reduced to net realisable value by a charge to income.

e. Property, Plant and Equipment – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to all property, plant and equipment of foreign subsidiaries. The range of useful lives is principally from 6 to 50 years for buildings and structures, from 2 to 9 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

f. Stock Issue Costs – Stock issue costs are charged to income as incurred.

g. Long-Lived Assets – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognised if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Liability for Product Returns – The liability for product returns is stated at an amount considered to be appropriate based on the Group's past loss experience from product returns.

i. Retirement Benefits – The Company and domestic subsidiaries have non-contributory funded pension plans and unfunded retirement benefit plans for employees which cover approximately 20% and 80%, respectively, of their benefits.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all such persons retired at the balance sheet date.

j. Presentation of Equity – On 9th December, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after 1st May, 2006.

k. Revenue Recognition – The Group recognises revenue upon shipment of products. Revenue of certain cosmetic products is recognised when they have been delivered from sales agents to customers, including sales representatives.

l. Research and Development Costs – Research and development costs are charged to income as incurred.

m. Leases – All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalised, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the notes to the lessee's financial statements.

n. Income Taxes – The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognise deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. Foreign Currency Transactions – All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. Revenue and expense items denominated in foreign currencies are translated at the historical exchange rates. The foreign exchange gains and losses from translation are recognised in the consolidated income statement to the extent that they are not hedged by forward exchange contracts.

p. Foreign Currency Financial Statements – The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet dates except for equity, which is translated at the historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" as a separate component of equity. Revenue and expense accounts of the foreign subsidiaries are translated into Japanese yen at the annual average exchange rates.

q. Derivatives and Hedging Activities – The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contract and interest rate swaps are utilised by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Japanese accounting standards for derivative financial instruments require that: a) all derivatives be recognised as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions be recognised in the consolidated income statement and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognised and included in interest expense or income.

r. Per Share Information – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. New Accounting Pronouncements

Measurement of Inventories

Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On 5th July, 2006, ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purpose be measured at the market price.

Lease Accounting

On 30th March, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on 17th June, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalised. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted for fiscal years beginning on or after 1st April, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On 17th May, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortisation of goodwill
(2) Actuarial gains and losses of defined benefit plans recognised outside profit or loss
(3) Capitalisation of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of 20th September, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Non-current:			
Marketable equity securities	¥779	¥ 990	$7,349
Trust fund investments and other	20	60	189
Investments in affiliated companies	8	8	75
Total	¥807	¥1,058	$7,613

The carrying amounts and aggregate fair values of marketable and investment securities as of 20th September, 2008 and 2007 were as follows:

	Millions of Yen			
	2008			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
Securities classified as:				
Available-for-sale—Equity securities	¥ 656	¥ 168	¥ (45)	¥ 779

	Millions of Yen			
	2007			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
Securities classified as:				
Available-for-sale—Equity securities	¥ 673	¥ 319	¥ (2)	¥ 990

	Thousands of U.S. Dollars			
	2008			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
Securities classified as:				
Available-for-sale—Equity securities	$6,189	$1,585	$(425)	$7,349

Available-for-sale securities whose fair value is not readily determinable as of 20th September, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities	¥20	¥22	$189
Investment in limited partnerships and pursue partnerships	—	38	—

Proceeds from sales of available-for-sale securities for the years ended 20th September, 2008 and 2007 were ¥17 million ($160 thousand) and ¥155 million, respectively. Gross realised gains on these sales, computed on the moving average cost basis, were ¥0 million ($0 thousand) and ¥66 million, respectively, for the years ended 20th September, 2008 and 2007.

4. INVENTORIES

Inventories at 20th September, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Merchandise	¥ 4,300	¥ 4,401	$40,566
Finished products	3,385	3,772	31,934
Semi-finished products	11	44	104
Work in process	279	302	2,632
Raw materials and supplies	2,033	1,756	19,179
Total	¥10,008	¥10,275	$94,415

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended 20th September, 2008 and 2007.

As a result, for the year ended 20th September, 2008, the Group recognised an impairment loss of ¥63 million ($594 thousand) as other expenses for certain idle assets in the Osaka Prefecture due to substantial declines in the fair market value and the carrying amounts of those assets was written down to the recoverable amount for the year ended 20th September, 2008. The recoverable amounts of those assets were measured by their net selling price at disposition.

For the year ended 20th September, 2007, the Group recognised an impairment loss of ¥16 million as other expenses for certain business properties in the Hokkaido Prefecture and Osaka Prefecture due to continuous operating losses of those units and the carrying amounts of those assets were written down to the recoverable amount for the year ended 20th September, 2007. The recoverable amount of those assets were measured by their net selling price at disposition, principally calculated using the appraisal value.

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Land	¥44	¥16	$415
Buildings and structures	19	—	179
Furniture and fixtures	0	—	0
Total	¥63	¥16	$594

6. LONG-TERM DEBT

Long-term debt at 20th September, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Unsecured zero coupon yen convertible bonds, due 2009	¥ 6,760	¥ 8,760	$ 63,774
Loans from bank and other financial institutions, due serially to 2009 with interest rates ranging from 0.0% to 1.5%:			
Collateralised	12	13	114
Unsecured	—	9,350	—
Total	6,772	18,123	63,888
Less current portion	(6,760)	(9,350)	(63,774)
Long-term debt, less current portion	¥ 12	¥ 8,773	$ 114

Annual maturities of long-term debt at 20th September, 2008 were as follows:

Year Ending 20th September	Millions of Yen	Thousands of U.S. Dollars
2009	¥6,760	$63,774
2010	12	114
Total	¥6,772	$63,888

The carrying amounts of assets pledged as collateral for the above collateralised long-term debt at 20th September, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investments and other assets—Other assets	¥ 13	$ 123

The conversion prices of the zero coupon yen convertible bonds at 20th September, 2008 and 2007 were ¥1,340.60 per share and ¥1,374 per share, respectively. Under certain conditions, the yen convertible bonds may be redeemed prior to maturity in whole at prices ranging from 104% to 100% of the principal amount.

At 20th September, 2008, such bonds were convertible into 5,043 thousand shares of the Company's common stock. The conversion prices of the convertible bonds are subject to adjustments to reflect stock splits and certain other events.

Since the price of new common stocks, which were issued on 24th October, 2007 was below the market price, the conversion price of the zero coupon yen convertible bonds was adjusted to ¥1,340.60 per share on and after 24th October, 2007 based on the corporate resolution.

7. RETIREMENT AND PENSION PLANS

The Company and its certain domestic subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Group and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at 20th September, 2008 and 2007 includes retirement benefits for directors and corporate auditors of ¥404 million ($3,811 thousand) and ¥372 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at 20th September, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥10,015	¥ 9,803	$ 94,481
Fair value of plan assets	(4,603)	(4,874)	(43,425)
Unrecognised actuarial loss	(773)	(254)	(7,292)
Net liability	¥ 4,639	¥ 4,675	$ 43,764

The components of net periodic benefit costs for the years ended 20th September, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥ 595	¥ 607	$ 5,613
Interest cost	196	189	1,849
Expected return on plan assets	(171)	(166)	(1,613)
Recognised actuarial loss	128	119	1,208
Subtotal	748	749	7,057
Contribution for the multiemployer pension plan	—	84	—
Net periodic benefit costs	¥ 748	¥ 833	$ 7,057

Assumptions used for the years ended 20th September, 2008 and 2007 are set forth as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.5%	3.7%
Recognition period of actuarial gain/loss	5 years—10 years	5 years—10 years

8. EQUITY

Since 1st May, 2006, Japanese companies have been subject to the corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant changes in the Corporate Law that affect financial and accounting matters are summarised below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1)having the Board of Directors, (2)having independent auditors, (3)having the Board of Corporate Auditors, and (4)the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The company meets all the above criteria.

The Corporate Law permits companies to distribute dividends-is-kind (non-cash-assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition right, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition right and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Company offered 5,500,000 new shares of common stock in public offering. As a result of the issuance of new shares, common stock of the company increased ¥3,035 million ($28,632 thousand) and capital surplus of the company increased ¥3,035 million ($28,632 thousand) as of 24th October, 2007.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended 20th September, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 20th September, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Inventories	¥ 250	¥ 285	$ 2,358
Investment securities	123	134	1,160
Property, plant and equipment	345	1,216	3,255
Employees' retirement benefits	2,047	2,047	19,311
Tax loss carryforwards	579	1,054	5,462
Other	951	1,061	8,972
Less valuation allowance	(441)	(826)	(4,160)
Total	¥3,854	¥4,971	$36,358
Deferred tax liabilities:			
Property, plant and equipment	¥ 226	¥ 235	$ 2,132
Unrealised gain on available-for-sale securities	28	89	264
Other	4	42	38
Total	¥ 258	¥ 366	$ 2,434
Net deferred tax assets	¥3,596	¥4,605	$33,924

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended 20th September, 2008 and 2007 is as follows:

	2008	2007
Normal effective statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	4.6	4.9
Amortisation of goodwill	4.4	11.6
Valuation allowance	(4.3)	(9.2)
Per capita levy	1.8	2.5
Tax credits	(1.8)	(2.6)
Other—net	(0.1)	0.6
Actual effective tax rates	45.2%	48.4%

At 20th September, 2008, certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,404 million ($13,245 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilised, will expire as follows:

Year Ending 20th September	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 557	$ 5,255
2010	390	3,679
2011	—	—
2012	254	2,396
2013 and thereafter	203	1,915
Total	¥1,404	$13,245

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,659 million ($15,651 thousand) and ¥1,640 million for the years ended 20th September, 2008 and 2007, respectively.

11. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Total lease payments under finance leases not deemed to transfer ownership of the leased property to the lessee for the years ended 20th September, 2008 and 2007 were ¥112 million ($1,057 thousand) and ¥122 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalised" basis for the years ended 20th September, 2008 and 2007 was as follows:

	Millions of Yen							
	2008				2007			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥486	¥129	¥4	¥619	¥527	¥103	¥8	¥638
Accumulated depreciation	326	82	4	412	308	47	7	362
Net leased property	¥160	¥ 47	¥0	¥207	¥219	¥ 56	¥1	¥276

	Thousands of U.S. Dollars			
	2008			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	$4,584	$1,217	$38	$5,839
Accumulated depreciation	3,075	774	38	3,887
Net leased property	$1,509	$ 443	$ 0	$1,952

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due with in one year	¥101	¥ 97	$ 953
Due after one year	141	208	1,330
Total	¥242	¥305	$2,283

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation expense	¥107	¥103	$1,009
Interest expense	12	13	113
Total	¥119	¥116	$1,122

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

12. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within Group business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorisation and credit limit amount.

Since all of the Group's derivative contracts qualified for hedge accounting for the years ended 20th September, 2008 and 2007, these contracts were excluded from disclosure of market value information.

13. CONTINGENT LIABILITIES

At 20th September, 2008, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans of certain affiliates and customers	¥212	$2,000

14. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended 20th September, 2008 and 2007 is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended 20th September, 2008:				
Basic EPS:				
Net income available to common shareholders	¥2,937	40,827	¥71.94	$0.68
Effect of dilutive securities:				
Convertible bonds	1	6,049		
Diluted EPS:				
Net income for computation	¥2,938	46,876	¥62.67	$0.59
For the year ended 20th September, 2007:				
Basic EPS:				
Net income available to common shareholders	¥2,018	35,823	¥56.33	
Effect of dilutive securities:				
Convertible bonds	1	6,376		
Diluted EPS:				
Net income for computation	¥2,019	42,199	¥47.83	

15. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at 20th September, 2008 was approved at the Board of Directors held on 10th November, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥36 ($0.34) per share	¥1,488	$14,038

16. SEGMENT INFORMATION

(1) Industry Segments

Information about industry segments for the years ended 20th September, 2008 and 2007 is as follows:

a. Sales and Operating Income

	Millions of Yen					
	2008					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥38,513	¥6,809	¥8,507	¥4,840	¥ —	¥58,669
Intersegment sales	—	—	—	151	(151)	—
Total sales	38,513	6,809	8,507	4,991	(151)	58,669
Operating expenses	32,114	7,380	8,295	4,842	1,995	54,626
Operating income (loss)	¥ 6,399	¥ (571)	¥ 212	¥ 149	¥(2,146)	¥ 4,043

b. Total Assets, Depreciation, Impairment Loss on Fixed Assets, and Capital Expenditures

	Millions of Yen					
	2008					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Total assets	¥55,375	¥11,892	¥12,595	¥2,597	¥13,359	¥95,818
Depreciation	1,018	203	213	42	588	2,064
Impairment loss on fixed assets	9	34	20	0	—	63
Capital expenditures	1,543	197	215	13	758	2,726

a. Sales and Operating Income

	Thousands of U.S. Dollars					
	2008					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$363,330	$64,236	$80,255	$45,660	$ —	$553,481
Intersegment sales	—	—	—	1,425	(1,425)	—
Total sales	363,330	64,236	80,255	47,085	(1,425)	553,481
Operating expenses	302,962	69,623	78,255	45,679	18,820	515,339
Operating income (loss)	$ 60,368	$ (5,387)	$ 2,000	$ 1,406	$(20,245)	$ 38,142

b. Total Assets, Depreciation, Impairment Loss on Fixed Assets, and Capital Expenditures

	Thousands of U.S. Dollars					
	2008					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Total assets	$522,405	$112,189	$118,821	$24,500	$126,028	$903,943
Depreciation	9,604	1,915	2,010	396	5,547	19,472
Impairment loss on fixed assets	85	321	188	0	—	594
Capital expenditures	14,557	1,858	2,028	123	7,151	25,717

a. Sales and Operating Income

	Millions of Yen					
	2007					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥37,982	¥7,624	¥9,227	¥4,519	¥ —	¥59,352
Intersegment sales	—	—	—	138	(138)	—
Total sales	37,982	7,624	9,227	4,657	(138)	59,352
Operating expenses	31,700	8,120	9,542	4,520	1,601	55,483
Operating income (loss)	¥ 6,282	¥ (496)	¥ (315)	¥ 137	¥(1,739)	¥ 3,869

b. Total Assets, Depreciation, Impairment Loss on Fixed Assets, and Capital Expenditures

	Millions of Yen					
	2007					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Total assets	¥53,276	¥13,359	¥14,022	¥2,454	¥16,676	¥99,787
Depreciation	808	182	198	27	278	1,493
Impairment loss on fixed assets	3	8	5	0	—	16
Capital expenditures	1,530	200	261	43	60	2,094

(2) Geographical Segments

Under Japanese accounting regulations, the Group is not required to disclose geographical segment information because sales and total assets in Japan represented more than 90% of those of the Group for the periods presented herein.

(3) Sales to Foreign Customers

Under Japanese accounting regulations, the Group is not required to disclose sales to foreign customers information because sales to foreign customers represented less than 10% of those of the Group for the periods presented herein.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Noevir Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Noevir Co., Ltd. and subsidiaries as of 20th September, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Noevir Co., Ltd. and subsidiaries as of 20th September, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

1st December, 2008

Principal Consolidated Subsidiaries

(As of September 20, 2008)

Name	Location	Issued Share Capital (millions of yen, except as otherwise stated)	Direct or Indirect Ownership by the Company (percent)	Principal Business
Tokiwa Pharmaceutical Co., Ltd.	3-5-12 Azuchi-machi Chuo-ku, Osaka 541-0052 Japan	¥4,301	100.00%	Manufacture and sale of pharmaceuticals, cosmetics and health food products
Bonanza Co., Ltd.	6-13-1 Minatojima-nakamachi Chuo-ku, Kobe 650-8521 Japan	¥10	100.00	Contract manufacturing and sales
Noevir Tourist Co., Ltd.	3-5-12 Azuchi-machi Chuo-ku, Osaka 541-0052 Japan	¥100	100.00	General travel services
Noevir Aviation Co., Ltd.	2-12 Yao Airport Yao, Osaka 581-0043 Japan	¥35	100.00	Air transportation business
Noevir Holding of America, Inc.	1095 Southeast Main Street Irvine, California 92614-6715 U.S.A.	US$7,250 thousand	100.00	North American operations
Noevir U.S.A., Inc.	1095 Southeast Main Street Irvine, California 92614-6715 U.S.A.	US$5,900 thousand	100.00	Sale of cosmetics and nutritional supplements
Noevir Canada, Inc.	7360 River Road Richmond, British Columbia V6X 1X6 Canada	C$1,132 thousand	100.00	Sale of cosmetics and nutritional supplements
Noevir Aviation, Inc.	200 West Grand Avenue Montvale, New Jersey 07645 U.S.A.	US$1,350 thousand	100.00	Sale and lease of aircraft
Noevir Taiwan, Inc.	8th Fl.-2 No.111 Songjiang Road Jhongshan District Taipei City 10486 Taiwan	NT$31,000 thousand	96.77	Sale of cosmetics and nutritional supplements
Shanghai Noevir Co., Ltd.	Room 2206, Feidiao International Plaza No. 1065A Zhaojiabang Road Shanghai China	5,000 thousand Chinese yuan	50.00	Sale of cosmetics
Noevir Shanghai, Inc.	Room 802, No. 6 Jilong Road Waigaoqiao Free Trade Zone Pudong New Area, Shanghai China	3,311 thousand Chinese yuan	100.00	Sale of promotional products
Noevir Europe s.r.l.	Via Tre Settembre, 99 (5º-#183) 47891 Dogana Repubblica di San Marino	26,000 euro	99.00	Market research in Europe

Board of Directors

(As of December 4, 2008)

President & CEO (Representative Director)
Hiroshi Okura

Vice President & COO (Representative Director)
Takashi Okura

Vice President
Hisashi Okura

Managing Director
Masashi Akagawa

Directors
Yasuo Takizawa
Yasuo Kaiden
Takashi Oyama
Noboru Saito
Minoru Ito
Takashi Takehara
Hiroshi Anami
Ikkou Yoshida
Yoshihiro Kawaguchi
Kazuyuki Shimamoto

Standing Corporate Auditor
Yoshiharu Hayashi

Outside Corporate Auditors
Masakazu Ueda
Kazuhiro Kida

Investor Information

(As of September 20, 2008)

Date of Establishment:
April 1964

Paid-in Capital:
¥7,319 million

Headquarters:
- Ginza
  7-6-15 Ginza, Chuo-ku
  Tokyo 104-8208, Japan
- Roppongi
  Izumi Garden Tower, 31st Floor,
  1-6-1 Roppongi, Minato-ku
  Tokyo 106-6031, Japan
  Phone: +81-3-5561-6033
  Fax: +81-3-5561-8616
  http://www.noevir.co.jp
- Kobe
  6-13-1 Minatojima-nakamachi
  Chuo-ku, Kobe 650-8521, Japan

Securities Traded:
Tokyo Stock Exchange 2nd Section

Administrator of Shareholders' Register:
The Chuo Mitsui Trust and Banking Co., Ltd.
3-33-1 Shiba, Minato-ku, Tokyo 105-8574, Japan

Handling Office:
The Chuo Mitsui Trust and Banking Co., Ltd. Osaka Branch,
Stock Transfer Agency Department
2-2-21 Kitahama, Chuo-ku, Osaka 501-0041, Japan

Major Shareholders

Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (percent)
NII Co., Ltd.*	6,972	16.86%
Hiroshi Okura	4,739	11.46
Okura Kohsan, Ltd.*	4,491	10.86
Takashi Okura	3,699	8.94
Hisashi Okura	3,699	8.94
Noevir Employees Shareholding Scheme	1,169	2.83
Mizuho Bank, Ltd.	985	2.38
Sumitomo Mitsui Banking Corporation	900	2.17
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	300	0.72
Sumitomo Life Insurance Company	300	0.72
Nihon Kolmar Co., Ltd.	300	0.72
Total	27,555	66.66

* Wholly owned by the Okura family.

Forward-Looking Statements
Statements in this annual report with respect to Noevir's plans, strategies, projected financial results, and beliefs as well as other statements that are not historical facts, are forward-looking statements based on information currently available, and such statements involve risks and uncertainties that could cause actual results to differ substantially from expectations.

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Printed in Japan using environment-friendly ink and paper.