

**Consolidated Financial Statements for First Quarter Ended March 20, 2010**

March 26, 2010

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

Officer in Charge of contact: Masahiro Murai, Executive Director

TEL: (06) 6928-2331

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Scheduled date for commencement of dividend payments: -

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

## 1. Consolidated financial results for first quarter ended March 20, 2010 (December 21, 2009 – March 20, 2010)

## (1) Consolidated Operating Results (Accumulative)

(Percentages show year-on-year changes.)

	Net Sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter ended March 20, 2010	4,359	2.4	710	5.7	648	1.2	350	-4.5
First quarter ended March 20, 2009	4,257	-	672	-	640	-	366	-

	Quarterly net income per share	Quarterly diluted earnings per share
	yen	yen
First quarter ended March 20, 2010	27.94	-
First quarter ended March 20, 2009	29.25	-

## (2) Consolidated Financial Conditions

	Total Assets	Net assets	Equity ratio (Ratio of equity to total assets)	Net asset per share
	million yen	million yen	%	yen
First quarter ended March 20, 2010	20,411	16,697	81.8	1,332.26
Year ended December 20, 2009	20,353	16,653	81.8	1,328.80

(Reference) Equity capital First quarter ended March 20, 2010, 16,697 million yen; fiscal year ended December 20, 2009, 16,653 million yen

## 2. Payment of Dividends

(Record date)	Dividends per share				
	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, 2009	-	27.00	-	28.00	55.00
Year ended December 20, 2010	-	-	-	-	-
Year ended December 20, 2010 (forecast)	-	27.00	-	28.00	55.00

Note: changes to dividends forecast for the current quarter: none

## 3. Financial Results Forecast for the Year Ending December 20, 2010 (December 21, 2009 – December 20, 2010)

(In the case of "Full year", "%" indicates the increase or decrease in comparison with the "Full year" in the previous fiscal year; in the case of "2<sup>nd</sup> quarter consolidated accumulative period", "%" indicates the increase or decrease against the same quarter in the previous fiscal year.)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen
2 <sup>nd</sup> quarter consolidated accumulative period	9,695	3.3	1,731	2.3	1,615	-0.8	900	-1.4	71.81
Full year	19,860	3.5	3,620	10.4	3,370	8.6	1,910	7.0	152.40

Note: changes to figures contained in consolidated results forecasts for the current quarter: none

#### 4. Others

- (1) Transfer of significant subsidiaries during the period (Transfer of specific subsidiaries involving changes in the scope of consolidation); None
- (2) Application of simplified accounting methods and accounting methods specific to the preparation of quarterly consolidated financial statements; Yes  
(Note) For details see P.5 “Qualitative information and financial statements: 4. Others”
- (3) Changes in the accounting policies, procedures, and methods of presentation related to the preparation of quarterly consolidated financial statements (changes to be described in the “Summary of Significant Accounting Policies for the Preparation of Quarterly Consolidated Financial Statements”)
  - 1) Changes due to amendment to the accounting standards, etc.; None
  - 2) Changes other than those in 1) above; None
- (4) Number of shares outstanding (common shares)
  - 1) Number of shares outstanding at term-end (including treasury stock)  
First quarter ended March 20, 2010, 12,544,408 shares; Year ended December 20, 2009, 12,544,408 shares
  - 2) Number of treasury shares at term-end  
First quarter ended March 20, 2010, 11,585 shares; Year ended December 20, 2009, 11,617 shares
  - 3) Average number of shares through accounting period (quarterly consolidated accumulative period)  
First quarter ended March 20, 2010, 12,532,794 shares; First quarter ended March 20, 2009, 12,532,990 shares

#### \* Proper use of earnings forecast and other matters

(Caution in regard to descriptions concerning the future, etc.)

Statements about the future such as the earnings forecast shown here are based on information currently held by the Company and on assumptions that the Company considers reasonable. Actual earnings may differ materially from the earnings forecast due to various factors. For matters concerning earnings forecasts and the use of assumptions on which earnings forecasts are premised, refer to the sub-section on p.5 (in Section 3 on qualitative information in the consolidated earnings forecast) concerning qualitative information and financial statements.

[Qualitative information and financial statements]

1. Qualitative information on consolidated operating results

Although there were signs of a partial recovery in the Japanese economy during the current 1<sup>st</sup> quarter consolidated fiscal period under review against a backdrop of good exports to newly-developing countries and the effects of the government's economic stimulation measures, etc., the country continued to experience difficult conditions, with personal consumption faltering because of uncertainty over the future in an environment of ongoing circumspection in regard to corporate employment and facility investment.

In terms of the beauty salon industry during the quarter under review, the number of customer visits decreased due to the extension of the cycle of customer visits and the slower growth of average customer spending. This was due to consumers wanting to maintain their current standards of living and lessen expenses while the difficult employment and income situation continues, and is estimated to have caused the continuation of the difficult environment.

In this challenging market environment, the company group has worked on the promotion of its policies, making its basic policy to support the "cultivation of professional designers with the ability to make compound proposals to customers" for the creation of hair design that will realize the "feminine images that women want to create". However, the group did not achieve sufficient results during the quarter under review and although sales were greater than those for the same period of the previous year, they finished lower than initially planned.

At Milbon USA, Inc., a wholly owned subsidiary, sales finished lower than for the same period last year in association with the impact of the increasing severity of the straight perm market even though sales of the leading high-priced straight brand product LISCIO, and the expansion of the number of salons already handling LISCIO that will now also sell NIGELLE RX, a treatment that does not rinse away, and the salon treatment INPHENOM progressed well.

Sales at Milbon Trading (Shanghai) Co., Ltd., a wholly owned subsidiary, finished higher than initially planned due to good expansion in the number of salons selling hair coloring agents to customers acquired mainly for hair care products and because the creation of successful salons, which the company has worked on in Shanghai City and 3 provinces (Guangdong, Jiangsu and Zhejiang), has progressed steadily.

Milbon Korea Co., Ltd., a wholly owned subsidiary established in July 2009, started doing business from December 2009.

Despite what has been a difficult environment, consolidated sales during the current 1<sup>st</sup> quarter consolidated fiscal period under review increased 102 million yen to 4,359 million yen (an increase of 2.4% in comparison to the same period last year).

Operating income finished at 710 million yen (an increase of 5.7% in comparison to the same period last year), ordinary income at 648 million yen (an increase of 1.2% in comparison to the same period last year) and quarterly net income at 350 million yen (a decrease of 4.5% in comparison to the same period last year).

Breakdown of sales by product category is shown as follows:

[Breakdown of consolidated sales by product category]

Product Category	1 <sup>st</sup> Quarter, Previous Term		Current 1 <sup>st</sup> Quarter		Increase/(decrease) Sales amount (million yen)
	Sales amount (million yen)	Ratio (%)	Sales amount (million yen)	Ratio (%)	
Permanent wave products	446	10.5	416	9.6	-29
Hair care products	2,164	50.8	2,251	51.6	87
Hair coloring products	1,583	37.2	1,635	37.5	51
Others	63	1.5	55	1.3	-7
Total	4,257	100.0	4,359	100.0	102

(Permanent wave products)

A tendency to edge lower was apparent in the permanent wave products sector, but it is estimated that sales in the industry overall have decreased due to the declining frequency of use of permanent products under the impact of economic sluggishness.

In such circumstances, the Milbon Group made efforts towards promotional activities communicating the appeal of permanent styles centered on PREJUME CMC WAVE, which the company launched in September last year, but it was not possible to make up for declining sales of existing products and sales finished lower than for the same period of the previous year in the permanent wave product sector overall.

(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 is becoming markedly more severe, the industry overall is estimated to have grown slightly on account of efforts such as hair care centered on treatments that repair hair damage.

In such circumstances, the Milbon Group saw sales in the hair care product sector overall exceed those for the same period of the previous year, but sales did not reach the level initially planned. This was partly because although sales of DEESSE'S APROU, a treatment that does not rinse away and that was launched in March for the creation of hair designs that will realize the "feminine images that women want to create", progressed, the policy promotion activities using QUFRA that was launched in February, which is centered on styling products, did not achieve sufficient results.

(Hair coloring products)

Due to the decline in the number of customers owing to the extension of the cycle of salon visits arising from consumers wanting to maintain their current standards of living and lessen expenses, as well as the increasing severity of competition with general market products such as foam coloring agents that can be used casually at home, the industry overall is estimated to be on a downward trend.

In such circumstances, the Milbon Group saw sales in the hair coloring sector overall exceed those for the same period of the previous year, including the steady market growth of FARGLAN, an acidic hair dye that is gentle on the hair, released in April last year, but this did not lead to the invigoration of the market as a whole and sales did not reach the level of the initial plan.

(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 1<sup>st</sup> quarter consolidated fiscal period increased by 57 million yen to 20,411 million yen compared to the end of the previous consolidated fiscal year.

Current assets increased 120 million yen to 7,108 million yen compared to the end of the previous consolidated fiscal year. Major variable factors included a decrease of 230 million yen in trade notes and accounts receivable, but cash and deposits increased 218 million yen and goods and products increased 112 million yen.

Fixed assets decreased by 62 million yen to 13,303 million yen compared to the end of the previous consolidated fiscal year. Major variable factors were a decrease of 107 million yen in tangible fixed assets in association with the posting of depreciation expenses, etc., and an increase of 42 million yen in investment securities.

Current liabilities increased 14 million yen to 3,260 million yen compared to the end of the previous consolidated fiscal year. Major variable factors were an increase of 476 million yen in notes and accounts payable, and a decrease of 475 million yen in accrued liabilities.

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

Net assets increased 43 million yen to 16,697 million yen compared to the end of the previous consolidated fiscal year. Major variable factors were an increase of 25 million yen in net unrealized gains on other securities and an increase of 18 million yen in foreign currency conversion adjustment.

As a result, the company's equity ratio remains unchanged from the end of the previous consolidated fiscal year at 81.8%. Net assets per share based on total outstanding shares as of the end of the accounting period increased to 1,332.26 yen per share from 1,328.80 yen per share at the end of the previous consolidated fiscal year.

(2) Cash flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the 1<sup>st</sup> quarter consolidated fiscal period increased 217 million yen compared to funds at 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, etc., and the payment of dividends. The balance of funds at the end of the 1<sup>st</sup> quarter consolidated fiscal period was 1,883 million yen.

(Cash Flows from Operating Activities)

Funds from operating activities were 667 million yen. This was mainly the result of 652 million yen recorded in net income before taxes and other adjustments, an increase in accounts payable of 434 million yen and payment of corporate and other taxes of 544 million yen.

(Cash Flows from Investing Activities)

Funds used for investing activities were 138 million yen. The funds were mainly used for the acquisition of tangible fixed assets worth 62 million yen and intangible fixed assets worth 73 million yen.

(Cash Flows from Financing Activities)

Funds used as a result of financing activities were 319 million yen. This was mainly the result of dividend payments of 319 million yen.

3. Qualitative information on consolidated earnings forecast

There have been no changes in the business forecast for the full term since the previous forecast (announced on January 20, 2010).

4. Others

(1) Transfer of significant subsidiaries during the period (Transfer of specific subsidiaries involving changes in the scope of consolidation); None

(2) Application of simplified accounting methods and accounting methods specific to the preparation of quarterly consolidated financial statements

1) Simplified accounting methods

(Valuation methods for inventories)

The calculation of inventories at the end of the 1<sup>st</sup> quarter consolidated fiscal period is calculated by omitting a physical inspection and using a rational method of calculation based upon the physical inspection amount 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) Changes in the accounting policies, procedures and methods of presentation related to the preparation of quarterly consolidated financial statements

None

5. Quarterly Financial Statements  
(1) First Quarter Balance Sheet

(Unit: thousand yen)

	End of 1 <sup>st</sup> quarter consolidated fiscal period under review (as of March 20, 2010)	Condensed consolidated balance sheet for previous consolidated fiscal year (as of December 20, 2009)
Assets		
Current assets		
Cash and bank deposits	1,884,584	1,666,170
Trade notes and accounts receivable	2,573,899	2,804,683
Goods and products	1,759,255	1,646,427
Work in progress	15,441	17,417
Raw materials and inventory goods	572,669	499,852
Others	310,745	362,286
Loan loss reserves	-8,227	-9,017
Total current assets	7,108,368	6,987,821
Fixed assets		
Tangible fixed assets		
Buildings and other structures(net amount)	3,552,268	3,627,958
Machinery, equipment and vehicles for transportation (net amount)	1,228,717	1,306,380
Land	4,763,766	4,763,766
Construction in progress	712,219	709,139
Others (net amount)	276,121	233,024
Total tangible fixed assets	10,533,094	10,640,269
Intangible fixed assets	340,806	318,593
Investments and other assets		
Investment in securities	1,350,550	1,307,670
Others	1,116,660	1,164,694
Loan loss reserves	-37,755	-65,160
Total investments and other assets	2,429,456	2,407,204
Total fixed assets	13,303,356	13,366,068
Total assets	20,411,724	20,353,890

(Unit: thousand yen)

	End of 1 <sup>st</sup> quarter consolidated fiscal period under review (as of March 20, 2010)	Condensed consolidated balance sheet for previous consolidated fiscal year (as of December 20, 2009)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable	1,429,393	953,356
Accrued expenses payable	895,141	1,370,388
Corporate taxes payable	269,556	571,930
Reserve for returned goods	11,285	31,720
Reserve for bonuses	245,314	62,685
Others	410,032	256,617
<b>Total current liabilities</b>	<b>3,260,724</b>	<b>3,246,698</b>
<b>Fixed Liabilities</b>		
Reserve for loss on guarantees	39,000	39,000
Others	414,972	414,633
<b>Total fixed liabilities</b>	<b>453,972</b>	<b>453,633</b>
<b>Total liabilities</b>	<b>3,714,696</b>	<b>3,700,331</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,000,000	2,000,000
Capital surplus	199,120	199,120
Retained earnings	14,637,152	14,637,996
Treasury stock	-38,406	-38,572
<b>Total shareholders' equity</b>	<b>16,797,865</b>	<b>16,798,543</b>
<b>Valuation and translation adjustments</b>		
Net unrealized gains on other securities	-46,015	-71,571
Foreign currency translation adjustments	-54,822	-73,412
<b>Total valuation and translation adjustments</b>	<b>-100,837</b>	<b>-144,984</b>
<b>Total net assets</b>	<b>16,697,028</b>	<b>16,653,559</b>
<b>Total liabilities and net assets</b>	<b>20,411,724</b>	<b>20,353,890</b>

(2) First Quarter Consolidated Statement of Earnings  
 [1<sup>st</sup> quarter consolidated fiscal period]

(Unit: thousand yen)

	Previous 1 <sup>st</sup> quarter consolidated fiscal period (December 21, 2008 - March 20, 2009)	1 <sup>st</sup> quarter consolidated fiscal period under review (December 21, 2009 - March 20, 2010)
Sales	4,257,295	4,359,837
Cost of Products/Merchandise Sold	1,442,954	1,450,340
Total sales revenues	2,814,340	2,909,497
Marketing and Administrative Expenses	2,142,329	2,199,038
Operating income	672,010	710,458
Non-operating Income		
Interest income	689	358
Dividends income	192	192
Rent from company housing	7,718	9,511
Profit on surrender of insurance	25,204	-
Others	10,393	4,753
Total non-operating income	44,198	14,815
Non-operating Expenses		
Interest expense	362	-
Sales discount	74,994	76,532
Others	3	1
Total non-operating expenses	75,360	76,534
Ordinary income	640,848	648,739
Extraordinary Profit		
Release of loan loss reserves	15,000	4,024
Total extraordinary profits	15,000	4,024
Extraordinary Loss		
Loss on disposal of fixed assets	-	79
Loss on retirement of fixed assets	746	179
Total extraordinary losses	746	259
Net income before taxes and other adjustments	655,101	652,503
Corporate, inhabitant and enterprise taxes	338,612	260,089
Adjustment for difference of tax allocation between financial accounting and tax accounting	-50,053	42,239
Total corporate and other taxes	288,558	302,328
Quarterly net income	366,543	350,175



## (3) Quarterly Consolidated Statement of Cash Flows

(Unit: thousand yen)

	Previous 1 <sup>st</sup> quarter consolidated fiscal period (December 21, 2008 - March 20, 2009)	1 <sup>st</sup> quarter consolidated fiscal period under review (December 21, 2009 - March 20, 2010)
Cash flows from operating activities		
Quarterly net income before tax and income adjustment	655,101	652,503
Depreciation and amortization expense	255,301	225,781
Increase (decrease) in loan loss reserves	-15,000	-28,762
Increase (decrease) in the provision for bonuses	171,412	182,611
Increase (decrease) in provision for returned product adjustment	682	-20,434
Change in allowance for retirement benefits for employees	-	303
Decrease (increase) in the prepaid pension cost	14,549	11,095
Interest and dividends received	-881	-550
Interest paid	362	-
Foreign exchange loss (gain)	23,480	68
Profit or loss on disposal of fixed assets	-	79
Loss from the sale/disposition of fixed assets	746	179
Decrease (increase) in accounts receivable – trade	467,006	231,088
Decrease (increase) in inventories	-484,217	-179,295
Increase (decrease) in accounts payable related to procurement transactions	516,530	434,541
Others	-151,960	-103,896
Subtotal	1,453,113	1,405,313
Interest and dividends received	982	648
Interest paid	-362	-
Payment of retirement benefits for directors	-	-194,441
Payment of corporate and other taxes	-696,013	-544,161
Cash flows from operating activities	757,720	667,358
Cash flows from investing activities		
Payment due to the purchase of investment securities	-499,966	-
Sale of investment securities	400,000	-
Payment due to the acquisition of tangible fixed assets	-344,333	-62,480
Income due to disposal of tangible fixed assets	-	253
Payment due to the acquisition of intangible fixed assets	-37,189	-73,555
Payment due to loans	-13,000	-350
Collection of the loan payment	20,104	5,088
Expenditure due to deposit of fixed term deposits	-	-829
Payment due to the placement of guarantee money	-33,107	-5,935
Collection of guarantee money	698	2,642
Payment into insurance reserve fund	-2,724	-1,903
Cancellation/withdrawal from insurance reserve fund	62,861	-
Others	-972	-1,533
Cash flows from investing activities	-447,629	-138,601
Cash flows from financing activities		
Payment due to the repayment of long-term borrowing	-8,988	-
Net decrease (increase) in treasury stocks	-492	65
Payment of dividends	-332,359	-319,878
Cash flows from financing activities	-341,840	-319,813
Effect of exchange rate fluctuations on cash and cash equivalents	-35,111	8,599
Increase (decrease) in cash and cash equivalents	-66,860	217,543
Outstanding balance of cash and cash equivalents at the beginning of current term	1,010,784	1,666,170
Outstanding balance of cash and cash equivalents at end of current quarter	943,923	1,883,713

(4) Notes concerning the assumption of the business as a going concern  
None

(5) Notes in cases of extreme variation in the amount of shareholders' equity  
None