

# Consolidated Financial Statements for the Third Quarter Ended September 20, 2010 - Supplementary Materials

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**MILBON**

September 30, 2010

# ■ Table of Contents

■ Market Environment	1	■ State of Progress of Non-Consolidated New Product Sales	12~13
■ Consolidated Operating Results	2	■ Non-Consolidated Trends in the Proportions of New Products and R&D Costs in Total Sales	14
■ Breakdown of Consolidated Sales by Product Category	3	■ State of Progress of Overseas Sales	15
■ Consolidated Sales by Product Category	4	■ Trends in Milbon Salon and Field Persons and Market Related Data	16
■ Consolidated Balance Sheet	5	■ Non-Consolidated Operating Results	17~20
■ Explanation of Fluctuations in the Consolidated Balance Sheet	6	■ Non-Consolidated Balance Sheet	
■ Consolidated Profit and Loss Statement	7	■ Non-Consolidated Statement of Earnings	
■ Comparison of the Consolidated Profit and Loss Statement with the Previous Fiscal Year and Plans	8	■ Non-Consolidated Trends in Facility Investment and Depreciation Costs	
■ Consolidated Cash Flows	9	■ Reference Materials	21~23
■ Trends in Consolidated Facility Investment and Depreciation Costs	10	■ Hair Cosmetic Shipping Statistics (Milbon)	
■ Consolidated Profit and Loss Statement (3 <sup>rd</sup> Quarter)	11	■ Hair Cosmetic Shipping Statistics	

## ■ Market Environment

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- Although the Japanese economy showed signs of a gentle recovery under the impact of economic stimulus measures in Japan and overseas, and the recovery of demand in newly-emerging economies, personal consumption trends are in a difficult situation, with some exceptions.
- The environment in the professional beauty industry remains in a difficult situation, due to the impact of a decrease in customer visits brought on by a slowing down in the cycle of customer visits to beauty salons and the weakness of spending per customer as well as the declining birthrate and aging society, and changes in demographic trends.
- Products that relieve concerns over hair associated with aging, aimed at women, particularly the second-generation baby-boomers who are the main customers of the beauty salon industry, have performed well.

# Consolidated Operating Results (3<sup>rd</sup> Quarter, Cumulative)

(Unit: millions of yen)

	Value			Previous year Increase/ decrease	Growth rate	Achievement rate
	Previous year	Target	Result		%	%
Sales	14,128	14,686	14,345	216	101.5	97.7
Gross margin on sales	8,996	9,529	9,541	545	106.1	100.1
Selling, general and administrative expenses	6,663	6,907	6,771	108	101.6	98.0
Operating income	2,333	2,622	2,770	436	118.7	105.7
Ordinary income	2,200	2,442	2,601	401	118.2	106.5
Quarterly net income	1,183	1,377	1,523	340	128.8	110.7

# Breakdown of Consolidated Sales by Product Category (3<sup>rd</sup> Quarter, Cumulative)

(Unit: millions of yen)

Product Category	3 <sup>rd</sup> quarter, previous term		Current 3 <sup>rd</sup> quarter		Increase/ decrease	Growth rate (%)
	Sales	Ratio (%)	Sales	Ratio (%)		
Permanent wave products	1,527	10.8	1,514	10.6	△12	99.2
Hair care products	7,180	50.8	7,309	51.0	129	101.8
Hair coloring products	5,210	36.9	5,314	37.0	103	102.0
Others	210	1.5	206	1.4	△3	98.3
Total	14,128	100.0	14,345	100.0	216	101.5

# ■ Consolidated Sales by Product Category

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## ■ Permanent wave products

- Liscio Glanfe, a new straight perm agent, has been received well. Replacement of existing straight perm agents is advancing due to the expression of soft, round-feeling silhouettes that respond to hair quality.
- The market development of Lifume, which creates the allure of a new perm, has been delayed.

## ■ Hair care products

- Qufra, a styling agent for creating hair designs that help to realize the “desired female image”, is facing an uphill battle.
- Sales of Deesse’s Aprou, which eliminates concerns over hair associated with aging, and salon treatments centered on Inphenom, which repairs hair damage, showed good results.

## ■ Hair coloring products

- Sales of hair color agents for gray hair (Liseinter and Farglan), which appeal to women with the allure of salon colors, have grown.
- Sales of Ordeve fashion color agents declined slightly under the effect of market competition with home color agents.

# Consolidated Balance Sheet

(Unit: thousands of yen)

Item	Previous consolidated fiscal year < Ended December 20, 2009 >	Ratio	3 <sup>rd</sup> quarter, current consolidated fiscal year < Ended September 20, 2010 >	Ratio	Increase/decrease	Item	Previous consolidated fiscal year < Ended December 20, 2009 >	Ratio	3 <sup>rd</sup> quarter, current consolidated fiscal year < Ended September 20, 2010 >	Ratio	Increase/decrease
Cash and bank deposits	1,666,170		1,896,118		229,948	Notes and accounts payable	953,356		-		△ 953,356
Trade notes and accounts receivable	2,804,683		2,434,258		△ 370,425	Accounts payable	-		514,664		514,664
Inventory assets	2,163,697		2,473,901		310,204	Accrued expenses payable	1,370,388		976,894		△ 393,494
Deferred tax assets	244,361		229,172		△ 15,189	Corporate taxes payable	571,930		467,167		△ 104,763
Others	117,925		138,050		20,125	Reserve for returned goods	31,720		13,984		△ 17,736
Loan loss reserves	△ 9,017		△ 7,776		1,241	Reserve for bonuses	62,685		264,841		202,156
<b>Total current assets</b>	<b>6,987,821</b>	<b>34.3</b>	<b>7,163,724</b>	<b>35.1</b>	<b>175,903</b>	Others	256,617		297,425		40,808
Buildings and other structures	3,627,958		3,408,629		△ 219,329	<b>Total current liabilities</b>	<b>3,246,698</b>	<b>16.0</b>	<b>2,534,978</b>	<b>12.4</b>	<b>△ 711,720</b>
Machinery, equipment and vehicles for transportation	1,306,380		1,055,250		△ 251,130	Long-term accrued expenses payable	312,004		312,004		-
Land	4,763,766		4,763,766		-	Reserve for loss on guarantees	39,000		39,000		-
Construction in progress	709,139		1,094,672		385,533	Others	102,629		100,559		△ 2,070
Others	233,024		250,305		17,281	<b>Total fixed liabilities</b>	<b>453,633</b>	<b>2.2</b>	<b>451,563</b>	<b>2.2</b>	<b>△ 2,070</b>
<b>Total tangible fixed assets</b>	<b>10,640,269</b>	<b>52.3</b>	<b>10,572,624</b>	<b>51.9</b>	<b>△ 67,645</b>	<b>Total liabilities</b>	<b>3,700,331</b>	<b>18.2</b>	<b>2,986,541</b>	<b>14.6</b>	<b>△ 713,790</b>
Total intangible fixed assets	318,593	1.6	411,050	2.0	92,457	Capital stock	2,000,000		2,000,000		-
Investments and other assets	1,307,670		1,180,275		△ 127,395	Capital surplus	199,120		199,120		-
Long-term loans	61,790		48,453		△ 13,337	Retained earnings	14,637,996		15,472,337		834,341
Prepaid pension costs	82,425		49,936		△ 32,489	(Inc. current net income)	(1,785,483)		(1,523,841)		338
Deferred tax assets	496,112		572,955		76,843	Treasury stock	△ 38,572		△ 38,234		
Others	524,366		430,245		△ 94,121	<b>Total shareholders' equity</b>	<b>16,798,543</b>	<b>82.5</b>	<b>17,633,222</b>	<b>86.5</b>	<b>834,679</b>
Loan loss reserves	△ 65,160		△ 36,669		28,491	Net unrealized gains on other securities	△ 71,571		△ 141,989		△ 70,418
<b>Total investments and other assets</b>	<b>2,407,204</b>	<b>11.8</b>	<b>2,245,196</b>	<b>11.0</b>	<b>△ 162,008</b>	Foreign currency translation adjustments	△ 73,412		△ 85,178		△ 11,766
Total fixed assets	13,366,068	65.7	13,228,872	64.9	△ 137,196	<b>Total valuation and translation adjustments</b>	<b>△ 144,984</b>	<b>△ 0.7</b>	<b>△ 227,167</b>	<b>△ 1.1</b>	<b>△ 82,183</b>
Total assets	20,353,890	100%	20,392,596	100%	38,706	Total net assets	16,653,559	81.8	17,406,055	85.4	752,496
						Total liabilities and net assets	20,353,890	100%	20,392,596	100%	38,706

# Explanation of Fluctuations in the Consolidated Balance Sheet

## Assets

Total assets were 20,300 million yen, an increase of 38 million yen in comparison to the end of the previous fiscal year.

### Current assets

Current assets increased 175 million yen.

○ Cash and bank deposits	2,290 million yen	This was due to increases in cash flows from operating activities, mainly an increase in income.
○ Trade notes and accounts receivable	- 370 million yen	This is because there are differences due to seasonal variations compared to sales in December last year.
○ Inventory assets	310 million yen	This is an increase in inventories due to new products.

### Fixed assets

Fixed assets decreased 137 million yen.

Tangible/ intangible fixed assets

○ Buildings and structures	- 219 million yen	This decreased due to amortization
○ Machinery, equipment and vehicles for transportation	- 251 million yen	This decreased due to amortization
○ Construction in progress	385 million yen	This is the extension and reconstruction work at Tokyo Branch.
Investments and other assets		
○ Investment in securities	- 127 million yen	This is a decrease due to the evaluation of market prices.

## Liabilities

Total liabilities decreased 713 million yen.

### Current liabilities

Current liabilities decreased 711 million yen.

○ Notes and accounts payable	- 953 million yen	] This is because Milbon changed the payment method from note-based payment to cash payments.
○ Accounts payable	514 million yen	
○ Accrued expenses payable	- 393 million yen	This is mainly a decrease due to rebate payments.
○ Reserve for bonuses	202 million yen	This is the posting of the allowance for second half bonuses.

### Fixed liabilities

There was no change in fixed liabilities.

### Net assets

Net assets increased 752 million yen.

# Consolidated Profit and Loss Statement (3<sup>rd</sup> Quarter, Cumulative)

(Unit: thousands of yen)

		3 <sup>rd</sup> Quarter, Cumulative									
		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	1,527,186	10.8	1,627,000	11.1	1,514,298	10.6	99.2	93.1	△ 12,888	△ 112,702
	Hair care products	7,180,006	50.8	7,455,000	50.7	7,309,411	51.0	101.8	98.0	129,405	△ 145,589
	Hair coloring products	5,210,477	36.9	5,415,000	36.9	5,314,343	37.0	102.0	98.1	103,866	△ 100,657
	Others	210,492	1.5	189,000	1.3	206,977	1.4	98.3	109.5	△ 3,515	17,977
	Net sales	14,128,162	100%	14,686,000	100%	14,345,031	100%	101.5	97.7	216,869	△ 340,969
	Cost of products/ merchandise sold	5,131,452	36.3	5,157,000	35.1	4,803,155	33.5	93.6	93.1	△ 328,297	△ 353,845
	Total sales revenues	8,996,710	63.7	9,529,000	64.9	9,541,875	66.5	106.1	100.1	545,165	12,875
Selling, general and administrative expenses	Labor costs	2,070,170	14.7	2,193,760	14.9	2,142,762	14.9	103.5	97.7	72,592	△ 50,998
	Travel costs/ transportation costs	365,220	2.6	381,030	2.6	406,494	2.8	111.3	106.7	41,274	25,464
	Sales/ advertising/ marketing costs*	1,453,964	10.3	1,456,670	9.9	1,443,404	10.1	99.3	99.1	△ 10,560	△ 13,266
	Depreciation costs	251,154	1.8	252,500	1.7	249,113	1.7	99.2	98.7	△ 2,041	△ 3,387
	Others	2,522,520	17.9	2,623,040	17.9	2,529,827	17.6	100.3	96.4	7,307	△ 93,213
	Total	6,663,031	47.2	6,907,000	47.0	6,771,603	47.2	101.6	98.0	108,572	△ 135,397
	Operating income	2,333,678	16.5	2,622,000	17.9	2,770,272	19.3	118.7	105.7	436,594	148,272
Non-operating	Income	106,906	0.8	71,600	0.5	96,580	0.7	90.3	134.9	△ 10,326	24,980
	Costs	240,303	1.7	251,600	1.7	265,156	1.8	110.3	105.4	24,853	13,556
	Ordinary income	2,200,282	15.6	2,442,000	16.6	2,601,696	18.1	118.2	106.5	401,414	159,696
Extraordinary	Income	15,887	0.1	-	-	4,475	0.0	28.2	-	△ 11,412	4,475
	Loss	134,015	0.9	10,000	0.1	24,854	0.2	18.5	248.5	△ 109,161	14,854
	Net income before taxes and other adjustments	2,082,154	14.7	2,432,000	16.6	2,581,318	18.0	124.0	106.1	499,164	149,318
	Corporate, inhabitant and enterprise taxes	990,884	7.0	1,081,000	7.4	1,072,239	7.5	117.7	100.2	81,355	△ 8,761
	Adjustment for difference of tax allocation between financial accounting and tax accounting	△ 92,083	△ 0.7	△ 26,000	△ 0.2	△ 14,762	△ 0.1			77,321	11,238
	Quarterly net income	1,183,352	8.4	1,377,000	9.4	1,523,841	10.6	128.8	110.7	340,489	146,841

\* "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

1. Sales were 14,300 million yen, an increase of 216 million yen in comparison to the previous fiscal year. The comparison by product category is as follows.

Permanent wave products	- 12 million yen
Hair care products	129 million yen
Hair coloring products	103 million yen
Others	- 3 million yen

2. Total revenues were 9,540 million yen, an increase of 545 million yen in comparison to the previous year. In addition, the gross profit margin was 66.5%, 2.8 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	0.4 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
<u>Sales product mix</u>	<u>0.6 points</u>
Balance	2.8 points

3. Total selling, general and administrative expenses were 6,770 million yen, an increase of 108 million yen in comparison to the previous fiscal year. The main factors in this increase were as follows.

Labor costs	72 million yen	This was due to an increase in personnel. The cumulative figures for the 3 <sup>rd</sup> quarter increased overall due to the establishment of Milbon Korea in July last year.
Milbon Korea	70 million yen	

4. Ordinary income was 2,601 million yen, an increase of 401 million yen in comparison to the previous fiscal year.

5. Current net income was 1,520 million yen, an increase of 340 million yen in comparison to the previous fiscal year.

## Comparison with targets

1. Sales were 14,300 million yen, a decrease of 340 million yen in comparison with the target. Comparisons by product category are as follows.

Permanent wave products	- 112 million yen
Hair care products	- 145 million yen
Hair coloring products	- 100 million yen
Others	17 million yen

2. Total revenues were 9,540 million yen, an increase of 12 million yen in comparison to the target. In addition, the gross profit margin was 66.5%, 1.6 points higher than the target. The breakdown of that increase is as follows.

Decrease in manufacturing costs due to production improvement activities	0.8 points
Decrease in return adjustment reserve provisions	0.1 points
Raw material cost reduction effects	0.2 points
Manufacturing adjustment due to non-achievement of sales	- 0.5 points
<u>Sales product mix</u>	<u>1.0 points</u>
Balance	1.6 points

3. Total selling, general and administrative expenses were 6,770 million yen, a decrease of 135 million yen in comparison to the target. The main factor in this decrease was being able to control costs within budgets at all subsidiaries.

Labor costs	- 50 million yen	This was due to a decrease in variable wages. This was mainly due to R&D expenses, which decreased 53 million yen. This was because R&D was delayed to the 4 <sup>th</sup> quarter and onwards.
Others	- 93 million yen	

4. Ordinary income was 2,601 million yen, an increase of 159 million yen in comparison to the target.

5. Current net income was 1,520 million yen, an increase of 146 million yen in comparison to the target.

## Consolidated Cash Flows (3<sup>rd</sup> Quarter, Cumulative)

(Unit: millions of yen)

	3 <sup>rd</sup> quarter, previous term	Current 3 <sup>rd</sup> quarter	Increase/ decrease
Balance of cash and cash equivalents at the start of the period	1,010	1,666	656
Cash flows from operating activities	2,416	1,559	△ 857
Cash flows from investment activities	△ 1,122	△ 645	477
(Acquisition of tangible fixed assets)	(△ 993)	(△ 582)	411
Cash flows from financial activities	△ 718	△ 684	34
Foreign currency translation adjustments	△ 24	△ 0	24
Net increase in cash and cash equivalents	551	228	△ 323
Balance of cash and cash equivalents at the end of the period	1,562	1,895	333

# 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	January to September, 2010	Plan for fiscal year 2010
Buildings	1,505,456	67,867	143,672	188,474	15,412	1,128,360
Structures	26,014	565	-	16,870	9,490	33,690
Machinery and equipment	600,286	272,887	507,476	214,698	40,329	113,020
Automobiles and transportation equipment	4,610	7,697	3,026	6,678	1,527	1,600
Tools, equipment, furniture and fixtures	116,239	114,390	225,594	176,375	122,418	182,720
Land	1,145,977	-	414,059	-	-	-
Construction in progress	904	43,082	△ 7,423	686,471	372,116	△ 721,580
Software	84,003	100,167	96,913	154,098	184,679	312,790
Software development in progress	-	-	-	-	-	-
Others	-	-	-	1,000	500	-
Total investment	3,483,491	606,659	1,383,319	1,444,667	746,473	1,050,600
Depreciation costs	870,342	967,407	1,021,444	1,116,759	700,501	1,026,300

# Consolidated Profit and Loss Statement (3<sup>rd</sup> Quarter)

(Unit: thousands of yen)

		3 <sup>rd</sup> Quarter									
		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	509,449	10.7	610,000	12.2	508,806	10.4	99.9	83.4	△ 643	△ 101,194
	Hair care products	2,443,327	51.6	2,515,000	50.4	2,482,875	50.5	101.6	98.7	39,548	△ 32,125
	Hair coloring products	1,708,998	36.1	1,798,000	36.0	1,848,726	37.6	108.2	102.8	139,728	50,726
	Others	77,015	1.6	68,000	1.4	73,730	1.5	95.7	108.4	△ 3,285	5,730
	Net sales	4,738,788	100%	4,991,000	100%	4,914,138	100%	103.7	98.5	175,350	△ 76,862
Cost of products/merchandise sold		1,812,278	38.2	1,752,000	35.1	1,613,452	32.8	89.0	92.1	△ 198,826	△ 138,548
Total sales revenues		2,926,509	61.8	3,239,000	64.9	3,300,686	67.2	112.8	101.9	374,177	61,686
Selling, general and administrative expenses	Labor costs	703,762	14.9	745,550	14.9	710,306	14.5	100.9	95.3	6,544	△ 35,244
	Travel costs/transportation costs	125,280	2.6	131,680	2.6	149,078	3.0	119.0	113.2	23,798	17,398
	Sales/ advertising/ marketing costs*	450,856	9.5	501,890	10.1	464,725	9.5	103.1	92.6	13,869	△ 37,165
	Depreciation costs	85,103	1.8	94,100	1.9	88,621	1.8	104.1	94.2	3,518	△ 5,479
	Others	920,325	19.4	874,780	17.5	843,567	17.2	91.7	96.4	△ 76,758	△ 31,213
	Total	2,285,327	48.2	2,348,000	47.0	2,256,298	45.9	98.7	96.1	△ 29,029	△ 91,702
Operating income		641,182	13.5	891,000	17.9	1,044,388	21.3	162.9	117.2	403,206	153,388
Non-operating	Income	17,738	0.4	21,400	0.4	28,718	0.6	161.9	134.2	10,980	7,318
	Costs	85,994	1.8	85,400	1.7	91,399	1.9	106.3	107.0	5,405	5,999
Ordinary income		572,926	12.1	827,000	16.6	981,706	20.0	171.3	118.7	408,780	154,706
Extraordinary	Income	-	-	-	-	978	0.0	-	-	978	978
	Loss	89,139	1.9	-	-	11,285	0.2	12.7	-	△ 77,854	11,285
Net income before taxes and other adjustments		483,786	10.2	827,000	16.6	971,399	19.8	200.8	117.5	487,613	144,399
Corporate, inhabitant and enterprise taxes		275,155	5.8	422,000	8.5	440,890	9.0	180.9	110.2	165,735	18,890
Adjustment for difference of tax allocation between financial accounting and tax accounting		△ 61,979	△ 1.3	△ 72,000	△ 1.4	△ 55,312	△ 1.1			6,667	16,688
Quarterly net income		270,611	5.7	477,000	9.6	585,821	11.9	216.5	122.8	315,210	108,821

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

# State of Progress of Non-Consolidated New Product Sales [1]

## List of new product sales results (Qufra, Arou, Melenate, Glanfe, Lifume)

Cumulative annual sales target	Sales results (January to September)	Progress rate	Sales composition ratio
2,050 million yen	1,114.18 million yen	54.4%	7.4%

## New product “Qufra” launched February 2

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

Annual sales target	Sales results (February to September)	Progress rate
714 million yen	218.92 million yen	30.7%



## New product “Deesse’s Arou” launched March 2

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

Annual sales target	Sales results (March to September)	Progress rate
500 million yen	454.38 million yen	90.9%



## New product “Melenate” launched March 2

\* Hand care agent that protects the beauty therapist’s hands (hand cream)

Annual sales target	Sales results (March to September)	Progress rate
50 million yen	9.55 million yen	19.1%



# State of Progress of Non-Consolidated New Product Sales [2]

## New product “Liscio Glanfe” launched April 1

\*Straight perm agent that realizes a soft, round-feeling silhouette in accordance with the quality of the hair

Annual sales target	Sales results (April to September)	Progress rate
636 million yen	363.85 million yen	57.2%



## New product “Lifume” launched June 1

\*Cut support system that gives lift to the top of the hair and brightens the silhouette (Perm agents based on a totally new concept)

Annual sales target	Sales results (June to September)	Progress rate
100 million yen	39.97 million yen	40.0%



## New product “Qufra Rough Ridge Whip” launched September 1

\*A whip foam that makes a bouncy, light textured wave with a random, untroubled feeling (styling agent)

Annual sales target	Sales results (September)	Progress rate
50 million yen	27.48 million yen	55.0%

Casual Mode Series additional items, for people aiming for a stylish and refined female image



## What are the 4 female images that customers demand?

- [1] **Feminine** (want to attract the attention of the people around them) ⇒ The “**loved group**”, who like the high road of fashion and are sensitive to the line of vision of the opposite sex
- [2] **Natural** (want to become women who are liked by everybody) ⇒ The “**careful group**”, who like safe things and feel at ease by conforming to the people around them
- [3] **Casual mode** (want to become women with refined good sense) ⇒ The “**individual group**”, who value originality and want to differentiate themselves from the people around them
- [4] **Glamorous** (want to become cool, sexy women) ⇒ The “**assertive group**”, who like flashy fashion and want to attract the attention of the people around them

# ■ 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 2006	-	1,261,647	292,513	-	1,554,161	8.6%	573,471	3.3%	Deesse's Remu Additional colors for the Promatiz brand Nigelle Lafusion wax variation Deesse's Lifa
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
January to September, 2010	359,940	1,109,369	4,896	17,198	1,491,405	10.0%	658,122	4.7%	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

# State of Progress of Overseas Sales

## MILBON USA, INC.

Sales target	Unit	Sales results	Achievement rate	Same period of the previous year	Ratio against previous year
3,520	Thousands of dollars	3,167	90.0%	3,396	93.3%
309,760	Thousands of yen	287,869	92.9%	325,557	88.4%

- Although the company started on marketing activities centered on treatment menu proposals, it was unable to make up for decreases in sales of the key Liscio series of straight perm agents and related hair care products for maintenance, and the company is threatened with an uphill battle.

## Milbon Trading (Shanghai) Co., Ltd.

Sales target	Unit	Sales results	Achievement rate	Same period of the previous year	Ratio against previous year
3,430	Thousands of yuan	3,701	107.9%	846	437.5%
48,025	Thousands of yen	49,193	102.4%	11,794	417.1%

- The acquisition of regional top salons that have obtained high-class clientele expanded due to the promotion of sales activities refined down to dominant beauty salons.
- The start of sales of perm agents broadened the range of marketing activities and contributed to an expansion of items. In addition, the color composition of the Ordeve series of fashion color agents has been warmly received as finishing black hair beautifully. Differentiation from other European and American manufacturers is progressing.

## Milbon Korea Co., Ltd.

Sales target	Unit	Sales results	Achievement rate	Same period of the previous year	Ratio against previous year
1,460,000	Thousands of won	1,493,187	102.3%	—	—
116,800	Thousands of yen	116,601	99.8%	—	—

- By concentrating activity resources on the education of local designers, the number of salons that have introduced color-related products centered on hair colors and treatment agents has increased. In addition, Milbon has started rolling out digital perm products, for which the market need is high.

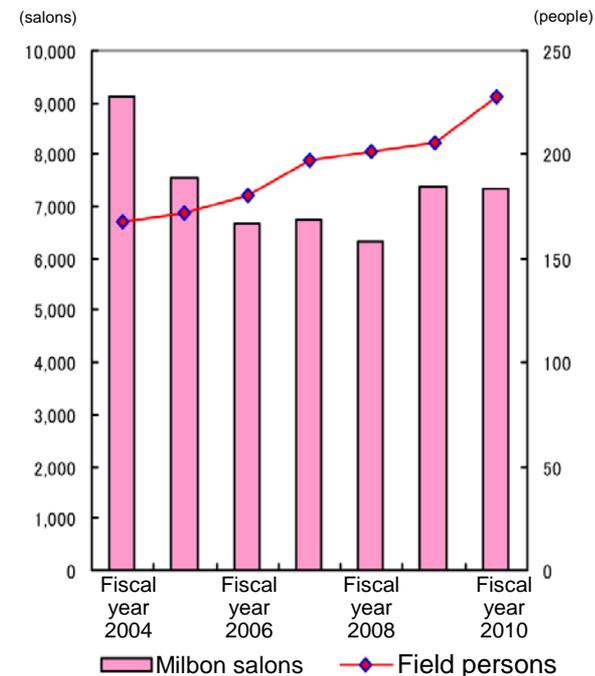
# Trends in Milbon Salon and Field Persons and Market Related Data

	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	-	-	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	-	-	
Beauty customer population (thousands of people)	41,646	41,646	40,519	40,119	40,624	39,610 <small>*Figure confirmed as of April 1, 2010</small>	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

(As of September 13)

		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	2,702
	Sales per salon (thousands of yen)	1,679	1,937	1,999	2,160	2,170	
Nagoya Branch	Milbon salons (salons)	1,521	1,452	1,505	1,368	1,558	1,628
	Sales per salon (thousands of yen)	1,636	1,711	1,706	1,848	1,559	
Osaka Branch	Milbon salons (salons)	3,125	2,769	2,416	2,312	2,616	2,457
	Sales per salon (thousands of yen)	1,628	1,784	1,908	2,013	2,040	
Fukuoka Branch	Milbon salons (salons)	-----	-----	435	431	552	654
	Sales per salon (thousands of yen)	-----	-----	1,572	1,564	1,538	
Total	Milbon salons (salons)	7,573	6,660	6,760	6,321	7,383	7,451
	Sales per salon (thousands of yen)	1,649	1,824	1,872	1,997	1,947	



## Trend in field persons

(As of September 20)

	Fiscal year 2005	Fiscal year 2006	Fiscal year 2007	Fiscal year 2008	Fiscal year 2009	Fiscal year 2010
Field persons (people)	172	180	197	202	206	22 people currently in training
Sales per person (thousands of yen)	96,032	95,689	89,475	90,705	91,971	

# ■ Non-Consolidated Operating Results (3<sup>rd</sup> Quarter, Cumulative)

(Unit: millions of yen)

	Value			Previous year Increase/ decrease	Growth rate	Achieveme nt rate
	Previous year	Target	Result		%	%
Sales	13,912	14,457	14,143	230	101.7	97.8
Gross margin on sales	8,776	9,285	9,315	538	106.1	100.3
Selling, general and administrative expenses	6,388	6,562	6,442	53	100.8	98.2
Operating income	2,387	2,723	2,872	484	120.3	105.5
Ordinary income	2,246	2,544	2,704	458	120.4	106.3
Quarterly net income	1,232	1,470	1,623	391	131.8	110.4

# Non-Consolidated Balance Sheet

(Unit: thousands of yen)

Item	Previous fiscal year < Ended December 20, 2009 >	Ratio	3 <sup>rd</sup> quarter, current fiscal year < Ended September 20, 2010 >	Ratio	Increase/ decrease	Item	Previous fiscal year < Ended December 20, 2009 >	Ratio	3 <sup>rd</sup> quarter, current fiscal year < Ended September 20, 2010 >	Ratio	Increase/ decrease
Cash and bank deposits	1,275,141		1,661,287		386,146	Notes payable	530,562		-		△ 530,562
Trade notes	618,989		728,448		109,459	Accounts payable	422,793		514,421		91,628
Accounts receivable	2,264,079		1,769,044		△ 495,035	Accrued expenses payable	1,369,037		974,530		△ 394,507
Inventory assets	2,038,299		2,313,696		275,397	Corporate taxes payable	571,930		467,167		△ 104,763
Deferred tax assets	217,900		193,452		△ 24,448	Consumption taxes payable	75,637		58,218		△ 17,419
Short term loan	6,174		6,516		342	Reserve for returned goods	31,720		13,984		△ 17,736
Others	79,131		100,625		21,494	Reserve for bonuses	61,080		263,470		202,390
Loan loss reserves	△ 9,315		△ 8,043		1,272	Others	158,278		177,740		19,462
<b>Total current assets</b>	<b>6,490,401</b>	<b>31.6</b>	<b>6,765,029</b>	<b>32.7</b>	<b>274,628</b>	<b>Total current liabilities</b>	<b>3,221,040</b>	<b>15.7</b>	<b>2,469,532</b>	<b>12.0</b>	<b>△ 751,508</b>
Buildings	3,442,965		3,235,900		△ 207,065	Reserve for loss on guarantees	39,000		39,000		-
Machinery and equipment	1,297,510		1,048,185		△ 249,325	Guarantee deposits received	84,752		83,187		△ 1,565
Land	4,763,766		4,763,766		-	Long-term accrued expenses payable	312,004		312,004		-
Construction in progress	721,585		1,094,672		373,087	<b>Total fixed liabilities</b>	<b>435,756</b>	<b>2.1</b>	<b>434,191</b>	<b>2.1</b>	<b>△ 1,565</b>
Others	331,242		348,279		17,037	<b>Total liabilities</b>	<b>3,656,797</b>	<b>17.8</b>	<b>2,903,724</b>	<b>14.1</b>	<b>△ 753,073</b>
<b>Total tangible fixed assets</b>	<b>10,557,070</b>	<b>51.4</b>	<b>10,490,804</b>	<b>50.8</b>	<b>△ 66,266</b>	Capital stock	2,000,000		2,000,000		-
Total intangible fixed assets	300,393	1.5	401,356	1.9	100,963	Capital surplus	199,120		199,120		-
Investment securities	1,307,670		1,180,275		△ 127,395	Retained earnings	14,802,786		15,736,703		933,917
Shares in affiliated companies	616,369		616,369		-	(Inc. current net income)	(1,827,372)		(1,623,416)		338
Investment in affiliated companies	280,000		280,000		-	Treasury stock	△ 38,572		△ 38,234		
Long-term loans	9,265		7,877		△ 1,388	<b>Total shareholders' equity</b>	<b>16,963,333</b>	<b>82.6</b>	<b>17,897,588</b>	<b>86.6</b>	<b>934,255</b>
Prepaid pension costs	82,425		49,936		△ 32,489	Net unrealized gains on other securities	△ 71,571		△ 141,989		△ 70,418
Deferred tax assets	456,737		539,188		82,451	<b>Total valuation and translation adjustments</b>	<b>△ 71,571</b>	<b>△ 0.3</b>	<b>△ 141,989</b>	<b>△ 0.7</b>	<b>△ 70,418</b>
Others	486,323		338,610		△ 147,713	<b>Total net assets</b>	<b>16,891,762</b>	<b>82.2</b>	<b>17,755,598</b>	<b>85.9</b>	<b>863,836</b>
Loan loss reserves	△ 38,097		△ 10,125		27,972	<b>Total liabilities and net assets</b>	<b>20,548,559</b>	<b>100%</b>	<b>20,659,323</b>	<b>100%</b>	<b>110,764</b>
<b>Total investments and other assets</b>	<b>3,200,693</b>	<b>15.6</b>	<b>3,002,133</b>	<b>14.5</b>	<b>△ 198,560</b>						
<b>Total fixed assets</b>	<b>14,058,158</b>	<b>68.4</b>	<b>13,894,293</b>	<b>67.3</b>	<b>△ 163,865</b>						
<b>Total assets</b>	<b>20,548,559</b>	<b>100%</b>	<b>20,659,323</b>	<b>100%</b>	<b>110,764</b>						

# Non-Consolidated Statement of Earnings (3<sup>rd</sup> Quarter, Cumulative)

(Unit: thousands of yen)

		Cumulative 3 <sup>rd</sup> quarter (January to September)									
		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	1,469,932	10.6	1,584,810	11.0	1,477,165	10.4	100.5	93.2	7,233	△ 107,645
	Hair care products	7,024,765	50.5	7,306,040	50.5	7,173,410	50.7	102.1	98.2	148,645	△ 132,630
	Hair coloring products	5,210,658	37.5	5,379,170	37.2	5,286,614	37.4	101.5	98.3	75,956	△ 92,556
	Others	207,528	1.5	187,330	1.3	206,158	1.5	99.3	110.1	△ 1,370	18,828
Net sales		13,912,885	100%	14,457,350	100%	14,143,349	100%	101.7	97.8	230,464	△ 314,001
Cost of products/merchandise sold		5,136,065	36.9	5,171,415	35.8	4,827,853	34.1	94.0	93.4	△ 308,212	△ 343,562
Total sales revenues		8,776,819	63.1	9,285,935	64.2	9,315,496	65.9	106.1	100.3	538,677	29,561
Selling, general and administrative expenses	Labor costs	1,965,119	14.1	2,053,300	14.2	2,008,462	14.2	102.2	97.8	43,343	△ 44,838
	Travel costs/transportation costs	355,519	2.6	354,850	2.5	386,397	2.7	108.7	108.9	30,878	31,547
	Sales/ advertising/ marketing costs*	1,438,992	10.3	1,432,660	9.9	1,421,619	10.1	98.8	99.2	△ 17,373	△ 11,041
	Depreciation costs	229,091	1.6	235,300	1.6	233,904	1.7	102.1	99.4	4,813	△ 1,396
	Others	2,400,257	17.3	2,486,415	17.2	2,392,481	16.9	99.7	96.2	△ 7,776	△ 93,934
	Total	6,388,979	45.9	6,562,525	45.4	6,442,866	45.6	100.8	98.2	53,887	△ 119,659
Operating income		2,387,839	17.2	2,723,410	18.8	2,872,629	20.3	120.3	105.5	484,790	149,219
Non-operating	Income	98,547	0.7	71,590	0.5	87,903	0.6	89.2	122.8	△ 10,644	16,313
	Costs	239,754	1.7	250,800	1.7	255,699	1.8	106.7	102.0	15,945	4,899
Ordinary income		2,246,632	16.1	2,544,200	17.6	2,704,833	19.1	120.4	106.3	458,201	160,633
Extraordinary	Income	15,887	0.1	-	-	4,507	0.0	28.4	-	△ 11,380	4,507
	Loss	134,015	1.0	10,000	0.1	24,854	0.2	18.5	248.5	△ 109,161	14,854
Net income before taxes and other adjustments		2,128,504	15.3	2,534,200	17.5	2,684,486	19.0	126.1	105.9	555,982	150,286
Corporate, inhabitant and enterprise taxes		990,118	7.1	1,077,900	7.5	1,071,340	7.6	118.4	99.7	81,222	△ 6,560
Adjustment for difference of tax allocation between financial accounting and tax accounting		△ 93,692	△ 0.7	△ 14,100	△ 0.1	△ 10,270	△ 0.1			83,422	3,830
Quarterly net income		1,232,079	8.9	1,470,400	10.2	1,623,416	11.5	131.8	110.4	391,337	153,016

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

# Non-Consolidated Trends in Facility Investment and Depreciation Costs

(Unit: thousands of yen)

Category	Fiscal year 2006	Fiscal year 2007	Fiscal year 2008	Fiscal year 2009	January to September, 2010	Plan for fiscal year 2010
Buildings	1,504,249	66,803	137,686	180,052	15,412	1,128,360
Structures	26,014	565	-	16,870	9,490	33,690
Machinery and equipment	600,286	272,887	507,476	214,698	40,329	113,020
Automobiles and transportation equipment	4,610	7,697	3,026	6,678	-	-
Tools, equipment, furniture and fixtures	115,006	112,758	221,627	160,694	118,023	176,270
Land	1,145,977	-	414,059	-	-	-
Construction in progress	-	43,995	△ 11,722	689,312	373,087	△ 721,580
Software	83,573	98,394	95,987	148,570	183,483	312,630
Software development in progress	-	-	-	-	-	-
Others	-	-	-	1,000	500	-
Total investment	3,479,716	603,102	1,368,142	1,417,877	740,326	1,042,390
Depreciation costs	840,737	937,855	997,560	1,089,951	685,292	1,003,080

## ■ Reference Materials

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1. Hair Cosmetic Shipping Statistics (Milbon)
2. Hair Cosmetic Shipping Statistics

# Hair Cosmetic Shipping Statistics (Milbon)

(Unit: thousands of yen)

	Fiscal year 2009 (January to September)	Fiscal year 2010 (January to September)	Growth rate	Comments
Shampoo	1,196,474	1,207,827	100.9	Deesse's Neu
Rinse	252,665	229,496	90.8	
Hair tonic	213,614	208,294	97.5	
Treatment	4,079,171	3,782,147	92.7	Deesse's Linkage-HY/ Inphenom/ Deesse's Aufhe/ Deesse's Remu/ Deesse's Estqual
Hair cream	12,453	6,700	53.8	
Hair conditioner	981,938	1,456,145	148.3	Qufra/ Deesse's Aprou/ Prejume WaxPrejume Luviento
Hair spray	705,717	709,106	100.5	
Hair dye	5,526,585	5,607,935	101.5	Ordeve/ Liseinter/ Farglan
Permanent	1,558,308	1,565,791	100.5	Liscio/ Prejume
Others	218,057	217,467	99.7	Furniture and fixtures, etc.
Sales rebates	-832,101	-847,562	101.9	
Total	13,912,885	14,143,349	101.7	

# Hair Cosmetic Shipping Statistics

(Unit: millions of yen)

		January	February	March	April	May	June	July	August	September	October	November	December	Total (January to July)	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	60,652	99.8%
	Fiscal year 2010	7,033	6,841	8,792	8,688	8,569	9,248	11,382						60,553	
	Difference	91	-819	-376	-66	97	-1,155	2,129						-99	
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	18,438	91.2%
	Fiscal year 2010	2,343	2,024	2,273	2,487	2,488	2,553	2,643						16,811	
	Difference	114	-245	-802	-98	96	-456	-236						-1,627	
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	9,880	96.9%
	Fiscal year 2010	1,098	1,346	1,380	1,359	1,339	1,644	1,404						9,570	
	Difference	-57	176	-146	-38	-51	96	-290						-310	
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	42,830	107.2%
	Fiscal year 2010	5,193	5,340	7,827	6,846	6,266	7,158	7,303						45,933	
	Difference	156	-457	1,103	436	533	-127	1,459						3,103	
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	9,611	89.6%
	Fiscal year 2010	1,009	1,132	1,180	1,450	1,109	1,402	1,328						8,610	
	Difference	-240	-128	-180	66	-35	-94	-390						-1,001	
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	9,382	105.4%
	Fiscal year 2010	1,048	1,981	1,520	1,562	1,159	1,431	1,186						9,887	
	Difference	-27	535	0	54	-12	90	-135						505	
Set lotion	Fiscal year 2009	454	532	584	607	537	753	1,434	938	1,371	959	842	1,059	4,901	121.9%
	Fiscal year 2010	943	697	651	875	773	867	1,170						5,976	
	Difference	489	165	67	268	236	114	-264						1,075	
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	13,311	93.1%
	Fiscal year 2010	1,258	1,607	1,990	1,777	1,659	2,168	1,927						12,386	
	Difference	-205	-54	-159	-266	-225	139	-155						-925	
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	53,788	105.8%
	Fiscal year 2010	5,985	7,591	9,701	9,140	7,346	8,586	8,562						56,911	
	Difference	325	627	521	239	557	687	167						3,123	
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	9,445	98.1%
	Fiscal year 2010	1,029	989	1,486	1,231	1,421	1,636	1,470						9,262	
	Difference	40	-101	95	-96	209	-304	-26						-183	
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	232,241	101.6%
	Fiscal year 2010	26,937	29,547	36,801	35,414	32,128	36,692	38,373						235,892	
	Difference	684	-303	124	498	1,403	-1,011	2,256						3,651	

Reference material: Monthly report on chemical industry statistics (Research and Statistics Department, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry)

