



## Consolidated Financial Results for the Three Months Ended March 31, 2020 [Japanese GAAP]

May 12, 2020

Tokyo Stock Exchange, First Section

Name of registrant: Milbon Co., Ltd.  
 Code No.: 4919 URL <http://www.milbon.co.jp>  
 Representative: Ryuji Sato, President and CEO  
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 Scheduled filing date for quarterly report: May 15, 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

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

### 1. Consolidated financial results for the three months ended March 31, 2020 (January 1, 2020 - March 31, 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	%
Three months ended March 31, 2020	7,825	(0.8)	1,031	(18.5)	835	(28.1)	601	(28.6)
Three months ended March 31, 2019	7,886	3.9	1,265	(9.0)	1,162	(3.8)	841	(21.7)

(Note) Comprehensive income Three months ended March 31, 2020: (357) million yen [-%] Three months ended March 31, 2019: 1,080 million yen [(3.4)%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Three months ended March 31, 2020	18.45	-	-	-
Three months ended March 31, 2019	25.72	-	-	-

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of March 31, 2020	37,930	32,986	32,986	35,882	87.0	85.6
As of December 31, 2019	41,912	35,882	35,882			

(Reference) Equity As of March 31, 2020: 32.986 billion yen As of December 31, 2019: 35.882 billion 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, 2019	-	27.00	-	29.00	56.00
Year ending December 31, 2020	-				
Year ending December 31, 2020 (forecast)		-	-	-	-

(Note) Changes to latest dividends forecast: Yes

Because it is difficult to reasonably calculate the dividend forecast due to the spread of COVID-19, the dividend forecast for the fiscal year ending December 31, 2020 has not been determined. The Company will promptly disclose its earnings forecasts when it becomes possible to reasonably calculate them.

### 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	Yen
Year ending December 31, 2020	-	-	-	-	-	-	-	-	-	-

(Note) Changes to latest performance forecast: Yes

Due to the spread of COVID-19, it is difficult to reasonably calculate the earnings forecast. Therefore, the earnings forecast for the fiscal year ending December 31, 2020 has not been determined yet. The Company will promptly disclose its earnings forecasts when it becomes possible to reasonably calculate them.

\*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 March 31, 2020	33,117,234 shares	As of December 31, 2019	33,117,234 shares
As of March 31, 2020	627,830 shares	As of December 31, 2019	378,250 shares
Three months ended March 31, 2020	32,612,847 shares	Three months ended March 31, 2019	32,739,664 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 first quarter of the current fiscal year, the Japanese economy deteriorated rapidly due to sluggish consumption from the fourth quarter of the previous year due to the consumption tax hike, as well as to requests to refrain from going out due to COVID-19 from March onward. Looking ahead, there is a risk of further economic downturns as the impacts of infectious diseases are expected to continue for the time being. In the beauty salon industry, in addition to the continued harsh business environment caused by demographic changes, there are concerns about the impact of restrictions on salon sales due to COVID-19 and a decrease in the number of salon customers.

Against this backdrop, we are addressing the theme of "Aiming for NEXT100, developing new possibilities to support the evolution of a lifetime beauty salon where a community of beauty and spiritual wealth exists."

In the first quarter of the fiscal year under review, the impacts of COVID-19 forced us to stop large events and seminars scheduled after March. Although sales exceeded the previous year's level, we were greatly constrained by activities that would lead to the next stage, such as the penetration of policies and the introduction of new products this year. In overseas markets, sales declined significantly in China, where the spread of COVID-19 was rapid. As a result, consolidated net sales amounted to 7,825 million yen (down 0.8% year on year), operating income amounted to 1,031 million yen (down 18.5%), ordinary income amounted to 835 million yen (down 28.1%), and net income attributable to owners of the parent amounted to 601 million yen (down 28.6%).

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, 2019		Three months ended March 31, 2020		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	4,323	54.8	4,424	56.6	101	2.3
Hair coloring products	3,175	40.2	2,995	38.3	(179)	(5.6)
Permanent wave products	337	4.3	291	3.7	(45)	(13.6)
Cosmetic products	-	-	71	0.9	71	-
Other	50	0.7	42	0.5	(7)	(15.9)
Total	7,886	100.0	7,825	100.0	(60)	(0.8)

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Three months ended March 31, 2019		Three months ended March 31, 2020		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	6,428	81.5	6,590	84.2	161	2.5
Overseas sales	1,458	18.5	1,235	15.8	(222)	(15.2)
Total	7,886	100.0	7,825	100.0	(60)	(0.8)

(2) Explanation on financial position

Total assets at the end of the first quarter under review decreased 3,981 million yen from the end of the previous fiscal year, to 37,930 million yen.

Current assets decreased by 3,267 million yen from the end of the previous fiscal year to 17,062 million yen. The main factors for the change were decreases of 3,404 million yen in cash and deposits and 536 million yen in notes and accounts receivable-trade, and an increase of 596 million yen in merchandise and finished goods.

Non-current assets decreased by 714 million yen from the end of the previous fiscal year to 20,867 million yen. The main factor for the change was an 829 million yen decrease in investment securities due to a decrease in valuation gains on listed stocks.

Current liabilities decreased by 1,205 million yen from the end of the previous fiscal year to 4,201 million yen. The main factors of change were decreases of 979 million yen in accounts payable-other, 621 million yen in income taxes payable, and an increase of 322 million yen in accounts payable-trade.

Non-current liabilities increased by 120 million yen from the end of the previous fiscal year to 742 million yen.

Net assets decreased 2,896 million yen from the end of the previous fiscal year to 32,986 million yen. The main factors of the change were 1,589 million yen in the purchase of treasury stock, and 561 million yen in valuation difference on available-for-sale securities, 338 million yen in foreign currency translation adjustments due to the appreciation of the yen, and 347 million yen in retained earnings due to the decrease in valuation gains on listed stocks.

As a result, the equity ratio changed from 85.6% at the end of the previous fiscal year to 87.0%. Net assets per share based on the number of shares outstanding at the end of the period were 1,015.29 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

Economic activity continues to stagnate as the spread of COVID-19 restricts outings and transfers worldwide. In the beauty industry, we are not sure when sales restrictions for beauty salons and the reduction in visiting customers in April are going to converge, making it difficult to calculate a reasonable estimate of our performance. Therefore, we cannot assume the expected performance for the current fiscal year. The Company will promptly disclose its earnings forecasts when it becomes possible to reasonably calculate them.

## 2. Quarterly Consolidated Financial Statements and Main Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2019)	Current First Quarter (As of March 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	10,615,390	7,211,240
Notes and accounts receivable - trade	4,180,186	3,643,955
Merchandise and finished goods	3,912,361	4,508,515
Work in process	34,781	60,887
Raw materials and supplies	1,120,202	1,210,233
Other	470,610	432,355
Allowance for doubtful accounts	(3,185)	(4,525)
Total current assets	20,330,346	17,062,663
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,023,638	7,001,415
Machinery, equipment and vehicles, net	2,007,962	1,894,654
Land	5,001,021	4,990,676
Construction in progress	84,801	57,063
Other, net	581,100	651,348
Total property, plant and equipment	14,698,524	14,595,157
Intangible assets	1,174,902	1,167,717
Investments and other assets		
Investment securities	3,991,136	3,161,467
Long-term loans receivable	149,125	134,721
Net defined benefit asset	155,832	155,078
Deferred tax assets	204,502	468,554
Other	1,266,204	1,243,525
Allowance for doubtful accounts	(58,381)	(58,381)
Total investments and other assets	5,708,420	5,104,966
Total non-current assets	21,581,847	20,867,841
Total assets	41,912,194	37,930,504
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	797,033	1,119,419
Accounts payable - other	2,479,907	1,500,156
Income taxes payable	891,258	269,425
Provision for bonuses	397,297	388,001
Other	841,726	924,265
Total current liabilities	5,407,223	4,201,268
Non-current liabilities		
Net defined benefit liability	4,290	3,923
Deferred tax liabilities	670	637
Asset retirement obligations	505,563	528,420
Other	111,835	209,983
Total non-current liabilities	622,359	742,965
Total liabilities	6,029,582	4,944,233

(Thousand yen)

	Previous fiscal year (As of December 31, 2019)	Current First Quarter (As of March 31, 2020)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	200,742	200,742
Retained earnings	33,266,155	32,918,274
Treasury shares	(563,197)	(2,152,907)
Total shareholders' equity	34,903,700	32,966,109
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	773,082	211,638
Deferred gains or losses on hedges	-	(65,114)
Foreign currency translation adjustment	267,184	(71,761)
Remeasurements of defined benefit plans	(61,355)	(54,600)
Total accumulated other comprehensive income	978,911	20,161
Total net assets	35,882,612	32,986,271
Total liabilities and net assets	41,912,194	37,930,504

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

## Quarterly Consolidated Statements of Earnings

Three Months Ended March 31, 2019 and 2020

(Thousand yen)

	Three Months Ended March 31, 2019 (January 1, 2019 - March 31, 2019)	Three Months Ended March 31, 2020 (January 1, 2020 - March 31, 2020)
Net sales	7,886,303	7,825,824
Cost of sales	2,573,100	2,592,507
Gross profit	5,313,202	5,233,317
Selling, general and administrative expenses	4,048,095	4,202,128
Operating income	1,265,107	1,031,188
Non-operating income		
Interest income	2,820	2,543
Dividend income	232	236
Share of profit of entities accounted for using equity method	7,951	-
Foreign exchange gains	5,726	-
Company house defrayment income	9,644	507
Refund of custom duty	-	20,001
Other	6,977	18,376
Total non-operating income	33,351	41,665
Non-operating expenses		
Sales discounts	136,020	150,596
Share of loss of entities accounted for using equity method	-	36,107
Foreign exchange losses	-	49,289
Other	2	989
Total non-operating expenses	136,023	236,982
Ordinary income	1,162,435	835,871
Extraordinary income		
Gain on sales of non-current assets	767	-
Total extraordinary income	767	-
Extraordinary losses		
Loss on retirement of non-current assets	25	14,352
Total extraordinary losses	25	14,352
Profit before income taxes	1,163,176	821,518
Income taxes - current	133,555	210,802
Income taxes - deferred	187,621	9,167
Total income taxes	321,177	219,969
Profit	841,999	601,549
Profit attributable to owners of parent	841,999	601,549



Quarterly Consolidated Statements of Comprehensive Income  
 Three Months Ended March 31, 2019 and 2020

(Thousand yen)

	Three Months Ended March 31, 2019 (January 1, 2019 - March 31, 2019)	Three Months Ended March 31, 2020 (January 1, 2020 - March 31, 2020)
Profit	841,999	601,549
Other comprehensive income		
Valuation difference on available-for-sale securities	206,483	(561,444)
Deferred gains or losses on hedges	-	(65,114)
Foreign currency translation adjustment	17,527	(338,946)
Remeasurements of defined benefit plans, net of tax	14,051	6,754
Total other comprehensive income	238,062	(958,750)
Comprehensive income	1,080,061	(357,200)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,080,061	(357,200)
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)

Companies 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 1,589,710 thousand yen in the first quarter of the current fiscal year, to 2,152,907 thousand yen at the end of the first quarter of the current fiscal year.

(Segment information, etc.)

**【Segment information】**

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

(Significant subsequent events)

At the meeting of the Board of Directors held on April 10, 2020, companies disposed of treasury stock (the "disposal of treasury stock" or "disposal") as restricted stock compensation.

1. Outline of the disposition

(1) Date of disposal:	May 8, 2020
(2) Class and number of shares to be disposed of:	13,153 shares of our common stock
(3) Disposal price:	5,070 yen per share
(4) Total disposal price:	66,685,710 yen
(5) The persons subject to the allotment of shares, the number of such persons, and the number of shares to be allotted:	7 directors (excluding outside directors) 11,572 shares 3 executive officers 1581 shares
(6) Other:	Regarding this disposal of treasury stock, the Company has submitted a notice of securities under the Financial Instruments and Exchange Act.

2. Purpose and reason of the disposition

At a meeting of the Board of Directors held on February 12, 2020, companies resolved to provide our directors (excluding outside directors) with an incentive to continuously improve our corporate value, review our executive remuneration system with the aim of further promoting value sharing with shareholders, and introduce a restricted stock remuneration system.