



Consolidated Financial Results for the Three Months Ended March 31, 2018 [Japanese GAAP]

April 27, 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
 Inquiries: Masahiro Murai, Managing Director
 Scheduled filing date for quarterly report: May 11, 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

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, 2018 (January 1, 2018 - March 31, 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	%
Three months ended March 31, 2018	7,789	-	1,390	-	1,208	-	1,074	-
Three months ended March 20, 2017	6,898	2.8	786	(14.9)	717	(11.8)	538	(1.5)

(Note) Comprehensive income Three months ended March 31, 2018: 1,118 million yen [-%] Three months ended March 20, 2017: 838 million yen [92.9%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 31, 2018	32.83		-	
Three months ended March 20, 2017	16.44		-	

(Reference) Equity in earnings (losses) of affiliates Three months ended March 31, 2018: 0 million yen Three months ended March 20, 2017: - million yen

(Notes)

1. 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 under review (January 1, 2018 to March 31, 2018) differs from that of the previous three month period (December 21, 2016 to March 20, 2017).

2. 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 March 31, 2018	36,392		31,368		86.2	
As of December 31, 2017	37,642		31,103		82.6	

(Reference) Equity As of March 31, 2018: 31,368 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	-				
Year ending December 31, 2018 (forecast)		24.00	-	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 2nd quarter and the end of fiscal year for 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	34,000	-	5,740	-	5,270	-	3,990	-	121.87	

(Note) Changes to latest performance forecasts: None

(Notes)

1. 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.

2. 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 March 31, 2018	33,117,234 shares	As of December 31, 2017	33,117,234 shares
As of March 31, 2018	376,996 shares	As of December 31, 2017	376,572 shares
Three months ended March 31, 2018	32,740,412 shares	Three months ended March 20, 2017	32,743,298 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 first quarter of the fiscal year under review covers the three month period from January 1, 2018 to March 31, 2018, the first quarter of the previous fiscal year covered the three month period from December 21, 2016 to March 20, 2017 (for consolidated subsidiaries, the period of October 1, 2016 to December 31, 2016). Therefore, year-on-year comparisons are not stated.

During the three month period ended March 31, 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, the overall economic outlook is uncertain, owing to factors such as unstable operation of the U.S. administration, and concerns over downward revisions to corporate earnings owing to the influence of the strong yen.

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 three month period ended March 31, 2018, the upgraded version of Aujua released in November 2017 was very well received by the market. Also, returns of the previous version of Aujua, which was scheduled to be discontinued as of March 31, 2018, were much lower than expected, and this resulted in pushing up gross profit. The "milbon" brand, targeting the global market, also progressed steadily in salons, and the premium brand remained strong. In overseas markets, the East Asian region continued to grow steadily.

As a result of the above efforts, consolidated net sales during the three month period ended March 31, 2018 amounted to 7,789 million yen, operating income was 1,390 million yen, ordinary income was 1,208 million yen, and profit attributable to owners of parent was 1,074 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	Three months ended March 20, 2017		Three months ended March 31, 2018		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	3,924	56.9	4,490	57.6	-	-
Hair coloring products	2,667	38.6	2,905	37.3	-	-
Permanent wave products	260	3.8	348	4.5	-	-
Others	46	0.7	45	0.6	-	-
Total	6,898	100.0	7,789	100.0	-	-

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Three months ended March 20, 2017		Three months ended March 31, 2018		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	5,856	84.9	6,479	83.2	-	-
Overseas sales	1,041	15.1	1,310	16.8	-	-
Total	6,898	100.0	7,789	100.0	-	-

(2) Explanation on financial position

Total assets at the end of the three month period ended March 31, 2018 decreased by 1,249 million yen compared to the end of the previous fiscal year to 36,392 million yen.

Current assets decreased by 1,271 million yen compared to the end of the previous fiscal year to 14,835 million yen. This was mainly due to the 445 million yen decrease in cash and deposits, the 1,459 million yen decrease in notes and accounts receivable - trade, the 523 million yen increase in merchandise and finished goods and the 142 million yen increase in raw materials and supplies.

Non-current assets increased by 22 million yen compared to the end of the previous fiscal year to 21,557 million yen.

Current liabilities decreased by 1,590 million yen compared to the end of the previous fiscal year to 4,404 million yen. This was mainly due to the 1,050 million yen decrease in accounts payable - other, the 322 million yen decrease in income taxes payable, the 277 million yen decrease in provision for sales returns and the 320 million yen increase in provision for bonuses.

Non-current liabilities increased by 75 million yen compared to the end of the previous fiscal year to 619 million yen.

Net assets increased by 265 million yen compared to the end of the previous fiscal year to 31,368 million yen. This was due mainly to the 223 million yen increase in retained earnings and the 135 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 86.2%. 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 958.11 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 February 24, 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 First Quarter (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	6,164,763	5,718,843
Notes and accounts receivable - trade	5,076,624	3,617,430
Merchandise and finished goods	2,991,885	3,515,389
Work in process	57,709	69,723
Raw materials and supplies	1,025,671	1,168,319
Deferred tax assets	458,893	463,112
Other	450,693	378,049
Allowance for doubtful accounts	(119,553)	(95,842)
Total current assets	16,106,686	14,835,024
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,861,729	6,818,810
Machinery, equipment and vehicles, net	2,169,817	2,071,119
Land	5,029,802	5,028,133
Construction in progress	12,981	40,420
Other, net	552,412	617,330
Total property, plant and equipment	14,626,742	14,575,814
Intangible assets	943,654	1,003,166
Investments and other assets		
Investment securities	4,748,113	4,779,398
Net defined benefit asset	275,188	275,040
Deferred tax assets	9,750	11,465
Other	996,332	976,918
Allowance for doubtful accounts	(63,862)	(63,862)
Total investments and other assets	5,965,522	5,978,960
Total non-current assets	21,535,919	21,557,941
Total assets	37,642,605	36,392,966
Liabilities		
Current liabilities		
Accounts payable - trade	1,145,987	1,066,499
Accounts payable - other	2,535,084	1,484,906
Income taxes payable	786,252	464,117
Provision for sales returns	292,501	14,985
Provision for bonuses	318,617	638,765
Other	916,809	735,541
Total current liabilities	5,995,253	4,404,816
Non-current liabilities		
Net defined benefit liability	47,859	54,366
Deferred tax liabilities	411,511	480,401
Other	84,614	84,689
Total non-current liabilities	543,986	619,457
Total liabilities	6,539,239	5,024,273

(Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current First Quarter (As of March 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	200,066	200,310
Retained earnings	27,756,292	27,979,891
Treasury shares	(554,227)	(556,209)
Total shareholders' equity	29,402,131	29,623,993
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,332,021	1,467,999
Foreign currency translation adjustment	381,392	293,209
Remeasurements of defined benefit plans	(12,178)	(16,510)
Total accumulated other comprehensive income	1,701,234	1,744,699
Total net assets	31,103,366	31,368,692
Total liabilities and net assets	37,642,605	36,392,966

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Statements of Earnings
 Three Months Ended March 20, 2017 and March 31, 2018

(Thousand yen)

	Three Months Ended March 20, 2017 (December 21, 2016 - March 20, 2017)	Three Months Ended March 31, 2018 (January 1, 2018 - March 31, 2018)
Net sales	6,898,132	7,789,729
Cost of sales	2,354,086	2,238,017
Gross profit	4,544,046	5,551,711
Selling, general and administrative expenses	3,757,392	4,161,636
Operating income	786,653	1,390,075
Non-operating income		
Interest income	1,937	1,672
Dividend income	—	192
Share of profit of entities accounted for using equity method	—	764
Foreign exchange gains	37,257	—
Company house defrayment income	16,120	14,900
Other	4,037	5,576
Total non-operating income	59,352	23,105
Non-operating expenses		
Sales discounts	121,409	148,648
Foreign exchange losses	—	55,554
Depreciation	7,177	—
Other	11	79
Total non-operating expenses	128,597	204,282
Ordinary income	717,408	1,208,898
Extraordinary income		
Gain on sales of non-current assets	—	9
Gain on sales of investment securities	—	305,980
Total extraordinary income	—	305,990
Extraordinary losses		
Loss on retirement of non-current assets	507	338
Total extraordinary losses	507	338
Profit before income taxes	716,901	1,514,551
Income taxes - current	206,167	435,335
Income taxes - deferred	(27,500)	4,359
Total income taxes	178,667	439,694
Profit	538,234	1,074,856
Profit attributable to owners of parent	538,234	1,074,856

Quarterly Consolidated Statements of Comprehensive Income
 Three Months Ended March 20, 2017 and March 31, 2018

(Thousand yen)

	Three Months Ended March 20, 2017 (December 21, 2016 - March 20, 2017)	Three Months Ended March 31, 2018 (January 1, 2018 - March 31, 2018)
Profit	538,234	1,074,856
Other comprehensive income		
Valuation difference on available-for-sale securities	117,595	135,978
Foreign currency translation adjustment	189,774	(88,182)
Remeasurements of defined benefit plans, net of tax	(7,178)	(4,331)
Total other comprehensive income	300,191	43,464
Comprehensive income	838,426	1,118,321
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	838,426	1,118,321
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.