



Consolidated Financial Results for the Six Months Ended June 30, 2018

[Japanese GAAP]

July 25, 2018

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
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 Scheduled filing date for quarterly report: August 10, 2018
 Scheduled starting date of dividend payments: August 22, 2018
 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 30, 2018 (January 1, 2018 - June 30, 2018)

(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 30, 2018	16,802	-	2,975	-	2,746	-	2,137	-
Six months ended June 20, 2017	14,956	5.2	2,333	(3.7)	2,147	(1.9)	1,508	3.0

(Note) Comprehensive income Six months ended June 30, 2018: 2,230 million yen [-%] Six months ended June 20, 2017: 2,117 million yen [77.1%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2018	65.28		-	
Six months ended June 20, 2017	46.06		-	

(Reference) Equity in earnings (losses) of affiliates Six months ended June 30, 2018: (0) million yen Six months ended June 20, 2017: - million yen

(Notes)

- 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 six months ended June 30, 2018, because the six month period under review (January 1, 2018 to June 30, 2018) differs from that of the previous six month period (December 21, 2016 to June 20, 2017).
- On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Accordingly, basic earnings per share was calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of June 30, 2018	38,685		32,478		84.0	
As of December 31, 2017	37,642		31,103		82.6	

(Reference) Equity As of June 30, 2018: 32,478 million yen As of December 31, 2017: 31,103 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				
Year ended December 31, 2017	-	40.00	-	52.00	92.00
Year ending December 31, 2018	-	24.00	-	-	-
Year ending December 31, 2018 (forecast)	-	-	-	24.00	48.00

(Note) Changes to latest dividends forecast: None

(Note) On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Regarding dividends for the end of the fiscal year ending December 31, 2018 (forecast), the amount is stated by taking this stock split into account.

3. Consolidated operating forecasts for the fiscal year ending December 31, 2018 (January 1, 2018 - December 31, 2018)

(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
Year ending December 31, 2018	34,700	-	6,160	-	5,640	-	4,240	-	129.51

(Note) Changes to latest performance forecasts: Yes

(Notes)

- The fiscal year ended December 31, 2017 is an irregular accounting period. Results are for the 12 months plus 11 days from December 21, 2016 to December 31, 2017. For the consolidated accounting, financial results for overseas consolidated subsidiaries are their respective individual results for the 15-month period from October 1, 2016 to December 31, 2017. Therefore, year-on-year changes are not stated.
- On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Accordingly, basic earnings per share was calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

*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 : 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 June 30, 2018	33,117,234 shares	As of December 31, 2017	33,117,234 shares
As of June 30, 2018	377,284 shares	As of December 31, 2017	376,572 shares
Six months ended June 30, 2018	32,740,216 shares	Six months ended June 20, 2017	32,742,918 shares

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

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

(Note) On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Accordingly, the number of shares issued at the end of the period, the number of treasury shares at the end of the period, and the average number of shares during the period were calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

*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.

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1. Qualitative Information on Consolidated Results for the Current Period

(1) Explanation on operating results

Starting in the previous fiscal year, the Company changed its fiscal year end from December 20 to December 31. Additionally, the Company's consolidated subsidiaries changed their fiscal year end from September 30 to December 31. These changes give the Company and all of its consolidated subsidiaries the same fiscal year end. While the second quarter of the fiscal year under review covers the six month period from January 1, 2018 to June 30, 2018, the second quarter of the previous fiscal year covered the six month period from December 21, 2016 to June 20, 2017 (for consolidated subsidiaries, the period of October 1, 2016 to March 31, 2017). Therefore, year-on-year comparisons are not stated.

During the six month period ended June 30, 2018, the Japanese economy continued on a moderate recovery trend as personal consumption picked up amid improvement in the employment environment. The global economy is also generally on a recovery trend. However, concerns surround the overall economic outlook regarding the impact on the global economy, as a result of the tightened monetary policy and protectionist trade policy of the U.S.

Amid this environment, the Milbon Group is working with salons premised on the goal of "aiming to improve labor productivity by supporting lifetime hair designers who fulfill 'lifetime beauty' and enhance its dual time values."

During the six month period ended June 30, 2018, the upgraded version of Aujua released in November 2017 continued to be very well received by the market. Additionally, the "milbon" brand, targeting the global market, also progressed steadily in salons, and the premium brand remained strong. Furthermore, the fashion color Ordeve Addichy, which was launched in February of last year, also saw significant growth. In overseas markets, the East Asian region continued to show steady performance.

As a result of the above efforts, consolidated net sales during the six month period ended June 30, 2018 amounted to 16,802 million yen, operating income was 2,975 million yen, ordinary income was 2,746 million yen, and profit attributable to owners of parent was 2,137 million yen.

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, 2017		Six months ended June 30, 2018		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	8,680	58.0	9,995	59.5	–	–
Hair coloring products	5,462	36.5	5,886	35.0	–	–
Permanent wave products	709	4.8	819	4.9	–	–
Others	104	0.7	101	0.6	–	–
Total	14,956	100.0	16,802	100.0	–	–

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Six months ended June 20, 2017		Six months ended June 30, 2018		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	12,847	85.9	14,188	84.4	–	–
Overseas sales	2,109	14.1	2,614	15.6	–	–
Total	14,956	100.0	16,802	100.0	–	–

(2) Explanation on financial position

1) Assets, liabilities and net assets

Total assets at the end of the six month period ended June 30, 2018 increased by 1,042 million yen compared to the end of the previous fiscal year to 38,685 million yen.

Current assets increased by 943 million yen compared to the end of the previous fiscal year to 17,050 million yen. This was mainly due to the 1,201 million yen increase in cash and deposits, the 841 million yen increase in merchandise and finished goods and the 1,299 million yen decrease in notes and accounts receivable - trade.

Non-current assets increased by 98 million yen compared to the end of the previous fiscal year to 21,634 million yen.

Current liabilities decreased by 449 million yen compared to the end of the previous fiscal year to 5,546 million yen. This was mainly due to the 264 million yen increase in income taxes payable, the 261 million yen decrease in provision for sales returns and the 136 million yen decrease in accounts payable - trade.

Non-current liabilities increased by 116 million yen compared to the end of the previous fiscal year to 660 million yen.

Net assets increased by 1,375 million yen compared to the end of the previous fiscal year to 32,478 million yen. This was due mainly to the 1,285 million yen increase in retained earnings and the 226 million yen increase in valuation difference on available-for-sale securities attributable to factors such as higher prices of listed stocks, and the 124 million yen decrease in foreign currency translation adjustment attributable to the strong yen.

As a result, the equity ratio changed from 82.6% at the end of the previous fiscal year to 84.0%. Net assets per share based on the total outstanding shares as of the end of the period under review increased from 949.99 yen per share at the end of the previous fiscal year to 992.03 yen per share.

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the six month period ended June 30, 2018 increased by 1,202 million yen compared to the end of the previous fiscal year to 7,130 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 2,495 million yen. This was mainly the result of posting 3,051 million yen in profit before income taxes, depreciation of 670 million yen, the 939 million yen increase in inventories, the 1,287 million yen decrease in notes and accounts receivable - trade and 730 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 396 million yen. This was mainly due to the purchase of property, plant and equipment of 626 million yen, the purchase of intangible assets of 241 million yen and proceeds from sales of investment securities of 471 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 853 million yen. This was mainly due to the cash dividends paid to shareholders of 850 million yen.

(3) Explanation on forward-looking statements including consolidated operating forecasts

(Operating forecasts for the fiscal year ending December 31, 2018)

In terms of the full-year forecast, we have revised the previous consolidated operating forecasts, which were announced on February 14, 2018. For more details, please refer to the “Revision of Consolidated Operating Forecasts” published on July 25, 2018.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Second Quarter (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	6,164,763	7,366,388
Notes and accounts receivable - trade	5,076,624	3,776,802
Merchandise and finished goods	2,991,885	3,833,405
Work in process	57,709	50,149
Raw materials and supplies	1,025,671	1,070,432
Deferred tax assets	458,893	583,956
Other	450,693	472,032
Allowance for doubtful accounts	(119,553)	(102,530)
Total current assets	16,106,686	17,050,637
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,861,729	6,737,593
Machinery, equipment and vehicles, net	2,169,817	2,127,706
Land	5,029,802	5,025,797
Construction in progress	12,981	45,014
Other, net	552,412	615,325
Total property, plant and equipment	14,626,742	14,551,438
Intangible assets	943,654	970,463
Investments and other assets		
Investment securities	4,748,113	4,908,539
Net defined benefit asset	275,188	278,136
Deferred tax assets	9,750	10,956
Other	996,332	978,987
Allowance for doubtful accounts	(63,862)	(63,862)
Total investments and other assets	5,965,522	6,112,757
Total non-current assets	21,535,919	21,634,659
Total assets	37,642,605	38,685,297
Liabilities		
Current liabilities		
Accounts payable - trade	1,145,987	1,009,197
Accounts payable - other	2,535,084	2,449,950
Income taxes payable	786,252	1,050,709
Provision for sales returns	292,501	31,071
Provision for bonuses	318,617	353,354
Other	916,809	651,831
Total current liabilities	5,995,253	5,546,114
Non-current liabilities		
Net defined benefit liability	47,859	47,316
Deferred tax liabilities	411,511	528,833
Other	84,614	84,048
Total non-current liabilities	543,986	660,198
Total liabilities	6,539,239	6,206,312

(Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Second Quarter (As of June 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	200,066	200,381
Retained earnings	27,756,292	29,042,186
Treasury shares	(554,227)	(557,733)
Total shareholders' equity	29,402,131	30,684,834
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,332,021	1,558,225
Foreign currency translation adjustment	381,392	256,766
Remeasurements of defined benefit plans	(12,178)	(20,841)
Total accumulated other comprehensive income	1,701,234	1,794,149
Total net assets	31,103,366	32,478,984
Total liabilities and net assets	37,642,605	38,685,297

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Statements of Earnings
 Six Months Ended June 20, 2017 and June 30, 2018

(Thousand yen)

	Six Months Ended June 20, 2017 (December 21, 2016 - June 20, 2017)	Six Months Ended June 30, 2018 (January 1, 2018 - June 30, 2018)
Net sales	14,956,764	16,802,867
Cost of sales	4,887,391	5,050,146
Gross profit	10,069,372	11,752,721
Selling, general and administrative expenses	7,736,350	8,777,371
Operating income	2,333,022	2,975,349
Non-operating income		
Interest income	2,991	3,323
Dividend income	8,352	20,975
Foreign exchange gains	8,592	-
Company house defrayment income	33,203	29,892
Gain on surrender of insurance	-	3,255
Subsidy income	-	50,528
Other	26,248	9,738
Total non-operating income	79,388	117,714
Non-operating expenses		
Share of loss of entities accounted for using equity method	-	103
Sales discounts	246,739	296,658
Foreign exchange losses	-	49,496
Depreciation	11,962	-
Other	6,588	84
Total non-operating expenses	265,290	346,342
Ordinary income	2,147,120	2,746,720
Extraordinary income		
Gain on sales of non-current assets	-	47
Gain on sales of securities	-	305,980
Total extraordinary income	-	306,028
Extraordinary losses		
Loss on retirement of non-current assets	954	1,245
Total extraordinary losses	954	1,245
Profit before income taxes	2,146,165	3,051,503
Income taxes - current	520,603	1,019,872
Income taxes - deferred	117,321	(105,520)
Total income taxes	637,924	914,351
Profit	1,508,240	2,137,151
Profit attributable to owners of parent	1,508,240	2,137,151

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended June 20, 2017 and June 30, 2018

(Thousand yen)

	Six Months Ended June 20, 2017 (December 21, 2016 - June 20, 2017)	Six Months Ended June 30, 2018 (January 1, 2018 - June 30, 2018)
Profit	1,508,240	2,137,151
Other comprehensive income		
Valuation difference on available-for-sale securities	430,684	226,204
Foreign currency translation adjustment	193,344	(124,626)
Remeasurements of defined benefit plans, net of tax	(14,357)	(8,663)
Total other comprehensive income	609,671	92,915
Comprehensive income	2,117,912	2,230,066
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,117,912	2,230,066
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	Six Months Ended June 20, 2017 (December 21, 2016 - June 20, 2017)	Six Months Ended June 30, 2018 (January 1, 2018 - June 30, 2018)
Cash flows from operating activities		
Profit before income taxes	2,146,165	3,051,503
Depreciation	553,015	670,262
Increase (decrease) in allowance for doubtful accounts	(6,139)	(16,950)
Increase (decrease) in provision for bonuses	(10,121)	35,840
Increase (decrease) in provision for sales returns	(844)	(261,429)
Decrease (increase) in net defined benefit asset	(19,343)	(15,431)
Increase (decrease) in net defined benefit liability	6,241	2,537
Interest and dividend income	(11,344)	(24,299)
Share of (profit) loss of entities accounted for using equity method	-	103
Foreign exchange losses (gains)	(16,498)	15,870
Loss (gain) on sales of investment securities	-	(305,980)
Loss (gain) on sales of non-current assets	-	(47)
Loss on retirement of non-current assets	954	1,245
Decrease (increase) in notes and accounts receivable - trade	99,152	1,287,331
Decrease (increase) in inventories	(409,398)	(939,465)
Increase (decrease) in notes and accounts payable - trade	58,790	(120,660)
Other, net	231,581	(178,812)
Subtotal	2,622,211	3,201,616
Interest and dividend income received	11,128	24,270
Income taxes paid	(640,538)	(730,545)
Net cash provided by (used in) operating activities	1,992,801	2,495,341
Cash flows from investing activities		
Purchase of property, plant and equipment	(419,815)	(626,386)
Proceeds from sales of property, plant and equipment	300,000	84
Purchase of intangible assets	(216,798)	(241,930)
Payments of loans receivable	(3,150)	(2,010)
Collection of loans receivable	3,013	2,818
Payments into time deposits	(430)	(139)
Proceeds from withdrawal of time deposits	51,407	-
Purchase of investment securities	(1,434,980)	-
Proceeds from sales of investment securities	-	471,395
Payments for guarantee deposits	(67,867)	(8,627)
Proceeds from collection of guarantee deposits	7,446	11,365
Proceeds from cancellation of insurance funds	-	6,589
Other, net	(4,186)	(9,722)
Net cash provided by (used in) investing activities	(1,785,360)	(396,565)
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(3,682)	(3,191)
Cash dividends paid	(653,968)	(850,320)
Net cash provided by (used in) financing activities	(657,650)	(853,512)
Effect of exchange rate change on cash and cash equivalents	46,198	(42,500)
Net increase (decrease) in cash and cash equivalents	(404,011)	1,202,763
Cash and cash equivalents at beginning of period	4,737,426	5,928,017
Cash and cash equivalents at end of period	4,333,415	7,130,781

(4) Notes regarding quarterly consolidated financial statements

(Notes regarding going concern assumption)

None

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

None

(Segment information, etc.)

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.