Consolidated Financial Results for the Fiscal Year Ended December 20, 2012 (Dec. 21, 2011 - Dec. 20, 2012) Supplementary Materials



MILBON

January 23, 2013

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Fiscal Year 2012 (53rd term)
Fiscal Year Ended December 20, 2012
Operating Results

Masahiro Murai, Managing Director

Consolidated Operating Results

For the year ended December 20, 2012

(Unit: million yen)

	Amount			Increase (decrease) against previous FY	Year-on-year comparison (%)	Achievement rate (%)
	Previous FY 2011	Target	Current FY 2012			
Net sales	20,526	21,470	21,887	1,360	106.6	101.9
Gross profit	13,620	14,250	14,833	1,213	108.9	104.1
Selling, general and administrative expenses	9,827	10,370	10,847	1,019	110.4	104.6
Operating income	3,792	3,880	3,986	194	105.1	102.7
Ordinary income	3,545	3,610	3,735	189	105.3	103.5
Net income	2,304	2,050	2,128	(176)	92.3	103.8

Breakdown of Consolidated Sales by Product Category
For the year ended December 20, 2012

Hair care products (1)

(Unit: million yen)

Previous FY 2011	Target	Current FY 2012	Increase (decrease) against previous FY	Year-on-year comparison	Achievement rate
10,398	11,015	11,069	670	106.4%	100.5%

- Sales of take-home products have been steadily increased because hair coloring products become well-established in the beauty industry and a variety selection of hair care menu is available. (Take-home products means specially-selected hair care products for each individuals to suit their hair style and hair type.)

- 'Design-based techniques', improving quality of hair design, was introduced through the new product "Deesse's Elujuda", which can provide hair with appropriate flexibility that leads to the ideal hair type. By combining the promotion of the products and seasonal approach of hair coloring products, sales of leave-in treatment was significantly increased.

New product – "Deesse's Elujuda" launched on February 1

Design-based oil that leads to supple, easy-to-move softness on hair

Annual sales target	Sales results	Achievement rate
900 million yen	1,127 million yen	125.3%

New product – "Nigelle Dressia Collection Spray Series" launched on March 1

Styling products that can creates softly-swinging hair with feather-like light texture

Annual sales target	Sales results	Achievement rate
350 million yen	204 million yen	58.6%



<Deesse's Elujuda>



<Nigelle Dressia Collection Spray Series>

Breakdown of Consolidated Sales by Product Category for the year ended December 20, 2012

Hair care products (2)

New product – “Deesse's Neu Due FreshLuxe” launched on April 24

Shampoo and hair treatment line with well-balanced smooth silky texture and cooling sensation

Annual sales target	Sales results	Achievement rate
250 million yen	197 million yen	78.8%



<Deesse’s Neu Due FreshLuxe>

New product – “Nigelle Dressia Collection Form Series” launched on September 1

Styling products reactivating perm waves for a relaxed comfortable hold

Annual sales target	Sales results	Achievement rate
150 million yen	159 million yen	106.1%



<Nigelle Doressia Collection Form Series>

New product – “Luviento Up-Styling Collection” launched on October 2

Hair makeup series supporting professional hair updo styles

Annual sales target	Sales results	Achievement rate
50 million yen	43 million yen	86.2%



<Luviento Up-Styling Collection>

Breakdown of Consolidated Sales by Product Category
For the year ended December 20, 2012

Hair coloring products

(Unit: million yen)

Previous FY 2011	Target	Current FY 2012	Increase (decrease) against previous FY	Year-on-year comparison	Achievement rate
7,987	8,320	8,820	832	110.4%	106.0%

- “Pearl & Whity line” and “Melty Line” were added to the professional hair color brand “Ordeve”. Through the seasonal promotion that introduces new trend color-line in the different season, sales of permanent and coloring products increased. (year-on-year comparison 114.7%)

- Sales of “Ordeve Beaute”, specialized permanent coloring product for gray hair which was launched in last year, have steadily increased. As a result, sales of permanent hair coloring products increased. (year-on-year comparison 107.8%)

New product - Additional color line for “Ordeve” (Pearl & Whity Line) launched on February 1

“Pearl Line”, hair coloring product line that results in elegant, smooth and shiny look on hair.
“Whity line” results in whitish, transparent shiny look on hair.

Annual sales target	Sales results	Achievement rate
750 million yen	704 million yen	94.0%

New product - Additional color line for “Ordeve” (Melty Line) launched on September 1

The soft, deep shine of the Melty line imparts a classical ambience

Annual sales target	Sales results	Achievement rate
200 million yen	340 million yen	170.3%



<Ordeve>



<Ordeve Beaute >

Breakdown of Consolidated Sales by Product Category
For the year ended September 20, 2012

Permanent wave products

(Unit: million yen)

Previous FY 2011	Target	Current FY 2012	Increase (decrease) against previous FY	Year-on-year comparison	Achievement rate
1,816	1,850	1,678	(137)	92.4%	90.7%

- Attractive features of permed hair are introduced through new product “FAIRCHE”, ‘treatment system perm’ that responds to women’s needs in daily life. Activities have been focused to unearth potential customers who will become passionate about permed hair; however, not yet produced the favorable results.

New product – “FAIRCHE” launched on June 1

A ‘treatment system perm’ that delivers a soft sensation, is pleasant to the touch, with simple upkeep.

Annual sales target	Sales results	Achievement rate
220 million yen	72 million yen	32.9%



Aujua

Results and Targets

[Number of Aujua salons]

(Unit: salons)

Fiscal year 2011	Fiscal year 2012		Year-on-year comparison (%)	Achievement rate (%)
	Target	Actual results		
761	1,200	1,121	147.3	93.4

[Sales]

(Unit: million yen)

Results 2011	Fiscal year 2012		Year-on-year comparison (%)	Achievement rate (%)
	Target	Actual results		
1,324	1,800	1,719	129.8	95.5

As a result of in-depth promotion of hair care programs, such as suggesting new hair care for a new hair style as season change or other programs to care damaged hair from sun exposure, sales have steadily increased.

Brand concept

A hair care brand that nurtures the beauty of Japanese women's hair born from the climate, culture and hair characteristics of Japan.

What is Aujua?

A hair care series that responds to every individual's hair concerns by creating and evolving a hair care program just for one individual. That is "Aujua."



Product composition

A wide-ranging line-up that fits the hair texture of each customers

- 3 series
  - Hair care series
  - Scalp care series
  - Climatic care series
- 10 lines
- 68 items

Consolidated Balance Sheet

(Unit: million yen)

Item	Previous consolidated fiscal year <2011.12.20>	Ratio (%)	Current consolidated fiscal year <2012.12.20>	Ratio (%)	Increase (decrease)
Cash and deposits	5,079		6,066		986
Notes and accounts receivable-trade	3,031		2,964		(66)
Inventories	2,221		2,316		94
Deferred tax assets	203		179		(24)
Others	91		113		22
Allowance for doubtful accounts	(11)		(40)		(29)
Total current assets	10,616	47.0	11,599	49.0	982
Buildings and structures	3,858		3,612		(246)
Machinery, equipment and vehicles	924		887		(36)
Land	4,763		4,763		-
Construction in progress	12		85		73
Others	194		180		(13)
Total property, plant and equipment	9,753	43.2	9,529	40.3	(223)
Total intangible assets	512	2.2	526	2.2	14
Investment securities	1,017		1,136		119
Long-term loan receivables	25		17		(7)
Deferred tax assets	430		397		(33)
Others	266		524		258
Allowance for doubtful accounts	(28)		(69)		(40)
Total investments and other assets	1,710	7.6	2,007	8.5	296
Total noncurrent assets	11,976	53.0	12,062	51.0	86
Total assets	22,592	100%	23,662	100%	1,069

Item	Previous consolidated fiscal year <2011.12.20>	Ratio (%)	Current consolidated fiscal year <2012.12.20>	Ratio (%)	Increase (decrease)
Accounts payable-trade	419		482		62
Accounts payable-other	1,448		1,558		110
Income taxes payable	1,016		647		(369)
Provision for returned goods	45		20		(24)
Provision for bonuses	68		71		2
Others	329		316		(12)
Total current liabilities	3,328	14.7	3,097	13.1	(230)
Provision for retirement benefits	11		46		34
Provision for loss on guarantees	37		-		(37)
Long-term accrued expenses	63		63		-
Others	93		87		(5)
Total noncurrent liabilities	205	0.9	197	0.8	(7)
Total liabilities	3,533	15.6	3,295	13.9	(237)
Capital stock	2,000		2,000		-
Capital surplus	199		199		-
Retained earnings	17,257		18,476		1,218
Treasury stock	(48)		(51)		(2)
Total shareholders' equity	19,407	85.9	20,624	87.2	1,216
Valuation difference on available-for-sale securities	(206)		(129)		77
Foreign currency translation adjustments	(141)		(127)		14
Total accumulative other comprehensive income	(348)	(1.5)	(256)	(1.1)	91
Total net assets	19,059	84.4	20,367	86.1	1,307
Total liabilities and net assets	22,592	100%	23,662	100%	1,069

Explanation of Fluctuations in the Consolidated Balance Sheet

Assets

Total assets were 23,662 million yen, an increase of 1,069 million yen in comparison to the end of previous fiscal year.

Current assets

Current assets increased by 982 million yen.

- Cash and deposits 986 million yen

  Increased due to increase of cash from operating activities, mainly operating income. Collection rate of net 30 is 100%.

Noncurrent assets

Noncurrent assets increased by 86 million yen.

Tangible and intangible assets

- Construction in progress 73 million yen — Increased due to deposit on purchased land in overseas subsidiary (Milbon Thailand)

Total investments and other assets

- Security investments 119 million yen — Increased due to fluctuation of market value

Liabilities

Total liabilities decreased by 237 million yen.

Current Liabilities

Current liabilities decreased by 230 million yen.

- Accounts payable-other 110 million yen — Increased due mainly to payment of rebate
- Income taxes payable -369 million yen — Decreased due to less income

Noncurrent Liabilities

No significant changes in noncurrent liabilities.

Net Assets

Net assets increased by 1,307 million yen.

- Retained earnings 1,218 million yen — Increased due mainly to increase of profit

Consolidated Statement of Earnings
For the year ended December 20, 2012

(Unit: million yen)

		Results in fiscal year 2011	Ratio (%)	Target for fiscal year 2012	Ratio (%)	Results in fiscal year 2012	Ratio (%)	Year-on-year comparison (%)	Achievement rate (%)	Increase (decrease) against previous FY	Increase (decrease) against target
Product category totals	Hair care products	10,398	50.7	11,015	51.3	11,069	50.6	106.4	100.5	670	54
	Hair coloring products	7,987	38.9	8,320	38.8	8,820	40.3	110.4	106.0	832	500
	Permanent wave products	1,816	8.8	1,850	8.6	1,678	7.7	92.4	90.7	(137)	(171)
	Others	323	1.6	285	1.3	318	1.4	98.5	111.9	(4)	33
Net sales		20,526	100%	21,470	100%	21,887	100%	106.6	101.9	1,360	417
Cost of sales		6,906	33.6	7,220	33.6	7,053	32.2	102.1	97.7	146	(166)
Gross profit		13,620	66.4	14,250	66.4	14,833	67.8	108.9	104.1	1,213	583
Selling, general and administrative expenses	Labor costs	3,116	15.2	3,420	15.9	3,581	16.4	114.9	104.7	465	161
	Travel/ transportation costs	565	2.8	592	2.8	623	2.8	110.1	105.2	57	30
	Sales/advertising/ marketing costs*	2,128	10.4	2,230	10.4	2,552	11.7	119.9	114.5	424	322
	Depreciation and amortization expenses	461	2.2	457	2.1	441	2.0	95.8	96.7	(19)	(15)
	Others	3,555	17.3	3,670	17.1	3,648	16.7	102.6	99.4	92	(21)
	Total	9,827	47.9	10,370	48.3	10,847	49.6	110.4	104.6	1,019	477
Operating income		3,792	18.5	3,880	18.1	3,986	18.2	105.1	102.7	194	106
Non-operating	Income	107	0.5	90	0.4	120	0.6	112.5	133.9	13	30
	Expenses	353	1.7	360	1.7	371	1.7	105.1	103.2	18	11
Ordinary income		3,545	17.3	3,610	16.8	3,735	17.1	105.3	103.5	189	125
Extraordinary	Profits	508	2.5	-	-	-	-	-	-	(508)	-
	Losses	106	0.5	160	0.7	151	0.7	141.8	94.6	44	(8)
Income before income taxes and minority interests		3,947	19.2	3,450	16.1	3,584	16.4	90.8	103.9	(363)	134
Income taxes-Current		1,626	7.9	1,386	6.5	1,440	6.6	88.6	104.0	(186)	54
Income taxes-Deferred		16	0.1	14	0.1	15	0.1			(0)	1
Net income		2,304	11.2	2,050	9.5	2,128	9.7	92.3	103.8	(176)	78

* “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 Targets

Comparison with the previous fiscal year

1 Sales was 21,887 million yen, an increase of 1,360 million yen in comparison to the same period the previous year.
Comparisons by product category are as follows:

Hair care products	670 million yen
Hair coloring products	832 million yen
Permanent wave products	- 137 million yen
Others	-4 million yen

2 Gross profit was 14,833 million yen, an increase of 1,213 million yen in comparison to the same period last year. Gross profit margin was 67.8%, a 1.4 points increase from the previous year.
The breakdown of the increase is as follows:

Decrease in loss on inventory disposal/valuation	0.4 points
Decrease in provision for sales returns	0.3 points
Raw material cost reduction effects	0.3 points
Sales product mix	0.4 points
Balance	1.4 points

3 Selling, general and administrative expenses were 10,847 million yen, an increase of 1,019 million yen in comparison to the same period last year.
The main factors in the increase were as follows:

Labor costs	465 million yen	due mainly to an increase in the number of employee and change of personnel system.
Sales/advertising/marketing costs	424 million yen	due mainly to an increase in marketing expense for new products.

4 Operating income was 3,986, an increase of 194 million yen in comparison to the same period last year.

5 Net income was 2,128 million yen, a decrease of 176 million yen in comparison with the same period last year, mainly due to the reporting of insurance proceeds received in the previous year. Net income would have been up 6.0% year-on-year by excluding the insurance proceeds.

Comparison with targets

1 Sales was 21,887 million yen, 417 million yen higher than the target.
Comparisons by product category are as follows:

Hair care products	54 million yen
Hair coloring products	500 million yen
Permanent wave products	-171 million yen
Others	33 million yen

2 Gross profit was 14,833 million yen, 583 million yen higher than the target. The gross profit margin was 67.8%, 1.4 points higher than the target.
The breakdown of the increase is as follows:

Decrease in provision for sales returns	0.1 points
Raw material cost reduction effects	0.3 points
Decrease in manufacturing costs due to production improvement activities	0.3 points
Sales product mix	0.6 points
Others	0.1 points
Balance	1.4 points

3 Selling, general and administrative expenses were 10,847 million yen, 477 million yen higher than the target.
The main factor in the increase was as follows.

Selling/advertising/marketing costs	322 million yen	due mainly to the increase of promotional expense for distributors.

4 Operating income was 3,986 million yen, 106 million yen higher than the target.
Main factor of this profit was improvement of cost-to-sales ratio.

Consolidated Statement of Earnings
3 months from October 21, 2012 to December 20, 2012

(Unit: million yen)

		3 months ended December 20, 2012 (October – December)									
		Results in fiscal year 2011	Ratio (%)	Target for fiscal year 2012	Ratio (%)	Results in fiscal year 2012	Ratio (%)	Year-on-year comparison (%)	Achievement rate (%)	Increase (decrease) against previous FY	Increase (decrease) against target
Product category totals	Hair care products	2,930	52.1	3,014	52.4	3,062	52.9	104.5	101.6	131	47
	Hair coloring products	2,107	37.5	2,124	36.9	2,204	38.1	104.6	103.8	97	80
	Permanent wave products	455	8.1	459	8.0	395	6.8	86.8	86.2	(60)	(63)
	Others	131	2.3	155	2.7	124	2.2	94.6	80.1	(7)	(31)
Net sales		5,626	100%	5,754	100%	5,787	100%	102.9	100.6	161	33
Cost of sales		1,986	35.3	1,933	33.6	1,964	33.9	98.9	101.6	(21)	31
Gross profit		3,639	64.7	3,821	66.4	3,822	66.1	105.0	100.1	183	1
Selling, general and administrative expenses	Labor costs	856	15.2	932	16.2	1,045	18.1	122.1	112.1	189	113
	Travel/ transportation costs	160	2.9	148	2.6	181	3.1	113.0	122.2	20	32
	Sales/advertising/ marketing costs*	599	10.7	578	10.1	771	13.3	128.8	133.3	172	192
	Depreciation and amortization expenses	119	2.1	119	2.1	113	2.0	95.3	95.5	(5)	(5)
	Others	860	15.3	853	14.8	843	14.6	98.0	98.8	(17)	(10)
	Total	2,597	46.2	2,633	45.8	2,956	51.1	113.8	112.3	359	323
Operating income		1,042	18.5	1,188	20.6	866	15.0	83.1	72.9	(176)	(321)
Non-operating	Income	28	0.5	20	0.4	45	0.8	160.9	217.3	17	24
	Expenses	86	1.5	93	1.6	91	1.6	105.1	97.4	4	(2)
Ordinary income		983	17.5	1,115	19.4	820	14.2	83.4	73.6	(163)	(294)
Extraordinary	Profits	504	9.0	-	-	-	-	-	-	(504)	-
	Losses	2	0.1	-	-	136	2.4	4,735.2	-	133	136
Income before income taxes and minority interests		1,485	26.4	1,115	19.4	684	11.8	46.1	61.4	(801)	(430)
Income taxes-Current		462	8.2	419	7.3	199	3.5	45.7	64.0	(263)	(219)
Income taxes-Deferred		187	3.3	45	0.8	97	1.7			(90)	51
Net income		835	14.8	650	11.3	386	6.7	46.3	59.5	(448)	(263)

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

Trends in Consolidated Facility Investment and Depreciation Costs

(Unit: million yen)

Category	2008	2009	2010	2011	2012	Plan for FY 2013
Buildings	143	188	921	12	193	960
Structures	-	16	36	3	1	48
Machinery and equipment	507	214	160	176	255	435
Automobiles and transportation equipment	3	6	1	2	2	10
Tools, equipment, furniture and fixtures	225	176	195	117	129	344
Land	414	-	-	-	-	90
Construction in progress	(7)	686	(637)	8	72	(90)
Software	96	154	260	207	159	200
Software development in progress	-	-	2	(2)	25	(25)
Others	-	1	0	2	0	-
Total investments	1,383	1,444	940	528	840	1,973
Depreciation and amortization expenses	1,021	1,116	1,010	1,011	947	959

Milbon Co., Ltd. Non-Consolidated Trends in the Proportions of New Products and R&D Costs in Total Sales

(Unit: million yen)

	Hair care	Hair coloring	Permanent wave	Others	Total	New product ratio	R&D costs	R&D cost - to-sales ratio	Comments
2009	2,323	507	270	—	3,100	15.4%	766	4.0%	Deesse's Neu/Aujua Liscio Knoteur Farglan/Prejume Luvento Prejume CMC Wave Inphenom Daily Care Color remover/Acid Control
2010	1,664	178	504	16	2,364	11.5%	838	4.3%	Qufra/Melenate Deesse's Aprou Liscio Glanfe Aujua Lifume Additional colors for Ordeve
2011	3,494	1,890	2	—	5,388	25.1%	870	4.3%	Deesse's Neu due Deesse's Linkage-μ (mu) Additional colors for Ordeve Fierli/Dressia Ordeve Beaute (grey) Deesse's Lusse Aujua Aging Spa
2012	1,820	1,045	72	—	2,938	12.9%	873	4.1%	Deesse's Elujuda Additional colors for Ordeve Nigelle Dressia Collection (Spray, Foam) Deesse's Nue Due Fresh Luxe Fairche Luvento Up Style Collection Aujua – 3 items
2013 Target	1,390	1,050	660	—	3,100	13.0%	997	4.5%	New products Hair care products 8 lines Hair coloring products 4 lines Permanent wave products 1 line Villa Lodola 1 line

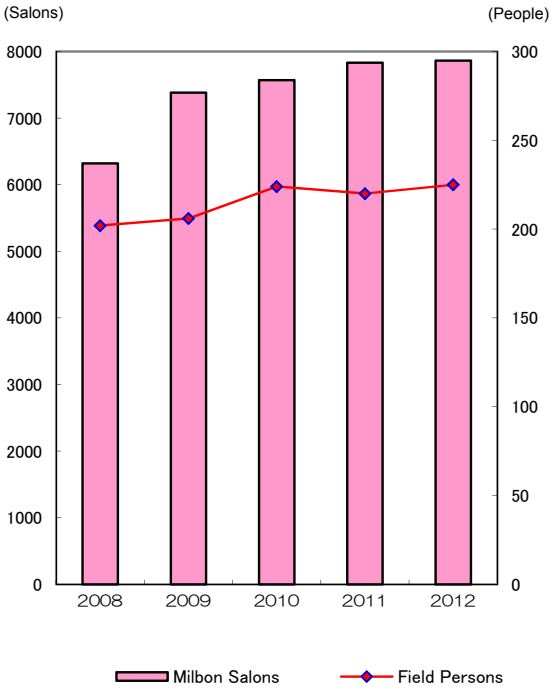
Milbon Co., Ltd. Non-Consolidated Trends in Market Related Data, Milbon Salons and Field Persons

	2007	2008	2009	2010	2011	2012	Comments
Number of beauty salons (salons)	219,573	221,394	223,645	223,286	228,429	—	Ministry of Health, Labor and Welfare Public Health Administration Report
Number of hair designers and assistants (people)	435,275	443,944	453,371	456,872	471,161	—	Number of beauty salon facilities/number of employees (year-end)
Beauty customer population (thousands of people)	40,519	40,119	39,720	39,812	39,640	39,249 (As of July 1, 2012)	Statistics Bureau, Ministry of Internal Affairs and Communications; population statistics as of October 1 each year Population statistics for females aged 15 to 64

Milbon salon trends

(Unit: salons)

	2007	2008	2009	2010	2011	2012
Tokyo Branch	2,404	2,210	2,657	2,784	2,872	2,848
Nagoya Branch	1,505	1,368	1,558	1,643	1,682	1,658
Osaka Branch	2,416	2,312	2,616	2,464	2,682	2,725
Fukuoka Branch	435	431	552	680	596	633
Total	6,760	6,321	7,383	7,571	7,832	7,864



Trend in fieldpersons*

	2007	2008	2009	2010	2011	2012	2013
Field persons (people)	197	202	206	224	220	225	26 people scheduled to join the company
Sales per person (million yen)	89	90	91	92	97	100	

* The term “fieldperson” means sales staff and training staff who support the growth of beauty salons.

Milbon Co., Ltd. Non-consolidated Statement of Earnings
For the year ended 20, 2012

(Unit: million yen)

		Results in fiscal year 2011	Ratio (%)	Target for fiscal year 2012	Ratio (%)	Results in fiscal year 2012	Ratio (%)	Year-to-year Comparison (%)	Achievement rate (%)	Increase (decrease) against previous FY	Increase (decrease) against target
Product category totals	Hair care products	10,238	50.6	10,797	51.3	10,841	50.6	105.9	100.4	602	43
	Hair coloring products	7,896	39.1	8,166	38.8	8,636	40.4	109.4	105.8	740	469
	Permanent wave products	1,753	8.7	1,782	8.5	1,605	7.5	91.6	90.1	(147)	(176)
	Others	330	1.6	282	1.3	320	1.5	97.0	113.2	(10)	37
Net sales		20,218	100%	21,030	100%	21,403	100%	105.9	101.8	1,185	373
Cost of sales		6,980	34.5	7,260	34.5	7,092	33.1	101.6	97.7	111	(167)
Gross profit		13,237	65.5	13,770	65.5	14,311	66.9	108.1	103.9	1,073	541
Selling, general and administrative expenses	Labor costs	2,919	14.4	3,198	15.2	3,340	15.6	114.4	104.4	421	142
	Travel/ transportation costs	539	2.7	555	2.6	589	2.8	109.3	106.1	50	33
	Sales/advertising/ marketing costs*	2,084	10.3	2,174	10.3	2,477	11.6	118.8	113.9	392	303
	Depreciation and amortization expense	446	2.2	443	2.1	427	2.0	95.8	96.5	(18)	(15)
	Others	3,371	16.7	3,468	16.5	3,460	16.2	102.6	99.8	88	(7)
	Total	9,361	46.3	9,840	46.8	10,295	48.1	110.0	104.6	933	455
Operating income		3,875	19.2	3,930	18.7	4,015	18.8	103.6	102.2	139	85
Non-operating	Income	106	0.5	90	0.4	116	0.5	109.6	129.3	10	26
	Expenses	358	1.8	360	1.7	371	1.7	103.5	103.1	12	11
Ordinary income		3,623	17.9	3,660	17.4	3,761	17.6	103.8	102.8	137	101
Extraordinary	Profits	500	2.5	-	-	-	-	-	-	(500)	-
	Losses	106	0.5	160	0.8	151	0.7	141.8	94.6	44	(8)
Income before income tax		4,017	19.9	3,500	16.6	3,609	16.9	89.8	103.1	(407)	109
Income taxes-current		1,614	8.0	1,385	6.6	1,439	6.7	88.6	104.0	(175)	54
Income taxes-deferred		27	0.1	15	0.1	16	0.1			(11)	1
Net income		2,374	11.7	2,100	10.0	2,153	10.1	90.7	102.6	(221)	53

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

Subsidiaries

United States: MILBON USA, INC.

	Unit	Amount			Increase (decrease) against previous FY	Year-on-year comparison (%)	Achievement rate (%)
		Previous FY 2011	Target	Current FY 2012			
Sales	Thousand dollars	4,399	4,770	4,560	160	103.6	95.6
	Million yen	356	357	359	2	100.8	100.6

- In salon treatments “Deesse’s Linkage-μ (mu)” and “Inphenom”, the core products in company’s growth strategy, became the leading force in hair care product category. Sales of take-home products “Deesse’s Neu Due” and “Inphenom Daily Care” also contributed to increased sales of the category.

- Sales of permanent wave products decreased due to the discontinued product; however, sales of leading product of the straightening perm “Liscio Crystal” steadily increased, 108% year-on-year comparison.

- Starting from January 2012, Milbon USA expanded its active area to California, second-largest-selling area in the US, by sending sales representatives to the salons. As a result, sales of this area has been increased, 115.7% year-on-year comparison. In October 2012,

	Unit	Previous FY 2011	Current FY 2012	Year-on-year comparison (%)
Hair care products	Thousand dollars	3,044	3,278	107.7
	Million yen	246	258	104.8
Hair coloring products	Thousand dollars	255	249	97.8
	Million yen	20	19	95.1
Permanent wave products	Thousand dollars	1,039	973	93.7
	Million yen	84	76	91.1

Established: March 2004
* In operation since July 2004

Number of employees:
14 people
(including FP): 10 people

Number of Milbon salon:
2011/4Q 1,251 salons
2012/4Q 1,281 salons

Subsidiaries

China: Milbon Trading (Shanghai) Co., Ltd.

	Unit	Amount			Increase (decrease) against previous FY	Year-on-year comparison (%)	Achievement rate (%)
		Previous FY 2011	Target	Current FY 2012			
Sales	Thousands of yuan	9,899	14,800	14,857	4,957	150.1	100.4
	Million yen	122	177	184	62	151.3	104.2

- Activities were focused in the metropolitan area with high per capita GDP in east China (Shanghai City, Jiangsu Province and Zhejiang Province) and South China (Guangdong Province and Fujian Province). By providing training in business management, staff awareness and technical improvements to trend salons run by young management, the company differentiated itself from competitors.

- In July, newly established Beijing branch started operations by providing training and product lunching systems to top salons in Beijing and Tianjin area. Large number of managements and executives have taken seminars, and as a result, number of handling outlets reached 73.

- Core hair care brand “Deesse’s Neu Due” and “Deesse’s Linkage-μ (mu)” were launched, and sales of hair care product category has been increased significantly.

	Unit	Previous FY 2011	Current FY 2012	Year-on-year comparison (%)
Hair care products	Thousands of yuan	4,109	7,204	175.3
	Million yen	50	89	176.8
Hair coloring products	Thousands of yuan	4,999	6,441	128.8
	Million yen	61	80	129.9
Permanent wave products	Thousands of yuan	790	1,209	153.0
	Million yen	9	15	154.3

Established: November 2007
In operation since February 2009

Number of employees:
19 people (Shanghai: 14, Beijin: 5)

(including FP):
15 people (Shanghai: 11, Beijin: 4)

Number of Milbon salon:
2011/4Q : 378 salons
2012/4Q : 516 salons

Subsidiaries

South Korea: Milbon Korea Co., Ltd.

	Unit	Amount			Increase (decrease) against previous FY	Year-on-year comparison (%)	Achievement rate (%)
		Previous FY 2011	Target	Current FY 2012			
Sales	Million won	4,643	6,425	6,553	1,910	141.1	102.0
	Million yen	340	417	451	110	132.5	108.2

- Sales of permanent and hair color brand “Ordeve” and its specialized product for gray-hair “Ordeve Beaute” and in salon treatment “Deesse’s Linkage-μ (mu)” increased significantly after well-received educational activities.

- Hair styling products “Nigelle Dressia Collection Wax Series” were launched in September. Comparing to other existing wax series, the new range has been gaining a high standing from design-oriented hair designers. Introducint other items from Nigelle Dressia Collection Series can be expected for the future.

- Support salons individually in depth and various types of seminars offered to priority salons (target salons) helped Milbon Korea establish its images as high quality, high value, total hair products company. As the company increased its name recognition in the South Korean market, it also acquired trust from increasing number of local hair designers. Business inquiries from large, high-end salon have been increased who wanted to switch from other manufacturers.

	Unit	Previous FY 2011	Current FY 2012	Year-on-year comparison (%)
Hair care products	Million won	1,265	1,750	138.3
	Million yen	92	120	129.9
Hair coloring products	Million won	3,049	4,411	144.6
	Million yen	223	304	135.8
Permanent wave products	Million won	309	366	118.3
	Million yen	22	25	111.1

Established: July 2009
In operation since December 2009

Number of employees:
16 people
(including FP): 13 people

Number of Milbon salon:
2011/4Q: 2,017 salons
2012/3Q: 2,838 salons

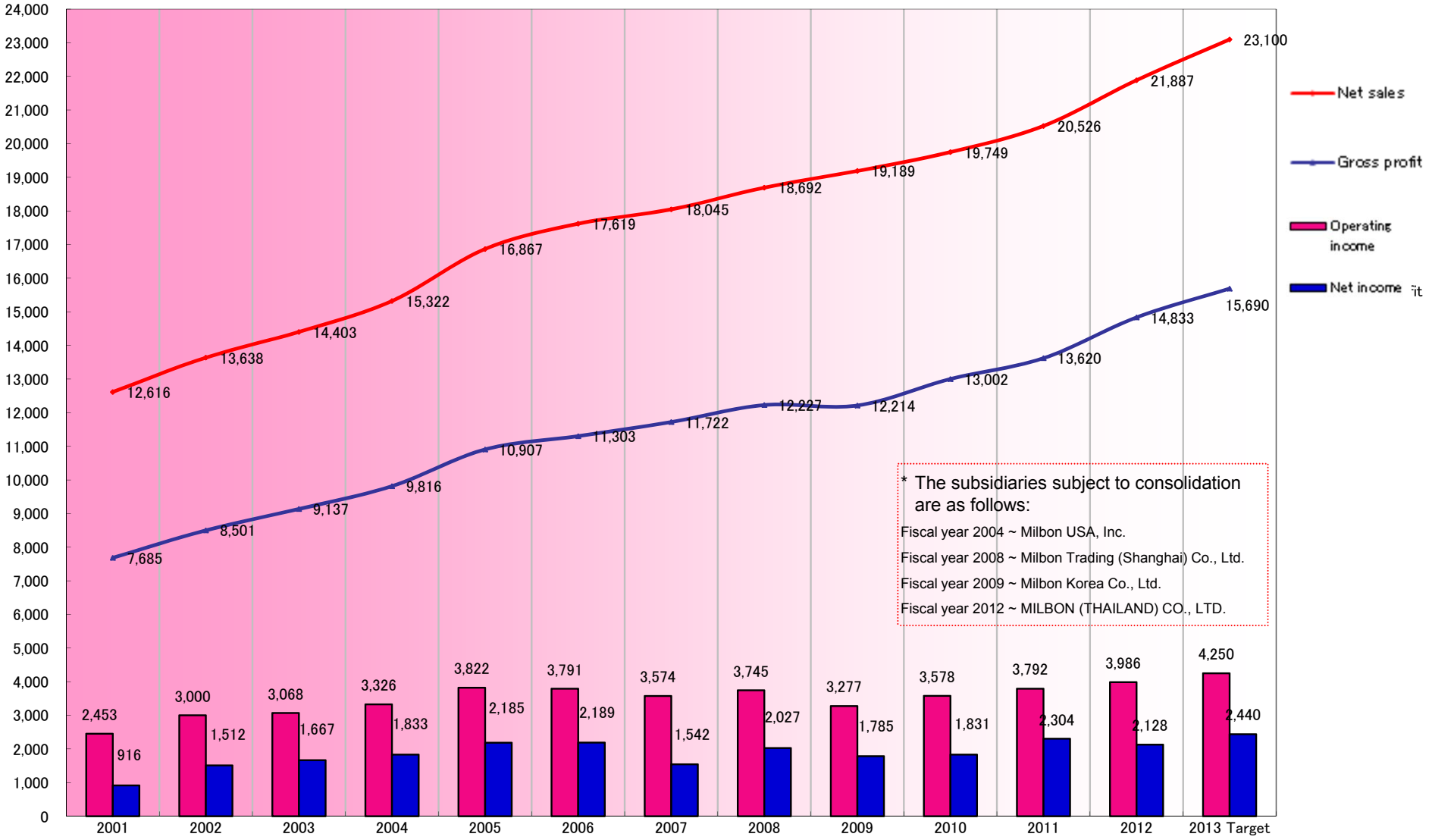
Fiscal Year 2013 Consolidated Statement of Earnings Targets (54th term)

(Unit: million yen)

		Results in fiscal year 2012	Ratio (%)	Fiscal year 2013 target	Ratio (%)	Year-on-year comparison (%)	Increase (decrease) against previous FY
Hair care products		11,069	50.6	11,693	50.6	105.6	623
Hair coloring products		8,820	40.3	9,236	40.0	104.7	415
Permanent wave products		1,678	7.7	1,723	7.5	102.6	44
Others		318	1.4	448	1.9	140.5	129
Net sales		21,887	100%	23,100	100%	105.5	1,212
Cost of sales		7,053	32.2	7,410	32.1	105.1	356
Total sales revenues		14,833	67.8	15,690	67.9	105.8	856
Selling, general and administrative expenses	Labor costs	3,581	16.4	3,775	16.3	105.4	193
	Travel costs/ transportation costs	623	2.8	633	2.7	101.7	10
	Sales/advertising/ marketing costs*	2,552	11.7	2,578	11.2	101.0	25
	Depreciation and amortization expense	441	2.0	460	2.0	104.1	18
	Others	3,648	16.7	3,993	17.3	109.5	345
	Total	10,847	49.6	11,440	49.5	105.5	592
Operating income		3,986	18.2	4,250	18.4	106.6	263
Non-operating Income		120	0.6	100	0.4	83.0	(20)
Non-operating Expenses		371	1.7	390	1.7	105.0	18
Ordinary income		3,735	17.1	3,960	17.1	106.0	224
Extraordinary Profit		-	-	-	-	-	-
Extraordinary Expenses		151	0.7	-	-	-	(151)
Income before income tax		3,584	16.4	3,960	17.1	110.5	375
Income taxes-Current		1,440	6.6	1,586	6.9	104.4	145
Income taxes-Deferred		15	0.1	(66)	(0.3)		(81)
Net income		2,128	9.7	2,440	10.6	114.6	311

Consolidated Performance

(Unit: million yen)



Efforts in the Fiscal Year 2013 (54th term)

Ryuji Sato, President and CEO

Efforts in the Fiscal Year 2013 (54th term) [1]

The domestic market

1. Market environment

2. Points of market policies

3. Organizational management

4. Brand developments:

   - Aujua
   - Villa Lodola

Efforts in the Fiscal Year 2013 (54th term) [2]

Overseas Market

1. USA

2. East Asia (China, South Korea, Taiwan, Hong-kong)

Global Expansion

1. Training for global vision and development of a new market/region

2. Manufacturing base in Asia

In conclusion

Reference Materials

1. Hair Cosmetic Shipping Statistics (Milbon Co., Ltd.)
2. Hair Cosmetic Shipping Statistics

Reference Materials Hair Cosmetic Shipping Statistics (Milbon Co., Ltd)

(Unit: million yen)

	Fiscal year 2011	Fiscal year 2012	Year-on-year comparison (%)	Comments
Shampoos	1,896	1,932	101.9	Deesse's Neu due Fierli
Rinses	273	254	93.0	Inphenom
Hair tonics	255	225	88.3	Deesse's Lifa
Treatments	5,582	5,118	91.7	Deesse's Neu due Deesse's Linkage-μ (mu)
Hair creams	7	8	102.1	
Hair conditioners	1,906	2,831	148.5	Deesse's Elujuda Nigelle Dressia Collection
Hair sprays	931	1,125	120.8	Nigelle Dressia Collection
Hair coloring products	8,376	9,164	109.4	Ordeve Farglan
Permanent wave products	1,858	1,702	91.6	Fairche Liscio Knoteur/Glanfe
Others	348	338	97.2	Iron, schedule note
Sales rebates	(1,217)	(1,296)	106.5	
Total	20,218	21,403	105.9	

Reference Materials Hair Cosmetic Shipping Statistics

(Unit: million yen)

		January	February	March	April	May	June	July	August	September	October	November	December	Jan. ~ Nov.	Year-on-year comparison (%)
Shampoos	2011	6,153	8,545	8,097	8,620	8,973	10,055	10,353	9,274	8,989	9,693	9,443	11,352	98,195	
	2012	6,107	8,054	8,819	8,546	8,543	9,243	8,741	9,505	8,511	9,033	9,682		94,784	96.5%
	Difference	(46)	(491)	722	(74)	(430)	(812)	(1,612)	231	(478)	(660)	239		(3,411)	
Rinses	2011	1,853	2,239	2,181	2,302	2,486	2,678	2,634	2,230	2,487	2,153	2,500	3,235	25,743	
	2012	1,825	2,275	2,389	2,492	2,150	2,606	2,150	3,007	2,326	2,653	2,719		26,592	103.3%
	Difference	(28)	36	208	190	(336)	(72)	(484)	777	(161)	500	219		849	
Hair tonics	2011	1,095	1,296	1,248	1,270	1,311	1,742	1,588	1,637	1,441	1,461	1,623	1,952	15,712	
	2012	1,388	1,581	1,640	1,697	1,817	1,870	1,796	1,710	1,856	1,939	1,703		18,997	120.9%
	Difference	293	285	392	427	506	128	208	73	415	478	80		3,285	
Treatments	2011	4,601	6,833	6,098	6,589	6,005	6,555	7,270	7,115	6,980	7,345	7,370	8,141	72,761	
	2012	4,703	6,351	6,348	5,947	6,387	6,832	5,447	5,760	6,339	6,606	6,737		67,457	92.7%
	Difference	102	(482)	250	(642)	382	277	(1,823)	(1,355)	(641)	(739)	(633)		(5,304)	
Pomade, cheek, hair cream, perfume oils	2011	1,042	1,160	1,240	1,293	1,170	1,258	1,207	1,420	1,377	1,261	1,308	1,407	13,736	
	2012	911	1,267	1,209	1,245	1,197	1,234	1,325	1,287	1,327	1,300	1,352		13,654	99.4%
	Difference	(131)	107	(31)	(48)	27	(24)	118	(133)	(50)	39	44		(82)	
Liquid/foam hair conditioners	2011	874	1,192	1,299	1,300	1,026	1,336	1,102	1,110	1,278	1,208	1,157	1,357	12,882	
	2012	770	1,098	1,203	1,177	1,188	1,184	1,149	1,151	1,012	1,112	1,132		12,176	94.5%
	Difference	(104)	(94)	(96)	(123)	162	(152)	47	41	(266)	(96)	(25)		(706)	
Styling lotions	2011	696	767	639	686	616	810	840	596	761	696	661	777	7,768	
	2012	587	842	873	888	698	843	931	758	796	852	821		8,889	114.4%
	Difference	(109)	75	234	202	82	33	91	162	35	156	160		1,121	
Hair sprays	2011	1,282	1,532	2,072	1,653	1,656	1,987	1,958	1,762	2,006	1,627	2,008	2,172	19,543	
	2012	1,208	1,686	2,081	1,701	1,759	2,008	1,962	1,624	1,876	1,665	2,065		19,635	100.5%
	Difference	(74)	154	9	48	103	21	4	(138)	(130)	38	57		92	
Hair coloring products	2011	5,940	7,538	9,079	8,412	7,345	7,643	7,844	7,684	9,263	7,672	8,037	9,512	86,457	
	2012	5,983	7,611	9,184	8,505	7,749	7,729	8,335	8,336	8,379	8,391	7,902		88,104	101.9%
	Difference	43	73	105	93	404	86	491	652	(884)	719	(135)		1,647	
Other hair cosmetics	2011	917	874	1,052	1,023	1,176	1,531	1,295	1,096	1,221	1,068	1,177	1,297	12,430	
	2012	868	871	1,137	1,226	1,141	1,313	1,098	1,037	1,180	1,368	1,130		12,369	99.5%
	Difference	(49)	(3)	85	203	(35)	(218)	(197)	(59)	(41)	300	(47)		(61)	
Total hair cosmetic products	2011	24,454	31,976	33,005	33,148	31,764	35,595	36,091	33,924	35,805	34,184	35,285	41,203	365,231	
	2012	24,348	31,635	34,883	33,424	32,630	34,862	32,934	34,175	33,602	34,920	35,243		362,656	99.3%
	Difference	(106)	(341)	1,878	276	866	(733)	(3,157)	251	(2,203)	736	(42)		(2,575)	

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

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.

