# Consolidated Financial Results for the Fiscal Year Ended December 20, 2012
# [Japanese GAAP]

January 23, 2013

Name of registrant: Milbon Co., Ltd. Tokyo Stock Exchange, First Section
Code No.: 4919 URL http://www.milbon.co.jp
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Scheduled date of annual general meeting of shareholders: March 15, 2013
Scheduled filing date for Securities Report: March 15, 2013:
Scheduled starting date of dividend payments: March 18, 2013
Preparation of supplementary materials on the Consolidated Financial Results: Yes
Holding of an explanatory meeting on Consolidated Financial Results: Yes (For institutional investors and analysts)

(Amounts of less than one million yen have been omitted)

1. Consolidated financial results for the fiscal year ended December 20, 2012 (December 21, 2011- December 20, 2012)

(1) Consolidated operating results (Percentages show year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended December 20, 2012 | 21,887 | 6.6 | 3,986 | 5.1 | 3,735 | 5.3 | 2,128 | (7.7) |
| Year ended December 20, 2011 | 20,526 | 3.9 | 3,792 | 6.0 | 3,545 | 6.6 | 2,304 | 25.8 |

(Note) Comprehensive income Year ended December 20, 2012: 2,219 million yen [1.0%] Year ended December 20, 2011: 2,198 million yen [26.7%]

| | Net income per share | Diluted net income per share | Return on equity (ROE) | Return on assets (ROA) | Operating income ratio |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Year ended December 20, 2012 | 154.44 | - | 10.8 | 16.2 | 18.2 |
| Year ended December 20, 2011 | 167.24 | - | 12.5 | 16.3 | 18.5 |

(Reference) Equity in earnings (losses) of affiliates Year ended December 20, 2012: -- million yen Year ended December 20, 2011: -- million yen

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of December 20, 2012 | 23,662 | 20,367 | 86.1 | 1,478.02 |
| As of December 20, 2011 | 22,592 | 19,059 | 84.4 | 1,383.02 |

(Reference) Equity As of December 20, 2012: 20,367 million yen As of December 20, 2011: 19.059 million yen

(3) Consolidated cash flows

| | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Balance of cash and cash equivalents |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| Year ended December 20, 2012 | 2,977 | (1,506) | (910) | 5,633 |
| Year ended December 20, 2011 | 3,157 | 101 | (836) | 5,076 |

2. Payment of dividends

| | Annual dividend | | | | | Total dividends (Annual) | Dividend payout ratio (Consolidated) | Dividends on equity (DOE) (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | End of fiscal year | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Year ended December 20, 2011 | - | 30.00 | - | 34.00 | 64.00 | 882 | 38.3 | 4.8 |
| Year ended December 20, 2012 | - | 32.00 | - | 34.00 | 66.00 | 909 | 42.7 | 4.6 |
| Year ending December 20, 2013 (forecast) | - | 33.00 | - | 33.00 | 66.00 | | 37.3 | |

3. Consolidated operating forecasts for the fiscal year ending December 20, 2013 (December 21, 2012 - December 20, 2013)

(Percentages show year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Six months ending June 20, 2013 | 11,082 | 5.1 | 1,822 | (7.3) | 1,671 | (8.2) | 1,011 | (5.4) | 73.36 |
| Year ending December 20, 2013 | 23,100 | 5.5 | 4,250 | 6.6 | 3,960 | 6.0 | 2,440 | 14.6 | 177.06 |

*Notes

(1) Significant changes in subsidiaries during the period
(changes in specified subsidiaries accompanied by changes in the scope of consolidation) : Yes
New: 1 company (Company name: MILBON (THAILAND) CO., LTD.) Exclude: 0 companies (Company name: )

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatements

1) Changes in accounting policies due to amendment to the accounting standards, etc. : Yes
2) Changes in accounting policies other than those in 1) above : None
3) Changes in accounting estimates : None
4) Retrospective restatements : None

(3) Number of shares issued (common stock)

| | | | | |
|---|---|---|---|---|
| 1) Number of shares issued at the end of the period (including treasury stock) | Year ended December 20, 2012 | 13,798,848 shares | Year ended December 20, 2011 | 13,798,848 shares |
| 2) Number of treasury stock at the end of the period | Year ended December 20, 2012 | 18,716 shares | Year ended December 20, 2011 | 17,728 shares |
| 3) Average number of shares during the period | Year ended December 20, 2012 | 13,780,535 shares | Year ended December 20, 2011 | 13,782,010 shares |

(Reference) Summary of non-consolidated operating results

1. Non-consolidated financial results for the fiscal year ended December 20, 2012 (December 21, 2011- December 20, 2012)

(1) Non-consolidated operating results (Percentages show year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended December 20, 2012 | 21,403 | 5.9 | 4,015 | 3.6 | 3,761 | 3.8 | 2,153 | (9.3) |
| Year ended December 20, 2011 | 20,218 | 4.0 | 3,875 | 3.7 | 3,623 | 3.1 | 2,374 | 16.1 |

| | Net income per share | Diluted net income per share |
|---|---|---|
| | Yen | Yen |
| Year ended December 20, 2012 | 156.29 | - |
| Year ended December 20, 2011 | 172.31 | - |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of December 20, 2012 | 24,175 | 20,969 | 86.7 | 1,521.72 |
| As of December 20, 2011 | 23,116 | 19,650 | 85.0 | 1,425.90 |

(Reference) Equity As of December 20, 2012: 20,969 million yen As of December 20, 2011: 19,650 million yen

2. Non-consolidated operating forecasts for the fiscal year ending December 20, 2013 (December 21, 2012 - December 20, 2013)

(Percentages show year-on-year changes)

| | Net sales | | Ordinary income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Yen |
| Six months ending June 20, 2013 | 10,789 | 4.5 | 1,769 | (4.7) | 1,107 | 0.5 | 80.34 |
| Year ending December 20, 2013 | 22,416 | 4.7 | 4,100 | 9.0 | 2,580 | 19.8 | 187.22 |

*Indication of the status of execution of audit procedures
As these financial results are not subject to audit procedures pursuant to the Financial Instruments and Exchange Act, said audit procedures were not completed at the time of disclosure of this report.

*Explanation on the appropriate use of operating forecasts and other special instructions
Operating forecasts and other statements regarding the future presented in these materials are based on information currently available and certain assumptions deemed to be reasonable, and actual performance may differ substantially due to various factors. For notes on the use of preconditions of operating forecasts and the use of operating forecasts, refer to “1. Operating results (1) Analysis of operating results” on page 2 of the supplementary materials.

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# 1. Analysis of operating results and financial conditions

## (1) Analysis of operating results

### 1) Operating results for the consolidated fiscal year under review

During the consolidated fiscal year under review, our nation's economy continued to be enveloped in uncertainty, despite signs of moderate recovery backed by earthquake reconstruction demand, as deflation continued and the economies of Europe and the emerging countries slowed down. The climate in the beauty industry also remained harsh.

Under such circumstances, the Milbon Group promoted initiatives in order for salons to realize sustainable growth as well as increased revenues and profits, under the theme of "Nurturing 'personal production capabilities' that meet diverse value and supporting 'an increase in yearly usage amounts per customer.'" By aligning ourselves with women's perspectives and focusing our efforts on improving hairstyle designs / hairstyle menus / take-home products, which would lead to increased yearly usage amounts per customer, and reinforcing the training systems and organizational capacities of the salons, which would be instrumental in fostering designers with "personal production capabilities," we have been able to achieve our targets for both consolidated net sales and every multiple-step income, namely gross profit, operating income, ordinary income, income before income taxes, and net income.

Consolidated net sales during the consolidated fiscal year under review increased by 1,360 million yen to 21,887 million yen (up 6.6% year-on-year). This was primarily due to the strong sales of DEESSE'S Elujuda, leave-in treatment which was launched in February and AUJUA, premium hair-care products, in the hair-care product category; and the expanded sales of permanent and semi-permanent hair coloring products; "Ordeve Beaute," product line specialized for gray hair and "Pearl and Whity Line and Melty Line," additional color lines for hair coloring brand "Ordeve," which were launched in February and September in the hair coloring product category. Favorable sales growth of the overseas subsidiaries thanks to the proactive educational activities conducted in the salons was another factor of the increase.

Selling, general and administrative expenses increased by 10.4% over the previous year to 10,847 million yen, as a result of sales promotion expenses of new products and personnel expenses exceeding the previous year levels. Operating income increased by 194 million yen to 3,986 million yen (up 5.1% year-on-year) and ordinary income also increased by 189 million yen to 3,735 million yen (up 5.3% year-on-year). Net income decreased by 176 million yen to 2,128 million yen (down 7.7% year-on-year), as a result of having reported insurance income under extraordinary income in the previous year. However, if we were to eliminate the effects of insurance income, then net income would have increased by 6.0% year-on-year.

Breakdown of net sales by product category and breakdown of net sales into domestic and overseas sales are shown below:

[Breakdown of consolidated net sales by product category] (Unit: Million yen)

| Product Category | Previous Consolidated Fiscal Year | | Current Consolidated Fiscal Year | | Increase (Decrease) | Percentage Change (%) |
|---|---|---|---|---|---|---|
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount | |
| Hair care products | 10,398 | 50.7 | 11,069 | 50.6 | 670 | 6.4 |
| Hair coloring products | 7,987 | 38.9 | 8,820 | 40.3 | 832 | 10.4 |
| Permanent wave products | 1,816 | 8.8 | 1,678 | 7.7 | (137) | (7.6) |
| Others | 323 | 1.6 | 318 | 1.4 | (4) | (1.5) |
| Total | 20,526 | 100.0 | 21,887 | 100.0 | 1,360 | 6.6 |

[Breakdown of net sales into domestic and overseas sales] (Unit: Million yen)

| | Previous Consolidated Fiscal Year | | Current Consolidated Fiscal Year | | Increase (Decrease) | Percentage Change (%) |
|---|---|---|---|---|---|---|
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount | |
| Domestic sales | 19,323 | 94.1 | 20,482 | 93.6 | 1,159 | 6.0 |
| Overseas sales | 1,202 | 5.9 | 1,404 | 6.4 | 201 | 16.7 |
| Total | 20,526 | 100.0 | 21,887 | 100.0 | 1,360 | 6.6 |

2) Outlook for fiscal 2013

In terms of the domestic economic environment, while some relief is expected from the appreciating yen following the change in administration, uncertainty about the future continues to persist. In the beauty industry, amid the harsh business climate, customers in their 30's and 40's have come to make up roughly half of the clientele of our partner salons and there has been a marked increase in yearly usage amounts per customer.

Under these circumstances, the Milbon Group has been changing its awareness of mature women who make up its clientele, and being fully aware of the importance of creating new value, has been promoting initiatives intended for salons under the slogan of "Promotion of Age Beauty Innovation, in which professional designers answer to the new values held by mature women."

The full-fledged, nationwide campaign in which hair designers market genuine organic products will commence from fiscal 2013, and we hope to capture new customers for our salons and contribute to their increased sales and income.

In terms of global expansion, we have commenced trial sales in Thailand, Malaysia, Vietnam and Turkey, and we have begun preparations to start operations at our Thai plant in fiscal 2014. We have also dispatched employees and commenced field surveys in Indonesia.

As a result of these efforts, the Company expects consolidated net sales of 23,100 million yen (up 5.5% year-on-year), consolidated operating income of 4,250 million yen (up 6.6% year-on-year), consolidated ordinary income of 3,960 million yen (up 6.0% year-on-year), and consolidated net income of 2,440 million yen (up 14.6% year-on-year).

(2) Analysis of financial conditions

1) Assets, liabilities and net assets

Total assets at the end of the current consolidated fiscal year increased by 1,069 million yen compared to the end of the previous consolidated fiscal year to 23,662 million yen.

Current assets increased by 982 million yen compared to the end of the previous consolidated fiscal year to 11,599 million yen. This was mainly due to the increase in cash and deposits by 986 million yen.

Noncurrent assets increased by 86 million yen compared to the end of the previous consolidated fiscal year to 12,062 million yen.

Current liabilities decreased by 230 million yen compared to the end of the previous consolidated fiscal year to 3,097 million yen. This was due mainly to the decrease in income taxes payable by 369 million yen.

Noncurrent liabilities decreased by 7 million yen from the end of the previous consolidated fiscal year to 197 million yen.

Net assets increased by 1,307 million yen compared to the end of the previous consolidated fiscal year to 20,367 million yen. This was due mainly to the increase of 1,218 million yen in retained earnings.

As a result, equity ratio changed from 84.4% at the end of the previous consolidated fiscal year to 86.1%. Net assets per share based on total outstanding shares as of the end of the current consolidated fiscal year increased from 1,383.02 yen per share at the end of the previous consolidated fiscal year to 1,478.02 yen per share.

2) Cash flows

Cash and cash equivalents (hereinafter "net cash") at the end of the current consolidated fiscal year increased by 556 million yen compared to the end of the previous consolidated fiscal year to 5,633 million yen, as a result of using the net cash provided by operating activities for the payment of income taxes and the payment of dividends.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,977 million yen. This was mainly the result of posting 3,584 million yen in income before income taxes and minority interests, depreciation and amortization of 952 million yen and 1,805 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,506 million yen. This was mainly the result of the purchase of property, plant and equipment of 687 million yen, purchase of intangible assets of 176 million yen and payments into time deposits of 424 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 910 million yen. This was mainly the result of the cash dividends paid to shareholders of 908 million yen.

(Reference) Cash flow-related indicators

| | Year ended December 20, 2008 | Year ended December 20, 2009 | Year ended December 20, 2010 | Year ended December 20, 2011 | Year ended December 20, 2012 |
|---|---|---|---|---|---|
| Equity ratio (%) | 79.9 | 81.8 | 84.9 | 84.4 | 86.1 |
| Equity ratio based on market value (%) | 154.0 | 125.6 | 131.4 | 146.03 | 163.76 |
| Interest-bearing debt to cash flows ratio (%) | 4.7 | 2.8 | 3.3 | 2.6 | 2.7 |
| Interest-coverage ratio (times) | 1,303.1 | 3,282.8 | - | - | - |

(Notes) Equity ratio: Shareholders' equity/total assets

Equity ratio based on market value: Total market capitalization/total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt/cash flows

Interest-coverage ratio: Cash flows/interest payments

* All of the figures in the aforementioned indices were calculated on a consolidated basis.
* Total market capitalization was calculated by multiplying the closing stock price at the end of the period by the total number of outstanding shares at the end of the period (excluding treasury stock).
* Cash flows were shown as an operating cash flow in the consolidated statements of cash flows.
* Interest-bearing debt refers to all debt posted in the consolidated balance sheets upon which interest is paid. The amount of interest paid in the consolidated statements of cash flows was treated as an interest payment in the calculations above.

(3) Basic policy on the distribution of profit and dividends for the fiscal year under review and the following fiscal year

The Milbon Group considers the returning of profits to shareholders as an important management issue and makes it a basic policy to pay dividends in accordance with its operating results, while enhancing its business structure by maintaining internal reserves to the end of improving its earnings in the future. In addition, interim dividends are determined at the Board of Directors meetings and year-end dividends at the general meeting of shareholders, and it is the Group's basic policy to pay dividends twice every fiscal year.

For the current consolidated fiscal year, upon comprehensively taking into account factors including our financial position and profit levels, we have decided to pay an interim dividend of 32 yen per share, and a year-end dividend of 34 yen per share, for a total annual dividend of 66 yen per share, which represents an increase of 2 yen per share compared to the previous fiscal year. For the following fiscal year, we plan to pay an annual dividend of 66 yen per share, which is equal to the annual dividend for the current consolidated fiscal year.

Internal reserves are used for capital expenditures required for the medium- to long-term expansion of our business as well as R&D investments, to the end of enhancing our business structure.

(4) Business and other risks

Risks that could potentially affect the operating results, stock price and financial position of the Milbon Group include the following. The future risks identified in this section are based on assessments made by the Company as of the end of the consolidated fiscal year under review. The Group recognizes the possibility of these risk events actually occurring and has prepared policies to prevent and avert such risks and take appropriate measures to minimize the impact of such risks when they do occur.

1) Risks associated with global expansion

The Milbon Group is aggressively expanding its business into the overseas markets. Global expansion entails risks relating to intellectual property rights including counterfeit goods, unforeseeable changes in laws and regulations, and risks of social unrest due to terrorism, war and other factors. Such risks could have a major impact on the Group's operating results and financial position.

2) Information security

The Milbon Group has taken various measures to protect information assets including customers' personal information and confidential information. However, unforeseeable events, such as the leakage of information due to unauthorized access, could have a major impact on the Group's operating results and financial position.

3) Risks associated with debt collection

The Milbon Group deliberates and records necessary reserves upon regularly reviewing its business partners from both quantitative and qualitative perspectives and in terms of collection status. However, deterioration in the business partner's

credit standing or events such as bankruptcy could have a major impact on the Group's operating results and financial position.

4) Risks associated with major accidents

The Milbon Group utilizes company cars in its sales activities. The Group implements safety measures that places maximum priority on human life, including strict control over driving and the reinforcement of safety training. However, should a major accident event occur, it could lead to the loss of the customers' and the public's trust in the Group and have a major impact on the Group's operating results and financial position.

## 2. Outline of the Milbon Group

| Name | Location | Capital Stock | Main line of business | Percentage of voting rights held (%) | Relationship with the Company |
|---|---|---|---|---|---|
| (Consolidated subsidiaries)<br>MILBON USA, INC. | New York, USA | USD 2 million | Sale of hair products | 100.0 | Sells the Company's hair products in the U.S. |
| Milbon Trading (Shanghai) Co., Ltd. | Shanghai, China | JPY 430 million | Sale of hair products | 100.0 | Sells the Company's hair products in China. Three executives hold concurrent posts at the Company. |
| Milbon Korea Co., Ltd. | Seoul, South Korea | KRW 3,000 million | Sale of hair products | 100.0 | Sells the Company's hair products in South Korea. One executive holds a concurrent post at the Company. |
| MILBON (THAILAND) CO., LTD. | Bangkok, Thailand | THB 230 million | Manufacture and sale of hair products | 100.0 | |

(Note) All companies fall under the category of "specified subsidiary."

We have omitted the disclosure of the Company's "Diagram of Business Activities (Business Details)," as there have been no significant changes since the "Diagram of Business Activities (Business Details)" which was contained in the Company's recent Securities Report (submitted on March 16, 2012).

## 3. Management policy

### (1) Basic management policies

Disclosure of basic management policies has been omitted as there have been no significant changes to the contents disclosed in the Consolidated Financial Statements for the Fiscal Term Ended December 20, 2006 (Disclosed on January 19, 2007).

The relevant Consolidated Financial Results may be viewed by accessing the following URL.

(Website of the Company)

URL: http://www.milbon.co.jp

(Website of the Tokyo Stock Exchange (for listed companies))

URL: http://www/tse.or.jp/listing/compsearch/index.html

### (2) Medium- to long-term management strategies and target management indices

The Milbon Group, in the “Medium Term 5-Year Business Vision (2010-2014),” has set forth the following global vision: “Milbon aims to be the global No.1, first as a Japanese professional manufacturer, by cultivating global field ideas through human resource development and training in order for hair designers to achieve their goals.” The Milbon Group aims to achieve consolidated net sales of 25,000 million yen and overseas sales to total sales ratio of 10.5% in 2014, the final year of the 5-year plan.

In terms of the strategies by areas, we will establish the strong No.1 position in Japan, as it is the foundation for globalization. For North America, as the symbol of globalization, we create the basis for the Group’s existence and the core of all field activities. We will also cultivate Asian markets and establish its profit structure as a cornerstone of the Group’s global growth strategies. We will pursue opportunities to enter the European market, as a source of globalization. As part of our initiatives toward globalization, we will aim for global growth by establishing a global organizational control, fostering global human resources, expanding into new areas and establishing an overseas production framework.

### (3) Tasks to be addressed by the Company

1) In the marketing system, establish a program for fostering field persons, including the recruiting of local employees, and enhance the quality of marketing activities and educational assistance at the hair salons, to the end of further evolving our field person (trainer/sales staff) strategy.
2) In product development, further improve TAC (Target Authority Customer) product development system, which catches the latest changes in hair design trends and utilizes such information in development.
3) Promote the establishment of an efficient high-mix variable volume production system, and promote a subcontracted production in areas outside of Mie prefecture, in order to avoid disaster risk as the production facilities are concentrated there.
4) Promote optimization of the supply chain and greater precision of the production plan, to the end of reducing losses from the disposal of inventories and improving inventory turnover.
5) In order to advance our global vision, develop a system for fostering human resources capable of international business activities, executives with a keen sense of management and specialists.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousand yen)

| | Previous Consolidated Fiscal Year (As of December 20, 2011) | Current Consolidated Fiscal Year (As of December 20, 2012) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,079,642 | 6,066,322 |
| Notes and accounts receivable – trade | 3,031,626 | 2,964,933 |
| Merchandise and finished goods | 1,678,930 | 1,775,588 |
| Work in process | 16,428 | 18,754 |
| Raw materials and supplies | 526,193 | 522,000 |
| Deferred tax assets | 203,837 | 179,190 |
| Other | 91,566 | 113,719 |
| Allowance for doubtful accounts | (11,616) | (40,939) |
| Total current assets | 10,616,608 | 11,599,570 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 7,320,438 | 7,354,033 |
| Accumulated depreciation | (3,461,952) | (3,741,699) |
| Buildings and structures, net | 3,858,485 | 3,612,333 |
| Machinery, equipment and vehicles | 4,107,016 | 4,353,063 |
| Accumulated depreciation | (3,182,584) | (3,465,615) |
| Machinery, equipment and vehicles, net | 924,432 | 887,448 |
| Land | 4,763,766 | 4,763,766 |
| Construction in progress | 12,244 | 85,294 |
| Other | 1,831,212 | 1,767,460 |
| Accumulated depreciation | (1,636,739) | (1,586,871) |
| Other, net | 194,473 | 180,588 |
| Total property, plant and equipment | 9,753,401 | 9,529,431 |
| Intangible assets | 512,138 | 526,433 |
| Investments and other assets | | |
| Investment securities | 1,017,033 | 1,136,817 |
| Deferred tax assets | 430,616 | 397,060 |
| Other | 291,661 | 542,404 |
| Allowance for doubtful accounts | (28,772) | (69,240) |
| Total investments and other assets | 1,710,540 | 2,007,041 |
| Total noncurrent assets | 11,976,079 | 12,062,905 |
| Total assets | 22,592,688 | 23,662,476 |

(Thousand yen)

| | Previous Consolidated Fiscal Year (As of December 20, 2011) | Current Consolidated Fiscal Year (As of December 20, 2012) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable – trade | 419,740 | 482,028 |
| Accounts payable – other | 1,448,203 | 1,558,946 |
| Income taxes payable | 1,016,927 | 647,791 |
| Provision for sales returns | 45,735 | 20,978 |
| Provision for bonuses | 68,354 | 71,204 |
| Other | 329,065 | 316,840 |
| Total current liabilities | 3,328,026 | 3,097,790 |
| Noncurrent liabilities | | |
| Provision for retirement benefits | 11,612 | 46,231 |
| Provision for loss on guarantees | 37,200 | - |
| Other | 156,276 | 151,128 |
| Total noncurrent liabilities | 205,088 | 197,359 |
| Total liabilities | 3,533,115 | 3,295,150 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,000,000 | 2,000,000 |
| Capital surplus | 199,120 | 199,120 |
| Retained earnings | 17,257,339 | 18,476,098 |
| Treasury stock | (48,652) | (51,035) |
| Total shareholders' equity | 19,407,806 | 20,624,182 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (206,624) | (129,363) |
| Foreign currency translation adjustment | (141,609) | (127,493) |
| Total accumulated other comprehensive income | (348,233) | (256,856) |
| Total net assets | 19,059,573 | 20,367,325 |
| Total liabilities and net assets | 22,592,688 | 23,662,476 |

(2) Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income

Consolidated Statements of Earnings

Consolidated Fiscal Year Ended December 20, 2011 and 2012

(Thousand yen)

| | Fiscal Year Ended December 20, 2011 (December 21, 2010 - December 20, 2011) | Fiscal Year Ended December 20, 2012 (December 21, 2011 - December 20, 2012) |
|---|---|---|
| Net sales | 20,526,742 | 21,887,379 |
| Cost of sales | 6,906,735 | 7,053,704 |
| Gross profit | 13,620,006 | 14,833,674 |
| Selling, general and administrative expenses | 9,827,881 | 10,847,413 |
| Operating income | 3,792,125 | 3,986,260 |
| Non-operating income | | |
| Interest income | 1,103 | 4,063 |
| Dividends income | 34,194 | 33,555 |
| Company house defrayment income | 52,637 | 57,711 |
| Foreign exchange gains | - | 12,118 |
| Insurance cancellation margin of profit | 7,813 | - |
| Other | 11,367 | 13,063 |
| Total non-operating income | 107,117 | 120,512 |
| Non-operating expenses | | |
| Sales discounts | 342,744 | 371,176 |
| Other | 10,661 | 230 |
| Total non-operating expenses | 353,405 | 371,406 |
| Ordinary income | 3,545,837 | 3,735,366 |
| Extraordinary income | | |
| Insurance proceeds | 498,102 | - |
| Gain on sales of investment securities | 1,555 | - |
| Reversal of allowance for doubtful accounts | 7,391 | - |
| Reversal of provision for loss on guarantees | 1,200 | - |
| Total extraordinary income | 508,250 | - |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | 5,269 | 138,702 |
| Loss on valuation of investment securities | 73,123 | - |
| Provision of allowance for doubtful accounts | - | 12,647 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 28,320 | - |
| Total extraordinary losses | 106,713 | 151,349 |
| Income before income taxes and minority interests | 3,947,374 | 3,584,016 |
| Income taxes – current | 1,626,085 | 1,440,032 |
| Income taxes – deferred | 16,359 | 15,679 |
| Total income taxes | 1,642,445 | 1,455,711 |
| Income before minority interests | 2,304,928 | 2,128,304 |
| Net income | 2,304,928 | 2,128,304 |

Consolidated Statements of Comprehensive Income

Consolidated Fiscal Year Ended December 20, 2011 and 2012

(Thousand yen)

| | Fiscal Year Ended December 20, 2011 (December 21, 2010 - December 20, 2011) | Fiscal Year Ended December 20, 2012 (December 21, 2011 - December 20, 2012) |
|---|---|---|
| Income before minority interests | 2,304,928 | 2,128,304 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (65,344) | 77,260 |
| Foreign currency translation adjustment | (41,547) | 14,115 |
| Total other comprehensive income | (106,891) | 91,376 |
| Comprehensive income | 2,198,037 | 2,219,681 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 2,198,037 | 2,219,681 |
| Comprehensive income attributable to minority interests | - | - |

(3) Consolidated Statements of Changes in Shareholders' Equity

(Thousand yen)

| | Fiscal Year Ended December 20, 2011 (December 21, 2010 - December 20, 2011) | Fiscal Year Ended December 20, 2012 (December 21, 2011 - December 20, 2012) |
|---|---|---|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the beginning of current period | 2,000,000 | 2,000,000 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of current period | 2,000,000 | 2,000,000 |
| Capital surplus | | |
| Balance at the beginning of current period | 199,120 | 199,120 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of current period | 199,120 | 199,120 |
| Retained earnings | | |
| Balance at the beginning of current period | 15,779,971 | 17,257,339 |
| Changes of items during the period | | |
| Dividends from surplus | (827,030) | (909,531) |
| Net income | 2,304,928 | 2,128,304 |
| Disposal of treasury stock | (529) | (14) |
| Total changes of items during the period | 1,477,367 | 1,218,758 |
| Balance at the end of current period | 17,257,339 | 18,476,098 |
| Treasury stock | | |
| Balance at the beginning of current period | (38,254) | (48,652) |
| Changes of items during the period | | |
| Purchase of treasury stock | (12,710) | (2,481) |
| Disposal of treasury stock | 2,312 | 98 |
| Total changes of items during the period | (10,398) | (2,382) |
| Balance at the end of current period | (48,652) | (51,035) |
| Total shareholders' equity | | |
| Balance at the beginning of current period | 17,940,836 | 19,407,806 |
| Changes of items during the period | | |
| Dividends from surplus | (827,030) | (909,531) |
| Net income | 2,304,928 | 2,128,304 |
| Purchase of treasury stock | (12,710) | (2,481) |
| Disposal of treasury stock | 1,782 | 84 |
| Total changes of items during the period | 1,466,969 | 1,216,376 |
| Balance at the end of current period | 19,407,806 | 20,624,182 |

(Thousand yen)

| | Fiscal Year Ended December 20, 2011 (December 21, 2010 - December 20, 2011) | Fiscal Year Ended December 20, 2012 (December 21, 2011 - December 20, 2012) |
|---|---|---|
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (141,280) | (206,624) |
| Balance at the beginning of current period | | |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (65,344) | 77,260 |
| Total changes of items during the period | (65,344) | 77,260 |
| Balance at the end of current period | (206,624) | (129,363) |
| Foreign currency translation adjustment | | |
| Balance at the beginning of current period | (100,061) | (141,609) |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (41,547) | 14,115 |
| Total changes of items during the period | (41,547) | 14,115 |
| Balance at the end of current period | (141,609) | (127,493) |
| Total accumulated other comprehensive income | | |
| Balance at the beginning of current period | (241,341) | (348,233) |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (106,891) | 91,376 |
| Total changes of items during the period | (106,891) | 91,376 |
| Balance at the end of current period | (348,233) | (256,856) |
| Total net assets | | |
| Balance at the beginning of current period | 17,699,495 | 19,059,573 |
| Changes of items during the period | | |
| Dividends from surplus | (827,030) | (909,531) |
| Net income | 2,304,928 | 2,128,304 |
| Purchase of treasury stock | (12,710) | (2,481) |
| Disposal of treasury stock | 1,782 | 84 |
| Net changes of items other than shareholders' equity | (106,891) | 91,376 |
| Total changes of items during the period | 1,360,078 | 1,307,752 |
| Balance at the end of current period | 19,059,573 | 20,367,325 |

(4) Consolidated Statements of Cash Flows

(Thousand yen)

| | Fiscal Year Ended December 20, 2011 (December 21, 2010 - December 20, 2011) | Fiscal Year Ended December 20, 2012 (December 21, 2011 - December 20, 2012) |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 3,947,374 | 3,584,016 |
| Depreciation and amortization | 1,014,887 | 952,259 |
| Increase (decrease) in allowance for doubtful accounts | (5,488) | 69,497 |
| Increase (decrease) in provision for bonuses | 3,079 | 2,823 |
| Increase (decrease) in provision for sales returns | 26,660 | (24,756) |
| Increase (decrease) in provision for loss on guarantees | (1,200) | (37,200) |
| Increase (decrease) in provision for retirement benefits | 10,848 | 34,423 |
| Decrease (increase) in prepaid pension costs | 10,461 | - |
| Interest and dividends income | (35,297) | (37,618) |
| Insurance income | (498,102) | - |
| Foreign exchange losses (gains) | 4,891 | (2,208) |
| Loss (gain) on sales of investment securities | (1,555) | - |
| Loss (gain) on valuation of investment securities | 73,123 | - |
| Loss on retirement of noncurrent assets | 5,269 | 138,702 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 28,320 | - |
| Decrease (increase) in notes and accounts receivable-trade | (176,206) | 67,527 |
| Decrease (increase) in inventories | (19,870) | (86,089) |
| Increase (decrease) in notes and accounts payable-trade | (41,654) | 61,220 |
| Other, net | 260,371 | 25,067 |
| Subtotal | 4,605,911 | 4,747,665 |
| Interest and dividends income received | 35,550 | 35,463 |
| Payments for directors' retirement benefits | (248,854) | - |
| Income taxes paid | (1,234,683) | (1,805,740) |
| Net cash provided by (used in) operating activities | 3,157,924 | 2,977,387 |
| Net cash provided by (used in) investing activities | | |
| Proceeds from sales of investment securities | 9,208 | - |
| Purchase of property, plant and equipment | (305,345) | (687,773) |
| Purchase of intangible assets | (213,698) | (176,386) |
| Payments of loans receivable | (5,670) | (10,441) |
| Collection of loans receivable | 20,046 | 18,957 |
| Payments into time deposits | (1,211) | (424,418) |
| Payments for guarantee deposits | (19,540) | (23,606) |
| Proceeds from collection of guarantee deposits | 22,447 | 3,623 |
| Purchase of insurance funds | (2,762) | (201,486) |
| Proceeds from cancellation of insurance funds | 601,373 | - |
| Other, net | (3,801) | (5,023) |
| Net cash provided by (used in) investing activities | 101,045 | (1,506,555) |

(Thousand yen)

| | Fiscal Year Ended December 20, 2011 (December 21, 2010 - December 20, 2011) | Fiscal Year Ended December 20, 2012 (December 21, 2011 - December 20, 2012) |
|---|---|---|
| Net cash provided by (used in) financing activities | | |
| Net decrease (increase) in treasury stock | (10,928) | (2,397) |
| Cash dividends paid | (825,874) | (908,333) |
| Net cash provided by (used in) financing activities | (836,803) | (910,730) |
| Effect of exchange rate change on cash and cash equivalents | (16,361) | (3,160) |
| Net increase (decrease) in cash and cash equivalents | 2,405,805 | 556,942 |
| Cash and cash equivalents at beginning of period | 2,670,550 | 5,076,356 |
| Cash and cash equivalents at end of period | 5,076,356 | 5,633,298 |