

Brief Report on the Settlement of Accounts (Consolidated) for the Interim Term Ended September 30, 2008

November 12, 2008

Name of Listed Company: Charle Co., Ltd.

Code number: 9885

Second Section of the Osaka Securities Exchange

URL: <http://www.charle.co.jp/>

Representative: Katsuya Hayashi, Director and Representative Executive Officer

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Scheduled Submission date of quarterly report: November 12, 2008

(Figures are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Interim Term Ended September 30, 2008

(From April 1, 2008, to September 30, 2008)

(1) Consolidated Operating Results

(Percentage figures represent changes between corresponding periods for each fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim term ended September 30, 2008	12,957	—	1,382	—	1,429	—	1,118	—
Interim term ended September 30, 2007	26,654	(3.8)	1,068	15.7	1,232	14.5	(2,247)	—

	Net income per share	Diluted net income per share
	Yen	Yen
Interim term ended September 30, 2008	57.72	—
Interim term ended September 30, 2007	(115.98)	—

Note: Net sales for the interim term ended September 30, 2008 decreased from the same period of the previous year due mainly to the transfer of the Company's wholesale gifts business out of the Company Group as of November 30, 2007.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Interim term ended September 30, 2008	24,047	18,843	78.4	972.34
Year ended March 31, 2008	23,672	18,331	77.4	945.90

Reference: Shareholders' equity was ¥18,854 million for the interim term ended September 30, 2008, and ¥18,331 million for the year ended March 31, 2008.

2. Dividends

(Record Date)	Dividend per share				
	First quarter	Interim	Third quarter	Year-end	Full year
Year ended March 31, 2008	Yen —	Yen —	Yen —	Yen 30.00	Yen 30.00
Year ending March 31, 2009	—	—	—	—	—
Year ending March 31, 2009 (planned)	—	—	—	—	—

Notes: Changes during the interim term ended September 30, 2008 to the projected dividend for the year ending March 31, 2009: None
Although the Company's Articles of Incorporation includes a provision to the effect that the Company shall distribute cash dividends using surplus to shareholders or registered pledgees who are recorded or registered in the final shareholders' list as of March 31 or September 30 of each year, we will not distribute an interim dividend for the period under review. Furthermore, as we announced on September 19, 2008, if the tender offer for shares of the common stock of Charle Co., Ltd., by Southern Eagle Inc. and Otto Inc. is achieved, a year-end dividend for the year ending March 31, 2009 will not be distributed, either.

3. Consolidated Performance Projections for the Fiscal Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(Percentage figures represent changes between corresponding periods for each fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full business year	27,700	(40.3)	2,800	9.8	2,900	3.2	2,100	—	108.36

Note: Changes during the interim term ended September 30, 2008 to the consolidated performance projections for the year ending March 31, 2009: None

4. Other

- (1) Changes in major subsidiaries (changes in specified subsidiaries that led to changes in the scope of consolidation): None
- (2) Adoption of the Simplified Accounting Treatment and the Accounting Standards for Preparation of Quarterly Consolidated Financial Statements: Yes
(For details, please see "Qualitative Information, Financial Statements, etc. 4. Others" on page 5.)
- (3) Changes in Principles, Procedures and Representation of Accounting Procedures Relating to Preparation of the Quarterly Consolidated Financial Statements (Constituents of the Changes of Important Matters as the basis for the Preparation of Quarterly Consolidated Financial Statements)
 - (i) Changes relating to revisions to accounting standards, etc.: Yes
 - (ii) Changes other than (i) above: None
(For details, please see "Qualitative Information, Financial Statements, etc. 4. Others" on page 5.)
- (4) Number of Outstanding Shares (common stock)
 - (i) Number of outstanding shares at term-end (including treasury stock)

Interim term ended September 30, 2008	21,034,950
Year ended March 31, 2008	21,034,950
 - (ii) Number of shares for treasury stock at term-end

Interim term ended September 30, 2008	1,654,941
Year ended March 31, 2008	1,654,615
 - (iii) Average number of shares during the interim term

Interim term ended September 30, 2008	19,380,205
Interim term ended September 30, 2007	19,380,515

*** Appropriate Use of Earnings Forecasts and Other Special Items**

- (1) Our earnings forecasts are based on information available at the time of preparation of this document. Actual results may differ materially from forecasts as a result of various factors. See “Qualitative Information, Financial Statements, etc. 3. Qualitative Information Regarding Projected Consolidated Business Results” on page 5 for information relating to earnings forecasts.
- (2) As of October 1, 2008, the Company absorbed its subsidiary’s ladies’ innerwear wholesale business, became a holding company of the innerwear wholesale business and changed its trade name from Ten-Arrows Co., Ltd., to Charle Co., Ltd.
- (3) From the current consolidated fiscal year, we have adopted the Accounting Standards for Quarterly Financial Reporting (ASBJ Statement No. 12, issued on March 14, 2007) and the Implementation Guidance for Accounting Standards for Quarterly Financial Statements (ASBJ Guidance No. 14, issued on March 14, 2007). We have prepared the quarterly consolidated financial statements according to the Regulations for Quarterly Consolidated Financial Statements.
- (4) The Company resolved to express agreement with the Tender Offer for shares of its common stock by Southern Eagle Inc. and Otto Inc. at the meeting of its Board of Directors held on September 19, 2008, and announced the decision on the same day. However, due to the occurrence of subsequent developments as was reported in press releases, the Company has decided to withdraw its affirmative view and refrain from expressing its opinion on this subject as of November 7, 2008. For background and details with regard to this matter, please refer to the press releases on the Company’s Web site.

Qualitative Information, Financial Statements, etc.

1. Qualitative Information on Consolidated Business Results

During the interim term from April 1, 2008 to September 30, 2008, due to deterioration of the financial situation triggered by the surge in raw materials costs and the subprime crisis, corporate revenues in the overall economy continued to decline, and worsened from decreased growth to stagnation. Also, price adjustments among companies gradually influenced retail pricing and there was a deterioration of consumer confidence.

In such an economic environment, the Group, of which the main pillar is the ladies' innerwear wholesale business, aggressively managed its businesses, prioritizing the recovery of business performance.

Consolidated net sales of the Group for the interim term ended September 30, 2008, were ¥12,957 million, operating income was ¥1,382 million, ordinary income was ¥1,429 million and net income was ¥1,118 million. Net sales plunged as compared with the same period in the previous fiscal year, due to the transfer of a business to outside of the Group. As of November 30, 2007, BE Co., Ltd. (previously Enicil Co., Ltd.), a wholesaler of gift items, split off the wholesale gifts business, established a new company and transferred all shares of the new company to outside of the Group.

Guided by the founding spirit of "customers first," Charle Co., Ltd., a subsidiary which is the core of the Group's wholesale ladies' innerwear operations, has continued to make company-wide efforts in terms of products, organization and marketing in line with the objectives of "Restructuring the Charle brand and reinforcing product capability," "Vitalizing special agents' sales activities" and "Expanding the number of regular users of our products" and sought to thoroughly spread such consciousness with its Business Members (composed of agents, special agents and Business Mates).

We also continued to market our brand slogan, "More comfortable and even more beautiful," to emphasize to consumers the Company's strengths—"comfortableness" and "beauty" when our products are worn. In terms of products, to raise consumer awareness and increase demand for the *Hana Charle* series that was released last year, we sold new products such as coordinated products, innerwear and shorts, etc. and expanded the variety of sizes. By product, net sales of nightwear, swimwear and outerwear, etc. declined due to a decrease in newly released products compared with the previous year; sales of standard products such as foundation were in general sluggish because our efforts failed to stop the current trend of declining sales. Sales of cosmetics progressed favorably due to the release of new products including whitening beauty essence and hair care products such as shampoo, conditioner and treatment.

As a result, net sales in the ladies' innerwear wholesale business were ¥12,889 million. Operating income was ¥1,545 million mainly because funding did not materialize for several planned strategic investments and expenditures, thereby curtailing the anticipated expenditures or carrying forward the timing for expenditures from the current term to subsequent periods and restricting the accrual of an inventory loss.

2. Qualitative Information Regarding the Consolidated Financial Position

(1) Assets, Liabilities and Net Assets

As of September 30, 2008, total assets increased ¥375 million from March 31, 2008, to ¥24,047 million. The major contributing factors were a decrease of ¥238 million in cash and deposits, an increase in securities of ¥1,206 million and a decrease in investment securities of ¥578 million.

Liabilities decreased ¥136 million to ¥5,203 million from March 31, 2008, due to a ¥453 million increase in accounts payable—trade, a ¥411 million decrease in accounts payable—other and a ¥110 million decrease in the provision for bonuses. Net assets increased ¥512 million from March 31, 2008 to ¥18,843 million due to net income for the interim term under review of ¥1,118 million and dividend payments of ¥581 million.

As a result, the equity ratio was 78.4% compared with 77.4% at the end of the previous year.

(2) Cash Flows

Cash and cash equivalents at the end of the interim term, September 30, 2008, were ¥9,636 million, up ¥3,767 million from the end of the previous year.

1. Cash flows from operating activities

During the interim term ended September 30, 2008, net cash provided by operating activities was ¥788 million, principally deriving from income before income taxes of ¥1,652 million, a ¥472 million increase in inventories, a ¥453 million increase in notes and accounts payable—trade and income taxes paid of ¥309 million.

2. Cash flows from investing activities

Net cash provided by investing activities was ¥3,583 million. Influential factors were a ¥2.6 billion decrease in time deposits, proceeds from sales and redemption of short-term and long-term investment securities of ¥732 million and proceeds from sales of property, plant and equipment of ¥372 million.

3. Cash flows from financing activities

Net cash used in investing activities was ¥601 million, mainly due to cash dividends paid of ¥601 million.

3. Qualitative Information Regarding Projected Consolidated Business Results

There is no revision to the Consolidated Performance Projections for the Year Ending March 31, 2009 (From April 1, 2008, to March 31, 2009) that were announced on October 20, 2008.

4. Others

(1) Changes in major subsidiaries (changes in specified subsidiaries that led to changes in the scope of consolidation) during the interim term under review: None

(2) Adoption of the Simplified Accounting Treatment and the Accounting Standards for Preparation of Quarterly Consolidated Financial Statements

1. Simplified Accounting Treatment

The estimated depreciation of noncurrent assets is proportionally divided within the consolidated fiscal year based on the year's budget.

2. Accounting Standards for Preparation of Quarterly Consolidated Financial Statements

To compute income taxes—current, deferred tax assets and deferred tax liabilities, additions/subtractions and tax deductions were limited to material items only.

(3) Changes in Principles, Procedures and Representation of Accounting Procedures Relating to Preparation of the Quarterly Consolidated Financial Statements

1. Since the fiscal year ending March 31, 2009, the Company has adopted the Accounting Standards for Quarterly Financial Reporting (ASBJ Statement No. 12, issued on March 14, 2007) and the Implementation Guidance for Accounting Standards for Quarterly Financial Statements (ASBJ Guidance No. 14, issued on March 14, 2007). We have prepared the quarterly consolidated financial statements according to the Regulations for Quarterly Consolidated Financial Statements.

2. Although we had previously stated inventories that were held for ordinary sales purposes principally at cost determined by the gross average method, since the first quarter ended June 30, 2008, we have adopted the Accounting Standards for Measurement of Inventories (ASBJ Statement No. 9, issued on July 5, 2006) and changed the evaluation standard for inventories to the new standard to evaluate inventories at cost determined by the gross average method (writing down the book value due to a decline in profitability with regard to amounts posted on the Balance Sheets).

There is no impact of this change on income and loss.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	Current interim term (As of September 30, 2008)	Previous year (As of March 31, 2008) (Condensed)
(Assets)		
Current assets		
Cash and deposits	5,362	5,600
Accounts receivable—trade	45	42
Short-term investment securities	4,274	3,068
Merchandise	4,711	4,281
Deferred tax assets	1,388	1,583
Other	412	441
Allowance for doubtful accounts	(3)	(1)
Total current assets	16,190	15,016
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	1,404	1,523
Land	907	1,009
Other property, plant and equipment (net)	82	83
Total property, plant and equipment	2,394	2,616
Intangible assets	386	438
Investments and other assets		
Investment securities	3,082	3,661
Prepaid pension cost	1,201	1,172
Other	837	824
Allowance for doubtful accounts	(45)	(57)
Total investments and other assets	5,076	5,601
Total noncurrent assets	7,856	8,655
Total assets	24,047	23,672

(Millions of yen)

	Current interim term (As of September 30, 2008)	Previous year (As of March 31, 2008) (Condensed)
(Liabilities)		
Current liabilities		
Accounts payable—trade	1,642	1,189
Accounts payable—other	1,175	1,587
Income taxes payable	490	404
Provision for loss on business liquidation	—	47
Provision for bonuses	244	354
Other	289	459
Total current liabilities	3,843	4,042
Noncurrent liabilities		
Long-term loans payable	25	25
Provision for retirement benefits	1,135	1,072
Provision for sales rebates	199	199
Total noncurrent liabilities	1,360	1,297
Total liabilities	5,203	5,340
(Net Assets)		
Shareholders' equity		
Capital stock	3,600	3,600
Capital surplus	4,897	4,897
Retained earnings	11,920	11,383
Treasury stock	(1,198)	(1,198)
Total shareholders' equity	19,219	18,682
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(431)	(409)
Foreign currency translation adjustments	55	58
Total valuation and translation adjustments	(375)	(350)
Total net assets	18,843	18,331
Total liabilities and net assets	24,047	23,672

(2) Consolidated Statement of Income
(From April 1, 2008, to September 30, 2008)

(Millions of yen)

	Current interim term (From April 1, 2008, to September 30, 2008)
Net sales	12,957
Cost of sales	6,612
Gross profit	6,344
Selling, general and administrative expenses	4,962
Operating income	1,382
Non-operating income	
Interest income	72
Dividend income	1
Other	10
Total non-operating income	84
Non-operating expenses	
Loss on sales of securities	17
Foreign exchange loss	14
Equity in loss of affiliates	5
Other	0
Total non-operating expenses	37
Ordinary income	1,429
Extraordinary income	
Gain on sales of noncurrent assets	198
Reversal of allowance for doubtful accounts	6
Reversal of provision for loss on business liquidation	14
Gain on adjustment of accounts payable	11
Total extraordinary income	230
Extraordinary loss	
Loss on retirement of noncurrent assets	7
Total extraordinary loss	7
Income before income taxes	1,652
Income taxes—current	463
Income taxes—deferred	70
Total income taxes	533
Net income	1,118

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Current interim term (From April 1, 2008, to September 30, 2008)
Cash flows from operating activities	
Income before income taxes	1,652
Depreciation and other amortization	211
Interest and dividends income	(73)
Loss (gain) on sales of securities	17
Loss on retirement of noncurrent assets	7
Loss (gain) on sales of noncurrent assets	(198)
Decrease (increase) in notes and accounts receivable—trade	(3)
Decrease (increase) in inventories	(472)
Decrease (increase) in prepaid pension costs	(28)
Increase (decrease) in notes and accounts payable—trade	453
Increase (decrease) in accounts payable—other	(215)
Increase (decrease) in advances received	(59)
Increase (decrease) in deposits received	1
Increase (decrease) in accrued consumption taxes	(74)
Increase (decrease) in provision for retirement benefits	63
Other	(42)
Subtotal	1,238
Interest and dividends received	76
Income taxes (paid) refunded	(309)
Payments for business restructuring	(58)
Payments for voluntary collection of inventories	(158)
Net cash provided by (used in) operating activities	788
Cash flows from investing activities	
Decrease (increase) in time deposits	2,600
Proceeds from sales and redemption of short-term and long-term investment securities	732
Proceeds from sales of property, plant and equipment	372
Purchase of property, plant and equipment	(35)
Purchase of intangible assets	(54)
Payments for investments in capital of subsidiaries and affiliates	(20)
Other	(12)
Net cash provided by (used in) investing activities	3,583
Cash flows from financing activities	

Cash dividends paid	(601)
Other	(0)
Net cash provided by (used in) financing activities	(601)
Effect of exchange rate change on cash and cash equivalents	(1)
Net increase (decrease) in cash and cash equivalents	3,767
Cash and cash equivalents at beginning of period	5,869
Cash and cash equivalents at end of period	9,636

From the current consolidated fiscal year, we have adopted the Accounting Standards for Quarterly Financial Reporting (ASBJ Statement No. 12, issued on March 14, 2007) and the Implementation Guidance for Accounting Standards for Quarterly Financial Statements (ASBJ Guidance No. 14, issued on March 14, 2007). We have prepared the quarterly consolidated financial statements according to the Regulations for Quarterly Consolidated Financial Statements.

(4) Note to Going Concern Assumption

None applicable

(5) Segment Information

Industry Segments

This information is omitted because net sales and operating income from the wholesale business for ladies' innerwear, etc., account for more than 90% of the total net sales and operating income of all the segments for the current quarter ended September 30, 2008, and for the interim term from April 1 through September 30, 2008.

Geographic Segments

This information is omitted because net sales in Japan account for more than 90% of the total net sales of all the geographic segments for the current quarter ended September 30, 2008, and for the interim term from April 1 through September 30, 2008.

Sales to Foreign Customers

This information is omitted because overseas sales account for less than 10% of the total consolidated net sales for the current quarter ended September 30, 2008, and for the interim term from April 1 through September 30, 2008.

(6) Notes in Case of Extreme Changes in the Amount of Shareholders' Equity

None applicable

[Reference]

Financial Statements for the Previous Interim Term

(1) Consolidated Statement of Income for the Previous Interim Term

		Previous interim term (From April 1, 2007, to September 30, 2007)		
		Amount (Millions of yen)	%	
I	Net sales		26,654	100.0
II	Cost of sales		17,401	65.3
	Gross profit		9,253	34.7
III	Selling, general and administrative expenses		8,185	30.7
	Operating income		1,068	4.0
IV	Non-operating income			
	1 Interest income	90		
	2 Dividend income	0		
	3 Gain on sales of securities	17		
	4 Gain on sold but unused gift cards	54		
	5 Other	44	207	0.8
V	Non-operating expenses			
	1 Interest expense	36		
	2 Other	5	42	0.2
	Ordinary income		1,232	4.6
VI	Extraordinary income			
	1 Gain on sales of investment securities	11		
	2 Gain on cancellation of insurance contract	10	21	0.1
VII	Extraordinary loss			
	1 Loss on valuation of inventories	768		
	2 Loss on retirement of noncurrent assets	0		
	3 Provision for loss on business liquidation	2,694		
	4 Loss on liquidation of business	8	3,472	13.0
	Loss before income taxes		2,217	8.3
	Income taxes—current	532		
	Income taxes—deferred	(502)	29	0.1
	Minority interest		0	0.0
	Net loss		2,247	8.4

(2) Consolidated Statement of Cash Flows for the Previous Interim Term

(Millions of yen)

	Previous interim term (From April 1, 2007, to September 30, 2007)
I. Cash flows from operating activities	
Loss before income taxes	(2,217)
Depreciation	101
Amortization of intangible assets and long-term prepaid expenses	207
Interest income and dividends	(91)
Interest expense	36
Loss on sales of securities	(28)
Loss on retirement of noncurrent assets	0
Decrease (increase) in notes and accounts receivable—trade	(59)
Decrease (increase) in inventories	206
Decrease (increase) in lease and guarantee deposits	(1,332)
Decrease (increase) in reserve fund for trips	(19)
Increase (decrease) in notes and accounts payable—trade	1,336
Increase (decrease) in accounts payable—other	(298)
Increase (decrease) in advances received	14
Increase (decrease) in accrued consumption taxes	(141)
Decrease (increase) in prepaid pension costs	(75)
Increase (decrease) in provision for sales rebates	(0)
Increase (decrease) in provision for retirement benefits	39
Increase (decrease) in provision for loss on business liquidation	2,694
Other	135
Subtotal	507
Interest and dividends received	102
Interest expense paid	(37)
Income taxes paid	(1,267)
Net cash provided by (used in) operating activities	(694)
II. Cash flows from investing activities	
Decrease (increase) in time deposits	(800)
Proceeds from sales and redemption of short-term investment securities	1,184
Purchase of short-term investment securities	(9)
Purchase of property, plant and equipment	(130)
Purchase of intangible assets	(41)
Other	(10)
Net cash provided by (used in) investing activities	192
III. Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	(3,699)
Decrease in long-term loans payable	(112)

Cash dividends paid	(553)
Other	(0)
Net cash provided by (used in) financing activities	(4,365)
IV. Effect of exchange rate changes on cash and cash equivalents	6
V. Net increase (decrease) in cash and cash equivalents	(4,862)
VI. Cash and cash equivalents at beginning of period	10,130
VII. Cash and cash equivalents at end of period	5,267

(3) Segment Information

Industry Segments

Previous consolidated interim term (April 1, 2007 to September 30, 2007)

(Millions of yen)

	Wholesale business for ladies' innerwear, etc.	Wholesale gifts business	Other businesses	Total	Eliminations	Consolidated
Net sales						
(1) Sales to external customers	14,577	11,981	95	26,654	—	26,654
(2) Intersegment sales/transfers	0	2	11	13	(13)	—
Total	14,577	11,983	106	26,668	(13)	26,654
Operating expenses	13,387	11,790	262	25,440	145	25,586
Operating income (loss)	1,189	193	(155)	1,227	(159)	1,068

Geographic Segments

Previous consolidated interim term (April 1, 2007 to September 30, 2007)

This information is omitted because sales in Japan account for more than 90% of the total net sales of all segments.

Sales to Foreign Customers

Previous consolidated interim term (April 1, 2007 to September 30, 2007)

This information is omitted because overseas sales account for less than 10% of total consolidated net sales.