



Consolidated Financial Results for the Three Months Ended March 20, 2017 [Japanese GAAP]

March 31, 2017

Name of registrant: Milbon Co., Ltd.
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 Scheduled filing date for quarterly report: April 28, 2017
 Scheduled starting date of dividend payments: -
 Preparation of supplementary materials on the quarterly results: Yes
 Holding of an explanatory meeting on the quarterly results: None

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

1. Consolidated financial results for the three months ended March 20, 2017 (December 21, 2016 - March 20, 2017)

(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	%
Three months ended March 20, 2017	6,898	2.8	786	(14.9)	717	(11.8)	538	(1.5)
Three months ended March 20, 2016	6,708	10.3	924	(7.3)	813	(17.0)	546	(14.0)

(Note) Comprehensive income Three months ended March 20, 2017: 838 million yen [92.9%] Three months ended March 20, 2016: 434 million yen [(53.3)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 20, 2017	32.88		-	
Three months ended March 20, 2016	33.37		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 20, 2017	31,858	27,887	87.5
As of December 20, 2016	32,444	27,706	85.4

(Reference) Equity As of March 20, 2017: 27,887 million yen As of December 20, 2016: 27,706 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
	Yen	Yen	Yen	Yen	Yen
Year ended December 20, 2016	-	38.00	-	40.00	78.00
Year ending December 31, 2017	-				
Year ending December 31, 2017 (forecast)		40.00	-	42.00	82.00

(Note) Changes to latest dividends forecast: None

3. Consolidated operating forecasts for the fiscal year ending December 31, 2017 (December 21, 2016 - December 31, 2017)

(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 31, 2017	32,700	-	5,550	-	5,100	-	3,580	-	218.67

(Note) Changes to latest performance forecasts: None

The 58th term, which serves as the transition period for the change in the fiscal period, shall be 12 months plus 11 days from December 21, 2016 to December 31, 2017. For consolidated accounting, overseas consolidated subsidiaries shall announce consolidated financial results on the basis of their respective individual results for the period from October 1, 2016 to December 31, 2017.

*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. : None

2) Changes in accounting policies other than those in 1) above : Yes

3) Changes in accounting estimates : Yes

4) Retrospective restatements : None

(Note) The matter falls under Article 10, Paragraph 5 of the “Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements.” For details, refer to “2. Summary Information (Notes) (3) Changes in accounting policies, changes in accounting estimates and retrospective restatements” on page 4 of the supplementary materials.

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

2) Number of treasury shares at the end of the period

3) Average number of shares during the period (cumulative)

As of March 20, 2017	16,558,617 shares	As of December 20, 2016	16,558,617 shares
As of March 20, 2017	187,227 shares	As of December 20, 2016	186,816 shares
Three months ended March 20, 2017	16,371,649 shares	Three months ended March 20, 2016	16,372,280 shares

*These financial statements are not subject to the review of the quarterly financial statements.

*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.

Contents of supplementary materials

1. Qualitative Information on Consolidated Results for the Current Period.....	2
(1) Qualitative information on consolidated operating results.....	2
(2) Qualitative information on consolidated financial position	3
(3) Qualitative information on consolidated operating forecasts	3
2. Summary Information (Notes).....	4
(1) Significant changes in subsidiaries during the period.....	4
(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements	4
(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements	4
(4) Additional information	4
3. Quarterly Consolidated Financial Statements	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income.....	7
(3) Notes regarding going concern assumption	9
(4) Segment information.....	9
(5) Notes in case of any significant changes in shareholders' equity.....	9

1. Qualitative Information on Consolidated Results for the Current Period

(1) Qualitative information on consolidated operating results

During the three month period ended March 20, 2017, the Japanese economy continued on a moderate recovery trend, due to improvement in the employment and income environment. However, the overall economic outlook remains uncertain, owing to factors such as the protectionist policies of the new administration in the U.S., together with the concerns over an economic slowdown in China and other Asian emerging economies. In the beauty industry, business conditions continue to pose challenges due to the adverse impact of demographic trends and other factors.

Amid this environment, the Milbon Group is working with salons toward the goal of “supporting ‘the development of lifelong hair designers’ to create lifelong customers by understanding their generational perspectives and values, with the aim of improving productivity through consumption that spreads across generations.”

Consolidated net sales during the three month period ended March 20, 2017 increased to 6,898 million yen (up 2.8% year-on-year). One of the factors behind the increase was that ORDEVE Addicthy, a product that lets customers enjoy the kind of freedom in color design available to Europeans and Americans, got off to a strong start in the hair coloring product category.

Operating income was 786 million yen (down 14.9% year-on-year), ordinary income was 717 million yen (down 11.8% year-on-year), and profit attributable to owners of parent was 538 million yen (down 1.5 % year-on-year). This was mainly due to an increase in cost of sales associated with the extension work on the Yumegaoka Plant.

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	Three months ended March 20, 2016		Three months ended March 20, 2017		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	3,918	58.4	3,924	56.9	6	0.2
Hair coloring products	2,441	36.4	2,667	38.6	225	9.2
Permanent wave products	307	4.6	260	3.8	(47)	(15.3)
Others	41	0.6	46	0.7	4	11.9
Total	6,708	100.0	6,898	100.0	189	2.8

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Three months ended March 20, 2016		Three months ended March 20, 2017		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	5,739	85.6	5,856	84.9	116	2.0
Overseas sales	968	14.4	1,041	15.1	72	7.5
Total	6,708	100.0	6,898	100.0	189	2.8

(2) Qualitative information on consolidated financial position

Total assets at the end of the three month period ended March 20, 2017 decreased by 586 million yen compared to the end of the previous fiscal year to 31,858 million yen.

Current assets decreased by 883 million yen compared to the end of the previous fiscal year to 12,528 million yen. This was mainly due to the 205 million yen decrease in cash and deposits, the 616 million yen decrease in notes and accounts receivable - trade, the 500 million yen decrease in securities (jointly managed designated money trusts, etc.), the 546 million yen increase in merchandise and finished goods and the 127 million yen increase in raw materials and supplies.

Non-current assets increased by 296 million yen compared to the end of the previous fiscal year to 19,329 million yen. This was due mainly to the 169 million yen increase in investment securities attributable to factors such as higher prices of listed stocks.

Current liabilities decreased by 827 million yen compared to the end of the previous fiscal year to 3,763 million yen. This was due mainly to the 1,207 million yen decrease in accounts payable - other, the 439 million yen decrease in income taxes payable, the 291 million yen increase in accounts payable - trade and the 265 million yen increase in provision for bonuses.

Non-current liabilities increased by 60 million yen compared to the end of the previous fiscal year to 206 million yen.

Net assets increased by 181 million yen compared to the end of the previous fiscal year to 27,887 million yen. This was due mainly to the 116 million yen decrease in retained earnings, the 117 million yen increase in valuation difference on available-for-sale securities attributable to factors such as higher prices of listed stocks and the 189 million yen increase in foreign currency translation adjustment attributable to the depreciation of the yen.

As a result, the equity ratio changed from 85.4% at the end of the previous fiscal year to 87.5%. Net assets per share based on the total outstanding shares as of the end of the period under review increased from 1,692.33 yen per share at the end of the previous fiscal year to 1,703.45 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 February 24, 2017.

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 which are difficult to distinguish from changes in accounting estimates

(Change in the depreciation method of property, plant and equipment)

The Company had previously used the declining-balance method for depreciation of property, plant and equipment. However, effective from the first quarter ended March 20, 2017, the straight-line method has been adopted.

This change came about as a result of reviewing the relationship between future manufacturing output and facility maintenance costs such as depreciation and repair costs, upon completion of investments in the large-scale production facilities in the previous fiscal year. Consequently, the Company determined that the straight-line method would be reasonable for allocating costs in a more appropriate manner.

As a result, depreciation for the three month period ended March 20, 2017 decreased by 120,354 thousand yen, and operating income increased by 119,125 thousand yen, ordinary income and profit before income taxes increased by 120,354 thousand yen, respectively, as compared with the figures calculated using the previous method.

(4) Additional information

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter ended March 20, 2017, the Company adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2016)	Current First Quarter (As of March 20, 2017)
Assets		
Current assets		
Cash and deposits	4,023,328	3,818,150
Notes and accounts receivable - trade	3,805,519	3,189,042
Securities	1,000,000	500,000
Merchandise and finished goods	2,974,165	3,520,306
Work in process	36,684	34,479
Raw materials and supplies	883,147	1,010,987
Other	862,383	613,253
Allowance for doubtful accounts	(173,901)	(157,987)
Total current assets	13,411,329	12,528,231
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,795,092	6,773,953
Machinery, equipment and vehicles, net	2,377,617	2,305,074
Land	5,154,087	5,165,432
Construction in progress	21,093	35,672
Other, net	333,243	409,653
Total property, plant and equipment	14,681,134	14,689,786
Intangible assets	789,601	858,499
Investments and other assets		
Investment securities	2,621,957	2,791,403
Net defined benefit asset	249,854	250,967
Other	743,866	805,220
Allowance for doubtful accounts	(53,556)	(66,041)
Total investments and other assets	3,562,121	3,781,551
Total non-current assets	19,032,857	19,329,837
Total assets	32,444,187	31,858,069
Liabilities		
Current liabilities		
Accounts payable - trade	687,193	978,857
Accounts payable - other	2,788,818	1,581,183
Income taxes payable	678,180	238,453
Provision for sales returns	15,198	12,763
Provision for bonuses	137,562	402,591
Other	284,059	549,510
Total current liabilities	4,591,012	3,763,360
Non-current liabilities		
Net defined benefit liability	32,270	36,314
Other	114,456	170,503
Total non-current liabilities	146,726	206,818
Total liabilities	4,737,738	3,970,178

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2016)	Current First Quarter (As of March 20, 2017)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	199,946	200,066
Retained earnings	25,248,823	25,132,185
Treasury shares	(544,946)	(547,177)
Total shareholders' equity	26,903,823	26,785,074
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	752,695	870,291
Foreign currency translation adjustment	43,336	233,110
Remeasurements of defined benefit plans	6,592	(585)
Total accumulated other comprehensive income	802,624	1,102,816
Total net assets	27,706,448	27,887,890
Total liabilities and net assets	32,444,187	31,858,069

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Statements of Earnings
 Three Months Ended March 20, 2016 and 2017

	(Thousand yen)	
	Three Months Ended March 20, 2016 (December 21, 2015 - March 20, 2016)	Three Months Ended March 20, 2017 (December 21, 2016 - March 20, 2017)
Net sales	6,708,575	6,898,132
Cost of sales	2,145,906	2,354,086
Gross profit	4,562,668	4,544,046
Selling, general and administrative expenses	3,637,852	3,757,392
Operating income	924,816	786,653
Non-operating income		
Interest income	1,855	1,937
Dividend income	192	-
Foreign exchange gains	-	37,257
Company house defrayment income	14,048	16,120
Gain on surrender of insurance	2,626	-
Other	2,986	4,037
Total non-operating income	21,709	59,352
Non-operating expenses		
Sales discounts	111,796	121,409
Foreign exchange losses	20,637	-
Depreciation	-	7,177
Other	392	11
Total non-operating expenses	132,826	128,597
Ordinary income	813,699	717,408
Extraordinary losses		
Loss on retirement of non-current assets	343	507
Total extraordinary losses	343	507
Profit before income taxes	813,356	716,901
Income taxes - current	343,739	206,167
Income taxes - deferred	(76,791)	(27,500)
Total income taxes	266,948	178,667
Profit	546,407	538,234
Profit attributable to owners of parent	546,407	538,234

Quarterly Consolidated Statements of Comprehensive Income
 Three Months Ended March 20, 2016 and 2017

(Thousand yen)

	Three Months Ended March 20, 2016 (December 21, 2015 - March 20, 2016)	Three Months Ended March 20, 2017 (December 21, 2016 - March 20, 2017)
Profit	546,407	538,234
Other comprehensive income		
Valuation difference on available-for-sale securities	(125,812)	117,595
Foreign currency translation adjustment	19,888	189,774
Remeasurements of defined benefit plans, net of tax	(5,754)	(7,178)
Total other comprehensive income	(111,677)	300,191
Comprehensive income	434,730	838,426
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	434,730	838,426
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