



Consolidated Financial Results for the Six Months Ended June 30, 2019 [Japanese GAAP]

July 31, 2019

Name of registrant: Milbon Co., Ltd.
 Code No.: 4919 URL <http://www.milbon.co.jp>
 Representative: Ryuji Sato, President and CEO
 Inquiries: Masahiro Murai, Managing Director
 Scheduled filing date for quarterly report: August 9, 2019
 Scheduled starting date of dividend payments: August 21, 2019
 Preparation of supplementary materials on the quarterly results: Yes
 Holding of an explanatory meeting on the quarterly results: Yes (For institutional investors and analysts)

Tokyo Stock Exchange, First Section

TEL: +81-3-3517-3915

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

1. Consolidated financial results for the six months ended June 30, 2019 (January 1, 2019 - June 30, 2019)

(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, 2019	17,242	6.1	3,089	3.8	2,824	2.8	1,999	(6.4)
Six months ended June 30, 2018	16,247	-	2,975	-	2,746	-	2,137	-

(Note) Comprehensive income Six months ended June 30, 2019: 1,900 million yen [(14.8)%] Six months ended June 30, 2018: 2,230 million yen [-%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended June 30, 2019	61.07	-	-	-
Six months ended June 30, 2018	65.28	-	-	-

(Notes)

- From the three-month period ended March 31, 2019, the Company has early applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 30, 2018) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 30, 2018). In accordance with the principle treatment, the new accounting policy has been applied retrospectively to all prior-period financial statements.
- As of the fiscal year ended December 31, 2017, the Company changed its fiscal year end from December 20 to December 31. For the consolidated accounting, overseas consolidated subsidiaries changed their fiscal year end from September 30 to December 31. Therefore, year-on-year changes are not stated for the six months ended June 30, 2018, because the six-month period ended June 30, 2018 (January 1, 2018 to June 30, 2018) differs from that of the previous six-month period (December 21, 2016 to June 20, 2017).

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of June 30, 2019	39,092	34,067	34,067	33,151	87.1	83.6
As of December 31, 2018	39,634	33,151	33,151	33,151	83.6	83.6

(Reference) Equity As of June 30, 2019: 34,067 million yen As of December 31, 2018: 33,151 million yen

(Note) The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), etc., from the beginning of the three-month period ended March 31, 2019. Accordingly, figures of total assets and equity ratio for the fiscal year ended December 31, 2018 have been adjusted to reflect the retrospective application of the aforementioned accounting standard, etc.

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, 2018	-	24.00	-	30.00	54.00
Year ending December 31, 2019	-	27.00	-	-	-
Year ending December 31, 2019 (forecast)	-	-	-	27.00	54.00

(Note) Changes to latest dividends forecast: None

3. Consolidated operating forecasts for the fiscal year ending December 31, 2019 (January 1, 2019 - December 31, 2019)

(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	Yen
Year ending December 31, 2019	36,600	8.0	6,840	9.3	6,190	6.5	4,350	(3.2)	132.86	132.86

(Note) Changes to latest performance forecast: None

(Note) Following the change in accounting policy, figures have been adjusted to reflect the retrospective application of the new accounting policy. Accordingly, year-on-year changes show comparison with the retrospectively adjusted figures.

*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: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements

1) Changes in accounting policies due to amendment to the accounting standards, etc. : None

2) Changes in accounting policies other than those in 1) above : Yes

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, 2019	33,117,234 shares	As of December 31, 2018	33,117,234 shares
As of June 30, 2019	377,954 shares	As of December 31, 2018	377,460 shares
Six months ended June 30, 2019	32,739,519 shares	Six months ended June 30, 2018	32,740,216 shares

*These financial statements are not subject to the review of the quarterly financial statements by a certified public accountant or an audit corporation.

*Explanation on the appropriate use of operating forecasts and other special instructions

Operating forecasts and other statements regarding the future presented in these materials are based on information currently available and certain assumptions deemed to be reasonable, and actual performance may differ substantially due to various factors.

Contents of supplementary materials

1. Qualitative Information on Consolidated Results for the Current Period	2
(1) Explanation on operating results	2
(2) Explanation on financial position	3
(3) Explanation on forward-looking statements including consolidated operating forecasts	3
2. Quarterly Consolidated Financial Statements and Main Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income	6
Quarterly Consolidated Statements of Earnings	
Six Months Ended June 30, 2018 and 2019	6
Quarterly Consolidated Statements of Comprehensive Income	
Six Months Ended June 30, 2018 and 2019	7
(3) Quarterly Consolidated Statements of Cash Flows	8
(4) Notes regarding quarterly consolidated financial statements	9
Notes regarding going concern assumption	9
Notes in case of any significant changes in shareholders' equity	9
Changes in accounting policies	9
Additional information	9
Segment information, etc.	9

1. Qualitative Information on Consolidated Results for the Current Period

(1) Explanation on operating results

During the six-month period ended June 30, 2019, the Japanese economy continued on a moderate recovery trend amid improvement in the employment and income environment; however, there were signs of weakness in some areas of exports and production. The global economy is also generally on a recovery trend, while there are concerns about the future such as the impact of prolonged trade friction between the U.S. and China and the European political climate. The operating environment in the beauty industry remains severe, as it has become a challenge to recruit and retain human resources due to the impact of population movements.

Amid this environment, the Milbon Group is working with salons premised on the goal of “promoting the NEXT 100 by supporting ‘the creation of salons where human resources development is well established,’ where personnel are nurtured and retained, and creating ‘lifetime beauty salons’ by training beauty partners who fulfill lifetime beauty for women.”

Consolidated net sales during the six-month period ended June 30, 2019 amounted to 17,242 million yen (up 6.1% year on year). This was primarily due to growth by Aujua in the hair care product category thanks to the contributions of new products, and growth by the “milbon” brand that targets the global market with more salons both in Japan and overseas. There was also continued substantial growth in the fashion color Ordeve Addicthy, which was released two years ago, in the hair coloring product category.

Operating income was 3,089 million yen (up 3.8% year on year), ordinary income was 2,824 million yen (up 2.8% year on year), and profit attributable to owners of parent was 1,999 million yen (down 6.4% year on year). The primary reason for the decrease in profit attributable to owners of parent was the recording of 305 million yen in gain on sales of investment securities due to sales of cross-held shares, etc. in the first quarter of the previous fiscal year.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 30, 2018) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018) since the three-month period ended March 31, 2019. Regarding the application of the Accounting Standard for Revenue Recognition, etc., the new accounting policy has been applied retrospectively to all prior-period financial statements, in accordance with the principle treatment as set forth in Paragraph 84 of the Accounting Standard for Revenue Recognition.

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, 2018		Six months ended June 30, 2019		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	9,615	59.2	9,897	57.4	281	2.9
Hair coloring products	5,735	35.3	6,423	37.2	687	12.0
Permanent wave products	797	4.9	770	4.5	(26)	(3.4)
Cosmetic products	—	—	47	0.3	47	—
Others	98	0.6	103	0.6	5	5.1
Total	16,247	100.0	17,242	100.0	995	6.1

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Six months ended June 30, 2018		Six months ended June 30, 2019		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	13,632	83.9	14,383	83.4	751	5.5
Overseas sales	2,614	16.1	2,859	16.6	244	9.3
Total	16,247	100.0	17,242	100.0	995	6.1

(2) Explanation on financial position

1) Assets, liabilities and net assets

Total assets at the end of the six-month period ended June 30, 2019 decreased by 542 million yen compared to the end of the previous fiscal year to 39,092 million yen.

Current assets decreased by 830 million yen compared to the end of the previous fiscal year to 18,000 million yen. This was mainly due to the 2,001 million yen decrease in cash and deposits and the 1,098 million yen increase in merchandise and finished goods.

Non-current assets increased by 288 million yen compared to the end of the previous fiscal year to 21,091 million yen. This was mainly due to the 137 million yen increase in construction in progress as a result of payments for interior work associated with office relocations at Milbon USA, and other factors.

Current liabilities decreased by 1,414 million yen compared to the end of the previous fiscal year to 4,931 million yen. This was mainly due to the 768 million yen decrease in income taxes payable and the 111 million yen decrease in accounts payable - other.

Non-current liabilities decreased by 44 million yen compared to the end of the previous fiscal year to 93 million yen.

Net assets increased by 915 million yen compared to the end of the previous fiscal year to 34,067 million yen. This was mainly due to the 1,017 million yen increase in retained earnings.

As a result, the equity ratio changed from 83.6% at the end of the previous fiscal year to 87.1%. Net assets per share based on the total outstanding shares as of the end of the period under review increased from 1,012.58 yen per share at the end of the previous fiscal year to 1,040.58 yen per share.

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 issued on February 16, 2018), etc., from the beginning of the three-month period ended March 31, 2019. Accordingly, for the explanation on financial position, comparisons have been made with figures at the end of the previous fiscal year after retrospectively applying the standard, etc.

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the six-month period ended June 30, 2019 decreased by 3,002 million yen compared to the end of the previous fiscal year to 6,538 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 120 million yen. This was mainly the result of posting 2,817 million yen in profit before income taxes, depreciation of 714 million yen, the 1,220 million yen increase in inventories and 1,494 million yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 2,089 million yen. This was mainly due to the purchase of property, plant and equipment of 706 million yen, the purchase of intangible assets of 230 million yen and payments into time deposits of 1,000 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 983 million yen. This was mainly due to the cash dividends paid to shareholders of 980 million yen.

(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 13, 2019.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal Year (As of December 31, 2018)	Current Second Quarter (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	9,778,129	7,776,299
Notes and accounts receivable - trade	3,875,865	3,852,859
Merchandise and finished goods	3,643,382	4,741,843
Work in process	39,687	28,527
Raw materials and supplies	1,140,083	1,215,250
Other	410,547	431,353
Allowance for doubtful accounts	(56,335)	(45,518)
Total current assets	18,831,359	18,000,616
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,651,355	6,571,051
Machinery, equipment and vehicles, net	2,107,722	2,144,985
Land	5,028,467	5,031,470
Construction in progress	13,830	151,011
Other, net	540,072	578,932
Total property, plant and equipment	14,341,447	14,477,452
Intangible assets	987,821	1,064,314
Investments and other assets		
Investment securities	4,147,992	4,088,660
Deferred tax assets	324,909	301,105
Other	1,049,684	1,218,677
Allowance for doubtful accounts	(48,272)	(58,381)
Total investments and other assets	5,474,314	5,550,062
Total non-current assets	20,803,583	21,091,829
Total assets	39,634,942	39,092,445
Liabilities		
Current liabilities		
Accounts payable - trade	865,878	871,534
Accounts payable - other	2,376,675	2,264,827
Income taxes payable	1,585,720	816,726
Provision for bonuses	419,922	377,551
Other	1,097,287	600,676
Total current liabilities	6,345,484	4,931,316
Non-current liabilities		
Net defined benefit liability	57,243	14,042
Other	80,417	79,400
Total non-current liabilities	137,660	93,443
Total liabilities	6,483,145	5,024,759

(Thousand yen)

	Previous Fiscal Year (As of December 31, 2018)	Current Second Quarter (As of June 30, 2019)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	200,613	200,613
Retained earnings	30,614,693	31,631,818
Treasury shares	(558,811)	(561,292)
Total shareholders' equity	32,256,496	33,271,139
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	859,702	810,908
Foreign currency translation adjustment	264,024	185,846
Remeasurements of defined benefit plans	(228,425)	(200,208)
Total accumulated other comprehensive income	895,301	796,546
Total net assets	33,151,797	34,067,685
Total liabilities and net assets	39,634,942	39,092,445

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Statements of Earnings
 Six Months Ended June 30, 2018 and 2019

	(Thousand yen)	
	Six Months Ended June 30, 2018 (January 1, 2018 - June 30, 2018)	Six Months Ended June 30, 2019 (January 1, 2019 - June 30, 2019)
Net sales	16,247,291	17,242,829
Cost of sales	5,423,952	5,746,806
Gross profit	10,823,339	11,496,022
Selling, general and administrative expenses	7,847,989	8,406,961
Operating income	2,975,349	3,089,061
Non-operating income		
Interest income	3,323	7,019
Dividend income	20,975	31,969
Company house defrayment income	29,892	11,621
Gain on surrender of insurance	3,255	-
Subsidy income	50,528	-
Other	9,738	29,134
Total non-operating income	117,714	79,744
Non-operating expenses		
Share of loss of entities accounted for using equity method	103	20,381
Sales discounts	296,658	304,866
Foreign exchange losses	49,496	18,788
Other	84	28
Total non-operating expenses	346,342	344,065
Ordinary income	2,746,720	2,824,740
Extraordinary income		
Gain on sales of non-current assets	47	799
Gain on sales of securities	305,980	-
Total extraordinary income	306,028	799
Extraordinary losses		
Loss on sales of non-current assets	-	3,506
Loss on retirement of non-current assets	1,245	5,003
Total extraordinary losses	1,245	8,509
Profit before income taxes	3,051,503	2,817,031
Income taxes - current	1,019,872	785,168
Income taxes - deferred	(105,520)	32,543
Total income taxes	914,351	817,712
Profit	2,137,151	1,999,318
Profit attributable to owners of parent	2,137,151	1,999,318

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

(Thousand yen)

	Six Months Ended June 30, 2018 (January 1, 2018 - June 30, 2018)	Six Months Ended June 30, 2019 (January 1, 2019 - June 30, 2019)
Profit	2,137,151	1,999,318
Other comprehensive income		
Valuation difference on available-for-sale securities	226,204	(48,794)
Foreign currency translation adjustment	(124,626)	(78,177)
Remeasurements of defined benefit plans, net of tax	(8,663)	28,217
Total other comprehensive income	92,915	(98,754)
Comprehensive income	2,230,066	1,900,563
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,230,066	1,900,563
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	Six Months Ended June 30, 2018 (January 1, 2018 - June 30, 2018)	Six Months Ended June 30, 2019 (January 1, 2019 - June 30, 2019)
Cash flows from operating activities		
Profit before income taxes	3,051,503	2,817,031
Depreciation	670,262	714,778
Increase (decrease) in allowance for doubtful accounts	(16,950)	(638)
Increase (decrease) in provision for bonuses	35,840	(41,685)
Increase (decrease) in provision for sales returns	(261,429)	(27,271)
Decrease (increase) in net defined benefit asset	(15,431)	44,495
Increase (decrease) in net defined benefit liability	2,537	(45,379)
Interest and dividend income	(24,299)	(38,989)
Share of (profit) loss of entities accounted for using equity method	103	20,381
Foreign exchange losses (gains)	15,870	(5,968)
Loss (gain) on sales of investment securities	(305,980)	-
Loss (gain) on sales of non-current assets	(47)	2,706
Loss on retirement of non-current assets	1,245	5,003
Decrease (increase) in notes and accounts receivable - trade	1,287,331	20,773
Decrease (increase) in inventories	(939,465)	(1,220,209)
Increase (decrease) in notes and accounts payable - trade	(120,660)	7,107
Other, net	(178,812)	(674,174)
Subtotal	3,201,616	1,577,961
Interest and dividend income received	24,270	37,054
Income taxes paid	(730,545)	(1,494,549)
Net cash provided by (used in) operating activities	2,495,341	120,465
Cash flows from investing activities		
Purchase of property, plant and equipment	(626,386)	(706,762)
Proceeds from sales of property, plant and equipment	84	1,429
Purchase of intangible assets	(241,930)	(230,984)
Payments of loans receivable	(2,010)	(149,340)
Collection of loans receivable	2,818	1,475
Payments into time deposits	(139)	(1,000,358)
Proceeds from sales of investment securities	471,395	-
Payments for guarantee deposits	(8,627)	(63,778)
Proceeds from collection of guarantee deposits	11,365	58,907
Proceeds from cancellation of insurance funds	6,589	-
Other, net	(9,722)	(442)
Net cash provided by (used in) investing activities	(396,565)	(2,089,854)
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(3,191)	(2,481)
Cash dividends paid	(850,320)	(980,590)
Net cash provided by (used in) financing activities	(853,512)	(983,071)
Effect of exchange rate change on cash and cash equivalents	(42,500)	(50,477)
Net increase (decrease) in cash and cash equivalents	1,202,763	(3,002,937)
Cash and cash equivalents at beginning of period	5,928,017	9,541,483
Cash and cash equivalents at end of period	7,130,781	6,538,546

(4) Notes regarding quarterly consolidated financial statements

(Notes regarding going concern assumption)

None

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

None

(Changes in accounting policies)

With the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 30, 2018; hereinafter "Revenue Recognition Accounting Standard") and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 30, 2018) becoming applicable from the beginning of the fiscal year that begins on or after April 1, 2018, the Company has early applied the Revenue Recognition Accounting Standard, etc., from the beginning of the three-month period ended March 31, 2019.

When consideration arising from contracts with customers includes variable consideration, the Company includes such variable consideration within the transaction price to the extent that it is highly probable that a significant reversal of previously recognized cumulative revenue will not occur when the uncertainty is subsequently resolved. Accordingly, sales rebates previously presented as selling, general and administrative expenses are deducted from net sales and expenses related to the goods transferred to business partners free of charge according to their sales results are added to cost of sales.

The application of the Revenue Recognition Accounting Standard, etc., is in accordance with the principle treatment as set forth in Paragraph 84 of the Accounting Standard for Revenue Recognition, and the new accounting policy has been applied retrospectively to all prior-period financial statements.

As a result, net sales and gross profit for the six-month period ended June 30, 2018 decreased by 555 million yen and 929 million yen, respectively, compared to the figures before retrospective application. The application of the new accounting policy had no impact on operating income, ordinary income, profit before income taxes and profit.

(Additional information)

(Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018), etc., from the beginning of the three-month period ended March 31, 2019. Accordingly, deferred tax assets are presented under investments and other assets and deferred tax liabilities are presented under non-current liabilities.

(Segment information, etc.)

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