Consolidated Financial Results for the Three Months Ended March 31, 2021 [Japanese GAAP]

May 11, 2021

Name of registrant: Milbon Co., Ltd. Tokyo Stock Exchange, First Section
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Scheduled filing date for quarterly report: May 14, 2021
Scheduled starting date of dividend payments: -
Preparation of supplementary materials on the quarterly results: Yes
Holding of an explanatory meeting on the quarterly results: Yes (Telephone briefing for institutional investors and analysts)

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

1. Consolidated financial results for the three months ended March 31, 2021 (January 1, 2021 - March 31, 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	%
Three months ended March 31, 2021	8,989	14.9	1,633	58.4	1,502	79.8	1,091	81.4
Three months ended March 31, 2020	7,825	(0.8)	1,031	(18.5)	835	(28.1)	601	(28.6)

(Note) Comprehensive income Three months ended March 31, 2021: 1,370 million yen [-%] Three months ended March 31, 2020: (357) million yen [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2021	33.57	-
Three months ended March 31, 2020	18.45	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2021	42,321	36,735	86.8
As of December 31, 2020	43,075	36,308	84.3

(Reference) Equity As of March 31, 2021: 36,735 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
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2020	-	27.00	-	29.00	56.00
Year ended December 31, 2021	-				
Year ended December 31, 2021 (forecast)		28.00	-	28.00	56.00

(Note) Changes to latest dividends forecast: None

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

(Note) Changes to latest performance forecast: 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: 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)	As of March 31, 2021	33,117,234 shares	As of December 31, 2020	33,117,234 shares
2) Number of treasury shares at the end of the period	As of March 31, 2021	614,981 shares	As of December 31, 2020	614,837 shares
3) Average number of shares during the period	Three months ended March 31, 2021	32,502,307 shares	Three months ended March 31, 2020	32,612,847 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 first quarter of the fiscal year under review, the Japanese economy continued to face severe conditions as socioeconomic activities were severely restricted due to the launch of the second emergency declaration following the re-expansion of COVID-19. Looking ahead, although economic recovery is expected due to the popularization of vaccines, the situation remains uncertain, including the impact of the launch of the third emergency declaration.

In the beauty salon industry as well, customers have begun to return to salons, but many customers, such as salons in urban areas, still 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 first quarter of the fiscal year under review, in the domestic market, annual policy penetration that was held online due to the impact of COVID-19 was highly evaluated. In the hair care products category, sales of “Aujua”, a premium brand, were strong, partly due to the launch of a new line. In the hair coloring products categorysegment, sales of the fashion color “Ordeve Addicthy” continued to be steady. In overseas markets, sales increased significantly in China and South Korea, where sales declined last year due to the impact of COVID-19.

As a result, for the first quarter of the current fiscal year, consolidated net sales were 8,989 million yen (up 14.9% year-on-year), operating income was 1,633 million yen (up 58.4% year-on-year), ordinary income was 1,502 million yen (up 79.8% year-on-year), and profit attributable to owners of parent was 1,091 million yen (up 81.4% 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	Three months ended March 31, 2020		Three months ended March 31, 2021		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	4,424	56.6	4,975	55.4	551	12.5
Hair coloring products	2,995	38.3	3,495	38.9	499	16.7
Permanent wave products	291	3.7	318	3.5	26	9.1
Cosmetic products	71	0.9	147	1.6	76	107.4
Other	42	0.5	52	0.6	10	23.8
Total	7,825	100.0	8,989	100.0	1,163	14.9

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Three months ended March 31, 2020		Three months ended March 31, 2021		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	6,590	84.2	7,182	79.9	592	9.0
Overseas sales	1,235	15.8	1,807	20.1	571	46.2
Total	7,825	100.0	8,989	100.0	1,163	14.9

(2)Explanation on financial position

Total assets at the end of the first quarter under review decreased 753 million yen from the end of the previous fiscal year to 42,321 million yen.

Current assets decreased 1,280 million yen from the end of the previous fiscal year to 20,841 million yen. The main factors for the change were decreases of 1,604 million yen in cash and deposits and 172 million yen in notes and accounts receivable-trade, and increases of 367 million yen in merchandise and finished goods and 132 million yen in raw materials and supplies.

Non-current assets increased by 526 million yen from the end of the previous fiscal year to 21,480 million yen. Major contributing factors included an increase of 468 million yen in construction in progress, including partial advance payment for the construction of a new factory in China and the expansion of a factory in Milbon Thailand, and a decrease of 145 million yen in investment securities due to a decrease in unrealized gains on the market value of listed shares.

Current liabilities decreased by 1,181 million yen from the end of the previous fiscal year to 4,919 million yen. The main factors for the change were decreases of 936 million yen in accounts payable-other and 657 million yen in income taxes payable, and an increase of 338 million yen in accounts payable-trade.

Net assets increased by 427 million yen from the end of the previous fiscal year to 36,735 million yen. The main factors for the change were increases of 148 million yen in retained earnings and 301 million yen in foreign currency translation adjustment due to the depreciation of the yen, and a decrease of 100 million yen in valuation difference on available-for-sale securities due to a decrease in unrealized gains on market value of listed stocks.

As a result, the equity ratio changed from 84.3% at the end of the previous fiscal year to 86.8%. Net assets per share based on the total number of shares issued at the end of the fiscal year were 1,130.25 yen, compared to 1,117.10 yen at the end of the previous fiscal year.

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

In terms of the full-year forecast there are no changes to the previous consolidated operating forecasts, which were announced on February 12, 2021.

Due to the high degree of uncertainty regarding the impact of COVID-19, the Company will promptly announce revisions to its consolidated earnings forecasts in the event that future changes, such as delays in the timing of convergence, require revisions to its consolidated earnings forecasts.

2.Quarterly Consolidated Financial Statements and Main Notes

(1)Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current 1st Quarter (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	12,345,024	10,740,755
Notes and accounts receivable - trade	4,199,283	4,026,388
Merchandise and finished goods	3,991,946	4,359,029
Work in process	46,317	63,666
Raw materials and supplies	1,177,090	1,309,666
Other	366,288	345,762
Allowance for doubtful accounts	(3,648)	(3,647)
Total current assets	22,122,303	20,841,621
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,792,285	6,718,622
Machinery, equipment and vehicles, net	1,943,540	1,835,028
Land	4,995,014	4,997,684
Construction in progress	543,159	1,011,770
Other, net	591,796	636,879
Total property, plant and equipment	14,865,795	15,199,985
Intangible assets	1,318,478	1,491,724
Investments and other assets		
Investment securities	2,935,650	2,790,215
Long-term loans receivable	28,906	108,640
Net defined benefit asset	207,475	201,124
Deferred tax assets	395,087	372,948
Other	1,260,203	1,373,863
Allowance for doubtful accounts	(58,381)	(58,381)
Total investments and other assets	4,768,942	4,788,411
Total non-current assets	20,953,217	21,480,121
Total assets	43,075,520	42,321,742
Liabilities		
Current liabilities		
Accounts payable - trade	788,911	1,127,367
Accounts payable - other	2,730,817	1,793,851
Income taxes payable	1,104,850	446,946
Provision for bonuses	436,811	411,414
Other	1,038,850	1,139,456
Total current liabilities	6,100,241	4,919,036
Non-current liabilities		
Net defined benefit liability	5,216	5,337
Deferred tax liabilities	2,329	713
Asset retirement obligations	546,954	548,289
Other	112,427	112,736
Total non-current liabilities	666,928	667,077
Total liabilities	6,767,170	5,586,113

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current 1st Quarter (As of March 31, 2021)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	222,490	222,490
Retained earnings	35,643,295	35,791,954
Treasury shares	(2,108,947)	(2,109,866)
Total shareholders' equity	35,756,838	35,904,578
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	405,396	304,464
Deferred gains or losses on hedges	(1,206)	73,826
Foreign currency translation adjustment	147,775	449,122
Remeasurements of defined benefit plans	(454)	3,636
Total accumulated other comprehensive income	551,511	831,050
Total net assets	36,308,349	36,735,629
Total liabilities and net assets	43,075,520	42,321,742

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

Quarterly Consolidated Statements of Earnings

Three Months Ended March 31, 2020 and 2021

(Thousand yen)

	Three months ended March 31, 2020 (January 1, 2020 - March 31, 2020)	Three months ended March 31, 2021 (January 1, 2021 - March 31, 2021)
Net sales	7,825,824	8,989,268
Cost of sales	2,592,507	3,039,184
Gross profit	5,233,317	5,950,084
Selling, general and administrative expenses	4,202,128	4,316,199
Operating income	1,031,188	1,633,884
Non-operating income		
Interest income	2,543	3,811
Dividend income	236	220
Foreign exchange gains	-	46,338
Company house defrayment income	507	328
Refund of custom duty	20,001	-
Subsidy income	-	31,505
Other	18,376	11,668
Total non-operating income	41,665	93,872
Non-operating expenses		
Sales discounts	150,596	157,513
Share of loss of entities accounted for using equity method	36,107	66,667
Foreign exchange losses	49,289	-
Other	989	1,025
Total non-operating expenses	236,982	225,205
Ordinary income	835,871	1,502,551
Extraordinary losses		
Loss on retirement of non-current assets	14,352	117
Total extraordinary losses	14,352	117
Profit before income taxes	821,518	1,502,434
Income taxes - current	210,802	379,691
Income taxes - deferred	9,167	31,513
Total income taxes	219,969	411,204
Profit	601,549	1,091,229
Profit attributable to owners of parent	601,549	1,091,229

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended March 31, 2020 and 2021

(Thousand yen)

	Three months ended March 31, 2020 (January 1, 2020 - March 31, 2020)	Three months ended March 31, 2021 (January 1, 2021 - March 31, 2021)
Profit	601,549	1,091,229
Other comprehensive income		
Valuation difference on available-for-sale securities	(561,444)	(100,931)
Deferred gains or losses on hedges	(65,114)	75,033
Foreign currency translation adjustment	(338,946)	301,346
Remeasurements of defined benefit plans, net of tax	6,754	4,090
Total other comprehensive income	(958,750)	279,538
Comprehensive income	(357,200)	1,370,768
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(357,200)	1,370,768
Comprehensive income attributable to non-controlling interests	-	-

(3)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