

# Consolidated Financial Statements for Second Quarter Ended June 20, 2011 (Japanese standard)

June 28, 2011

Name of registrant: Milbon Co., Ltd.

(First Section of the Tokyo Stock Exchange)

Code Number: 4919

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

Representative: Ryuji Sato, President

(TEL) 06 (6928) 2331

Officer in Charge of contact: Masahiro Murai, Executive Director

Scheduled filing date for quarterly report: July 29, 2011

Scheduled date for commencement of dividend payments: August 5, 2011

Preparation of supplementary materials on the quarterly results: Yes

Holding of an explanatory meeting on the quarterly results: Yes (for analysts)

(Amounts of less than one million yen are rounded off.)

## 1. Consolidated financial results for second quarter ended June 20, 2011 (December 21, 2010 – June 20, 2011)

### (1) Consolidated Operating Results (Accumulative)

(Percentages show year on year changes)

	Sales		Operating income		Ordinary income		Quarterly net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Second quarter ended December 20, 2011	9,786	3.8	1,747	1.3	1,622	0.2	901	-3.9
Second quarter ended December 20, 2010	9,430	0.4	1,725	2.0	1,619	-0.5	938	2.8

	Quarterly net income per share	Quarterly diluted earnings per share
	yen	yen
Second quarter ended December 20, 2011	65.43	-
Second quarter ended December 20, 2010	74.85	-

### (2) Consolidated Financial Conditions

	Total Assets	Net assets	Ratio of equity to total assets	Net asset per share
	million yen	million yen	%	yen
Second quarter ended December 20, 2011	21,850	18,163	83.1	1,317.95
Year ended December 20, 2010	20,843	17,699	84.9	1,412.25

(Reference) Equity capital Second quarter of the term ended December 20, 2011 18,163 million yen; Term ended December 20, 2010 17,699 million yen

## 2. Payment of Dividends

	Annual dividend				
	End of 1 <sup>st</sup> quarter	End of 2 <sup>nd</sup> quarter	End of 3 <sup>rd</sup> quarter	End of fiscal year	Annual
	yen	yen	yen	yen	yen
Year ended December 20, 2010	-	27.00	-	33.00	60.00
Year ended December 20, 2011	-	30.00			
Year ended December 20, 2011 (forecast)			-	30.00	60.00

Note: Changes to dividend forecasts in the current quarter: None

Breakdown of the term-end dividend for the term ended December 2010 Normal dividend 28.00 yen Commemorative dividend 5.00 yen

## 3. Financial Results Forecast for the Year Ending December 20, 2011 (December 21, 2010 – December 20, 2011)

(% indicates rate of change in comparison to previous term)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	20,500	3.8	3,780	5.6	3,510	5.5	2,060	12.5	149.43

Note: Corrections of the results forecast during the quarter under review: None

4. Others (For details, please refer to “2. Other information”, p.4 of the Supplementary Materials.)

(1) Transfer of significant subsidiaries during the quarter: None

New: 0 companies (Company name: ); Excluded : 0 companies (Company name: )

Note: This means whether or not there were any transfers of specific subsidiaries involving changes in the scope of consolidation during the current quarterly accounting period.

(2) Application of simplified accounting methods and specific accounting methods: Yes

Note: This means whether or not simplified accounting methods or accounting methods specific to the preparation of quarterly consolidated financial statements were applied.

(3) Changes in accounting policies, procedures and methods, etc.

1) Changes associated with amendments to the accounting standards, etc.: Yes

2) Changes other than those in 1) above; None

Note: This means whether or not there were any changes in accounting policies, procedures and methods, etc., related to the preparation of the quarterly consolidated financial statements that were described in “Summary of Significant Accounting Policies for the Preparation of Quarterly Consolidated Financial Statements”.

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding at term-end (including treasury stock)	2nd quarter ended December 20, 2011	13,798,848 shares	Year ended December 20, 2010	12,544,408 shares
2) Number of treasury shares at term end	2nd quarter ended December 20, 2011	17,246 shares	Year ended December 20, 2010	11,594 shares
3) Average number of shares through accounting period (quarterly consolidated accumulative period)	2nd quarter ended December 20, 2011	13,782,660 shares	2nd quarter ended December 20, 2011	12,532,828 shares

\* Display of the state of implementation of quarterly review procedures

- This quarterly financial statement is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act and the company has not conducted quarterly financial statement review procedures based on the Financial Instruments and Exchange Act.

\* Explanation of the proper use of earnings forecasts and other special notes.

- Statements concerning the future such as the earnings forecasts given in this document are based on information currently in the possession of the Company and on assumptions that the Company considers reasonable. For precautions on the assumptions underlying the earnings forecasts and use of the earnings forecasts, please see “1. Qualitative information on the consolidated results for the current quarter, etc. (3) Qualitative information on the consolidated earnings forecast” on page 3 of the “Consolidated Financial Statements for the Second Quarter of the Fiscal Term Ended March 20, 2012 – Supplementary Materials.”

- The Company carried out a share split at a ratio of 1.1 shares for each ordinary share on December 21, 2010.

○ Contents of the supplementary materials

1. Qualitative information on the consolidated results for the current quarter, etc. ....	2
(1) Qualitative information on consolidated operating results .....	2
(2) Qualitative information on consolidated financial conditions .....	3
(3) Qualitative information on consolidated earnings forecast.....	3
2. Other information .....	4
(1) Overview of transfers of significant subsidiaries.....	4
(2) Overview of simplified accounting methods and specific accounting methods .....	4
(3) Overview of changes in accounting policies, procedures and methods, etc. ....	4
3. Quarterly Financial Statements.....	5
(1) First Quarter Balance Sheet .....	5
(2) Second Quarter Consolidated Statement of Earnings .....	7
[2nd quarter consolidated fiscal period].....	7
[2nd quarter consolidated fiscal period].....	8
(3) Quarterly Consolidated Statement of Cash Flows .....	9
(4) Notes concerning the assumption of the business as a going concern .....	10
(5) Segment information.....	10
(6) Notes in cases of extreme variation in the amount of shareholders' equity .....	10

## 1. Qualitative information on the consolidated results for the current quarter, etc.

## (1) Qualitative information on consolidated operating results

During the consolidated second quarter under review, the Japanese economy emerged from the temporary correction phase of the period from autumn last year onwards and again showed signs of recovery, including visible signs of a recovery in exports against the backdrop of the recovery of overseas economies such as America and China and increased demand in emerging markets. However, the Great East Japan Earthquake that occurred on March 11 inflicted enormous damage on the Japanese economy, leading to concerns over the impact on business conditions from now on.

It is estimated that the difficult environment continued in the beauty industry too because of factors such as the decreases in the number of customers due to the extension of the cycle of customer visits, which still shows no signs of recovery, the rolling blackouts due to the impact of the earthquake, and the stagnation of consumer confidence.

In these conditions, the company group supported the beauty technology of hair designers and made efforts in proposal activities for hair care products centered on salon treatments and salon colors unique to beauty professionals as practical items that will increase the quality of salon menus because of the comfortable feeling sensation when running the fingers through the hair and the beauty of hair texture, etc.

In regard to the situations of the company's overseas subsidiaries, Japan's unique salon treatment products started to show signs of new expansion in the North American market, where they have created an entirely new category. In the Chinese market, differentiation from other manufacturers is advancing due to the deployment of sales activities focused on regional top salons that have acquired wealthy customers. Furthermore, in regard to the South Korean market too, inquiries from regionally large and influential salons are increasing rapidly due to the promotion of positive educational support activities.

Although the company was in a difficult environment, cumulative consolidated sales during the second quarter under review increased 355 million yen to 9,786 million yen (an increase of 3.8% in comparison to the same period last year).

Operating income finished at 1,747 million yen (an increase of 1.3% in comparison to the same period last year) and ordinary income at 1,622 million yen (an increase of 0.2% in comparison to the same period last year). In addition, quarterly net income finished at 901 million yen (a decrease of 3.9% in comparison to the same period last year) due to the posting of a loss on revaluation of investments in securities and a loss on asset retirement obligations, etc., under extraordinary losses.

Breakdown of sales by product category is shown as follows:

## [Breakdown of consolidated sales by product category]

Product Category	Previous 2nd quarter cumulative consolidated fiscal period		2nd quarter cumulative consolidated fiscal period under review		Increase/ (decrease)
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)	Amount (million yen)
Hair care products	4,826	51.2	4,983	50.9	157
Hair coloring products	3,465	36.7	3,755	38.4	290
Permanent wave products	1,005	10.7	924	9.4	- 80
Others	133	1.4	122	1.3	- 10
Total	9,430	100.0	9,786	100.0	355

## (Hair care products)

In an environment where competition among hair care products for the public market and the pro-use market of specialist products for beauty salons continues to be severe, the industry overall is estimated to have grown slightly on account of positive efforts towards hair care, centered on salon treatment products that repair hair damage.

In such circumstances, the Milbon Group saw sales in the hair care product sector exceed those for the same period last year due to the good progress of the creation of markets for DEESSE'S NEU DUE, which was launched in February, and DEESSE'S LINKAGE-μ (mu) and sales of FIERLI, a hair care product launched in April for unruly hair that alleviates strong waves and softens the hair, giving a light feeling when running the fingers through the hair.

## (Hair coloring products)

Because of the increasing desires of consumers to maintain their current standards of living and lessen expenses, the competition with home color products that allow users to dye their hair casually at home has intensified further and the size of the industry overall is estimated to have decreased slightly.

In such circumstances, the Milbon Group saw sales in the hair color segment exceed sales for the same period last year because sales of fashion color products performed well due to seasonal color (fashionable colors matched to the seasons) promotional activities for customers based on additional colors for ORDEVE that the company launched in March being able to win high praise in the market, and also because grey coloring products continued to perform well too.

(Permanent wave products)

It is estimated that the industry overall contracted slightly due to decreases in perm style needs and straight perm menus associated with changes in trends.

In such circumstances, the Milbon Group made efforts in promotional activities for straight perm products coupled with the sales activities for FIERLI, the hair care products for unruly hair launched in April, but it was not possible to stem the decline of straight perm sales overall and sales in the permanent wave product segment finished lower than the same period last year.

(Others)

There are no particular items to present.

(2) Qualitative information on consolidated financial conditions

1) Assets, liabilities and net assets

Total assets at the end of the 2nd quarter consolidated fiscal period increased by 1,006 million yen to 21,850 million yen compared to the end of the previous consolidated fiscal year.

Current assets increased 1,280 million yen to 9,315 million yen compared to the end of the previous consolidated fiscal year. Major variable factors were an increase of 1,118 million yen in cash and deposits, and an increase of 119 million yen in goods and products.

Fixed assets decreased by 273 million yen to 12,534 million yen compared to the end of the previous consolidated fiscal year. Major variable factors were a decrease of 218 million yen in tangible fixed assets in association with the posting of depreciation expenses, etc., and a decrease of 108 million yen in investment securities in association with decreases in the market values of listed shares.

Current liabilities increased 541 million yen to 3,266 million yen compared to the end of the previous consolidated fiscal year. Major variable factors were increases of 119 million yen in accounts payable, 256 million yen in accrued expenses payable and 83 million yen in corporate taxes payable.

There was no great variation in mixed liabilities compared to the end of the previous consolidated fiscal year.

Net assets increased 464 million yen to 18,163 million yen compared to the end of the previous consolidated fiscal year. The major variable factor was an increase of 487 million yen in retained earnings.

As a result, the company's equity ratio changed from 84.9% at the end of the previous consolidated fiscal year to 83.1%. Net assets per share based on total outstanding shares as of the end of the accounting period decreased from 1,412.25 yen per share at the end of the previous consolidated fiscal year to 1,317.95 yen per share.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the 2nd quarter consolidated fiscal period increased 1,118 million yen compared to the end of the previous consolidated fiscal year as a result of the use of funds acquired through operating activities in the payment of corporate taxes and the payment of dividends, etc. The balance of funds at the end of the 2nd quarter consolidated fiscal period was 3,789 million yen.

Cash flows during the 2nd quarter cumulative consolidated fiscal period under review, and the factors related to them were as follows.

(Cash Flows from Operating Activities)

Funds obtained as a result of operating activities were 1,785 million yen. This was mainly the result of 1,525 million yen recorded in income before income taxes and minority interests, depreciation costs of 483 million yen and the payment of corporate and other taxes of 618 million yen.

(Cash Flows from Investing Activities)

Funds used for investing activities were 249 million yen. The funds were mainly used for expenditures of 185 million yen due to the acquisition of tangible fixed assets and expenditures of 90 million yen due to the acquisition of intangible fixed assets.

(Cash Flows from Financing Activities)

Funds used as a result of financing activities were 422 million yen. This was mainly the result of dividend payments for shareholders of 412 million yen.

(3) Qualitative information on consolidated earnings forecast

There were concerns that the environment surrounding the Milbon Group would become markedly more severe due to the shortage of electricity and the further decline of consumer confidence due to the impact of the Great East Japan Earthquake, but sales of hair care products, the Group's core products, and hair coloring agents performed steadily so there are no changes to the earnings forecast for the full term.

2. Other information

(1) Overview of transfers of significant subsidiaries

None

(2) Overview of simplified accounting methods and specific accounting methods

1) Simplified accounting methods

(Valuation methods for inventories)

The calculation of inventories at the end of the 2nd quarter consolidated fiscal period is based on the method of omitting a physical inspection and using a rational method of calculation based upon the physically inspected amounts for the end of the previous consolidated fiscal year.

(Calculation methods for depreciation expenses for fixed assets)

Fixed assets using a fixed percentage depreciation method are calculated by dividing the amount of depreciation expenses for the consolidated fiscal year proportionally between the respective accounting periods.

2) Accounting methods specific to the preparation of quarterly financial statements

None

(3) Overview of changes in accounting policies, procedures and methods, etc.

Application of the “Accounting Standard for Asset Retirement Obligations”

The company is applying the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18; March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21; March 31, 2008) from the 1st quarter consolidated fiscal period under review.

By doing so, income before income taxes and minority interests has decreased by 30 million yen.

## 3. Quarterly Financial Statements

## (1) First Quarter Balance Sheet

(Unit: thousand yen)

	End of the 2nd quarter consolidated fiscal period under review (as of June 20, 2011)	Condensed consolidated balance sheet for previous consolidated fiscal year (as of December 20, 2010)
<b>Assets</b>		
Current assets		
Cash and bank deposits	3,791,641	2,673,044
Trade notes and accounts receivable	2,817,741	2,857,374
Goods and products	1,758,090	1,638,450
Work in progress	16,115	20,370
Raw materials and inventory goods	607,386	563,184
Others	334,655	293,220
Allowance for doubtful accounts	-9,783	-9,963
Total current assets	9,315,847	8,035,681
Fixed assets		
Property and equipment		
Buildings and other structures(net amount)	4,034,225	4,210,785
Machinery, equipment and vehicles for transportation (net amount)	1,027,396	1,074,533
Land	4,763,766	4,763,766
Construction in progress	9,619	3,634
Others (net amount)	248,270	248,769
Total tangible fixed assets	10,083,278	10,301,488
Intangible fixed assets	472,565	451,968
Investments and other assets		
Investment in securities	1,072,341	1,180,555
Others	943,713	911,578
Allowance for doubtful accounts	-37,529	-37,730
Total investments and other assets	1,978,524	2,054,403
Total fixed assets	12,534,368	12,807,860
Total assets	21,850,216	20,843,541
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	586,752	467,309
Accrued expenses payable	1,540,811	1,284,549
Corporate taxes payable	718,540	635,475
Reserve for returned goods	47,791	19,075
Reserve for bonuses	65,385	65,453
Others	307,588	253,509
Total current liabilities	3,266,869	2,725,372
Fixed Liabilities		
Allowance for retirement benefits for employees	5,380	1,138
Reserve for loss on guarantees	37,200	38,400
Others	377,259	379,135
Total fixed liabilities	419,839	418,673
Total liabilities	3,686,709	3,144,046

(Unit: thousand yen)

	End of the 2nd quarter consolidated fiscal period under review (as of June 20, 2011)	Condensed consolidated balance sheet for previous consolidated fiscal year (as of December 20, 2010)
Net Assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	199,120	199,120
Retained earnings	16,267,707	15,779,971
Treasury stock	- 47,476	- 38,254
Total shareholders' equity	18,419,350	17,940,836
Valuation and translation adjustments		
Net unrealized gains on other securities	- 161,559	- 141,280
Foreign currency translation adjustments	- 94,283	- 100,061
Total valuation and translation adjustments	- 255,843	- 241,341
Total net assets	18,163,507	17,699,495
Total liabilities and net assets	21,850,216	20,843,541



(2) Second Quarter Consolidated Statement of Earnings  
[2nd quarter consolidated fiscal period]

(Unit: thousand yen)

	Previous 2nd quarter consolidated fiscal period (December 21, 2009 – June 20, 2010)	2nd quarter consolidated fiscal period under review (December 21, 2010 – June 20, 2011)
Sales	9,430,892	9,786,678
Cost of sales	3,189,703	3,228,589
Total sales revenues	6,241,189	6,558,088
Marketing and Administrative Expenses	4,515,305	4,810,254
Operating income	1,725,883	1,747,834
Non-operating Income		
Interest income	672	519
Dividends income	4,979	4,629
Gain on sale of investment securities	1,287	-
Rent from company housing	20,149	25,286
Gain on surrender of insurance	26,579	7,813
Others	14,194	5,593
Total non-operating income	67,862	43,842
Non-operating Expenses		
Sales discount	160,488	165,795
Others	13,267	3,088
Total non-operating expenses	173,756	168,883
Ordinary income	1,619,990	1,622,793
Extraordinary Profit		
Gain on disposal of fixed assets	87	-
Gain on sale of investment securities	-	1,555
Release of allowance for doubtful accounts	3,409	179
Reversal of reserve for loss on guarantees	-	1,200
Total extraordinary profits	3,497	2,935
Extraordinary Loss		
Loss on disposal of fixed assets	79	-
Loss on retirement of fixed assets	13,489	4,972
Loss on revaluation of investments in securities	-	67,090
Value of impact associated with the application of the “Accounting Standard for Asset Retirement Obligations”	-	28,320
Total extraordinary losses	13,568	100,383
Quarterly net income before income taxes and minority interests	1,609,918	1,525,345
Income taxes-Current	631,348	698,332
Income taxes-Deferred	40,549	-74,836
Total corporate and other taxes	671,898	623,496
Quarterly net income before minority interests	-	901,849
Quarterly net income	938,019	901,849

[2nd quarter consolidated fiscal period]

(Unit: thousand yen)

	Previous 2nd quarter consolidated fiscal period (March 21, 2010 - June 20, 2010)	2nd quarter consolidated fiscal period under review (March 21, 2011 - June 20, 2011)
Sales	5,071,055	5,154,007
Cost of sales	1,739,362	1,716,498
Total sales revenues	3,331,692	3,437,508
Marketing and Administrative Expenses	2,316,266	2,468,442
Operating income	1,015,425	969,066
Non-operating Income		
Interest income	313	247
Dividends income	4,787	4,437
Gain on sale of investment securities	1,287	-
Rent from company housing	10,638	12,856
Gain on surrender of insurance	26,579	7,813
Others	9,440	2,729
Total non-operating income	53,047	28,084
Non-operating Expenses		
Sales discount	83,955	82,912
Others	13,266	3,002
Total non-operating expenses	97,222	85,914
Ordinary income	971,251	911,237
Extraordinary Profit		
Gain on disposal of fixed assets	87	-
Gain on sale of investment securities	-	718
Release of allowance for doubtful accounts	-614	-1,021
Reversal of reserve for loss on guarantees	-	300
Total extraordinary profits	-526	-3
Extraordinary Loss		
Loss on retirement of fixed assets	13,309	1,597
Loss on revaluation of investments in securities	-	1,800
Total extraordinary losses	13,309	3,397
Quarterly net income before income taxes and minority interests	957,414	907,836
Income taxes-Current	371,259	353,607
Income taxes-Deferred	-1,689	9,028
Total corporate and other taxes	369,570	362,635
Quarterly net income before minority interests	-	545,201
Quarterly net income	587,844	545,201

## (3) Quarterly Consolidated Statement of Cash Flows

(Unit: thousand yen)

	Previous 2nd quarter consolidated fiscal period (December 21, 2009 - June 20, 2010)	2nd quarter consolidated cumulative fiscal period under review (December 21, 2010 - June 20, 2011)
Cash flows from operating activities		
Quarterly net income before income taxes and minority interests	1,609,918	1,525,345
Depreciation and amortization expense	457,712	483,740
Increase (decrease) in allowance for doubtful accounts	-28,238	-179
Increase (decrease) in the provision for bonuses	-542	-42
Increase (decrease) in provision for returned product adjustment	-16,536	28,716
Change (decrease) in value of the reserve for loss on guarantees	-	-1,200
Change in allowance for retirement benefits for employees	614	4,180
Decrease (increase) in the prepaid pension cost	22,322	10,461
Interest and dividends received	-5,651	-5,149
Foreign exchange loss (gain)	1,572	-1,937
Loss (gain) on sale of investment securities	-1,287	-1,555
Loss (gain) on valuation of investment securities	-	67,090
Profit or loss on disposal of fixed assets	-7	-
Loss from the sale/disposition of fixed assets	13,489	4,972
Value of impact associated with the application of the "Accounting Standard for Asset Retirement Obligations"	-	28,320
Decrease (increase) in accounts receivable – trade	63,373	39,902
Decrease (increase) in inventories	-102,049	-158,109
Increase (decrease) in accounts payable related to procurement transactions	525,856	118,793
Others	238,372	284,851
Subtotal	2,778,918	2,428,202
Interest and dividends received	5,828	5,288
Payment of retirement benefits for directors	-194,441	-29,596
Payment of corporate and other taxes	-544,511	-618,497
Cash flows from operating activities	2,045,794	1,785,397
Cash flows from investing activities		
Sale of investment securities	2,400	9,208
Purchase of property and equipment	-145,843	-185,532
Proceeds from sales of property, plant and equipment	3,811	-
Payment due to the acquisition of intangible fixed assets	-105,575	-90,427
Payment due to loans	-1,990	-3,650
Collection of the loan payment	10,037	9,378
Expenditure due to deposit of fixed term deposits	-1,074	-
Payment due to the placement of guarantee money	-24,639	-14,479
Collection of guarantee money	23,272	18,469
Payment into insurance reserve fund	-3,278	-1,319
Income due to cancellation of insurance reserve fund	116,422	12,081
Others	-1,833	-3,501
Cash flows from investing activities	-128,288	-249,773
Cash flows from financing activities		
Net decrease (increase) in treasury stocks	186	-9,752
Payment of dividends	-350,509	-412,488
Cash flows from financing activities	-350,323	-422,240
Effect of exchange rate fluctuations on cash and cash equivalents	12,477	5,154
Increase (decrease) in cash and cash equivalents	1,579,659	1,118,538
Cash and cash equivalents at beginning of period	1,666,170	2,670,550
Cash and cash equivalents at end of current quarter	3,245,830	3,789,089

- (4) Notes concerning the assumption of the business as a going concern

None

- (5) Segment information

2nd quarter consolidated cumulative fiscal period under review (December 21, 2010 - June 20, 2011)

No statement is included because the Milbon Group has only the one segment of the manufacture and sale of hair products.

(Additional information)

The company is applying the “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Statement No.17; March 27, 2009) and the “Guidance on Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Guidance No.20; March 21, 2008) from the 1st quarter consolidated fiscal period under review.

- (6) Notes in cases of extreme variation in the amount of shareholders' equity

None