

Consolidated Financial Statements for the Fiscal Term Ended December 20, 2010 – Supplementary Materials



MILBON

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Consolidated Operating Results

(Unit: millions of yen)

	Value			Previous year Increase/ decrease	Growth rate	Achievement rate
	Previous year	Target	Result		%	%
Sales	19,189	19,860	19,749	560	102.9	99.4
Gross margin on sales	12,214	12,860	13,002	787	106.5	101.1
Selling, general and administrative expenses	8,937	9,240	9,423	486	105.4	102.0
Operating income	3,277	3,620	3,578	301	109.2	98.9
Ordinary income	3,103	3,370	3,327	223	107.2	98.7
Net income	1,785	1,910	1,831	46	102.6	95.9

Breakdown of Consolidated Sales by Product Category

Permanent wave products

Results in previous term (million yen)	Target (million yen)	Results in current term (million yen)	Increase (decrease) against previous term (million yen)	Growth rate	Achievement rate
2,025	2,225	1,998	△27	98.7%	89.8%

- Despite promoting new straight perm agent Liscio Glanfe based on the key concept of producing a soft, round-feeling silhouette in line with hair qualities, results fell below the initial plan.
- We have proposed improvements to hair designers' communication skills and sales skills using Lifume, a perm agent based on a completely new concept. However, we did not fully succeed in achieving a market consensus with this product.

New product "Liscio Glanfe" launched April 1

* Straight perm agent that helps create a soft, round-feeling silhouette in line with hair texture.

Sales target	Sales results	Achievement rate
636 million yen	522.23 million yen	82.1%



New product "Lifume" launched June 1

* Cut support system that gives lift to the top of the hair and brightens the silhouette.

Sales target	Sales results	Achievement rate
100 million yen	34.93 million yen	34.9%



Breakdown of Consolidated Sales by Product Category

Hair care products

Results in previous term (million yen)	Target (million yen)	Results in current term (million yen)	Increase (decrease) against previous term (million yen)	Growth rate	Achievement rate
9,864	10,170	10,135	270	102.7%	99.7%

- Qufra, a styling agent for creating hair designs that help realize the “desired female image”, is performing poorly. Additional product “Qufra Rough Ridge Whip” achieved the sales target, thanks to the easy-to-understand concept.
- Sales of Deesse’s Arou, which eliminates concerns over hair associated with aging, and salon treatments centered on Inphenom, which repairs hair damage, showed good results.

New product “Qufra” launched February 2

* Styling products for different female images to design the woman you want to become.

Sales target	Sales results	Achievement rate
714 million yen	282.82 million yen	39.6%



New product “Deesse’s Arou” launched March 2

* Moisturizing emulsion for hair for use from mid-30s onwards (leave-in treatment)

Sales target	Sales results	Achievement rate
500 million yen	598.18 million yen	119.6%



New product “Qufra Rough Ridge Whip” launched September 1

Sales target	Sales results	Achievement rate
50 million yen	69.48 million yen	139.0%

Breakdown of Consolidated Sales by Product Category

Hair coloring products

Results in previous term (million yen)	Target (million yen)	Results in current term (million yen)	Increase (decrease) against previous term (million yen)	Growth rate	Achievement rate
6,969	7,155	7,278	309	104.4%	101.7%

- Sales of hair color agents for gray hair Liseinter and Farglan, which appeal to women with the allure of salon colors, have grown (107.2% compared to the previous year).
- Regarding Ordeve fashion color agents, additional colors Nudy Line were well-received by the market. The attraction of salon colors was enhanced through proposals to customers of seasonal colors (trend colors in line with the season).

New product “Ordeve Additional Colors (New Colors)” launched September 30

Sales target	Sales results	Achievement rate
150 million yen	172.79 million yen	115.2%



Consolidated Balance Sheet

(Unit: thousands of yen)

Item	Previous consolidated fiscal year <Ended December 20, 2009>	Ratio (%)	Current consolidated fiscal year <Ended December 20, 2010>	Ratio (%)	Increase/decrease
Cash and bank deposits	1,666,170		2,673,044		1,006,874
Trade notes and accounts receivable	2,804,683		2,857,374		52,691
Inventory assets	2,163,697		2,222,005		58,308
Deferred tax assets	244,361		166,841		△ 77,520
Others	117,925		126,378		8,453
Loan loss reserves	△ 9,017		△ 9,963		△ 946
Total current assets	6,987,821	34.3	8,035,681	38.6	1,047,860
Buildings and other structures	3,627,958		4,210,785		582,827
Machinery, equipment and vehicles for transportation	1,306,380		1,074,533		△ 231,847
Land	4,763,766		4,763,766		-
Construction in progress	709,139		3,634		△ 705,505
Others	233,024		248,769		15,745
Total tangible fixed assets	10,640,269	52.3	10,301,488	49.4	△ 338,781
Total intangible fixed assets	318,593	1.6	451,968	2.2	133,375
Investments and other assets	1,307,670		1,180,555		△ 127,115
Long-term loans	61,790		42,057		△ 19,733
Prepaid pension costs	82,425		10,461		△ 71,964
Deferred tax assets	496,112		466,016		△ 30,096
Others	524,366		393,042		△ 131,324
Loan loss reserves	△ 65,160		△ 37,730		27,430
Total investments and other assets	2,407,204	11.8	2,054,403	9.9	△ 352,801
Total fixed assets	13,366,068	65.7	12,807,860	61.4	△ 558,208
Total assets	20,353,890	100	20,843,541	100	489,651

Item	Previous consolidated fiscal year <Ended December 20, 2009>	Ratio (%)	Current consolidated fiscal year <Ended December 20, 2010>	Ratio (%)	Increase/decrease
Notes and accounts payable	953,356		-		△ 953,356
Accounts payable	-		467,309		467,309
Accrued expenses payable	1,370,388		1,284,549		△ 85,839
Corporate taxes payable	571,930		635,475		63,545
Reserve for returned goods	31,720		19,075		△ 12,645
Reserve for bonuses	62,685		65,453		2,768
Others	256,617		253,509		△ 3,108
Total current liabilities	3,246,698	16.0	2,725,372	13.1	△ 521,326
Long-term accrued expenses payable	312,004		282,408		△ 29,596
Reserve for loss on guarantees	39,000		38,400		△ 600
Others	102,629		97,865		△ 4,764
Total fixed liabilities	453,633	2.2	418,673	2.0	△ 34,960
Total liabilities	3,700,331	18.2	3,144,046	15.1	△ 556,285
Capital stock	2,000,000		2,000,000		-
Capital surplus	199,120		199,120		-
Retained earnings (Inc. current net income)	14,637,996		15,779,971		1,141,975
Treasury stock	(1,785,483)		(1,831,554)		46,071
	△ 38,572		△ 38,254		318
Total shareholders' equity	16,798,543	82.5	17,940,836	86.1	1,142,293
Net unrealized gains on other securities	△ 71,571		△ 141,280		△ 69,709
Foreign currency translation adjustments	△ 73,412		△ 100,061		△ 26,649
Total valuation and translation adjustments	△ 144,984	△ 0.7	△ 241,341	△ 1.2	△ 96,357
Total net assets	16,653,559	81.8	17,699,495	84.9	1,045,936
Total liabilities and net assets	20,353,890	100	20,843,541	100	489,651

Explanation of Fluctuations in the Consolidated Balance Sheet

Assets

Total assets were 20,800 million yen, an increase of 489 million yen in comparison to the end of the previous fiscal year.

Current assets

Current assets increased 1,040 million yen.

- Cash and bank 1,006 million yen

This was due to increases in cash flows from operating activities, mainly an increase in income. The recovery rate for accounts receivable within one month was 100% and the cash recovery rate was 87.4%, an increase on last year.

Fixed assets

Fixed assets decreased 558 million yen.

Tangible/ intangible fixed assets

- Buildings and structures 582 million yen This increased due to refurbishment of the Tokyo Branch.
 - Machinery, equipment and vehicles for transportation -231 million yen This decreased due to amortization.
 - Construction in progress -705 million yen This was a transfer from payments made in the previous term for the Tokyo Branch refurbishment.
- Investments and other assets
- Investment in securities -127 million yen This is a decrease due to the evaluation of market prices.
 - Others -131 million yen This decreased due to cancellation of insurance reserve funds.

Liabilities

Total liabilities decreased 556 million yen.

Current liabilities

Current liabilities decreased 521 million yen.

- Notes and accounts payable -953 million yen
- Accounts payable 467 million yen

This is because Milbon changed the payment method from note-based payment to cash payments. By making cash payments, our trust relationship with our stockists has improved yet further, leading to the advantage of earlier introductions of new materials and new raw materials.

Fixed liabilities

There was no change in fixed liabilities.

Net assets

Net assets increased 1,040 million yen.

- Retained earnings 1,140 million yen

This was due to an increase in income.

This fiscal year, a commemorative dividend of 5 yen per share celebrating the 50th anniversary of the company's establishment has been added to make an annual dividend of 60 yen per share. We will continue to work as aggressively as possible to return profits to shareholders in the future.

Consolidated Profit and Loss Statement

(Unit: thousands of yen)

		Results for fiscal year 2009	Ratio (%)	Target for fiscal year 2010	Ratio (%)	Results for fiscal year 2010	Ratio (%)	Growth rate (%)	Achievement rate (%)	Increase/ decrease against previous fiscal year	Increase/ decrease against target
Product category totals	Permanent wave products	2,025,641	10.6	2,225,000	11.2	1,998,492	10.1	98.7	89.8	△ 27,148	△ 226,508
	Hair care products	9,864,241	51.4	10,170,000	51.2	10,135,088	51.3	102.7	99.7	270,846	△ 34,912
	Hair coloring products	6,969,389	36.3	7,155,000	36.0	7,278,391	36.9	104.4	101.7	309,002	123,391
	Others	330,194	1.7	310,000	1.6	337,633	1.7	102.3	108.9	7,439	27,633
Net sales		19,189,467	100	19,860,000	100	19,749,606	100	102.9	99.4	560,139	△ 110,394
Cost of sales		6,974,723	36.3	7,000,000	35.2	6,746,943	34.2	96.7	96.4	△ 227,780	△ 253,057
Total sales revenues		12,214,744	63.7	12,860,000	64.8	13,002,663	65.8	106.5	101.1	787,919	142,663
Selling, general and administrative expenses	Labor costs	2,830,473	14.8	2,941,300	14.8	2,986,432	15.1	105.5	101.5	155,959	45,132
	Travel costs/ transportation costs	510,901	2.7	502,500	2.5	560,518	2.8	109.7	111.5	49,617	58,018
	Sales/ advertising/ marketing costs*	1,948,693	10.2	1,935,000	9.7	2,078,066	10.5	106.6	107.4	129,373	143,066
	Depreciation costs	348,606	1.8	385,200	1.9	390,134	2.0	111.9	101.3	41,528	4,934
	Others	3,298,327	17.2	3,476,000	17.5	3,408,580	17.3	103.3	98.1	110,253	△ 67,420
	Total	8,937,002	46.6	9,240,000	46.5	9,423,732	47.7	105.4	102.0	486,730	183,732
Operating income		3,277,741	17.1	3,620,000	18.2	3,578,930	18.1	109.2	98.9	301,189	△ 41,070
Non-operating	Income	145,406	0.8	86,000	0.4	123,678	0.6	85.1	143.8	△ 21,728	37,678
	Costs	319,642	1.7	336,000	1.7	375,546	1.9	117.5	111.8	55,904	39,546
Ordinary income		3,103,505	16.2	3,370,000	17.0	3,327,062	16.8	107.2	98.7	223,557	△ 42,938
Extraordinary	Income	15,887	0.1	-	-	2,889	0.0	18.2	-	△ 12,998	2,889
	Loss	134,843	0.7	16,000	0.1	121,169	0.6	89.9	757.3	△ 13,674	105,169
Income before income taxes and minority interests		2,984,549	15.6	3,354,000	16.9	3,208,783	16.2	107.5	95.7	224,234	△ 145,217
Income taxes-Current		1,243,124	6.5	1,446,320	7.3	1,222,686	6.2	114.9	95.4	△ 20,438	△ 223,634
Income taxes-Deferred		△ 44,058	△ 0.2	△ 2,320	△ 0.0	154,542	0.8			198,600	156,862
Net income		1,785,483	9.3	1,910,000	9.6	1,831,554	9.3	102.6	95.9	46,071	△ 78,446

* "Sales/ advertising/ marketing costs" shows the total of sales promotion costs, advertising costs and market development costs.

Comparison of the Consolidated Statement of Earnings with the Previous Fiscal Year and Plans

Comparison with the previous fiscal year

- Sales were 19,700 million yen, an increase of 560 million yen in comparison to the previous fiscal year. The comparison by product category is as follows.

Permanent wave products	-27 million yen
Hair care products	270 million yen
Hair coloring products	309 million yen
Others	7 million yen
- Total revenues were 13,000 million yen, an increase of 787 million yen in comparison to the previous year. In addition, the gross profit margin was 65.8%, 2.1 points higher than the previous year. The breakdown of that increase is as follows.

Reduction of costs due to integration of production site etc.	1.0 points
Decrease in manufacturing costs due to production improvement activities	0.3 points
Decrease in inventory asset disposal losses/ valuation losses	0.3 points
Decrease in return adjustment reserve provisions	0.1 points
Raw material cost reduction effects	0.3 points
Sales product mix	0.1 points
<hr/> Balance	2.1 points
- Total selling, general and administrative expenses were 9,420 million yen, an increase of 486 million yen in comparison to the previous fiscal year. The main factors in this increase were as follows.

Labor costs	155 million yen	This increased due to pay rises and an increase in personnel.
Sales, advertising and marketing costs	129 million yen	These costs were related to the introduction of new products.
Milbon Korea	79 million yen	This was because the previous accounting period was approximately three months in length.
- Operating income was 3,570 million yen, an increase of 301 million yen in comparison to the previous fiscal year.
- Ordinary income was 3,320 million yen, an increase of 223 million yen in comparison to the previous fiscal year.
- Current net income was 1,830 million yen, an increase of 46 million yen in comparison to the previous fiscal year.

Comparison with targets

- Sales were 19,700 million yen, a decrease of 110 million yen in comparison with the target. Comparisons by product category are as follows.

Permanent wave products	-226 million yen
Hair care products	-34 million yen
Hair coloring products	123 million yen
Others	27 million yen
- Total revenues were 13,000 million yen, an increase of 142 million yen in comparison to the target. In addition, the gross profit margin was 65.8%, 1.0 points higher than the target. The breakdown of that increase is as follows.

Decrease in manufacturing costs due to production improvement activities	0.6 points
Decrease in inventory asset disposal losses/ valuation losses	-0.4 points
Decrease in return adjustment reserve provisions	0.1 points
Raw material cost reduction effects	0.3 points
Manufacturing adjustment due to non-achievement of sales	-0.5 points
Sales product mix	0.9 points
<hr/> Balance	1.0 points
- Total selling, general and administrative expenses were 9,420 million yen, an increase of 183 million yen in comparison to the target. The main reason was as follows.

Sales, advertising and marketing costs	143 million yen	These costs were related to the introduction of new products.
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- Operating income was 3,570 million yen, a decrease of 41 million yen in comparison to the target.
- Ordinary income was 3,302 million yen, a decrease of 42 million yen in comparison to the target.
- Net income was 1,830 million yen, a decrease of 78 million yen in comparison to the target.

Consolidated Cash Flows

(Unit: millions of yen)

	Previous term	Current term	Increase/ decrease	Comments
Balance of cash and cash equivalents at the beginning of the period	1,010	1,666	656	
Cash flows from operating activities	3,079	2,433	△ 646	Decrease in purchase liabilities
Cash flows from investment activities	△ 1,680	△ 727	953	Decrease in acquisition of tangible fixed assets
(Purchase of property and equipment)	(△ 1,473)	(△ 613)	(860)	Expenditure related to payment for part of the refurbishment of the Tokyo Branch in the previous term
Cash flows from financial activities	△ 725	△ 688	37	
Foreign currency translation adjustments	△ 18	△ 13	5	
Net increase in cash and cash equivalents	655	1,004	349	
Balance of cash and cash equivalents at the end of the period	1,666	2,670	1,004	

Trends in Consolidated Facility Investment and Depreciation Costs

(Unit: thousands of yen)

Category	Fiscal year 2006	Fiscal year 2007	Fiscal year 2008	Fiscal year 2009	Fiscal year 2010	Plan for fiscal year 2011
Buildings	1,505,456	67,867	143,672	188,474	921,283	42,430
Structures	26,014	565	-	16,870	36,384	3,500
Machinery and equipment	600,286	272,887	507,476	214,698	160,509	232,640
Automobiles and transportation equipment	4,610	7,697	3,026	6,678	1,494	4,380
Tools, equipment, furniture and fixtures	116,239	114,390	225,594	176,375	195,391	201,310
Land	1,145,977	-	414,059	-	-	-
Construction in progress	904	43,082	△ 7,423	686,471	△ 637,009	△ 3,620
Software	84,003	100,167	96,913	154,098	260,209	239,940
Software development in progress	-	-	-	-	2,100	△ 2,100
Others	-	-	-	1,000	500	-
Total investment	3,483,491	606,659	1,383,319	1,444,667	940,862	718,480
Depreciation costs	870,342	967,407	1,021,444	1,116,759	1,010,245	1,074,200

Non-Consolidated Balance Sheet

(Unit: thousands of yen)

Item	Previous fiscal year < Ended December 20, 2009 >	Ratio (%)	Current fiscal year < Ended December 20, 2010 >	Ratio (%)	Increase/ decrease	Item	Previous fiscal year < Ended December 20, 2009 >	Ratio (%)	Current fiscal year < Ended December 20, 2010 >	Ratio (%)	Increase/ decrease
Cash and bank deposits	1,275,141		2,344,171		1,069,030	Notes payable	530,562		-		△ 530,562
Trade notes	618,989		653,056		34,067	Accounts payable	422,793		467,142		44,349
Accounts receivable	2,264,079		2,225,899		△ 38,180	Accrued expenses payable	1,369,037		1,280,705		△ 88,332
Inventory assets	2,038,299		2,067,015		28,716	Corporate taxes payable	571,930		635,475		63,545
Deferred tax assets	217,900		144,532		△ 73,368	Consumption taxes payable	75,637		-		△ 75,637
Short term loan	6,174		5,989		△ 185	Reserve for returned goods	31,720		19,075		△ 12,645
Others	79,131		81,668		2,537	Reserve for bonuses	61,080		64,280		3,200
Loan loss reserves	△ 9,315		△ 10,124		△ 809	Others	158,278		158,931		653
Total current assets	6,490,401	31.6	7,512,209	35.4	1,021,808	Total current liabilities	3,221,040	15.7	2,625,609	12.4	△ 595,431
Buildings	3,442,965		4,044,882		601,917	Reserve for loss on guarantees	39,000		38,400		△ 600
Machinery and equipment	1,297,510		1,068,452		△ 229,058	Guarantee deposits received	84,752		81,779		△ 2,973
Land	4,763,766		4,763,766		-	Long-term accrued expenses payable	312,004		282,408		△ 29,596
Construction in progress	721,585		3,634		△ 717,951	Total fixed liabilities	435,756	2.1	402,587	1.9	△ 33,169
Others	331,242		366,963		35,721	Total liabilities	3,656,797	17.8	3,028,197	14.3	△ 628,600
Total tangible fixed assets	10,557,070	51.4	10,247,698	48.3	△ 309,372	Capital stock	2,000,000		2,000,000		-
Total intangible fixed assets	300,393	1.5	447,754	2.1	147,361	Capital surplus	199,120		199,120		-
Investment securities	1,307,670		1,180,555		△ 127,115	Retained earnings (Inc. current net income)	14,802,786 (1,827,372)		16,159,396 (2,046,189)		1,356,610
Shares in affiliated companies	616,369		616,369		-	Treasury stock	△ 38,572		△ 38,254		318
Investment in affiliated companies	280,000		430,000		△ 2,192	Total shareholders' equity	16,963,333	82.6	18,320,261	86.4	1,356,928
Long-term loans	9,265		7,073		△ 71,964	Net unrealized gains on other securities	△ 71,571		△ 141,280		△ 69,709
Prepaid pension costs	82,425		10,461		△ 184,699	Total valuation and translation adjustments	△ 71,571	△ 0.3	△ 141,280	△ 0.7	△ 69,709
Deferred tax assets	456,737		466,016		25,513	Total net assets	16,891,762	82.2	18,178,981	85.7	1,287,219
Others	486,323		301,624			Total liabilities and net assets	20,548,559	100	21,207,179	100	658,620
Loan loss reserves	△ 38,097		△ 12,584								
Total investments and other assets	3,200,693	15.6	2,999,516	14.1	△ 201,177						
Total fixed assets	14,058,158	68.4	13,694,970	64.6	△ 363,188						
Total assets	20,548,559	100	21,207,179	100	658,620						

Non-Consolidated Statement of Earnings

(Unit: thousands of yen)

		Results for fiscal year 2009	Ratio	Target for fiscal year 2010	Ratio	Results for fiscal year 2010	Ratio	Growth rate	Achievement rate	Increase/ decrease against previous fiscal year	Increase/ decrease against target
Product category totals	Permanent wave products	1,946,891	10.3	2,156,800	11.0	1,945,704	10.0	99.9	90.2	△ 1,187	△ 211,096
	Hair care products	9,668,350	51.0	9,964,130	51.0	9,944,216	51.1	102.9	99.8	275,866	△ 19,914
	Hair coloring products	7,001,902	37.0	7,095,760	36.3	7,221,385	37.1	103.1	101.8	219,483	125,625
	Others	329,062	1.7	308,310	1.6	335,649	1.7	102.0	108.9	6,587	27,339
Net sales		18,946,206	100%	19,525,000	100%	19,446,955	100%	102.6	99.6	500,749	△ 78,045
Cost of sales		7,042,743	37.2	7,011,000	35.9	6,770,134	34.8	96.1	96.6	△ 272,609	△ 240,866
Total sales revenues		11,903,462	62.8	12,514,000	64.1	12,676,820	65.2	106.5	101.3	773,358	162,820
Selling, general and administrative expenses	Labor costs	2,685,822	14.2	2,747,750	14.1	2,801,035	14.4	104.3	101.9	115,213	53,285
	Travel costs/ transportation costs	495,713	2.6	468,435	2.4	532,790	2.7	107.5	113.7	37,077	64,355
	Sales/ advertising/ marketing costs*	1,929,080	10.2	1,901,110	9.7	2,047,537	10.5	106.1	107.7	118,457	146,427
	Depreciation costs	321,798	1.7	361,970	1.9	370,109	1.9	115.0	102.2	48,311	8,139
	Others	3,122,586	16.5	3,284,735	16.8	3,186,219	16.4	102.0	97.0	63,633	△ 98,516
Total		8,555,001	45.2	8,764,000	44.9	8,937,691	46.0	104.5	102.0	382,690	173,691
Operating income		3,348,461	17.7	3,750,000	19.2	3,739,129	19.2	111.7	99.7	390,668	△ 10,871
Non-operating	Income	135,282	0.7	86,000	0.4	114,769	0.6	84.8	133.5	△ 20,513	28,769
	Costs	318,912	1.7	336,000	1.7	340,699	1.8	106.8	101.4	21,787	4,699
Ordinary income		3,164,832	16.7	3,500,000	17.9	3,513,199	18.1	111.0	100.4	348,367	13,199
Extraordinary	Income	15,887	0.1	-	-	3,026	0.0	19.0	-	△ 12,861	3,026
	Loss	134,843	0.7	16,000	0.1	121,169	0.6	89.9	757.3	△ 13,674	105,169
Net income before tax		3,045,875	16.1	3,484,000	17.8	3,395,055	17.5	111.5	97.4	349,180	△ 88,945
Income taxes-Current		1,242,094	6.6	1,440,800	7.4	1,237,525	6.4	110.7	92.8	△ 4,569	△ 203,275
Income taxes-Deferred		△ 23,591	△ 0.1	13,200	0.1	111,341	0.6			134,932	98,141
Quarterly net income		1,827,372	9.6	2,030,000	10.4	2,046,189	10.5	112.0	100.8	218,817	16,189

* "Sales/ advertising/ marketing costs" shows the total of sales promotion costs, advertising costs and market development costs.

Non-Consolidated Trends in the Proportions of New Products and R&D Costs in Total Sales

(Unit: thousands of yen)

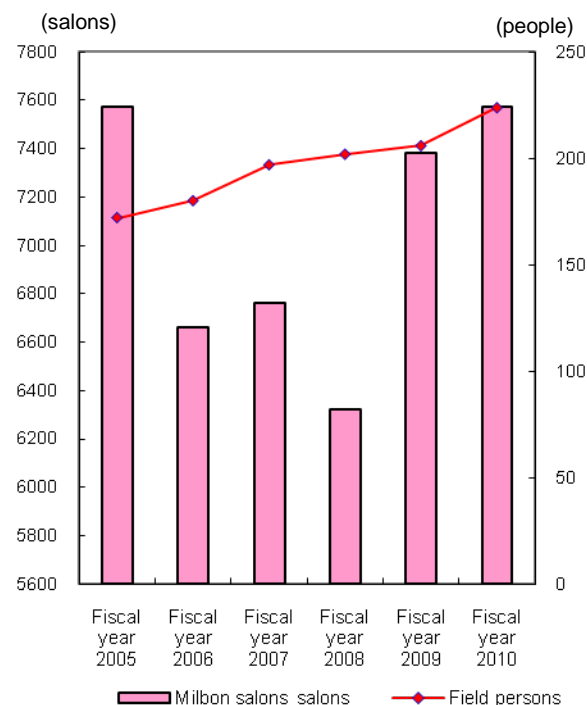
	Perm products	Hair care products	Color products	Others	Total	New product ratio	Test research costs	Ratio of test research costs	Comments
Fiscal year 2007	129,446	259,884	3,247,352	—	3,636,683	19.6%	573,268	3.3%	Ordeve Prejume (perm/ floss/ wax)
Fiscal year 2008	678,564	1,897,975	996,019	—	3,572,559	18.4%	667,886	3.6%	Deesse's Linkage HY Liscio Knoteur Liseinter Inphenom Prejume Drop/Prejume Milk 2 color support products
Fiscal year 2009	270,214	2,323,359	507,233	—	3,100,806	15.4%	766,493	4.0%	Deesse's Neu/ Aujua Liscio Knoteur SH Farglan, Prejume Luviento Prejume CMC Wave Inphenom Daily Care Color remover Ajit Control
Fiscal year 2010 results	504,829	1,664,063	178,555	16,797	2,364,246	11.5%	838,005	4.3%	Qufra Deesse's Aprou Melenate Liscio Glanfe
Fiscal year 2010 target	670,000	1,915,000	150,000	65,000	2,800,000	13.5%	900,000	4.6%	Aujua Lifume Additional colors for Ordeve
Fiscal year 2011 target	10,000	2,930,000	1,180,000	—	4,120,000	19.3%	883,000	4.4%	Deesse's Neu due Deesse's Linkage-μ (mu) Ordeve Additional Colors FIERLI / Dressia Ordeve beauté Deesse's Shine Treatment Aujua Aging Spa

Trends in Market Related Data, Milbon Salons and Field Persons

	Fiscal year 2005	Fiscal year 2006	Fiscal year 2007	Fiscal year 2008	Fiscal year 2009	Fiscal year 2010	Comments
Number of beauty salons (salons)	215,719	217,769	219,573	221,394	223,645	—	Ministry of Health, Labor and Welfare Public Health Administration Report Number of beauty salon facilities/ number of employees (year-end)
Number of beauty therapists (people)	416,707	431,685	435,275	443,944	453,371	—	
Beauty customer population (thousands of people)	41,392	41,646	40,519	40,119	39,720	39,579 (As of July 1, 2010)	National Census Report Population Statistics, Statistics Bureau, Ministry of Internal Affairs and Communications Estimated population of females aged 15 to 64 years of age (as of October 1)

Milbon salon trends

		Fiscal year 2005	Fiscal year 2006	Fiscal year 2007	Fiscal year 2008	Fiscal year 2009	Fiscal year 2010
Tokyo Branch	Milbon salons (salons)	2,927	2,439	2,404	2,210	2,657	2,784
	Sales per salon (thousands of yen)	1,679	1,937	1,999	2,160	2,170	2,254
Nagoya Branch	Milbon salons (salons)	1,521	1,452	1,505	1,368	1,558	1,643
	Sales per salon (thousands of yen)	1,636	1,711	1,706	1,848	1,559	1,858
Osaka Branch	Milbon salons (salons)	3,125	2,769	2,416	2,312	2,616	2,464
	Sales per salon (thousands of yen)	1,628	1,784	1,908	2,013	2,040	2,158
Fukuoka Branch	Milbon salons (salons)	-----	-----	435	431	552	680
	Sales per salon (thousands of yen)	-----	-----	1,572	1,564	1,538	1,671
Total	Milbon salons (salons)	7,573	6,660	6,760	6,321	7,383	7,571
	Sales per salon (thousands of yen)	1,649	1,824	1,872	1,997	1,947	2,088



Trend in field persons

	Fiscal year 2005	Fiscal year 2006	Fiscal year 2007	Fiscal year 2008	Fiscal year 2009	Fiscal year 2010	Fiscal year 2011
Field persons (people)	172	180	197	202	206	224	13 new recruits scheduled
Sales per person (thousands of yen)	96,032	95,689	89,475	90,705	91,971	92,022	

Subsidiaries

United States MILBON USA, INC.

	Unit	Amount			Increase (decrease) against previous fiscal year	Growth rate (%)	Achievement rate (%)
		Previous fiscal year	Target	Results			
Sales	Thousands of dollars	4,539	4,700	4,177	△ 362	92.0	88.9
	Thousands of yen	432,624	413,600	374,224	△ 58,400	86.5	90.5

- Despite challenging conditions continuing as a result of a decrease in sales in the key Liscio series of straight perm agents and related hair care products for maintenance, we are beginning to see the fruit of efforts in marketing activities centered on treatment menu proposals.
- As we enter the next fiscal year there are prospects for improvements in the profit ratio due to cuts in areas such as logistics costs.

(As of September 2010)

	Unit	Results in previous fiscal year	Results in current fiscal year	Growth rate (%)	Number of salons
Permanent wave products	Thousands of dollars	1,105	999	90.4	457
	Thousands of yen	105,387	89,569	85.0	
Hair care products	Thousands of dollars	3,104	2,886	92.9	339
	Thousands of yen	295,937	258,561	87.4	
Hair coloring products	Thousands of dollars	235	221	94.1	39
	Thousands of yen	22,470	19,878	88.5	

Established: March 2004
 * Operations launched in July 2004
 Number of employees: 12
 (FP employees): 9
 Number of handling outlets: 1,204

Subsidiaries

China Milbon Trading (Shanghai) Co., Ltd.

	Unit	Amount			Increase (decrease) against previous fiscal year	Growth rate (%)	Achievement rate (%)
		Previous fiscal year	Target	Results			
Sales	Thousands of yuan	1,611	7,214	5,256	3,644	326.1	72.9
	Thousands of yen	22,318	101,000	68,856	46,538	308.5	68.2

- Contact opportunities with new customers progressed according to plan thanks to the development of sales activities with a focus on top salons in regions with emerging wealthy classes in East China (Shanghai City, Jiangsu Province and Zhejiang Province) and South China (Guangdong Province and Fujian Province). However, results were below the plan, partially as a result of delays in launching new products.
- Milbon sales activities with a focus on education were well-received by the market, and a high brand image for Milbon has spread by word of mouth in comparison to other competing companies, which have been drawn into a price reduction strategy.

(As of September 2010)

	Unit	Results in previous fiscal year	Results in current fiscal year	Growth rate (%)	Number of salons
Permanent wave products	Thousands of yuan	—	270	—	86
	Thousands of yen	—	3,547	—	
Hair care products	Thousands of yuan	1,123	2,619	233.2	148
	Thousands of yen	15,555	34,316	220.6	
Hair coloring products	Thousands of yuan	487	2,365	485.2	140
	Thousands of yen	6,752	30,991	459.0	

Established: November 2007

* Operations launched in February 2009

Number of employees: 14

(FP employees): 10

Number of handling outlets: 224

Subsidiaries

South Korea Milbon Korea Co., Ltd.

	Unit	Amount			Increase (decrease) against previous fiscal year	Growth rate (%)	Achievement rate (%)
		Previous fiscal year	Target	Results			
Sales	Thousands of won	—	2,200,000	2,378,546	2,378,546	—	108.1
	Thousands of yen	—	176,000	181,679	181,679	—	103.2

- Sales increase due to a large increase in the number of salons providing contact opportunities for hair coloring as a result of proactive educational support activities provided to local hair designers, and the promotion of the new introduction of hair care products centered on salon treatments
- There has been requests for educational activities to Milbon due to the establishment of joint platforms with important sales agents, and there has been a daily increase in the number of requests for an increase in field person numbers from the agents.

(As of September 2010)

	Unit	Results in previous fiscal year	Results in current fiscal year	Growth rate (%)	Number of salons
Permanent wave products	Thousands of won	—	87,924	—	186
	Thousands of yen	—	6,715	—	
Hair care products	Thousands of won	—	678,055	—	589
	Thousands of yen	—	51,791	—	
Hair coloring products	Thousands of won	—	1,601,830	—	1,128
	Thousands of yen	—	122,351	—	

Established: July 2009

* Business launched in December 2009

Number of employees: 12

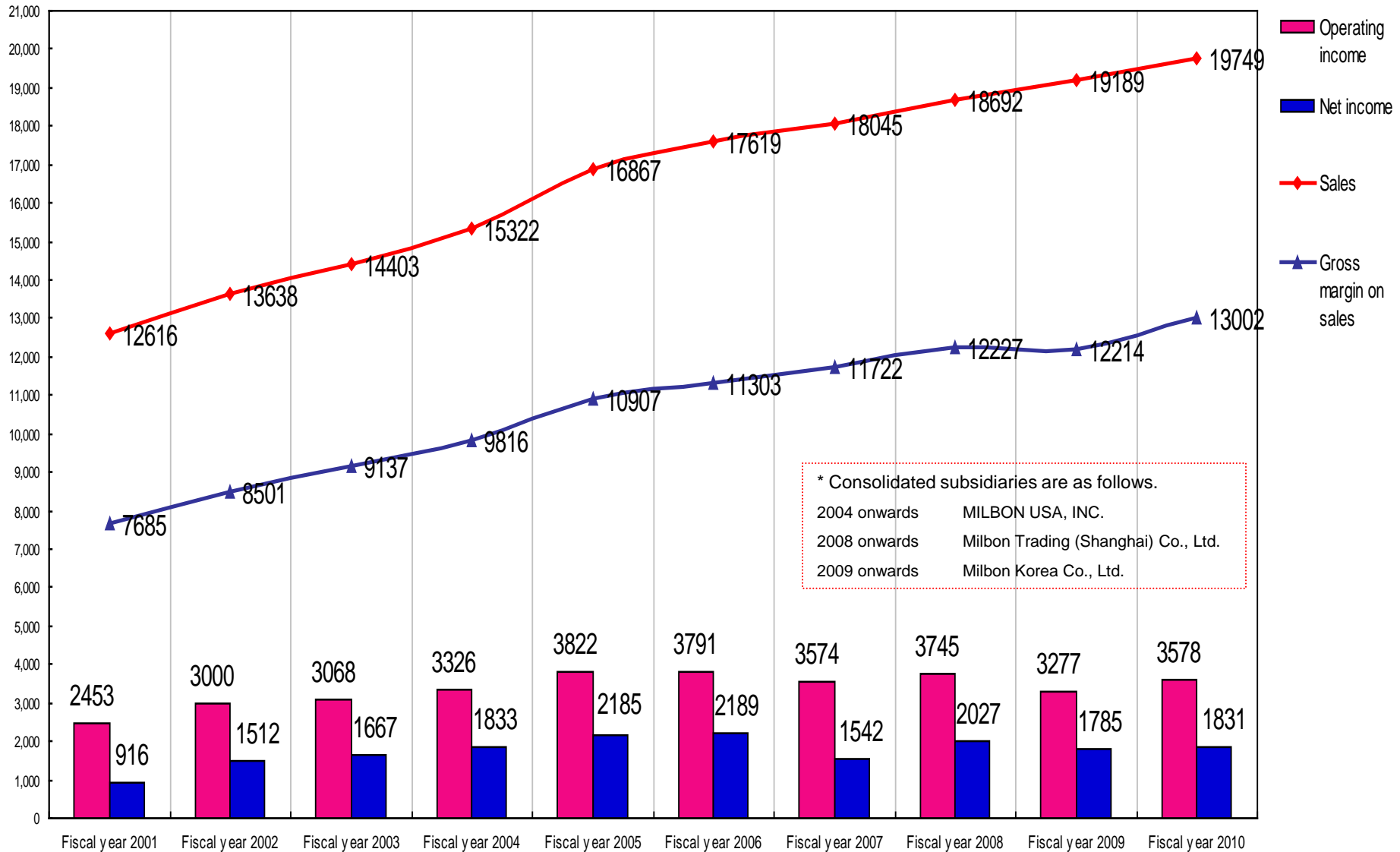
(FP employees): 7

Number of handling outlets: 4,946

* Including sales agents.

Consolidated performance

(Unit: million yen)



Fiscal Year Ending December 20,
2011 (Fiscal 2011)

Plan and Outlook

Director and President: Ryuji Sato

■ Overview of Fiscal 2010

■ Establishment of Education Division

■ Test marketing of Aujua system hair care

■ Progress in globalization

Target for Fiscal 2011 Consolidated Profit and Loss Statement

	First half target	Ratio (%)	Second half target	Ratio (%)	Full year target	Ratio (%)	
Permanent wave products	1,051,200	10.7	996,800	9.3	2,048,000	10.0	
Hair care products	5,174,600	52.7	5,365,400	50.2	10,540,000	51.4	
Hair coloring products	3,529,300	35.9	4,183,700	39.2	7,713,000	37.6	
Others	62,900	0.6	136,100	1.3	199,000	1.0	
Net sales	9,818,000	100	10,682,000	100	20,500,000	100	
Cost of sales	3,362,000	34.2	3,668,000	34.3	7,030,000	34.3	
Gross margin on sales	6,456,000	65.8	7,014,000	65.7	13,470,000	65.7	
Selling, general and administrative expenses	Labor costs	1,533,300	15.6	1,641,200	15.4	3,174,500	15.5
	Travel costs/ transportation costs	248,800	2.5	254,190	2.4	502,990	2.5
	Sales/advertising/ marketing costs *	1,111,920	11.3	970,370	9.1	2,082,290	10.2
	Depreciation costs	244,050	2.5	247,930	2.3	491,980	2.4
	Others	1,835,930	18.7	1,602,310	15.0	3,438,240	16.8
	Total	4,974,000	50.7	4,716,000	44.1	9,690,000	47.3
Operating income	1,482,000	15.1	2,298,000	21.5	3,780,000	18.4	
Non-operating revenue	31,600	0.3	48,400	0.5	80,000	0.4	
Non-operating costs	169,600	1.7	180,400	1.7	350,000	1.7	
Ordinary income	1,344,000	13.7	2,166,000	20.3	3,510,000	17.1	
Extraordinary income	-	-	-	-	-	-	
Extraordinary costs	30,000	0.3	-	-	30,000	0.1	
Net income before tax	1,314,000	13.4	2,166,000	20.3	3,480,000	17.0	
Income taxes - Current	580,400	5.9	920,600	8.6	1,501,000	7.3	
Income taxes -Deferred	△ 30,400	△ 0.3	△ 50,600	△ 0.5	△ 81,000	△ 0.4	
Net income	764,000	7.8	1,296,000	12.1	2,060,000	10.0	

■ In Preparation for Fiscal 2011

■ Three perspectives on the growth strategy

1. Thorough implementation of Milbon salon activities system
2. Development of system hair care brand Aujua
3. Full-scale operation as a global business

■ Four points to consider in medium-term business philosophy and global set-up

1. Global organization set-up with Japan as one of its markets
2. Concentration and sharing of global information
3. Human resource recruitment with a focus on youth and promotion of practical education on a global level
4. Construction of global market development systems and business models

■ Initiatives during the Next Fiscal Year

■ Three perspectives on the medium-term business philosophy

1. Acceleration of global education and human resource training
2. Launch of three-year project with aim of establishing production and development bases in Asia
3. Start business model research for development in new regions

■ Domestic market

(1) Market environment

(2) Points on market policy

- An increase in working opportunities and spending power for women
- Communication work

■ International markets

1. USA (MILBON USA, INC.)
2. China (Milbon Trading (Shanghai) Co., Ltd.)
3. South Korea (Milbon Korea Co., Ltd.)
4. Others (Taiwan & Hong Kong)

Reference Materials (1): Hair Cosmetic Shipping Statistics (Milbon)

(Unit: thousands of yen)

	Fiscal year 2009 (January to December)	Fiscal year 2010 (January to December)	Growth rate	Comments
Shampoo	1,680,308	1,708,452	101.7%	Deesse's Neu
Rinse	337,942	315,876	93.5 %	
Hair tonic	306,674	298,052	97.2 %	
Treatment	5,593,129	5,251,468	93.9 %	Deesse's Linkage-HY/ Inphenom/ Deesse's Aufhe/ Deesse's Remu/ Deesse's Estqual
Hair cream	15,114	8,787	58.1 %	
Hair conditioner	1,362,344	1,960,555	143.9 %	Qufra/ Deesse's Aprou/ Prejume Wax/Prejume Luviento
Hair spray	947,955	993,076	104.8 %	
Hair dye	7,425,247	7,659,985	103.2 %	Ordeve/ Liseinter/ Farglan
Permanent	2,063,829	2,062,172	99.9 %	Liscio/ Prejume
Others	346,730	354,581	102.3 %	Furniture and fixtures, etc.
Sales rebates	△ 1,133,066	△ 1,166,053	102.9 %	
Total	18,946,206	19,446,955	102.6 %	

Reference Materials (2): Hair Cosmetic Shipping Statistics

(Unit: millions of yen)

		January	February	March	April	May	June	July	August	September	October	November	December	Total (January to October)	Growth rate (%)
Shampoo	Fiscal year 2009	6,942	7,660	9,168	8,754	8,472	10,403	9,253	8,357	8,830	8,832	8,050	9,807	86,671	
	Fiscal year 2010	7,033	6,841	8,792	8,688	8,569	9,248	11,382	9,040	8,372	8,290			86,255	99.5%
	Difference	91	-819	-376	-66	97	-1,155	2,129	683	-458	-542			-416	
Rinse	Fiscal year 2009	2,229	2,269	3,075	2,585	2,392	3,009	2,879	2,360	2,683	2,584	2,031	2,561	26,065	
	Fiscal year 2010	2,343	2,024	2,273	2,487	2,488	2,553	2,643	2,698	2,339	2,357			24,205	92.9%
	Difference	114	-245	-802	-98	96	-456	-236	338	-344	-227			-1,860	
Hair tonic	Fiscal year 2009	1,155	1,170	1,526	1,397	1,390	1,548	1,694	1,509	1,503	1,381	1,471	1,586	14,273	
	Fiscal year 2010	1,098	1,346	1,380	1,359	1,339	1,644	1,404	1,427	1,512	1,516			14,025	98.3%
	Difference	-57	176	-146	-38	-51	96	-290	-82	9	135			-248	
Hair treatment	Fiscal year 2009	5,037	5,797	6,724	6,410	5,733	7,285	5,844	6,097	6,720	6,592	6,508	7,644	62,239	
	Fiscal year 2010	5,193	5,340	7,827	6,846	6,266	7,158	7,303	6,704	6,855	6,804			66,296	106.5%
	Difference	156	-457	1,103	436	533	-127	1,459	607	135	212			4,057	
Pomade, cheek, hair cream, perfume oils	Fiscal year 2009	1,249	1,260	1,360	1,384	1,144	1,496	1,718	1,384	1,376	1,376	1,257	1,438	13,747	
	Fiscal year 2010	1,009	1,132	1,180	1,450	1,109	1,402	1,328	1,233	1,441	1,249			12,533	91.2%
	Difference	-240	-128	-180	66	-35	-94	-390	-151	65	-127			-1,214	
Liquid/ foam hair conditioners	Fiscal year 2009	1,075	1,446	1,520	1,508	1,171	1,341	1,321	1,275	1,270	1,274	1,177	1,479	13,201	
	Fiscal year 2010	1,048	1,981	1,520	1,562	1,159	1,431	1,186	1,573	1,152	1,204			13,816	104.7%
	Difference	-27	535	0	54	-12	90	-135	298	-118	-70			615	
Set lotion	Fiscal year 2009	454	532	584	607	537	753	1,434	938	1,371	959	842	1,059	8,169	
	Fiscal year 2010	943	697	651	875	773	867	1,170	792	767	804			8,339	102.1%
	Difference	489	165	67	268	236	114	-264	-146	-604	-155			170	
Hair spray	Fiscal year 2009	1,463	1,661	2,149	2,043	1,884	2,029	2,082	1,984	2,154	1,750	2,146	2,329	19,199	
	Fiscal year 2010	1,258	1,607	1,990	1,777	1,659	2,168	1,927	1,769	2,167	1,843			18,165	94.6%
	Difference	-205	-54	-159	-266	-225	139	-155	-215	13	93			-1,034	
Hair dyes	Fiscal year 2009	5,660	6,964	9,180	8,901	6,789	7,899	8,395	8,090	9,610	8,617	7,721	10,429	80,105	
	Fiscal year 2010	5,985	7,591	9,701	9,140	7,346	8,586	8,562	7,819	8,569	7,862			81,161	101.3%
	Difference	325	627	521	239	557	687	167	-271	-1,041	-755			1,056	
Other hair cosmetics	Fiscal year 2009	989	1,090	1,391	1,327	1,212	1,940	1,496	1,142	1,200	1,123	1,173	1,336	12,910	
	Fiscal year 2010	1,029	989	1,486	1,231	1,421	1,636	1,470	1,118	1,235	1,102			12,717	98.5%
	Difference	40	-101	95	-96	209	-304	-26	-24	35	-21			-193	
Total hair cosmetic products	Fiscal year 2009	26,253	29,850	36,677	34,916	30,725	37,703	36,117	33,138	36,718	34,489	32,375	39,667	336,586	
	Fiscal year 2010	26,937	29,547	36,801	35,414	32,128	36,692	38,373	34,172	34,409	33,030			337,503	100.3%
	Difference	684	-303	124	498	1,403	-1,011	2,256	1,034	-2,309	-1,459			917	

