



Consolidated Financial Results for the Six Months Ended June 30, 2023 [Japanese GAAP]

August 10, 2023

Tokyo Stock Exchange, Prime Market

Name of registrant: Milbon Co., Ltd.
Code No.: 4919 URL <https://www.milbon.com/en/>
Representative: Ryuji Sato, President & CEO
Inquiries: Masahiro Murai, Managing Executive Director
Scheduled filing date for quarterly report: August 10, 2023
Scheduled starting date of dividend payments: August 24, 2023
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, 2023 (January 1, 2023 - June 30, 2023)

(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, 2023	22,703	5.8	3,090	(19.2)	3,129	(24.4)	2,195	(23.6)
Six months ended June 30, 2022	21,467	-	3,824	-	4,137	23.3	2,875	19.1

Note: Comprehensive income Six months ended June 30, 2023: 2,783 million yen [(28.3)%] Six months ended June 30, 2022: 3,883 million yen [35.0%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2023	67.48	-
Six months ended June 30, 2022	88.42	-

Note: Since the beginning of the previous fiscal year, sales discounts, previously categorized as non-operating expenses, are deducted from net sales. As a result, the Company has determined that year-on-year comparisons of net sales and operating income with the same period of the previous year may be misleading. Accordingly, the percentage of year-on-year changes in net sales and operating income from the same period of the two fiscal years are not indicated in the above table. (Ordinary income and profit attributable to owners of parent remain unchanged.) If the figures of FY2021 were calculated on the same basis as FY2022, net sales and operating income would increase by 11.7% and 15.3%, respectively, in the second quarter of FY2022. For more details, please see the FY2022 Financial Results Presentation Materials.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	53,746	45,351	84.4
As of December 31, 2022	52,760	43,991	83.4

(Reference) Equity As of June 30, 2023: 45,351 million yen As of December 31, 2022: 43,991 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, 2022	-	40.00	-	46.00	86.00
Year ending December 31, 2023	-	40.00	-	-	-
Year ending December 31, 2023 (forecast)	-	-	-	48.00	88.00

Note: Changes to latest dividends forecast: None

3. Consolidated operating results forecasts for the fiscal year ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(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, 2023	48,000	6.1	7,350	(2.7)	7,370	(5.9)	5,200	(6.8)	159.80

Note: Changes to latest performance forecast: Yes

*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 company (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 June 30, 2023	33,117,234 shares	As of December 31, 2022	33,117,234 shares
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2) Number of treasury shares at the end of the period

As of June 30, 2023	577,007 shares	As of December 31, 2022	591,511 shares
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3) Average number of shares during the period

Six months ended June 30, 2023	32,531,869 shares	Six months ended June 30, 2022	32,517,278 shares
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*These financial statements are not subject to the review 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 this fiscal year, the Japanese economy saw a moderate recovery, primarily in consumer spending. This was spurred by the reclassification of COVID-19 as Class 5 under the Infectious Diseases Control Law, which led to increased economic activities. However, the outlook remains uncertain due to continuing risks such as inflation due to the rapid depreciation of the yen, the ongoing crisis in Ukraine, and concerns about an economic slowdown triggered by global monetary tightening.

In light of this situation, our Group has been promoting the 2022-2026 Medium-Term Management Plan with the vision of “becoming the leading manufacturer in Asia and top 5 in the world by elevating the value of industry professionals in the eyes of consumers and society at large.” In FY 2023, which marks the second year of the plan, the Group will carry out key initiatives to achieve the Beauty Platform Plan, which introduces new form of salons. This includes developing Smart Salons and launching the Beauty Health Care business.

Consolidated net sales for the consolidated cumulative second quarter was 22,703 million yen (a 5.8% increase year-on-year). One of the main contributing factors was that within the hair care products category, the new Inmmetry Line launched from the Premium Brand, Aujua, has been well received for its remarkable effectiveness and contributed significantly to sales growth, and that the touchpoints of Global Milbon were steadily expanding both domestically and overseas. In terms of earnings, gross profit margin declined due to factors such as soaring raw material prices, which continued from the first quarter. Regarding SG&A expenses, profits were depressed by increased travel and transportation expenses, sales promotion expenses both in Japan and overseas, as sales activities such as events and seminars resumed in earnest. As a result, operating income was 3,090 million yen (a 19.2% decrease year-on-year), ordinary income was 3,129 million yen (a 24.4% decrease year-on-year), and the quarterly net income attributable to owners of parent was 2,195 million yen (a 23.6% decrease year-on-year).

Net sales by item and Net sales by domestic and foreign country are as follows.

[Breakdown of consolidated net sales by product category]

(Unit: Million yen)

Product category	Six months ended June 30, 2022		Six months ended June 30, 2023		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	12,218	56.9	13,339	58.8	1,121	9.2
Hair coloring products	8,148	38.0	8,238	36.3	89	1.1
Permanent wave products	751	3.5	714	3.1	(37)	(4.9)
Cosmetic products	262	1.2	267	1.2	4	1.9
Other	87	0.4	144	0.6	56	65.2
Total	21,467	100.0	22,703	100.0	1,236	5.8

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Six months ended June 30, 2022		Six months ended June 30, 2023		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	16,627	77.5	17,175	75.6	547	3.3
Overseas sales	4,839	22.5	5,528	24.4	688	14.2
Total	21,467	100.0	22,703	100.0	1,236	5.8

(2) Explanation on Financial Position

① Assets, liabilities and net assets

Total assets at the end of the second quarter of the current fiscal year increased by 986 million yen from the end of the previous fiscal year to 53,746 million yen.

Current assets decreased by 115 million yen from the end of the previous fiscal year to 26,582 million yen. The main factors for the change were decreases of 2,253 million yen in Cash and deposits and 317 million yen in Notes and accounts receivable - trade, and increases of 1,811 million yen in Merchandise and finished goods and 474 million yen in Raw materials and supplies.

Non-current assets increased by 1,102 million yen from the end of the previous fiscal year to 27,163 million yen.

Current liabilities decreased by 453 million yen from the end of the previous fiscal year to 7,542 million yen. The main factors for the change were 484 million yen increase in Accounts payable - trade and 415 million yen decrease in Accounts payable - other.

Non-current liabilities increased by 79 million yen from the end of the previous fiscal year to 852 million yen.

Net assets increased 1,360 million yen from the end of the previous fiscal year to 45,351 million yen. The main factors for the change were increases of 690 million yen in Retained earnings and 624 million yen in Foreign currency translation adjustment due to the depreciation of the yen.

As a result, the equity ratio changed from 83.4% at the end of the previous fiscal year to 84.4%. Net assets per share based on the total number of shares outstanding at the end of the period were 1,393.72 yen, compared with 1,352.52 yen at the end of the previous fiscal year.

② Cash flows

Cash and cash equivalents ("funds") at the end of the second quarter of the current fiscal year decreased by 2,255 million yen from the end of the previous fiscal year to 10,002 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities was 694 million yen. This was mainly due to the recording of quarterly profit before income taxes of 3,100 million yen, an increase of 1,102 million yen in Depreciation, an increase of 2,052 million yen in inventories, and Income taxes paid of 1,261 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,651 million yen. This was mainly due to Purchase of property, plant and equipment of 1,199 million yen and Purchase of intangible assets of 324 million yen and Payments for guarantee deposits of 102 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 1,496 million yen. This was mainly due to dividends paid to shareholders of 1,494 million yen.

(3) Explanation of Forward-Looking Statements Including Consolidated Operating Forecasts

With regard to the full-year earnings forecast, the previous forecast (announced on February 14, 2023) has been revised, taking into account the most recent earnings and other factors. For details, please see the "Notice of Revision to Consolidated Operating Results Forecast" announced on August 10, 2023.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year As of December 31, 2022	Current 2nd quarter As of June 30, 2023
Assets		
Current assets		
Cash and deposits	12,300,053	10,046,864
Notes and accounts receivable - trade	5,255,686	4,937,940
Merchandise and finished goods	6,319,121	8,130,986
Work in process	39,927	58,115
Raw materials and supplies	1,999,103	2,473,640
Other	784,924	935,388
Allowance for doubtful accounts	(185)	-
Total current assets	26,698,631	26,582,934
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,014,115	9,270,667
Machinery, equipment and vehicles, net	3,082,059	3,218,293
Land	6,452,228	6,459,902
Construction in progress	453,754	813,496
Other, net	817,742	958,961
Total property, plant and equipment	19,819,899	20,721,320
Intangible assets	1,902,217	1,906,588
Investments and other assets		
Investment securities	1,775,734	1,700,636
Long-term loans receivable	7,425	-
Net defined benefit asset	56,180	53,636
Deferred tax assets	826,583	905,101
Other	1,719,802	1,922,634
Allowance for doubtful accounts	(46,087)	(46,087)
Total investments and other assets	4,339,639	4,535,921
Total non-current assets	26,061,755	27,163,830
Total assets	52,760,387	53,746,765
Liabilities		
Current liabilities		
Accounts payable - trade	1,133,259	1,617,639
Accounts payable - other	4,022,247	3,606,752
Income taxes payable	1,334,496	1,075,906
Provision for bonuses	591,582	526,299
Other	914,619	716,192
Total current liabilities	7,996,205	7,542,789
Non-current liabilities		
Net defined benefit liability	10,628	11,265
Deferred tax liabilities	610	627
Asset retirement obligations	643,317	694,767
Other	117,875	145,423
Total non-current liabilities	772,431	852,083
Total liabilities	8,768,636	8,394,873

(Thousand yen)

	Previous fiscal year As of December 31, 2022	Current 2nd quarter As of June 30, 2023
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	274,537	306,922
Retained earnings	41,875,487	42,565,622
Treasury shares	(2,030,911)	(1,981,618)
Total shareholders' equity	42,119,113	42,890,926
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	214,928	162,811
Foreign currency translation adjustment	1,766,040	2,390,565
Remeasurements of defined benefit plans	(108,331)	(92,410)
Total accumulated other comprehensive income	1,872,637	2,460,965
Total net assets	43,991,750	45,351,892
Total liabilities and net assets	52,760,387	53,746,765

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Earnings
Six Months Ended June 30, 2022 and 2023

(Thousand yen)

	Six months ended June 30, 2022 (January 1, 2022 - June 30, 2022)	Six months ended June 30, 2023 (January 1, 2023 - June 30, 2023)
Net sales	21,467,252	22,703,504
Cost of sales	7,198,250	7,893,545
Gross profit	14,269,001	14,809,959
Selling, general and administrative expenses	10,444,920	11,719,136
Operating income	3,824,080	3,090,823
Non-operating income		
Interest income	10,452	8,561
Dividend income	7,543	8,800
Foreign exchange gains	257,286	38,275
Company house defrayment income	1,520	1,428
Gain on surrender of insurance	18,068	-
Subsidy income	28,687	11,831
Other	56,559	25,304
Total non-operating income	380,118	94,201
Non-operating expenses		
Share of loss of entities accounted for using equity method	64,517	52,489
Other	2,122	3,444
Total non-operating expenses	66,640	55,934
Ordinary income	4,137,558	3,129,090
Extraordinary income		
Gain on sales of non-current assets	923	-
Gain on sales of investment securities	448	-
Total extraordinary income	1,372	-
Extraordinary losses		
Loss on retirement of non-current assets	604	29,045
Total extraordinary losses	604	29,045
Profit before income taxes	4,138,326	3,100,045
Income taxes - current	1,418,446	974,809
Income taxes - deferred	(155,275)	(70,123)
Total income taxes	1,263,171	904,685
Profit	2,875,154	2,195,360
Profit attributable to owners of parent	2,875,154	2,195,360

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended June 30, 2022 and 2023

(Thousand yen)

	Six months ended June 30, 2022 (January 1, 2022 - June 30, 2022)	Six months ended June 30, 2023 (January 1, 2023 - June 30, 2023)
Profit	2,875,154	2,195,360
Other comprehensive income		
Valuation difference on available-for-sale securities	(59,934)	(52,117)
Deferred gains or losses on hedges	(68,821)	-
Foreign currency translation adjustment	1,148,941	624,525
Remeasurements of defined benefit plans, net of tax	(11,661)	15,920
Total other comprehensive income	1,008,524	588,327
Comprehensive income	3,883,679	2,783,688
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,883,679	2,783,688
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	Six months ended June 30, 2022 (January 1, 2022 - June 30, 2022)	Six months ended June 30, 2023 (January 1, 2023 - June 30, 2023)
Cash flows from operating activities		
Profit before income taxes	4,138,326	3,100,045
Depreciation	1,014,981	1,102,221
Increase (decrease) in allowance for doubtful accounts	(3,995)	(191)
Increase (decrease) in provision for bonuses	(9,376)	(69,309)
Decrease (increase) in net defined benefit asset	(18,584)	25,484
Interest and dividend income	(17,995)	(17,362)
Share of (profit) loss of entities accounted for using equity method	64,517	52,489
Interest expenses	(198)	-
Foreign exchange losses (gains)	(60,592)	(66,423)
Loss (gain) on sales of investment securities	(448)	-
Loss (gain) on sales of non-current assets	(923)	-
Loss on retirement of non-current assets	604	29,045
Decrease (increase) in notes and accounts receivable - trade	(261,967)	345,513
Decrease (increase) in inventory	(2,202,624)	(2,052,173)
Increase (decrease) in notes and accounts payable - trade	595,929	434,804
Other	(749,068)	(946,811)
Subtotal	2,488,583	1,937,332
Interest and dividend income received	17,426	18,343
Income taxes paid	(1,304,328)	(1,261,491)
Cash flows from operating activities	1,201,680	694,184
Cash flows from investing activities		
Purchase of property, plant and equipment	(811,174)	(1,199,276)
Proceeds from sales of property, plant and equipment	977	-
Purchase of intangible assets	(393,579)	(324,970)
Payments of loans receivable	-	(34,300)
Collection of loans receivable	1,755	5,535
Purchase of investment securities	(12,681)	-
Proceeds from sales of investment securities	546	-
Payments for guarantee deposits	(148,947)	(102,595)
Proceeds from collection of guarantee deposits	43,258	15,267
Other	(3,146)	(11,281)
Cash flows from investing activities	(1,322,990)	(1,651,620)
Net cash provided by (used in) financing activities		
Net decrease (increase) in treasury shares	(696)	(1,161)
Cash dividends paid	(1,233,982)	(1,494,854)
Net cash provided by (used in) financing activities	(1,234,679)	(1,496,015)
Effect of exchange rate change on cash and cash equivalents	508,609	197,729
Net increase (decrease) in cash and cash equivalents	(847,379)	(2,255,721)
Cash and cash equivalents at beginning of period	13,312,634	12,258,237
Cash and cash equivalents at end of period	12,465,255	10,002,515

(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.)

This information is omitted since the Group has a single segment of manufacture and sales of cosmetic products

(Significant subsequent events)

None