



Consolidated Financial Results for the Nine Months Ended September 30, 2020 [Japanese GAAP]

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 Scheduled filing date for quarterly report: November 13, 2020
 Scheduled starting date of dividend payments: -
 Preparation of supplementary materials on the quarterly results: Yes
 Holding of an explanatory meeting on the quarterly results: None

November 13, 2020
 Tokyo Stock Exchange, First Section

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

1. Consolidated financial results for the nine months ended September 30, 2020 (January 1, 2020 - September 30, 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	%
Nine months ended September 30, 2020	25,214	(5.4)	4,307	(16.8)	3,842	(20.0)	2,740	(19.7)
Nine months ended September 30, 2019	26,651	9.0	5,175	10.4	4,804	9.4	3,411	2.6

(Note) Comprehensive income Nine months ended September 30, 2020: 1,639 million yen [(50.4)%] Nine months ended September 30, 2019: 3,307 million yen [(2.6)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended September 30, 2020	84.21		-	
Nine months ended September 30, 2019	104.21		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of September 30, 2020	40,025		34,171		85.4	
As of December 31, 2019	41,912		35,882		85.6	

(Reference) Equity As of September 30, 2020: 34,171 million yen As of December 31, 2019: 35,882 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				
Year ending December 31, 2019	-	27.00	-	29.00	56.00
Year ending December 31, 2020	-	27.00	-		
Year ending December 31, 2020 (forecast)				29.00	56.00

(Note) Changes to latest dividends forecast: None

3. Consolidated operating forecasts for the fiscal year ending December 31, 2020 (January 1, 2020 - December 31, 2020)

(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, 2020	34,900	(3.8)	5,930	(12.2)	5,280	(15.3)	3,840	(15.0)	117.95

(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) : Yes
New: 1 company (Company name: Milbon (Zhejiang) Cosmetics Co., Ltd.) 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 : None
- 3) Changes in accounting estimates : None
- 4) Retrospective restatements : None

(4) Number of shares issued (common stock)

- 1) Number of shares issued at the end of the period (including treasury shares)
- 2) Number of treasury shares at the end of the period
- 3) Average number of shares during the period

As of September 30, 2020	33,117,234 shares	As of December 31, 2019	33,117,234 shares
As of September 30, 2020	614,717 shares	As of December 31, 2019	378,250 shares
Nine months ended September 30, 2020	32,538,723 shares	Nine months ended September 30, 2019	32,739,431 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

During the nine-month period ended September 30, 2020, the Japanese economy was extremely challenging due to the ongoing stagnation of the global economy caused by the lifting of the COVID-19. Economic activities gradually resumed after the termination of the state of emergency. Recently, however, the COVID-19, mainly in Europe and the United States, have repeatedly fluctuated, and the outlook for the future does not warrant optimism.

In the beauty salon industry as well, customers have begun to return to salons due to the lifting of the state of emergency in late May. However, in many urban beauty salons, customers have not yet fully returned, and it is necessary to keep in mind trends in infectious diseases in the future.

Under these circumstances, our group has continued to devise market activities that are closely linked to salons, while giving top priority to the safety of salons, distributors, and employees. Overseas, performance in South Korea has returned to a level exceeding that of the same period of the previous fiscal year.

As a result, consolidated net sales for the third quarter of the fiscal year under review were 25,214 million yen (down 5.4% year-on-year), operating income was 4,307 million yen (down 16.8% year-on-year), ordinary income was 3,842 million yen (down 20.0% year-on-year), and profit attributable to owners of parent was 2,740 million yen (down 19.7% year-on-year), despite the impact of the rush to beat the consumption tax hike in September of the previous fiscal 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	Nine months ended September 30, 2019		Nine months ended September 30, 2020		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	15,313	57.4	14,654	58.1	(658)	(4.3)
Hair coloring products	9,889	37.1	9,148	36.3	(741)	(7.5)
Permanent wave products	1,168	4.4	1,036	4.1	(131)	(11.2)
Cosmetic products	101	0.4	223	0.9	121	119.4
Other	178	0.7	150	0.6	(28)	(16.0)
Total	26,651	100.0	25,214	100.0	(1,437)	(5.4)

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Nine months ended September 30, 2019		Nine months ended September 30, 2020		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	22,336	83.8	21,102	83.7	(1,233)	(5.5)
Overseas sales	4,315	16.2	4,111	16.3	(204)	(4.7)
Total	26,651	100.0	25,214	100.0	(1,437)	(5.4)

(2) Explanation on financial position

Total assets at the end of the third quarter under review decreased 1,887 million yen from the end of the previous fiscal year, to 40,025 million yen.

Current assets decreased by 477 million yen from the end of the previous fiscal year to 19,853 million yen. The main factors for the change were decreases of 680 million yen in notes and accounts receivable-trade and 444 million yen in cash and deposits, and increases of 574 million yen in merchandise and finished goods and 152 million yen in raw materials and supplies. Non-current assets decreased by 1,409 million yen from the end of the previous fiscal year to 20,172 million yen. The main factors for the change were a decrease of 1,666 million yen in investment securities due to the sale of a portion of investment securities held and a decrease in unrealized gains on the market value of listed stocks.

Current liabilities decreased by 280 million yen from the end of the previous fiscal year to 5,127 million yen. The main factors for the change were increases of 396 million yen in provision for bonuses and 214 million yen in accounts payable-trade, and decreases of 781 million yen in accounts payable-other and 214 million yen in income taxes payable.

Non-current liabilities increased by 104 million yen from the end of the previous fiscal year to 726 million yen.

Net assets decreased 1,711 million yen from the end of the previous fiscal year to 34,171 million yen. The main reasons for the change were a decrease of 1,545 million yen in the acquisition of treasury stock, a decrease of 791 million yen in the amount of difference in the evaluation of other instruments due to the decrease of the valuation gain by the market value of listed stocks, a decrease of 283 million yen in the exchange conversion adjustment account due to the high, and an increase of 913 million yen in the amount of the margin surplus.

As a result, the equity ratio changed from 85.6% at the end of the previous fiscal year to 85.4%. Net assets per share based on the total number of shares issued at the end of the fiscal year were 1,051.34 yen, compared to 1,096.02 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 announcement on August 5, 2020.

We cannot deny the possibility of unexpected fluctuations due to external factors, including the COVID-19. Therefore, we will promptly revise our earnings forecasts if significant fluctuations are anticipated.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2019)	Current Third Quarter (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	10,615,390	10,171,222
Notes and accounts receivable - trade	4,180,186	3,499,407
Merchandise and finished goods	3,912,361	4,486,433
Work in process	34,781	70,622
Raw materials and supplies	1,120,202	1,272,294
Other	470,610	357,786
Allowance for doubtful accounts	(3,185)	(4,728)
Total current assets	20,330,346	19,853,039
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,023,638	6,855,390
Machinery, equipment and vehicles, net	2,007,962	1,939,577
Land	5,001,021	4,991,344
Construction in progress	84,801	30,674
Other, net	581,100	584,266
Total property, plant and equipment	14,698,524	14,401,253
Intangible assets	1,174,902	1,319,937
Investments and other assets		
Investment securities	3,991,136	2,324,351
Long-term loans receivable	149,125	82,504
Net defined benefit asset	155,832	157,458
Deferred tax assets	204,502	683,332
Other	1,266,204	1,261,583
Allowance for doubtful accounts	(58,381)	(58,381)
Total investments and other assets	5,708,420	4,450,849
Total non-current assets	21,581,847	20,172,040
Total assets	41,912,194	40,025,079
Liabilities		
Current liabilities		
Accounts payable - trade	797,033	1,011,571
Accounts payable - other	2,479,907	1,698,312
Income taxes payable	891,258	676,516
Provision for bonuses	397,297	793,840
Other	841,726	946,922
Total current liabilities	5,407,223	5,127,163
Non-current liabilities		
Net defined benefit liability	4,290	3,947
Deferred tax liabilities	670	643
Asset retirement obligations	505,563	542,238
Other	111,835	179,738
Total non-current liabilities	622,359	726,567
Total liabilities	6,029,582	5,853,731

(Thousand yen)

	Previous fiscal year (As of December 31, 2019)	Current Third Quarter (As of September 30, 2020)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	200,742	222,490
Retained earnings	33,266,155	34,179,362
Treasury shares	(563,197)	(2,108,260)
Total shareholders' equity	34,903,700	34,293,592
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	773,082	(18,845)
Deferred gains or losses on hedges	-	(46,422)
Foreign currency translation adjustment	267,184	(15,887)
Remeasurements of defined benefit plans	(61,355)	(41,090)
Total accumulated other comprehensive income	978,911	(122,244)
Total net assets	35,882,612	34,171,347
Total liabilities and net assets	41,912,194	40,025,079

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Earnings
Nine Months Ended September 30, 2019 and 2020

(Thousand yen)

	Nine Months Ended September 30, 2019 (January 1, 2019 - September 30, 2019)	Nine Months Ended September 30, 2020 (January 1, 2020 - September 30, 2020)
Net sales	26,651,910	25,214,042
Cost of sales	9,042,312	8,548,138
Gross profit	17,609,597	16,665,904
Selling, general and administrative expenses	12,433,817	12,358,616
Operating income	5,175,780	4,307,287
Non-operating income		
Interest income	12,408	20,307
Dividend income	32,008	32,363
Company house defrayment income	12,906	3,280
Subsidy income	44,013	39,674
Other	69,662	73,509
Total non-operating income	171,000	169,135
Non-operating expenses		
Share of loss of entities accounted for using equity method	40,916	87,184
Sales discounts	470,230	462,842
Foreign exchange losses	31,281	83,019
Other	280	1,223
Total non-operating expenses	542,709	634,270
Ordinary income	4,804,071	3,842,152
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	11,256	15,454
Total extraordinary losses	14,659	15,454
Profit before income taxes	4,790,210	3,941,276
Income taxes - current	1,350,596	1,314,632
Income taxes - deferred	27,882	(113,562)
Total income taxes	1,378,479	1,201,069
Profit	3,411,731	2,740,206
Profit attributable to owners of parent	3,411,731	2,740,206

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended September 30, 2019 and 2020

(Thousand yen)

	Nine Months Ended September 30, 2019 (January 1, 2019 - September 30, 2019)	Nine Months Ended September 30, 2020 (January 1, 2020 - September 30, 2020)
Profit	3,411,731	2,740,206
Other comprehensive income		
Valuation difference on available-for-sale securities	(14,418)	(791,927)
Deferred gains or losses on hedges	-	(46,422)
Foreign currency translation adjustment	(131,849)	(283,071)
Remeasurements of defined benefit plans, net of tax	42,153	20,264
Total other comprehensive income	(104,114)	(1,101,156)
Comprehensive income	3,307,617	1,639,050
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,307,617	1,639,050
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)

Company acquired 249.5 thousand shares of treasury stock in accordance with a resolution approved at a meeting of the Board of Directors held on February 12, 2020. As a result, treasury stock increased by 1,545,063 thousand yen in the third quarter of the current fiscal year, and at the end of the third quarter of the current fiscal year, treasury stock was 2,108,260 thousand yen.

(Segment information, etc.)

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