



## Consolidated Financial Results for the Six Months Ended June 30, 2020 [Japanese GAAP]

August 5, 2020

Name of registrant: Milbon Co., Ltd.  
 Code No.: 4919 URL <http://www.milbon.co.jp>  
 Representative: Ryuji Sato, President and CEO  
 Inquiries: Masahiro Murai, Executive Director  
 Scheduled filing date for quarterly report: August 7, 2020  
 Scheduled starting date of dividend payments: August 28, 2020  
 Preparation of supplementary materials on the quarterly results: Yes  
 Holding of an explanatory meeting on the quarterly results: Yes (For institutional investors and analysts)

Tokyo Stock Exchange, First Section

TEL: +81-3-3517-3915

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

### 1. Consolidated financial results for the six months ended June 30, 2020 (January 1, 2020 - June 30, 2020)

#### (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 30, 2020	15,869	(8.0)	2,388	(22.7)	2,102	(25.6)	1,451	(27.4)
Six months ended June 30, 2019	17,242	6.1	3,089	3.8	2,824	2.8	1,999	(6.4)

(Note) Comprehensive income Six months ended June 30, 2020: 515 million yen [(72.9)%] Six months ended June 30, 2019: 1,900 million yen [(14.8)%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended June 30, 2020	44.57	-	-	-
Six months ended June 30, 2019	61.07	-	-	-

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	%	Million yen	%	%	%
As of June 30, 2020	38,969	87.1	33,925	87.1	87.1	87.1
As of December 31, 2019	41,912	85.6	35,882	85.6	85.6	85.6

(Reference) Equity As of June 30, 2020: 33.925 billion yen As of December 31, 2019: 35.882 billion 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 31, 2019	-	27.00	-	29.00	56.00
Year ending December 31, 2020	-	27.00	-	-	-
Year ending December 31, 2020 (forecast)	-	-	-	29.00	56.00

(Note) Changes to latest dividends forecast: Yes

For details, please refer to the "Notice of Revisions to Earnings and Dividend Forecasts and Dividends from Surplus (Interim Dividends)" announced on August 5, 2020.

### 3. Consolidated operating forecasts for the fiscal year ending December 31, 2020 (January 1, 2020 - December 31, 2020)

(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, 2020	34,900	(3.8)	5,930	(12.2)	5,280	(15.3)	3,840	(15.0)	117.95

(Note) Changes to latest performance forecast: Yes

For details, please refer to the "Notice of Revisions to Earnings and Dividend Forecasts and Dividends from Surplus (Interim Dividends)" announced on August 5, 2020.

\*Notes

(1) Significant changes in subsidiaries during the period

(changes in specified subsidiaries resulting in the change in the scope of consolidation) : Yes  
New: 1 company (Company name: Milbon (Zhejiang) Cosmetics Co., Ltd.) 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)
- 2) Number of treasury shares at the end of the period
- 3) Average number of shares during the period

As of June 30, 2020	33,117,234 shares	As of December 31, 2019	33,117,234 shares
As of June 30, 2020	614,657 shares	As of December 31, 2019	378,250 shares
Six months ended June 30, 2020	32,556,981 shares	Six months ended June 30, 2019	32,739,519 shares

\*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.

## Contents of supplementary materials

1. Qualitative Information on Consolidated Results for the Current Period .....	2
(1) Explanation on operating results .....	2
(2) Explanation on financial position .....	3
(3) Explanation on forward-looking statements including consolidated operating forecasts .....	3
2. Quarterly Consolidated Financial Statements and Main Notes .....	4
(1) Quarterly Consolidated Balance Sheets .....	4
(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income .....	6
Quarterly Consolidated Statements of Earnings	
Six Months Ended June 30, 2019 and 2020 .....	6
Quarterly Consolidated Statements of Comprehensive Income	
Six Months Ended June 30, 2019 and 2020.....	7
(3) Quarterly Consolidated Statements of Cash Flows .....	8
(4) Notes regarding quarterly consolidated financial statements .....	9
Notes regarding going concern assumption .....	9
Notes in case of any significant changes in shareholders' equity .....	9
Segment information, etc. ....	9

## 1. Qualitative Information on Consolidated Results for the Current Period

### (1) Explanation on operating results

During the six-month period ended June 30, 2020, the Japanese economy suffered a sharp deterioration from March onward due to the impact of a new type of coronaviral infectious disease. Overseas economies also continued to face severe conditions. Going forward, although socioeconomic activity levels will be raised in stages, conditions are expected to remain severe for the time being.

In the beauty salon industry, conditions remained challenging due to restrictions on the salon business as a result of the declaration of state of emergency and a decrease in the number of customers visiting salons. Customers have begun to return to the beauty salon after the termination of state of emergency in late May, but we need to pay attention to future trends in infectious diseases.

Against this backdrop, our group has been supporting salons that continue to operate in the face of severe market constraints by devising online activities, while placing top priority on the safety of salons, distributors, and employees. In addition, providing masks and alcohol to salons and distributors was highly evaluated. As a result, consolidated net sales amounted to 15,869 million yen (down 8.0% year on year), operating profit amounted to 2,388 million yen (down 22.7% year on year), ordinary profit amounted to 2,102 million yen (down 25.6% year on year), and profit attributable to owners of parent amounted to 1,451 million yen (down 27.4% year on year), keeping the drop in performance to a minimum.

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 30, 2019		Six months ended June 30, 2020		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	9,897	57.4	9,391	59.2	(506)	(5.1)
Hair coloring products	6,423	37.2	5,594	35.2	(828)	(12.9)
Permanent wave products	770	4.5	660	4.2	(110)	(14.3)
Cosmetic products	47	0.3	136	0.9	89	186.1
Other	103	0.6	85	0.5	(18)	(17.6)
Total	17,242	100.0	15,869	100.0	(1,373)	(8.0)

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Six months ended June 30, 2019		Six months ended June 30, 2020		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	14,383	83.4	13,373	84.3	(1,009)	(7.0)
Overseas sales	2,859	16.6	2,495	15.7	(363)	(12.7)
Total	17,242	100.0	15,869	100.0	(1,373)	(8.0)

(2) Explanation on financial position

1) Assets, liabilities and net assets

Total assets at the end of the six-month period ended June 30, 2020 decreased 2,942 million yen from the end of the previous fiscal year, to 38,969 million yen.

Current assets decreased by 2,054 million yen from the end of the previous fiscal year to 18,275 million yen. The main factors of change were decreases of 3,059 million yen in cash and deposits, 690 million yen in merchandise and finished goods, and 217 million yen in raw materials and supplies.

Non-current assets decreased by 887 million yen from the end of the previous fiscal year to 20,694 million yen. The main factor for the change was 907 million yen decrease in investment securities due to a decrease in valuation gains on listed stocks.

Current liabilities decreased by 1,129 million yen from the end of the previous fiscal year to 4,277 million yen. The main factors for the change were decreases of 610 million yen in accounts payable-other and 238 million yen in income taxes payable.

Non-current liabilities increased by 143 million yen from the end of the previous fiscal year to 766 million yen.

Net assets decreased by 1,957 million yen from the end of the previous fiscal year to 33,925 million yen. The main factors of the change were decreases of 1,544 million yen in the purchase of treasury stock and 615 million yen in valuation difference on available-for-sale securities, 260 million yen in foreign currency translation adjustments due to the appreciation of the yen, and an increase of 501 million yen in retained earnings, due to a decrease in valuation gains on listed stocks.

As a result, the equity ratio changed from 85.6% at the end of the previous fiscal year to 87.1%. The net assets per share based on the total number of issued stocks at the end of the fiscal year was 1,043.78 yen from 1,096.02 yen at the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents (hereinafter "net cash") at the end of the six-month period ended June 30, 2020 decreased by 1,858 million yen from the end of the previous fiscal year to 7,517 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 223 million yen. This was mainly attributable to profit before income taxes of 2,088 million yen, depreciation and amortization of 778 million yen, an increase in inventories of 963 million yen, and income taxes paid of 832 million yen.

(Cash flows from investing activities)

Net cash provided by investment activities amounted to 556 million yen. This was mainly due to payments for purchase of property, plant and equipment of 461 million yen, payments for purchase of intangible assets of 187 million yen, and proceeds from withdrawal of time deposits of 1,200 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 2,538 million yen. This was mainly attributable to 1,589 million yen in payments for purchase of treasury stock and 948 million yen in cash dividends paid to shareholders.

(3) Explanation on forward-looking statements including consolidated operating forecasts

In the first quarter report of the fiscal year ending December 2020, which was announced on May 12, 2020, we did not predict the results forecast and the distribution forecast for the fiscal year ending December 2020 because there is no prospect for the restriction of beauty salon operations and declining number of salon visitors due to the declaration of state of emergency accompanying the spread of the new coronaviruses, and it is difficult to calculate the results forecast and the distribution forecast rationally. At this point in time, there is uncertainty about the future, but we have made forecasts for operating results and dividends assuming that the spread of the new coronavirus will gradually converge from the third quarter of the fiscal year under review. For details, please refer to "Notice of Revisions to Earnings and Dividend Forecasts and Dividends from Surplus (Interim Dividends)" announced today (August 5, 2020).

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2019)	Current Second Quarter (As of June 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	10,615,390	7,555,571
Notes and accounts receivable - trade	4,180,186	4,244,127
Merchandise and finished goods	3,912,361	4,602,550
Work in process	34,781	34,386
Raw materials and supplies	1,120,202	1,337,254
Other	470,610	505,714
Allowance for doubtful accounts	(3,185)	(4,200)
Total current assets	20,330,346	18,275,405
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,023,638	6,984,328
Machinery, equipment and vehicles, net	2,007,962	1,917,400
Land	5,001,021	4,996,349
Construction in progress	84,801	13,440
Other, net	581,100	631,697
Total property, plant and equipment	14,698,524	14,543,216
Intangible assets	1,174,902	1,156,175
Investments and other assets		
Investment securities	3,991,136	3,083,449
Long-term loans receivable	149,125	100,710
Net defined benefit asset	155,832	156,126
Deferred tax assets	204,502	461,803
Other	1,266,204	1,250,988
Allowance for doubtful accounts	(58,381)	(58,381)
Total investments and other assets	5,708,420	4,994,696
Total non-current assets	21,581,847	20,694,089
Total assets	41,912,194	38,969,495
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	797,033	746,861
Accounts payable - other	2,479,907	1,869,153
Income taxes payable	891,258	652,776
Provision for bonuses	397,297	408,672
Other	841,726	600,144
Total current liabilities	5,407,223	4,277,607
Non-current liabilities		
Net defined benefit liability	4,290	4,124
Deferred tax liabilities	670	636
Asset retirement obligations	505,563	542,284
Other	111,835	219,237
Total non-current liabilities	622,359	766,283
Total liabilities	6,029,582	5,043,891

(Thousand yen)

	Previous fiscal year (As of December 31, 2019)	Current Second Quarter (As of June 30, 2020)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	200,742	222,405
Retained earnings	33,266,155	33,767,849
Treasury shares	(563,197)	(2,107,803)
Total shareholders' equity	34,903,700	33,882,451
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	773,082	157,492
Deferred gains or losses on hedges	-	(73,113)
Foreign currency translation adjustment	267,184	6,617
Remeasurements of defined benefit plans	(61,355)	(47,845)
Total accumulated other comprehensive income	978,911	43,152
Total net assets	35,882,612	33,925,603
Total liabilities and net assets	41,912,194	38,969,495

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

## Quarterly Consolidated Statements of Earnings

Six Months Ended June 30, 2019 and 2020

(Thousand yen)

	Six Months Ended June 30, 2019 (January 1, 2019 - June 30, 2019)	Six Months Ended June 30, 2020 (January 1, 2020 - June 30, 2020)
Net sales	17,242,829	15,869,207
Cost of sales	5,746,806	5,329,116
Gross profit	11,496,022	10,540,090
Selling, general and administrative expenses	8,406,961	8,151,746
Operating income	3,089,061	2,388,344
Non-operating income		
Interest income	7,019	12,284
Dividend income	31,969	32,338
Company house defrayment income	11,621	2,174
Gain on surrender of insurance	-	6,835
Refund of custom duty	-	19,745
Other	29,134	41,941
Total non-operating income	79,744	115,319
Non-operating expenses		
Sales discounts	304,866	283,864
Share of loss of entities accounted for using equity method	20,381	66,458
Foreign exchange losses	18,788	49,333
Other	28	1,013
Total non-operating expenses	344,065	400,669
Ordinary income	2,824,740	2,102,994
Extraordinary income		
Gain on sales of non-current assets	799	-
Total extraordinary income	799	-
Extraordinary losses		
Loss on sales of non-current assets	3,506	-
Loss on retirement of non-current assets	5,003	14,353
Total extraordinary losses	8,509	14,353
Profit before income taxes	2,817,031	2,088,641
Income taxes - current	785,168	597,047
Income taxes - deferred	32,543	40,470
Total income taxes	817,712	637,518
Profit	1,999,318	1,451,123
Profit attributable to owners of parent	1,999,318	1,451,123



Quarterly Consolidated Statements of Comprehensive Income  
Six Months Ended June 30, 2018 and 2019

(Thousand yen)

	Six Months Ended June 30, 2019 (January 1, 2019 - June 30, 2019)	Six Months Ended June 30, 2020 (January 1, 2020 - June 30, 2020)
Profit	1,999,318	1,451,123
Other comprehensive income		
Valuation difference on available-for-sale securities	(48,794)	(615,589)
Deferred gains or losses on hedges	-	(73,113)
Foreign currency translation adjustment	(78,177)	(260,566)
Remeasurements of defined benefit plans, net of tax	28,217	13,509
Total other comprehensive income	(98,754)	(935,759)
Comprehensive income	1,900,563	515,364
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,900,563	515,364
Comprehensive income attributable to non-controlling interests	-	-

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	Six Months Ended June 30, 2019 (January 1, 2019 - June 30, 2019)	Six Months Ended June 30, 2020 (January 1, 2020 - June 30, 2020)
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,817,031	2,088,641
Depreciation	714,778	778,148
Increase (decrease) in allowance for doubtful accounts	(638)	1,072
Increase (decrease) in provision for bonuses	(41,685)	11,783
Increase (decrease) in provision for sales returns	(27,271)	-
Decrease (increase) in net defined benefit asset	44,495	(136,953)
Increase (decrease) in net defined benefit liability	(45,379)	156,126
Interest and dividend income	(38,989)	(44,623)
Share of (profit) loss of entities accounted for using equity method	20,381	66,458
Foreign exchange losses (gains)	(5,968)	(57,579)
Loss (gain) on sales of non-current assets	2,706	-
Loss on retirement of non-current assets	5,003	14,353
Decrease (increase) in notes and accounts receivable - trade	20,773	(75,300)
Decrease (increase) in inventories	(1,220,209)	(963,892)
Increase (decrease) in notes and accounts payable - trade	7,107	(39,289)
Other	(674,174)	(789,983)
Subtotal	1,577,961	1,008,963
Interest and dividend income received	37,054	46,712
Income taxes paid	(1,494,549)	(832,299)
Net cash provided by (used in) operating activities	120,465	223,375
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(706,762)	(461,742)
Proceeds from sales of property, plant and equipment	1,429	-
Purchase of intangible assets	(230,984)	(187,072)
Payments of loans receivable	(149,340)	(60)
Collection of loans receivable	1,475	1,520
Payments into time deposits	(1,000,358)	-
Proceeds from withdrawal of time deposits	-	1,200,000
Payments for guarantee deposits	(63,778)	(40,268)
Proceeds from collection of guarantee deposits	58,907	48,019
Other, net	(442)	(3,776)
Net cash provided by (used in) investing activities	(2,089,854)	556,619
<b>Cash flows from financing activities</b>		
Net decrease (increase) in treasury shares	(2,481)	(1,589,628)
Cash dividends paid	(980,590)	(948,843)
Net cash provided by (used in) financing activities	(983,071)	(2,538,472)
Effect of exchange rate change on cash and cash equivalents	(50,477)	(99,977)
Net increase (decrease) in cash and cash equivalents	(3,002,937)	(1,858,454)
Cash and cash equivalents at beginning of period	9,541,483	9,376,300
Cash and cash equivalents at end of period	6,538,546	7,517,845

(4) Notes regarding quarterly consolidated financial statements

(Notes regarding going concern assumption)

None

(Notes in case of any significant changes in shareholders' equity)

Company acquired 249.5 thousand shares of treasury stock in accordance with a resolution approved at a meeting of the Board of Directors held on February 12, 2020. As a result, treasury stock increased by 1,544,606 thousand yen during the first half of the current fiscal year to 2,107,803 thousand yen at the end of the second quarter of the current fiscal year.

(Segment information, etc.)

The Company omits segment information, as it operates just one business segment engaged in the manufacturing and sales of hair cosmetics.