Consolidated Financial Results for the Nine Months Ended September 20, 2014 [Japanese GAAP]

September 26, 2014

Name of registrant: Milbon Co., Ltd. Tokyo Stock Exchange, First Section
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Scheduled filing date for quarterly report: October 24, 2014
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

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

1. Consolidated financial results for the nine months ended September 20, 2014 (December 21, 2013- September 20, 2014)

(1) Consolidated operating results (Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 20, 2014	18,437	5.3	3,215	(3.2)	3,042	(2.8)	1,845	(4.8)
Nine months ended September 20, 2013	17,508	8.8	3,322	6.5	3,131	7.4	1,938	11.3

(Note) Comprehensive income Nine months ended September 20, 2014: 2,002 million yen [(22.0)%] Nine months ended September 20, 2013: 2,568 million yen [46.1%]

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended September 20, 2014	112.71	-
Nine months ended September 20, 2013	117.57	-

(Note) The Company conducted a 1.2 for 1 stock split of its common stock effective December 21, 2013. Consequently, the net income per share calculated and retrospectively adjusted assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year is presented.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 20, 2014	26,597	23,099	86.9
As of December 20, 2013	26,321	22,149	84.1

(Reference) Equity As of September 20, 2014: 23,099 million yen As of December 20, 2013: 22,149 million yen

2. Payment of dividends

	Annual dividend				
	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, 2013	-	33.00	-	35.00	68.00
Year ending December 20, 2014	-	34.00	-		
Year ending December 20, 2014 (forecast)				34.00	68.00

(Note) Changes to latest dividends forecast: None

3. Consolidated operating forecasts for the fiscal year ending December 20, 2014 (December 21, 2013 - December 20, 2014)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending December 20, 2014	25,200	5.8	4,500	4.6	4,215	3.8	2,600	3.3	158.74

(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. : 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 stock)	As of September 20, 2014	16,558,617 shares	As of December 20, 2013	16,558,617 shares
2) Number of treasury stock at the end of the period	As of September 20, 2014	184,488 shares	As of December 20, 2013	179,953 shares
3) Average number of shares during the period (cumulative)	Nine months ended September 20, 2014	16,375,107 shares	Nine months ended September 20, 2013	16,489,597 shares

(Note) The Company conducted a 1.2 for 1 stock split of its common stock effective December 21, 2013. Consequently, the number of shares issued at the end of the period, the number of treasury stock at the end of the period, and the average number of shares during the period calculated and retrospectively adjusted assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year are presented.

*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.

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1. Qualitative Information on Consolidated Results for the Current Period

(1) Qualitative information on consolidated operating results

During the nine month period ended September 20, 2014, the Japanese economy was on a moderate recovery trend as corporate earnings improved on the back of weakness in the yen. On the other hand, a sense of stagnation emerged due mainly to lateness in a recovery in personal consumption following a consumption tax increase and the resultant weakness in sales of products to individuals. Furthermore, increasing concerns about the decelerating economies of the emerging nations led to uncertainty over the future. In the beauty industry, the future remains unpredictable due partly to some experiencing a slowdown in customer traffic associated with the increase in consumption tax and the impact of customers refraining from going outdoors because of unseasonable weather.

Under such circumstances, the Milbon Group, fully aware of the importance of enhancing “intangible value” that centers on communication to respond to the values of mature women, has been promoting initiatives intended for salons under the slogan of “Supporting the nurture of salon professionals with human appeal who will take the stage and live up to intrinsic, absolute value.”
Consolidated net sales during the nine month period ended September 20, 2014 increased to 18,437 million yen (up 5.3% year-on-year). This was primarily due to the extremely strong sales of Aujua Aging Care series Immurise line, which was launched in February, and leave-in treatment Deesse’s Elujuda Emulsion, which was launched in June, in the hair-care product category. Favorable sales growth at the overseas subsidiaries thanks to proactive educational activities conducted for salons and a change in distributor strategy was another factor for the increase.
Operating income was 3,215 million yen (down 3.2% year-on-year), ordinary income was 3,042 million yen (down 2.8% year-on- year) and net income was 1,845 million yen (down 4.8% year-on-year). This is primarily due to a temporary increase in selling, general and administrative expenses in the first half of the fiscal year attributable to factors including various costs relating to extension work at the Central Research Institute and the renewal of sales promotion tools, which had been planned since the beginning of the fiscal year.

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, 2013		Nine months ended September 20, 2014		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	9,086	51.9	10,436	56.6	1,349	14.9
Hair coloring products	7,018	40.1	6,654	36.1	(364)	(5.2)
Permanent wave products	1,224	7.0	1,167	6.3	(57)	(4.7)
Others	179	1.0	179	1.0	0	0.1
Total	17,508	100.0	18,437	100.0	928	5.3

[Breakdown of net sales into domestic and overseas sales] (Unit: Million yen)

	Nine months ended September 20, 2013		Nine months ended September 20, 2014		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	16,192	92.5	16,562	89.8	370	2.3
Overseas sales	1,316	7.5	1,874	10.2	558	42.4
Total	17,508	100.0	18,437	100.0	928	5.3

(2) Qualitative information on consolidated financial position

Total assets at the end of the nine month period ended September 20, 2014 increased by 275 million yen compared to the end of the previous consolidated fiscal year to 26,597 million yen.

Current assets were 12,937 million yen. This was due mainly to a decrease in cash and deposits of 965 million yen and increases in merchandise and finished goods and in raw materials and supplies of 663 million yen and 154 million yen, respectively.

Noncurrent assets increased by 275 million yen compared to the end of the previous consolidated fiscal year to 13,659 million yen. This was due mainly to an increase of 832 million yen attributable to capital expenditure including the extension work at the Central Research Institute, a decrease of 735 million yen attributable to the recording of depreciation and amortization and an increase of 166 million yen in investment securities attributable to factors such as higher prices of listed stocks.

Current liabilities decreased by 636 million yen compared to the end of the previous consolidated fiscal year to 3,334 million yen. This was due mainly to decreases in accounts payable-other and in income taxes payable of 635 million yen and 486 million yen, respectively, and increases in accounts payable-trade and in provision for bonuses by 149 million yen and 258 million yen, respectively.

There were no significant changes in noncurrent liabilities from the end of the previous consolidated fiscal year.

Net assets increased by 950 million yen compared to the end of the previous consolidated fiscal year to 23,099 million yen. This was due mainly to an increase of 811 million yen in retained earnings.

As a result, the equity ratio changed from 84.1% at the end of the previous consolidated fiscal year to 86.9%. Net assets per share based on the total outstanding shares as of the end of the period under review increased from 1,352.34 yen per share at the end of the previous consolidated fiscal year to 1,410.75 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 performance forecasts, which were announced on January 22, 2014.

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

None

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Consolidated Fiscal Year (As of December 20, 2013)	Current Consolidated Third Quarter (As of September 20, 2014)
Assets		
Current assets		
Cash and deposits	6,845,649	5,880,407
Notes and accounts receivable-trade	3,110,419	3,120,732
Merchandise and finished goods	1,987,133	2,650,446
Work in process	21,957	31,824
Raw materials and supplies	607,585	762,119
Other	420,934	545,245
Allowance for doubtful accounts	(55,548)	(53,030)
Total current assets	12,938,131	12,937,744
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,655,029	4,308,173
Machinery, equipment and vehicles, net	902,286	1,046,443
Land	4,867,542	4,867,876
Construction in progress	835,253	51,444
Other, net	155,945	273,466
Total property, plant and equipment	10,416,058	10,547,403
Intangible assets	481,762	438,386
Investments and other assets		
Investment securities	1,767,519	1,933,566
Other	767,402	789,312
Allowance for doubtful accounts	(49,141)	(49,141)
Total investments and other assets	2,485,780	2,673,737
Total noncurrent assets	13,383,601	13,659,527
Total assets	26,321,732	26,597,271
Liabilities		
Current liabilities		
Accounts payable-trade	501,379	651,089
Accounts payable-other	1,914,806	1,279,546
Income taxes payable	945,236	458,641
Provision for sales returns	26,590	24,162
Provision for bonuses	83,995	342,950
Other	498,640	578,209
Total current liabilities	3,970,648	3,334,600
Noncurrent liabilities		
Provision for retirement benefits	55,564	18,030
Other	146,076	144,862
Total noncurrent liabilities	201,641	162,893
Total liabilities	4,172,289	3,497,493

(Thousand yen)

	Previous Consolidated Fiscal Year (As of December 20, 2013)	Current Consolidated Third Quarter (As of September 20, 2014)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	199,183	199,483
Retained earnings	20,069,024	20,880,282
Treasury stock	(516,646)	(534,881)
Total shareholders' equity	21,751,561	22,544,884
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	277,439	384,539
Foreign currency translation adjustment	120,442	170,353
Total accumulated other comprehensive income	397,881	554,893
Total net assets	22,149,443	23,099,778
Total liabilities and net assets	26,321,732	26,597,271

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Earnings

Quarterly Consolidated Nine Months Ended September 20, 2013 and 2014

(Thousand yen)

	Nine Months Ended September 20, 2013 (December 21, 2012 - September 20, 2013)	Nine Months Ended September 20, 2014 (December 21, 2013 - September 20, 2014)
Net sales	17,508,946	18,437,602
Cost of sales	5,563,866	5,720,656
Gross profit	11,945,079	12,716,946
Selling, general and administrative expenses	8,622,277	9,501,350
Operating income	3,322,801	3,215,596
Non-operating income		
Interest income	11,598	6,881
Dividends income	25,040	32,414
Foreign exchange gains	28,116	3,116
Company house defrayment income	37,743	35,961
Profit on surrender of insurance	-	45,717
Other	8,592	10,448
Total non-operating income	111,091	134,540
Non-operating expenses		
Sales discounts	302,039	307,533
Other	557	132
Total non-operating expenses	302,596	307,665
Ordinary income	3,131,297	3,042,471
Extraordinary income		
Gain on sales of noncurrent assets	552	811
Total extraordinary income	552	811
Extraordinary loss		
Loss on retirement of noncurrent assets	9,831	23,530
Total extraordinary losses	9,831	23,530
Income before income taxes and minority interests	3,122,018	3,019,752
Income taxes-current	1,338,067	1,219,388
Income taxes-deferred	(154,715)	(45,344)
Total income taxes	1,183,352	1,174,044
Income before minority interests	1,938,666	1,845,707
Net income	1,938,666	1,845,707

Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Nine Months Ended September 20, 2013 and 2014

(Thousand yen)

	Nine Months Ended September 20, 2013 (December 21, 2012 - September 20, 2013)	Nine Months Ended September 20, 2014 (December 21, 2013 - September 20, 2014)
Income before minority interests	1,938,666	1,845,707
Other comprehensive income		
Valuation difference on available-for-sale securities	370,509	107,100
Foreign currency translation adjustment	258,964	49,911
Total other comprehensive income	629,473	157,011
Comprehensive income	2,568,139	2,002,719
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,568,139	2,002,719
Comprehensive income attributable to minority 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