NOEVIR

Annual Report 2010

Year ended September 20, 2010

Profile

Noevir Co., Ltd. has engaged in the creation of beauty and health products since it commenced natural cosmetics sales in 1971. Today, the Noevir Group is involved in a wide range of businesses, encompassing skincare products, makeup items, health foods and over-the-counter (OTC) pharmaceuticals. Having devised a sales method for counseling prestige cosmetics through sales representatives known as Beauty Planners, Noevir focuses on retail sales and mail-order services with diverse targeted marketing channels across a broad customer base. By establishing a holding company in March 2011, the Noevir Group will endeavor to enhance its corporate value as a comprehensive corporate entity that contributes to people's beauty and health.

Noevir 505 combines herbal extracts to provide luxurious anti-aging skincare.

Financial Highlights

Noevir Co., Ltd. and Subsidiaries
Years ended September 20, 2010 and 2009

	Millions of yen	
	2010	**2009**
For the year:		
Net sales	**¥ 52,580**	¥ 55,227
Operating income	**2,782**	3,539
Net income	**1,565**	2,152
At year-end:		
Total assets	**88,797**	89,308
Total equity	**52,012**	51,903
	Yen	
Per Share:		
Basic EPS	**¥ 37.88**	¥ 52.07
Total equity	**1,258.20**	1,255.50
Cash dividends applicable to the year	**36.00**	36.00

Contents

Takashi Okura,
President and Representative Director

Q1 Could we begin with your views on the Noevir Group's distinctive features and the operating environment it faces?

A1 Our mainstay cosmetics business remains affected by consumers showing a tendency to purchase lower-priced items, by companies from other industries entering the market and by intensified competition.

With a mainstay cosmetic business that ranges from counseling prestige cosmetics* available primarily through direct sales to self-selection retail products** popular with the young adult segment, the Noevir Group offers distinctive brands targeting the food, pharmaceutical and apparel industries.

Japan's cosmetics, pharmaceutical and food markets necessitate that we remain highly competitive to withstand intensified competition in light of a mature market, a tendency on the part of consumers to purchase lower-priced items and a declining population. This contrasts with the picture outside Japan, where new growth markets have been created primarily in Asian countries.

Under such circumstances, Noevir continues to contribute to the creation of beauty and health by introducing highly functional products that strictly adhere to its guiding principle "Noevir, where beauty is science" through synergies with subsidiary Tokiwa Pharmaceutical —itself a burgeoning presence in the self-selection cosmetic market.

Q2 What is your evaluation of Noevir's performance in fiscal 2010?

A2 We recorded decreases in revenue and profit that fell short of our forecasts as well. This was due to sluggish sales of our mainstay counseling prestige cosmetics.

In fiscal 2010, the Noevir Group's sales edged down year on year, reflecting stagnant domestic sales mainly of its mid-price range counseling cosmetics*, such as the *Noevir 99* skincare line. There was a marked change in terms of product composition to net sales owing to weak sales of high-end and mid-priced cosmetics, the main staple of revenue and profit, as well as brisk sales of Tokiwa Pharmaceutical's low-priced brands, thus resulting in decreased profit ratio. As a result, operating income and net income were lower than in the previous fiscal year and our forecasts.

* "Counseling products" are sold to customers with personalized consultation.
** "Self-selection" retail products are chosen by customers with no consultation.

Q3 Could you please provide us with an overview of the medium-term management plan and a transition plan for the holding company structure?

A3 We are currently implementing our medium-term management plan ending fiscal 2013 and are planning to shift to a holding company structure in fiscal 2011.

The ongoing medium-term management structure aims to achieve stable growth by enhancing the Group's comprehensive capabilities. In terms of management vision, we are promoting: the "enhancement of sales abilities" in support of sales representatives' activities; "increasing market competitiveness" to expand each brand's market share; "maintaining a strong financial position" to realize an improved earnings structure and management efficiencies; and the "reinforcement of the internal control structure" based on risk management and compliance. Both in Japan and overseas, the environment surrounding the market, distribution and customers is rapidly changing. We are thus focusing more on our product development and marketing efforts by meeting customers' needs, proactively developing new products and promoting effective participation in the overseas market with the intention of seizing growth opportunities through the creation of new demand. On this basis, we are aiming to achieve a consolidated operating income margin of 8% in fiscal 2013, the final year of our medium-term management plan.

To assist in addressing these management goals, we are planning to transfer to a new holding company structure on March 22, 2011, with the aims of maximizing corporate value throughout the Group and reinforcing both corporate governance and the Group's strategic functions. Making the utmost use of the Group's strengths in brands, R&D, production technology and marketing, we will strive to reinforce our business foundation and competitiveness.

Q4 Could you please tell us about the cosmetics business policies under the medium-term management plan?

A4 We are restructuring our sales system in a bid to reinforce our brand power by leveraging the Group's product composition.

We continue to launch innovative products for "beauty and health," including natural cosmetics based on our "Noevir, where beauty is science" guiding principle. Thanks to these efforts, we boast a balanced lineup of cosmetic brands with a strong market presence throughout the Group.

In the marketing channel for counseling prestige cosmetics, we developed supplementary headquarters systems to proactively improve sales and ordering methods, customer service expertise and product knowledge. Specifically, we are encouraging sales representatives to run beauty salons in order to support an increase in revenue. In addition, we established stores directly managed by headquarters in major cities to gather information regarding consumer trends so that we can introduce products tailored to the specific customer needs.

In the marketing channel for self-selection cosmetics, we will continue to attract new customers by releasing products that are both attractive and newsworthy.

Furthermore, we will develop counseling prestige and self-selection cosmetics businesses in China. Having exhibited at the 2010 Shanghai EXPO, Noevir will continue to expand its sales channels and enhance brand recognition by opening counseling prestige cosmetics outlets in department stores and commencing self-selection cosmetics sales at major supermarkets.

Q5 Could you please tell us about the business policies applicable to health foods and pharmaceuticals under the medium-term management plan?

A5 Despite a shrinking market, we will clearly define the Noevir Group's competitive edge, endeavor to expand our share of the market and aim for business efficiencies.

In the pharmaceutical business, we are striving for profit-oriented management through the selection and concentration of business partners and by thoroughly pursuing efficient business operations amid cutbacks in the deposit sales market. On the other hand, we will promptly develop and introduce new products that will serve to underpin our pharmaceuticals business, such as high-value-added products precisely matching market needs as well as new products leveraged by the medicinal benefits of nandina cultivated through the development of Tokiwa's mainstay *Nanten Nodo Ame* cough drops.

In the case of the health food business, we will attempt to further expand our share of the functional drink market. In that of our North American subsidiary's aviation business, which is classified under the Other segment, we will continue to pay close attention to operational conditions despite the slight recovery in demand.

Q6 What is the outlook for fiscal 2011?

A6 In fiscal 2011, we will continue to focus on restructuring our sales systems and cultivate new markets in China, which we believe will provide the key to our overseas strategy.

We will continue to position the cosmetics business as the Group's core business and will thus upgrade existing mainstay brands and enhance brand recognition while working to expand market share through market channels for counseling prestige and self-selection cosmetics in Japan's severe market environment. In conjunction with these initiatives, we will continue to invigorate the sales force of sales representatives and open new directly managed stores. Furthermore, we will remain enterprisingly active in overseas markets, predominantly in China. In the pharmaceutical business, we will make continuing efforts to enhance business efficiencies. In the health food business, we will conduct effective sales promotion activities to gain a greater share of the functional drink market.

Q7 Finally, please may we have a few words for Noevir's stakeholders?

A7 Upon transferring to a holding company structure, we will maximize our Groupwide strengths to reinforce our competitiveness and streamline business operations.

The Noevir Group is characterized by flexible management that promptly addresses changes in the market and in demand. Amid a harsh market environment, the Group is restructuring its business model and continuing to sow the seeds of new business growth. With a new holding company structure, we will make Groupwide efforts to further enhance our corporate value.

Cosmetics

% of Sales **66%**

Noevir Brand

A wide range of products, from high-performance functional skincare items to makeup, hair care products and toiletries

Others

A versatile collection of well-regarded brands, including the popular *Sana* skincare, makeup and body care products; dermatologist-recommended NOV cosmetics for sensitive skin; and consolidated subsidiary Bonanza Co., Ltd.'s contract manufacturing of cosmetics.

Channels

Noevir Brand
- Direct Sales
- Mail Order
- Shops

Others
- Mail Order
- Variety Stores
- Supermarkets
- Drugstores
- Convenience Stores
- Contract Manufacturing

Main Products

Noevir Brand
- *Noevir 99* skincare line
- *Noevir 505* skincare line
- *Noevir Speciale* line
- *Noevir Blancnew Reset W*
- *Noevir 5 LX* makeup line
- *Noevir NATURALCODE* makeup line

Others
- *Sana Nameraka Honpo* line
- *Sana Maikohan* makeup line
- *Sana Excel* makeup line
- *Sana Esteny a care*
- *NOV III* skincare line
- *NOV Oligomarine* line
- *ACT-NOV* a line

New Products for the Year

Noevir Brand

● ***Noevir REVITALIZER EXCHARGE*:**
An anti-aging serum containing the moisturizing ingredient citrulline

● ***Noevir MOIST COLLAGEN GEL*:**
A multi-functional moisturizing gel that replaces all the skincare steps, from skin toner to makeup base

Others

● ***Sana HADANOMY* Line:**
A skincare product lineup incorporating micro collagen, a substance used in food products, the particles of which are smaller than those of existing cosmetics and thus penetrate the skin more easily

● *Noevir REVITALIZER EXCHARGE*

● *Noevir MOIST COLLAGEN GEL*

● *Sana HADANOMY* line

Pharmaceuticals

% of Sales **12%**

Tokiwa Brand

An abundant lineup of OTC pharmaceuticals, from medicine kits to cold remedies, cough drops and medicinal drinks

Channels

Tokiwa Brand
- Deposit Sales
- Variety Stores
- Supermarkets
- Drugstores
- Convenience Stores
- Contract Manufacturing

Main Products

Tokiwa Brand
- Medicine kits
- *Nanten Nodo Ame* cough drops
- *Gronviter Delux K*

Nanten Nodo Ame

Health Food

% of Sales 16%

Noevir Brand
Mainly nutritional supplements with high-quality natural ingredients as well as health food products, such as beauty-care drinks and teas

Tokiwa Brand
Highly competitive functional drinks, such as the *Min Min Da Ha* lineup, and supplements for health and beauty

Channels

Noevir Brand
- Direct Sales
- Mail Order
- Shops

Tokiwa Brand
- Mail Order
- Variety Stores
- Supermarkets
- Drugstores
- Convenience Stores
- Contract Manufacturing

Main Products

Noevir Brand
- *Noevir Cordyceps Sinensis N*
- *Noevir Agaricus Hyper*
- *Noevir L-C-Q10 II*
- *Noevir Aminoglycine*

Tokiwa Brand
- *Min Min Da Ha* functional drink
- *Vita C* energy drink

Noevir Cordyceps Sinensis N

New Products for the Year

Noevir Brand

● ***Noevir COLLAGEN C*****:**
A beauty-care drink containing collagen and vitamin C for moisturizing the skin

Tokiwa Brand

● ***Sana HADANOMY Collagen Jelly*****:**
A jelly-type beverage containing low-molecular weight micro collagen, ceramide and vitamin C

● *Noevir COLLAGEN C*

● *Sana HADANOMY Collagen Jelly*

Other

% of Sales 6%

Noevir Brand
Apparel for both women and men; aircraft sales and leases through Noevir's subsidiary in North America.

Channels

- Direct Sales
- Mail Order

Main Products

Noevir Brand
- *Air Talk*
- *MLLE*
- *MLLE Suite Model*
- *Dramatic Rose*

Apparel product catalog

Product *Strategy*

Based on its guiding principle of "Noevir, where beauty is science," Noevir's products encompass primarily skincare items as well as nutritional supplements and toiletries that leverage the Company's know-how in cosmetics development. Focusing on its mainstay prestige skincare products and functional cosmetic products that showcase its R&D prowess, Noevir also concentrates on research and promotion aimed at enhancing the quality of life and differentiating itself from other companies.

The 13th item in the *Noevir 99* skincare line, *Noevir 99* Moist Lotion is rich in plant extracts, moisturizing collagen, hyaluronic acid and placenta extract.

NOEVIR

Product Strategy

Noevir offers lineups of makeup, nutritional supplements, toiletries and apparel in addition to its flagship functional prestige skincare products that incorporate active ingredients derived from natural sources.

In cosmetics, Noevir specializes in products with anti-aging and skin-brightening properties. To that end, Noevir periodically upgrades the *Noevir Speciale*, *Noevir 505* and *Noevir 99* skincare lines, while introducing a few functional products per year to invigorate its brands. Furthermore, in recent years Noevir has been proactively reflecting in its product development the results of psychological and brain function analyses regarding the comfortable application of cosmetics. For example, based on changes in blood flow in the brain the Company has introduced ways to achieve relaxation effects through skin care.

Meeting segmented market needs, Noevir is developing proprietary products by pursuing synergies with its subsidiary Tokiwa Pharmaceutical Co., Ltd. and joint research with educational institutions.

Major Activities in Fiscal 2010

In the cosmetics business, Noevir released the *Noevir REVITALIZER EXCHARGE* anti-aging serum containing L-citrulline amino acid and *Noevir MOIST COLLAGEN GEL*, which functions as a skin toner, moisturizer, cream, beauty serum and makeup base. In addition, with the aim of resolving various concerns about skin conditions, the Company introduced such new products as the *Noevir FREEACT* line targeting women in their 20s and 30s who suffer from acne due to stress, lack of sleep and irregular dietary habits as well as *Noevir MY LIETTO* personal facial massage equipment for easy skin care at home.

In the health food business, Noevir leveraged Tokiwa Pharmaceutical's know-how in energy drink products to launch the *Noevir COLLAGEN C* beauty-care drink.

The ultimate indulgence in skincare, the *Noevir Speciale* line uses advanced nanotechnology for the delivery of effective ingredients.

High-speed 3 MHz ultrasonic vibration and LED optical treatments have been adopted for *Noevir MY LIETTO* personal facial massage equipment.

The results of brain function analyses conducted at the Shiga Research Center are applied to the development of skincare products.

Sales *Strategy*

Operating fundamentally as a direct sales company, Noevir focuses mainly on face-to-face selling backed by individual counseling by Beauty Planner (sales representatives). Amid a changing business environment in which it is aiming to establish a new business model centered on prestige skincare lines, Noevir is striving to build the support systems essential to better meeting customer satisfaction, namely, ensuring enhanced beauty consulting and customer services. Furthermore, Noevir is pursuing new businesses, including the operation of directly managed stores and online and mail order services, to meet market needs and acquire new customers.

Noevir's directly managed stores offer large numbers of people an opportunity to experience prestige cosmetics.

Strengthening the Sales Force

The majority of Noevir's sales are through Beauty Planner who work to improve the quality of services, including advisory and counseling services, by acquiring overall beauty care-related knowledge and skills while striving to deepen their product knowledge with the aim of achieving better customer satisfaction. On the service front, Noevir introduced the "Noevir Skin Care Advisor System" for its sales representatives during the fiscal year under review. Services provided by Skin Care Advisors should ensure that customers find the process of enhancing their beauty to become more beautiful pleasurable. Therefore, Noevir offers skill tests and lectures to its sales representatives with the hope that qualified Skin Care Advisors will become known as truly professional sales representatives who can attract an increasing number of customers.

Simultaneously, from the facility aspect, Noevir is striving to develop comfortable and relaxing salons that can attract customers by leveraging know-how gained through directly managed store operations. By enhancing the support for and numbers of sales representatives, Noevir aims to acquire loyal customers who will regularly purchase prestige skincare products through counseling.

Raising Brand Recognition

With the aim of popularizing its brands, Noevir commenced the opening of directly managed stores in 2007, which include four Noevir Style stores and one SALON DE SPECIALE. In 2010, Noevir opened new-style Angelic Smile stores in Tokyo, Osaka and Kyoto. Offering Noevir prestige cosmetics through counseling, mail-order brands and Tokiwa Pharmaceutical self-selection cosmetics, Angelic Smile stores provide a number of services, such as skin care and makeup lessons, to build closer communication with customers. Carefully examining the effectiveness and the impact on sales representatives of the opening of new directly managed stores, Noevir will continue to strive for efficient store development.

Overseas, Noevir has established a joint venture with two companies, including Shanghai-based Shanghai Bailian Group Co., Ltd., which has been operational since 2007 and carries out businesses at major department stores. Focusing on the sale of cosmetics in China, Noevir participated in the Japan Industry Pavilion exhibition at the 2010 Shanghai EXPO while commencing sales of self-selection cosmetics at cosmetic stores and upscale supermarkets.

A Beauty Planner provides makeup services


A Beauty Planner giving a presentation on counseling prestige cosmetics.


The "Angelic Smile" Ginza store offers Noevir Group products.

Providing pharmaceuticals, cosmetics, drinks and nutritional supplements that account for 45% of the Noevir Group's consolidated net sales, Tokiwa Pharmaceutical boasts a strong presence in the

Sana Nameraka Honpo "Hari-Tsuya" line

Sana HADANOMY line

Nanten Nodo Ame cough drops

Min Min Da Ha and *Kyo Kyo Da Ha* functional drinks

NOV III skincare line

Establishment of Highly Competitive Brands

Tokiwa products gained general retail industry recognition thanks to the company's unique, eye-catching product planning, naming and promotion activities. Moreover, having sales channels covering medical institutions, drug stores, convenience stores and online shops, Tokiwa Pharmaceutical pursues brand-based marketing with defined targets focused on specific concepts.

Tokiwa's flagship brands—the *Sana Nameraka Honpo Soymilk Isoflavone* skincare line in the self-selection cosmetics field; the *NOV* hypoallergenic cosmetic line recommended by dermatologists; the functional drink *Min Min Da Ha*; and the long-selling pharmaceutical product *Nanten Nodo Ame* cough drops—succeeded in capturing high market shares in an increasingly competitive environment due to their brand status as enriching, unique, highly functional items.

Major Activities in Fiscal 2010

Consumption in the cosmetics market remained robust for low-priced general retail market supported by the synergistic effects of bringing together the two business categories of health and beauty.

ACT-NOV a line


Sana Keana Putty Shokunin line

Sana Excel makeup line

Kentoshiatsu Ad


Cellnew Skincare line

Sana Super Quick Mascara

Sana Quzulangelo Cover Liquid BB

products. Given this, Tokiwa Pharmaceutical introduced a facial cleanser and a beauty serum in the "*Hari-Tsuya*" line, which is one of the three *Sana Nameraka Honpo Soymilk Isoflavone* skincare lines.

As a new brand, Tokiwa Pharmaceutical launched the *Sana HADANOMY* brand of skincare products, successfully incorporating micro collagen generally used for food by highly refining it for cosmetics formulation.

Tokiwa Pharmaceutical's mainstay *Sana* brand is marketed in almost all drugstores nationwide, and the company commenced the sale of the *Sana Nameraka Honpo Soymilk Isoflavone* skincare lines in approximately 100 Seven-Eleven/Ito Yokado stores located in mainland China in September 2010.

Furthermore, during fiscal 2010, Tokiwa Pharmaceutical proactively conducted product promotion activities, including advertising on TV and radio, in magazines and in taxis and trains, as well as through the distribution of free samples. Thanks to such efforts, Tokiwa Pharmaceutical succeeded in generating corporate brand recognition uniting all product brands, ranging from its long-selling *Nanten Nodo Ame* cough drops, the well-known *Min Min Da Ha* functional drink and *Sana Nameraka Honpo Soymilk Isoflavone* skincare lines.


Aoyama creative center handles overall marketing activities from planning to promotion.

R&D Characteristics and Structure

In June 2010, Noevir consolidated its main research centers for cosmetics and quasi-drugs at the Shiga Research Center. The consolidation was for the purpose of increasing market competitiveness by accelerating product development in response to diversifying customer requests, while expanding sales channels from direct sales to retail sales by Group companies. At the Shiga Research Center, Noevir engages in comprehensive R&D encompassing basic research aimed at the discovery of active ingredients through the in-house cultivation of plants and efficient product development.

Pharmaceutical R&D is conducted at the Tokiwa R&D Center. Furthermore, synergy effects are generated through the effective usage of Tokiwa Pharmaceutical's pharmaceutical-related expertise in the development of cosmetics and aggressive efforts in the nutritional supplement field.

R&D Activities in Fiscal 2010

During fiscal 2010, Noevir implemented the following basic research in its cosmetics business.

- Noevir discovered that an extract from Norfolk Island pine contains active ingredients that have antioxidant properties while promoting the production of collagen.
- Through joint research with Nara Institute of Science and Technology (NAIST) and a venture company established by NAIST, Noevir discovered that L-citrulline amino acid can prevent damage to the skin by UV rays in addition to its effects in preventing collagen degradation and promoting collagen production. Combining this ingredient with the above-mentioned Norfolk Island pine extract, Noevir created *Noevir REVITALIZER EXCHARGE* beauty serum, which it launched in December 2009.
- Through research into the alternating nature of blood flow in the prefrontal region of the brain, Noevir discovered how facial massage and skin care promote relaxation. The results of this research will be applied to the future development of products and massage techniques.

Tokiwa's R&D Activities in Fiscal 2010

Thanks to its pursuit of joint research with various academic institutions, Tokiwa was able to announce the following research results in fiscal 2010.

- Through joint research with the Faculty of Pharmacy, Musashino University, Tokiwa Pharmaceutical discovered that a medical ingredient contained in nandina fruit extract can prevent the production of inflammatory substances.
- Through joint research involving the National Institute of Health Sciences, University of the Ryukyus, Tohoku University and Noevir Co., Ltd., Tokiwa Pharmaceutical discovered a component of sugar cane extract that suppresses inflammation.


The Shiga Research Center focuses on cosmetics formulation.


Pharmaceutical research is conducted at the Tokiwa R&D Center.

Organizational Structure

Noevir's board of directors consists of six members. Board of directors' meetings are held monthly on a regular basis, with extraordinary meetings convened as necessary. During the fiscal year under review, 14 meetings, including 2 extraordinary meetings, were held. With a view to strengthening corporate governance, Noevir performs duties that work to ensure the viability of its internal control system and has established a framework whereby the entire Company strictly adheres to legal requirements and its articles of incorporation. Noevir has adopted a corporate auditor system, with a board of corporate auditors comprising one standing corporate auditor and two outside corporate auditors. In addition, Noevir has established an Internal Audit Department, made up of eight full-time staff members, that conducts regular audits across all divisions and reports directly to the President and Representative Director. 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.

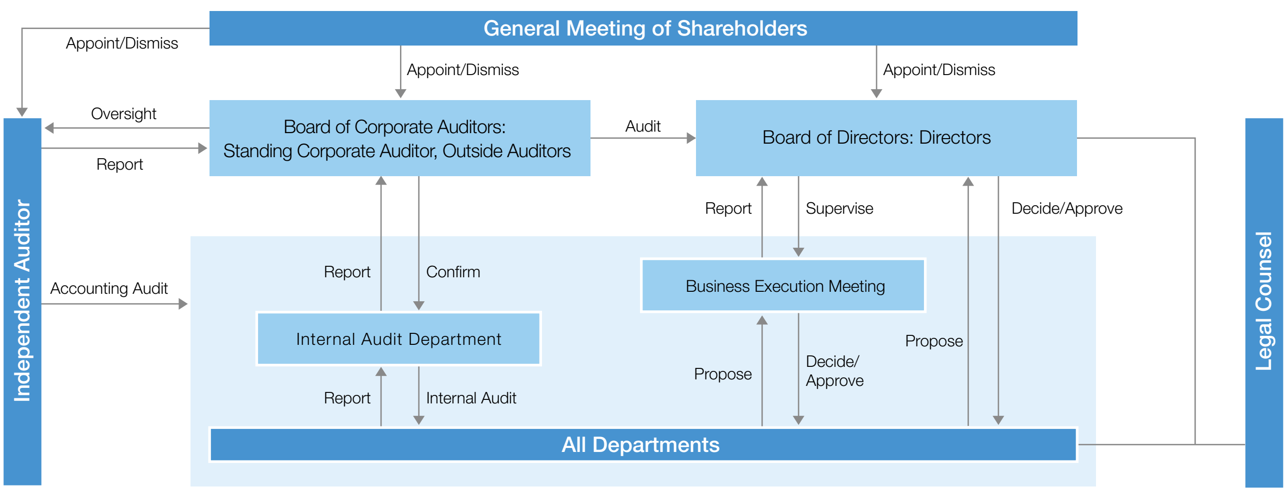
Furthermore, Noevir has adopted an executive officer system with the aim of strengthening the corporate governance structure amid a diversifying management environment. The executive officer system is expected to reinforce the board of directors' decision-making and auditing functions, clarify the Company's responsibilities and accelerate business execution.

As part of the emphasis placed on maintaining the trust of its stakeholders, Noevir discloses important management and financial 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 regularly holds briefings for analysts and institutional investors.

Internal Control System Strengthening

To ensure the appropriate and sound execution of its business operations, Noevir maintains an internal control system 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 to strengthen and promote its compliance structure under the Noevir Group strategy and the Noevir Group code of conduct. By securing a structure for reporting to an independent board of auditors and conducting effective audits, Noevir continues to further enhance its internal control system.

Corporate Governance Organizational Structure



Basic Philosophy

Supporting consumers' health and lifestyles through its products, the Noevir Group recognizes corporate social responsibility (CSR) activities as an important component of management. In line with its guiding principle, "Noevir, where beauty is science," Noevir focuses on quality assurance at the early stages of business operations to offer safe and reliable products. In addition, Noevir proactively engages in environmental preservation.

Quality Assurance

The Noevir Group produces a wide range of products, from cosmetics to quasi-drugs, 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.

Serving as the Group's key manufacturing facility, the Shiga Factory, which is a government-approved, quasi-drug manufacturing facility, handles approximately 70% of the Groupwide cosmetics manufacturing and is ISO 9001 certified for quality assurance.

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.

Environmental Preservation

In accordance with the "Noevir Eco Package Guideline" to promote environment-friendly packaging, the Noevir Group develops products that use recycled paper and has standardized the configuration of powder foundation refills for all cosmetic product lines so that customers can continue to use the same compact case. Together with this, Noevir conducts "Noevir Green Recycle" activities involving the collection of used containers for recycling into various items, including garden planters.

Noevir supports alpinist Ken Noguchi's activities at Mt. Manaslu in the Himalayas.

On the production front, the Shiga Factory is striving to reduce its water usage to prevent water pollution while aiming to cut the amount of waste produced and enhance the rate of recycling. Furthermore, the Shiga Factory launched an energy-saving project team to review the status of electricity and fuel usage with the aim of preventing global warming. A recipient of the Prime Minister's Award for its afforestation campaign, the Shiga Factory is also ISO 14001 certified for environmental management.

Noevir also proactively collaborates with local communities. For example, Noevir entered into an agreement with the Shiga municipal government to dispatch its helicopters in times of disaster for the transport of medical staff, pharmaceuticals and relief supplies. In September 2010, upon the request of an NPO, Child Flight Japan, Noevir took part in a disaster drill in Miyagi Prefecture as the only private company participant and supplied its helicopters for the drill.

Coexistence with Society

With an eye to giving careful consideration to the future of the natural environment, Noevir launched the "Noevir Green Charity" in collaboration with alpinist Ken Noguchi. The charity is currently backing a number of activities, including environmental classes at the Shiga Research Center that offer participants the opportunity to experience nature alongside Ken Noguchi. In addition, Noevir held a campaign in which it donated ¥1 per subject item sold during the skincare fair to the Manaslu Fund, which aims to establish schools in the Himalayas, Nepal.

Noevir invites Ken Noguchi to hold environmental classes at its facilities.

The disaster drill for which Noevir supplied its helicopters.

Management's Discussion and Analysis

Overview

In fiscal 2010, ended September 20, 2010, the Noevir Group's core cosmetic business, which made up 65.8% of the Group's net sales, saw the market for functional cosmetics shrink due to consumers' reluctance to spend and their tendency to purchase lower-priced products. On the other hand, there was particular demand for sunscreen products as a result of high summer temperatures. Although the market for low-priced skincare products remained buoyant, the Group experienced intensified competition from companies in different industries that have entered the market.

During the fiscal year under review, the Noevir Group recorded decreased revenues and earnings on the back of sluggish consumer spending due to severe domestic employment conditions and the negative impact on corporate performance from an abrupt appreciation of the yen. To that end, net sales decreased 4.8%, or ¥2,647 million, year on year to ¥52,580 million.

The cost of sales edged up ¥129 million to ¥19,213 million. The cost of sales as a percentage of net sales grew 1.9 percentage points from a year earlier to 36.5%, affected by stagnant sales of counseling prestige and medium-priced cosmetics under the Noevir brand, while Tokiwa Pharmaceutical's competitively priced self-selection cosmetics increased in terms of sales composition.

Selling, general and administrative (SG&A) expenses fell ¥2,019 million to ¥30,585 million. This was attributable to the Company reviewing its advertising and sales promotion costs for the counseling prestige cosmetics, its reduced number of employees and its ongoing efforts in carrying out reviews of its rental properties throughout the Group to reduce rents. The ratio of SG&A expenses to net sales declined 0.8 of a percentage point to 58.2%.

As a result, operating income fell ¥757 million, or 21.4%, to ¥2,782 million. Net income dropped ¥587 million, or 27.3%, to ¥1,565 million.

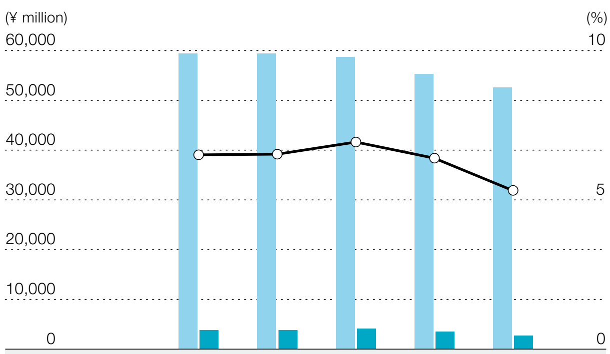
Assets, Liabilities and Equity

Total assets at the fiscal year-end were down ¥511 million year on year to ¥88,797 million. This was mainly attributable to decreases in trade notes, property, plant and equipment, and software of ¥705 million, ¥742 million and ¥400 million, respectively.

Total current assets grew ¥1,089 million from a year earlier to ¥61,204 million, while non-current assets fell ¥1,600 million to ¥27,593 million.

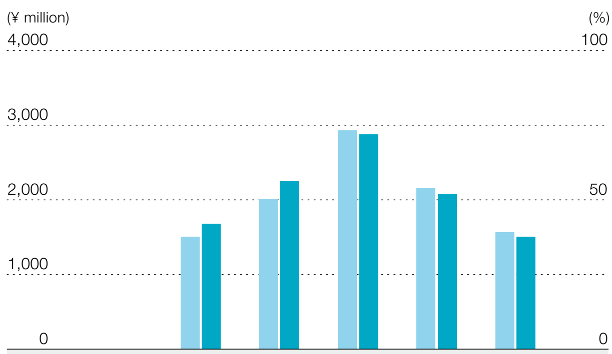
Total liabilities declined ¥620 million year on year to

Net Sales/Operating Income/Operating Income Margin



	2006	2007	2008	2009	2010
Net sales	59,345	59,352	58,669	55,227	**52,580**
Operating income	3,858	3,869	4,043	3,539	**2,782**
Operating income margin	6.5	6.5	6.9	6.4	**5.3**

Net Income/Earnings per Share, Basic



	2006	2007	2008	2009	2010
Net income	1,507	2,018	2,937	2,152	**1,565**
Earnings per share	42.08	56.33	71.94	52.07	**37.88**

¥36,785 million, primarily reflecting a ¥473 million decrease in long-term guarantee deposits received in the long-term liabilities category. Total current liabilities edged down ¥27 million to ¥12,207 million. Long-term liabilities dropped ¥593 million to ¥24,578 million.

Total equity at the end of fiscal 2010 was ¥52,012 million, a year-on-year increase of ¥109 million.

Cash Flows

Cash and cash equivalents, end of year, totaled ¥36,362 million, up ¥782 million from the previous fiscal year-end. This increase was caused by cash inflows from operating activities exceeding cash outflows from investing and financing activities.

Net cash provided by operating activities was ¥4,595 million, down ¥1,377 million compared with the previous fiscal year. Principal factors included income before income taxes and minority interests of ¥2,813 million and depreciation totaling ¥1,894 million.

Net cash used in investing activities amounted to ¥2,282 million, compared with the ¥2,057 million provided in the previous fiscal year. This was due to an increase in time deposits of ¥1,000 million and purchases of property, plant and equipment of ¥757 million.

Net cash used in financing activities was ¥1,486 million, down ¥6,758 million from a year earlier. This was mainly attributable to ¥6,760 million in payments for the redemption of convertible bonds in the previous fiscal year.

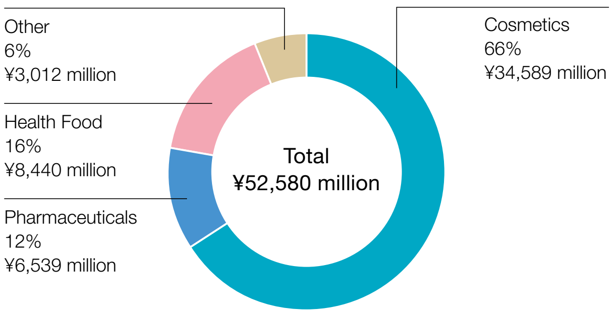
Six-Year Summary

	Millions of Yen					
Years ended September 20	2005	2006	2007	2008	2009	**2010**
Net sales	¥ 56,503	¥ 59,345	¥ 59,352	¥ 58,669	¥ 55,227	**¥ 52,580**
Operating income	3,171	3,858	3,869	4,043	3,539	**2,782**
Net income	1,336	1,507	2,018	2,937	2,152	**1,565**
Total assets	104,463	101,508	99,787	95,818	89,308	**88,797**
Shareholders' equity/total equity*	43,186	43,341	44,223	51,600	51,903	**52,012**
Capital expenditures	2,807	1,467	2,094	2,726	1,277	**710**
Depreciation	1,739	1,678	1,493	2,064	2,099	**1,894**
R&D costs	1,229	1,334	1,640	1,659	1,487	**1,541**
Cash dividends per share (yen)	¥ 30.00	¥ 30.00	¥ 36.00	¥ 36.00	¥ 36.00	**¥ 36.00**
Earnings per share, basic (yen)	37.57	42.08	56.33	71.94	52.07	**37.88**
Shareholders' equity/equity* per share (yen)	1,205.53	1,209.41	1,232.78	1,247.93	1,255.50	**1,258.20**
ROE (%)	3.1%	3.5%	4.6%	6.1%	4.2%	**3.0**%
ROA (%)	1.3	1.5	2.0	3.0	2.3	**1.8**
Equity ratio (%)	41.3	42.7	44.3	53.9	58.1	**58.6**
Number of employees (consolidated)	2,544	2,461	2,370	2,333	2,336	**2,287**

* 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.

	Millions of Yen		
	2008	2009	**2010**
Cosmetics			
Net sales	¥38,513	¥36,825	**¥34,589**
Operating income	6,399	5,524	**4,799**
Operating income margin (%)	16.6	15.0	**13.8**
Pharmaceuticals			
Net sales	¥6,809	¥6,939	**¥6,539**
Operating loss	(571)	(511)	**(729)**
Operating income margin (%)	(8.4)	(7.4)	**(11.1)**
Health Food			
Net sales	¥8,507	¥8,553	**¥8,440**
Operating income	212	580	**346**
Operating income margin (%)	2.5	6.8	**4.1**
Other			
Net sales	¥4,840	¥2,910	**¥3,012**
Operating income (loss)	149	(12)	**(77)**
Operating income margin (%)	3.1	(0.4)	**(2.4)**

Sales by Segment



Segment Information

Cosmetics

Noevir Brand

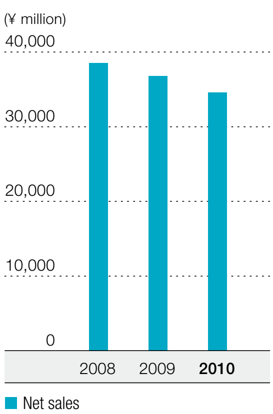
In its counseling prestige cosmetics, Noevir has been endeavoring to strengthen its brand image by introducing high-value-added products and having its sales representatives carry out promotional activities. Despite these efforts, sales of prestige and mid-priced skincare lines were stagnant during the fiscal year under review, reflecting the tendency among consumers to purchase lower-priced products. As a result, the market share of counseling prestige cosmetics decreased.

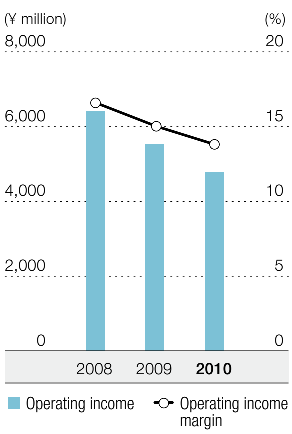
Other Brands

In self-selection cosmetics, the *Sana Nameraka Honpo Soymilk Isoflavone* skincare line, the *Sana Excel* makeup brand as well as the new *HADANOMY* skincare item under the *Sana* brand for drugstores showed sales growth. In addition, sales of the *ACT-NOV* series under the *NOV* hypoallergenic cosmetic brand, which is recommended by dermatologists, remained robust. Tokiwa Pharmaceutical's strategy of introducing products that meet consumer requirements gained market acceptance and continued to show favorable trends.

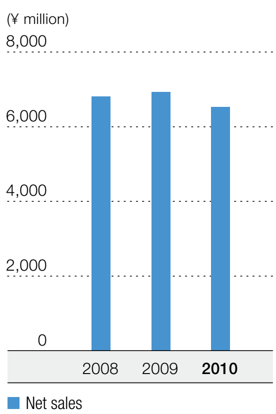
As a result, cosmetics segment sales decreased 6.1% year on year to ¥34,589 million, while operating income fell 13.1% to ¥4,799 million.

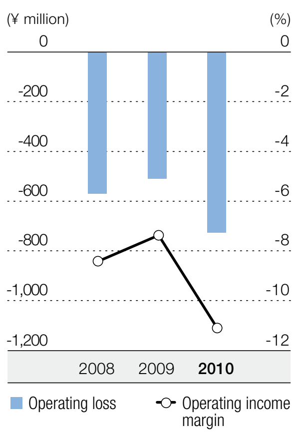
Cosmetics





Pharmaceuticals





Pharmaceuticals

Reflecting stagnant market conditions, pharmaceutical segment sales declined 5.8% year on year to ¥6,539 million, while operating loss increased from ¥511 million in the previous fiscal year to ¥729 million.

Health Food

Noevir Brand

The Company cultivated new demand with the introduction of its new *Noevir COLLAGEN C* beauty-care drink. However, sales of nutritional supplements were weak, reflecting sluggish market conditions.

Other Brands

Sales of Tokiwa's *Min Min Da Ha* and *Kyo Kyo Da Ha* functional drinks continued to be strong despite the release of new products by competitors. Sales of nutritional supplements remained strong thanks to brisk sales of the new *Tokiwa Amino V*.

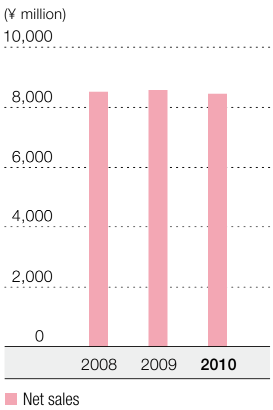
Accordingly, health food segment sales declined 1.3% year on year to ¥8,440 million, while operating income dropped 40.3% to ¥346 million.

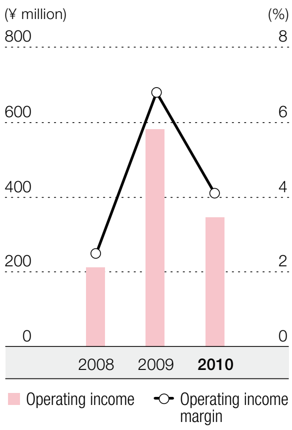
Other

The North American aviation business experienced robust sales on the back of a gradual recovery in demand. However, sales in the apparel business declined.

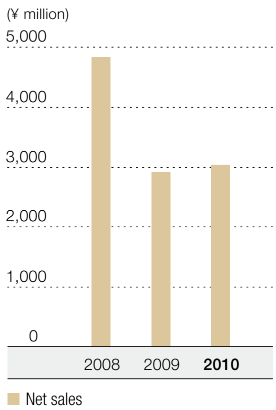
As a result, this segment's sales rose 3.5% year on year to ¥3,012 million, while operating loss grew from ¥12 million in the previous fiscal year to ¥77 million.

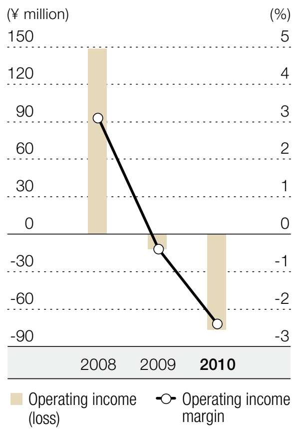
Health Food





Other





Consolidated Balance Sheets

Noevir Co., Ltd. and Subsidiaries
20th September, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2010**	2009	**2010**
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	**¥36,362**	¥35,580	**$ 422,814**
Short-term investments (Notes 3 and 12)	**1,500**	—	**17,442**
Receivables (Note 12):			
Trade notes	**2,477**	3,182	**28,802**
Trade accounts	**8,547**	8,311	**99,384**
Other	**1,797**	2,118	**20,895**
Allowance for doubtful receivables	**(96)**	(89)	**(1,117)**
Inventories (Note 4)	**8,466**	8,801	**98,442**
Deferred tax assets (Note 9)	**1,659**	1,678	**19,291**
Prepaid expenses and other current assets	**492**	534	**5,721**
Total current assets	**61,204**	60,115	**711,674**
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	**14,330**	14,330	**166,628**
Buildings and structures	**21,195**	21,049	**246,454**
Machinery and equipment	**5,458**	5,378	**63,465**
Furniture and fixtures	**6,436**	6,692	**74,837**
Lease assets (Note 11)	**24**	8	**279**
Construction in progress	**35**	20	**407**
Total	**47,478**	47,477	**552,070**
Accumulated depreciation	**(25,351)**	(24,608)	**(294,779)**
Net property, plant and equipment	**22,127**	22,869	**257,291**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 12)	**449**	541	**5,221**
Investments in affiliated companies	**8**	8	**93**
Goodwill	**5**	9	**58**
Software	**1,346**	1,746	**15,651**
Rental deposits	**941**	995	**10,942**
Deferred tax assets (Note 9)	**2,126**	2,292	**24,721**
Other assets	**591**	733	**6,872**
Total investments and other assets	**5,466**	6,324	**63,558**
TOTAL	**¥88,797**	¥89,308	**$1,032,523**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 6)	¥ 6	¥ 14	$ 70
Payables (Note 12):			
Trade notes	529	366	6,151
Trade accounts	4,729	4,552	54,988
Other	4,051	4,141	47,105
Income taxes payable (Note 12)	485	642	5,640
Liability for product returns	1,247	1,361	14,500
Accrued expenses	680	529	7,907
Other current liabilities	480	629	5,581
Total current liabilities	12,207	12,234	141,942
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	19	6	221
Liability for retirement benefits (Note 7)	5,085	5,050	59,128
Long-term guarantee deposits received (Note 12)	19,230	19,703	223,604
Other long-term liabilities	244	412	2,837
Total long-term liabilities	24,578	25,171	285,790
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 13)			
EQUITY (Notes 8 and 14):			
Common stock, authorised, 145,000 thousand shares; issued, 41,337 thousand shares in 2010 and 2009	7,319	7,319	85,105
Capital surplus—Additional paid-in capital	6,809	6,809	79,174
Retained earnings	38,306	38,228	445,419
Net unrealised gain (loss) on available-for-sale securities	28	(88)	325
Foreign currency translation adjustments	(448)	(366)	(5,209)
Treasury stock—at cost: 14,627 shares in 2010 and 2009	(21)	(21)	(244)
Total	51,993	51,881	604,570
Minority interests	19	22	221
Total equity	52,012	51,903	604,791
TOTAL	¥88,797	¥89,308	$1,032,523

See notes to consolidated financial statements.

Consolidated Statements of Income

Noevir Co., Ltd. and Subsidiaries
Years Ended 20th September, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
NET SALES	**¥52,580**	¥55,227	**$611,395**
COST OF SALES (Note 10)	**19,213**	19,084	**223,407**
Gross profit	**33,367**	36,143	**387,988**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**30,585**	32,604	**355,639**
Operating income	**2,782**	3,539	**32,349**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**33**	86	**383**
Interest expense	**—**	(1)	**—**
Gain on sales of memberships	**—**	98	**—**
Gain on sales of property, plant and equipment	**3**	36	**35**
Loss on disposal of property, plant and equipment	**(26)**	(77)	**(302)**
Reversal of allowance for doubtful receivables	**—**	32	**—**
Devaluation loss on inventories	**—**	(365)	**—**
Impairment loss on fixed assets (Note 5)	**(15)**	(106)	**(174)**
Other—net	**36**	249	**418**
Other income (expenses)—net	**31**	(48)	**360**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**2,813**	3,491	**32,709**
INCOME TAXES (Note 9):			
Current	**1,146**	1,635	**13,325**
Deferred	**103**	(289)	**1,198**
Total income taxes	**1,249**	1,346	**14,523**
MINORITY INTERESTS IN NET INCOME	**(1)**	(7)	**(12)**
NET INCOME	**¥ 1,565**	¥ 2,152	**$ 18,198**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2. p):			
Basic net income	**¥37.88**	¥52.07	**$0.44**
Cash dividends applicable to the year	**36.00**	36.00	**0.42**

	Thousands	
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK	**41,323**	41,323

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Noevir Co., Ltd. and Subsidiaries
Years Ended 20th September, 2010 and 2009

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus Additional Paid-in Capital	Retained Earnings	Net Unrealised Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, 21ST SEPTEMBER, 2008	41,323	¥7,319	¥6,809	¥37,564	¥ 92	¥(195)	¥(21)	¥51,568	¥32	¥51,600
Net income				2,152				2,152		2,152
Cash dividends, ¥36.00 per share				(1,488)				(1,488)		(1,488)
Repurchase of treasury stock	(0)						(0)	(0)		(0)
Net change in the year					(180)	(171)		(351)	(10)	(361)
BALANCE, 20TH SEPTEMBER, 2009	41,323	7,319	6,809	38,228	(88)	(366)	(21)	51,881	22	51,903
Net income				**1,565**				**1,565**		**1,565**
Cash dividends, ¥36.00 per share				**(1,487)**				**(1,487)**		**(1,487)**
Net change in the year					**116**	**(82)**		**34**	**(3)**	**31**
BALANCE, 20TH SEPTEMBER, 2010	**41,323**	**¥7,319**	**¥6,809**	**¥38,306**	**¥ 28**	**¥(448)**	**¥(21)**	**¥51,993**	**¥19**	**¥52,012**

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus Additional Paid-in Capital	Retained Earnings	Net Unrealised Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, 20TH SEPTEMBER, 2009	$85,105	$79,174	$444,512	$(1,023)	$(4,256)	$(244)	$603,268	$256	$603,524
Net income			**18,198**				**18,198**		**18,198**
Cash dividends, $0.42 per share			**(17,291)**				**(17,291)**		**(17,291)**
Net change in the year				**1,348**	**(953)**		**395**	**(35)**	**360**
BALANCE, 20TH SEPTEMBER, 2010	**$85,105**	**$79,174**	**$445,419**	**$ 325**	**$(5,209)**	**$(244)**	**$604,570**	**$221**	**$604,791**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Noevir Co., Ltd. and Subsidiaries
Years Ended 20th September, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 2,813**	¥ 3,491	**$ 32,709**
Adjustments for:			
Income taxes—paid	**(1,360)**	(1,771)	**(15,814)**
Depreciation	**1,894**	2,099	**22,023**
Amortisation of goodwill	**5**	29	**58**
Reversal of doubtful receivables	**(59)**	(42)	**(686)**
Gain on sales of property, plant and equipment	**(3)**	(36)	**(35)**
Loss on disposal of property, plant and equipment	**26**	77	**302**
Provision for retirement benefits	**35**	7	**407**
Impairment loss on fixed assets (Note 5)	**15**	106	**174**
Changes in assets and liabilities:			
Decrease in trade receivables	**557**	124	**6,477**
Decrease in inventories	**259**	1,112	**3,012**
Increase (decrease) in trade payables	**364**	(694)	**4,233**
Decrease in long-term guarantee deposits received	**(473)**	(171)	**(5,500)**
Other—net	**522**	1,641	**6,070**
Total adjustments	**1,782**	2,481	**20,721**
Net cash provided by operating activities	**4,595**	5,972	**53,430**
INVESTING ACTIVITIES:			
Decrease (increase) in time deposits (exceeding 3 months)	**(1,000)**	3,000	**(11,628)**
Proceeds from sales of property, plant and equipment	**9**	108	**104**
Purchases of property, plant and equipment	**(757)**	(887)	**(8,802)**
Proceeds from sales of marketable and investment securities	**12**	2	**140**
Purchases of marketable and investment securities	**(2)**	(12)	**(23)**
Purchases of short-term investments	**(500)**	—	**(5,814)**
Increase in other assets	**(44)**	(154)	**(512)**
Net cash provided by (used in) investing activities	**(2,282)**	2,057	**(26,535)**
FINANCING ACTIVITIES:			
Payments for redemption of convertible bond	**—**	(6,760)	**—**
Repurchase of treasury stock	**—**	(0)	**—**
Dividends paid	**(1,486)**	(1,484)	**(17,279)**
Net cash used in financing activities	**(1,486)**	(8,244)	**(17,279)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(45)**	(119)	**(523)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**782**	(334)	**9,093**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**35,580**	35,914	**413,721**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥36,362**	¥35,580	**$422,814**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Noevir Co., Ltd. and Subsidiaries
Years Ended 20th September, 2010 and 2009

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 Act 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 2009 consolidated financial statements to conform to the classifications used in 2010.

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 ¥86 to $1, the approximate rate of exchange at 20th September, 2010. 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 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. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — In May 2006, the Accounting Standards Board of Japan (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". PITF No. 18 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 accounting principles in the United States of America 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) scheduled amortisation of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalised development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after 1st April, 2008, with early adoption permitted.

The Company applied this accounting standard effective 21st September, 2008. The adoption had no effect on earnings for the year ended 20th September, 2009.

c. 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.

d. Inventories — Merchandise, finished products, semi-finished products and work in process are stated at the lower of cost, determined by the average method, or net selling value. Supplies are stated at the lower of most recent purchase price, which approximates cost determined by the first-in, first-out method, or net selling value. Inventories of foreign subsidiaries are stated at lower of cost, determined principally by the first-in, first-out method, or market.

e. 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.

f. 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 8 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

The useful lives for lease assets are the terms of the respective leases.

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 certain domestic subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees which cover approximately 20% and 80%, respectively, of their benefits. A domestic subsidiary has unfunded retirement benefit plans.

In July 2008, the ASBJ issued ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)". The Company and its domestic subsidiaries applied the revised accounting standard effective 21st September, 2009. The adoption had no effect on earnings for the year ended 20th September, 2010.

j. 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.

k. Research and Development Costs — Research and development costs are charged to income as incurred.

l. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. 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.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalised. However, other finance leases were 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. The revised accounting standard requires that all finance lease transactions should be capitalised to recognise lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective 21st September, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

m. 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.

n. 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.

o. 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" in a separate component of equity. Revenue and expense accounts of the foreign subsidiaries are translated into Japanese yen at the annual average exchange rates.

p. 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 is not disclosed because there are no dilutive securities.

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.

q. New Accounting Pronouncements

Asset Retirement Obligations — In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations", and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard and guidance, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognised as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognised when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalised by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalised amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after 1st April, 2010 with early adoption permitted for fiscal years beginning on or before 31st March, 2010.

Accounting Changes and Error Corrections — In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections", and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after 1st April, 2011.

Segment Information Disclosures — In March 2008, the ASBJ revised ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures”, and issued ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures”. Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after 1st April, 2010.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of 20th September, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current:			
Time deposits other than cash equivalents	**¥1,000**	¥ —	**$11,628**
Funds in trust	**500**	—	**5,814**
Total	**¥1,500**	¥ —	**$17,442**
Non-current:	**¥ 429**	¥521	**$ 4,988**
Marketable equity securities	**20**	20	**233**
Trust fund investments and other			
Total	**¥ 449**	¥541	**$ 5,221**

The costs and aggregate fair values of investment securities as of 20th September, 2010 and 2009 were as follows:

	Millions of Yen			
	2010			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
Securities classified as:				
Available-for-sale—Equity securities	**¥377**	**¥56**	**¥(4)**	**¥429**

	Millions of Yen			
	2009			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
Securities classified as:				
Available-for-sale—Equity securities	¥666	¥62	¥(207)	¥521

	Thousands of U.S. Dollars			
	2010			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
Securities classified as:				
Available-for-sale—Equity securities	**$4,384**	**$651**	**$(47)**	**$4,988**

Available-for-sale securities whose fair value is not readily determinable as of 20th September, 2009 were as follows. The similar information for 2010 is disclosed in Note 12.

	Carrying Amount
20th September, 2009	Millions of Yen
Available-for-sale:	
Equity securities	¥20

Proceeds from sales of available-for-sale securities for the year ended 20th September, 2009 were ¥2 million. Gross realised gains and losses on these sales, computed on the moving average cost basis, were ¥0 million and ¥0 million, respectively, for the year ended 20th September, 2009.

The information of available-for-sale securities which were sold during the year ended 20th September, 2010 was as follows:

	Millions of Yen		
20th September, 2010	Proceeds	Realised Gains	Realised Loss
Available-for-sale:			
Equity securities	¥12	¥2	¥—

	Thousands of U.S. Dollars		
20th September, 2010	Proceeds	Realised Gains	Realised Loss
Available-for-sale:			
Equity securities	$140	$23	$—

4. INVENTORIES

Inventories at 20th September, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Merchandise	**¥4,036**	¥4,163	**$46,930**
Finished products	**2,415**	2,729	**28,082**
Semi-finished products	**19**	23	**221**
Work in process	**298**	297	**3,465**
Raw materials and supplies	**1,698**	1,589	**19,744**
Total	**¥8,466**	¥8,801	**$98,442**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of 20th September, 2010 and 2009.

As a result, for the year ended 20th September, 2010, the Group recognised an impairment loss of ¥15 million ($174 thousand) as other expenses for certain business properties in the Hokkaido Prefecture due to continuous operating losses of those units and the carrying amounts of those assets were written down to the recoverable amounts as of 20th September, 2010. The recoverable amounts of those assets were measured at their net selling price at disposition.

For the year ended 20th September, 2009, the Group recognised an impairment loss of ¥106 million as other expenses for certain business properties in the Hokkaido Prefecture, Miyagi Prefecture and Okinawa Prefecture due to continuous operating losses of those units and the carrying amounts of those assets were written down to the recoverable amounts as of 20th September, 2009. The recoverable amounts of those assets were measured at their value in use (the discount rate used for computation of present value of future cash flows was 1.5%) or their net selling price at disposition.

Impairment losses for the years ended 20th September, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Land	**¥—**	¥ 86	**$ —**
Buildings and structures	**15**	19	**174**
Furniture and fixtures	**—**	1	**—**
Total	**¥15**	¥106	**$174**

6. LONG-TERM DEBT

Long-term debt at 20th September, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Loans from bank and other financial institutions-			
Collateralised	**¥—**	¥12	**$ —**
Obligations under finance leases	**25**	8	**291**
Total	**25**	20	**291**
Less current portion	**(6)**	(14)	**(70)**
Long-term debt, less current portion	**¥19**	¥ 6	**$221**

Annual maturities of long-term debt as of 20th September, 2010 for the next five years were as follows:

Year Ending 20th September	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 6	$ 70
2012	6	70
2013	6	70
2014	5	58
2015	2	23
Total	¥25	$291

7. RETIREMENT AND PENSION PLANS

The Company and its certain domestic subsidiaries have severance payment plans for employees.

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 employees' retirement benefits at 20th September, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligation	**¥10,041**	¥10,395	**$116,756**
Fair value of plan assets	**(4,151)**	(4,288)	**(48,267)**
Unrecognised actuarial loss	**(805)**	(1,057)	**(9,361)**
Net liability	**¥ 5,085**	¥ 5,050	**$ 59,128**

The components of net periodic benefit costs for the years ended 20th September, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Service cost	**¥564**	¥576	**$ 6,558**
Interest cost	**208**	200	**2,419**
Expected return on plan assets	**(36)**	(110)	**(419)**
Recognised actuarial loss	**252**	212	**2,930**
Net periodic benefit costs	**¥988**	¥878	**$11,488**

Assumptions used for the years ended 20th September, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	**2.00%**	2.00%
Expected rate of return on plan assets	**0.85%**	2.35%
Recognition period of actuarial gain/loss	**5 years—10 years**	5 years—10 years

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarised below:

a. Dividends

Under the Companies Act, 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 Companies Act permits companies to distribute dividends-in-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 Companies Act 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 Companies Act 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 Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 Companies Act, stock acquisition rights are presented as a separate component of equity.

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

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, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 20th September, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets:			
Inventories	**¥ 612**	¥ 682	**$ 7,116**
Investment securities	**22**	81	**256**
Property, plant and equipment	**323**	334	**3,756**
Employees' retirement benefits	**2,065**	2,050	**24,012**
Tax loss carryforwards	**20**	24	**232**
Other	**1,297**	1,403	**15,081**
Less valuation allowance	**(300)**	(374)	**(3,488)**
Total	**¥4,039**	¥4,200	**$46,965**
Deferred tax liabilities:			
Property, plant and equipment	**¥ 224**	¥ 225	**$ 2,604**
Unrealised gain on available-for-sale securities	**22**	0	**256**
Other	**8**	5	**93**
Total	**¥ 254**	¥ 230	**$ 2,953**
Net deferred tax assets	**¥3,785**	¥3,970	**$44,012**

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, 2010 and 2009 is as follows:

	2010	2009
Normal effective statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	6.8	8.0
Taxation of accumulated earnings	0.0	0.8
Amortisation of goodwill	—	0.0
Valuation allowance	(3.0)	(1.9)
Per capita levy	3.1	2.7
Tax effects for unrealised gain on inventories	—	(8.0)
Tax credits	(4.1)	(4.8)
Other—net	1.0	1.2
Actual effective tax rates	44.4%	38.6%

At 20th September, 2010, certain subsidiaries have tax loss carryforwards aggregating approximately ¥55 million ($640 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
2011	¥—	$ —
2012	—	—
2013	—	—
2014	4	47
2015	38	442
2016 and thereafter	13	151
Total	¥55	$640

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,541 million ($17,919 thousand) and ¥1,487 million for the years ended 20th September 2010 and 2009, respectively.

11. LEASES

The Group leases certain machinery, 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, 2010 and 2009 were ¥64 million ($744 thousand) and ¥95 million, respectively.

Pro Forma Information of Leased Property Whose Lease Inception Was before 20th September, 2008.

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", requires that all finance lease transactions should be capitalised to recognise lease assets and lease obligations in the balance sheet.

However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before 31st March, 2008 to be accounted for as operating lease transactions if certain “as if capitalised” information is disclosed in the notes to the financial statements. The Company applied ASBJ Statement No. 13 effective 21st September, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before 20th September, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalised” basis was as follows:

	Millions of Yen					
	2010			2009		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**¥150**	**¥75**	**¥225**	¥428	¥87	¥515
Accumulated depreciation	**113**	**68**	**181**	341	54	395
Net leased property	**¥ 37**	**¥ 7**	**¥ 44**	¥ 87	¥33	¥120

	Thousands of U.S. Dollars		
	2010		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**$1,744**	**$872**	**$2,616**
Accumulated depreciation	**1,314**	**791**	**2,105**
Net leased property	**$ 430**	**$ 81**	**$ 511**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Due within one year	**¥45**	¥ 71	**$523**
Due after one year	**15**	60	**175**
Total	**¥60**	¥131	**$698**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Depreciation expense	**¥53**	¥83	**$616**
Interest expense	**4**	8	**47**
Total	**¥57**	¥91	**$663**

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. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On 10th March, 2008, the ASBJ revised ASBJ Statement No. 10, “Accounting Standard for Financial Instruments”, and issued ASBJ Guidance No. 19, “Guidance on Accounting Standard for Financial Instruments and Related Disclosures”. This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after 31st March, 2010 with early adoption permitted from the beginning of the fiscal years ending before 31st March, 2010. The Group applied the revised accounting standard and the new guidance effective 20th September, 2010.

(1) Group Policy for Financial Instruments

The Group uses financial instruments to utilise cash surpluses in low risk and highly liquid financial instruments on the basis of internal guidelines, and does not use them for the purpose of speculation.

(2) Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Group manages this risk on the basis of internal guidelines.

Investment securities mainly are composed of low-risk instruments, which are subject to possible changes in market price. The Group manages this risk by considering fair values every quarter. Financial instruments except investment securities are hardly subject to liquidity risk because of their short maturities.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than 4 months. Payment terms of payables are subject to liquidity risk. The Group manages this risk by preparing cash flow forecasts and plans every month with payments made on a timely basis.

(a) Fair value of financial instruments:

	Millions of Yen		
20th September, 2010	Carrying Amount	Fair Value	Unrealised Gain/Loss
Cash and cash equivalents	¥36,362	¥36,362	¥—
Short-term investments	1,500	1,500	—
Receivables	12,821	12,819	(2)
Investment securities	429	429	—
Total	¥51,112	¥51,110	¥ (2)
Payables	¥ 9,309	¥ 9,309	¥—
Income taxes payable	485	485	—
Total	¥ 9,794	¥ 9,794	¥—

	Thousands of U.S. Dollars		
20th September, 2010	Carrying Amount	Fair Value	Unrealised Gain/Loss
Cash and cash equivalents	$422,814	$422,814	$ —
Short-term investments	17,442	17,442	—
Receivables	149,081	149,058	(23)
Investment securities	4,988	4,988	—
Total	$594,325	$594,302	$(23)
Payables	$108,244	$108,244	$ —
Income taxes payable	5,640	5,640	—
Total	$113,884	$113,884	$ —

Cash and Cash Equivalents, Short-Term Investments

The carrying values of cash and cash equivalents, short-term investments approximate fair value due to their short maturities.

Receivables

The carrying values for short-term receivables approximate fair value due to their short maturities. The fair values of long-term receivables due after one year are measured at the present values discounted by risk-free rates and the future cash flows including credit risks.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. The information of the fair value for investment securities by classification is included in Note 3.

Payables and Income Tax Payable

The carrying values for payables and income tax payable approximate fair value due to their short maturities.

(b) Financial instruments whose fair value cannot be reliably determined:

	Carrying Amount	
20th September, 2010	Millions of Yen	Thousands of U.S. Dollars
Investment securities in equity instruments that do not have a quoted market price in an active market	¥ 28	$ 326
Long-term guarantee deposits received without interest and contractual maturities	19,230	223,604

(3) Maturity Analysis for Financial Assets and Securities with Contractual Maturities:

	Millions of Yen			
20th September, 2010	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥36,362	¥ —	¥—	¥—
Short-term investments	1,500	—	—	—
Receivables	12,546	275	—	—
Total	¥50,408	¥275	¥—	¥—

	Thousands of U.S. Dollars			
20th September, 2010	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$422,814	$ —	$—	$—
Short-term investments	17,442	—	—	—
Receivables	145,884	3,197	—	—
Total	$586,140	$3,197	$—	$—

(4) Please See Note 6, “LONG-TERM DEBT”, for Future Payments of Obligations under Finance Leases.

13. CONTINGENT LIABILITIES

At 20th September, 2010, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans of certain affiliates and customers	¥60	$698

14. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at 20th September, 2010 was approved at the Board of Directors meeting held on 10th November, 2010.

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥36 ($0.42) per share	¥1,487	$17,291

b. Establishment of a Holding Company through a Sole Stock Transfer

The Board of Directors of the Company, at a meeting held on 29th October, 2010, passed a resolution to establish a holding company under the name of Noevir Holdings Co., Ltd. through a sole stock transfer, and the stock transfer plan was approved at the annual shareholders meeting held on 8th December, 2010.

1. Objectives of establishment of a holding company through a sole stock transfer
   (1) Maximisation of Group corporate value
   By clearly separating the organisation responsible for Group management from the organisation responsible for business execution, the Group seeks to demonstrate the distinctive and specialised nature of its Cosmetics, Pharmaceuticals, Health Food and Other Businesses, as well as optimally manage its overall business by flexibly and swiftly responding to changing business environment, and maximise Group corporate value.

   (2) Reinforcement of corporate governance
   Through assessment and monitoring conducted by the holding company, the Group will further develop its segregation of duties and reinforce its corporate governance as a whole. This will enable greater transparency of Group management and help fulfill its corporate social responsibility.

   (3) Strengthening of Group strategic capabilities
   Under the holding company's leadership, the Group's management will swiftly respond to changes in the business environment through flexible and agile restructuring of the Group's business and organisations, its business and capital alliances and M&As. These efforts are designed to give the Group an even greater competitive edge in markets in Japan and overseas, as well as strengthen the Group's business foundation and expand its business domain.

2. Procedure of a stock transfer
   (1) Schedule of stock transfer

Record date for the annual shareholders meeting:	20th September, 2010 (Mon.)
Meeting of the Board of Directors approving the stock transfer plan:	29th October, 2010 (Fri.)
Annual shareholders meeting approving the stock transfer plan:	8th December, 2010 (Wed.)
Delisting date:	16th March, 2011 (Wed.) (scheduled)
Registration date of holding company (effective date):	22nd March, 2011 (Tue.) (scheduled)
Listing date of the holding company:	22nd March, 2011 (Tue.) (scheduled)

   (2) Method of stock transfer
   Sole stock transfer whereby the Company will become a wholly-owned subsidiary of the holding company established through the same stock transfer.

   (3) Share allotment involved in stock transfer

Company	Noevir Holdings Co., Ltd. (parent company holding all shares of Noevir Co., Ltd.)	Noevir Co., Ltd. (wholly-owned subsidiary)
Stock transfer ratio	1	1

Notes: 1. Share allotment ratio
One share of common stock in the newly established holding company shall be allotted for each common stock share of Noevir Co., Ltd.
2. Share trading unit
The holding company shall adopt the share trading unit system, under which the number of shares in one trading unit shall be 100.
3. Basis of calculation of stock transfer ratio
The stock transfer in question is to be implemented by the Company solely and independently for the purpose of establishing a holding company that will hold all the Company's shares and exercise full control over the Company. Therefore, there will be no change in the breakdown of the shareholders of the Company or of the holding company at the time of the stock transfer, and to ensure above all that the stock transfer involves no disadvantage to the shareholders of the Company, all shareholders of the Company shall receive one share of common stock in the holding company in exchange for each share of common stock in the Company.
4. Results, method, and basis of calculations by third-party institution
In consideration of the facts stated in item 3. above, no calculation of share allotment ratio was performed by a third-party institution.
5. Number of new shares to be issued through stock transfer
41,337,487 (scheduled)

(4) Handling of stock acquisition rights and bonds with stock acquisition rights of the Company that will become a wholly-owned subsidiary
The Company issues no stock acquisition rights or bonds with stock acquisition right.

3. Outline of the new company to be established through the stock transfer

Trade Name:	Noevir Holdings Co., Ltd.
Address of Head Office:	6-13-1 Minatojima-nakamachi, Chuo-ku, Kobe
Name of Representative:	Takashi Okura
Paid-in Capital:	¥7,319 million
Net Assets:	Not yet calculated
Total Assets:	Not yet calculated
Nature of Business:	Management and supervision of Group companies and related services

4. Description of accounting treatment
Because this transaction will be treated as "a transaction under common control" under corporate accounting procedures, it has no effect on profits and losses and do not give rise to goodwill.

5. Outlook
As a result of the stock transfer, the business performance figures of the Company will appear in the settlement of accounts of the holding company, of which the Company will be a wholly owned subsidiary.

The stock transfer will have a minimal effect on the Company's business performance.

15. SEGMENT INFORMATION

(1) Industry Segments
Information about industry segments for the years ended 20th September, 2010 and 2009 is as follows:

a. Sales and Operating Income

	Millions of Yen					
	2010					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥34,589	¥6,539	¥8,440	¥3,012	¥ —	¥52,580
Intersegment sales	—	—	—	140	(140)	—
Total sales	34,589	6,539	8,440	3,152	(140)	52,580
Operating expenses	29,790	7,268	8,094	3,229	1,417	49,798
Operating income (loss)	¥ 4,799	¥ (729)	¥ 346	¥ (77)	¥(1,557)	¥ 2,782

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

	Millions of Yen					
	2010					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Total assets	¥50,490	¥11,009	¥11,985	¥1,510	¥13,803	¥88,797
Depreciation	1,024	238	231	5	396	1,894
Impairment loss on fixed assets	15	—	0	—	—	15
Capital expenditures	340	208	138	3	21	710

a. Sales and Operating Income

	Millions of Yen					
	2009					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥36,825	¥6,939	¥8,553	¥2,910	¥ —	¥55,227
Intersegment sales	—	—	—	140	(140)	—
Total sales	36,825	6,939	8,553	3,050	(140)	55,227
Operating expenses	31,301	7,450	7,973	3,062	1,902	51,688
Operating income (loss)	¥ 5,524	¥ (511)	¥ 580	¥ (12)	¥(2,042)	¥ 3,539

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

	Millions of Yen					
	2009					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Total assets	¥51,031	¥12,295	¥12,221	¥2,515	¥11,246	¥89,308
Depreciation	1,060	216	207	43	573	2,099
Impairment loss on fixed assets	15	61	30	0	—	106
Capital expenditures	802	265	182	9	19	1,277

a. Sales and Operating Income

	Thousands of U.S. Dollars					
	2010					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Sales to customers	**$402,198**	**$76,035**	**$98,139**	**$35,023**	**$ —**	**$611,395**
Intersegment sales	**—**	**—**	**—**	**1,628**	**(1,628)**	**—**
Total sales	**402,198**	**76,035**	**98,139**	**36,651**	**(1,628)**	**611,395**
Operating expenses	**346,395**	**84,512**	**94,116**	**37,546**	**16,477**	**579,046**
Operating income (loss)	**$ 55,803**	**$ (8,477)**	**$ 4,023**	**$ (895)**	**$(18,105)**	**$ 32,349**

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

	Thousands of U.S. Dollars					
	2010					
	Cosmetics	Pharmaceuticals	Health Foods	Other	Eliminations/ Corporate	Consolidated
Total assets	**$587,093**	**$128,012**	**$139,360**	**$17,558**	**$160,500**	**$1,032,523**
Depreciation	**11,907**	**2,767**	**2,686**	**58**	**4,605**	**22,023**
Impairment loss on fixed assets	**174**	**—**	**0**	**—**	**—**	**174**
Capital expenditures	**3,953**	**2,419**	**1,605**	**35**	**244**	**8,256**

(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. (the "Company") and subsidiaries as of 20th September, 2010 and 2009, 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, 2010 and 2009, 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.

As discussed in Note 14 to the consolidated financial statements, the Board of Directors of the Company, at a meeting held on 29th October, 2010, passed a resolution to establish a holding company under the name of Noevir Holdings Co., Ltd. through a sole stock transfer, and the stock transfer plan was approved at the annual shareholders meeting held on 8th December, 2010.

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 LLC

8th December, 2010

(As of September 20, 2010)

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 U.S.A.	US$7,250 thousand	100.00	North American operations
Noevir U.S.A., Inc.	1095 Southeast Main Street Irvine, California 92614 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 and promotional products
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 (5°-#183) 47891 Dogana Repubblica di San Marino	26,000 euro	100.00	Market research in Europe
Tokiwa Medical Service Co., Ltd.	3-12-23 Kitahorie Nishi-ku, Osaka 550-0014 Japan	¥98	100.00	Deposit sale of cosmetics, pharmaceuticals and food products

Board of Directors

(As of December 8, 2010)

Chairman

(Representative Director)
Hiroshi Okura

President

(Representative Director)
Takashi Okura

Managing Director

Masashi Akagawa

Directors

Yasuo Kaiden
Takashi Takehara
Ikkou Yoshida

Standing Corporate Auditor

Yoshiharu Hayashi

Outside Corporate Auditors

Masakazu Ueda
Kazuhiro Kida

Investor Information

(As of September 20, 2010)

Date of Establishment:

April 1964

Paid-in Capital:

¥7,319 million

Headquarters:

• Ginza
7-6-15 Ginza, Chuo-ku
Tokyo 104-8208, Japan
Phone: +81-3-5568-0305
Fax: +81-3-5568-0441
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

Major Shareholders

Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (percent)
Hiroshi Okura	8,438	20.41%
NII Co., Ltd.*	6,972	16.86
Okura Kohsan, Ltd.*	4,491	10.86
Takashi Okura	3,699	8.94
Noevir Employees Shareholding Scheme	1,250	3.02
Sumitomo Mitsui Banking Corporation	900	2.17
Mizuho Bank, Ltd.	600	1.45
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	27,250	65.92%

* 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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