



## Consolidated Financial Results for the Six Months Ended June 20, 2017 [Japanese GAAP]

June 28, 2017

Name of registrant: Milbon Co., Ltd.  
 Code No.: 4919 URL <http://www.milbon.co.jp>  
 Representative: Ryuji Sato, President and CEO  
 Inquiries: Masahiro Murai, Managing Director  
 Scheduled filing date for quarterly report: July 28, 2017  
 Scheduled starting date of dividend payments: August 10, 2017  
 Preparation of supplementary materials on the quarterly results: Yes  
 Holding of an explanatory meeting on the quarterly results: Yes (For institutional investors and analysts)

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

### 1. Consolidated financial results for the six months ended June 20, 2017 (December 21, 2016 - June 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	%
Six months ended June 20, 2017	14,956	5.2	2,333	(3.7)	2,147	(1.9)	1,508	3.0
Six months ended June 20, 2016	14,218	8.7	2,423	2.3	2,188	(3.6)	1,464	1.4

(Note) Comprehensive income Six months ended June 20, 2017: 2,117 million yen [77.1%] Six months ended June 20, 2016: 1,195 million yen [(38.7)%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended June 20, 2017	92.13	-	-	-
Six months ended June 20, 2016	89.48	-	-	-

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	%	Million yen	%	%	%
As of June 20, 2017	34,050	85.7	29,165	85.7	85.7	85.7
As of December 20, 2016	32,444	85.4	27,706	85.4	85.4	85.4

(Reference) Equity As of June 20, 2017: 29,165 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
Year ended December 20, 2016	-	38.00	-	40.00	78.00
Year ending December 31, 2017	-	40.00	-	-	-
Year ending December 31, 2017 (forecast)	-	-	-	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 year ending December 31, 2017, 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

(4) Number of shares issued (common stock)

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

As of June 20, 2017	16,558,617 shares	As of December 20, 2016	16,558,617 shares
As of June 20, 2017	187,497 shares	As of December 20, 2016	186,816 shares
Six months ended June 20, 2017	16,371,459 shares	Six months ended June 20, 2016	16,372,151 shares

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

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

\*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.

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## 1. Qualitative Information on Consolidated Results for the Current Period

## (1) Qualitative information on consolidated operating results

During the six month period ended June 20, 2017, the Japanese economy continued on a moderate recovery trend, due to improvement in the employment environment. However, the overall economic outlook remains uncertain, owing to factors such as the policies of the new administration in the U.S. and political risks in Europe, 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 six month period ended June 20, 2017 increased to 14,956 million yen (up 5.2% year-on-year). One of the factors behind the increase was strong sales of ORDEVE Addicthy in the hair coloring product category, a product launched in February that lets customers enjoy the kind of freedom in color design available to Europeans and Americans. Another factor was steady growth in East Asia including China and South Korea, and Southeast Asia.

Operating income was 2,333 million yen (down 3.7% year-on-year), ordinary income was 2,147 million yen (down 1.9% year-on-year), and profit attributable to owners of parent was 1,508 million yen (up 3.0 % 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	Six months ended June 20, 2016		Six months ended June 20, 2017		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	8,511	59.8	8,680	58.0	169	2.0
Hair coloring products	4,944	34.8	5,462	36.5	517	10.5
Permanent wave products	664	4.7	709	4.8	45	6.8
Others	98	0.7	104	0.7	6	6.3
Total	14,218	100.0	14,956	100.0	738	5.2

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Six months ended June 20, 2016		Six months ended June 20, 2017		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	12,330	86.7	12,847	85.9	517	4.2
Overseas sales	1,888	13.3	2,109	14.1	221	11.7
Total	14,218	100.0	14,956	100.0	738	5.2

(2) Qualitative information on consolidated financial position

1) Assets, liabilities and net assets

Total assets at the end of the six month period ended June 20, 2017 increased by 1,606 million yen compared to the end of the previous fiscal year to 34,050 million yen.

Current assets decreased by 245 million yen compared to the end of the previous fiscal year to 13,165 million yen. This was mainly due to the 1,000 million yen decrease in securities (jointly managed designated money trusts, etc.), the 553 million yen increase in cash and deposits and the 394 million yen increase in merchandise and finished goods.

Non-current assets increased by 1,852 million yen compared to the end of the previous fiscal year to 20,884 million yen. This was due mainly to the 367 million yen decrease in property, plant and equipment with the sale of the Aoyama Plant, and the 2,055 million yen increase in investment securities attributable to factors such as purchases of investment securities and higher prices of listed stocks.

Current liabilities decreased by 128 million yen compared to the end of the previous fiscal year to 4,462 million yen. This was due mainly to the 312 million yen decrease in accounts payable - other.

Non-current liabilities increased by 275 million yen compared to the end of the previous fiscal year to 422 million yen.

Net assets increased by 1,459 million yen compared to the end of the previous fiscal year to 29,165 million yen. This was due mainly to the 853 million yen increase in retained earnings, the 430 million yen increase in valuation difference on available-for-sale securities attributable to factors such as higher prices of listed stocks.

As a result, the equity ratio changed from 85.4% at the end of the previous fiscal year to 85.7%. 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 1,781.54 yen per share.

2) Cash flows

Cash and cash equivalents (hereinafter "net cash") at the end of the six month period ended June 20, 2017 decreased by 404 million yen compared to the end of the previous fiscal year to 4,333 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 1,992 million yen. This was mainly the result of posting 2,146 million yen in profit before income taxes, depreciation of 553 million yen, the 409 million yen increase in inventories and 640 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,785 million yen. This was mainly due to the purchase of investment securities of 1,434 million yen, the purchase of property, plant and equipment of 419 million yen, the purchase of intangible assets of 216 million yen and proceeds from sales of property, plant and equipment of 300 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 657 million yen. This was mainly due to the cash dividends paid to shareholders of 653 million yen.

(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. Quarterly Consolidated Financial Statements and Main Notes

## (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2016)	Current Second Quarter (As of June 20, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	4,023,328	4,576,341
Notes and accounts receivable - trade	3,805,519	3,728,228
Securities	1,000,000	-
Merchandise and finished goods	2,974,165	3,368,638
Work in process	36,684	35,272
Raw materials and supplies	883,147	983,772
Other	862,383	631,235
Allowance for doubtful accounts	(173,901)	(157,644)
<b>Total current assets</b>	<b>13,411,329</b>	<b>13,165,844</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,795,092	6,562,320
Machinery, equipment and vehicles, net	2,377,617	2,264,147
Land	5,154,087	5,022,794
Construction in progress	21,093	41,474
Other, net	333,243	422,638
<b>Total property, plant and equipment</b>	<b>14,681,134</b>	<b>14,313,375</b>
Intangible assets	789,601	871,653
Investments and other assets		
Investment securities	2,621,957	4,677,521
Net defined benefit asset	249,854	248,509
Other	743,866	837,662
Allowance for doubtful accounts	(53,556)	(63,862)
<b>Total investments and other assets</b>	<b>3,562,121</b>	<b>5,699,830</b>
<b>Total non-current assets</b>	<b>19,032,857</b>	<b>20,884,859</b>
<b>Total assets</b>	<b>32,444,187</b>	<b>34,050,703</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	687,193	784,022
Accounts payable - other	2,788,818	2,475,940
Income taxes payable	678,180	546,644
Provision for sales returns	15,198	14,353
Provision for bonuses	137,562	131,454
Other	284,059	509,795
<b>Total current liabilities</b>	<b>4,591,012</b>	<b>4,462,211</b>
Non-current liabilities		
Net defined benefit liability	32,270	41,564
Other	114,456	381,119
<b>Total non-current liabilities</b>	<b>146,726</b>	<b>422,684</b>
<b>Total liabilities</b>	<b>4,737,738</b>	<b>4,884,896</b>

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2016)	Current Second Quarter (As of June 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	26,102,191
Treasury shares	(544,946)	(548,748)
Total shareholders' equity	26,903,823	27,753,509
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	752,695	1,183,380
Foreign currency translation adjustment	43,336	236,681
Remeasurements of defined benefit plans	6,592	(7,764)
Total accumulated other comprehensive income	802,624	1,412,296
Total net assets	27,706,448	29,165,806
Total liabilities and net assets	32,444,187	34,050,703

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

(Thousand yen)

	Six Months Ended June 20, 2016 (December 21, 2015 - June 20, 2016)	Six Months Ended June 20, 2017 (December 21, 2016 - June 20, 2017)
Net sales	14,218,270	14,956,764
Cost of sales	4,430,459	4,887,391
Gross profit	9,787,810	10,069,372
Selling, general and administrative expenses	7,364,168	7,736,350
Operating income	2,423,642	2,333,022
Non-operating income		
Interest income	2,632	2,991
Dividend income	6,073	8,352
Foreign exchange gains	-	8,592
Company house defrayment income	28,590	33,203
Gain on surrender of insurance	2,622	-
Other	12,442	26,248
Total non-operating income	52,361	79,388
Non-operating expenses		
Sales discounts	233,411	246,739
Foreign exchange losses	54,061	-
Depreciation	-	11,962
Other	403	6,588
Total non-operating expenses	287,876	265,290
Ordinary income	2,188,127	2,147,120
Extraordinary losses		
Loss on retirement of non-current assets	4,124	954
Total extraordinary losses	4,124	954
Profit before income taxes	2,184,002	2,146,165
Income taxes - current	667,995	520,603
Income taxes - deferred	51,050	117,321
Total income taxes	719,046	637,924
Profit	1,464,955	1,508,240
Profit attributable to owners of parent	1,464,955	1,508,240

Quarterly Consolidated Statements of Comprehensive Income  
Six Months Ended June 20, 2016 and 2017

(Thousand yen)

	Six Months Ended June 20, 2016 (December 21, 2015 - June 20, 2016)	Six Months Ended June 20, 2017 (December 21, 2016 - June 20, 2017)
Profit	1,464,955	1,508,240
Other comprehensive income		
Valuation difference on available-for-sale securities	(169,748)	430,684
Foreign currency translation adjustment	(89,222)	193,344
Remeasurements of defined benefit plans, net of tax	(10,223)	(14,357)
Total other comprehensive income	(269,193)	609,671
Comprehensive income	1,195,762	2,117,912
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,195,762	2,117,912
Comprehensive income attributable to non-controlling interests	—	—

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	Six Months Ended June 20, 2016 (December 21, 2015 - June 20, 2016)	Six Months Ended June 20, 2017 (December 21, 2016 - June 20, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,184,002	2,146,165
Depreciation	471,529	553,015
Increase (decrease) in allowance for doubtful accounts	118,037	(6,139)
Increase (decrease) in provision for bonuses	1,436	(10,121)
Increase (decrease) in provision for sales returns	(1,243)	(844)
Decrease (increase) in net defined benefit asset	(36,003)	(19,343)
Increase (decrease) in net defined benefit liability	4,604	6,241
Interest and dividend income	(8,705)	(11,344)
Foreign exchange losses (gains)	13,796	(16,498)
Loss on retirement of non-current assets	4,124	954
Decrease (increase) in notes and accounts receivable - trade	(45,833)	99,152
Decrease (increase) in inventories	(1,074,475)	(409,398)
Increase (decrease) in notes and accounts payable - trade	249,305	58,790
Other, net	(53,883)	231,581
Subtotal	1,826,692	2,622,211
Interest and dividend income received	7,774	11,128
Income taxes paid	(731,413)	(640,538)
Net cash provided by (used in) operating activities	1,103,053	1,992,801
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,812,088)	(419,815)
Proceeds from sales of property, plant and equipment	-	300,000
Purchase of intangible assets	(166,608)	(216,798)
Payments of loans receivable	(500)	(3,150)
Collection of loans receivable	1,318	3,013
Payments into time deposits	-	(430)
Proceeds from withdrawal of time deposits	29,970	51,407
Purchase of investment securities	(100,000)	(1,434,980)
Payments for guarantee deposits	(23,649)	(67,867)
Proceeds from collection of guarantee deposits	10,970	7,446
Purchase of insurance funds	(26)	-
Proceeds from cancellation of insurance funds	12,634	-
Other, net	(3,439)	(4,186)
Net cash provided by (used in) investing activities	(2,051,419)	(1,785,360)
<b>Cash flows from financing activities</b>		
Net decrease (increase) in treasury shares	(2,013)	(3,682)
Cash dividends paid	(637,773)	(653,968)
Net cash provided by (used in) financing activities	(639,787)	(657,650)
Effect of exchange rate change on cash and cash equivalents	(36,810)	46,198
Net increase (decrease) in cash and cash equivalents	(1,624,963)	(404,011)
Cash and cash equivalents at beginning of period	7,086,948	4,737,426
Cash and cash equivalents at end of period	5,461,985	4,333,415

- (4) Notes regarding going concern assumption

None

- (5) Notes in case of any significant changes in shareholders' equity

None

- (6) 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 six month period ended June 20, 2017 decreased by 237,348 thousand yen, and operating income increased by 235,313 thousand yen, ordinary income and profit before income taxes increased by 237,348 thousand yen, respectively, as compared with the figures calculated using the previous method.

- (7) 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).