Consolidated Financial Results for the Fiscal Year Ended December 20, 2014
[Japanese GAAP]

January 21, 2015

Name of registrant: Milbon Co., Ltd. Tokyo Stock Exchange, First Section
Code No.: 4919 URL http://www.milbon.co.jp
Representative: Ryuji Sato, President and CEO
Inquiries: Masahiro Murai, Managing Director TEL: +81-6-6928-2331
Scheduled date of annual general meeting of shareholders: March 18, 2015
Scheduled filing date for Securities Report: March 18, 2015
Scheduled starting date of dividend payments: March 19, 2015
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, 2014 (December 21, 2013 - December 20, 2014)

(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, 2014	25,226	5.9	4,451	3.4	4,218	3.9	2,621	4.2
Year ended December 20, 2013	23,829	8.9	4,302	7.9	4,059	8.7	2,516	18.2

(Note) Comprehensive income Year ended December 20, 2014: 2,902 million yen [(8.5)%] Year ended December 20, 2013: 3,170 million yen [42.9%]

	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, 2014	160.07	-	11.3	15.5	17.6
Year ended December 20, 2013	152.85	-	11.8	16.2	18.1

(Reference) Equity in earnings (losses) of affiliates Year ended December 20, 2014: – million yen Year ended December 20, 2013: – million yen

(Note) The Company conducted a 1.2 for 1 stock split of its common stock effective December 21, 2013. Consequently, the net income per share calculated and retrospectively adjusted assuming that the stock split was conducted at the beginning of the previous fiscal year is presented.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 20, 2014	28,138	24,104	85.7	1,472.10
As of December 20, 2013	26,321	22,149	84.1	1,352.34

(Reference) Equity As of December 20, 2014: 24,104 million yen As of December 20, 2013: 22,149 million yen

(Note) The Company conducted a 1.2 for 1 stock split of its common stock effective December 21, 2013. Consequently, the net assets per share calculated and retrospectively adjusted assuming that the stock split was conducted at the beginning of the previous fiscal year are presented.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended December 20, 2014	2,766	(1,236)	(1,052)	7,147
Year ended December 20, 2013	3,511	(1,198)	(1,387)	6,610

2. Payment of dividends

	Annual dividends					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, 2013	-	33.00	-	35.00	68.00	932	37.1	4.4
Year ended December 20, 2014	-	34.00	-	34.00	68.00	1,113	42.5	4.8
Year ending December 20, 2015 (forecast)	-	34.00	-	34.00	68.00		42.3	

3. Consolidated operating forecasts for the fiscal year ending December 20, 2015 (December 21, 2014 - December 20, 2015)

(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
Year ending December 20, 2015	26,900	6.6	4,661	4.7	4,369	3.6	2,630	0.3	160.62

*Notes

(1) Significant changes in subsidiaries during the period
(changes in specified subsidiaries resulting in the change in the scope of consolidation) : None
New: 0 companies (Company name:) 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 shares)	As of December 20, 2014	16,558,617 shares	As of December 20, 2013	16,558,617 shares
2) Number of treasury shares at the end of the period	As of December 20, 2014	184,672 shares	As of December 20, 2013	179,953 shares
3) Average number of shares during the period	Year ended December 20, 2014	16,374,865 shares	Year ended December 20, 2013	16,462,012 shares

(Note) The Company conducted a 1.2 for 1 stock split of its common stock effective December 21, 2013. Consequently, the number of shares issued at the end of the period, the number of treasury shares at the end of the period, and the average number of shares during the period calculated and retrospectively adjusted assuming that the stock split was conducted at the beginning of the previous fiscal year are presented.

(Reference) Summary of non-consolidated operating results

Non-consolidated financial results for the fiscal year ended December 20, 2014 (December 21, 2013 - December 20, 2014)

(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, 2014	24,197	4.4	4,566	1.1	4,354	2.4	2,762	8.5
Year ended December 20, 2013	23,180	8.3	4,516	12.5	4,254	13.1	2,545	18.2

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended December 20, 2014	168.68	-
Year ended December 20, 2013	154.66	-

(Note) The Company conducted a 1.2 for 1 stock split of its common stock effective December 21, 2013. Consequently, the net income per share calculated and retrospectively adjusted assuming that the stock split was conducted at the beginning of the previous fiscal year is presented.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 20, 2014	28,037	24,333	86.8	1,486.12
As of December 20, 2013	26,192	22,533	86.0	1,375.78

(Reference) Equity As of December 20, 2014: 24,333 million yen As of December 20, 2013: 22,533 million yen

(Note) The Company conducted a 1.2 for 1 stock split of its common stock effective December 21, 2013. Consequently, the net assets per share calculated and retrospectively adjusted assuming that the stock split was conducted at the beginning of the previous fiscal year are presented.

*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. Analysis of Operating Results and Financial Position (1) Analysis of operating results” on page 2 of the supplementary materials.

Contents of supplementary materials

1. Analysis of Operating Results and Financial Position 2
(1) Analysis of operating results 2
(2) Analysis of financial position 3
(3) Basic policy on the distribution of profit and dividends for the fiscal year under review and the following fiscal year 5
(4) Business and other risks 5
2. Outline of the Milbon Group 6
3. Management Policy 8
(1) Basic management policies 8
(2) Target management indices 8
(3) Medium- to long-term management strategies 8
(4) Tasks to be addressed by the Company 9
4. Consolidated Financial Statements 10
(1) Consolidated Balance Sheets 10
(2) Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income 12
(3) Consolidated Statements of Changes in Shareholders' Equity 14
(4) Consolidated Statements of Cash Flows 16

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

1) Operating results for the fiscal year under review

During the fiscal year under review, the Japanese economy experienced only a modest recovery, as despite the continued improvement in the export environment in conjunction with the depreciation of the yen, personal consumption stagnated due to the prolonged backlash following the earlier rush in demand ahead of the consumption tax hike in April, as well as inclement weather during the summer months. The economic outlook remains murky due to factors including abrupt changes in foreign exchange rates as well as increasing concerns about economic slowdowns in emerging countries. In the beauty industry, the situation remains challenging due to the impacts of factors including the unstable economic environment and the population decline.

Under such circumstances, the Milbon Group, fully aware of the importance of enhancing "intangible value" that centers on communication to respond to the values of mature women, promoted initiatives intended for salons under the slogan of "Supporting the nurture of salon professionals with human appeal who will take the stage and live up to intrinsic, absolute value." We focused on activities to raise the value of hair designers as professionals through basic research aimed at essential care for the changes in hair that occur with age, as well as by providing educational support to increase salons' expertise.

Consolidated net sales during the fiscal year under review increased by 1,396 million yen to 25,226 million yen (up 5.9% year-on-year). This was primarily due to the extremely strong sales of Aujua Aging Care series Immurise line, which was launched in February, and leave-in treatment Deesse's Elujuda Emulsion, which was launched in June. Favorable sales growth at the overseas subsidiaries thanks to proactive educational activities conducted for salons and a change in distributor strategy was another factor for the increase.

Selling, general and administrative expenses increased by 8.1% over the previous year to 12,830 million yen, as a result of various costs relating to extension work at the Central Research Institute and the renewal of sales promotion tools. Operating income increased by 148 million yen to 4,451 million yen (up 3.4% year-on-year), ordinary income also increased by 159 million yen to 4,218 million yen (up 3.9% year-on-year) and net income increased by 104 million yen to 2,621 million yen (up 4.2% year-on-year). Both consolidated net sales and line profits were new record highs.

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 fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	12,616	52.9	14,597	57.8	1,981	15.7
Hair coloring products	9,288	39.0	8,817	35.0	(470)	(5.1)
Permanent wave products	1,623	6.8	1,520	6.0	(103)	(6.3)
Others	301	1.3	291	1.2	(10)	(3.5)
Total	23,829	100.0	25,226	100.0	1,396	5.9

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

	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	21,946	92.1	22,612	89.6	665	3.0
Overseas sales	1,882	7.9	2,613	10.4	730	38.8
Total	23,829	100.0	25,226	100.0	1,396	5.9

2) Medium Term 5-Year Business Vision (2010-2014) achievements

The fiscal year under review was the final fiscal year of the Medium Term 5-Year Business Vision (2010-2014) announced in June 2010. Under this business vision, we have been undertaking initiatives based on the idea of "Contributing to the beauty culture in all regions by customizing, for each region, the beauty product technologies that arise from Japan's detailed and delicate beauty-related technological capabilities and spirit of hospitality, as well as educational support activities which pay respect to designers." As a result of educational support programs for salons focused on hair care for the domestic market which is experiencing a falling birth rate along with an aging population, as well as proactive overseas business development centered on Asia, consolidated net sales of 25,000 million yen and an overseas sales to total sales ratio of 10.4% were reached, both of which were set as targets in the Medium Term 5-Year Business Vision. Operating income was 425 million yen below the target due to the fact that costs associated with global business development, personnel system revisions and the increase in personnel exceeded the assumptions used when the Medium Term 5-Year Business Vision was formulated.

[Medium Term Business Vision targets and results] (Unit: Million yen)

	Medium Term Business Vision (2014 targets)		Current fiscal year		Difference	Achievement rate (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Net sales	25,000	100.0	25,226	100.0	226	100.9
Domestic	22,400	89.6	22,612	89.6	212	100.9
Overseas	2,600	10.4	2,613	10.4	13	100.5
Operating income	4,877	19.5	4,451	17.6	(425)	91.3
Net income	2,754	11.0	2,621	10.4	(132)	95.2

3) Outlook for fiscal 2015

Japan's economic outlook remains uncertain, as consumer sentiment is unstable and the issue of the future consumption tax rate still exists. In the beauty industry, demographics are having a growing impact on salons, such as the decline in customers and difficulty hiring staff due to the decrease in the productive-age population (15 to 64 years old) and the drop in the number of beauty school students. Despite this environment, the yearly usage amount by mature women, centered on women in their 40s, is on the rise, and the high employment rate has resulted in a recent rising trend in usage amounts by women in their mid-20s as well.

Amid this environment, the Milbon Group believes that it is important that professionals with expertise respond to the awakening and heightening beauty needs of these two generations of women—those in their 20s and those in their 40s. Efforts will be focused on salons with the goal of "raising the level of expertise of professionals and supporting higher productivity in order to respond to women, who continue to shine in society, from those awakening to beauty to those with heightened beauty needs."

In terms of global expansion, we will begin the full-fledged supply of products to overseas regions from the Thai Factory, which came online in 2013. In addition, we will develop marketing activities with the aim of having Southeast Asia become the second main pillar for growth behind East Asia.

As a result of these efforts, the Company expects consolidated net sales of 26,900 million yen (up 6.6% year-on-year), consolidated operating income of 4,661 million yen (up 4.7% year-on-year), consolidated ordinary income of 4,369 million yen (up 3.6% year-on-year), and consolidated net income of 2,630 million yen (up 0.3% year-on-year).

(2) Analysis of financial position

1) Assets, liabilities and net assets

Total assets at the end of the current fiscal year increased by 1,817 million yen compared to the end of the previous fiscal year to 28,138 million yen.

Current assets increased by 1,369 million yen compared to the end of the previous fiscal year to 14,307 million yen. This was due mainly to an increase of 541 million yen in cash and deposits, an increase of 316 million yen in notes and accounts receivable - trade, an increase of 271 million yen in merchandise and finished goods, and an increase of 187 million yen in raw materials and supplies.

Non-current assets increased by 447 million yen compared to the end of the previous fiscal year to 13,831 million yen. This was due mainly to an increase of 1,028 million yen attributable to capital expenditure including the extension work at the Central Research Institute, a decrease of 1,001 million yen attributable to the recording of depreciation, an increase of 257 million yen in net defined benefit asset and an increase of 141 million yen in investment securities attributable to factors such as higher prices of listed stocks.

Current liabilities decreased by 100 million yen compared to the end of the previous fiscal year to 3,869 million yen. This was mainly due to the decrease in income taxes payable by 175 million yen.

Non-current liabilities decreased by 36 million yen from the end of the previous fiscal year to 165 million yen.

Net assets increased by 1,954 million yen compared to the end of the previous fiscal year to 24,104 million yen. This was mainly due to the 1,586 million yen increase in retained earnings and the 190 million yen increase in foreign currency translation adjustment as a result of the depreciation of the yen.

As a result, equity ratio changed from 84.1% at the end of the previous fiscal year to 85.7%. Net assets per share based on total outstanding shares as of the end of the current fiscal year increased from 1,352.34 yen per share at the end of the previous fiscal year to 1,472.10 yen per share.

2) Cash flows

Cash and cash equivalents (hereinafter "net cash") at the end of the current fiscal year increased by 536 million yen compared to the end of the previous fiscal year to 7,147 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 2,766 million yen. This was mainly the result of posting 4,193 million yen in income before income taxes and minority interests, depreciation of 1,008 million yen and 1,703 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,236 million yen. This was mainly due to the purchase of property, plant and equipment of 1,059 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 1,052 million yen. This was mainly due to the cash dividends paid to shareholders of 1,033 million yen.

(Reference) Cash flow-related indicators

	Year ended December 20, 2010	Year ended December 20, 2011	Year ended December 20, 2012	Year ended December 20, 2013	Year ended December 20, 2014
Equity ratio (%)	84.9	84.4	86.1	84.1	85.7
Equity ratio based on market value (%)	131.4	146.0	163.8	243.3	183.0
Interest-bearing debt to cash flows ratio (%)	3.3	2.6	2.7	2.3	3.0

(Notes) Equity ratio: Equity/net assets

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

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

* All indicators were calculated using consolidated financial statements.
* 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 shares).
* 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 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.
* Interest-coverage ratio is not shown due to the fact that there were no interest payments.

(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 fiscal year, upon comprehensively taking into account factors including our financial position and profit levels, we have decided to pay an interim dividend of 34 yen per share, and a year-end dividend of 34 yen per share, for a total annual dividend of 68 yen per share. The Company conducted a 1.2 for 1 stock split of its common stock on December 21, 2013. When converted using the pre-stock split ratio, the annual dividend amounts to 81.60 yen per share.

For the following fiscal year, we plan to pay an annual dividend of 68 yen per share.

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 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.

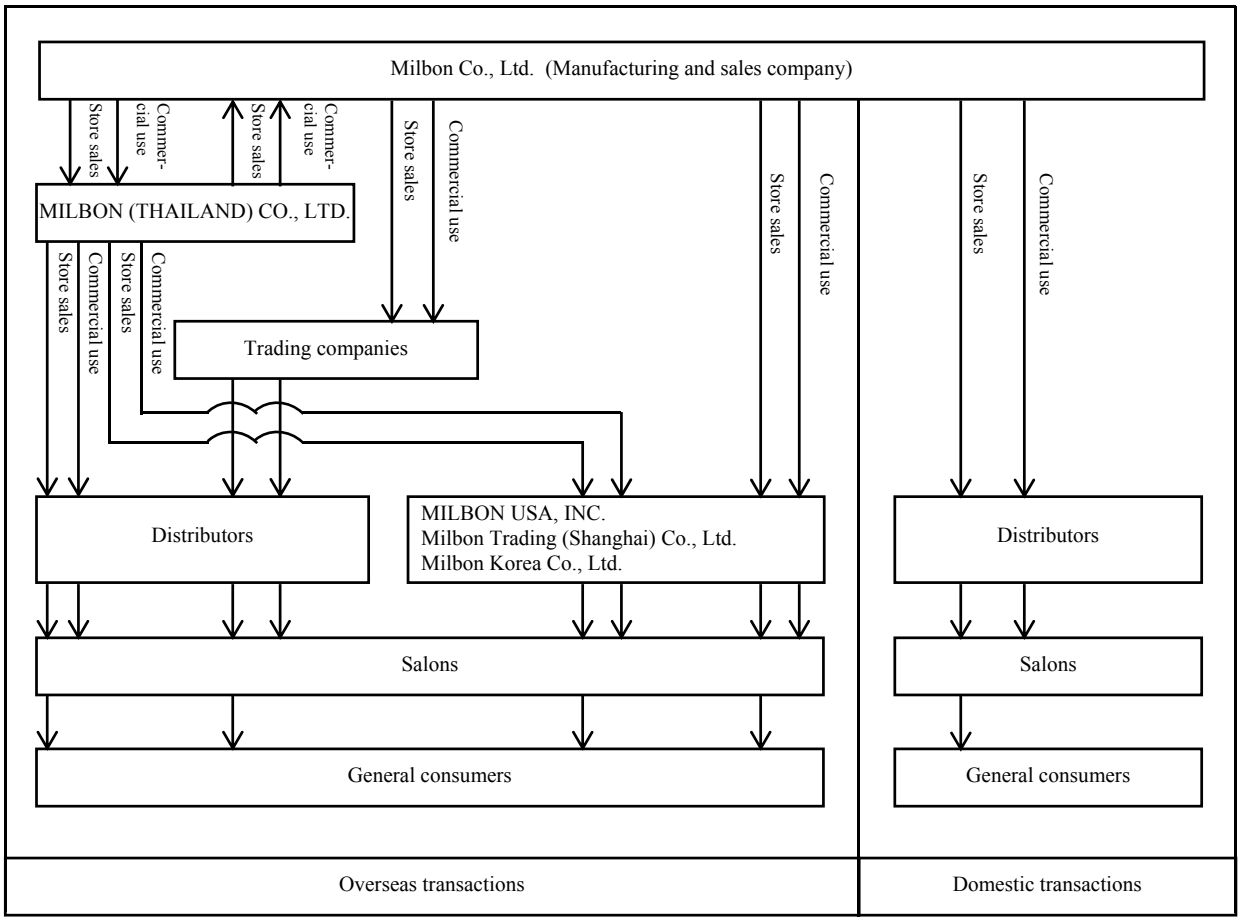
2. Outline of the Milbon Group

Name	Location	Capital stock or capital contribution	Main line of business	Percentage of voting rights held (%)	Relationship with the Company
(Consolidated subsidiary) 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.
(Consolidated subsidiary) 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.
(Consolidated subsidiary) 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. Two executives hold concurrent posts at the Company.
(Consolidated subsidiary) MILBON (THAILAND) CO., LTD.	Rayong, Thailand	THB 450 million	Manufacture and sale of hair products	100.0	Manufactures and sells the Company's hair products in Thailand.

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

The following diagram shows the positioning of Milbon Group companies and the Group's businesses.

（Diagram of business activities）



(Notes) 1. For overseas transactions, sales channels differ depending on the country.
2. The main items for store sales are hair-care products.

3. Management Policy

(1) Basic management policies

The Milbon Group has been developing its business that supports a beautiful way of life through hair designers.
"Beautiful ways of life and beautiful hair enrich people's spirits. Milbon develops its business to contribute to the industry, countries and regions around the world under the belief that people rich in spirit will develop culture, and that a society that values culture will bring about peace."

The Milbon Group's corporate slogan has been "beautiful hair, beautiful people." The domestic market has become increasingly uncertain with the changing demographics, and it is now necessary to pursue globalization (to accelerate the speed with which we enter markets by boosting the recognition of the corporate brand and product brands).

As we start a new fiscal year:

- So that women who wish to live beautifully can discover a new self
- So that hair designers can be proud and take on new challenges
- We declare that we will continue to assume challenges in new areas (globalization, new businesses), and in order to build long-term relationships of trust with customers we have created a new brand statement and slogan to serve as its symbol.

―Brand Statement―

"We believe that beautiful hair brings out an individual's true beauty.
This is something that is felt from the inside and radiates outward.
Milbon works closely with salon professionals to together deliver beautiful hair, inspire grace and confidence in the world."

―Brand Slogan―

Find Your Beauty

(2) Target management indices

From the standpoint of effectively utilizing shareholders' equity and boosting earning power, the Milbon Group aims to exceed the following indices in 2019, the final year of the Medium Term 5-Year Business Vision (2015-2019).

1) ROE (Return On Equity): 12%
2) Consolidated Operating Income Ratio: 20%

(3) Medium- to long-term management strategies

The Milbon Group has formulated a Medium Term 5-Year Business Vision (2015-2019) covering the 5-year period beginning in 2015. The Milbon Group 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," and aims to achieve consolidated net sales of 35,000 million yen, consolidated operating income of 7,000 million yen and overseas sales to total sales ratio of 18.6% in 2019, the final year of the 5-year plan.
As a part of this, we will develop personnel who can conduct business on a global basis and who will lead the company in the future, as well as develop products and engage in marketing activities on a localized basis.

(Vision by area)

Japan	:	Be the first in the world to create an aging beauty model to respond to the declining birthrate and the aging of society
East Asia	:	Foster local employees and promote educational and marketing activities to create a growth track which will be the pillar for Asia, including the earnings structure
Southeast Asia	:	Start full-scale operation of the Thai Factory and create a foundation that will become a new growth pillar after Japan and East Asia
U.S. and Europe	:	Switch the business model to a distributor based system, and create opportunities to enter the market in Europe

(Global financial strategy)

- Execute growth investment in order to build a global product supply framework and develop more localized marketing activities in each region.
- Carry out shareholder returns with a target payout ratio of 40%, proactively returning to investors the profits earned through growth. Also, conduct stock splits as appropriate in light of the share price and liquidity in the market.

Based on the above strategies, we aim to be No.1 in Asia and enter the top five in the world in the hair care products professional use market in 2019, the final year of the 5-year plan.

(4) Tasks to be addressed by the Company

1) In terms of the sales framework, in order to achieve further evolution in the Fieldperson (education-oriented sales representative) strategy, raise the quality of sales activities and educational support for salons through selection and concentration of field activities and create Milbon salons that will be the model for activities and success.
2) In product development, further improve Target Authority Customer (TAC) product development system, which catches the latest changes in hair design trends and utilizes such information in development.
3) Discover customers' latent needs and improve product development technologies with basic and fundamental research to respond to such needs.
4) Build a product supply framework which matches the needs of each region by improving the production capacity of plants in Japan and overseas, and by raising the efficiency of the distribution system.
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 Fiscal Year (As of December 20, 2013)	Current Fiscal Year (As of December 20, 2014)
Assets		
Current assets		
Cash and deposits	6,845,649	7,386,867
Notes and accounts receivable - trade	3,110,419	3,427,276
Merchandise and finished goods	1,987,133	2,258,355
Work in process	21,957	22,989
Raw materials and supplies	607,585	795,564
Deferred tax assets	269,733	253,254
Other	151,201	207,507
Allowance for doubtful accounts	(55,548)	(44,289)
Total current assets	12,938,131	14,307,525
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,721,653	8,667,622
Accumulated depreciation	(4,066,624)	(4,396,771)
Buildings and structures, net	3,655,029	4,270,850
Machinery, equipment and vehicles	4,365,291	4,666,773
Accumulated depreciation	(3,463,005)	(3,590,100)
Machinery, equipment and vehicles, net	902,286	1,076,672
Land	4,867,542	4,876,552
Construction in progress	835,253	58,635
Other	1,828,754	2,034,557
Accumulated depreciation	(1,672,808)	(1,786,379)
Other, net	155,945	248,178
Total property, plant and equipment	10,416,058	10,530,889
Intangible assets	481,762	448,856
Investments and other assets		
Investment securities	1,767,519	1,908,728
Net defined benefit asset	-	257,649
Deferred tax assets	193,433	58,657
Other	573,968	676,344
Allowance for doubtful accounts	(49,141)	(49,681)
Total investments and other assets	2,485,780	2,851,698
Total non-current assets	13,383,601	13,831,443
Total assets	26,321,732	28,138,969

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2013)	Current Fiscal Year (As of December 20, 2014)
Liabilities		
Current liabilities		
Accounts payable - trade	501,379	503,378
Accounts payable - other	1,914,806	1,841,629
Income taxes payable	945,236	769,801
Provision for sales returns	26,590	24,436
Provision for bonuses	83,995	89,198
Other	498,640	641,288
Total current liabilities	3,970,648	3,869,733
Non-current liabilities		
Provision for retirement benefits	55,564	-
Net defined benefit liability	-	20,238
Other	146,076	144,883
Total non-current liabilities	201,641	165,121
Total liabilities	4,172,289	4,034,855
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	199,183	199,599
Retained earnings	20,069,024	21,655,660
Treasury shares	(516,646)	(535,654)
Total shareholders' equity	21,751,561	23,319,606
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	277,439	368,519
Foreign currency translation adjustment	120,442	310,899
Remeasurements of defined benefit plans	-	105,089
Total accumulated other comprehensive income	397,881	784,508
Total net assets	22,149,443	24,104,114
Total liabilities and net assets	26,321,732	28,138,969

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

Consolidated Statements of Earnings

(Thousand yen)

	Fiscal Year Ended December 20, 2013 (December 21, 2012 - December 20, 2013)	Fiscal Year Ended December 20, 2014 (December 21, 2013 - December 20, 2014)
Net sales	23,829,758	25,226,510
Cost of sales	7,654,832	7,945,233
Gross profit	16,174,925	17,281,276
Selling, general and administrative expenses	11,872,215	12,830,186
Operating income	4,302,709	4,451,089
Non-operating income		
Interest income	15,036	7,792
Dividend income	36,909	45,568
Company house defrayment income	48,031	49,237
Gain on surrender of insurance	3,119	45,702
Foreign exchange gains	43,292	13,877
Other	13,056	23,249
Total non-operating income	159,447	185,428
Non-operating expenses		
Sales discounts	401,882	412,880
Other	621	4,698
Total non-operating expenses	402,504	417,579
Ordinary income	4,059,652	4,218,938
Extraordinary income		
Gain on sales of non-current assets	552	811
Total extraordinary income	552	811
Extraordinary losses		
Loss on retirement of non-current assets	11,404	26,434
Total extraordinary losses	11,404	26,434
Income before income taxes and minority interests	4,048,801	4,193,315
Income taxes - current	1,643,216	1,528,623
Income taxes - deferred	(110,593)	43,605
Total income taxes	1,532,623	1,572,229
Income before minority interests	2,516,177	2,621,086
Net income	2,516,177	2,621,086

Consolidated Statements of Comprehensive Income

(Thousand yen)

	Fiscal Year Ended December 20, 2013 (December 21, 2012 - December 20, 2013)	Fiscal Year Ended December 20, 2014 (December 21, 2013 - December 20, 2014)
Income before minority interests	2,516,177	2,621,086
Other comprehensive income		
Valuation difference on available-for-sale securities	406,802	91,079
Foreign currency translation adjustment	247,935	190,457
Total other comprehensive income	654,738	281,537
Comprehensive income	3,170,916	2,902,623
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,170,916	2,902,623
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Shareholders' Equity

Fiscal Year Ended December 20, 2013 (December 21, 2012 - December 20, 2013)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,000,000	199,120	18,476,098	(51,035)	20,624,182
Changes of items during period					
Dividends of surplus			(923,251)		(923,251)
Net income			2,516,177		2,516,177
Purchase of treasury shares				(466,492)	(466,492)
Disposal of treasury shares		63		881	944
Net changes of items other than shareholders' equity					
Total changes of items during period	-	63	1,592,926	(465,611)	1,127,378
Balance at end of current period	2,000,000	199,183	20,069,024	(516,646)	21,751,561

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	(129,363)	(127,493)	-	(256,856)	20,367,325
Changes of items during period					
Dividends of surplus					(923,251)
Net income					2,516,177
Purchase of treasury shares					(466,492)
Disposal of treasury shares					944
Net changes of items other than shareholders' equity	406,802	247,935		654,738	654,738
Total changes of items during period	406,802	247,935	-	654,738	1,782,117
Balance at end of current period	277,439	120,442	-	397,881	22,149,443

Fiscal Year Ended December 20, 2014 (December 21, 2013 - December 20, 2014)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,000,000	199,183	20,069,024	(516,646)	21,751,561
Changes of items during period					
Dividends of surplus			(1,034,450)		(1,034,450)
Net income			2,621,086		2,621,086
Purchase of treasury shares				(20,909)	(20,909)
Disposal of treasury shares		416		1,901	2,318
Net changes of items other than shareholders' equity					
Total changes of items during period	-	416	1,586,636	(19,007)	1,568,044
Balance at end of current period	2,000,000	199,599	21,655,660	(535,654)	23,319,606

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	277,439	120,442	-	397,881	22,149,443
Changes of items during period					
Dividends of surplus					(1,034,450)
Net income					2,621,086
Purchase of treasury shares					(20,909)
Disposal of treasury shares					2,318
Net changes of items other than shareholders' equity	91,079	190,457	105,089	386,626	386,626
Total changes of items during period	91,079	190,457	105,089	386,626	1,954,671
Balance at end of current period	368,519	310,899	105,089	784,508	24,104,114

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	Fiscal Year Ended December 20, 2013 (December 21, 2012 - December 20, 2013)	Fiscal Year Ended December 20, 2014 (December 21, 2013 - December 20, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	4,048,801	4,193,315
Depreciation	882,990	1,008,915
Increase (decrease) in allowance for doubtful accounts	(8,351)	(11,090)
Increase (decrease) in provision for bonuses	12,117	4,321
Increase (decrease) in provision for sales returns	5,611	(2,153)
Increase (decrease) in provision for retirement benefits	7,417	(55,564)
Decrease (increase) in net defined benefit asset	-	(94,720)
Increase (decrease) in net defined benefit liability	-	18,213
Interest and dividend income	(51,946)	(53,360)
Foreign exchange losses (gains)	5,460	1,426
Loss (gain) on sales of non-current assets	(552)	(811)
Loss on retirement of non-current assets	11,404	26,434
Decrease (increase) in notes and accounts receivable - trade	(134,932)	(308,350)
Decrease (increase) in inventories	(228,920)	(398,784)
Increase (decrease) in notes and accounts payable - trade	(29,381)	(23,464)
Other, net	289,933	111,121
Subtotal	4,809,652	4,415,445
Interest and dividend income received	52,752	55,028
Income taxes paid	(1,350,905)	(1,703,691)
Net cash provided by (used in) operating activities	3,511,499	2,766,782
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,319,939)	(1,059,512)
Proceeds from sales of property, plant and equipment	1,859	1,047
Purchase of intangible assets	(153,837)	(136,176)
Payments of loans receivable	(4,560)	(4,130)
Collection of loans receivable	20,647	17,074
Payments into time deposits	(230,973)	(9,097)
Proceeds from withdrawal of time deposits	514,505	8,117
Payments for guarantee deposits	(34,269)	(104,333)
Proceeds from collection of guarantee deposits	8,248	8,932
Purchase of insurance funds	(1,430)	(1,409)
Proceeds from cancellation of insurance funds	3,398	51,529
Other, net	(2,590)	(8,411)
Net cash provided by (used in) investing activities	(1,198,939)	(1,236,370)
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(465,548)	(18,591)
Cash dividends paid	(922,444)	(1,033,494)
Net cash provided by (used in) financing activities	(1,387,992)	(1,052,085)
Effect of exchange rate change on cash and cash equivalents	52,506	58,346
Net increase (decrease) in cash and cash equivalents	977,072	536,671
Cash and cash equivalents at beginning of period	5,633,298	6,610,371
Cash and cash equivalents at end of period	6,610,371	7,147,043