

**Consolidated Financial Statements for Second Quarter Ended June 20, 2010**

June 25, 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, Managing Director TEL: (06) 6928-2331  
 Scheduled filing date for quarterly report: July 28, 2010 Scheduled start date for payment of dividends: August 6, 2010

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

## 1. Consolidated financial results for second quarter ended June 20, 2010 (December 21, 2009 – June 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	%
Second quarter ended June 20, 2010	9,430	0.4	1,725	2.0	1,619	(0.5)	938	2.8
Second quarter ended June 20, 2009	9,389	-	1,692	-	1,627	-	912	-

	Quarterly net income per share	Quarterly diluted earnings per share
	yen	yen
Second quarter ended June 20, 2010	74.85	-
Second quarter ended June 20, 2009	72.83	-

## (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
Second quarter ended June 20, 2010	21,637	17,255	79.7	1,376.80
Year ended December 20, 2009	20,353	16,653	81.8	1,328.80

(Reference) Equity capital Second quarter ended June 20, 2010, 17,255 million yen; fiscal year ended December 20, 2009, 16,653 million yen

## 2. Payment of Dividends

	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	Total
	yen	yen	yen	yen	yen
Year ended December 20, 2009	-	27.00	-	28.00	55.00
Year ended December 20, 2010	-	27.00	-	-	-
Year ended December 20, 2010 (forecast)	-	-	-	28.00	55.00

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

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

(Percentages show year-on-year changes)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen
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)

Second quarter ended June 20, 2010, 12,544,408 shares; Year ended December 20, 2009, 12,544,408 shares

2) Number of treasury shares at term-end

Second quarter ended June 20, 2010, 11,529 shares; Year ended December 20, 2009, 11,617 shares

3) Average number of shares through accounting period (quarterly consolidated accumulative period)

Second quarter ended June 20, 2010, 12,532,828 shares; Second quarter ended June 20, 2009, 12,532,951 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.4 concerning qualitative information and financial statements (in Section 3 on qualitative information in the consolidated earnings forecast).

## [Qualitative information and financial statements]

## 1. Qualitative information on consolidated operating results

During the second quarter consolidated accounting period under review, the Japanese economy saw signs of a gentle recovery backed up by economic stimulus measures in Japan and overseas and a recovery in demand from newly-emerging economies. However, uncertainty continued in personal consumption trends as a result of delays in improvements to employment conditions and capital expenditure.

Concerning the professional beauty industry in the interim accounting period under review, it is estimated that a difficult environment continued, with a decrease in customer visits brought on by a slowing down in the cycle of customer visits to beauty salons and a decrease in spend per customer, in addition to factors such as the declining birthrate and aging society and changes in demographic trends.

Under these circumstances, the Milbon Group has continued to promote activities under a basic policy of supporting the “training of professionals with composite presentation skills and the ability to make sales” in order to create hair design that helps realize the “desired female image”. Moreover, the successful market launch of new products aiming to relieve the concerns of aging among women (particularly second-generation baby-boomers who have a major impact on the beauty salon industry) has helped the Group as a whole exceed last year’s sales performance.

At MILBON USA, Inc., a wholly-owned subsidiary, maintenance hair-care products related to LISCIO, the permanent straight hair treatment and flagship high-end product which has accounted for the core of its sales, have continued to see a fall in sales as a result of increasing competition in the United States straight hair products sector. Despite an expansion in sales outlets for salon treatments INPHENOM and NIGELLE HY and the successful achievement of sales targets for styling product PREJUME, this was unable to absorb the fall in sales of related products in straight hair treatment, leading to a year-on-year decrease in sales.

Milbon Trading (Shanghai) Co., Ltd., which began operating in February 2009, has expanded the regions it operates in by adding Fujian Province to Shanghai City and three existing provinces (Guangdong, Jiangsu and Zhejiang). In the permanent wave products sector, sales performed well thanks to an expansion in the scope of market activities through the addition to the sales lineup of its first permanent straight hair treatment, LISCIO KNOTEUR. Products had previously been restricted to hair care products and hair color products.

Milbon Korea Co., Ltd., a wholly-owned subsidiary that began operating in December 2009, launched training activities for hair designers, something that had not previously been offered at beauty salon product manufacturers in the country, and focused on hair color training activities by aggressively utilizing individual beauty salons and company-owned training studios. As a result, sales performed well thanks to a large expansion in the number of salons introducing hair color treatments and an acceleration in the introduction of salon treatment NIGELLE HY.

Despite the difficult environment, consolidated sales in the consolidated interim accounting period under review increased 41 million yen to 9,430 million yen (0.4% year-on-year increase).

Operating income reached 1,725 million yen (2.0% year-on-year increase), ordinary income was 1,619 million yen (0.5% year-on-year decrease) and quarterly net income was 938 million yen (2.8% year-on-year increase).

Breakdown of sales by product category is shown as follows:

## [Breakdown of consolidated sales by product category]

Product Category	2 <sup>nd</sup> Quarter, Previous Term		Current 2 <sup>nd</sup> Quarter		Increase/decrease Sales amount (million yen)
	Sales amount (million yen)	Ratio (%)	Sales amount (million yen)	Ratio (%)	
Permanent wave products	1,017	10.8	1,005	10.7	-12
Hair care products	4,736	50.5	4,826	51.2	89
Hair coloring products	3,501	37.3	3,465	36.7	-35
Others	133	1.4	133	1.4	-0
Total	9,389	100.0	9,430	100.0	41

## (Permanent wave products)

Signs of an end in falls have been seen in the permanent wave products sector, but it is estimated that the industry as a whole contracted as a result of declining frequency in the permanent wave treatment menu caused by stagnant economic conditions.

Under these circumstances, the Milbon Group worked hard in activities promoting the attraction of straight perms using straight perm product LISCIO GLANFE to present a soft silhouette with a sense of “roundness” that suits each hair type. However, in the permanent wave products sector as a whole, sales fell against last year.

**(Hair care products)**

Competition for hair care products for the public market and the pro-use products sold exclusively to beauty salons has become increasingly severe. In this environment, it is estimated that the industry as a whole expanded slightly as a result of hair care initiatives, particularly treatments for repairing damaged hair.

Under these circumstances, the Milbon Group saw improved year-on-year sales in the hair care products sector as a whole thanks to positive sales of DEESSE'S APROU, a leave-in treatment launched in March for women suffering from dry hair and declining "bounce" as a result of ageing.

**(Hair coloring products)**

It is estimated that the size of the industry as a whole is in a declining trend as a result of a decrease in customer numbers brought on by a slowing down in the cycle of visits to salons due to prevailing attitudes among consumers of a need to protect livelihoods and save money, as well as increasing competition from public market products that allow easy treatment at home using foam hair coloring and similar products.

Under these circumstances, the Milbon Group achieved a year-on-year increase in sales of gray hair dyeing products thanks to the nationwide development of seminars aimed at improving hair designers' hair coloring techniques and sales skills with a view to expansion in the gray hair dyeing market. However, this was not enough to absorb the decline in fashion color treatments and sales in the hair coloring products sector as a whole declined year-on-year.

**(Others)**

There are no particular items to present.

**2. Qualitative information on consolidated financial conditions****(1) Assets, liabilities and net assets**

Total assets at the end of the 2nd quarter consolidated fiscal period increased by 1,283 million yen to 21,637 million yen compared to the end of the previous consolidated fiscal year.

Current assets increased 1,609 million yen against the end of the previous consolidated fiscal year to 8,597 million yen. The major variable factor was an increase of 1,580 million yen in cash and bank deposits.

Fixed assets fell 325 million yen against the end of the previous consolidated fiscal year to 13,040 million yen. The major variable factor was a decrease of 254 million yen in tangible fixed assets as a result of recording depreciation expenses.

Current liabilities increased 681 million yen against the end of the previous consolidated fiscal year to 3,928 million yen. The major variable factor was an increase of 544 million yen in notes and accounts payable.

Fixed liabilities did not change significantly against the end of the previous consolidated fiscal year.

Net assets increased 601 million yen against the end of the previous consolidated fiscal year to 17,255 million yen. The major variable factor was an increase of 586 million yen in retained earnings.

As a result, the company's equity ratio fell to 79.7% from 81.8% at the end of the previous consolidated fiscal year. Net assets per share based on total outstanding shares as of the end of the accounting period rose to 1,376.80 yen per share, compared to 1,328.80 yen per share at the end of the previous fiscal consolidated year.

**(2) Cash flows**

The balance of cash and cash equivalents (hereinafter "Funds") at the end of the 2<sup>nd</sup> quarter consolidated accounting period under review increased 1,579 million yen against the end of the previous consolidated fiscal year to 3,245 million yen after using funds procured as a result of operating activities in the payment of corporate and other taxes and the payment of dividends.

**(Cash Flows from Operating Activities)**

Funds procured as a result of operating activities were 2,045 million yen. This was mainly the result of 1,609 million yen recorded in net income before taxes and other adjustments, an increase in accounts payable related to procurement transactions of 525 million yen and payment of corporate and other taxes of 544 million yen.

**(Cash Flows from Investing Activities)**

Funds used for investing activities were 128 million yen. Major factors included 145 million yen used in the acquisition of tangible fixed assets, 105 million yen used in the acquisition of intangible fixed assets, and income of 116 million yen as a result of the cancellation of insurance reserve funds.

(Cash Flows from Financing Activities)

Funds used as the result of financing activities were 350 million yen. The Funds mainly consisted of 350 million yen of dividend payment to shareholders.

3. Qualitative information on consolidated earnings forecast

The consolidated earnings forecast for the year as a whole has not changed 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 2nd 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) Second Quarter Balance Sheet

(Unit: thousand yen)

	End of 2 <sup>nd</sup> quarter consolidated fiscal period under review (as of June 20, 2010)	Condensed consolidated balance sheet for previous consolidated fiscal year (as of December 20, 2009)
Assets		
Current assets		
Cash and bank deposits	3,246,979	1,666,170
Trade notes and accounts receivable	2,741,906	2,804,683
Merchandise and products	1,700,315	1,646,427
In-process	17,197	17,417
Raw materials and inventory goods	554,578	499,852
Others	344,962	362,286
Loan loss reserves	-8,751	-9,017
Total current assets	8,597,188	6,987,821
Fixed assets		
Tangible fixed assets		
Buildings and other structures (net amount)	3,490,439	3,627,958
Machinery, equipment and vehicles for transportation (net amount)	1,135,161	1,306,380
Land	4,763,766	4,763,766
Construction in progress	726,801	709,139
Others (net amount)	269,313	233,024
Total tangible fixed assets	10,385,483	10,640,269
Intangible fixed assets	357,324	318,593
Investments and other assets		
Investment in securities	1,282,527	1,307,670
Others	1,052,778	1,164,694
Loan loss reserves	-38,037	-65,160
Total investments and other assets	2,297,268	2,407,204
Total fixed assets	13,040,076	13,366,068
Total assets	21,637,264	20,353,890
Liabilities		
Current Liabilities		
Notes and accounts payable	1,497,653	953,356
Accrued expenses payable	1,441,079	1,370,388
Corporate taxes payable	650,667	571,930
Reserve for returned goods	15,184	31,720
Reserve for bonuses	62,182	62,685
Others	261,513	256,617
Total current liabilities	3,928,279	3,246,698
Fixed Liabilities		
Reserve for loss on guarantees	39,000	39,000
Others	414,686	414,633
Total fixed liabilities	453,686	453,633
Total liabilities	4,381,966	3,700,331

(Unit: thousand yen)

	End of 2 <sup>nd</sup> quarter consolidated fiscal period under review (as of June 20, 2010)	Condensed consolidated balance sheet for previous consolidated fiscal year (as of December 20, 2009)
Net Assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	199,120	199,120
Retained earnings	15,224,904	14,637,996
Treasury stock	-38,192	-38,572
Total shareholders' equity	17,385,832	16,798,543
Valuation and translation adjustments		
Net unrealized gains on other securities	-85,977	-71,571
Foreign currency translation adjustments	-44,555	-73,412
Total valuation and translation adjustments	-130,533	-144,984
Total net assets	17,255,298	16,653,559
Total liabilities and net assets	21,637,264	20,353,890

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

	(Unit: thousand yen)	
	Previous 2 <sup>nd</sup> quarter consolidated fiscal period (December 21, 2008 – June 20, 2009)	2 <sup>nd</sup> quarter consolidated accumulative fiscal period under review (December 21, 2009 – June 20, 2010)
Sales	9,389,374	9,430,892
Cost of Products/Merchandise Sold	3,319,174	3,189,703
Total sales revenues	6,070,200	6,241,189
Selling, General and Administrative Expenses	4,377,704	4,515,305
Operating income	1,692,496	1,725,883
Non-operating Income		
Interest income	1,729	672
Dividends income	1,868	4,979
Gain on sale of investment securities	-	1,287
Rent from company housing	16,211	20,149
Bounty for corporate location	27,520	-
Profit on surrender of insurance	24,810	26,579
Others	17,027	14,194
Total non-operating income	89,168	67,862
Non-operating Expenses		
Interest expense	384	-
Sales discount	153,916	160,488
Others	7	13,267
Total non-operating expenses	154,308	173,756
Ordinary income	1,627,356	1,619,990
Extraordinary Profit		
Gain on sale of fixed assets	887	87
Release of loan loss reserves	15,000	3,409
Total extraordinary profits	15,887	3,497
Extraordinary Loss		
Loss on sale of fixed assets	606	79
Loss on retirement of fixed assets	44,269	13,489
Total extraordinary losses	44,876	13,568
Net income before taxes and other adjustments	1,598,367	1,609,918
Corporate, inhabitant and enterprise taxes	715,729	631,348
Adjustment for difference of tax allocation between financial accounting and tax accounting	-30,104	40,549
Total corporate and other taxes	685,625	671,898
Quarterly net income	912,741	938,019

[2nd quarter consolidated fiscal period]

(Unit: thousand yen)

	Previous 2 <sup>nd</sup> quarter consolidated fiscal period (March 21, 2008 – June 20, 2009)	2 <sup>nd</sup> quarter consolidated fiscal period under review (March 21, 2010 – June 20, 2010)
Sales	5,132,079	5,071,055
Cost of Products/Merchandise Sold	1,876,219	1,739,362
Total sales revenues	3,255,860	3,331,692
Selling, General and Administrative Expenses	2,235,374	2,316,266
Operating income	1,020,485	1,015,425
Non-operating Income		
Interest income	1,040	313
Dividends income	1,676	4,787
Gain on sale of investment securities	-	1,287
Rent from company housing	8,492	10,638
Bounty for corporate location	27,520	-
Profit on surrender of insurance	-	26,579
Others	6,239	9,440
Total non-operating income	44,969	53,047
Non-operating Expenses		
Interest expense	22	-
Sales discount	78,922	83,955
Others	3	13,266
Total non-operating expenses	78,947	97,222
Ordinary income	986,507	971,251
Extraordinary Profit		
Gain on sale of fixed assets	887	87
Release of loan loss reserves	-	-614
Total extraordinary profits	887	-526
Extraordinary Loss		
Loss on sale of fixed assets	606	-
Loss on retirement of fixed assets	43,522	13,309
Total extraordinary losses	44,129	13,309
Net income before taxes and other adjustments	943,265	957,414
Corporate, inhabitant and enterprise taxes	377,117	371,259
Adjustment for difference of tax allocation between financial accounting and tax accounting	19,949	-1,689
Total corporate and other taxes	397,067	369,570
Quarterly net income	546,198	587,844

## (3) [Quarterly Consolidated Statement of Cash Flows]

(Unit: thousand yen)

	Previous 2 <sup>nd</sup> quarter consolidated fiscal period (December 21, 2008 – June 20, 2009)	2 <sup>nd</sup> quarter consolidated accumulative fiscal period under review (December 21, 2009 – June 20, 2010)
Cash flows from operating activities		
Quarterly net income before tax and income adjustment	1,598,367	1,609,918
Depreciation and amortization expense	525,172	457,712
Increase (decrease) in loan loss reserves	-15,000	-28,238
Increase (decrease) in the provision for bonuses	-1,882	-542
Increase (decrease) in provision for returned product adjustment	5,368	-16,536
Increase (decrease) in allowance for retirement benefits for employees	-	614
Decrease (increase) in the prepaid pension cost	28,655	22,322
Interest and dividends received	-3,598	-5,651
Interest paid	384	-
Foreign exchange loss (gain)	5,619	1,572
Loss (gain) on sale of investment securities	-	-1,287
Gain (loss) on sales of fixed assets	-280	-7
Loss from the sale/disposition of fixed assets	44,269	13,489
Decrease (increase) in accounts receivable – trade	-38,446	63,373
Decrease (increase) in inventories	-173,483	-102,049
Increase (decrease) in accounts payable related to procurement transactions	401,608	525,856
Others	235,589	238,372
Subtotal	2,612,344	2,778,918
Interest and dividends received	3,588	5,828
Interest paid	-384	-
Payment of retirement benefits for director	-	-194,441
Payment of corporate and other taxes	-690,471	-544,511
Cash flows from operating activities	1,925,077	2,045,794
Cash flows from investing activities		
Payment due to the purchase of investment securities	-499,966	-
Sale of investment securities	400,000	2,400
Payment due to the acquisition of tangible fixed assets	-831,918	-145,843
Income from the sale of tangible fixed assets	2,050	3,811
Payment due to the acquisition of intangible fixed assets	-79,255	-105,575
Payment due to loans	-14,300	-1,990
Collection of the loan payment	38,611	10,037
Expenditure due to deposit of fixed term deposits	-	-1,074
Income from cancellation of fixed deposits	28,933	-
Payment due to the placement of guarantee money	-35,169	-24,639
Collection of guarantee money	1,482	23,272
Payment into insurance reserve fund	-5,693	-3,278
Cancellation/withdrawal from insurance reserve fund	62,861	116,422
Others	-972	-1,833
Cash flows from investing activities	-933,336	-128,288

## (3) [Quarterly Consolidated Statement of Cash Flows]

	(Unit: thousand yen)	
	Previous 2 <sup>nd</sup> quarter consolidated fiscal period (December 21, 2008 – June 20, 2009)	2 <sup>nd</sup> quarter consolidated accumulative fiscal period under review (December 21, 2009 – June 20, 2010)
Cash flows from financing activities		
Payment due to the repayment of long-term borrowing	-18,196	-
Net decrease (increase) in treasury stocks	-87	186
Payment of dividends	-362,463	-350,509
Cash flows from financing activities	-380,747	-350,323
Effect of exchange rate fluctuations on cash and cash equivalents	-19,257	12,477
Increase (decrease) in cash and cash equivalents	591,734	1,579,659
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	1,602,518	3,245,830

(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