Consolidated Financial Results for the Nine Months Ended September 20, 2015 [Japanese GAAP]

September 30, 2015

Name of registrant: Milbon Co., Ltd. Tokyo Stock Exchange, First Section
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Scheduled filing date for quarterly report: October 30, 2015
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, 2015 (December 21, 2014 - September 20, 2015)

(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, 2015	19,978	8.4	3,787	17.8	3,594	18.1	2,331	26.3
Nine months ended September 20, 2014	18,437	5.3	3,215	(3.2)	3,042	(2.8)	1,845	(4.8)

(Note) Comprehensive income Nine months ended September 20, 2015: 2,686 million yen [34.1%] Nine months ended September 20, 2014: 2,002 million yen [(22.0)%]

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended September 20, 2015	142.40	-
Nine months ended September 20, 2014	112.71	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 20, 2015	29,612	25,619	86.5
As of December 20, 2014	28,138	24,104	85.7

(Reference) Equity As of September 20, 2015: 25,619 million yen As of December 20, 2014: 24,104 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, 2014	-	34.00	-	34.00	68.00
Year ending December 20, 2015	-	35.00	-		
Year ending December 20, 2015 (forecast)				35.00	70.00

(Note) Changes to latest dividends forecast: None

3. Consolidated operating forecasts for the fiscal year ending December 20, 2015 (December 21, 2014 - December 20, 2015)

(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, 2015	26,900	6.6	4,661	4.7	4,369	3.6	2,630	0.3	160.62

(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 September 20, 2015	16,558,617 shares	As of December 20, 2014	16,558,617 shares
2) Number of treasury shares at the end of the period	As of September 20, 2015	185,940 shares	As of December 20, 2014	184,672 shares
3) Average number of shares during the period (cumulative)	Nine months ended September 20, 2015	16,373,324 shares	Nine months ended September 20, 2014	16,375,107 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.

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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, 2015, the Japanese economy continued on a moderate recovery track, highlighted by a recovery in domestic investment supported by the upturn in corporate earnings and other factors, as well as the improvement trend in both household income and the employment environment. However, the outlook has become uncertain due to factors including a weakening of exports to regions such as Asia and the U.S., as well as the correction in stock markets triggered by concerns about an economic slowdown in China. In the beauty industry, amid the challenging conditions with demographics making it tough for salons to bring in customers and hire new staff, salons are having to broadly meet diversifying customer needs.

Amid this environment, the Milbon Group believes that it is important to respond to the needs of women in their 40s, the core customers of salons, as well as women in their mid-20s, whose understanding of beauty is beginning to change. Efforts are being focused on salons with the goal of "raising the level of expertise of professionals and supporting higher productivity in order to respond to women, who continue to shine in society, from those awakening to beauty to those with heightened beauty needs."

Consolidated net sales during the nine month period ended September 20, 2015 increased to 19,978 million yen (up 8.4% year-on-year). In the hair care product category, the increase was largely due to solid sales of hair care products containing Milbon's original keratin restoring ingredient CMADK, including Jemile Fran, a new hair care brand for working women in their 20s which was launched in May. In the hair coloring product category, Ordeve Crystal, the hair coloring product line specialized for gray hair which launched in June and allows women with long hair to beautifully color their hair, saw steady sales. Favorable sales growth of overseas subsidiaries, centered on East Asia, was another factor for the increase in overall sales, as proactive activities, primarily education in salons, resulted in an increase in transactions with leading salons.

Operating income was 3,787 million yen (up 17.8% year-on-year), ordinary income was 3,594 million yen (up 18.1% year-on-year) and net income was 2,331 million yen (up 26.3% year-on-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, 2014		Nine months ended September 20, 2015		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	10,436	56.6	11,618	58.1	1,181	11.3
Hair coloring products	6,654	36.1	7,129	35.7	475	7.1
Permanent wave products	1,167	6.3	1,076	5.4	(90)	(7.8)
Others	179	1.0	154	0.8	(24)	(13.9)
Total	18,437	100.0	19,978	100.0	1,541	8.4

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

	Nine months ended September 20, 2014		Nine months ended September 20, 2015		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	16,562	89.8	17,455	87.4	892	5.4
Overseas sales	1,874	10.2	2,523	12.6	648	34.6
Total	18,437	100.0	19,978	100.0	1,541	8.4

(2) Qualitative information on consolidated financial position

Total assets at the end of the nine month period ended September 20, 2015 increased by 1,473 million yen compared to the end of the previous fiscal year to 29,612 million yen.

Current assets increased by 675 million yen compared to the end of the previous fiscal year to 14,983 million yen. This was mainly due to the 2,999 million yen increase in securities (jointly managed designated money trusts, etc.), the 708 million yen increase in merchandise and finished goods, the 2,849 million yen decline in cash and deposits, and the 375 million yen decline in notes and accounts receivable - trade.

Non-current assets increased by 797 million yen compared to the end of the previous fiscal year to 14,629 million yen. This was due mainly to the 411 million yen increase in land in conjunction with the purchase of land adjacent to the Yumegaoka Plant and an increase of 280 million yen in investment securities attributable to factors such as higher prices of listed stocks.

Current liabilities decreased by 85 million yen compared to the end of the previous fiscal year to 3,783 million yen. This was mainly due to the 505 million yen decrease in accounts payable - other, the 167 million yen decrease in income taxes payable, the 312 million yen increase in accounts payable - trade, and the 282 million yen increase in provision for bonuses.

There were no significant changes in non-current liabilities from the end of the previous fiscal year.

Net assets increased by 1,515 million yen compared to the end of the previous fiscal year to 25,619 million yen. This was due mainly to the increase of 1,165 million yen in retained earnings and the 209 million yen increase in valuation difference on available-for-sale securities attributable to factors such as higher prices of listed stocks and the 159 million yen increase in foreign currency translation adjustment due to the weakening of the yen.

As a result, the equity ratio changed from 85.7% at the end of the previous fiscal year to 86.5%. Net assets per share based on the total outstanding shares as of the end of the period under review increased from 1,472.10 yen per share at the end of the previous fiscal year to 1,564.76 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 21, 2015.

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 Retirement Benefits, etc.)

Regarding the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), effective from the first quarter ended March 20, 2015, the Company has applied the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of Guidance on Accounting Standard for Retirement Benefits, reviewed its calculation method for retirement benefit obligations and current service costs, and changed its method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method for determining the discount rate from a method based on a period approximate to the expected average remaining working lives of employees to a method that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payments.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the calculation method for retirement benefit obligations and current service costs has been added to or deducted from retained earnings as of December 21, 2014.

As a result, as of December 21, 2014, net defined benefit asset decreased by 55,973 thousand yen and retained earnings decreased by 36,103 thousand yen. The effect of the revision on operating income, ordinary income and income before income taxes and minority interests for the nine month period ended September 20, 2015 is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2014)	Current Third Quarter (As of September 20, 2015)
Assets		
Current assets		
Cash and deposits	7,386,867	4,537,148
Notes and accounts receivable - trade	3,427,276	3,051,446
Securities	–	2,999,975
Merchandise and finished goods	2,258,355	2,966,477
Work in process	22,989	27,614
Raw materials and supplies	795,564	840,980
Other	460,762	606,394
Allowance for doubtful accounts	(44,289)	(46,621)
Total current assets	14,307,525	14,983,414
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,270,850	4,402,633
Machinery, equipment and vehicles, net	1,076,672	1,062,606
Land	4,876,552	5,288,422
Construction in progress	58,635	19,507
Other, net	248,178	295,027
Total property, plant and equipment	10,530,889	11,068,197
Intangible assets	448,856	378,641
Investments and other assets		
Investment securities	1,908,728	2,189,188
Net defined benefit asset	257,649	280,393
Other	735,001	762,468
Allowance for doubtful accounts	(49,681)	(49,681)
Total investments and other assets	2,851,698	3,182,368
Total non-current assets	13,831,443	14,629,207
Total assets	28,138,969	29,612,622
Liabilities		
Current liabilities		
Accounts payable - trade	503,378	816,265
Accounts payable - other	1,841,629	1,336,255
Income taxes payable	769,801	601,853
Provision for sales returns	24,436	22,729
Provision for bonuses	89,198	371,656
Other	641,288	635,052
Total current liabilities	3,869,733	3,783,812
Non-current liabilities		
Net defined benefit liability	20,238	28,787
Other	144,883	180,674
Total non-current liabilities	165,121	209,461
Total liabilities	4,034,855	3,993,274

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2014)	Current Third Quarter (As of September 20, 2015)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	199,599	199,748
Retained earnings	21,655,660	22,821,379
Treasury shares	(535,654)	(540,740)
Total shareholders' equity	23,319,606	24,480,387
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	368,519	577,525
Foreign currency translation adjustment	310,899	470,138
Remeasurements of defined benefit plans	105,089	91,296
Total accumulated other comprehensive income	784,508	1,138,960
Total net assets	24,104,114	25,619,347
Total liabilities and net assets	28,138,969	29,612,622

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

Quarterly Consolidated Statements of Earnings

Nine Months Ended September 20, 2014 and 2015

(Thousand yen)

	Nine Months Ended September 20, 2014 (December 21, 2013 - September 20, 2014)	Nine Months Ended September 20, 2015 (December 21, 2014 - September 20, 2015)
Net sales	18,437,602	19,978,880
Cost of sales	5,720,656	6,035,176
Gross profit	12,716,946	13,943,704
Selling, general and administrative expenses	9,501,350	10,156,440
Operating income	3,215,596	3,787,263
Non-operating income		
Interest income	6,881	4,434
Dividend income	32,414	34,378
Foreign exchange gains	3,116	2,818
Company house defrayment income	35,961	45,751
Gain on surrender of insurance	45,717	44,020
Other	10,448	11,321
Total non-operating income	134,540	142,723
Non-operating expenses		
Sales discounts	307,533	334,081
Other	132	1,740
Total non-operating expenses	307,665	335,822
Ordinary income	3,042,471	3,594,164
Extraordinary income		
Gain on sales of non-current assets	811	–
Total extraordinary income	811	–
Extraordinary losses		
Loss on retirement of non-current assets	23,530	11,225
Total extraordinary losses	23,530	11,225
Income before income taxes and minority interests	3,019,752	3,582,939
Income taxes - current	1,219,388	1,273,922
Income taxes - deferred	(45,344)	(22,578)
Total income taxes	1,174,044	1,251,343
Income before minority interests	1,845,707	2,331,595
Net income	1,845,707	2,331,595

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 20, 2014 and 2015

(Thousand yen)

	Nine Months Ended September 20, 2014 (December 21, 2013 - September 20, 2014)	Nine Months Ended September 20, 2015 (December 21, 2014 - September 20, 2015)
Income before minority interests	1,845,707	2,331,595
Other comprehensive income		
Valuation difference on available-for-sale securities	107,100	209,006
Foreign currency translation adjustment	49,911	159,238
Remeasurements of defined benefit plans, net of tax	–	(13,792)
Total other comprehensive income	157,011	354,451
Comprehensive income	2,002,719	2,686,047
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,002,719	2,686,047
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