

Consolidated Financial Statements
for the 2nd Quarter of the Fiscal Year Ending March 31, 2010
(April 1, 2009 – September 30, 2009)

November 9, 2009

Company name: Combi Corporation

Listing: Tokyo Stock Exchange, First Section

Stock code: 7935 URL: <http://www.combi.co.jp>

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(All amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2009
(April 1, 2009 – September 30, 2009)

(1) Consolidated Operating Results

(Percentages represent year-over-year changes)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1–2Q FY 2010	12,770	(1.5)	572	(35.2)	564	(35.1)	272	(59.3)
1–2Q FY 2009	12,968	—	882	—	870	—	669	—

	Net income per share		Diluted net income per share	
	yen		yen	
1–2Q FY 2010	16.57		—	
1–2Q FY 2009	38.03		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
1–2Q FY 2010	24,898		16,680		66.7		1,010.27	
FY 2009	25,531		16,375		63.9		992.35	

Reference: Total shareholders' equity (million yen): 1–2Q FY 2010: 16,605 FY 2009: 16,311

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
FY 2009	—	10.00	—	10.00	20.00
FY 2010	—	10.00			
FY 2010 (Planned)			—	10.00	20.00

Note: Revisions to the dividend forecast in the current quarter: None

3. Forecasts for Consolidated Operating Results for the Fiscal Year Ending March 31, 2010
(April 1, 2009 – March 31, 2010)

(Percentages represent year-over-year changes.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2010	28,000	4.5	1,190	(36.3)	1,130	(35.3)	680	(5.5)	41.37

Note: Revisions to the consolidated financial forecast in the current quarter: None

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to the change in the scope of consolidation): None

(2) Use of simplified accounting methods and special accounting methods for preparation of consolidated financial statements: Yes

Note: For more information, please refer to “4. Others” in “Qualitative Information and Financial Statements” on page 4.

(3) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements (recorded as changes to significant items forming the basis for the creation of the financial statements)

1) Changes caused by revision of accounting standards: None

2) Changes other than those included in 1) above: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding (including treasury stock) at end of period:

1–2Q FY 2010: 17,959,158 shares

FY 2009: 17,959,158 shares

2) Number of treasury stock at end of period:

1–2Q FY 2010: 1,521,984 shares

FY 2009: 1,521,884 shares

3) Average number of shares issued (during the consolidated six months ended September 30)

1–2Q FY 2010: 16,437,216 shares

1–2Q FY 2009: 17,615,975 shares

* Cautionary statement with respect to forward-looking statements

The forecasts for operating results and other statements regarding future business are based on information currently available and certain assumptions that the Company judges reasonable. Actual results may differ from these forecasts significantly for a number of factors. For the assumptions for the forecast of the operating results and notes for the use of such forecasts, please refer to “3. Qualitative Information on the Consolidated Financial Forecast”, in “Qualitative Information and Financial Statements” on page 4.

Qualitative Information and Financial Statements

1. Qualitative Information on Consolidated Business Results

The economy in the period under review has been moving out of the crisis zone, helped by global fiscal stimulus and an array of policy measures, but continued vigilance is required. Also for personal consumption, an improvement remains out of reach amid further rising job insecurity and pressures on household incomes, with the economy at risk of a double-dip recession if current conditions continue for long.

In this setting, the Combi Group continued to pursue earnings-focused sales strategies in local and foreign markets and worked to strengthen its sales and brand power in Asian markets centered on China.

While the Chinese market has remained favorable, markets in Japan and the U.S. are seeing strong deflationary pressure from weak consumer spending, with corresponding effects on net sales and gross profit margin. In response, the Combi Group has worked to cut operating costs and reduce cost of sales. Despite these efforts, while procurement costs benefited from foreign exchange gains thanks to the stronger yen, overall sales and earnings declined, additionally affected by an income tax adjustment recognized in the first quarter.

Hence, consolidated results for the period under review posted net sales of ¥12,770 million (down 1.5% compared to the same period of the previous fiscal year), operating income of ¥572 million (down 35.2%), ordinary income of ¥564 million (down 35.1%) and net income of ¥272 million (down 59.3%).

Results by business segment are described below.

1) Juvenile Products and Toys

In domestic operations, at the Juvenile Product Business, results overall failed to rise above the level of the year before despite favorable sales of baby carriages and “Nioi Kururun-Poi” nappy disposal bins. At the Child Wear Business, positive effects from new stores were more than offset by weak consumer spending, with strong pressure also on the results of the Toy Business.

Overseas, the U.S. market remains in the grip of the protracted weakness in consumer spending. By contrast, business development in Asian markets continued favorable thanks to the Group’s proactive allocation of management resources centered on China where lively personal consumption has lost none of its vigor.

For the period under review, net sales totaled ¥12,552 million (down 1.4% compared to the same period of the previous fiscal year), with operating income of ¥1,465 million (down 18.1%).

2) Health Care Products

At the Functional Foods Business, food ingredients remained in a struggle with weak consumer spending while start-up investments in new operations also kept pressing on results.

Segmental net sales totaled ¥217 million (down 7.8% compared to the same period of the previous fiscal year), with an operating loss of ¥33 million.

Results by regional business segment are described below.

1) Japan

In Japan, the Juvenile Product Business saw overall results under attack from deflationary market pressures in a continued recessionary environment, despite favorable sales of baby carriages and “Nioi Kururun-Poi” nappy disposal bins.

The Child Wear Business, Toy Business, and Childcare Environment Support Business were impacted even more by the effects of weak consumer spending than the Juvenile Product Business, with intense pressure on business operations.

Regional sales totaled ¥10,402 million (down 4.6% compared to the same period of the previous fiscal year), with operating income of ¥847 million (down 30.0%).

2) Asia

Although consumer spending has been under attack also in Asian markets, the Group established its business activities in Korea, proactively engaged in new market development, and witnessed favorable performance at its Shanghai subsidiary in China where personal consumption has remained strong.

Regional sales posted ¥3,912 million (down 2.4% compared to the same period of the previous fiscal year), with operating income of ¥556 million (up 0.6%).

3) North America

The U.S. subsidiary, impacted by the recession and weak consumer spending in North American markets, worked to improve its earnings structure, centered on operating cost reductions, and trim losses.

Regional sales totaled ¥762 million (down 17.6% compared to the same period of the previous fiscal year), with an operating loss of ¥10 million.

2. Qualitative Information on Consolidated Financial Conditions

Consolidated total assets at the end of the period under review were ¥24,898 million, reflecting a ¥633 million decline compared to the end of the previous fiscal year. Main factors were a ¥570 million inventory decrease, a ¥561 million increase in cash and deposits, a ¥669 million drop in marketable securities, a ¥272 million increase in investment securities, and a ¥236 million drop in accounts receivables.

Consolidated total liabilities were ¥8,217 million, which was ¥938 million less than at the end of the previous fiscal year. Main factors were a ¥691 million drop in income taxes payable and a ¥513 million decline in accounts payable.

Consolidated net assets totaled ¥16,680 million yen, which was ¥305 million higher than at the end of the previous fiscal year. Main factors were a ¥107 million increase in retained earnings and a ¥186 million rise in valuation and translation adjustments.

(Consolidated Cash Flows)

Consolidated cash and cash equivalents at the end of the period under review totaled ¥4,136 million, a ¥1,343 million decline compared to the same period of the previous fiscal year, and ¥88 million less than at the end of the previous fiscal year. Individual cash flows and main factors of change were as follows.

“Cash Flows from Operating Activities”

Consolidated cash from operating activities during the period under review was ¥338 million (decreased ¥428 million compared to the same period of the previous fiscal year). This was mainly due to ¥633 million in income before income taxes, a ¥668 million drop in inventories, and ¥1,003 million in payment of income taxes.

“Cash Flows from Investing Activities”

Consolidated cash used in investing activities during the period under review was ¥342 million (increased ¥487 million compared to the same period of the previous fiscal year). This was mainly due to expenditures for a ¥507 million net increase in time deposits, ¥100 million in income from proceeds from sales of securities and redemptions, ¥300 million in expenditures from a net purchase of investments in securities, and ¥271 million in expenditures for the purchase of tangible fixed assets.

“Cash Flows from Financing Activities”

Consolidated cash used in financing activities during the period under review was ¥122 million (increased ¥223 million compared to the same period of the previous fiscal year). This was mainly due to ¥68 million in net redemptions of short-term bank loans and ¥164 million in dividend payments.

3. Qualitative Information on the Consolidated Financial Forecast

There are no changes in the forecast announced on May 12, 2009 for consolidated performance in the fiscal year ending March 2010.

4. Others

(1) Changes in significant subsidiaries (Changes in subsidiaries affecting the scope of consolidation)

There are no significant items.

(2) Use of simplified accounting methods and special accounting methods for the preparation of consolidated financial statements

1) Simplified accounting methods

- Calculation of estimate for losses on ordinary receivables

Since Combi believes that there was no significant change in the default rate at the end of the second quarter compared to the end of the previous fiscal year, the actual default rate at the end of the previous fiscal year was used to calculate the estimate for losses on ordinary receivables.

- Valuation of inventories

For inventory write-downs at the end of the period, only inventories with clearly impaired merchandise value were written down to estimated net disposal values.

- Depreciation of fixed tangible assets

For assets depreciated using the declining-balance method, the amount of fiscal year depreciation expenses proportional to the applicable fiscal period is recorded.

2) Special accounting methods for the preparation of quarterly consolidated financial statements

There are no significant items.

(3) Revisions in accounting rules, procedures and presentations concerning the preparation of quarterly consolidated financial statements

There are no significant items.

5. Consolidated Financial Statements**(1) Consolidated Balance Sheet**

(Unit: thousand yen)

	1-2Q FY 2010 (As of September 30, 2009)	Summary of Consolidated Balance Sheets for FY 2009 (As of March 31, 2009)
Assets		
Current assets		
Cash and deposits	6,931,174	6,369,459
Accounts and notes receivable	4,277,399	4,520,554
Marketable securities	1,242,611	1,911,831
Inventories	3,926,758	4,497,210
Other current assets	762,706	761,575
Allowance for doubtful accounts	(62,823)	(75,966)
Total current assets	17,077,827	17,984,666
Fixed assets		
Tangible fixed assets		
Land	2,739,289	2,739,289
Other tangible fixed assets	2,547,542	2,476,576
Total tangible fixed assets	5,286,832	5,215,866
Intangible fixed assets		
Others	309,565	328,061
Total intangible fixed assets	309,565	328,061
Investments and other assets	2,224,233	2,002,913
Total fixed assets	7,820,631	7,546,842
Total assets	24,898,458	25,531,508

(Unit: thousand yen)

	1-2Q FY 2010 (As of September 30, 2009)	Summary of Consolidated Balance Sheets for FY 2009 (As of March 31, 2009)
Liabilities		
Current liabilities		
Accounts and notes payable	2,050,459	2,463,836
Short-term bank loans	869,308	794,160
Current portion of straight bonds	1,000,000	1,000,000
Income taxes payable	252,732	944,468
Accrued bonuses to employees	326,742	336,649
Accrued bonuses to officers	—	23,000
Others	1,864,822	1,789,538
Total current liabilities	6,364,065	7,351,652
Long-term liabilities		
Bonds	1,000,000	1,000,000
Accrued retirement benefits for employees	22,816	—
Accrued retirement benefits for officers	272,847	282,430
Other long-term liabilities	558,104	521,815
Total long-term liabilities	1,853,767	1,804,245
Total liabilities	8,217,833	9,155,898
Net Assets		
Shareholders' equity		
Common stock	2,991,922	2,991,922
Capital surplus	2,783,731	2,783,731
Retained earnings	12,583,447	12,475,511
Treasury stock	(1,077,038)	(1,076,971)
Total shareholders' equity	17,282,063	17,174,194
Valuation and translation adjustments		
Unrealized gain on marketable securities	11,089	10,016
Unrealized deferred loss on hedges	(91,558)	(13,961)
Foreign currency translation adjustment	(595,687)	(858,739)
Total valuation and translation adjustments	(676,156)	(862,684)
Minority interest	74,717	64,100
Total net assets	16,680,625	16,375,610
Total Liabilities and Net Assets	24,898,458	25,531,508

(2) Consolidated Statements of Income
(During the consolidated six months ended September 30)

(Unit: thousand yen)

	1-2Q FY 2009 (April 1, 2008 – September 30, 2008)	1-2Q FY 2010 (April 1, 2009 – September 30, 2009)
Net Sales	12,968,444	12,770,249
Cost of Goods Sold	6,530,090	6,619,906
Gross Profit	6,438,353	6,150,343
Selling, General and Administrative Expenses	5,555,391	5,578,254
Operating Income	882,962	572,088
Non-operating Income		
Interest income	55,380	38,078
Dividend income	1,783	1,722
Real estate leasing income	30,913	31,958
Other income	27,287	40,241
Total non-operating income	115,365	112,000
Non-operating Expenses		
Interest expenses	26,954	26,828
Sales discounts	65,403	64,241
Foreign exchange losses	24,258	25,450
Other expenses	11,550	2,860
Total non-operating expenses	128,167	119,381
Ordinary Income	870,161	564,708
Extraordinary Income		
Gain on adjustment of prior-year profit/loss	30,555	—
Gain on sales of fixed assets	106	644
Provision for doubtful accounts	—	73,744
Gain on sales of investment securities	4,145	—
Insurance income	12,083	—
Total extraordinary income	46,891	74,389
Extraordinary Losses		
Loss on sales of fixed assets	436	74
Loss on disposal of fixed assets	17,073	5,648
Contributions concurrent with withdrawing from Employees' Pension Fund	13,389	—
Total extraordinary losses	30,899	5,722
Income before Income Taxes	886,152	633,374
Income Taxes	178,011	126,090
Income Taxes for Prior-year	—	180,654
Deferred Income	28,924	47,374
Total Income Taxes	206,936	354,118
Minority Interest	9,354	6,946
Net Income	669,861	272,309

(3) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	1-2Q FY 2009 (April 1, 2008 – September 30, 2008)	1-2Q FY 2010 (April 1, 2009 – September 30, 2009)
Cash Flows from Operating Activities		
Income before income taxes	886,152	633,374
Depreciation and amortization	339,254	307,266
Increase (decrease) in allowance for doubtful accounts	2,431	(82,284)
Increase (decrease) in accrued bonuses to employees	(17,218)	(9,906)
Increase (decrease) in accrued bonuses for officers	(22,000)	(23,000)
Increase (decrease) in accrued retirement benefits for employees	—	22,816
Increase (decrease) in accrued officers retirement benefits	8,870	(9,582)
Interest and dividend income	(57,164)	(39,800)
Interest expenses	26,954	26,828
Foreign exchange loss (gain)	(28,997)	48,617
Loss (gain) on sales of investment securities	(4,145)	—
Loss (gain) on disposal of fixed assets	17,073	5,648
Loss (gain) on sales of fixed assets	329	(570)
Decrease (increase) in trade receivables	(139,850)	316,670
Decrease (increase) in inventories	(177,847)	668,279
Increase (decrease) in trade payables	269,359	(581,039)
Others	(111,136)	58,124
Subtotal	992,064	1,341,440
Payment of income taxes	(225,315)	(1,003,116)
Income and other taxes refunds	91	184
Net cash provided by operating activities	766,839	338,508
Cash Flows from Investing Activities		
Interest and dividend income received	41,879	51,022
Increase in time deposit	(1,695,511)	(1,632,041)
Decrease in time deposit	1,333,766	1,124,649
Payment for purchase of securities	(99,825)	—
Proceeds from sales of securities	60,000	100,000
Payment for purchase of tangible fixed assets	(235,452)	(271,091)
Proceeds from sales of tangible fixed assets	15,523	785
Payment for purchase of intangible fixed assets	(44,609)	(29,613)
Payment for purchase of investments in securities	(1,149,866)	(300,000)
Proceeds from sales of investments in securities	964,363	600,000
Others	(20,133)	13,994
Net cash used in investing activities	(829,866)	(342,293)
Cash Flows from Financing Activities		
Payment of interest expenses	(24,765)	(26,552)
Increase in short-term bank loans	350,000	505,960
Decrease in short-term bank loans	(460,399)	(437,385)
Increase in treasury stock	(68)	(66)
Dividends paid	(210,810)	(164,219)
Net cash used in financing activities	(346,045)	(122,264)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(60,692)	37,426
Increase (Decrease) in Cash and Cash Equivalents	(469,764)	(88,622)
Cash and Cash Equivalents at Beginning of Year	5,949,381	4,224,893
Cash and Cash Equivalents at End of the 2nd Quarter	5,479,616	4,136,271

- (4) Precaution about Going Concern Assumption
There are no significant items.

(5) Segment Information

[Segment information by industry segment]

During the consolidated six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)

(Unit: thousand yen)

	Juvenile Products and Toys	Healthcare Products	Total	Elimination and/or Corporate	Consolidated
Net sales					
(1) Sales to external customers	12,732,388	236,056	12,968,444	—	12,968,444
(2) Intersegment sales/transfers	—	—	—	—	—
Total	12,732,388	236,056	12,968,444	—	12,968,444
Operating income	1,789,709	26,967	1,816,677	(933,714)	882,962

During the consolidated six months ended September 30, 2009 (April 1, 2009 to September 30, 2009)

(Unit: thousand yen)

	Juvenile Products and Toys	Healthcare Products	Total	Elimination and/or Corporate	Consolidated
Net sales					
(1) Sales to external customers	12,552,603	217,646	12,770,249	—	12,770,249
(2) Intersegment sales/transfers	—	—	—	—	—
Total	12,552,603	217,646	12,770,249	—	12,770,249
Operating income (loss)	1,465,467	(33,190)	1,432,276	(860,187)	572,088

Notes: 1. Method for classifying business segments and main products in each segment:

- 1) Business segments are classified according to the main products handled.
- 2) Main products and business in each business segment

Business Segment	Main Products and Businesses
Juvenile Products and Toys	Juvenile products, strollers, child car seats, nursing products, baby toys, childcare products, child wear, management of nursery schools, etc.
Health Care Products	Functional food products, etc.

[Segment information by geographical area]

During the consolidated six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)

(Unit: thousand yen)

	Japan	Asia	North America	Total	Elimination and/or Corporate	Consolidated
Net sales						
(1) Sales to external customers	10,849,605	1,193,741	925,097	12,968,444	—	12,968,444
(2) Intersegment sales/transfers	56,066	2,814,547	—	2,870,614	(2,870,614)	—
Total	10,905,672	4,008,289	925,097	15,839,059	(2,870,614)	12,968,444
Operating income	1,210,000	552,699	43,378	1,806,077	(923,115)	882,962

During the consolidated six months ended September 30, 2009 (April 1, 2009 to September 30, 2009)

(Unit: thousand yen)

	Japan	Asia	North America	Total	Elimination and/or Corporate	Consolidated
Net sales						
(1) Sales to external customers	10,349,829	1,657,728	762,691	12,770,249	—	12,770,249
(2) Intersegment sales/transfers	52,813	2,254,405	—	2,307,218	(2,307,218)	—
Total	10,402,642	3,912,133	762,691	15,077,468	(2,307,218)	12,770,249
Operating income (loss)	847,351	556,104	(10,667)	1,392,788	(820,699)	572,088

Note: 1. Regions are classified according to geographical proximity.

2. The countries encompassed by geographic segments other than Japan are as follows:

- Asia: China, Taiwan and Korea
- North America: USA

[Overseas sales]

During the consolidated six months ended September 30, 2008 (April 1, 2008 to September 30, 2008)

	Asia	North America	Other Regions	Total
I. Overseas net sales (thousand yen)	1,567,719	935,130	29,814	2,532,665
II. Consolidated net sales (thousand yen)				12,968,444
III. Proportion of overseas sales in consolidated net sales (%)	12.1	7.2	0.2	19.5

During the consolidated six months ended September 30, 2009 (April 1, 2009 to September 30, 2009)

	Asia	North America	Other Regions	Total
I. Overseas net sales (thousand yen)	1,569,234	762,691	9,389	2,341,315
II. Consolidated net sales (thousand yen)				12,770,249
III. Proportion of overseas sales in consolidated net sales (%)	12.3	6.0	0.1	18.3

Notes: 1. Regions are determined by geographical proximity.

2. Breakdown of countries in regions is as follows:

- Asia: China, Taiwan and Korea
- North America: USA

3. Overseas sales comprise sales of the parent company and subsidiaries outside Japan.

- (6) Note in the Event of a Significant Change in Shareholders' Equity
There are no significant items.

6. Other Information**(1) Production**

Production by business product segment for the consolidated six months ended September 30, 2009 is shown below.

Business Product Segment	1-2Q FY 2009 (April 1, 2009 – September 30, 2009)	Percent Change from Same Period of the Previous Consolidated Fiscal Year (%)
Juvenile Products and Toys (Thousand yen)	3,371,218	(19.7)
Health Care Products (Thousand yen)	80,503	(37.2)
Total (Thousand yen)	3,451,722	(20.2)

Notes: 1. Transactions between segments are based on numerical values after internal transfers (the same applies below).

2. Amounts are based on cost of goods manufactured.

3. The amounts shown above do not include consumption taxes etc. (the same applies below).

(2) Orders

The Company does not engage in made-to-order manufacturing.

(3) Purchases

Purchases by business product segment for the consolidated six months ended September 30, 2009 are shown below.

Business Product Segment	1-2Q FY 2009 (April 1, 2009 – September 30, 2009)	Percent Change from Same Period of the Previous Consolidated Fiscal Year (%)
Juvenile Products and Toys (Thousand yen)	1,798,172	22.4
Health Care Products (Thousand yen)	11,652	377.6
Total (Thousand yen)	1,809,825	23.0

(4) Sales

Sales by business product segment for the consolidated six months ended September 30, 2009 are shown below.

Business Product Segment	1-2Q FY 2009 (April 1, 2009 – September 30, 2009)	Percent Change from Same Period of the Previous Consolidated Fiscal Year (%)
Juvenile Products and Toys (Thousand yen)	12,552,603	(1.4)
Health Care Products (Thousand yen)	217,646	(7.8)
Total (Thousand yen)	12,770,249	(1.5)

Note: Sales to major customers and the percentage of total sales are shown below.

Customer	1-2Q FY 2008 (April 1, 2008 – September 30, 2008)		1-2Q FY 2009 (April 1, 2009 – September 30, 2009)	
	Amount (Thousand yen)	Percent (%)	Amount (Thousand yen)	Percent (%)
Akachanhonpo Co., Ltd.	1,681,462	13.0	1,778,145	13.9
Pip Fujimoto Co., Ltd.	1,479,378	11.4	1,496,816	11.7
Toys“R”Us-Japan, Ltd.	1,401,753	10.8	1,411,075	11.1