



Consolidated Financial Results for the Six Months Ended June 30, 2021 [Japanese GAAP]

August 6, 2021

Name of registrant: Milbon Co., Ltd.
Code No.: 4919 URL <http://www.milbon.co.jp>
Representative: Ryuji Sato, President and CEO
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Scheduled filing date for quarterly report: August 11, 2021
Scheduled starting date of dividend payments: August 16, 2021
Preparation of supplementary materials on the quarterly results: Yes
Holding of an explanatory meeting on the quarterly results: Yes (For institutional investors and analysts)

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

1. Consolidated financial results for the six months ended June 30, 2021 (January 1, 2021 - June 30, 2021)

(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, 2021	19,558	23.3	3,659	53.2	3,355	59.5	2,413	66.3
Six months ended June 30, 2020	15,869	(8.0)	2,388	(22.7)	2,102	(25.6)	1,451	(27.4)

(Note) Comprehensive income Six months ended June 30, 2021: 2,875 million yen [458.0%] Six months ended June 30, 2020: 515 million yen [(72.9)%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended June 30, 2021	74.24	-	-	-
Six months ended June 30, 2020	44.57	-	-	-

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of June 30, 2021	45,858	38,296	38,296	36,308	83.5	84.3
As of December 31, 2020	43,075	36,308	36,308	36,308	84.3	84.3

(Reference) Equity As of June 30, 2021: 38,296 million yen As of December 31, 2020: 36,308 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
Year ended December 31, 2020	-	27.00	-	29.00	56.00
Year ended December 31, 2021	-	30.00	-	-	-
Year ended December 31, 2021 (forecast)	-	-	-	33.00	63.00

(Note) Changes to latest dividends forecast: Yes

For details, please refer to "Notice of Revisions to Earnings and Dividend Forecasts and Dividends from Surplus (Interim Dividends)" announced on August 6, 2021.

3. Consolidated operating forecasts for the fiscal year ending December 31, 2021 (January 1, 2021 - December 31, 2021)

(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, 2021	40,600	13.6	7,800	22.0	7,120	22.9	5,100	21.3	156.89

(Note) Changes to latest performance forecast: Yes

For details, please refer to "Notice of Revisions to Earnings and Dividend Forecasts and Dividends from Surplus (Interim Dividends)" announced on August 6, 2021.

*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: None

(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, 2021	33,117,234 shares	As of December 31, 2020	33,117,234 shares
As of June 30, 2021	605,747 shares	As of December 31, 2020	614,837 shares
Six months ended June 30, 2021	32,506,423 shares	Six months ended June 30, 2020	32,556,981 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.

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1. Qualitative Information on Consolidated Results for the Current Period

(1) Explanation on operating results

In the second quarter of the current fiscal year, the Japanese economy continued to face severe conditions as socioeconomic activities were severely restricted due to the launch of the second and third emergency declarations accompanying the re-expansion of the pandemic COVID-19 viral infectious diseases. Going forward, although economic recovery is expected due to the popularization of vaccines, we still cannot be optimistic about the impact of the launch of the fourth emergency declaration. In the beauty salon industry, customers have begun to return to salons despite the impact of COVID-19. However, in some urban beauty salons, customers have not returned enough, and the situation continues to be unpredictable.

Under these circumstances, in Fiscal Year 2021, we are working on "Change the Stage 18 Month Missions!" in order to lead us to a new stage of growth from Fiscal Year 2022.

In the second quarter of the fiscal year under review, in the domestic market, amidst the COVID-19 crisis, field activities combining online and brick-and-mortar sales to salons have been highly evaluated. In the hair care products segment, sales of premium brands Aujua and Global Milbon were strong, due in part to the introduction of new products. In the hair coloring products business, sales of the fashion color Addicthy continue to be steady. In overseas markets, sales in China and South Korea continued to be steady, and sales in the U.S. also grew significantly due to the lifting of lockdowns and the popularization of vaccines.

As a result, consolidated net sales increased 23.3% year-on-year to 19,558 million yen, operating income increased 53.2% to 3,659 million yen, ordinary income increased 59.5% to 3,355 million yen, and net income attributable to owners of parent increased 66.3% to 2,413 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	Six months ended June 30, 2020		Six months ended June 30, 2021		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	9,391	59.2	11,288	57.7	1,896	20.2
Hair coloring products	5,594	35.3	7,124	36.4	1,529	27.3
Permanent wave products	660	4.1	740	3.8	79	12.0
Cosmetic products	136	0.9	293	1.5	156	114.6
Other	85	0.5	111	0.6	26	31.3
Total	15,869	100.0	19,558	100.0	3,689	23.3

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Six months ended June 30, 2020		Six months ended June 30, 2021		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	13,373	84.3	15,742	80.5	2,368	17.7
Overseas sales	2,495	15.7	3,816	19.5	1,321	52.9
Total	15,869	100.0	19,558	100.0	3,689	23.3

(2) Explanation on financial position

① Assets, liabilities and net assets

Total assets at the end of the second quarter under review increased 2,782 million yen from the end of the previous fiscal year, to 45,858 million yen.

Current assets increased by 894 million yen from the end of the previous fiscal year to 23,017 million yen. The main factors for the change were decreases of 231 million yen in cash and deposits, and increases of 561 million yen in merchandise and finished goods, 194 million yen in raw materials and supplies, and 167 million yen in notes and accounts receivable-trade.

Non-current assets increased by 1,887 million yen from the end of the previous fiscal year to 22,841 million yen. This was mainly due to an increase of 1,346 million yen in construction in progress, including the partial advance payment for the construction of a new factory in China and the expansion of a factory in Milbon Thailand.

Current liabilities increased by 735 million yen from the end of the previous fiscal year to 6,836 million yen. The main factors for the change were increases of 531 million yen in accounts payable-trade and 344 million yen in accounts payable-other.

Non-current liabilities increased by 59 million yen from the end of the previous fiscal year to 725 million yen.

Net assets increased 1,987 million yen from the end of the previous fiscal year to 38,296 million yen. The main factors for the change were increases respectively in retained earnings of 1,470 million yen and foreign currency translation adjustments of 336 million yen due to the depreciation of the yen.

As a result, the equity ratio changed from 84.3% at the end of the previous fiscal year to 83.5%. Net assets per share based on the total number of shares issued at the end of the period were 1,177.93 yen, compared to 1,117.10 yen at the end of the previous fiscal year.

② Cash flows

Cash and cash equivalents (hereinafter called "net cash") at the end of the second quarter of the current fiscal year decreased by 231 million yen from the end of the previous fiscal year to 12,075 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,589 million yen. This was mainly attributable to quarterly profit before income taxes of 3,374 million yen, depreciation of 856 million yen, an increase in inventories of 704 million yen, an increase in notes and accounts receivable-trade of 163 million yen, an increase in notes and accounts payable-trade of 515 million yen, and income taxes paid of 1,049 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 2,086 million yen. This was mainly due to purchase of property, plant and equipment of 1,635 million yen, purchase of intangible assets of 305 million yen, and payments of loans receivable of 148 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 936 million yen. This was mainly due to the cash dividends paid to shareholders of 935 million yen.

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

In the consolidated cumulative second quarter under review, both the domestic and overseas markets performed better than expected despite the impact of COVID-19. Although we cannot predict the status of infections with COVID-19 from the third quarter onward, we have revised our earnings forecasts and dividend forecasts assuming that regulations will not be strengthened in the future, such as requests to suspend operations due to the spread of infections. For details, please refer to "Notice of Revisions to Earnings and Dividend Forecasts and Dividends from Surplus (Interim Dividends)" announced today (August 6, 2021).

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current Second Quarter (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	12,345,024	12,113,241
Notes and accounts receivable - trade	4,199,283	4,367,038
Merchandise and finished goods	3,991,946	4,553,472
Work in process	46,317	54,092
Raw materials and supplies	1,177,090	1,371,135
Other	366,288	561,610
Allowance for doubtful accounts	(3,648)	(3,477)
Total current assets	22,122,303	23,017,115
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,792,285	6,714,042
Machinery, equipment and vehicles, net	1,943,540	1,954,957
Land	4,995,014	4,995,014
Construction in progress	543,159	1,889,339
Other, net	591,796	697,116
Total property, plant and equipment	14,865,795	16,250,470
Intangible assets	1,318,478	1,514,087
Investments and other assets		
Investment securities	2,935,650	2,906,760
Long-term loans receivable	28,906	95,944
Net defined benefit asset	207,475	206,456
Deferred tax assets	395,087	502,346
Other	1,260,203	1,413,386
Allowance for doubtful accounts	(58,381)	(48,272)
Total investments and other assets	4,768,942	5,076,622
Total non-current assets	20,953,217	22,841,180
Total assets	43,075,520	45,858,295
Liabilities		
Current liabilities		
Accounts payable - trade	788,911	1,320,430
Accounts payable - other	2,730,817	3,075,190
Income taxes payable	1,104,850	1,183,569
Provision for bonuses	436,811	458,747
Other	1,038,850	798,189
Total current liabilities	6,100,241	6,836,128
Non-current liabilities		
Net defined benefit liability	5,216	5,216
Deferred tax liabilities	2,329	712
Asset retirement obligations	546,954	607,832
Other	112,427	112,224
Total non-current liabilities	666,928	725,986
Total liabilities	6,767,170	7,562,114

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current Second Quarter (As of June 30, 2021)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	222,490	246,299
Retained earnings	35,643,295	37,113,922
Treasury shares	(2,108,947)	(2,078,279)
Total shareholders' equity	35,756,838	37,281,942
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	405,396	416,775
Deferred gains or losses on hedges	(1,206)	105,634
Foreign currency translation adjustment	147,775	484,101
Remeasurements of defined benefit plans	(454)	7,726
Total accumulated other comprehensive income	551,511	1,014,238
Total net assets	36,308,349	38,296,180
Total liabilities and net assets	43,075,520	45,858,295

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

Quarterly Consolidated Statements of Earnings

Six Months Ended June 30, 2020 and 2021

(Thousand yen)

	Six months ended June 30, 2020 (January 1, 2020 - June 30, 2020)	Six months ended June 30, 2021 (January 1, 2021 - June 30, 2021)
Net sales	15,869,207	19,558,798
Cost of sales	5,329,116	6,650,862
Gross profit	10,540,090	12,907,935
Selling, general and administrative expenses	8,151,746	9,248,793
Operating income	2,388,344	3,659,142
Non-operating income		
Interest income	12,284	12,871
Dividend income	32,338	16,944
Foreign exchange gains	-	38,501
Company house defrayment income	2,174	1,193
Gain on surrender of insurance	6,835	5,499
Refund of custom duty	19,745	-
Subsidy income	-	32,019
Other	41,941	26,787
Total non-operating income	115,319	133,816
Non-operating expenses		
Sales discounts	283,864	341,758
Share of loss of entities accounted for using equity method	66,458	94,542
Foreign exchange losses	49,333	-
Other	1,013	1,356
Total non-operating expenses	400,669	437,657
Ordinary income	2,102,994	3,355,300
Extraordinary income		
Gain on sales of investment securities	-	19,087
Total extraordinary income	-	19,087
Extraordinary losses		
Loss on retirement of non-current assets	14,353	355
Total extraordinary losses	14,353	355
Profit before income taxes	2,088,641	3,374,032
Income taxes - current	597,047	1,125,498
Income taxes - deferred	40,470	(164,663)
Total income taxes	637,518	960,835
Profit	1,451,123	2,413,196
Profit attributable to owners of parent	1,451,123	2,413,196

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended June 30, 2020 and 2021

(Thousand yen)

	Six months ended June 30, 2020 (January 1, 2020 - June 30, 2020)	Six months ended June 30, 2021 (January 1, 2021- June 30, 2021)
Profit	1,451,123	2,413,196
Other comprehensive income		
Valuation difference on available-for-sale securities	(615,589)	11,378
Deferred gains or losses on hedges	(73,113)	106,841
Foreign currency translation adjustment	(260,566)	336,325
Remeasurements of defined benefit plans, net of tax	13,509	8,180
Total other comprehensive income	(935,759)	462,726
Comprehensive income	515,364	2,875,923
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	515,364	2,875,923
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	Six months ended June 30, 2020 (January 1, 2020 - June 30, 2020)	Six months ended June 30, 2021 (January 1, 2021 - June 30, 2021)
Cash flows from operating activities		
Profit before income taxes	2,088,641	3,374,032
Depreciation	778,148	856,853
Increase (decrease) in allowance for doubtful accounts	1,072	(10,519)
Increase (decrease) in provision for bonuses	11,783	20,453
Decrease (increase) in net defined benefit asset	(136,953)	12,805
Increase (decrease) in net defined benefit liability	156,126	-
Interest and dividend income	(44,623)	(29,815)
Share of (profit) loss of entities accounted for using equity method	66,458	94,542
Foreign exchange losses (gains)	(57,579)	(20,161)
Loss (gain) on sales of investment securities	-	(4,586)
Loss on retirement of non-current assets	14,353	355
Decrease (increase) in notes and accounts receivable - trade	(75,300)	(163,281)
Decrease (increase) in inventories	(963,892)	(704,825)
Increase (decrease) in notes and accounts payable - trade	(39,289)	515,897
Other	(789,983)	(333,458)
Subtotal	1,008,963	3,608,293
Interest and dividend income received	46,712	30,963
Income taxes paid	(832,299)	(1,049,930)
Cash flows from operating activities	223,375	2,589,327
Cash flows from investing activities		
Purchase of property, plant and equipment	(461,742)	(1,635,322)
Purchase of intangible assets	(187,072)	(305,389)
Payments of loans receivable	(60)	(148,000)
Collection of loans receivable	1,520	963
Proceeds from withdrawal of time deposits	1,200,000	-
Purchase of investment securities	-	(12,150)
Proceeds from sales of investment securities	-	11,621
Payments for guarantee deposits	(40,268)	(24,380)
Proceeds from collection of guarantee deposits	48,019	21,716
Other	(3,776)	4,052
Cash flows from investing activities	556,619	(2,086,889)
Net cash provided by (used in) financing activities		
Net decrease (increase) in treasury shares	(1,589,628)	(1,130)
Cash dividends paid	(948,843)	(935,679)
Net cash provided by (used in) financing activities	(2,538,472)	(936,810)
Effect of exchange rate change on cash and cash equivalents	(99,977)	202,553
Net increase (decrease) in cash and cash equivalents	(1,858,454)	(231,819)
Cash and cash equivalents at beginning of period	9,376,300	12,307,591
Cash and cash equivalents at end of period	7,517,845	12,075,771

(4)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 segment information, as it operates just one business segment engaged in the manufacturing and sales of hair cosmetics.

(Significant subsequent events)

None