Consolidated Financial Results for the Six Months Ended June 20, 2016
[Japanese GAAP]

June 29, 2016

Name of registrant: Milbon Co., Ltd. Tokyo Stock Exchange, First Section
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Scheduled filing date for quarterly report: July 29, 2016 Scheduled starting date of dividend payments: August 10, 2016
Preparation of supplementary materials on the quarterly results: Yes
Holding of an explanatory meeting on the quarterly results: Yes (For institutional investors and analysts)

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

1. Consolidated financial results for the six months ended June 20, 2016 (December 21, 2015 - June 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	%
Six months ended June 20, 2016	14,218	8.7	2,423	2.3	2,188	(3.6)	1,464	1.4
Six months ended June 20, 2015	13,074	7.4	2,370	10.5	2,270	14.6	1,444	21.4

(Note) Comprehensive income Six months ended June 20, 2016: 1,195 million yen [(38.7)%] Six months ended June 20, 2015: 1,950 million yen [49.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 20, 2016	89.48	-
Six months ended June 20, 2015	88.21	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 20, 2016	31,282	26,767	85.6
As of December 20, 2015	30,799	26,212	85.1

(Reference) Equity As of June 20, 2016: 26,767 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
	Yen	Yen	Yen	Yen	Yen
Year ended December 20, 2015	-	35.00	-	39.00	74.00
Year ending December 20, 2016	-	38.00			
Year ending December 20, 2016 (forecast)			-	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 June 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 June 20, 2016	186,680 shares	As of December 20, 2015	186,242 shares
3) Average number of shares during the period (cumulative)	Six months ended June 20, 2016	16,372,151 shares	Six months ended June 20, 2015	16,373,548 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 six months period ended June 20, 2016, the Japanese economy was on a moderate recovery trend. Corporate earnings continued to improve, supported by the government's economic policies. Meanwhile, concerns remained over an economic slowdown due to downturns in China and other Asian 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 the highest among 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 six month period ended June 20, 2016 increased to 14,218 million yen (up 8.7% year-on-year). In the hair care product category, the increase in net sales was due to the growth of Aujua, the Company's premium brand, and brisk sales of new products in leave-in hair treatments 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 2,423 million yen (up 2.3% year-on-year), ordinary income was 2,188 million yen (down 3.6% year-on-year) and profit was 1,464 million yen (up 1.4% 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	Six months ended June 20, 2015		Six months ended June 20, 2016		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	7,655	58.6	8,511	59.8	855	11.2
Hair coloring products	4,606	35.2	4,944	34.8	338	7.3
Permanent wave products	718	5.5	664	4.7	(54)	(7.5)
Others	94	0.7	98	0.7	3	4.2
Total	13,074	100.0	14,218	100.0	1,143	8.7

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

	Six months ended June 20, 2015		Six months ended June 20, 2016		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	11,441	87.5	12,330	86.7	889	7.8
Overseas sales	1,633	12.5	1,888	13.3	254	15.6
Total	13,074	100.0	14,218	100.0	1,143	8.7

(2) Qualitative information on consolidated financial position

1) Assets, liabilities and net assets

Total assets at the end of the six month period ended June 20, 2016 increased by 483 million yen compared to the end of the previous fiscal year to 31,282 million yen.

Current assets decreased by 643 million yen compared to the end of the previous fiscal year to 13,981 million yen. This was mainly due to the 1,500 million yen decrease in securities (jointly managed designated money trusts, etc.), the 157 million yen decrease in cash and deposits, the 838 million yen increase in merchandise and finished goods, and the 182 million yen increase in raw materials and supplies.

Non-current assets increased by 1,126 million yen compared to the end of the previous fiscal year to 17,301 million yen. This was due mainly to the 1,486 million yen increase in construction in progress, including advance payment on a portion of the extension work of the Yumegaoka Plant.

Current liabilities decreased by 3 million yen compared to the end of the previous fiscal year to 4,352 million yen.

Non-current liabilities decreased by 68 million yen to 162 million yen compared to the end of the previous fiscal year.

Net assets increased by 555 million yen compared to the end of the previous fiscal year to 26,767 million yen. This was due mainly to the increase of 826 million yen in retained earnings and the 169 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 85.6%. Net assets per share based on the total outstanding shares as of the end of the period under review increased from 1,601.02 yen per share at the end of the previous fiscal year to 1,634.98 yen per share.

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the six month period ended June 20, 2016 decreased by 1,624 million yen compared to the end of the previous fiscal year to 5,461 million yen, as a result of using the net cash provided by operating activities for the payment of income taxes and the payment of dividends.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 1,103 million yen. This was mainly the result of posting 2,184 million yen in profit before income taxes, depreciation of 471 million yen, the 249 million yen increase in notes and accounts payable - trade, the 1,074 million yen increase in inventories and 731 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 2,051 million yen. This was mainly due to the purchase of property, plant and equipment of 1,812 million yen and the purchase of intangible assets of 166 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 639 million yen. This was mainly due to the cash dividends paid to shareholders of 637 million yen.

(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 six 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 Second Quarter (As of June 20, 2016)
Assets		
Current assets		
Cash and deposits	4,912,293	4,754,483
Notes and accounts receivable - trade	3,424,543	3,463,089
Securities	2,500,000	1,000,000
Merchandise and finished goods	2,428,521	3,267,053
Work in process	30,925	48,213
Raw materials and supplies	835,568	1,017,755
Other	541,623	593,423
Allowance for doubtful accounts	(48,570)	(162,552)
Total current assets	14,624,904	13,981,466
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,262,671	4,087,225
Machinery, equipment and vehicles, net	1,120,346	1,023,741
Land	5,277,410	5,273,740
Construction in progress	1,348,999	2,835,519
Other, net	272,064	305,249
Total property, plant and equipment	12,281,492	13,525,475
Intangible assets	398,357	434,874
Investments and other assets		
Investment securities	2,525,286	2,355,623
Net defined benefit asset	278,650	297,680
Other	740,222	741,215
Allowance for doubtful accounts	(49,681)	(53,556)
Total investments and other assets	3,494,477	3,340,962
Total non-current assets	16,174,327	17,301,312
Total assets	30,799,232	31,282,778
Liabilities		
Current liabilities		
Accounts payable - trade	684,978	918,883
Accounts payable - other	2,343,762	2,282,957
Income taxes payable	749,005	691,562
Provision for sales returns	18,394	17,151
Provision for bonuses	108,823	109,460
Other	451,599	332,937
Total current liabilities	4,356,565	4,352,953
Non-current liabilities		
Net defined benefit liability	27,425	31,076
Other	202,708	130,989
Total non-current liabilities	230,133	162,065
Total liabilities	4,586,698	4,515,019

(Thousand yen)

	Previous Fiscal Year (As of December 20, 2015)	Current Second Quarter (As of June 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	24,266,695
Treasury shares	(542,094)	(544,120)
Total shareholders' equity	25,097,916	25,922,336
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	737,221	567,472
Foreign currency translation adjustment	311,451	222,229
Remeasurements of defined benefit plans	65,944	55,721
Total accumulated other comprehensive income	1,114,616	845,423
Total net assets	26,212,533	26,767,759
Total liabilities and net assets	30,799,232	31,282,778

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

Quarterly Consolidated Statements of Earnings

Six Months Ended June 20, 2015 and 2016

(Thousand yen)

	Six Months Ended June 20, 2015 (December 21, 2014 - June 20, 2015)	Six Months Ended June 20, 2016 (December 21, 2015 - June 20, 2016)
Net sales	13,074,879	14,218,270
Cost of sales	3,935,993	4,430,459
Gross profit	9,138,886	9,787,810
Selling, general and administrative expenses	6,768,786	7,364,168
Operating income	2,370,100	2,423,642
Non-operating income		
Interest income	2,531	2,632
Dividend income	6,474	6,073
Foreign exchange gains	26,463	–
Company house defrayment income	29,721	28,590
Gain on surrender of insurance	44,020	2,622
Other	7,140	12,442
Total non-operating income	116,351	52,361
Non-operating expenses		
Sales discounts	214,451	233,411
Foreign exchange losses	–	54,061
Other	1,442	403
Total non-operating expenses	215,894	287,876
Ordinary income	2,270,557	2,188,127
Extraordinary losses		
Loss on retirement of non-current assets	10,887	4,124
Total extraordinary losses	10,887	4,124
Profit before income taxes	2,259,669	2,184,002
Income taxes - current	779,348	667,995
Income taxes - deferred	36,044	51,050
Total income taxes	815,392	719,046
Profit	1,444,277	1,464,955
Profit attributable to owners of parent	1,444,277	1,464,955

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended June 20, 2015 and 2016

(Thousand yen)

	Six Months Ended June 20, 2015 (December 21, 2014 - June 20, 2015)	Six Months Ended June 20, 2016 (December 21, 2015 - June 20, 2016)
Profit	1,444,277	1,464,955
Other comprehensive income		
Valuation difference on available-for-sale securities	348,285	(169,748)
Foreign currency translation adjustment	164,846	(89,222)
Remeasurements of defined benefit plans, net of tax	(7,402)	(10,223)
Total other comprehensive income	505,728	(269,193)
Comprehensive income	1,950,006	1,195,762
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,950,006	1,195,762
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	Six Months Ended June 20, 2015 (December 21, 2014 - June 20, 2015)	Six Months Ended June 20, 2016 (December 21, 2015 - June 20, 2016)
Cash flows from operating activities		
Profit before income taxes	2,259,669	2,184,002
Depreciation	499,914	471,529
Increase (decrease) in allowance for doubtful accounts	(97)	118,037
Increase (decrease) in provision for bonuses	4,627	1,436
Increase (decrease) in provision for sales returns	112	(1,243)
Decrease (increase) in net defined benefit asset	(70,672)	(36,003)
Increase (decrease) in net defined benefit liability	6,299	4,604
Interest and dividend income	(9,006)	(8,705)
Foreign exchange losses (gains)	(7,467)	13,796
Loss on retirement of non-current assets	10,887	4,124
Decrease (increase) in notes and accounts receivable - trade	26,335	(45,833)
Decrease (increase) in inventories	(573,640)	(1,074,475)
Increase (decrease) in notes and accounts payable - trade	257,608	249,305
Other, net	19,513	(53,883)
Subtotal	2,424,082	1,826,692
Interest and dividend income received	8,762	7,774
Income taxes paid	(756,287)	(731,413)
Net cash provided by (used in) operating activities	1,676,557	1,103,053
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,013,504)	(1,812,088)
Purchase of intangible assets	(66,578)	(166,608)
Payments of loans receivable	(1,700)	(500)
Collection of loans receivable	4,467	1,318
Payments into time deposits	(92,560)	–
Proceeds from withdrawal of time deposits	–	29,970
Purchase of investment securities	–	(100,000)
Payments for guarantee deposits	(63,102)	(23,649)
Proceeds from collection of guarantee deposits	24,902	10,970
Purchase of insurance funds	(49,584)	(26)
Proceeds from cancellation of insurance funds	51,766	12,634
Other, net	(3,738)	(3,439)
Net cash provided by (used in) investing activities	(1,209,632)	(2,051,419)
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(2,972)	(2,013)
Cash dividends paid	(556,032)	(637,773)
Net cash provided by (used in) financing activities	(559,004)	(639,787)
Effect of exchange rate change on cash and cash equivalents	34,994	(36,810)
Net increase (decrease) in cash and cash equivalents	(57,084)	(1,624,963)
Cash and cash equivalents at beginning of period	7,147,043	7,086,948
Cash and cash equivalents at end of period	7,089,958	5,461,985

(4) Notes regarding going concern assumption
None

(5) 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.

(6) Notes in case of any significant changes in shareholders' equity
None