

Consolidated Financial Statements for Third Quarter Ended September 20, 2010

[Japanese standard] (Consolidated)

September 30, 2010

Name of registrant: Milbon Co., Ltd.

Code Number: 4919

Representative: Ryuji Sato, President

Officer in Charge of Contact: Masahiro Murai, Managing Director

Scheduled filing date for quarterly report: October 22, 2010

Scheduled start date for payment of dividends: -

Creation of supplementary materials for the quarterly financial statements (Yes/ No): Yes

Holding of a briefing on the quarterly financial statements (Yes/ No): No

(First Section of the Tokyo Stock Exchange)

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

1. Consolidated financial results for third quarter ended September 20, 2010 (December 21, 2009 – September 20, 2010)

(1) Consolidated Operating Results (Accumulative)

("%" indicates the increase or decrease against the same quarter in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Third quarter ended September 20, 2010	14,345	1.5	2,770	18.7	2,601	18.2	1,523	28.8
Third quarter ended September 20, 2009	14,128	-	2,333	-	2,200	-	1,183	-

	Quarterly net income per share	Quarterly diluted earnings per share
	yen	yen
Third quarter ended September 20, 2010	121.59	-
Third quarter ended September 20, 2009	94.42	-

(2) Consolidated Financial Conditions

	Total Assets	Net assets	Equity ratio (Ratio of equity to total assets)	Net asset per share
	million yen	million yen	%	yen
Third quarter ended September 20, 2010	20,392	17,406	85.4	1,388.83
Year ended December 20, 2009	20,353	16,653	81.8	1,328.80

(Reference) Equity capital Third quarter ended September 20, 2010, 17,406 million yen; fiscal year ended December 20, 2009, 16,653 million yen

2. Payment of Dividends

	Annual dividends				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	End of fiscal year	Total
	yen	yen	yen	yen	yen
Year ended December 20, 2009	-	27.00	-	28.00	55.00
Year ended December 20, 2010	-	27.00	-		
Year ended December 20, 2010 (forecast)			-	28.00	55.00

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

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

("%" indicates the increase or decrease in comparison with the "Full year" in the previous fiscal year.)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	19,860	3.5	3,620	10.4	3,370	8.6	1,910	7.0	152.40

Note: changes to results forecasts for the current quarter: None

4. Others (For details, please refer to (Attached materials) p.4 "2. Other information".)

(1) Transfer of significant subsidiaries during the quarter: None

New: ___companies (Names:), Excluded companies ___ (Names:)

(Note) This means whether or not there were any transfers of specified companies entailing a change in the scope of consolidation during the quarterly accounting period under review.

(2) Application of simplified accounting methods and specific accounting methods: Yes

(Note) This means whether or not there was any application of simplified accounting methods and accounting methods specific to the preparation of quarterly consolidated financial statements.

(3) Changes in accounting policies, procedures, and methods of presentation

1) Changes due to amendment to the accounting standards, etc.; None

2) Changes other than those in 1) above; None

(Note) This means whether or not there were any changes in the accounting policies, procedures, and methods of presentation related to the preparation of quarterly consolidated financial statements to be included in the "Summary of Significant Accounting Policies for the Preparation of Quarterly Consolidated Financial Statements".

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding at term-end (including treasury stock)

Third quarter ended September 20, 2010, 12,544,408 shares; Year ended December 20, 2009, 12,544,408 shares

2) Number of treasury shares at term-end

Third quarter ended September 20, 2010, 11,549 shares; Year ended December 20, 2009, 11,617 shares

3) Average number of shares through accounting period (quarterly cumulative total)

Third quarter ended September 20, 2010, 12,532,839 shares; Third quarter ended September 20, 2009, 12,532,959 shares

* Display of the state of implementation of quarterly review procedures

· These quarterly consolidated financial statements are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act and at the time of public disclosure of these quarterly consolidated financial statements, the review procedures for quarterly financial statements based on the Financial Instruments and Exchange Act have not been completed.

* Proper use of earnings forecast and other matters

· Statements about the future such as the earnings forecast shown here are based on information currently held by the Company and on assumptions that the Company considers reasonable. Actual earnings may differ materially from the earnings forecast due to various factors. For notes, etc., on the assumptions for earnings forecasts and the use of earnings forecasts, please refer to sub-section "3. Qualitative information on consolidated earnings forecast" in section "1. Qualitative information on the consolidated earnings for this quarter" on p.4 of the Consolidated Financial Statements for Third Quarter Ended September 20, 2010 (Attached materials).

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1. [Qualitative information on the consolidated earnings for this quarter]

(1) Qualitative information on consolidated operating results

During the third quarter consolidated accounting period under review, the Japanese economy saw signs of a gentle recovery backed up by economic stimulus measures in Japan and overseas and a recovery in demand from newly-emerging economies. However, even though a partial recovery was apparent in personal consumption trends, the difficult personal consumption situation remained because of factors including the economy's weak ability to make a self-sustained recovery, the difficult employment situation, the guarded facility investment situation, and concerns over the strong yen and deflation, etc.

In the beauty industry too, it is estimated that the difficult environment continued due to a decrease in customer visits brought on by a slowing down in the cycle of customer visits to beauty salons and a decrease in spending per customer, as well as the impact of factors such as the declining birthrate, aging society and changes in demographic trends.

Under these circumstances, the Milbon Group has continued to promote activities under a basic policy of supporting the "training of professionals with composite presentation skills and the ability to make sales" in order to create hair design that helps realize the "desired female image". Above all things, because sales of hair care products with strong treatment effects and coloring agents for gray hair aimed at relieving concerns associated with aging among women, particularly the second-generation baby-boomers who are the core customers of the beauty salon industry, have performed well, the Group as a whole exceeded last year's sales performance for the same period.

At MILBON USA, Inc., a wholly-owned subsidiary, sales of LISCIO, the permanent straight hair agent and hair-care products for maintenance, which have accounted for the core of its sales, are continuing to fall as a result of increasing competition in the United States permanent straight hair products sector. Although the company started to work on marketing activities centered on the proposals of treatment menus to beauty salons, this was unable to absorb the decrease in sales of permanent straight hair agent related products, resulting in decreased sales against the same period of the previous year.

Milbon Trading (Shanghai) Co., Ltd., a wholly-owned subsidiary that began operating in February 2009, has promoted the development of new outlets for Milbon products by the development of sales activities focused on top salons that have acquired high-end customers in the eastern China region (Shanghai City, Jiangsu Province and Zhejiang Province) and the southern China region (Guangdong Province, Fujian Province). In addition, sales performed well due to the positive promotion of proposal activities such as comprehensive hair design and salon menu triggered by the start of the sale of the permanent wave products.

Milbon Korea Co., Ltd., a wholly-owned subsidiary that began operating in December 2009, worked proactively to develop color education activities at individual beauty salons and company-owned training studios aiming for differentiation from competitors. As a result, sales performed well thanks to a significant increase in the number of salons that have introduced hair color products and the acceleration of the introduction of color-related products centered on salon treatment menus.

Despite the difficult environment, consolidated sales in the third quarter consolidated accumulative fiscal period under review increased 216 million yen to 14,345 million yen (1.5% increase compared to the same period in the previous year).

Operating income reached 2,770 million yen (18.7% increase compared to the same period in the previous year), ordinary income was 2,601 million yen (18.2% increase compared to the same period in the previous year) and quarterly net income was 1,523 million yen (28.8% increase compared to the same period in the previous year).

Breakdown of sales by product category is shown as follows:

[Breakdown of consolidated sales by product category]

Product Category	3 rd Quarter, consolidated accumulative fiscal period in the previous year		Current 3 rd Quarter consolidated accumulative fiscal period		Increase/decrease Sales amount (million yen)
	Sales amount (million yen)	Ratio (%)	Sales amount (million yen)	Ratio (%)	
Permanent wave products	1,527	10.8	1,514	10.6	-12
Hair care products	7,180	50.8	7,309	51.0	129
Hair coloring products	5,210	36.9	5,314	37.0	103
Others	210	1.5	206	1.4	-3
Total	14,128	100.0	14,345	100.0	216

(Permanent wave products)

It is estimated that the industry as a whole contracted as a result of a declining frequency in the use of permanent wave products under the impact of stagnant economic conditions and a decrease in the permanent agent ratio due to changes in trends, etc.

Under these circumstances, the Milbon Group made efforts to arouse demand for permanent agents using the straight perm product LISCIO GLANFE, launched in April, which expresses a soft silhouette with a sense of “roundness” matched to different hair types and the perm agent LIFUME, launched in June, a product based on a totally new concept that controls the volume of hair that decreases with age. However, in the permanent wave products sector as a whole, sales fell against the same period in the previous year.

(Hair care products)

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

Under these circumstances, the Milbon Group saw improved sales against the same period in the previous year in the hair care products sector as a whole thanks to positive sales of DEESSE’S APROU, a treatment that cannot be washed out and which was launched in March for women suffering from dry hair and declining “bounce” as a result of ageing, and the fact that sales of salon treatment agents aimed at relieving customers’ hair concerns, centered on INPHENOM DAILY CARE, which Milbon launched in July last year, grew steadily.

(Hair coloring products)

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

Under these circumstances, the Milbon Group made efforts to develop nationwide seminars aimed at improving hair designers’ hair coloring techniques and presentation skills with a view to expansion in the gray hair dyeing market, and also made efforts in proposal activities for seasonal colors for customers (colors for each season matched to fashions). As a result, the growth in sales of LISEINTER, which dyes gray hair firmly with colors the same as fashion colors and of FARGLAN, which dyes gray hair without placing a burden on damaged hair, led to increased sales against the same period in the previous year in the hair coloring products sector as a whole.

(Others)

There are no particular items to present.

(2) Qualitative information on consolidated financial conditions

1) Assets, liabilities and net assets

Total assets at the end of the 3rd quarter consolidated fiscal period increased by 38 million yen to 20,392 million yen compared to the end of the previous consolidated fiscal year.

Current assets increased 175 million yen against the end of the previous consolidated fiscal year to 7,163 million yen. The major variable factors were an increase of 229 million yen in cash and bank deposits, an increase of 198 million yen in merchandise and products and an increase of 103 million yen in raw materials and inventory goods, although trade notes and accounts receivable decreased by 370 million yen.

Fixed assets fell 137 million yen against the end of the previous consolidated fiscal year to 13,228 million yen. The major variable factors were a decrease of 700 million yen due to the posting of depreciation and amortization expense, an increase of 746 million yen due to the acquisition of assets such as the expansion and refurbishment of Tokyo Branch, etc., and a decrease of 127 million yen in investment securities.

Current liabilities decreased 711 million yen against the end of the previous consolidated fiscal year to 2,534 million yen. The major variable factors were a decrease of 438 million yen in notes and accounts payable, a decrease of 393 million yen in accrued expenses payable, and an increase in 202 million yen in the reserve for bonuses.

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

Net assets increased 752 million yen against the end of the previous consolidated fiscal year to 17,406 million yen. The major variable factors were an increase of 834 million yen in retained earnings and a decrease in net unrealized gains on other securities of 70 million yen due to the stagnation of the stock market. As a result, the company’s equity ratio fell to 85.4% from 81.8% at the end of the previous consolidated fiscal

year. Net assets per share based on total outstanding shares as of the end of the accounting period rose to 1,388.83 yen per share, compared to 1,328.80 yen per share at the end of the previous fiscal consolidated year.

2) Cash flows

The balance of cash and cash equivalents (hereinafter “Funds”) at the end of the 3rd quarter consolidated accounting period under review increased 228 million yen against the end of the previous consolidated fiscal year to 1,895 million yen after using funds procured as a result of operating activities in the payment of corporate and other taxes and the payment of dividends, etc.

(Cash Flows from Operating Activities)

Funds procured as a result of operating activities were 1,559 million yen. This was mainly the result of 2,581 million yen recorded in net income before taxes and other adjustments, depreciation and amortization expense of 700 million yen and payment of corporate and other taxes of 1,162 million yen.

(Cash Flows from Investing Activities)

Funds used for investing activities were 645 million yen. Major factors included 582 million yen used in the acquisition of tangible fixed assets, 167 million yen used in the acquisition of intangible fixed assets, and income of 116 million yen as a result of the cancellation of insurance reserve funds.

(Cash Flows from Financing Activities)

Funds used as the result of financing activities were 684 million yen. The Funds mainly consisted of 684 million yen of dividend payment to shareholders.

(3) Qualitative information on consolidated earnings forecast

The consolidated earnings forecast for the year as a whole has not changed since the previous forecast (announced on June 25, 2010).

2. Other information

(1) Overview of transfers of significant subsidiaries during the period

None

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

1) Simplified accounting methods

(Valuation methods for inventories)

The calculation of inventories at the end of the 3rd quarter consolidated fiscal period is calculated by omitting a physical inspection and using a rational method of calculation based upon the physical inspection amount for the end of the previous consolidated fiscal year.

(Calculation methods for depreciation expenses for fixed assets)

Fixed assets using a fixed percentage depreciation method are calculated by dividing the amount of depreciation expenses for the consolidated fiscal year proportionally between the respective accounting periods.

2) Accounting methods specific to the preparation of quarterly consolidated financial statements

None

(3) Overview of changes in accounting policies, procedures, and methods of presentation

None

(4) Overview of key events with regard to the premise of the company as an ongoing concern

None

3. Quarterly Financial Statements

(1) Third Quarter Balance Sheet

(Unit: thousand yen)

	End of 3 rd quarter consolidated fiscal period under review (as of September 20, 2010)	Condensed consolidated balance sheet at the end of the previous consolidated fiscal year (as of December 20, 2009)
Assets		
Current assets		
Cash and bank deposits	1,896,118	1,666,170
Trade notes and accounts receivable	2,434,258	2,804,683
Merchandise and products	1,845,295	1,646,427
In-process	24,887	17,417
Raw materials and inventory goods	603,718	499,852
Others	367,222	362,286
Loan loss reserves	-7,776	-9,017
Total current assets	7,163,724	6,987,821
Fixed assets		
Tangible fixed assets		
Buildings and other structures (net amount)	3,408,629	3,627,958
Machinery, equipment and vehicles for transportation (net amount)	1,055,250	1,306,380
Land	4,763,766	4,763,766
Construction in progress	1,094,672	709,139
Others (net amount)	250,305	233,024
Total tangible fixed assets	10,572,624	10,640,269
Intangible fixed assets	411,050	318,593
Investments and other assets		
Investment in securities	1,180,275	1,307,670
Others	1,101,590	1,164,694
Loan loss reserves	-36,669	-65,160
Total investments and other assets	2,245,196	2,407,204
Total fixed assets	13,228,872	13,366,068
Total assets	20,392,596	20,353,890
Liabilities		
Current Liabilities		
Notes and accounts payable	-	953,356
Accounts payable	514,664	-
Accrued expenses payable	976,894	1,370,388
Corporate taxes payable	467,167	571,930
Reserve for returned goods	13,984	31,720
Reserve for bonuses	264,841	62,685
Others	297,425	256,617
Total current liabilities	2,534,978	3,246,698
Fixed Liabilities		
Reserve for loss on guarantees	39,000	39,000
Others	412,563	414,633
Total fixed liabilities	451,563	453,633
Total liabilities	2,986,541	3,700,331

(Unit: thousand yen)

	End of 3 rd quarter consolidated fiscal period under review (as of September 20, 2010)	Condensed consolidated balance sheet at the end of the previous consolidated fiscal year (as of December 20, 2009)
Net Assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	199,120	199,120
Retained earnings	15,472,337	14,637,996
Treasury stock	-38,234	-38,572
Total shareholders' equity	17,633,222	16,798,543
Valuation and translation adjustments		
Net unrealized gains on other securities	-141,989	-71,571
Foreign currency translation adjustments	-85,178	-73,412
Total valuation and translation adjustments	-227,167	-144,984
Total net assets	17,406,055	16,653,559
Total liabilities and net assets	20,392,596	20,353,890

(2) Third Quarter Consolidated Statement of Earnings
[3rd quarter consolidated accumulative fiscal period]

	(Unit: thousand yen)	
	Previous 3 rd quarter consolidated accumulative fiscal period (December 21, 2008 – September 20, 2009)	3 rd quarter consolidated accumulative fiscal period under review (December 21, 2009 – September 20, 2010)
Sales	14,128,162	14,345,031
Cost of Products/Merchandise Sold	5,131,452	4,803,155
Total sales revenues	8,996,710	9,541,875
Selling, General and Administrative Expenses	6,663,031	6,771,603
Operating income	2,333,678	2,770,272
Non-operating Income		
Interest income	2,329	1,041
Dividends income	14,322	21,669
Gain on sale of investment securities	-	1,287
Rent from company housing	24,849	30,992
Bounty for corporate location	27,520	-
Profit on surrender of insurance	24,810	26,579
Others	13,074	15,009
Total non-operating income	106,906	96,580
Non-operating Expenses		
Interest expense	679	-
Sales discount	239,318	249,376
Others	304	15,780
Total non-operating expenses	240,303	265,156
Ordinary income	2,200,282	2,601,696
Extraordinary Profit		
Gain on sale of fixed assets	887	91
Release of loan loss reserves	15,000	4,384
Total extraordinary profits	15,887	4,475
Extraordinary Loss		
Loss on sale of fixed assets	606	79
Loss on retirement of fixed assets	83,675	16,502
Loss on revaluation of investments in securities	-	8,272
Provision for doubtful accounts	27,972	-
Factory relocation expenses	21,760	-
Total extraordinary losses	134,015	24,854
Net income before taxes and other adjustments	2,082,154	2,581,318
Corporate, inhabitant and enterprise taxes	990,884	1,072,239
Adjustment for difference of tax allocation between financial accounting and tax accounting	-92,083	-14,762
Total corporate and other taxes	898,801	1,057,476
Quarterly net income	1,183,352	1,523,841

[3rd quarter consolidated fiscal period]

(Unit: thousand yen)

	Previous 3 rd quarter consolidated fiscal period (June 21, 2009 – September 20, 2009)	3 rd quarter consolidated fiscal period under review (June 21, 2010 – September 20, 2010)
Sales	4,738,788	4,914,138
Cost of Products/Merchandise Sold	1,812,278	1,613,452
Total sales revenues	2,926,509	3,300,686
Selling, General and Administrative Expenses	2,285,327	2,256,298
Operating income	641,182	1,044,388
Non-operating Income		
Interest income	599	369
Dividends income	12,453	16,689
Rent from company housing	8,638	10,843
Others	-3,952	815
Total non-operating income	17,738	28,718
Non-operating Expenses		
Interest expense	295	-
Sales discount	85,401	88,887
Others	297	2,512
Total non-operating expenses	85,994	91,399
Ordinary income	572,926	981,706
Extraordinary Profit		
Gain on sale of fixed assets	-	4
Release of loan loss reserves	-	974
Total extraordinary profits	-	978
Extraordinary Loss		
Loss on sale of fixed assets	39,406	3,013
Loss on revaluation of investments in securities	-	8,272
Provision for doubtful accounts	27,972	-
Factory relocation expenses	21,760	-
Total extraordinary losses	89,139	11,285
Net income before taxes and other adjustments	483,786	971,399
Corporate, inhabitant and enterprise taxes	275,155	440,890
Adjustment for difference of tax allocation between financial accounting and tax accounting	-61,979	-55,312
Total corporate and other taxes	213,175	385,578
Quarterly net income	270,611	585,821

(3) [Quarterly Consolidated Statement of Cash Flows]

(Unit: thousand yen)

	Previous 3 rd quarter consolidated accumulative fiscal period (December 21, 2008 – September 20, 2009)	3 rd quarter consolidated accumulative fiscal period under review (December 21, 2009 – September 20, 2010)
Cash flows from operating activities		
Quarterly net income before tax and income adjustment	2,082,154	2,581,318
Depreciation and amortization expense	809,631	700,501
Increase (decrease) in loan loss reserves	18,716	-29,212
Increase (decrease) in the provision for bonuses	192,134	202,180
Increase (decrease) in provision for returned product adjustment	2,112	-17,735
Increase (decrease) in allowance for retirement benefits for employees	-	913
Decrease (increase) in the prepaid pension cost	42,563	32,488
Interest and dividends received	-16,651	-22,711
Interest paid	679	-
Foreign exchange loss (gain)	10,532	-1,537
Loss (gain) on sale of investment securities	-	-1,287
Loss (gain) on revaluation of investments in securities	-	8,272
Loss (gain) on sales of fixed assets	-280	-12
Loss from the sale/disposition of fixed assets	83,675	16,502
Decrease (increase) in accounts receivable – trade	301,082	369,890
Decrease (increase) in inventories	-15,982	-314,970
Increase (decrease) in accounts payable related to procurement transactions	479,285	-428,901
Others	-211,553	-202,832
Subtotal	3,778,101	2,892,866
Interest and dividends received	17,075	22,982
Interest paid	-679	-
Payment of retirement benefits for director	-	-194,441
Payment of corporate and other taxes	-1,377,772	-1,162,144
Cash flows from operating activities	2,416,725	1,559,263
Cash flows from investing activities		
Payment due to the purchase of investment securities	-499,966	-
Sale of investment securities	400,000	2,400
Payment due to the acquisition of tangible fixed assets	-993,282	-582,608
Income from the sale of tangible fixed assets	2,275	3,846
Payment due to the acquisition of intangible fixed assets	-109,989	-167,256
Payment due to loans	-41,112	-5,490
Collection of the loan payment	46,330	17,393
Expenditure due to deposit of fixed term deposits	-	-1,093
Income from cancellation of fixed deposits	48,337	-
Payment due to the placement of guarantee money	-35,745	-64,963
Collection of guarantee money	7,093	42,020
Payment into insurance reserve fund	-8,223	-3,974
Cancellation/withdrawal from insurance reserve fund	62,861	116,422
Others	-932	-2,193
Cash flows from investing activities	-1,122,353	-645,496

(3) [Quarterly Consolidated Statement of Cash Flows]

(Unit: thousand yen)

	Previous 3 rd quarter consolidated accumulative fiscal period (December 21, 2008 – September 20, 2009)	3 rd quarter consolidated accumulative fiscal period under review (December 21, 2009 – September 20, 2010)
Cash flows from financing activities		
Payment due to the repayment of long-term borrowing	-21,695	-
Net decrease (increase) in treasury stocks	-277	143
Payment of dividends	-696,883	-684,973
Cash flows from financing activities	-718,855	-684,829
Effect of exchange rate fluctuations on cash and cash equivalents	-24,159	-15
Increase (decrease) in cash and cash equivalents	551,357	228,921
Outstanding balance of cash and cash equivalents at the beginning of current term	1,010,784	1,666,170
Outstanding balance of cash and cash equivalents at end of current quarter	1,562,141	1,895,092

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

None

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

None