Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese GAAP]

February 12, 2021

Name of registrant: Milbon Co., Ltd. Tokyo Stock Exchange, First Section
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Scheduled date of annual general meeting of shareholders: March 30, 2021
Scheduled filing date for Securities Report: March 30, 2021
Scheduled starting date of dividend payments: March 31, 2021
Preparation of supplementary materials on the Consolidated Financial Results: Yes
Holding of an explanatory meeting on the Consolidated Financial Results: Yes (For institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended December 31, 2020 (January 1, 2020 - December 31, 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	%
Year ended December 31, 2020	35,725	(1.5)	6,394	(5.3)	5,791	(7.1)	4,204	(6.9)
Year ended December 31, 2019	36,266	7.0	6,751	7.8	6,231	7.2	4,517	0.5

(Note) Comprehensive income Year ended December 31, 2020: 3,776 million yen [(17.9)%] Year ended December 31, 2019: 4,601 million yen [24.7%]

	Basic earnings per share	Diluted earnings per share	Return on equity (ROE)	Return on assets (ROA)	Operating income ratio
	Yen	Yen	%	%	%
Year ended December 31, 2020	129.24	-	11.6	13.6	17.9
Year ended December 31, 2019	137.99	-	13.1	15.3	18.6

(Reference)Equity in earnings (losses) of affiliates Year ended December 31, 2020: (138) million yen Year ended December 31, 2019: (66) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2020	43,075	36,308	84.3	1,117.10
As of December 31, 2019	41,912	35,882	85.6	1,096.02

(Reference) Equity As of December 31, 2020: 36,308 million yen As of December 31, 2019: 35,882 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended December 31, 2020	6,548	(161)	(3,416)	12,307
Year ended December 31, 2019	4,486	(2,777)	(1,869)	9,376

2. Payment of dividends

	Annual dividends					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividends on equity (DOE) (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of fiscal year	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended December 31, 2019	-	27.00	-	29.00	56.00	1,833	40.6	5.3
Year ended December 31, 2020	-	27.00	-	29.00	56.00	1,820	43.3	5.0
Year ending December 31, 2021 (forecast)	-	28.00	-	28.00	56.00		45.0	

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

	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	38,200	6.9	6,420	0.4	5,710	(1.4)	4,050	(3.7)	124.50

*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) 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

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)	As of December 31, 2020	33,117,234 shares	As of December 31, 2019	33,117,234 shares
2) Number of treasury shares at the end of the period	As of December 31, 2020	614,837 shares	As of December 31, 2019	378,250 shares
3) Average number of shares during the period	Year ended December 31, 2020	32,529,606 shares	Year ended December 31, 2019	32,739,355 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.

○Accompanying Materials – Contents

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1. Overview of Operating Results, etc.

(1) Analysis of operating results

① Operating results for the fiscal year under review

In the fiscal year under review, the economy deteriorated sharply due to the impact of COVID-19. Although there were signs of a temporary recovery after the termination of the Emergency Declaration in May, the situation remained challenging, with infections spreading again toward the end of the year. The outlook remains unchanged, but we expect economic activity to recover in the second half of the fiscal year, depending on the future popularization of vaccines.

In the beauty salon industry as well, customers have begun to return to salons but not sufficient enough to salons located in urban areas, and the situation continues to be unpredictable due to the re-spread of infections that have come here.

Under these circumstances, Milbon Group has continued to engage in market activities closely with salons while giving top priority to the safety of salons, distributors, and employees. In the second quarter, we were significantly affected by restraints on going out due to the declaration of State of Emergency. In the second half of the fiscal year, we secured sales on par with the previous fiscal year in the domestic market, thaks to our field activities utilizing digital tools such as SNS or video conference system.. Overseas sales rose year on year in South Korea, where the impact of COVID-19 was relatively small, and in China, where sales recovered rapidly to a growth trajectory.

As a result, consolidated net sales for the fiscal year under review amounted to 35,725 million yen (down 1.5% year on year). Operating income was 6,394 million yen (down 5.3% year-on-year), ordinary income was 5,791 million yen (down 7.1% year-on-year), and profit attributable to owners of parent was 4,204 million yen (down 6.9% 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	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	21,328	58.8	21,135	59.2	(192)	(0.9)
Hair coloring products	12,994	35.8	12,594	35.3	(400)	(3.1)
Permanent wave products	1,515	4.2	1,372	3.8	(142)	(9.4)
Cosmetic products	165	0.5	360	1.0	195	118.3
Other	263	0.7	262	0.7	(0)	(0.3)
Total	36,266	100.0	35,725	100.0	(541)	(1.5)

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	30,409	83.8	29,880	83.6	(528)	(1.7)
Overseas sales	5,857	16.2	5,844	16.4	(12)	(0.2)
Total	36,266	100.0	35,725	100.0	(541)	(1.5)

② Outlook for fiscal 2021

In the economic environment for the next fiscal year, despite rising expectations for the popularization of the COVID-19 vaccine, the outlook for the global economy remains uncertain due to the re-launch of the State of Emergency targeting some regions in Japan and concerns over the impact on the economy.

Under these circumstances, in Fiscal Year 2021, Milbon Group will work on an strategic measures called18-month mission that had begun in July 2020 and ending in December 2021 in order to translate this into a new growth stage from Fiscal Year 2022. It is urgent to respond to changes in customer values and structural challenges in the industry that have been accelerated due to emergence of COVID-19. To accelerate the measures, 18-month mission, we have set forth concrete measures for the 4 stages of "store sales," "education," "products," and "in-house measures," detailed as the 25 mission.

In the following fiscal year, we forecast net sales of 38,200 million yen (up 6.9% from the current fiscal year), operating profit of 6,420 million yen (up 0.4% from the current fiscal year), ordinary profit of 5,710 million yen (down 1.4% from the current fiscal year), and net profit attributable to owners of parent of 4,050 million yen (down 3.7% from the current fiscal year).

(2) Analysis of financial position

① Assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased 1,163 million yen from the end of the previous fiscal year, to 43,075 million yen.

Current assets increased by 1,791 million yen from the end of the previous fiscal year to 22,122 million yen. This was mainly due to an increase of 1,729 million yen in cash and deposits.

Non-current assets decreased by 628 million yen from the end of the previous fiscal year to 20,953 million yen. Major contributing factors included an increase of 458 million yen in construction in progress, including partial advance payments for construction of a new factory in China, and a decrease of 1,055 million yen in investment securities due to the sale of a portion of investment securities and a decrease in unrealized gains on the market value of listed stocks.

Current liabilities increased by 693 million yen from the end of the previous fiscal year to 6,100 million yen. This was mainly due to increases of 250 million yen in accounts payable-other and 213 million yen in income taxes payable.

Non-current liabilities increased by 44 million yen from the end of the previous fiscal year to 666 million yen.

Net assets increased by 425 million yen from the end of the previous fiscal year to 36,308 million yen. The main factors for the change were decreases of 1,545 million yen in purchase of treasury stock, 367 million yen in valuation difference on available-for-sale securities, and 119 million yen in foreign currency translation adjustment due to the appreciation of the yen, along with an increase of 2,377 million yen in retained earnings.

As a result, the equity ratio changed from 85.6% at the end of the previous fiscal year to 84.3%. Net assets per share based on the total number of shares issued at the end of the fiscal year were 1,117.10 yen, compared to 1,096.02 yen at the end of the previous fiscal year.

② Cash flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the current fiscal year increased by 2,931 million yen from the end of the previous fiscal year to 12.307 billion yen.

The status of cash flows during the current fiscal year and the factors responsible are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 6,548 million yen. This was mainly due to recording of profit before income taxes of 5,890 million yen, depreciation of 1,609 million yen, share of loss of entities accounted for using equity method of 138 million yen, gain on sales of investment securities of 114 million yen, an increase in inventories of 164 million yen, and income taxes paid of 1,527 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 161 million yen. This was mainly due to payments for purchase of property, plant and equipment of 1,388 million yen, payments for purchase of intangible assets of 581 million yen, and proceeds from withdrawal of time deposits of 1.2 billion yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 3,416 million yen. This was mainly attributable to 1,590 million yen in payments for purchase of treasury stock and 1,825 million yen in dividends paid to shareholders.

(Reference) Cash flow-related indicators

	Year ended December 20, 2016	Year ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020
Equity ratio	85.4	82.6	83.6	85.6	84.3
Equity ratio based on market value (%)	223.3	329.6	369.2	484.3	495.7
Interest-bearing debt to cash flows ratio (%)	2.4	1.8	1.2	1.7	1.6

(Notes) Equity ratio: Equity/net assets

Equity ratio based on market value: Total market capitalization/total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt/cash flows

* All indicators were calculated using consolidated financial statements.
* Total market capitalization was calculated by multiplying the closing stock price at the end of the period by the total number of outstanding shares at the end of the period (excluding treasury shares). For the fiscal year ended December 31, 2017, total market capitalization was calculated by the following formula, due to the impact at the end of the period of ex-rights resulting from the stock split:

  Closing stock price at the end of the period multiplied by (total number of outstanding shares at the end of the period plus the number of additional shares resulting from the stock split)
* Cash flows were shown as an operating cash flow in the consolidated statements of cash flows.
* Interest-bearing debt refers to all debt posted in the balance sheets upon which interest is paid. The amount of interest paid in the consolidated statements of cash flows was treated as an interest payment in the calculations above.
* Interest-coverage ratio is not shown due to the fact that there were no interest payments.

(3) Basic policy on the distribution of profit and dividends for the fiscal year under review and the following fiscal year

The Milbon Group considers the returning of profits to shareholders as an important management issue and makes it a basic policy to pay dividends in accordance with its operating results, while enhancing its business structure by maintaining internal reserves to improve its earnings in the future. Moreover, we have set the target dividend payout ratio at 40%. Interim dividends are determined at the Board of Directors meetings and year-end dividends at the general meeting of shareholders, and it is the Group's basic policy to pay dividends twice every fiscal year.

For the current fiscal year, upon comprehensively taking into account factors including our financial position and profit levels, we have decided to pay a year-end dividend of 29 yen per share. As a result, the total annual dividend per share will amount to 56 yen per share, which includes the interim dividend of 27 yen per share that has already been paid.

For the following fiscal year, we plan to pay an annual dividend of 56 yen per share.

(4) Business and other risks

Risks that could potentially affect the operating results, stock price and financial position of the Milbon Group include the following.

The future risks identified in this section are based on assessments made by the Company as of the end of the fiscal year under review. The Group recognizes the possibility of these risk events actually occurring and has prepared policies to prevent and avert such risks and take appropriate measures to minimize the impact of such risks when they do occur.

①Risks associated with global expansion

The Milbon Group is aggressively expanding its business into the overseas markets. Global expansion entails risks relating to intellectual property rights including counterfeit goods, unforeseeable changes in laws and regulations, and risks of social unrest due to terrorism, war and other factors. Such risks could have a major impact on the Group's operating results and financial position.

②Information security

The Milbon Group has taken various measures to protect information assets including customers' personal information and confidential information. However, unforeseeable events, such as the leakage of information due to unauthorized access, could have a major impact on the Group's operating results and financial position.

③Risks associated with debt collection

The Milbon Group deliberates records necessary reserves upon regularly reviewing its business partners from both quantitative and qualitative perspectives in terms of collection status. However, deterioration in the business partner's credit standing or events such as bankruptcy could have a major impact on the Group's operating results and financial position.

④Risks associated with major accidents

The Milbon Group utilizes company cars in its sales activities. The Group implements safety measures that place maximum priority on human life, including strict control over driving and the reinforcement of safety training. However, should a major accident event occur, it could lead to the loss of the customers' and the public's trust in the Group and have a major impact on the Group's operating results and financial position.

⑤Risks associated with product-related health hazards

Many Milbon Group products come into direct contact with consumers' hair and scalp, and as such the Milbon Group places top priority on its efforts to ensure product safety and quality. However, should an unforeseeable incident involving a major health hazard occur, it could lead to the loss of the customers' and the public's trust in the Group and have a major impact on the Group's operating results and financial position.

2. Outline of the Milbon Group

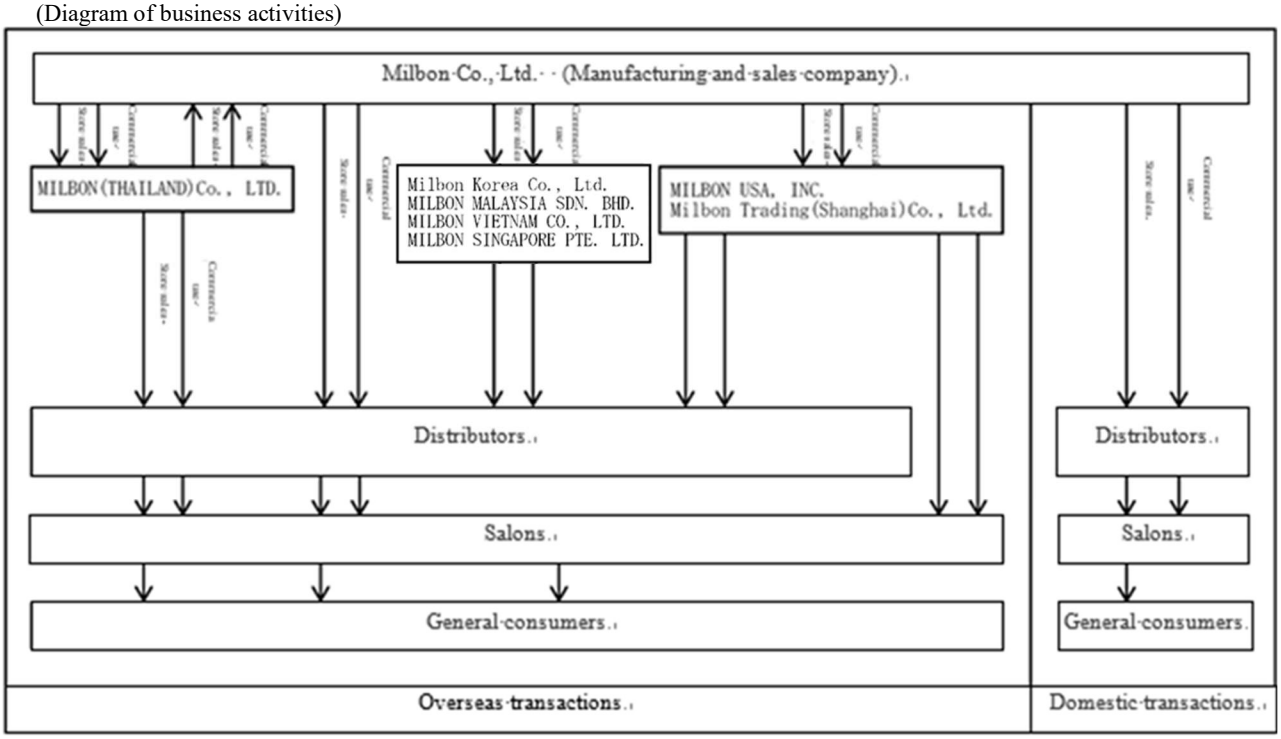
Name	Location	Capital stock or capital contribution	Main line of business	Share of voting rights Percentage (%)	Relationship with the Company
(Consolidated subsidiary) MILBON USA, INC. (NOTE)1	United States New York State	USD 2 million	Sale of hair products	100.0	Sells the Company's hair products in the U.S.
(Consolidated subsidiary) Milbon Trading (Shanghai) Co., Ltd. (NOTE)1	China Shanghai City	JPY 430 million	Sale of hair products	100.0	Sells the Company's hair products in China. Three executives hold concurrent posts at the Company.
(Consolidated subsidiary) Milbon Korea Co., Ltd. (NOTE)1	South Korea Seoul City	KRW 3,000 million	Sale of hair products	100.0	Sells the Company's hair products in South Korea. Three executives hold concurrent posts at the Company.
(Consolidated subsidiary) MILBON (THAILAND) CO., LTD. (NOTE)1	Kingdom of Thailand Rayong	THB 450 million	Manufacture and sale of hair products	100.0	Manufactures and sells the Company's hair products in Thailand.
(Consolidated subsidiary) MILBON MALAYSIA SDN. BHD.	Malaysia Kuala Lumpur	1.5 million Malaysia Ringgit	Sale of hair products	100.0	We sell our hair cosmetics in Malaysia.
(Consolidated subsidiary) MILBON VIETNAM CO., LTD.	Vietnam Ho Chi Minh City	22.594 billion VND	Sale of hair products	100.0	We sell our hair cosmetics in Vietnam.
(Consolidated subsidiary) MILBON SINGAPORE PTE. LTD.	Singapore	250000 Singapore dollar	Sale of hair products	100.0	Sells the Company's hair products in the SINGAPORE
(Consolidated subsidiary) Milbon (Zhejiang) Cosmetics Co., Ltd. (NOTE)1	China Zhejiang	RMB240 million	Manufacture and sale of hair products	100.0	We manufacture and sell our hair cosmetics in China.

(NOTE) 1. The company falls under the category of "specified subsidiary."

2. In addition to the companies noted above, the Group has 1 equity-method affiliate.

The following diagram shows the positioning of Milbon Group companies and the Group's businesses.

(Diagram of business activities)



(NOTE)
1. Overseas transactions differ in sales channels depending on the country.
2. The main items for store sales are hair-care products.
3. Although Milbon (Zhejiang) Cosmetics Co., Ltd. was newly established in the fiscal year under review, it was not in operation as of the end of FY 2020 due to the construction of a factory. Therefore, it is not shown in the above business system diagram

3. Basic Rationale for Selecting the Accounting Standards

The Milbon Group currently prepares the consolidated financial statements according to the generally accepted accounting standards in Japan (Japanese GAAP), as it makes it possible to compare the consolidated financial statements against previous fiscal year and against other companies.

With regard to adoption of International Financial Reporting Standards (IFRS), it is the Group's policy to respond to this issue appropriately based on consideration of various domestic and international circumstances.

4. Consolidated Financial Statements and Main Notes

(1)Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	10,615,390	12,345,024
Notes and accounts receivable - trade	4,180,186	4,199,283
Merchandise and finished goods	3,912,361	3,991,946
Work in process	34,781	46,317
Raw materials and supplies	1,120,202	1,177,090
Other	470,610	366,288
Allowance for doubtful accounts	(3,185)	(3,648)
Total current assets	20,330,346	22,122,303
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,015,077	12,223,211
Accumulated depreciation	(4,991,438)	(5,430,925)
Buildings and structures, net	7,023,638	6,792,285
Machinery, equipment and vehicles	6,638,981	7,001,271
Accumulated depreciation	(4,631,019)	(5,057,731)
Machinery, equipment and vehicles, net	2,007,962	1,943,540
Land	5,001,021	4,995,014
Construction in progress	84,801	543,159
Other	2,718,267	2,807,331
Accumulated depreciation	(2,137,166)	(2,215,534)
Other, net	581,100	591,796
Total property, plant and equipment	14,698,524	14,865,795
Intangible assets	1,174,902	1,318,478
Investments and other assets		
Investment securities	3,991,136	2,935,650
Long-term loans receivable	149,125	28,906
Net defined benefit asset	155,832	207,475
Deferred tax assets	204,502	395,087
Other	1,266,204	1,260,203
Allowance for doubtful accounts	(58,381)	(58,381)
Total investments and other assets	5,708,420	4,768,942
Total non-current assets	21,581,847	20,953,217
Total assets	41,912,194	43,075,520

(Thousand yen)

	Previous fiscal year (As of December 31, 2019)	Current fiscal year (As of December 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	797,033	788,911
Accounts payable - other	2,479,907	2,730,817
Income taxes payable	891,258	1,104,850
Provision for bonuses	397,297	436,811
Other	841,726	1,038,850
Total current liabilities	5,407,223	6,100,241
Non-current liabilities		
Net defined benefit liability	4,290	5,216
Deferred tax liabilities	670	2,329
Asset retirement obligations	505,563	546,954
Other	111,835	112,427
Total non-current liabilities	622,359	666,928
Total liabilities	6,029,582	6,767,170
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	200,742	222,490
Retained earnings	33,266,155	35,643,295
Treasury shares	(563,197)	(2,108,947)
Total shareholders' equity	34,903,700	35,756,838
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	773,082	405,396
Deferred gains or losses on hedges	-	(1,206)
Foreign currency translation adjustment	267,184	147,775
Remeasurements of defined benefit plans	(61,355)	(454)
Total accumulated other comprehensive income	978,911	551,511
Total net assets	35,882,612	36,308,349
Total liabilities and net assets	41,912,194	43,075,520

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

Consolidated Statements of Earnings

(Thousand yen)

	Previous fiscal year (January 1, 2019 From December 31, 2019)	Current fiscal year (On January 1, 2020 To December 31, 2020)
Net sales	36,266,444	35,725,069
Cost of sales	12,554,646	12,339,754
Gross profit	23,711,797	23,385,315
Selling, general and administrative expenses	16,959,857	16,990,520
Operating income	6,751,939	6,394,794
Non-operating income		
Interest income	16,380	28,306
Dividend income	64,034	49,003
Company house defrayment income	14,392	4,683
Refund of custom duty	21,784	52,410
Subsidy income	44,013	39,674
Other	66,863	100,829
Total non-operating income	227,468	274,907
Non-operating expenses		
Sales discounts	643,133	642,698
Share of loss of entities accounted for using equity method	66,585	138,963
Foreign exchange losses	29,105	90,906
Other	9,045	5,817
Total non-operating expenses	747,869	878,386
Ordinary income	6,231,538	5,791,315
Extraordinary income		
Gain on sales of non-current assets	799	-
Gain on sales of investment securities	-	114,578
Total extraordinary income	799	114,578
Extraordinary losses		
Loss on sales of non-current assets	3,403	-
Loss on retirement of non-current assets	11,371	15,884
Total extraordinary losses	14,774	15,884
Profit before income taxes	6,217,563	5,890,009
Income taxes - current	1,614,943	1,740,038
Income taxes - deferred	85,004	(54,167)
Total income taxes	1,699,947	1,685,870
Profit	4,517,615	4,204,139
Profit attributable to owners of parent	4,517,615	4,204,139

Consolidated Statements of Comprehensive Income Consolidated Statements of Earnings

(Thousand yen)

	Previous fiscal year (January 1, 2019 From December 31, 2019)	Current fiscal year (On January 1, 2020 To December 31, 2020)
Profit	4,517,615	4,204,139
Other comprehensive income		
Valuation difference on available-for-sale securities	(86,620)	(367,685)
Deferred gains or losses on hedges	-	(1,206)
Foreign currency translation adjustment	3,159	(119,408)
Remeasurements of defined benefit plans, net of tax	167,070	60,900
Total other comprehensive income	83,610	(427,400)
Comprehensive income	4,601,226	3,776,739
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,601,226	3,776,739
Comprehensive income attributable to non-controlling interests	-	-

(3)Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (January 1, 2019, to December 31, 2019)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Changes of items during period	2,000,000	200,613	30,614,693	(558,811)	32,256,496
Dividends of surplus					
Dividends of surplus			(1,866,153)		(1,866,153)
Profit attributable to owners of parent			4,517,615		4,517,615
Purchase of treasury shares				(4,439)	(4,439)
Disposal of treasury shares		128		53	182
Net changes of items other than shareholders' equity					
Total changes of items during period	-	128	2,651,461	(4,385)	2,647,204
Balance at end of current period	2,000,000	200,742	33,266,155	(563,197)	34,903,700

	Accumulated other comprehensive income				Total net assets
	Available-for-sale securities Valuation	Foreign currency translation adjustment	Net defined benefit Plans	Other comprehensive income Total	
Changes of items during period	859,702	264,024	(228,425)	895,301	33,151,797
Dividends of surplus					
Dividends of surplus					(1,866,153)
Profit attributable to owners of parent					4,517,615
Purchase of treasury shares					(4,439)
Disposal of treasury shares					182
Net changes of items other than shareholders' equity	(86,620)	3,159	167,070	83,610	83,610
Total changes of items during period	(86,620)	3,159	167,070	83,610	2,730,815
Balance at end of current period	773,082	267,184	(61,355)	978,911	35,882,612

Current fiscal year (from January 1, 2020 to December 31, 2020)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Changes of items during period	2,000,000	200,742	33,266,155	(563,197)	34,903,700
Dividends of surplus					
Dividends of surplus			(1,827,000)		(1,827,000)
Profit attributable to owners of parent			4,204,139		4,204,139
Purchase of treasury shares				(1,591,235)	(1,591,235)
Disposal of treasury shares		21,748		45,485	67,233
Net changes of items other than shareholders' equity					
Total changes of items during period	-	21,748	2,377,139	(1,545,750)	853,137
Balance at end of current period	2,000,000	222,490	35,643,295	(2,108,947)	35,756,838

	Accumulated other comprehensive income					Total net assets
	Available-for-sale securities Valuation	Deferred gains or losses on hedges	Foreign currency translation adjustment	Net defined benefit Plans	Other comprehensive income Total	
Changes of items during period	773,082	-	267,184	(61,355)	978,911	35,882,612
Dividends of surplus						
Dividends of surplus						(1,827,000)
Profit attributable to owners of parent						4,204,139
Purchase of treasury shares						(1,591,235)
Disposal of treasury shares						67,233
Net changes of items other than shareholders' equity	(367,685)	(1,206)	(119,408)	60,900	(427,400)	(427,400)
Total changes of items during period	(367,685)	(1,206)	(119,408)	60,900	(427,400)	425,736
Balance at end of current period	405,396	(1,206)	147,775	(454)	551,511	36,308,349

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	Previous fiscal year (January 1, 2019 From December 31, 2019)	Current fiscal year (On January 1, 2020 To December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	6,217,563	5,890,009
Depreciation	1,493,857	1,609,008
Increase (decrease) in allowance for doubtful accounts	(43,014)	659
Increase (decrease) in provision for bonuses	(22,381)	39,915
Decrease (increase) in net defined benefit asset	82,538	36,111
Increase (decrease) in net defined benefit liability	(48,095)	1,122
Interest and dividend income	(80,414)	(77,309)
Share of (profit) loss of entities accounted for using equity method	66,585	138,963
Foreign exchange losses (gains)	(25,286)	(22,265)
Loss (gain) on sales of investment securities	-	(114,578)
Loss (gain) on sales of non-current assets	2,603	-
Loss on retirement of non-current assets	11,371	15,884
Decrease (increase) in notes and accounts receivable - trade	(300,087)	(28,189)
Decrease (increase) in inventories	(278,807)	(164,891)
Increase (decrease) in notes and accounts payable - trade	(77,902)	(4,605)
Other	(325,953)	677,197
Subtotal	6,672,577	7,997,031
Interest and dividend income received	78,297	78,114
Income taxes paid	(2,264,011)	(1,527,029)
Cash flows from operating activities	4,486,862	6,548,116
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,098,797)	(1,388,061)
Proceeds from sales of property, plant and equipment	2,901	-
Purchase of intangible assets	(407,709)	(581,146)
Payments of loans receivable	(150,840)	(9,130)
Collection of loans receivable	4,626	3,027
Payments into time deposits	(1,000,189)	-
Proceeds from withdrawal of time deposits	-	1,200,000
Proceeds from sales of investment securities	-	619,587
Payments for guarantee deposits	(193,986)	(63,105)
Proceeds from collection of guarantee deposits	67,444	58,877
Other	(1,160)	(1,828)
Cash flows from investing activities	(2,777,709)	(161,779)
Net cash provided by (used in) financing activities		
Net decrease (increase) in treasury shares	(4,257)	(1,590,687)
Cash dividends paid	(1,865,017)	(1,825,436)
Net cash provided by (used in) financing activities	(1,869,274)	(3,416,124)

(Thousand yen)

	Previous fiscal year (January 1, 2019 From December 31, 2019)	Current fiscal year (On January 1, 2020 To December 31, 2020)
Effect of exchange rate change on cash and cash equivalents	(5,062)	(38,921)
Net increase (decrease) in cash and cash equivalents	(165,183)	2,931,291
Cash and cash equivalents at beginning of period	9,541,483	9,376,300
Cash and cash equivalents at end of period	9,376,300	12,307,591

(5) Notes regarding consolidated financial statements

(Notes regarding going concern assumption)

None

(Significant matters that serve as the basis for preparation of consolidated financial statements)

1 The scope of consolidation

Matters regarding Number of consolidated subsidiaries: 8

Names of consolidated subsidiaries

MILBON USA,INC.
Milbon Trading (Shanghai)Co.,Ltd.
Milbon Korea Co.,Ltd.
MILBON (THAILAND)CO., LTD.
MILBON MALAYSIA SDN. BHD.
MILBON VIETNAM CO., LTD.
MILBON SINGAPORE PTE. LTD.
Milbon (Zhejiang) Cosmetics Co., Ltd.

Of the above, Milbon (Zhejiang) Cosmetics Co., Ltd. was newly established in the fiscal year under review and are included in the scope of consolidation.

2 Matters regarding application of equity method

Number of equity-method affiliates: 1

Names of companies, etc.

KOSÉ Milbon Cosmetics Co., Ltd.

3 Matters regarding the fiscal year, etc. of consolidated subsidiaries

The account closing date of consolidated subsidiaries is the same as the consolidated account closing date.

4 Matters regarding accounting policies

(1) Valuation standards and methods for important assets

① Securities

1) Held-to-maturity bonds

Stated using the amortized cost method

2) Available-for-sale securities

With market value

Stated at market value based on the market price, etc. of the account closing date (unrealized gains and losses are reported as a separate component of net assets, and cost of sales is calculated by the moving-average method)

Market value not available

Stated at cost using the moving-average method

② Inventories

Merchandise

Stated primarily at cost using the first-in first-out method (the balance sheet value is calculated using the inventory write- down method based on decreased profitability)

Finished goods and work in process

Stated primarily at cost using the weighted average method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

Raw materials

Stated primarily at cost using the weighted average method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

Supplies

Stated primarily at cost using the last-purchase-price method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

(2) Depreciation and amortization methods for important depreciable assets

① Property, plant and equipment

They are amortized using the straight-line method.

Useful lives of principal assets are as follows.

Buildings and structures	31 to 50 years
Machinery, equipment and vehicles	6 to 8 years

② Intangible assets

They are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the estimated period of internal use (3 to 5 years).

(3) Accounting standards for major allowances

① Allowance for doubtful accounts

The allowance for doubtful receivables is provided at an amount calculated based on the historical write-off ratio for general receivables and on an estimated uncollectible amount determined by reference to the individual collectability of certain doubtful receivables.

② Provision for bonuses

To provide for payment of bonuses to employees (including those for employees also serving as officers), the Company and its overseas consolidated subsidiaries record the estimated amount of payment of bonuses.

(4) Accounting method for retirement benefits

① Periodic allocation of projected retirement benefits

Method of attributing expected retirement benefits to the period up to the end of the current fiscal year in calculating retirement benefit obligations

Figures are based on the benefit formula basis.

② Method of amortizing actuarial differences and past service costs

Actuarial gains and losses are determined over a certain number of years (5 years) within the average remaining years of service of the eligible employees at the time of occurrence.

Actuarial differences are amortized using the occurrence, starting from the fiscal year following the occurrence.

Prior service cost is determined over a certain number of years (5 years) which are shorter than the average remaining years of service of the eligible employees at the time of accrual.

Amortized using the straight-line method.

③ Adoption of simplified method in small companies

Certain overseas consolidated subsidiaries need to calculate net defined benefit liability and retirement benefit expenses voluntarily at the end of the fiscal year.

The simplified method using the method where the amount paid is the retirement benefit obligation is applied.

(5) The standards for recognition of significant revenues and expenses

Companys and overseas consolidated subsidiary have applied the "Accounting Standards for Revenue Recognition" (corporate accounting standard No. 29, March 30, 2018) and the "Guidelines for the Application of Accounting Standards for Revenue Recognition" (corporate accounting standard No. 30, March 30, 2018), and recognize the amount of revenues expected to be received for replacement with the goods or services promised upon transfer of control of the goods or services to the customer.

(6) Standard for translation of significant foreign currency dominated assets and liabilities into yen

Foreign currency denominated monetary claims and liabilities are translated into yen at the spot exchange rate on the consolidated account closing date, and translation differences are accounted for as profit or loss. The assets and liabilities of overseas consolidated subsidiaries are translated into yen at the spot exchange rate on the local account closing dates of overseas consolidated subsidiaries, while revenue and expenses are translated into yen at the average exchange rate for the period, and translation differences are recorded in foreign currency translation adjustment under net assets.

(7) Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash on hand, deposits available for withdrawal as needed and short-term investments due for redemption within three months from the date of acquisition, which are easily cashable and are subject to minimal risk of fluctuation in value.

(8) Other significant matters in the preparation of consolidated financial statements, etc.

Taxes are accounted for by the tax

Consumption tax and other similar taxes are accounted for by the tax-exclusion method.

(Per share information)

	Previous fiscal year (January 1, 2019 From December 31, 2019)	Current fiscal year (On January 1, 2020 To December 31, 2020)
Net assets per share (Yen)	1,096.02	1,117.10
Basic earnings per share (Yen)	137.99	129.24

(NOTE)1 1 Diluted net income per share is not presented because there are no dilutive shares.

2 The basis for calculating basic earnings per share is as follows.

	Previous fiscal year (January 1, 2019 From December 31, 2019)	Current fiscal year (On January 1, 2020 To December 31, 2020)
Profit attributable to owners of parent (Thousand yen)	4,517,615	4,204,139
Amount not attributable to common shareholders (Thousand yen)	-	-
Profit attributable to owners of parent relating to Amount (thousand yen)	4,517,615	4,204,139
Average number of outstanding shares of common stock during the period (shares)	32,739,355	32,529,606

(Significant subsequent events)

None

5.Other

(1)Change of officers

①Change in representatives

None

②Changes in Other Officers (Scheduled for March 30, 2021)

1. Retiring Director

Mitsuru Oshio, Director

2. Retiring Corporate Auditor

Koji Murata, Corporate Auditor

3. Candidate for new Director

Tsuneko Murata, Director (currently Director of Japan Finance Corporation)

(currently Director and Audit and Supervisory Committee Member of Fujikura Co., Ltd)

4. Candidate for new Auditor

Mitsuru Oshio, Corporate Auditor