

Consolidated Financial Statements for First Quarter Ended March 20, 2011 (Japanese standard)

March 31, 2011

Name of registrant: Milbon Co., Ltd.

(First Section of the Tokyo Stock Exchange)

Code Number: 4919

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

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Scheduled filing date for quarterly report: April 28, 2011

Scheduled date for commencement of dividend payments: -

Preparation of supplementary materials on the quarterly results: Yes

Holding of an explanatory meeting on the quarterly results: No

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

1. Consolidated financial results for first quarter ended March 20, 2011 (December 21, 2010 – March 20, 2011)

(1) Consolidated Operating Results (Accumulative)

(Percentages show year on year changes)

| | Sales | | Operating income | | Ordinary income | | Quarterly net income | |
|------------------------------------|-------------|-----|------------------|-----|-----------------|-----|----------------------|------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| First quarter ended March 20, 2011 | 4,632 | 6.3 | 778 | 9.6 | 711 | 9.7 | 356 | 1.8 |
| First quarter ended March 20, 2010 | 4,359 | 2.4 | 710 | 5.7 | 648 | 1.2 | 350 | -4.5 |

| | Quarterly net income per share | Quarterly diluted earnings per share |
|------------------------------------|--------------------------------|--------------------------------------|
| | yen | yen |
| First quarter ended March 20, 2011 | 25.87 | - |
| First quarter ended March 20, 2010 | 27.94 | - |

(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, 2011 | 20,524 | 17,602 | 85.8 | 1,277.25 |
| Year ended December 20, 2010 | 20,843 | 17,699 | 84.9 | 1,412.25 |

(Reference) Equity capital First quarter ended March 20, 2011 17,602; First quarter ended March 20, 2010 17,699

2. Payment of Dividends

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

Note: Changes to dividends forecast for the current quarter: None

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

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

(“%” indicates 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 | % | yen |
| 2nd quarter (cumulative) | 9,818 | 4.1 | 1,482 | -14.1 | 1,344 | -17.0 | 764 | -18.6 | 55.42 |
| Full year | 20,500 | 3.8 | 3,780 | 5.6 | 3,510 | 5.5 | 2,060 | 12.5 | 149.43 |

Note: Corrections of the results forecast during the current quarter: None

4. Other (For details, please refer to "2. Other information", p.4 of the Supplementary Materials.)
- (1) Transfer of significant subsidiaries during the quarter: None
New: 0 companies (Company name: _____), Excluded: 0 companies (Company name: _____)
Note: This means whether or not there were any transfers of specific subsidiaries involving changes in the scope of consolidation during the current quarterly accounting period.
- (2) Application of simplified accounting methods and specific accounting methods: Yes
Note: This means whether or not simplified accounting methods or accounting methods specific to the preparation of quarterly consolidated financial statements were applied.
- (3) Changes in accounting policies, procedures and methods, etc.
1) Changes due to amendment to the accounting standards, etc.; Yes
2) Changes other than those in 1) above; None
Note: This means whether or not there were any changes in accounting policies, procedures and methods, etc., related to the preparation of the quarterly consolidated financial statements that were described in "Summary of Significant Accounting Policies for the Preparation of Quarterly Consolidated Financial Statements".
- (4) Number of shares outstanding (common shares)
1) Number of shares outstanding at term-end (including treasury stock)
First quarter ended March 20, 2011, 13,798,848 shares; Year ended December 20, 2010, 12,544,408 shares
2) Number of treasury shares at term-end
First quarter ended March 20, 2011, 16,968 shares; Year ended December 20, 2010, 11,594 shares
3) Average number of shares through accounting period (quarterly consolidated accumulative period)
First quarter ended March 20, 2011, 13,783,573 shares; First quarter ended March 20, 2010, 12,532,794 shares
- * Display of the state of implementation of quarterly review procedures
- This quarterly financial statement is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act and the company has not conducted quarterly financial statement review procedures based on the Financial Instruments and Exchange Act.
- * Proper use of earnings forecasts and other matters
- Statements concerning the future such as the earnings forecasts given in this document are based on information currently in the possession of the Company and on assumptions that the Company considers reasonable. Actual earnings, etc., may differ greatly due to various factors. For matters concerning the assumptions on which earnings forecasts are premised and the use of earnings forecasts, refer to "1. Qualitative information on the consolidated results for the current quarter, etc. (3) Qualitative information on the consolidated earnings forecast" on p.3 of the "Consolidated Financial Statements for the First Quarter of the Fiscal Term Ended March 20, 2011 -Supplementary Materials".
 - The Company carried out a share split at a ratio of 1.1 shares for each ordinary share on December 21, 2010.

Contents of the supplementary materials

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

(1) Qualitative information on consolidated operating results

Although the Japanese economy emerged from the temporary correction phase it was in from autumn last year onwards and again showed signs of recovery during the first quarter consolidated fiscal period under review, including a rally in exports following the recovery of overseas economies such as America and China, the country continued to experience difficult conditions, with trends in personal consumption affected by the impact of the strong yen and the prolongation of deflation.

It is estimated that the difficult environment continued in the beauty industry too, with no signs of recovery still in regard to decreases in the number of customers due to the extension of the cycle of customer visits.

In these conditions, the company group worked on policy promotion activities for Milbon salons under the themes of “Improvement of communication and technical quality as professionals for hair designs that make women light up even on the inside”, which takes “support for the creation of human resource cultivation systems for professionals who pursue the heart of women” as its basic policy, and “Support for the creation of human resource cultivation systems at Milbon salons that have incorporated the female perspective”. Furthermore, because we provided support for professional technology and sales of hair care products centered on DEESSE'S NEU DUE and DEESSE'S LINKAGE-μ, which were newly launched as practical items that improve the quality of menus because of the great-feeling sensation when running the fingers through the hair and the beauty of hair texture, etc., and also because hair color products centered on dyes for grey hair performed well, group sales overall produced results in excess of those for the same period of the previous year.

In regard to the situations at the company's three wholly owned subsidiaries, sales at Milbon USA, Inc., were lower than sales for the same period of the previous year. This was because of a decrease in sales of straight perm products, which continue to face a serious challenge, and hair care product related sales, even though sales of salon treatment products, a new category in the North American market, performed well.

Furthermore, sales at Milbon Trading (Shanghai) Co., Ltd., finished higher than sales for the same period last year because of the development of new product-handling salons progressing as planned due to the deployment of sales activities focused on top salons that have acquired wealthy customers in the east China region (Shanghai City, Jiangsu and Zhejiang) and the south China region (Guangdong, Fukien).

Sales at Milbon Korea Co., Ltd., exceeded initial plans due to the company promoting the new introduction of hair care products centered on salon treatments to hair color outlets acquired by positive educational support activities for local hair designers.

Although the company was in a difficult environment, consolidated sales during the first quarter consolidated period under review increased 272 million yen to 4,632 million yen (an increase of 6.3% in comparison to the same period last year).

Operating income finished at 778 million yen (an increase of 9.6% in comparison to the same period last year), ordinary income at 711 million yen (an increase of 9.7% in comparison to the same period last year) and quarterly net income at 356 million yen (an increase of 1.8% 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 | 1st Quarter, Previous Term | | Current 1st Quarter | | Increase/(decrease) |
|-------------------------|-------------------------------|-----------|-------------------------------|-----------|-------------------------------|
| | Sales amount (million yen) | Ratio (%) | Sales amount (million yen) | Ratio (%) | Sales amount (million yen) |
| Hair care products | 2,251 | 51.6 | 2,332 | 50.3 | 80 |
| Hair coloring products | 1,635 | 37.5 | 1,843 | 39.8 | 207 |
| Permanent wave products | 416 | 9.6 | 403 | 8.7 | -13 |
| Others | 55 | 1.3 | 53 | 1.2 | -1 |
| Total | 4,359 | 100.0 | 4,632 | 100.0 | 272 |

(Hair care products)

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

In such circumstances, the Milbon Group saw sales in the hair care product sector exceed those for the same period last year because sales of DEESSE'S NEU DUE, a texture care series launched in February that provides an improved sensation when running the fingers through the hair and lets users experience more of the beauty of color hair design, performed well and the creation of the market for highly effective salon treatment products, including DEESSE'S LINKAGE-μ, a salon treatment system that increases the moisture of every strand of dry hair right to its tip and realizes an impressive sensation when running the fingers through the hair, progressed well too.

(Hair coloring products)

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

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

(Permanent wave products)

It is estimated that the industry overall contracted slightly due to a decrease in perm style needs associated with changes in trends.

In such circumstances, the Milbon Group made efforts towards the creation of straight perm allure centered on LISCIO GLANFE, a straight perm product that expresses a soft silhouette for a feeling of roundness depending on hair quality. As a result, sales of straight perm products overall exceeded those for the same period last year, but sales in the permanent wave product segment finished lower than the same period last year.

(Others)

There are no particular items to present.

(2) Qualitative information on consolidated financial conditions

1) Assets, liabilities and net assets

Total assets at the end of the 1st quarter consolidated fiscal period decreased by 319 million yen to 20,524 million yen compared to the end of the previous consolidated fiscal year.

Current assets decreased 60 million yen to 7,974 million yen compared to the end of the previous consolidated fiscal year. Major variable factors included a decrease of 341 million yen in trade notes and accounts receivable, although cash and deposits increased by 70 million yen, goods and products increased by 150 million yen and materials and inventory goods increased by 59 million yen.

Fixed assets decreased by 258 million yen to 12,549 million yen compared to the end of the previous consolidated fiscal year. Major variable factors were a decrease of 151 million yen in tangible fixed assets in association with the posting of depreciation expenses, etc., and a decrease of 99 million yen in investment securities in association with decreases in the market values of listed shares.

Current liabilities decreased 221 million yen to 2,503 million yen compared to the end of the previous consolidated fiscal year. Major variable factors were an increase of 192 million yen in the reserve for bonus payments and an increase of 90 million yen in accrued consumption tax, etc., while accrued liabilities decreased 333 million yen and accrued income tax, etc., decreased 280 million yen.

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

Net assets decreased 96 million yen to 17,602 million yen compared to the end of the previous consolidated fiscal year. Major variable factors were a decrease of 57 million yen in retained earnings and a decrease of 17 million yen in the valuation difference of other securities.

As a result, the company's equity ratio changed from 84.9% at the end of the previous consolidated fiscal year to 85.8%. Net assets per share based on total outstanding shares as of the end of the accounting period decreased from 1,412.25 yen per share at the end of the previous consolidated fiscal year to 1,277.25 yen per share.

2) Cash flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the 1st quarter consolidated fiscal period increased 70 million yen compared to the end of the previous consolidated fiscal year as a result of the use of funds acquired through operating activities in the payment of corporate taxes, etc., and the payment of dividends. The balance of funds at the end of the 1st quarter consolidated fiscal period was 2,740 million yen.

(Cash Flows from Operating Activities)

Funds obtained from operating activities were 554 million yen. This was mainly the result of 617 million yen recorded in income before income taxes and minority interests, depreciation costs of 234 million yen and the payment of corporate and other taxes of 618 million yen.

(Cash Flows from Investing Activities)

Funds used for investing activities were 84 million yen. The funds were mainly used for the purchase of property and equipment worth 58 million yen and intangible fixed assets worth 31 million yen.

(Cash Flows from Financing Activities)

Funds used as a result of financing activities were 390 million yen. This was mainly the result of dividend payments for shareholders of 381 million yen.

- (3) Qualitative information on consolidated earnings forecast
No personnel of the Milbon Group were injured by the Great East Japan Earthquake that occurred on March 11, 2011. Furthermore, there was no significant damage at factories and sales bases either. The impact of this disaster on results is currently under investigation and the company shall make an announcement promptly if a significant impact is expected.

2. Other information

- (1) Overview of transfers of significant subsidiaries

None

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

- 1) Simplified accounting methods

(Valuation methods for inventories)

The calculation of inventories at the end of the 1st 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) Overview of changes in accounting policies, procedures and methods, etc.

Application of the “Accounting Standard for Asset Retirement Obligations”

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

By doing so, income before income taxes and minority interests has decreased by 29 million yen.

3. Quarterly Financial Statements

(1) First Quarter Balance Sheet

(Unit: thousand yen)

| | End of 1st quarter consolidated fiscal period under review (March 20, 2011) | Condensed consolidated balance sheet for previous consolidated fiscal year (December 20, 2010) |
|--|---|---|
| Assets | | |
| Current assets | | |
| Cash and bank deposits | 2,743,275 | 2,673,044 |
| Trade notes and accounts receivable | 2,516,343 | 2,857,374 |
| Goods and products | 1,788,866 | 1,638,450 |
| Work in progress | 14,376 | 20,370 |
| Raw materials and inventory goods | 622,572 | 563,184 |
| Others | 298,192 | 293,220 |
| Allowance for doubtful accounts | -8,762 | -9,963 |
| Total current assets | 7,974,866 | 8,035,681 |
| Fixed assets | | |
| Property and equipment | | |
| Buildings and other structures(net amount) | 4,120,829 | 4,210,785 |
| Machinery, equipment and vehicles for transportation (net amount) | 1,018,242 | 1,074,533 |
| Land | 4,763,766 | 4,763,766 |
| Construction in progress | 9,619 | 3,634 |
| Others (net amount) | 237,656 | 248,769 |
| Total tangible fixed assets | 10,150,114 | 10,301,488 |
| Intangible fixed assets | 423,662 | 451,968 |
| Investments and other assets | | |
| Investment in securities | 1,081,331 | 1,180,555 |
| Others | 931,534 | 911,578 |
| Allowance for doubtful accounts | -37,031 | -37,730 |
| Total investments and other assets | 1,975,833 | 2,054,403 |
| Total fixed assets | 12,549,609 | 12,807,860 |
| Total assets | 20,524,476 | 20,843,541 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | 513,895 | 467,309 |
| Accrued expenses payable | 951,016 | 1,284,549 |
| Corporate taxes payable | 354,927 | 635,475 |
| Reserve for returned goods | 44,074 | 19,075 |
| Reserve for bonuses | 257,731 | 65,453 |
| Others | 382,016 | 253,509 |
| Total current liabilities | 2,503,660 | 2,725,372 |
| Fixed Liabilities | | |
| Allowance for retirement benefits for employees | 2,565 | 1,138 |
| Reserve for loss on guarantees | 37,500 | 38,400 |
| Others | 377,858 | 379,135 |
| Total fixed liabilities | 417,924 | 418,673 |
| Total liabilities | 2,921,584 | 3,144,046 |

(Unit: thousand yen)

| | End of 1st quarter consolidated fiscal period under review (March 20, 2011) | Condensed consolidated balance sheet for previous consolidated fiscal year (December 20, 2010) |
|---|---|---|
| Net Assets | | |
| Shareholders' equity | | |
| Capital stock | 2,000,000 | 2,000,000 |
| Capital surplus | 199,120 | 199,120 |
| Retained earnings | 15,722,545 | 15,779,971 |
| Treasury stock | -46,877 | -38,254 |
| Total shareholders' equity | 17,874,787 | 17,940,836 |
| Valuation and translation adjustments | | |
| Net unrealized gains on other securities | -159,026 | -141,280 |
| Foreign currency translation adjustments | -112,869 | -100,061 |
| Total valuation and translation adjustments | -271,896 | -241,341 |
| Total net assets | 17,602,891 | 17,699,495 |
| Total liabilities and net assets | 20,524,476 | 20,843,541 |

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

(Unit: thousand yen)

| | Previous 1st quarter consolidated fiscal period (December 21, 2009 – March 20, 2010) | 1st quarter consolidated fiscal period under review (From December 21, 2010 – March 20, 2011) |
|--|---|--|
| Sales | 4,359,837 | 4,632,671 |
| Cost of sales | 1,450,340 | 1,512,091 |
| Total sales revenues | 2,909,497 | 3,120,579 |
| Marketing and Administrative Expenses | 2,199,038 | 2,341,812 |
| Operating income | 710,458 | 778,767 |
| Non-operating Income | | |
| Interest income | 358 | 271 |
| Dividends income | 192 | 192 |
| Rent from company housing | 9,511 | 12,429 |
| Others | 4,753 | 2,864 |
| Total non-operating income | 14,815 | 15,757 |
| Non-operating Expenses | | |
| Sales discount | 76,532 | 82,883 |
| Others | 1 | 85 |
| Total non-operating expenses | 76,534 | 82,968 |
| Ordinary income | 648,739 | 711,556 |
| Extraordinary Profit | | |
| Gain on sale of investment securities | - | 837 |
| Release of allowance for doubtful accounts | 4,024 | 1,201 |
| Reversal of reserve for loss on guarantees | - | 900 |
| Total extraordinary profits | 4,024 | 2,938 |
| Extraordinary Loss | | |
| Loss on disposal of fixed assets | 79 | - |
| Loss on retirement of fixed assets | 179 | 3,375 |
| Loss on revaluation of investments in securities | - | 65,290 |
| Value of impact associated with the application of the “Accounting Standard for Asset Retirement Obligations” | - | 28,320 |
| Total extraordinary losses | 259 | 96,986 |
| Quarterly net income before income taxes and minority interests | 652,503 | 617,508 |
| Income taxes-Current | 260,089 | 344,724 |
| Income taxes-Deferred | 42,239 | -83,864 |
| Total corporate and other taxes | 302,328 | 260,860 |
| Quarterly net income | 350,175 | 356,648 |

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: thousand yen)

| | Previous 1st quarter consolidated fiscal period (December 21, 2009 – March 20, 2010) | 1st quarter consolidated fiscal period under review (From December 21, 2010 – March 20, 2011) |
|---|---|--|
| Cash flows from operating activities | | |
| Quarterly net income before income taxes and minority interests | 652,503 | 617,508 |
| Depreciation and amortization expense | 225,781 | 234,688 |
| Increase (decrease) in allowance for doubtful accounts | -28,762 | -1,201 |
| Increase (decrease) in the provision for bonuses | 182,611 | 192,317 |
| Increase (decrease) in provision for returned product adjustment | -20,434 | 24,998 |
| Change (decrease) in value of the reserve for loss on guarantees | - | -900 |
| Change in allowance for retirement benefits for employees | 303 | 1,458 |
| Decrease (increase) in the prepaid pension cost | 11,095 | 10,461 |
| Interest and dividends received | -550 | -463 |
| Foreign exchange loss (gain) | 68 | 2,513 |
| Loss (gain) on sale of investment securities | - | -837 |
| Loss (gain) on valuation of investment securities | - | 65,290 |
| Profit or loss on disposal of fixed assets | 79 | - |
| Loss from the sale/disposition of fixed assets | 179 | 3,375 |
| Value of impact associated with the application of the “Accounting Standard for Asset Retirement Obligations” | - | 28,320 |
| Decrease (increase) in accounts receivable – trade | 231,088 | 340,656 |
| Decrease (increase) in inventories | -179,295 | -206,980 |
| Increase (decrease) in accounts payable related to procurement transactions | 434,541 | 47,643 |
| Others | -103,89 | -157,620 |
| Subtotal | 1,405,313 | 1,201,231 |
| Interest and dividends received | 648 | 553 |
| Payment of retirement benefits for directors | -194,441 | -29,596 |
| Payment of corporate and other taxes | -544,161 | -618,118 |
| Cash flows from operating activities | 667,358 | 554,069 |
| Cash flows from investing activities | | |
| Sale of investment securities | - | 5,551 |
| Purchase of property and equipment | -62,480 | -58,390 |
| Proceeds from sales of property, plant and equipment | 253 | - |
| Payment due to the acquisition of intangible fixed assets | -73,555 | -31,827 |
| Payment due to loans | -350 | -1,500 |
| Collection of the loan payment | 5,088 | 4,744 |
| Expenditure due to deposit of fixed term deposits | -829 | - |
| Payment due to the placement of guarantee money | -5,935 | -2,427 |
| Collection of guarantee money | 2,642 | 2,646 |
| Payment into insurance reserve fund | -1,903 | -857 |
| Others | -1,533 | -2,547 |
| Cash flows from investing activities | -138,601 | -84,607 |
| Cash flows from financing activities | | |
| Net decrease (increase) in treasury stocks | 65 | -9,114 |
| Payment of dividends | -319,878 | -381,278 |
| Cash flows from financing activities | -319,813 | -390,392 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 8,599 | -8,777 |
| Increase (decrease) in cash and cash equivalents | 217,543 | 70,291 |
| Cash and cash equivalents at beginning of period | 1,666,170 | 2,670,550 |
| Cash and cash equivalents at end of current quarter | 1,883,713 | 2,740,842 |

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

None

- (5) Segment information

1st quarter consolidated fiscal period under review December 21, 2010 (To March 20, 2011) No statement is included because the Milbon Group has only the one segment of the manufacture and sale of hair products.

(Additional information)

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

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

None