



# Consolidated Financial Results for the Nine Months Ended September 30, 2018 [Japanese GAAP]

October 26, 2018

Tokyo Stock Exchange, First Section

Name of registrant: Milbon Co., Ltd.  
 Code No.: 4919 URL <http://www.milbon.co.jp>  
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 Scheduled filing date for quarterly report: November 9, 2018  
 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 30, 2018 (January 1, 2018 - September 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	%
Nine months ended September 30, 2018	25,261	-	4,687	-	4,393	-	3,324	-
Nine months ended September 20, 2017	22,839	6.6	3,894	1.3	3,665	4.9	3,136	32.3

(Note) Comprehensive income Nine months ended September 30, 2018: 3,395 million yen [-%] Nine months ended September 20, 2017: 3,327 million yen [80.3%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended September 30, 2018	101.55		-	
Nine months ended September 20, 2017	95.80		-	

(Reference) Equity in earnings (losses) of affiliates Nine months ended September 30, 2018: (0) million yen Nine months ended September 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 nine months ended September 30, 2018, because the nine month period under review (January 1, 2018 to September 30, 2018) differs from that of the previous nine month period (December 21, 2016 to September 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 September 30, 2018	38,771		32,857		84.7	
As of December 31, 2017	37,642		31,103		82.6	

(Reference) Equity As of September 30, 2018: 32,857 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	Yen	Yen	Yen	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 fiscal years preceding the fiscal year ended December 31, 2017, the amount stated is the actual dividend paid before the stock split.

## 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: None

#### (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 September 30, 2018	33,117,234 shares	As of December 31, 2017	33,117,234 shares
As of September 30, 2018	377,444 shares	As of December 31, 2017	376,572 shares
Nine months ended September 30, 2018	32,740,096 shares	Nine months ended September 20, 2017	32,742,592 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 third quarter of the fiscal year under review covers the nine month period from January 1, 2018 to September 30, 2018, the third quarter of the previous fiscal year covered the nine month period from December 21, 2016 to September 20, 2017 (for consolidated subsidiaries, the period of October 1, 2016 to June 30, 2017). Therefore, year-on-year comparisons are not stated.

During the nine month period ended September 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 of the U.S. and intensified trade friction between the U.S. and China.

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 nine month period ended September 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 Addicthy, which was launched in February of last year, also saw 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 nine month period ended September 30, 2018 amounted to 25,261 million yen, operating income was 4,687 million yen, ordinary income was 4,393 million yen, and profit attributable to owners of parent was 3,324 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	Nine months ended September 20, 2017		Nine months ended September 30, 2018		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	13,210	57.9	14,800	58.6	-	-
Hair coloring products	8,360	36.6	9,080	35.9	-	-
Permanent wave products	1,101	4.8	1,213	4.8	-	-
Others	167	0.7	167	0.7	-	-
Total	22,839	100.0	25,261	100.0	-	-

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Nine months ended September 20, 2017		Nine months ended September 30, 2018		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	19,580	85.7	21,328	84.4	-	-
Overseas sales	3,259	14.3	3,933	15.6	-	-
Total	22,839	100.0	25,261	100.0	-	-

(2) Explanation on financial position

Total assets at the end of the nine month period ended September 30, 2018 increased by 1,128 million yen compared to the end of the previous fiscal year to 38,771 million yen.

Current assets increased by 1,148 million yen compared to the end of the previous fiscal year to 17,254 million yen. This was mainly due to the 1,852 million yen increase in cash and deposits, the 1,202 million yen increase in merchandise and finished goods and the 2,036 million yen decrease in notes and accounts receivable - trade.

Non-current assets decreased by 19 million yen compared to the end of the previous fiscal year to 21,516 million yen.

Current liabilities decreased by 712 million yen compared to the end of the previous fiscal year to 5,282 million yen. This was mainly due to the 580 million yen increase in income taxes payable, the 360 million yen increase in provision for bonuses, the 1,178 million yen decrease in accounts payable – other, the 277 million yen decrease in provision for sales returns and the 193 million yen decrease in accounts payable - trade.

Non-current liabilities increased by 87 million yen compared to the end of the previous fiscal year to 631 million yen.

Net assets increased by 1,754 million yen compared to the end of the previous fiscal year to 32,857 million yen. This was due mainly to the 1,687 million yen increase in retained earnings and the 104 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 82.6% at the end of the previous fiscal year to 84.7%. 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 1,003.60 yen per share.

(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 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 Third Quarter (As of September 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	6,164,763	8,017,528
Notes and accounts receivable - trade	5,076,624	3,040,062
Merchandise and finished goods	2,991,885	4,193,949
Work in process	57,709	57,657
Raw materials and supplies	1,025,671	1,139,554
Deferred tax assets	458,893	496,141
Other	450,693	415,302
Allowance for doubtful accounts	(119,553)	(105,467)
Total current assets	16,106,686	17,254,729
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,861,729	6,738,763
Machinery, equipment and vehicles, net	2,169,817	2,183,520
Land	5,029,802	5,031,470
Construction in progress	12,981	14,186
Other, net	552,412	573,751
Total property, plant and equipment	14,626,742	14,541,692
Intangible assets	943,654	972,277
Investments and other assets		
Investment securities	4,748,113	4,740,259
Net defined benefit asset	275,188	281,152
Deferred tax assets	9,750	11,928
Other	996,332	1,023,094
Allowance for doubtful accounts	(63,862)	(53,556)
Total investments and other assets	5,965,522	6,002,879
Total non-current assets	21,535,919	21,516,849
Total assets	37,642,605	38,771,578
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,145,987	952,739
Accounts payable - other	2,535,084	1,356,160
Income taxes payable	786,252	1,366,707
Provision for sales returns	292,501	14,526
Provision for bonuses	318,617	679,532
Other	916,809	912,624
Total current liabilities	5,995,253	5,282,291
Non-current liabilities		
Net defined benefit liability	47,859	53,806
Deferred tax liabilities	411,511	493,919
Other	84,614	83,794
Total non-current liabilities	543,986	631,520
Total liabilities	6,539,239	5,913,811

(Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Third Quarter (As of September 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	200,066	200,491
Retained earnings	27,756,292	29,443,883
Treasury shares	(554,227)	(558,618)
Total shareholders' equity	29,402,131	31,085,756
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,332,021	1,436,350
Foreign currency translation adjustment	381,392	360,833
Remeasurements of defined benefit plans	(12,178)	(25,173)
Total accumulated other comprehensive income	1,701,234	1,772,010
Total net assets	31,103,366	32,857,767
Total liabilities and net assets	37,642,605	38,771,578

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

(Thousand yen)

	Nine Months Ended September 20, 2017 (December 21, 2016 - September 20, 2017)	Nine Months Ended September 30, 2018 (January 1, 2018 - September 30, 2018)
Net sales	22,839,995	25,261,684
Cost of sales	7,328,699	7,601,789
Gross profit	15,511,296	17,659,894
Selling, general and administrative expenses	11,616,862	12,972,677
Operating income	3,894,433	4,687,216
Non-operating income		
Interest income	4,810	4,796
Dividend income	42,559	31,432
Foreign exchange gains	27,792	-
Company house defrayment income	50,732	43,851
Gain on surrender of insurance	14,439	3,255
Subsidy income	-	50,528
Other	31,176	53,666
Total non-operating income	171,510	187,530
Non-operating expenses		
Share of loss of entities accounted for using equity method	-	382
Sales discounts	381,670	451,876
Foreign exchange losses	-	29,377
Depreciation	11,962	-
Other	6,685	86
Total non-operating expenses	400,318	481,722
Ordinary income	3,665,626	4,393,024
Extraordinary income		
Gain on sales of non-current assets	70	229
Gain on sales of investment securities	788,540	310,341
Total extraordinary income	788,611	310,570
Extraordinary losses		
Loss on retirement of non-current assets	15,890	1,255
Total extraordinary losses	15,890	1,255
Profit before income taxes	4,438,347	4,702,340
Income taxes - current	1,354,095	1,375,290
Income taxes - deferred	(52,450)	2,443
Total income taxes	1,301,644	1,377,733
Profit	3,136,703	3,324,606
Profit attributable to owners of parent	3,136,703	3,324,606

Quarterly Consolidated Statements of Comprehensive Income  
 Nine Months Ended September 20, 2017 and September 30, 2018

(Thousand yen)

	Nine Months Ended September 20, 2017 (December 21, 2016 - September 20, 2017)	Nine Months Ended September 30, 2018 (January 1, 2018 - September 30, 2018)
Profit	3,136,703	3,324,606
Other comprehensive income		
Valuation difference on available-for-sale securities	10,269	104,329
Foreign currency translation adjustment	202,190	(20,558)
Remeasurements of defined benefit plans, net of tax	(21,536)	(12,994)
Total other comprehensive income	190,923	70,776
Comprehensive income	3,327,627	3,395,383
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,327,627	3,395,383
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

(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.