



# Consolidated Financial Results for the Nine Months Ended September 20, 2017 [Japanese GAAP]

September 29, 2017  
Tokyo Stock Exchange, First Section

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Scheduled filing date for quarterly report: October 27, 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 nine months ended September 20, 2017 (December 21, 2016 - September 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	%
Nine months ended September 20, 2017	22,839	6.6	3,894	1.3	3,665	4.9	3,136	32.3
Nine months ended September 20, 2016	21,424	7.2	3,845	1.5	3,495	(2.8)	2,370	1.7

(Note) Comprehensive income Nine months ended September 20, 2017: 3,327 million yen [80.3%] Nine months ended September 20, 2016: 1,845 million yen [(31.3)%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Nine months ended September 20, 2017	191.60	-	-	-
Nine months ended September 20, 2016	144.78	-	-	-

## (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	%	Million yen	%	%	%
As of September 20, 2017	34,547	86.0	29,718	86.0	86.0	86.0
As of December 20, 2016	32,444	85.4	27,706	85.4	85.4	85.4

(Reference) Equity As of September 20, 2017: 29,718 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	Yen -	Yen 38.00	Yen -	Yen 40.00	Yen 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 September 20, 2017	16,558,617 shares	As of December 20, 2016	16,558,617 shares
As of September 20, 2017	187,839 shares	As of December 20, 2016	186,816 shares
Nine months ended September 20, 2017	16,371,296 shares	Nine months ended September 20, 2016	16,372,042 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 nine month period ended September 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 U.S. foreign policy 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 nine month period ended September 20, 2017 increased to 22,839 million yen (up 6.6% 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 3,894 million yen (up 1.3% year-on-year), ordinary income was 3,665 million yen (up 4.9% year-on-year), and profit attributable to owners of parent was 3,136 million yen (up 32.3% year-on-year). The increase in profit attributable to owners of parent is mainly due to the sale of a portion of cross-held shares.

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, 2016		Nine months ended September 20, 2017		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	12,760	59.6	13,210	57.9	449	3.5
Hair coloring products	7,529	35.1	8,360	36.6	831	11.0
Permanent wave products	972	4.5	1,101	4.8	128	13.2
Others	161	0.8	167	0.7	5	3.5
Total	21,424	100.0	22,839	100.0	1,415	6.6

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Nine months ended September 20, 2016		Nine months ended September 20, 2017		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	18,593	86.8	19,580	85.7	987	5.3
Overseas sales	2,831	13.2	3,259	14.3	427	15.1
Total	21,424	100.0	22,839	100.0	1,415	6.6

(2) Qualitative information on consolidated financial position

Total assets at the end of the nine month period ended September 20, 2017 increased by 2,103 million yen compared to the end of the previous fiscal year to 34,547 million yen.

Current assets increased by 741 million yen compared to the end of the previous fiscal year to 14,152 million yen. This was mainly due to the 1,654 million yen increase in cash and deposits, the 293 million yen increase in merchandise and finished goods, the 174 million yen increase in raw materials and supplies, the 1,000 million yen decrease in securities (jointly managed designated money trusts, etc.) and the 375 million yen decrease in notes and accounts receivable - trade.

Non-current assets increased by 1,361 million yen compared to the end of the previous fiscal year to 20,394 million yen. This was due mainly to the 1,305 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 6 million yen compared to the end of the previous fiscal year to 4,584 million yen. This was due mainly to the 298 million yen increase in accounts payable - trade, the 299 million yen increase in provision for bonuses and the 1,095 million yen decrease in accounts payable - other.

Non-current liabilities increased by 97 million yen compared to the end of the previous fiscal year to 244 million yen.

Net assets increased by 2,012 million yen compared to the end of the previous fiscal year to 29,718 million yen. This was due mainly to the 1,826 million yen increase in retained earnings and the 202 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 86.0%. 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 1,815.34 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. Quarterly Consolidated Financial Statements and Main Notes

## (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2016)	Current Third Quarter (As of September 20, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	4,023,328	5,677,454
Notes and accounts receivable - trade	3,805,519	3,429,879
Securities	1,000,000	-
Merchandise and finished goods	2,974,165	3,267,829
Work in process	36,684	83,810
Raw materials and supplies	883,147	1,057,588
Other	862,383	800,353
Allowance for doubtful accounts	(173,901)	(164,101)
<b>Total current assets</b>	<b>13,411,329</b>	<b>14,152,814</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,795,092	6,618,002
Machinery, equipment and vehicles, net	2,377,617	2,241,838
Land	5,154,087	5,024,129
Construction in progress	21,093	59,272
Other, net	333,243	470,039
<b>Total property, plant and equipment</b>	<b>14,681,134</b>	<b>14,413,281</b>
Intangible assets	789,601	888,167
Investments and other assets		
Investment securities	2,621,957	3,927,168
Net defined benefit asset	249,854	250,430
Other	743,866	979,626
Allowance for doubtful accounts	(53,556)	(63,862)
<b>Total investments and other assets</b>	<b>3,562,121</b>	<b>5,093,363</b>
<b>Total non-current assets</b>	<b>19,032,857</b>	<b>20,394,812</b>
<b>Total assets</b>	<b>32,444,187</b>	<b>34,547,626</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	687,193	985,748
Accounts payable - other	2,788,818	1,693,096
Income taxes payable	678,180	696,238
Provision for sales returns	15,198	13,609
Provision for bonuses	137,562	436,754
Other	284,059	759,144
<b>Total current liabilities</b>	<b>4,591,012</b>	<b>4,584,591</b>
Non-current liabilities		
Net defined benefit liability	32,270	43,783
Other	114,456	200,778
<b>Total non-current liabilities</b>	<b>146,726</b>	<b>244,562</b>
<b>Total liabilities</b>	<b>4,737,738</b>	<b>4,829,153</b>

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2016)	Current Third Quarter (As of September 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	27,075,809
Treasury shares	(544,946)	(550,951)
Total shareholders' equity	26,903,823	28,724,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	752,695	762,965
Foreign currency translation adjustment	43,336	245,527
Remeasurements of defined benefit plans	6,592	(14,943)
Total accumulated other comprehensive income	802,624	993,548
Total net assets	27,706,448	29,718,472
Total liabilities and net assets	32,444,187	34,547,626

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

(Thousand yen)

	Nine Months Ended September 20, 2016 (December 21, 2015 - September 20, 2016)	Nine Months Ended September 20, 2017 (December 21, 2016 - September 20, 2017)
Net sales	21,424,814	22,839,995
Cost of sales	6,663,289	7,328,699
Gross profit	14,761,525	15,511,296
Selling, general and administrative expenses	10,916,282	11,616,862
Operating income	3,845,242	3,894,433
Non-operating income		
Interest income	1,953	4,810
Dividend income	37,274	42,559
Foreign exchange gains	-	27,792
Company house defrayment income	44,030	50,732
Gain on surrender of insurance	2,622	14,439
Other	21,213	31,176
Total non-operating income	107,094	171,510
Non-operating expenses		
Sales discounts	355,059	381,670
Foreign exchange losses	101,605	-
Depreciation	-	11,962
Other	405	6,685
Total non-operating expenses	457,070	400,318
Ordinary income	3,495,266	3,665,626
Extraordinary income		
Gain on sales of non-current assets	-	70
Gain on sales of investment securities	-	788,540
Total extraordinary income	-	788,611
Extraordinary losses		
Loss on retirement of non-current assets	4,166	15,890
Factory transfer costs	1,568	-
Total extraordinary losses	5,734	15,890
Profit before income taxes	3,489,531	4,438,347
Income taxes - current	1,139,771	1,354,095
Income taxes - deferred	(20,649)	(52,450)
Total income taxes	1,119,122	1,301,644
Profit	2,370,409	3,136,703
Profit attributable to owners of parent	2,370,409	3,136,703

Quarterly Consolidated Statements of Comprehensive Income  
 Nine Months Ended September 20, 2016 and 2017

(Thousand yen)

	Nine Months Ended September 20, 2016 (December 21, 2015 - September 20, 2016)	Nine Months Ended September 20, 2017 (December 21, 2016 - September 20, 2017)
Profit	2,370,409	3,136,703
Other comprehensive income		
Valuation difference on available-for-sale securities	(239,828)	10,269
Foreign currency translation adjustment	(269,295)	202,190
Remeasurements of defined benefit plans, net of tax	(16,113)	(21,536)
Total other comprehensive income	(525,237)	190,923
Comprehensive income	1,845,171	3,327,627
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,845,171	3,327,627
Comprehensive income attributable to non-controlling interests	—	—

- (3) Notes regarding going concern assumption

None

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

None

- (5) 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 nine month period ended September 20, 2017 decreased by 375,759 thousand yen, and operating income increased by 373,724 thousand yen, ordinary income and profit before income taxes increased by 375,759 thousand yen, respectively, as compared with the figures calculated using the previous method.

- (6) 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).