



Consolidated Financial Results for the Three Months Ended March 31, 2023 [Japanese GAAP]

May 15, 2023

Name of registrant: Milbon Co., Ltd.
Code No.: 4919 URL <https://www.milbon.com/en/>
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Scheduled filing date for quarterly report: May 15, 2023
Scheduled starting date of dividend payments: -
Preparation of supplementary materials on the quarterly results: Yes
Holding of an explanatory meeting on the quarterly results: Yes (Online streaming 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 three months ended March 31, 2023 (January 1, 2023 - March 31, 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	%
Three months ended March 31, 2023	10,340	7.3	1,195	(20.1)	1,167	(28.6)	882	(24.4)
Three months ended March 31, 2022	9,635	-	1,496	-	1,633	8.7	1,166	6.9

Note: Comprehensive income Three months ended March 31, 2023: 1,052 million yen [(41.2)%] Three months ended March 31, 2022: 1,788 million yen [30.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2023	27.13	-
Three months ended March 31, 2022	35.89	-

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 9.1% and 1.4%, respectively, in the first 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 March 31, 2023	50,587	43,537	86.1
As of December 31, 2022	52,760	43,991	83.4

(Reference) Equity As of March 31, 2023: 43,537 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	-				
Year ending December 31, 2023 (forecast)		40.00	-	48.00	88.00

Note: Changes to latest dividends forecast: None

3. Consolidated operating 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	49,200	8.8	8,300	9.9	8,250	5.4	5,800	4.0	178.34

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) : 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)

2) Number of treasury shares at the end of the period

3) Average number of shares during the period

As of March 31, 2023	33,117,234 shares	As of December 31, 2022	33,117,234 shares
As of March 31, 2023	591,637 shares	As of December 31, 2022	591,511 shares
Three months ended March 31, 2023	32,525,662 shares	Three months ended March 31, 2022	32,511,104 shares

*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.

○Accompanying Materials - Contents

1. Qualitative Information on Consolidated Results for the Current Period.....	2
(1)Explanation of Operating Results.....	2
(2)Explanation of Financial Position.....	3
(3)Explanation of 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 Quarterly Consolidated Statements of Comprehensive Income.....	6
Quarterly Consolidated Statements of Earnings.....	6
Three months ended March 31, 2022 and 2023.....	6
Quarterly Consolidated Statements of Comprehensive Income.....	7
Three months ended March 31, 2022 and 2023.....	7
(3)Notes Regarding Quarterly Consolidated Financial Statements.....	8
(Notes regarding going concern assumption).....	8
(Notes in case of any significant changes in shareholders' equity).....	8
(Segment Information, etc.).....	8
(Significant subsequent events).....	8

1. Qualitative Information on Consolidated Results for the Current Period

(1) Explanation on Operating Results

In the first quarter of this fiscal year, the Japanese economy experienced a modest recovery as economic activities normalized following the relaxation of COVID-19 restrictions. However, the outlook remains uncertain due to factors such as inflation, 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 FY2023, 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, launching a collaborative product with Panasonic, and starting the Beauty Health Care business.

Consolidated net sales for the first quarter amounted to 10,340 million yen (a 7.3% increase year-on-year). One of the main contributing factors was the steady double-digit growth in sales of our Premium Brands, Aujua and Global Milbon, within the haircare products segment. Another significant factor was the robust sales of ENOG, a hair coloring product launched last year, with strong sales observed specifically in South Korea within our overseas markets.

In terms of earnings, operating income was 1,195 million yen (a 20.1% decrease year-on-year), ordinary income was 1,167 million yen (a 28.6% decrease year-on-year), and the quarterly net income attributable to owners of parent was 882 million yen (a 24.4% decrease year-on-year). These results were influenced by a decline in gross profit margin caused by soaring raw material prices and other factors, and increases in sales promotion expenses and travel and transportation expenses due to increased sales activities resulting from the relaxation of restrictions.

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, 2022		Three months ended March 31, 2023		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	5,333	55.4	5,969	57.7	636	11.9
Hair coloring products	3,800	39.4	3,922	38.0	122	3.2
Permanent wave products	314	3.3	301	2.9	(13)	(4.4)
Cosmetic products	137	1.4	126	1.2	(10)	(7.7)
Other	49	0.5	20	0.2	(28)	(58.0)
Total	9,635	100.0	10,340	100.0	705	7.3

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Three months ended March 31, 2022		Three months ended March 31, 2023		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	7,249	75.2	7,659	74.1	410	5.7
Overseas sales	2,385	24.8	2,681	25.9	295	12.4
Total	9,635	100.0	10,340	100.0	705	7.3

(2) Explanation on Financial Position

Total assets at the end of the first quarter decreased 2,173 million yen from the end of the previous fiscal year to 50,587 million yen.

Current assets decreased by 2,535 million yen from the end of the previous fiscal year to 24,162 million yen. The main factors for the change were decreases of 3,358 million yen in Cash and deposits and 695 million yen in Notes and accounts receivable - trade, and increases of 1,072 million yen in Merchandise and finished goods and 352 million yen in Raw materials and supplies.

Non-current assets increased by 362 million yen from the end of the previous fiscal year to 26,424 million yen.

Current liabilities decreased by 1,741 million yen from the end of the previous fiscal year to 6,254 million yen. The main factors for the change were decreases of 1,660 million yen in Accounts payable - other and 1,001 million yen in Income taxes payable, and an increase of 727 million yen in Accounts payable - trade.

Non-current liabilities increased by 22 million yen from the end of the previous fiscal year to 794 million yen.

Net assets decreased by 453 million yen from the end of the previous fiscal year to 43,537 million yen. The main factors for the change were a decrease of 622 million yen in Retained earnings and an increase of 104 million yen in Valuation difference on available-for-sale securities due to an increase in unrealized gains on listed shares at market value.

As a result, the equity ratio changed from 83.4% at the end of the previous fiscal year to 86.1%. Net assets per share based on the total number of shares issued and outstanding at the end of the fiscal year were 1,338.57 yen, compared with 1,352.52 yen at the end of the previous fiscal year.

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

There is no change from the previous forecast (announced on February 14, 2023) for the full-year performance forecast, as the results progressed generally as planned in the first quarter of the consolidated fiscal year.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2022)	Current 1st quarter (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	12,300,053	8,942,049
Notes and accounts receivable - trade	5,255,686	4,559,742
Merchandise and finished goods	6,319,121	7,391,808
Work in process	39,927	80,296
Raw materials and supplies	1,999,103	2,351,816
Other	784,924	837,135
Allowance for doubtful accounts	(185)	-
Total current assets	26,698,631	24,162,849
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,014,115	9,098,724
Machinery, equipment and vehicles, net	3,082,059	2,972,535
Land	6,452,228	6,454,230
Construction in progress	453,754	654,809
Other, net	817,742	923,322
Total property, plant and equipment	19,819,899	20,103,622
Intangible assets	1,902,217	1,911,136
Investments and other assets		
Investment securities	1,775,734	1,925,753
Long-term loans receivable	7,425	13,014
Net defined benefit asset	56,180	54,004
Deferred tax assets	826,583	727,596
Other	1,719,802	1,735,357
Allowance for doubtful accounts	(46,087)	(46,087)
Total investments and other assets	4,339,639	4,409,639
Total non-current assets	26,061,755	26,424,398
Total assets	52,760,387	50,587,247
Liabilities		
Current liabilities		
Accounts payable - trade	1,133,259	1,861,236
Accounts payable - other	4,022,247	2,361,632
Income taxes payable	1,334,496	332,593
Provision for bonuses	591,582	459,665
Other	914,619	1,239,453
Total current liabilities	7,996,205	6,254,580
Non-current liabilities		
Net defined benefit liability	10,628	10,794
Deferred tax liabilities	610	613
Asset retirement obligations	643,317	664,656
Other	117,875	118,777
Total non-current liabilities	772,431	794,842
Total liabilities	8,768,636	7,049,422

(Thousand yen)

	Previous fiscal year (As of December 31, 2022)	Current 1st quarter (As of March 31, 2023)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	274,537	274,610
Retained earnings	41,875,487	41,252,576
Treasury shares	(2,030,911)	(2,031,700)
Total shareholders' equity	42,119,113	41,495,486
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	214,928	319,042
Foreign currency translation adjustment	1,766,040	1,823,666
Remeasurements of defined benefit plans	(108,331)	(100,371)
Total accumulated other comprehensive income	1,872,637	2,042,337
Total net assets	43,991,750	43,537,824
Total liabilities and net assets	52,760,387	50,587,247

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

Quarterly Consolidated Statements of Earnings

Three Months Ended March 31, 2022 and 2023

(Thousand yen)

	Three months ended March 31, 2022 (January 1, 2022 - March 31, 2022)	Three months ended March 31, 2023 (January 1, 2023 - March 31, 2023)
Net sales	9,635,091	10,340,911
Cost of sales	3,183,636	3,590,354
Gross profit	6,451,455	6,750,556
Selling, general and administrative expenses	4,954,643	5,555,345
Operating income	1,496,812	1,195,211
Non-operating income		
Interest income	4,048	3,380
Dividend income	7,441	8,687
Foreign exchange gains	98,404	-
Company house defrayment income	448	455
Subsidy income	27,799	1,829
Other	35,583	8,648
Total non-operating income	173,725	23,001
Non-operating expenses		
Share of loss of entities accounted for using equity method	36,163	18,265
Foreign exchange losses	-	31,498
Other	798	1,260
Total non-operating expenses	36,961	51,024
Ordinary income	1,633,575	1,167,188
Extraordinary income		
Gain on sales of non-current assets	232	-
Gain on sales of investment securities	448	-
Total extraordinary income	681	-
Extraordinary losses		
Loss on retirement of non-current assets	564	1,504
Total extraordinary losses	564	1,504
Profit before income taxes	1,633,692	1,165,683
Income taxes - current	396,153	242,352
Income taxes - deferred	70,765	41,017
Total income taxes	466,918	283,369
Profit	1,166,773	882,314
Profit attributable to owners of parent	1,166,773	882,314

Quarterly Consolidated Statements of Comprehensive Income
Three Months Ended March 31, 2022 and 2023

(Thousand yen)

	Three months ended March 31, 2022 (January 1, 2022 - March 31, 2022)	Three months ended March 31, 2023 (January 1, 2023 - March 31, 2023)
Profit	1,166,773	882,314
Other comprehensive income		
Valuation difference on available-for-sale securities	(14,470)	104,113
Deferred gains or losses on hedges	(68,821)	-
Foreign currency translation adjustment	708,068	57,626
Remeasurements of defined benefit plans, net of tax	(2,570)	7,960
Total other comprehensive income	622,205	169,700
Comprehensive income	1,788,979	1,052,014
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,788,979	1,052,014
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)

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)

(Disposal of treasury stock as restricted stock compensation)

On April 14, 2023, the Board of Directors resolved to dispose of treasury stock (the "Disposal of Treasury Stock" or "Disposal") as restricted stock compensation.

1. Overview of the Disposal of Treasury Stock

(1) Date of disposal	May 12, 2023
(2) Class and number of shares subject to disposal	14,714 shares of common stock of the Company
(3) Disposal price	5,630 yen per share
(4) Total value of disposal	82,839,820 yen
(5) Allottees and number of shares to be allotted	6 Board Directors (excluding Outside Board Directors) 10,009 shares 8 Executive Officers 4,705 shares
(6) Other	The Company has submitted a notice of securities in accordance with the Financial Instruments and Exchange Act for the disposal of treasury stock.

2. Purpose and Reasons for Treasury Stock Disposal

The Company has resolved to dispose of treasury stock in order to grant restricted stock to Board Directors (excluding Outside Board Directors) and Executive Officers with the aim of providing incentives to continuously improve the corporate value of the Company and further promoting the sharing of value with shareholders.

On February 12, 2020, the Board of Directors resolved to introduce a restricted stock compensation plan.