



Consolidated Financial Results for the Three Months Ended March 31, 2019 [Japanese GAAP]

May 7, 2019

Tokyo Stock Exchange, First Section

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: May 10, 2019
 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

TEL: +81-3-3517-3915

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

1. Consolidated financial results for the three months ended March 31, 2019 (January 1, 2019 - March 31, 2019)

(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 31, 2019	7,886	3.9	1,265	(9.0)	1,162	(3.8)	841	(21.7)
Three months ended March 31, 2018	7,592	-	1,390	-	1,208	-	1,074	-

(Note) Comprehensive income Three months ended March 31, 2019: 1,080 million yen [(3.4)%] Three months ended March 31, 2018: 1,118 million yen [-%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Three months ended March 31, 2019	25.72	-	-	-
Three months ended March 31, 2018	32.83	-	-	-

(Notes)

- From the three-month period ended March 31, 2019, the Company has early applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 30, 2018) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 30, 2018). In accordance with the principle treatment, the new accounting policy has been applied retrospectively to all prior-period financial statements.
- As of the fiscal year ended December 31, 2017, the Company changed its fiscal year end from December 20 to December 31. For the consolidated accounting, overseas consolidated subsidiaries changed their fiscal year end from September 30 to December 31. Therefore, year-on-year changes are not stated for the three months ended March 31, 2018, because the three-month period ended March 31, 2018 (January 1, 2018 to March 31, 2018) differs from that of the previous three-month period (December 21, 2016 to March 20, 2017).

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of March 31, 2019	37,720	33,248	33,248	33,151	88.1	83.6
As of December 31, 2018	39,634	33,151	33,151	33,151	83.6	83.6

(Reference) Equity As of March 31, 2019: 33,248 million yen As of December 31, 2018: 33,151 million yen

(Note) The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), etc., from the beginning of the three-month period under review. Accordingly, figures of total assets and equity ratio for the fiscal year ended December 31, 2018 have been adjusted to reflect the retrospective application of the aforementioned accounting standard, etc.

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 31, 2018	-	24.00	-	30.00	54.00
Year ending December 31, 2019	-	-	-	-	-
Year ending December 31, 2019 (forecast)	-	27.00	-	27.00	54.00

(Note) Changes to latest dividends forecast: None

3. Consolidated operating forecasts for the fiscal year ending December 31, 2019 (January 1, 2019 - December 31, 2019)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	Yen
Year ending December 31, 2019	36,600	8.0	6,840	9.3	6,190	6.5	4,350	(3.2)	132.86	132.86

(Note) Changes to latest performance forecast: None

(Note) Following the change in accounting policy, figures have been adjusted to reflect the retrospective application of the new accounting policy. Accordingly, year-on-year changes show comparison with the retrospectively adjusted figures.

*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 : 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)

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

3) Average number of shares during the period

As of March 31, 2019	33,117,234 shares	As of December 31, 2018	33,117,234 shares
As of March 31, 2019	377,680 shares	As of December 31, 2018	377,460 shares
Three months ended March 31, 2019	32,739,664 shares	Three months ended March 31, 2018	32,740,412 shares

*These financial statements are not subject to the review of the quarterly financial statements by a certified public accountant or an audit corporation.

*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) Explanation on operating results	2
(2) Explanation on financial position	3
(3) Explanation on forward-looking statements including consolidated operating forecasts	3
2. Quarterly Consolidated Financial Statements and Main Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income	6
Quarterly Consolidated Statements of Earnings	
Three Months Ended March 31, 2018 and 2019	6
Quarterly Consolidated Statements of Comprehensive Income	
Three Months Ended March 31, 2018 and 2019	7
(3) Notes regarding quarterly consolidated financial statements	8
Notes regarding going concern assumption	8
Notes in case of any significant changes in shareholders' equity	8
Changes in accounting policies	8
Additional information	8
Segment information, etc.	8

1. Qualitative Information on Consolidated Results for the Current Period

(1) Explanation on operating results

During the three-month period ended March 31, 2019, the Japanese economy continued on a moderate recovery trend amid improvement in the employment and income environment; however, there were signs of weakness in some areas of exports and production. The global economy is also generally on a recovery trend, while there are concerns about the impact on various countries' economies due to prolonged trade friction between the U.S. and China and the Brexit issue. The operating environment in the beauty industry remains severe, as it has become a challenge to recruit and retain human resources due to the impact of population movements.

Amid this environment, the Milbon Group is working with salons premised on the goal of “promoting the NEXT 100 by supporting ‘the creation of salons where human resources development is well established,’ where personnel are nurtured and retained, and creating ‘lifetime beauty salons’ by training beauty partners who fulfill lifetime beauty for women.”

Consolidated net sales during the three-month period ended March 31, 2019 amounted to 7,886 million yen (up 3.9% year on year). This was mainly due to strong performance in the hair care product category, including steady progress in salons by the “milbon” brand targeting the global market, in addition to continued substantial growth for the fashion color Ordeve Addictly in the hair coloring product category. In overseas markets, the East Asian region, mainly South Korea and China, performed steadily.

Operating income was 1,265 million yen (down 9.0% year on year), ordinary income was 1,162 million yen (down 3.8% year on year), and profit attributable to owners of parent was 841 million yen (down 21.7% year on year). The decline in income was primarily due to recording of 305 million yen in gain on sales of investment securities due to sales of cross-held shares, etc., and recording of 209 million yen as difference from estimated value of sales returns for the previous version of Aujua in the first quarter of the previous fiscal year.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 30, 2018) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018) from the three-month period under review. Regarding the application of the Accounting Standard for Revenue Recognition, etc., the new accounting policy has been applied retrospectively to all prior-period financial statements, in accordance with the principle treatment as set forth in Paragraph 84 of the Accounting Standard for Revenue Recognition.

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 31, 2018		Three months ended March 31, 2019		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	4,358	57.4	4,323	54.8	(34)	(0.8)
Hair coloring products	2,848	37.5	3,175	40.2	326	11.5
Permanent wave products	341	4.5	337	4.3	(3)	(1.1)
Others	44	0.6	50	0.7	5	12.1
Total	7,592	100.0	7,886	100.0	293	3.9

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Three months ended March 31, 2018		Three months ended March 31, 2019		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	6,282	82.7	6,428	81.5	145	2.3
Overseas sales	1,310	17.3	1,458	18.5	148	11.3
Total	7,592	100.0	7,886	100.0	293	3.9

(2) Explanation on financial position

Total assets at the end of the three-month period ended March 31, 2019 decreased by 1,914 million yen compared to the end of the previous fiscal year to 37,720 million yen.

Current assets decreased by 2,101 million yen compared to the end of the previous fiscal year to 16,729 million yen. This was mainly due to the 2,932 million yen decrease in cash and deposits, the 320 million yen decrease in notes and accounts receivable - trade, the 915 million yen increase in merchandise and finished goods and the 191 million yen increase in raw materials and supplies.

Non-current assets increased by 187 million yen compared to the end of the previous fiscal year to 20,991 million yen. This was mainly due to the 311 million yen increase in investment securities attributable to factors such as higher prices of listed stocks.

Current liabilities decreased by 1,964 million yen compared to the end of the previous fiscal year to 4,380 million yen. This was mainly due to the 1,390 million yen decrease in income taxes payable, the 680 million yen decrease in accounts payable - other and the 378 million yen increase in accounts payable - trade.

Non-current liabilities decreased by 46 million yen compared to the end of the previous fiscal year to 91 million yen.

Net assets increased by 96 million yen compared to the end of the previous fiscal year to 33,248 million yen. This was mainly due to the 206 million yen increase in valuation difference on available-for-sale securities attributable to factors such as higher prices of listed stocks and the 140 million yen decrease in retained earnings.

As a result, the equity ratio changed from 83.6% at the end of the previous fiscal year to 88.1%. Net assets per share based on the total outstanding shares as of the end of the period under review increased from 1,012.58 yen per share at the end of the previous fiscal year to 1,015.55 yen per share.

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), etc., from the beginning of the three-month period under review. Accordingly, for the explanation on financial position, comparisons have been made with figures at the end of the previous fiscal year after retrospectively applying the standard, etc.

(3) Explanation on forward-looking statements including 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 13, 2019.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (As of December 31, 2018)	Current First Quarter (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	9,778,129	6,845,680
Notes and accounts receivable - trade	3,875,865	3,555,079
Merchandise and finished goods	3,643,382	4,558,790
Work in process	39,687	94,704
Raw materials and supplies	1,140,083	1,331,815
Other	410,547	388,584
Allowance for doubtful accounts	(56,335)	(44,987)
Total current assets	18,831,359	16,729,667
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,651,355	6,588,920
Machinery, equipment and vehicles, net	2,107,722	2,130,712
Land	5,028,467	5,030,469
Construction in progress	13,830	65,123
Other, net	540,072	619,856
Total property, plant and equipment	14,341,447	14,435,081
Intangible assets	987,821	1,030,168
Investments and other assets		
Investment securities	4,147,992	4,459,972
Deferred tax assets	324,909	39,968
Other	1,049,684	1,074,319
Allowance for doubtful accounts	(48,272)	(48,272)
Total investments and other assets	5,474,314	5,525,988
Total non-current assets	20,803,583	20,991,238
Total assets	39,634,942	37,720,905
Liabilities		
Current liabilities		
Accounts payable - trade	865,878	1,244,709
Accounts payable - other	2,376,675	1,696,441
Income taxes payable	1,585,720	194,738
Provision for bonuses	419,922	356,292
Other	1,097,287	888,629
Total current liabilities	6,345,484	4,380,811
Non-current liabilities		
Net defined benefit liability	57,243	11,028
Other	80,417	80,417
Total non-current liabilities	137,660	91,446
Total liabilities	6,483,145	4,472,258

(Thousand yen)

	Previous Fiscal Year (As of December 31, 2018)	Current First Quarter (As of March 31, 2019)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	200,613	200,613
Retained earnings	30,614,693	30,474,500
Treasury shares	(558,811)	(559,829)
Total shareholders' equity	32,256,496	32,115,284
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	859,702	1,066,185
Foreign currency translation adjustment	264,024	281,552
Remeasurements of defined benefit plans	(228,425)	(214,374)
Total accumulated other comprehensive income	895,301	1,133,363
Total net assets	33,151,797	33,248,647
Total liabilities and net assets	39,634,942	37,720,905

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Statements of Earnings
 Three Months Ended March 31, 2018 and 2019

(Thousand yen)

	Three Months Ended March 31, 2018 (January 1, 2018 - March 31, 2018)	Three Months Ended March 31, 2019 (January 1, 2019 - March 31, 2019)
Net sales	7,592,773	7,886,303
Cost of sales	2,422,487	2,573,100
Gross profit	5,170,286	5,313,202
Selling, general and administrative expenses	3,780,210	4,048,095
Operating income	1,390,075	1,265,107
Non-operating income		
Interest income	1,672	2,820
Dividend income	192	232
Share of profit of entities accounted for using equity method	764	7,951
Foreign exchange gains	-	5,726
Company house defrayment income	14,900	9,644
Other	5,576	6,977
Total non-operating income	23,105	33,351
Non-operating expenses		
Sales discounts	148,648	136,020
Foreign exchange losses	55,554	-
Other	79	2
Total non-operating expenses	204,282	136,023
Ordinary income	1,208,898	1,162,435
Extraordinary income		
Gain on sales of non-current assets	9	767
Gain on sales of investment securities	305,980	-
Total extraordinary income	305,990	767
Extraordinary losses		
Loss on retirement of non-current assets	338	25
Total extraordinary losses	338	25
Profit before income taxes	1,514,551	1,163,176
Income taxes - current	435,335	133,555
Income taxes - deferred	4,359	187,621
Total income taxes	439,694	321,177
Profit	1,074,856	841,999
Profit attributable to owners of parent	1,074,856	841,999

Quarterly Consolidated Statements of Comprehensive Income
 Three Months Ended March 31, 2018 and 2019

(Thousand yen)

	Three Months Ended March 31, 2018 (January 1, 2018 - March 31, 2018)	Three Months Ended March 31, 2019 (January 1, 2019 - March 31, 2019)
Profit	1,074,856	841,999
Other comprehensive income		
Valuation difference on available-for-sale securities	135,978	206,483
Foreign currency translation adjustment	(88,182)	17,527
Remeasurements of defined benefit plans, net of tax	(4,331)	14,051
Total other comprehensive income	43,464	238,062
Comprehensive income	1,118,321	1,080,061
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,118,321	1,080,061
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes regarding quarterly consolidated financial statements

(Notes regarding going concern assumption)

None

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

None

(Changes in accounting policies)

With the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 30, 2018; hereinafter "Revenue Recognition Accounting Standard") and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 30, 2018) becoming applicable from the beginning of the fiscal year that begins on or after April 1, 2018, the Company has early applied the Revenue Recognition Accounting Standard, etc., from the beginning of the three-month period under review.

When consideration arising from contracts with customers includes variable consideration, the Company includes such variable consideration within the transaction price to the extent that it is highly probable that a significant reversal of previously recognized cumulative revenue will not occur when the uncertainty is subsequently resolved. Accordingly, sales rebates previously presented as selling, general and administrative expenses are deducted from net sales and expenses related to the goods transferred to business partners free of charge according to their sales results are added to cost of sales.

The application of the Revenue Recognition Accounting Standard, etc., is in accordance with the principle treatment as set forth in Paragraph 84 of the Accounting Standard for Revenue Recognition, and the new accounting policy has been applied retrospectively to all prior-period financial statements.

As a result, net sales and gross profit for the three-month period ended March 31, 2018 decreased by 196 million yen and 381 million yen, respectively, compared to the figures before retrospective application. The application of the new accounting policy had no impact on operating income, ordinary income, profit before income taxes and profit.

(Additional information)

(Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), etc., from the beginning of the three-month period under review. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities.

(Segment information, etc.)

The Company omits segment information, as it operates just one business segment engaged in the manufacturing and sales of hair cosmetics.