



Consolidated Financial Results for the Nine Months Ended September 20, 2016 [Japanese GAAP]

September 30, 2016
Tokyo Stock Exchange, First Section

Name of registrant: Milbon Co., Ltd.
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Scheduled filing date for quarterly report: October 28, 2016
Preparation of supplementary materials on the quarterly results: Yes
Holding of an explanatory meeting on the quarterly results: None

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Scheduled starting date of dividend payments: -

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

1. Consolidated financial results for the nine months ended September 20, 2016 (December 21, 2015 - September 20, 2016)

(1) Consolidated operating results

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 20, 2016	21,424	7.2	3,845	1.5	3,495	(2.8)	2,370	1.7
Nine months ended September 20, 2015	19,978	8.4	3,787	17.8	3,594	18.1	2,331	26.3

(Note) Comprehensive income Nine months ended September 20, 2016: 1,845 million yen [(31.3)%] Nine months ended September 20, 2015: 2,686 million yen [34.1%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended September 20, 2016	144.78		-	
Nine months ended September 20, 2015	142.40		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of September 20, 2016	31,668		26,794		84.6	
As of December 20, 2015	30,799		26,212		85.1	

(Reference) Equity As of September 20, 2016: 26,794 million yen As of December 20, 2015: 26,212 million yen

2. Payment of dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of fiscal year	Total
Year ended December 20, 2015	Yen	Yen	Yen	Yen	Yen
	-	35.00	-	39.00	74.00
Year ending December 20, 2016	-	38.00	-		
Year ending December 20, 2016 (forecast)				40.00	78.00

(Note) Changes to latest dividends forecast: None

3. Consolidated operating forecasts for the fiscal year ending December 20, 2016 (December 21, 2015 - December 20, 2016)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Year ending December 20, 2016	28,950	5.7	5,000	5.8	4,700	6.2	3,100	5.1	189.34	

(Note) Changes to latest performance forecasts: None

*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) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: No

(3) 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

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)	As of September 20, 2016	16,558,617 shares	As of December 20, 2015	16,558,617 shares
2) Number of treasury shares at the end of the period	As of September 20, 2016	186,822 shares	As of December 20, 2015	186,242 shares
3) Average number of shares during the period (cumulative)	Nine months ended September 20, 2016	16,372,042 shares	Nine months ended September 20, 2015	16,373,324 shares

*Status of execution of quarterly review of financial statements

As these financial statements are not subject to the review of the quarterly financial statements pursuant to the Financial Instruments and Exchange Act, procedures for said review are 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.

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1. Qualitative Information on Consolidated Results for the Current Period

(1) Qualitative information on consolidated operating results

During the nine month period ended September 20, 2016, the Japanese economy was on a moderate recovery trend. Even so, an improvement of corporate earnings and capital investments came to a standstill. The economic outlook also remains uncertain, due to factors including a steep appreciation of the yen and falling stock prices following the UK's referendum in favor of leaving the European Union, together with the concerns over an economic slowdown in China and other Asian emerging economies. In the beauty industry, although business conditions continue to pose challenges due to the adverse impact of demographic trends, patterns of consumption seem to be changing, and amounts that people spend in beauty salons on an annual basis appear to be on the rise, among those in their late 20s and 40s, as well as those in their 50s whose household incomes and expenditures tend to be the highest among demographic segments.

Amid this environment, the Milbon Group believes that professionals must respond to attitudes of female beauty which vary from generation to generation. As such, we will work with salons premised on the goal of "helping to lend radiance to the stages of beauty experienced by women as individuals, thereby seizing on the two demographic milestones of beauty — that of the 'Hanako generation' (women in their 50s embarking on a quest for beauty) and that of the 'Hanako junior generation' (women in their 20s awakening to the notion of beauty)."

Consolidated net sales during the nine month period ended September 20, 2016 increased to 21,424 million yen (up 7.2% year-on-year). In the hair care product category, the increase in net sales was due to the growth of Aujua, the Company's premium brand, and brisk sales of new products in leave-in hair treatments from the Company's professional brand. In the hair coloring product category, one of the factors for the increase in net sales was that sales of the hair coloring product line specialized for gray hair which launched last year continues to grow steadily. Furthermore, steady business development in Asia, including China and South Korea, also contributed to the increase.

Operating income was 3,845 million yen (up 1.5% year-on-year), ordinary income was 3,495 million yen (down 2.8% year-on-year) and profit was 2,370 million yen (up 1.7% year-on-year).

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

[Breakdown of consolidated net sales by product category]

(Unit: Million yen)

Product category	Nine months ended September 20, 2015		Nine months ended September 20, 2016		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	11,618	58.1	12,760	59.6	1,142	9.8
Hair coloring products	7,129	35.7	7,529	35.1	399	5.6
Permanent wave products	1,076	5.4	972	4.5	(103)	(9.6)
Others	154	0.8	161	0.8	6	4.4
Total	19,978	100.0	21,424	100.0	1,445	7.2

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Nine months ended September 20, 2015		Nine months ended September 20, 2016		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	17,455	87.4	18,593	86.8	1,137	6.5
Overseas sales	2,523	12.6	2,831	13.2	308	12.2
Total	19,978	100.0	21,424	100.0	1,445	7.2

(2) Qualitative information on consolidated financial position

Total assets at the end of the nine month period ended September 20, 2016 increased by 869 million yen compared to the end of the previous fiscal year to 31,668 million yen.

Current assets decreased by 1,396 million yen compared to the end of the previous fiscal year to 13,228 million yen. This was mainly due to the 1,500 million yen decrease in securities (jointly managed designated money trusts, etc.), the 701 million yen decrease in cash and deposits, the 156 million yen decrease in notes and accounts receivable - trade and the 892 million yen increase in merchandise and finished goods.

Non-current assets increased by 2,265 million yen compared to the end of the previous fiscal year to 18,439 million yen. This was due mainly to the 2,846 million yen increase in construction in progress, including advance payment on a portion of the extension work of the Yumegaoka Plant.

Current liabilities increased by 394 million yen compared to the end of the previous fiscal year to 4,751 million yen. This was due mainly to the 476 million yen increase in accounts payable - other, the 285 million yen increase in provision for bonuses and the 298 million yen decrease in income taxes payable.

Non-current liabilities decreased by 107 million yen to 122 million yen compared to the end of the previous fiscal year.

Net assets increased by 581 million yen compared to the end of the previous fiscal year to 26,794 million yen. This was due mainly to the 1,109 million yen increase in retained earnings, the 239 million yen decrease in valuation difference on available-for-sale securities attributable to the slump in stock markets and the 269 million yen decrease in foreign currency translation adjustment attributable to the appreciation of the yen.

As a result, the equity ratio changed from 85.1% at the end of the previous fiscal year to 84.6%. Net assets per share based on the total outstanding shares as of the end of the period under review increased from 1,601.02 yen per share at the end of the previous fiscal year to 1,636.62 yen per share.

(3) Qualitative information on consolidated operating forecasts

In terms of the full-year forecast there are no changes to the previous consolidated operating forecasts, which were announced on January 27, 2016.

2. Summary Information (Notes)

(1) Significant changes in subsidiaries during the period

None

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements

None

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

(Changes in accounting policies)

(Application of the Accounting Standard for Business Combinations, etc.)

Effective from the first quarter ended March 20, 2016, the Company adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013). As a result, the presentation method for “profit” and other related items has been changed, and “minority interests” are now presented as “non-controlling interests.” To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the first nine months of the previous fiscal year and the previous fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2015)	Current Third Quarter (As of September 20, 2016)
Assets		
Current assets		
Cash and deposits	4,912,293	4,210,680
Notes and accounts receivable - trade	3,424,543	3,267,594
Securities	2,500,000	1,000,000
Merchandise and finished goods	2,428,521	3,320,543
Work in process	30,925	11,614
Raw materials and supplies	835,568	856,909
Other	541,623	710,021
Allowance for doubtful accounts	(48,570)	(148,549)
Total current assets	14,624,904	13,228,813
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,262,671	3,949,304
Machinery, equipment and vehicles, net	1,120,346	967,514
Land	5,277,410	5,264,730
Construction in progress	1,348,999	4,195,713
Other, net	272,064	286,651
Total property, plant and equipment	12,281,492	14,663,914
Intangible assets	398,357	552,410
Investments and other assets		
Investment securities	2,525,286	2,254,084
Net defined benefit asset	278,650	300,309
Other	740,222	722,321
Allowance for doubtful accounts	(49,681)	(53,556)
Total investments and other assets	3,494,477	3,223,160
Total non-current assets	16,174,327	18,439,485
Total assets	30,799,232	31,668,299
Liabilities		
Current liabilities		
Accounts payable - trade	684,978	588,398
Accounts payable - other	2,343,762	2,819,808
Income taxes payable	749,005	450,970
Provision for sales returns	18,394	16,128
Provision for bonuses	108,823	394,045
Other	451,599	482,034
Total current liabilities	4,356,565	4,751,386
Non-current liabilities		
Net defined benefit liability	27,425	28,804
Other	202,708	93,742
Total non-current liabilities	230,133	122,547
Total liabilities	4,586,698	4,873,933

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2015)	Current Third Quarter (As of September 20, 2016)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	199,748	199,761
Retained earnings	23,440,262	24,550,015
Treasury shares	(542,094)	(544,789)
Total shareholders' equity	25,097,916	26,204,986
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	737,221	497,392
Foreign currency translation adjustment	311,451	42,155
Remeasurements of defined benefit plans	65,944	49,831
Total accumulated other comprehensive income	1,114,616	589,379
Total net assets	26,212,533	26,794,366
Total liabilities and net assets	30,799,232	31,668,299

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Statements of Earnings
 Nine Months Ended September 20, 2015 and 2016

(Thousand yen)

	Nine Months Ended September 20, 2015 (December 21, 2014 - September 20, 2015)	Nine Months Ended September 20, 2016 (December 21, 2015 - September 20, 2016)
Net sales	19,978,880	21,424,814
Cost of sales	6,035,176	6,663,289
Gross profit	13,943,704	14,761,525
Selling, general and administrative expenses	10,156,440	10,916,282
Operating income	3,787,263	3,845,242
Non-operating income		
Interest income	4,434	1,953
Dividend income	34,378	37,274
Foreign exchange gains	2,818	-
Company house defrayment income	45,751	44,030
Gain on surrender of insurance	44,020	2,622
Other	11,321	21,213
Total non-operating income	142,723	107,094
Non-operating expenses		
Sales discounts	334,081	355,059
Foreign exchange losses	-	101,605
Other	1,740	405
Total non-operating expenses	335,822	457,070
Ordinary income	3,594,164	3,495,266
Extraordinary losses		
Loss on retirement of non-current assets	11,225	4,166
Factory transfer costs	-	1,568
Total extraordinary losses	11,225	5,734
Profit before income taxes	3,582,939	3,489,531
Income taxes - current	1,273,922	1,139,771
Income taxes - deferred	(22,578)	(20,649)
Total income taxes	1,251,343	1,119,122
Profit	2,331,595	2,370,409
Profit attributable to owners of parent	2,331,595	2,370,409

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended September 20, 2015 and 2016

(Thousand yen)

	Nine Months Ended September 20, 2015 (December 21, 2014 - September 20, 2015)	Nine Months Ended September 20, 2016 (December 21, 2015 - September 20, 2016)
Profit	2,331,595	2,370,409
Other comprehensive income		
Valuation difference on available-for-sale securities	209,006	(239,828)
Foreign currency translation adjustment	159,238	(269,295)
Remeasurements of defined benefit plans, net of tax	(13,792)	(16,113)
Total other comprehensive income	354,451	(525,237)
Comprehensive income	2,686,047	1,845,171
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,686,047	1,845,171
Comprehensive income attributable to non-controlling interests	-	-

- (3) Notes regarding going concern assumption
None
- (4) Segment information
The Company omits information on business segments, as it is engaged in the production and distribution of hair-care products and related merchandise, all of which are deemed to belong to a single business segment.
- (5) Notes in case of any significant changes in shareholders' equity
None