



## Consolidated Financial Results for the Three Months Ended March 20, 2016 [Japanese GAAP]

March 31, 2016

Tokyo Stock Exchange, First Section

Name of registrant: Milbon Co., Ltd.  
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 Scheduled filing date for quarterly report: April 28, 2016  
 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 three months ended March 20, 2016 (December 21, 2015 - March 20, 2016)

(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, 2016	6,708	10.3	924	(7.3)	813	(17.0)	546	(14.0)
Three months ended March 20, 2015	6,083	4.9	997	5.7	980	15.3	635	26.9

(Note) Comprehensive income Three months ended March 20, 2016: 434 million yen [(53.3)%] Three months ended March 20, 2015: 930 million yen [64.7%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 20, 2016	33.37		-	
Three months ended March 20, 2015	38.79		-	

### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of March 20, 2016	29,901		26,007		87.0	
As of December 20, 2015	30,799		26,212		85.1	

(Reference) Equity As of March 20, 2016: 26,007 million yen As of December 20, 2015: 26,212 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, 2015	-	35.00	-	39.00	74.00
Year ending December 20, 2016	-	-	-	-	-
Year ending December 20, 2016 (forecast)	-	38.00	-	40.00	78.00

(Note) Changes to latest dividends forecast: None

### 3. Consolidated operating forecasts for the fiscal year ending December 20, 2016 (December 21, 2015 - December 20, 2016)

(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 20, 2016	28,950	5.7	5,000	5.8	4,700	6.2	3,100	5.1	189.34	

(Note) Changes to latest performance forecasts: None

\*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. : Yes
- 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 March 20, 2016	16,558,617 shares	As of December 20, 2015	16,558,617 shares
2) Number of treasury shares at the end of the period	As of March 20, 2016	186,406 shares	As of December 20, 2015	186,242 shares
3) Average number of shares during the period (cumulative)	Three months ended March 20, 2016	16,372,280 shares	Three months ended March 20, 2015	16,373,819 shares

\*Status of execution of quarterly review of financial statements

As these financial statements are not subject to the review of the quarterly financial statements pursuant to the Financial Instruments and Exchange Act, procedures for said review are not completed at the time of disclosure of this report.

\*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
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, 2016, the Japanese economy remained in a state of uncertainty over its future, despite the continued recovery in the environment surrounding employment and income, due to a plunge in crude oil price triggered by concerns about relaxation of supply and demand accompanying economic slowdown in emerging economies.

In the beauty industry, although business conditions continue to pose challenges due to the adverse impact of demographic trends, patterns of consumption seem to be changing, and amounts that people spend in beauty salons on an annual basis appear to be on the rise, among those in their late 20s and 40s, as well as those in their 50s whose household incomes and expenditures tend to be higher than those of other demographic segments.

Amid this environment, the Milbon Group believes that professionals must respond to attitudes of female beauty which vary from generation to generation. As such, we will work with salons premised on the goal of “helping to lend radiance to the stages of beauty experienced by women as individuals, thereby seizing on the two demographic milestones of beauty — that of the ‘Hanako generation’ (women in their 50s embarking on a quest for beauty) and that of the ‘Hanako junior generation’ (women in their 20s awakening to the notion of beauty).”

Consolidated net sales during the three month period ended March 20, 2016 increased to 6,708 million yen (up 10.3% year-on-year). In the hair care product category, the increase in net sales was largely due to brisk sales of the new line of Aujua from the Company’s premium brand which launched this fiscal year and a leave-in hair treatment from the Company’s professional brand. In the hair coloring product category, one of the factors for the increase in net sales was that sales of the hair coloring product line specialized for gray hair which launched last year continues to grow steadily. Furthermore, steady business development in Asia, including China and South Korea, also contributed to the increase.

Operating income was 924 million yen (down 7.3% year-on-year), ordinary income was 813 million yen (down 17.0% year-on-year) and profit was 546 million yen (down 14.0% year-on-year). Although these results reflected a deterioration in the cost-to-sales ratio and an increase in personnel expenses, among others, the levels are within expectations, and the results for the fiscal year ending December 20, 2016 are expected to be as initially forecasted.

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 20, 2015		Three months ended March 20, 2016		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	3,537	58.1	3,918	58.4	380	10.8
Hair coloring products	2,172	35.7	2,441	36.4	269	12.4
Permanent wave products	331	5.5	307	4.6	(24)	(7.4)
Others	41	0.7	41	0.6	0	0.0
Total	6,083	100.0	6,708	100.0	625	10.3

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Three months ended March 20, 2015		Three months ended March 20, 2016		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	5,276	86.7	5,739	85.6	463	8.8
Overseas sales	806	13.3	968	14.4	162	20.1
Total	6,083	100.0	6,708	100.0	625	10.3

## (2) Qualitative information on consolidated financial position

Total assets at the end of the three month period ended March 20, 2016 decreased by 897 million yen compared to the end of the previous fiscal year to 29,901 million yen.

Current assets decreased by 815 million yen compared to the end of the previous fiscal year to 13,809 million yen. This was mainly due to the 1,296 million yen decrease in cash and deposits, the 196 million yen decrease in notes and accounts receivable - trade, the 530 million yen increase in merchandise and finished goods, and the 180 million yen increase in raw materials and supplies.

Non-current assets decreased by 82 million yen compared to the end of the previous fiscal year to 16,092 million yen.

Current liabilities decreased by 633million yen compared to the end of the previous fiscal year to 3,722 million yen. This was due mainly to the 896 million yen decrease in accounts payable - other, the 384 million yen decrease in income taxes payable, the 294 million yen increase in accounts payable - trade, and the 266 million yen increase in provision for bonuses.

Non-current liabilities decreased by 58 million yen to 171 million yen compared to the end of the previous fiscal year.

Net assets decreased by 204 million yen compared to the end of the previous fiscal year to 26,007 million yen. This was due mainly to the decrease of 92 million yen in retained earnings and the 125 million yen decrease in valuation difference on available-for-sale securities attributable to the slump in stock markets.

As a result, the equity ratio changed from 85.1% at the end of the previous fiscal year to 87.0%. Net assets per share based on the total outstanding shares as of the end of the period under review decreased from 1,601.02 yen per share at the end of the previous fiscal year to 1,588.54 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 January 27, 2016.

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)

(Application of the Accounting Standard for Business Combinations, etc.)

Effective from the first quarter ended March 20, 2016, the Company adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013). As a result, the presentation method for “profit” and other related items has been changed, and “minority interests” are now presented as “non-controlling interests.” To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the first three months of the previous fiscal year and the previous fiscal year.

## 3. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2015)	Current First Quarter (As of March 20, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	4,912,293	3,615,560
Notes and accounts receivable - trade	3,424,543	3,228,483
Securities	2,500,000	2,500,000
Merchandise and finished goods	2,428,521	2,959,342
Work in process	30,925	49,059
Raw materials and supplies	835,568	1,016,081
Other	541,623	602,287
Allowance for doubtful accounts	(48,570)	(161,200)
Total current assets	14,624,904	13,809,614
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,262,671	4,188,437
Machinery, equipment and vehicles, net	1,120,346	1,065,614
Land	5,277,410	5,278,745
Construction in progress	1,348,999	1,414,443
Other, net	272,064	301,140
Total property, plant and equipment	12,281,492	12,248,381
Intangible assets	398,357	426,037
Investments and other assets		
Investment securities	2,525,286	2,439,721
Net defined benefit asset	278,650	287,856
Other	740,222	743,816
Allowance for doubtful accounts	(49,681)	(53,556)
Total investments and other assets	3,494,477	3,417,838
Total non-current assets	16,174,327	16,092,257
Total assets	30,799,232	29,901,872
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	684,978	979,168
Accounts payable - other	2,343,762	1,447,695
Income taxes payable	749,005	364,321
Provision for sales returns	18,394	15,513
Provision for bonuses	108,823	375,406
Other	451,599	540,551
Total current liabilities	4,356,565	3,722,656
Non-current liabilities		
Net defined benefit liability	27,425	29,264
Other	202,708	141,972
Total non-current liabilities	230,133	171,237
Total liabilities	4,586,698	3,893,893

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2015)	Current First Quarter (As of March 20, 2016)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	199,748	199,761
Retained earnings	23,440,262	23,348,147
Treasury shares	(542,094)	(542,869)
Total shareholders' equity	25,097,916	25,005,039
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	737,221	611,408
Foreign currency translation adjustment	311,451	331,339
Remeasurements of defined benefit plans	65,944	60,190
Total accumulated other comprehensive income	1,114,616	1,002,938
Total net assets	26,212,533	26,007,978
Total liabilities and net assets	30,799,232	29,901,872



(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income  
 Quarterly Consolidated Statements of Earnings  
 Three Months Ended March 20, 2015 and 2016

(Thousand yen)

	Three Months Ended March 20, 2015 (December 21, 2014 - March 20, 2015)	Three Months Ended March 20, 2016 (December 21, 2015 - March 20, 2016)
Net sales	6,083,009	6,708,575
Cost of sales	1,800,879	2,145,906
Gross profit	4,282,129	4,562,668
Selling, general and administrative expenses	3,284,564	3,637,852
Operating income	997,565	924,816
Non-operating income		
Interest income	1,600	1,855
Dividend income	192	192
Foreign exchange gains	25,995	-
Company house defrayment income	14,326	14,048
Gain on surrender of insurance	44,056	2,626
Other	2,783	2,986
Total non-operating income	88,954	21,709
Non-operating expenses		
Sales discounts	104,834	111,796
Foreign exchange losses	-	20,637
Other	1,429	392
Total non-operating expenses	106,263	132,826
Ordinary income	980,256	813,699
Extraordinary losses		
Loss on retirement of non-current assets	449	343
Total extraordinary losses	449	343
Income before income taxes and minority interests	979,807	813,356
Income taxes - current	377,092	343,739
Income taxes - deferred	(32,467)	(76,791)
Total income taxes	344,625	266,948
Profit	635,182	546,407
Profit attributable to owners of parent	635,182	546,407

Quarterly Consolidated Statements of Comprehensive Income  
 Three Months Ended March 20, 2015 and 2016

(Thousand yen)

	Three Months Ended March 20, 2015 (December 21, 2014 - March 20, 2015)	Three Months Ended March 20, 2016 (December 21, 2015 - March 20, 2016)
Profit	635,182	546,407
Other comprehensive income		
Valuation difference on available-for-sale securities	149,150	(125,812)
Foreign currency translation adjustment	152,202	19,888
Remeasurements of defined benefit plans, net of tax	(6,078)	(5,754)
Total other comprehensive income	295,274	(111,677)
Comprehensive income	930,457	434,730
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	930,457	434,730
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