



## Consolidated Financial Results for the Three Months Ended March 20, 2017 [Japanese GAAP]

March 31, 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: April 28, 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

Tokyo Stock Exchange, First Section

TEL: +81-6-6928-2331

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

### 1. Consolidated financial results for the three months ended March 20, 2017 (December 21, 2016 - March 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                             | %      |
| Three months ended March 20, 2017 | 6,898       | 2.8  | 786              | (14.9) | 717             | (11.8) | 538                                     | (1.5)  |
| Three months ended March 20, 2016 | 6,708       | 10.3 | 924              | (7.3)  | 813             | (17.0) | 546                                     | (14.0) |

(Note) Comprehensive income Three months ended March 20, 2017: 838 million yen [92.9%] Three months ended March 20, 2016: 434 million yen [(53.3)%]

|                                   | Basic earnings per share |     | Diluted earnings per share |     |
|-----------------------------------|--------------------------|-----|----------------------------|-----|
|                                   | Yen                      | Yen | Yen                        | Yen |
| Three months ended March 20, 2017 | 32.88                    | -   | -                          | -   |
| Three months ended March 20, 2016 | 33.37                    | -   | -                          | -   |

#### (2) Consolidated financial position

|                         | Total assets | Net assets  | Equity ratio |
|-------------------------|--------------|-------------|--------------|
|                         | Million yen  | Million yen | %            |
| As of March 20, 2017    | 31,858       | 27,887      | 87.5         |
| As of December 20, 2016 | 32,444       | 27,706      | 85.4         |

(Reference) Equity As of March 20, 2017: 27,887 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 |
|  | Yen                | Yen                | Yen                | Yen                | Yen   |
| Year ended December 20, 2016             | -                  | 38.00              | -                  | 40.00              | 78.00 |
| Year ending December 31, 2017            | -                  |                    |                    |                    |       |
| Year ending December 31, 2017 (forecast) |                    | 40.00              | -                  | 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 58th term, 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

(Note) The matter falls under Article 10, Paragraph 5 of the “Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements.” For details, refer to “2. Summary Information (Notes) (3) Changes in accounting policies, changes in accounting estimates and retrospective restatements” on page 4 of the supplementary materials.

(4) Number of shares issued (common stock)

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

|                                      |                   |                                      |                   |
|--------------------------------------|-------------------|--------------------------------------|-------------------|
| As of<br>March 20, 2017              | 16,558,617 shares | As of<br>December 20, 2016           | 16,558,617 shares |
| As of<br>March 20, 2017              | 187,227 shares    | As of<br>December 20, 2016           | 186,816 shares    |
| Three months ended<br>March 20, 2017 | 16,371,649 shares | Three months ended<br>March 20, 2016 | 16,372,280 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.

Contents of supplementary materials

|  |   |
|--|---|
| 1. Qualitative Information on Consolidated Results for the Current Period.....   | 2 |
| (1) Qualitative information on consolidated operating results.....   | 2 |
| (2) Qualitative information on consolidated financial position .....   | 3 |
| (3) Qualitative information on consolidated operating forecasts .....  | 3 |
| 2. Summary Information (Notes).....  | 4 |
| (1) Significant changes in subsidiaries during the period.....   | 4 |
| (2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements ..... | 4 |
| (3) Changes in accounting policies, changes in accounting estimates and retrospective restatements .....               | 4 |
| (4) Additional information .....   | 4 |
| 3. Quarterly Consolidated Financial Statements .....   | 5 |
| (1) Quarterly Consolidated Balance Sheets .....  | 5 |
| (2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income.....             | 7 |
| (3) Notes regarding going concern assumption .....   | 9 |
| (4) Segment information.....   | 9 |
| (5) Notes in case of any significant changes in shareholders' equity.....  | 9 |

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

## (1) Qualitative information on consolidated operating results

During the three month period ended March 20, 2017, the Japanese economy continued on a moderate recovery trend, due to improvement in the employment and income environment. However, the overall economic outlook remains uncertain, owing to factors such as the protectionist policies of the new administration in the U.S., 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 three month period ended March 20, 2017 increased to 6,898 million yen (up 2.8% year-on-year). One of the factors behind the increase was that ORDEVE Addicthy, a product that lets customers enjoy the kind of freedom in color design available to Europeans and Americans, got off to a strong start in the hair coloring product category.

Operating income was 786 million yen (down 14.9% year-on-year), ordinary income was 717 million yen (down 11.8% year-on-year), and profit attributable to owners of parent was 538 million yen (down 1.5 % year-on-year). This was mainly due to an increase in cost of sales associated with the extension work on the Yumegaoka Plant.

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<br>March 20, 2016 |           | Three months ended<br>March 20, 2017 |           | Increase<br>(decrease)<br>amount | Year-on-year<br>change (%) |
|-------------------------|--------------------------------------|-----------|--------------------------------------|-----------|----------------------------------|----------------------------|
|                         | Amount                               | Ratio (%) | Amount                               | Ratio (%) |                                  |                            |
| Hair care products      | 3,918                                | 58.4      | 3,924                                | 56.9      | 6                                | 0.2                        |
| Hair coloring products  | 2,441                                | 36.4      | 2,667                                | 38.6      | 225                              | 9.2                        |
| Permanent wave products | 307                                  | 4.6       | 260                                  | 3.8       | (47)                             | (15.3)                     |
| Others                  | 41                                   | 0.6       | 46                                   | 0.7       | 4                                | 11.9                       |
| Total                   | 6,708                                | 100.0     | 6,898                                | 100.0     | 189                              | 2.8                        |

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

|                | Three months ended<br>March 20, 2016 |           | Three months ended<br>March 20, 2017 |           | Increase<br>(decrease)<br>amount | Year-on-year<br>change (%) |
|----------------|--------------------------------------|-----------|--------------------------------------|-----------|----------------------------------|----------------------------|
|                | Amount                               | Ratio (%) | Amount                               | Ratio (%) |                                  |                            |
| Domestic sales | 5,739                                | 85.6      | 5,856                                | 84.9      | 116                              | 2.0                        |
| Overseas sales | 968                                  | 14.4      | 1,041                                | 15.1      | 72                               | 7.5                        |
| Total          | 6,708                                | 100.0     | 6,898                                | 100.0     | 189                              | 2.8                        |

(2) Qualitative information on consolidated financial position

Total assets at the end of the three month period ended March 20, 2017 decreased by 586 million yen compared to the end of the previous fiscal year to 31,858 million yen.

Current assets decreased by 883 million yen compared to the end of the previous fiscal year to 12,528 million yen. This was mainly due to the 205 million yen decrease in cash and deposits, the 616 million yen decrease in notes and accounts receivable - trade, the 500 million yen decrease in securities (jointly managed designated money trusts, etc.), the 546 million yen increase in merchandise and finished goods and the 127 million yen increase in raw materials and supplies.

Non-current assets increased by 296 million yen compared to the end of the previous fiscal year to 19,329 million yen. This was due mainly to the 169 million yen increase in investment securities attributable to factors such as higher prices of listed stocks.

Current liabilities decreased by 827 million yen compared to the end of the previous fiscal year to 3,763 million yen. This was due mainly to the 1,207 million yen decrease in accounts payable - other, the 439 million yen decrease in income taxes payable, the 291 million yen increase in accounts payable - trade and the 265 million yen increase in provision for bonuses.

Non-current liabilities increased by 60 million yen compared to the end of the previous fiscal year to 206 million yen.

Net assets increased by 181 million yen compared to the end of the previous fiscal year to 27,887 million yen. This was due mainly to the 116 million yen decrease in retained earnings, the 117 million yen increase in valuation difference on available-for-sale securities attributable to factors such as higher prices of listed stocks and the 189 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 87.5%. 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 1,703.45 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. Summary Information (Notes)

- (1) Significant changes in subsidiaries during the period

None

- (2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements

None

- (3) 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 three month period ended March 20, 2017 decreased by 120,354 thousand yen, and operating income increased by 119,125 thousand yen, ordinary income and profit before income taxes increased by 120,354 thousand yen, respectively, as compared with the figures calculated using the previous method.

- (4) 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).

## 3. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

|  | Previous Fiscal Year<br>(As of December 20, 2016) | Current First Quarter<br>(As of March 20, 2017) |
|--|---|---|
| <b>Assets</b>                              |   |   |
| Current assets                             |   |   |
| Cash and deposits                          | 4,023,328   | 3,818,150                                       |
| Notes and accounts receivable - trade      | 3,805,519   | 3,189,042                                       |
| Securities                                 | 1,000,000   | 500,000   |
| Merchandise and finished goods             | 2,974,165   | 3,520,306                                       |
| Work in process                            | 36,684  | 34,479  |
| Raw materials and supplies                 | 883,147   | 1,010,987                                       |
| Other                                      | 862,383   | 613,253   |
| Allowance for doubtful accounts            | (173,901)   | (157,987)                                       |
| <b>Total current assets</b>                | <b>13,411,329</b>                                 | <b>12,528,231</b>                               |
| Non-current assets                         |   |   |
| Property, plant and equipment              |   |   |
| Buildings and structures, net              | 6,795,092   | 6,773,953                                       |
| Machinery, equipment and vehicles, net     | 2,377,617   | 2,305,074                                       |
| Land                                       | 5,154,087   | 5,165,432                                       |
| Construction in progress                   | 21,093  | 35,672  |
| Other, net                                 | 333,243   | 409,653   |
| <b>Total property, plant and equipment</b> | <b>14,681,134</b>                                 | <b>14,689,786</b>                               |
| Intangible assets                          | 789,601   | 858,499   |
| Investments and other assets               |   |   |
| Investment securities                      | 2,621,957   | 2,791,403                                       |
| Net defined benefit asset                  | 249,854   | 250,967   |
| Other                                      | 743,866   | 805,220   |
| Allowance for doubtful accounts            | (53,556)  | (66,041)  |
| <b>Total investments and other assets</b>  | <b>3,562,121</b>                                  | <b>3,781,551</b>                                |
| <b>Total non-current assets</b>            | <b>19,032,857</b>                                 | <b>19,329,837</b>                               |
| <b>Total assets</b>                        | <b>32,444,187</b>                                 | <b>31,858,069</b>                               |
| <b>Liabilities</b>                         |   |   |
| Current liabilities                        |   |   |
| Accounts payable - trade                   | 687,193   | 978,857   |
| Accounts payable - other                   | 2,788,818   | 1,581,183                                       |
| Income taxes payable                       | 678,180   | 238,453   |
| Provision for sales returns                | 15,198  | 12,763  |
| Provision for bonuses                      | 137,562   | 402,591   |
| Other                                      | 284,059   | 549,510   |
| <b>Total current liabilities</b>           | <b>4,591,012</b>                                  | <b>3,763,360</b>                                |
| Non-current liabilities                    |   |   |
| Net defined benefit liability              | 32,270  | 36,314  |
| Other                                      | 114,456   | 170,503   |
| <b>Total non-current liabilities</b>       | <b>146,726</b>                                    | <b>206,818</b>                                  |
| <b>Total liabilities</b>                   | <b>4,737,738</b>                                  | <b>3,970,178</b>                                |

(Thousand yen)

|   | Previous Fiscal Year<br>(As of December 20, 2016) | Current First Quarter<br>(As of March 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  | 25,132,185                                      |
| Treasury shares                                       | (544,946)   | (547,177)                                       |
| Total shareholders' equity                            | 26,903,823  | 26,785,074                                      |
| Accumulated other comprehensive income                |   |   |
| Valuation difference on available-for-sale securities | 752,695   | 870,291   |
| Foreign currency translation adjustment               | 43,336  | 233,110   |
| Remeasurements of defined benefit plans               | 6,592   | (585)   |
| Total accumulated other comprehensive income          | 802,624   | 1,102,816                                       |
| Total net assets                                      | 27,706,448  | 27,887,890                                      |
| Total liabilities and net assets                      | 32,444,187  | 31,858,069                                      |

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

|  | (Thousand yen)  |   |
|--|---|---|
|  | Three Months Ended<br>March 20, 2016<br>(December 21, 2015 -<br>March 20, 2016) | Three Months Ended<br>March 20, 2017<br>(December 21, 2016 -<br>March 20, 2017) |
| Net sales                                    | 6,708,575   | 6,898,132   |
| Cost of sales                                | 2,145,906   | 2,354,086   |
| Gross profit                                 | 4,562,668   | 4,544,046   |
| Selling, general and administrative expenses | 3,637,852   | 3,757,392   |
| Operating income                             | 924,816   | 786,653   |
| Non-operating income                         |   |   |
| Interest income                              | 1,855   | 1,937   |
| Dividend income                              | 192   | -   |
| Foreign exchange gains                       | -   | 37,257  |
| Company house defrayment income              | 14,048  | 16,120  |
| Gain on surrender of insurance               | 2,626   | -   |
| Other  | 2,986   | 4,037   |
| Total non-operating income                   | 21,709  | 59,352  |
| Non-operating expenses                       |   |   |
| Sales discounts                              | 111,796   | 121,409   |
| Foreign exchange losses                      | 20,637  | -   |
| Depreciation                                 | -   | 7,177   |
| Other  | 392   | 11  |
| Total non-operating expenses                 | 132,826   | 128,597   |
| Ordinary income                              | 813,699   | 717,408   |
| Extraordinary losses                         |   |   |
| Loss on retirement of non-current assets     | 343   | 507   |
| Total extraordinary losses                   | 343   | 507   |
| Profit before income taxes                   | 813,356   | 716,901   |
| Income taxes - current                       | 343,739   | 206,167   |
| Income taxes - deferred                      | (76,791)  | (27,500)  |
| Total income taxes                           | 266,948   | 178,667   |
| Profit                                       | 546,407   | 538,234   |
| Profit attributable to owners of parent      | 546,407   | 538,234   |

Quarterly Consolidated Statements of Comprehensive Income  
 Three Months Ended March 20, 2016 and 2017

(Thousand yen)

|  | Three Months Ended<br>March 20, 2016<br>(December 21, 2015 -<br>March 20, 2016) | Three Months Ended<br>March 20, 2017<br>(December 21, 2016 -<br>March 20, 2017) |
|--|---|---|
| Profit   | 546,407   | 538,234   |
| Other comprehensive income                                     |   |   |
| Valuation difference on available-for-sale securities          | (125,812)   | 117,595   |
| Foreign currency translation adjustment                        | 19,888  | 189,774   |
| Remeasurements of defined benefit plans, net of tax            | (5,754)   | (7,178)   |
| Total other comprehensive income                               | (111,677)   | 300,191   |
| Comprehensive income   | 434,730   | 838,426   |
| Comprehensive income attributable to                           |   |   |
| Comprehensive income attributable to owners of parent          | 434,730   | 838,426   |
| Comprehensive income attributable to non-controlling interests | —   | —   |

(3) Notes regarding going concern assumption

None

(4) Segment information

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.

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

None