



Consolidated Financial Results for the Six Months Ended June 30, 2022 [Japanese GAAP]

August 10, 2022

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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, 2022 (January 1, 2022 - June 30, 2022)

(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, 2022	21,467	-	3,824	-	4,137	23.3	2,875	19.1
Six months ended June 30, 2021	19,558	23.3	3,659	53.2	3,355	59.5	2,413	66.3

Note: Comprehensive income Six months ended June 30, 2022: 3,883 million yen [35.0%] Six months ended June 30, 2021: 2,875 million yen [458.0%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended June 30, 2022	88.42	-	-	-
Six months ended June 30, 2021	74.24	-	-	-

Note: From the beginning of the fiscal year, sales discounts, previously included 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 may be misleading. Accordingly, the percentage of year-on-year changes in net sales and operating income are not indicated in the above table. (Ordinary income and profit attributable to owners of parent remain unchanged.) If the figures for the previous fiscal year were on the same basis as for the current fiscal year, net sales for the second quarter would increase 11.7%, and operating income would increase 15.3%. Please refer to the Financial Results Presentation Materials for details.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of June 30, 2022	51,361	43,114	43,114	40,197	83.9	83.3
As of December 31, 2021	48,238	40,197	40,197			

(Reference) Equity As of June 30, 2022: 43,114 million yen As of December 31, 2021: 40,197 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
Year ended December 31, 2021	-	30.00	-	38.00	68.00
Year ended December 31, 2022	-	40.00			
Year ended December 31, 2022 (forecast)			-	46.00	86.00

Note: Changes to latest dividends forecast: Yes

3. Consolidated operating forecasts for the fiscal year ending December 31, 2022 (January 1, 2022 - December 31, 2022)

(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, 2022	43,900	-	7,550	-	7,410	3.5	5,230	2.4	160.88

Note: Changes to latest performance forecast: None

Note: From the beginning of the fiscal year, sales discounts, previously included 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 may be misleading. Accordingly, the percentage of year-on-year changes in net sales and operating income are not indicated in the above table. (Ordinary income, profit attributable to owners of parent, and basic earnings per share remain unchanged.) If the figures for the previous fiscal year were on the same basis as for the current fiscal year, net sales would increase 7.5%, and operating income would increase 6.6%. Please refer to the Financial Results Presentation Materials for details.

*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 Europe GmbH) 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. : Yes

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, 2022	33,117,234 shares	As of December 31, 2021	33,117,234 shares
As of June 30, 2022	591,417 shares	As of December 31, 2021	606,080 shares
Six months ended June 30, 2022	32,517,278 shares	Six months ended June 30, 2021	32,506,423 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 factor.

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1. Qualitative Information on Consolidated Results for the Current Period

(1) Explanation on operating results

In the second quarter of the fiscal year, the Japanese economy showed a gradual recovery trend, mainly in consumer spending, amid the normalization of economic activities, despite the continuing impact of COVID-19. Looking ahead, there are many risks and uncertainties, such as soaring raw material and energy prices, and Russia's invasion of Ukraine.

In the domestic market, sales of hair coloring products grew significantly due to a recovery in regional cities compared to the first quarter, when the spread of infections affected the flow of people and an increase in the number of customers who enjoy multi-tonal hair coloring. In addition, sales of hair care products grew steadily due to increased awareness of the need to care for the damage from hair coloring and make hair designs enjoyable longer.

In the overseas markets, China continues to be affected by the lockdown due to the zero-corona policy. Although the situation remains in a severe condition, the impact is minimal with the Company's continuous efforts. In other major countries, the U.S. and South Korea, sales of hair care products and hair coloring products were significantly steady, contributing to growth in consolidated sales.

As a result of the above, consolidated net sales for the second quarter were 21,467 million yen, operating income was 3,824 million yen, ordinary income was 4,137 million yen (up 23.3% year on year), and profit attributable to owners of parent was 2,875 million (up 19.1% year on year).

Note: From the beginning of the fiscal year, sales discounts, previously included 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 may be misleading. Accordingly, the percentage of year-on-year changes in net sales and operating income are not indicated. (Ordinary income and profit attributable to owners of parent remain unchanged.) If the figures for the previous fiscal year were on the same basis as for the current fiscal year, net sales for the second quarter would increase 11.7%, and operating income would increase 15.3%. Please refer to the Financial Results Presentation Materials for details.

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, 2021		Six months ended June 30, 2022		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	11,288	57.7	12,218	56.9	-	-
Hair coloring products	7,124	36.4	8,148	38.0	-	-
Permanent wave products	740	3.8	751	3.5	-	-
Cosmetic products	293	1.5	262	1.2	-	-
Other	111	0.6	87	0.4	-	-
Total	19,558	100.0	21,467	100.0	-	-

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Six months ended June 30, 2021		Six months ended June 30, 2022		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	15,742	80.5	16,627	77.5	-	-
Overseas sales	3,816	19.5	4,839	22.5	-	-
Total	19,558	100.0	21,467	100.0	-	-

Note: From the beginning of the fiscal year, sales discounts, previously included 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 may be misleading. Accordingly, changes in amounts and percentages are not indicated in the above table. Please refer to the Financial Results Presentation Materials for details on the calculation of the figures for the previous fiscal year using the same method as for the current fiscal year.

(2) Explanation on financial position

(i) Assets, liabilities, and net assets

Total assets at the end of the second quarter increased by 3,122 million yen from the end of the previous fiscal year to 51,361 million yen.

Current assets increased by 2,134 million yen from the end of the previous fiscal year to 27,035 million yen. The main factors for the change were a decrease of 844 million yen in cash and deposits, and an increase of 1,969 million yen in merchandise and finished goods, 581 million yen in raw materials and supplies, and 306 million yen in notes and accounts receivable-trade.

Non-current assets increased by 987 million yen from the end of the previous fiscal year to 24,325 million yen.

Current liabilities increased by 180 million yen from the end of the previous fiscal year to 7,490 million yen. Major factors for the change were decreases of 461 million yen in accounts payable-other and an increase of 719 million yen in accounts payable-trade.

Non-current liabilities increased by 25 million yen from the end of the previous fiscal year to 756 million yen.

Net assets increased by 2,917 million yen from the end of the previous fiscal year to 43,114 million yen. The main factors for the change were increases of 1,830 million yen in retained earnings and 1,148 million yen in foreign currency translation adjustment resulting from the depreciation of the yen.

As a result, the equity ratio changed from 83.3% at the end of the previous fiscal year to 83.9%. Net assets per share based on the total number of shares issued and outstanding at the end of the fiscal year were 1,325.54 yen, compared to 1,236.41 yen at the end of the previous fiscal year.

(ii) Cash flows

Cash and cash equivalents ("funds") at the end of the second quarter of the current fiscal year decreased by 847 million yen from the end of the previous fiscal year to 12,465 million yen.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,201 million yen. This was mainly due to the recording of quarterly profit before income taxes of 4,138 million yen, depreciation and amortization of 1,014 million yen, an increase in inventories of 2,202 million yen, an increase in notes and accounts receivable-trade of 261 million yen, and income taxes paid of 1,304 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 1,322 million yen. This was mainly due to expenditures of 811 million yen for the purchase of tangible fixed assets, 393 million yen for the purchase of intangible fixed assets, and 148 million yen for payments for guarantee deposits.

(Cash flows from financing activities)

Net cash used in financing activities was 1,234 million yen. This was mainly due to dividends paid to shareholders of 1,233 million yen.

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

There is no change from the previous forecast (announced on February 10, 2022) for the full fiscal year.

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, 2021)	Current 2nd quarter (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	13,350,147	12,505,229
Notes and accounts receivable - trade	4,673,258	4,979,735
Securities	200,000	200,000
Merchandise and finished goods	4,537,613	6,506,960
Work in process	41,842	60,391
Raw materials and supplies	1,360,902	1,942,289
Other	740,268	843,069
Allowance for doubtful accounts	(3,271)	(2,009)
Total current assets	24,900,761	27,035,666
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,957,598	9,161,610
Machinery, equipment and vehicles, net	2,840,613	2,942,362
Land	4,995,014	5,009,029
Construction in progress	269,654	332,572
Other, net	753,381	857,140
Total property, plant and equipment	17,816,262	18,302,715
Intangible assets	1,516,714	1,680,387
Investments and other assets		
Investment securities	1,610,607	1,524,149
Long-term loans receivable	32,527	3,692
Net defined benefit asset	438,540	440,321
Deferred tax assets	577,944	800,810
Other	1,393,519	1,619,605
Allowance for doubtful accounts	(48,387)	(46,087)
Total investments and other assets	4,004,752	4,342,491
Total non-current assets	23,337,729	24,325,594
Total assets	48,238,490	51,361,260
Liabilities		
Current liabilities		
Accounts payable – trade	936,108	1,655,393
Accounts payable – other	3,495,694	3,033,966
Income taxes payable	1,401,441	1,490,788
Provision for bonuses	511,612	508,509
Other	965,353	802,031
Total current liabilities	7,310,210	7,490,688
Non-current liabilities		
Net defined benefit liability	7,753	8,697
Deferred tax liabilities	595	670
Asset retirement obligations	608,139	613,281
Other	114,611	133,590
Total non-current liabilities	731,099	756,239
Total liabilities	8,041,309	8,246,928

(Thousand yen)

	Previous fiscal year (As of December 31, 2021)	Current 2nd quarter (As of June 30, 2022)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	246,299	274,537
Retained earnings	38,834,669	40,665,030
Treasury shares	(2,080,393)	(2,030,365)
Total shareholders' equity	39,000,575	40,909,202
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	100,262	40,328
Deferred gains or losses on hedges	68,821	-
Foreign currency translation adjustment	850,537	1,999,478
Remeasurements of defined benefit plans	176,984	165,322
Total accumulated other comprehensive income	1,196,605	2,205,129
Total net assets	40,197,181	43,114,332
Total liabilities and net assets	48,238,490	51,361,260

(2) Quarterly Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Earnings
Six Months Ended June 30, 2021 and 2022

(Thousand yen)

	Six months ended June 30, 2021 (January 1, 2021 - June 30, 2021)	Six months ended June 30, 2022 (January 1, 2022 - June 30, 2022)
Net sales	19,558,798	21,467,252
Cost of sales	6,650,862	7,198,250
Gross profit	12,907,935	14,269,001
Selling, general and administrative expenses	9,248,793	10,444,920
Operating income	3,659,142	3,824,080
Non-operating income		
Interest income	12,871	10,452
Dividend income	16,944	7,543
Foreign exchange gains	38,501	257,286
Company house defrayment income	1,193	1,520
Gain on surrender of insurance	5,499	18,068
Subsidy income	32,019	28,687
Other	26,787	56,559
Total non-operating income	133,816	380,118
Non-operating expenses		
Sales discounts	341,758	-
Share of loss of entities accounted for using equity method	94,542	64,517
Other	1,356	2,122
Total non-operating expenses	437,657	66,640
Ordinary income	3,355,300	4,137,558
Extraordinary income		
Gain on sales of non-current assets	-	923
Gain on sales of investment securities	19,087	448
Total extraordinary income	19,087	1,372
Extraordinary losses		
Loss on retirement of non-current assets	355	604
Total extraordinary losses	355	604
Profit before income taxes	3,374,032	4,138,326
Income taxes - current	1,125,498	1,418,446
Income taxes - deferred	(164,663)	(155,275)
Total income taxes	960,835	1,263,171
Profit	2,413,196	2,875,154
Profit attributable to owners of parent	2,413,196	2,875,154

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended June 30, 2021 and 2022

(Thousand yen)

	Six months ended June 30, 2021 (January 1, 2021 - June 30, 2021)	Six months ended June 30, 2022 (January 1, 2022 - June 30, 2022)
Profit	2,413,196	2,875,154
Other comprehensive income		
Valuation difference on available-for-sale securities	11,378	(59,934)
Deferred gains or losses on hedges	106,841	(68,821)
Foreign currency translation adjustment	336,325	1,148,941
Remeasurements of defined benefit plans, net of tax	8,180	(11,661)
Total other comprehensive income	462,726	1,008,524
Comprehensive income	2,875,923	3,883,679
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,875,923	3,883,679
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	Six months ended June 30, 2021 (January 1, 2021 - June 30, 2021)	Six months ended June 30, 2022 (January 1, 2022 - June 30, 2022)
Cash flows from operating activities		
Profit before income taxes	3,374,032	4,138,326
Depreciation	856,853	1,014,981
Increase (decrease) in allowance for doubtful accounts	(10,519)	(3,995)
Increase (decrease) in provision for bonuses	20,453	(9,376)
Decrease (increase) in net defined benefit asset	12,805	(18,584)
Interest and dividend income	(29,815)	(17,995)
Share of loss (profit) of entities accounted for using equity method	94,542	64,517
Interest expenses	-	(198)
Foreign exchange losses (gains)	(20,161)	(60,592)
Loss (gain) on sales of investment securities	(4,586)	(448)
Loss (gain) on sales of non-current assets	-	(923)
Loss on retirement of non-current assets	355	604
Decrease (increase) in trade receivables	(163,281)	(261,967)
Decrease (increase) in inventories	(704,825)	(2,202,624)
Increase (decrease) in trade payables	515,897	595,929
Other	(333,458)	(749,068)
Subtotal	3,608,293	2,488,583
Interest and dividend income received	30,963	17,426
Income taxes paid	(1,049,930)	(1,304,328)
Net cash provided by (used in) operating activities	2,589,327	1,201,680
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,635,322)	(811,174)
Proceeds from sales of property, plant and equipment	-	977
Purchase of intangible assets	(305,389)	(393,579)
Payments of loans receivable	(148,000)	-
Collection of loans receivable	963	1,755
Purchase of investment securities	(12,150)	(12,681)
Proceeds from sales of investment securities	11,621	546
Payments for guarantee deposits	(24,380)	(148,947)
Proceeds from collection of guarantee deposits	21,716	43,258
Other	4,052	(3,146)
Net cash provided by (used in) investing activities	(2,086,889)	(1,322,990)
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(1,130)	(696)
Cash dividends paid	(935,679)	(1,233,982)
Net cash provided by (used in) financing activities	(936,810)	(1,234,679)
Effect of exchange rate change on cash and cash equivalents	202,553	508,609
Net increase (decrease) in cash and cash equivalents	(231,819)	(847,379)
Cash and cash equivalents at beginning of period	12,307,591	13,312,634
Cash and cash equivalents at end of period	12,075,771	12,465,255

(4) Notes regarding quarterly consolidated financial statements

(Notes regarding going concern assumption)

None

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

None

(Change in the scope of consolidation or scope of the application of the equity method)

The newly established Milbon Europe GmbH was included in the scope of consolidation in the second quarter of the current fiscal year.

(Changes in accounting policies)

(Change in valuation method for inventories)

The Company used the first-in, first-out method for the valuation of merchandise; however, beginning in the first quarter of the current fiscal year, we have changed to the cost method based on the weighted average method. This change in the valuation method is aimed at realizing a more appropriate calculation of periodic profit and loss by smoothing out the impact of fluctuations in purchase prices, triggered by an increase in overseas product purchases, etc.

As the impact of this change is immaterial, it has not been applied retrospectively.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Measurement Standard") and other standards from the beginning of the first quarter of the current fiscal year, and under the transitional treatment stipulated in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Fair Value Measurement Standard will be applied in the future.

There is no impact on the quarterly consolidated financial statements.

(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