

## **V. Financial Information**

### **1. Method of Preparing Consolidated Financial Statements and Financial Statements**

- (1) The Company prepares its consolidated financial statements in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976).
- (2) The Company prepares its financial statements in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the “Regulation on Financial Statements”).

In addition, the Company falls under a special company submitting financial statements, and prepares its financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

### **2. Audit Certification**

The Company’s consolidated financial statements for the fiscal year from January 1, 2023 to December 31, 2023 and the financial statements for the fiscal year from January 1, 2023 to December 31, 2023 have been audited by GYOSEI & CO. in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

### **3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc.**

The Company has undertaken special efforts to ensure the appropriateness of its consolidated financial statements, etc. Specifically, in order to develop a system for gaining proper understanding of the details of accounting standards, etc., or appropriately responding to changes in such standards, the Company has joined the Financial Accounting Standards Foundation and regularly collects information.

# 1. Consolidated Financial Statements, etc.

## (1) Consolidated Financial Statements

### 1) Consolidated Balance Sheets

(Thousand yen)

|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--|---|--|
| <b>Assets</b>                          |   |  |
| Current assets                         |   |  |
| Cash and deposits                      | 12,300,053  | 11,337,201                                       |
| Notes and accounts receivable - trade  | *1, *2 5,255,686                                  | *1, *2 5,345,669                                 |
| Merchandise and finished goods         | 6,319,121   | 6,939,156  |
| Work in process                        | 39,927  | 36,838   |
| Raw materials and supplies             | 1,999,103   | 2,072,829  |
| Other                                  | 784,924   | 446,775  |
| Allowance for doubtful accounts        | (185)   | -  |
| Total current assets                   | 26,698,631  | 26,178,470                                       |
| Non-current assets                     |   |  |
| Property, plant and equipment          |   |  |
| Buildings and structures               | 15,437,304  | 16,206,867                                       |
| Accumulated depreciation               | (6,423,189)                                       | (6,946,103)                                      |
| Buildings and structures, net          | 9,014,115   | 9,260,764  |
| Machinery, equipment and vehicles      | 9,088,926   | 9,889,933  |
| Accumulated depreciation               | (6,006,867)                                       | (6,575,887)                                      |
| Machinery, equipment and vehicles, net | 3,082,059   | 3,314,046  |
| Land                                   | 6,452,228   | 6,461,904  |
| Construction in progress               | 453,754   | 995,352  |
| Other                                  | 3,331,141   | 3,850,747  |
| Accumulated depreciation               | (2,513,398)                                       | (2,883,355)                                      |
| Other, net                             | 817,742   | 967,392  |
| Total property, plant and equipment    | 19,819,899  | 20,999,461                                       |
| Intangible assets                      | 1,902,217   | 1,930,204  |
| Investments and other assets           |   |  |
| Investment securities                  | 1,775,734   | 1,312,251  |
| Long-term loans receivable             | 7,425   | 1,120  |
| Net defined benefit asset              | 56,180  | 511,056  |
| Deferred tax assets                    | 826,583   | 909,850  |
| Other                                  | 1,719,802   | 1,595,544  |
| Allowance for doubtful accounts        | (46,087)  | (46,087)   |
| Total investments and other assets     | 4,339,639   | 4,283,736  |
| Total non-current assets               | 26,061,755  | 27,213,401                                       |
| Total assets                           | 52,760,387  | 53,391,872                                       |

(Thousand yen)

|   | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|---|---|--|
| <b>Liabilities</b>                                    |   |  |
| <b>Current liabilities</b>                            |   |  |
| Accounts payable - trade                              | 1,133,259   | 931,247  |
| Accounts payable - other                              | 4,022,247   | 3,665,522  |
| Income taxes payable                                  | 1,334,496   | 410,988  |
| Provision for bonuses                                 | 591,582   | 581,530  |
| Other   | *3 914,619  | *3 978,650                                       |
| Total current liabilities                             | 7,996,205   | 6,567,940  |
| <b>Non-current liabilities</b>                        |   |  |
| Net defined benefit liability                         | 10,628  | 14,620   |
| Deferred tax liabilities                              | 610   | 277  |
| Asset retirement obligations                          | 643,317   | 734,815  |
| Other   | 117,875   | 141,919  |
| Total non-current liabilities                         | 772,431   | 891,633  |
| <b>Total liabilities</b>                              | <b>8,768,636</b>                                  | <b>7,459,574</b>                                 |
| <b>Net assets</b>                                     |   |  |
| <b>Shareholders' equity</b>                           |   |  |
| Capital stock   | 2,000,000   | 2,000,000  |
| Capital surplus                                       | 274,537   | 306,957  |
| Retained earnings                                     | 41,875,487  | 43,079,323                                       |
| Treasury shares                                       | (2,030,911)                                       | (1,982,161)                                      |
| Total shareholders' equity                            | 42,119,113  | 43,404,119                                       |
| <b>Accumulated other comprehensive income</b>         |   |  |
| Valuation difference on available-for-sale securities | 214,928   | (106,728)  |
| Foreign currency translation adjustment               | 1,766,040   | 2,373,812  |
| Remeasurements of defined benefit plans               | (108,331)   | 261,094  |
| Total accumulated other comprehensive income          | 1,872,637   | 2,528,178  |
| <b>Total net assets</b>                               | <b>43,991,750</b>                                 | <b>45,932,297</b>                                |
| <b>Total liabilities and net assets</b>               | <b>52,760,387</b>                                 | <b>53,391,872</b>                                |

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

(Thousand yen)

|   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|---|--|---|
| Net sales   | *1 45,238,377  | *1 47,762,432   |
| Cost of sales   | 15,729,160   | 18,237,124  |
| Gross profit  | 29,509,216   | 29,525,308  |
| Selling, general and administrative expenses                | *2, *3 21,957,505  | *2, *3 24,000,097   |
| Operating income  | 7,551,711  | 5,525,210   |
| Non-operating income  |  |   |
| Interest income   | 21,212   | 20,044  |
| Dividend income   | 15,980   | 17,247  |
| Company house defrayment income                             | 3,890  | 3,604   |
| Subsidy income  | 101,506  | 20,949  |
| Surrender value of insurance                                | -  | 86,359  |
| Foreign exchange gains                                      | 152,574  | -   |
| Other   | 104,327  | 38,247  |
| Total non-operating income                                  | 399,491  | 186,454   |
| Non-operating expenses                                      |  |   |
| Share of loss of entities accounted for using equity method | 112,392  | 110,704   |
| Foreign exchange losses                                     | -  | 6,375   |
| Other   | 9,530  | 7,934   |
| Total non-operating expenses                                | 121,922  | 125,014   |
| Ordinary income   | 7,829,279  | 5,586,650   |
| Extraordinary income  |  |   |
| Gain on sales of non-current assets                         | *4 949   | *4 1  |
| Gain on sales of investment securities                      | 448  | -   |
| Total extraordinary income                                  | 1,397  | 1   |
| Extraordinary losses  |  |   |
| Loss on retirement of non-current assets                    | *5 7,060   | *5 39,568   |
| Compensation for damages                                    | -  | 115,000   |
| Total extraordinary losses                                  | 7,060  | 154,568   |
| Profit before income taxes                                  | 7,823,617  | 5,432,083   |
| Income taxes - current                                      | 2,387,643  | 1,533,874   |
| Income taxes - deferred                                     | (141,300)  | (103,419)   |
| Total income taxes  | 2,246,342  | 1,430,455   |
| Profit  | 5,577,274  | 4,001,627   |
| Profit attributable to owners of parent                     | 5,577,274  | 4,001,627   |

Consolidated Statements of Comprehensive Income

(Thousand yen)

|  | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|--|--|---|
| Profit   | 5,577,274  | 4,001,627   |
| Other comprehensive income                                     |  |   |
| Valuation difference on available-for-sale securities          | 114,665  | (321,656)   |
| Deferred gains or losses on hedges                             | (68,821)   | -   |
| Foreign currency translation adjustment                        | 915,502  | 607,772   |
| Remeasurements of defined benefit plans, net of tax            | (285,315)  | 369,425   |
| Total other comprehensive income                               | * 676,032  | * 655,541   |
| Comprehensive income   | 6,253,306  | 4,657,169   |
| Comprehensive income attributable to                           |  |   |
| Comprehensive income attributable to owners of parent          | 6,253,306  | 4,657,169   |
| Comprehensive income attributable to non-controlling interests | -  | -   |

3) Consolidated Statements of Changes in Shareholders' Equity  
 Previous fiscal year (from January 1, 2022 to December 31, 2022)

(Thousand yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period                       | 2,000,000            | 246,299         | 38,834,669        | (2,080,393)     | 39,000,575                 |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (2,536,456)       |                 | (2,536,456)                |
| Profit attributable to owners of parent              |                      |                 | 5,577,274         |                 | 5,577,274                  |
| Purchase of treasury shares                          |                      |                 |                   | (1,350)         | (1,350)                    |
| Disposal of treasury shares                          |                      | 28,237          |                   | 50,832          | 79,069                     |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | -                    | 28,237          | 3,040,818         | 49,482          | 3,118,537                  |
| Balance at end of period                             | 2,000,000            | 274,537         | 41,875,487        | (2,030,911)     | 42,119,113                 |

|  | Accumulated other comprehensive income                |                                    |   |   |   | Total net assets |
|--|---|------------------------------------|---|---|---|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulate other comprehensive income |                  |
| Balance at beginning of period                       | 100,262   | 68,821                             | 850,537                                 | 176,984                                 | 1,196,605                                   | 40,197,181       |
| Changes of items during period                       |   |                                    |   |   |   |                  |
| Dividends of surplus                                 |   |                                    |   |   |   | (2,536,456)      |
| Profit attributable to owners of parent              |   |                                    |   |   |   | 5,577,274        |
| Purchase of treasury shares                          |   |                                    |   |   |   | (1,350)          |
| Disposal of treasury shares                          |   |                                    |   |   |   | 79,069           |
| Net changes of items other than shareholders' equity | 114,665   | (68,821)                           | 915,502                                 | (285,315)                               | 676,032                                     | 676,032          |
| Total changes of items during period                 | 114,665   | (68,821)                           | 915,502                                 | (285,315)                               | 676,032                                     | 3,794,569        |
| Balance at end of period                             | 214,928   | -                                  | 1,766,040                               | (108,331)                               | 1,872,637                                   | 43,991,750       |

Current fiscal year (from January 1, 2023 to December 31, 2023)

(Thousand yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period                       | 2,000,000            | 274,537         | 41,875,487        | (2,030,911)     | 42,119,113                 |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (2,797,792)       |                 | (2,797,792)                |
| Profit attributable to owners of parent              |                      |                 | 4,001,627         |                 | 4,001,627                  |
| Purchase of treasury shares                          |                      |                 |                   | (2,148)         | (2,148)                    |
| Disposal of treasury shares                          |                      | 32,420          |                   | 50,898          | 83,319                     |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | -                    | 32,420          | 1,203,835         | 48,749          | 1,285,005                  |
| Balance at end of period                             | 2,000,000            | 306,957         | 43,079,323        | (1,982,161)     | 43,404,119                 |

|  | Accumulated other comprehensive income                |   |   |  | Total net assets |
|--|---|---|---|--|------------------|
|  | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                  |
| Balance at beginning of period                       | 214,928   | 1,766,040                               | (108,331)                               | 1,872,637                                    | 43,991,750       |
| Changes of items during period                       |   |   |   |  |                  |
| Dividends of surplus                                 |   |   |   |  | (2,797,792)      |
| Profit attributable to owners of parent              |   |   |   |  | 4,001,627        |
| Purchase of treasury shares                          |   |   |   |  | (2,148)          |
| Disposal of treasury shares                          |   |   |   |  | 83,319           |
| Net changes of items other than shareholders' equity | (321,656)   | 607,772                                 | 369,425                                 | 655,541                                      | 655,541          |
| Total changes of items during period                 | (321,656)   | 607,772                                 | 369,425                                 | 655,541                                      | 1,940,547        |
| Balance at end of period                             | (106,728)   | 2,373,812                               | 261,094                                 | 2,528,178                                    | 45,932,297       |

## 4) Consolidated Statements of Cash Flows

(Thousand yen)

|  | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|--|--|---|
| <b>Cash flows from operating activities</b>                          |  |   |
| Profit before income taxes   | 7,823,617  | 5,432,083   |
| Depreciation   | 2,080,891  | 2,275,209   |
| Increase (decrease) in allowance for doubtful accounts               | (5,856)  | (197)   |
| Increase (decrease) in provision for bonuses                         | 77,241   | (12,545)  |
| Decrease (increase) in net defined benefit asset                     | (28,757)   | 77,437  |
| Increase (decrease) in net defined benefit liability                 | 1,951  | 3,135   |
| Interest and dividend income   | (37,193)   | (37,292)  |
| Share of loss (profit) of entities accounted for using equity method | 112,392  | 110,704   |
| Foreign exchange losses (gains)                                      | (30,521)   | (48,215)  |
| Loss (gain) on sales of investment securities                        | (448)  | -   |
| Loss (gain) on sales of non-current assets                           | (949)  | (1)   |
| Loss on retirement of non-current assets                             | 7,060  | 39,568  |
| Loss on compensation for damages                                     | -  | 115,000   |
| Decrease (increase) in trade receivables                             | (546,020)  | (63,545)  |
| Decrease (increase) in inventories                                   | (2,148,445)  | (469,541)   |
| Increase (decrease) in trade payables                                | 108,264  | (251,803)   |
| Surrender value of insurance   | -  | (86,359)  |
| Other  | 16,726   | 188,547   |
| Subtotal   | 7,429,954  | 7,272,184   |
| Interest and dividend income received                                | 34,812   | 36,613  |
| Cash compensation for damage paid                                    | -  | (115,000)   |
| Income taxes paid  | (2,456,758)  | (2,428,110)   |
| Net cash provided by (used in) operating activities                  | 5,008,008  | 4,765,687   |
| <b>Cash flows from investing activities</b>                          |  |   |
| Purchase of property, plant and equipment                            | (3,061,820)  | (2,598,241)   |
| Proceeds from sales of property, plant and equipment                 | 1,003  | 1   |
| Purchase of intangible assets  | (761,154)  | (612,051)   |
| Payments of loans receivable   | (73,500)   | (75,200)  |
| Collection of loans receivable                                       | 3,454  | 5,661   |
| Proceeds from redemption of investment securities                    | 200,000  | -   |
| Proceeds from sales of investment securities                         | 546  | -   |
| Payments for guarantee deposits                                      | (285,452)  | (179,032)   |
| Proceeds from collection of guarantee deposits                       | 115,978  | 101,153   |
| Proceeds from cancellation of insurance funds                        | -  | 286,368   |
| Other  | (4,277)  | (38,350)  |
| Net cash provided by (used in) investing activities                  | (3,865,221)  | (3,109,692)   |
| <b>Cash flows from financing activities</b>                          |  |   |
| Increase (decrease) in notes and short-term borrowings - trade       | (42,631)   | -   |
| Net decrease (increase) in treasury shares                           | (1,243)  | (1,669)   |
| Cash dividends paid  | (2,534,587)  | (2,796,096)   |
| Net cash provided by (used in) financing activities                  | (2,578,462)  | (2,797,765)   |



(Thousand yen)

|   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|---|--|---|
| Effect of exchange rate change on cash and cash equivalents | 381,279  | 175,610   |
| Net increase (decrease) in cash and cash equivalents        | (1,054,396)  | (966,159)   |
| Cash and cash equivalents at beginning of period            | 13,312,634   | 12,258,237  |
| Cash and cash equivalents at end of period                  | * 12,258,237   | * 11,292,078  |

## Notes to the Consolidated Financial Statements

(Significant matters that serve as the basis for preparation of consolidated financial statements)

### 1. Matters regarding the scope of consolidation

Number of consolidated subsidiaries: 9

Names of consolidated subsidiaries

MILBON USA, INC.

Milbon Trading (Shanghai) Co., Ltd.

Milbon Korea Co., Ltd.

MILBON (THAILAND) CO., LTD.

MILBON MALAYSIA SDN. BHD.

MILBON VIETNAM CO., LTD.

MILBON SINGAPORE PTE. LTD.

Milbon (Zhejiang) Cosmetics Co., Ltd.

Milbon Europe GmbH

### 2. Matters regarding the application of equity method

Number of associates accounted for by the equity method: 1

Names of companies, etc.

KOSÉ Milbon Cosmetics Co., Ltd.

### 3. Matters regarding fiscal years, etc., of consolidated subsidiaries

The account closing dates of consolidated subsidiaries are the same as the consolidated account closing date.

### 4. Matters regarding accounting policies

#### (1) Valuation standards and methods for significant assets

##### (i) Securities

Available-for-sale securities

Other than shares, etc., without market price

Stated at market value (unrealized gains and losses are reported as a separate component of net assets, and cost of sales is calculated by the moving-average method)

Shares, etc., without market price

Stated at cost using the moving-average method

##### (ii) Inventories

Merchandise

Stated primarily at cost using the weighted average method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

Finished goods and work in process

Stated primarily at cost using the weighted average method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

Raw materials

Stated primarily at cost using the weighted average method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

Supplies

Stated at cost using the last-purchase-price method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

(2) Depreciation and amortization methods for significant depreciable assets

(i) Property, plant and equipment

They are depreciated using the straight-line method.

The estimated useful lives of major asset items are as follows:

Buildings and structures: 2 to 50 years

Machinery, equipment and vehicles: 2 to 17 years

(ii) Intangible assets

They are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the estimated period of internal use (2 to 5 years).

(3) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

To prepare for losses arising from uncollectible receivables, the Company and its overseas consolidated subsidiaries record an allowance for doubtful accounts at an estimated uncollectible amount based on the historical rate of credit losses with respect to general receivables, and in consideration of individual collectability with respect to doubtful accounts and other specific receivables.

(ii) Provision for bonuses

To provide for payment of bonuses to employees (including those for employees also serving as officers), the Company and its overseas consolidated subsidiaries record a provision for bonuses based on the estimated payment amount.

(4) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year based on the benefit formula basis.

(ii) Method of amortizing actuarial differences and past service costs

Actuarial gains and losses are amortized using the straight-line method over a certain number of years (5 years) within the average remaining years of service of the eligible employees at the time of occurrence, starting from the fiscal year following the occurrence.

Prior service cost is amortized using the straight-line method over a certain number of years (5 years) within the average remaining years of service of the eligible employees at the time of occurrence.

(iii) Adoption of a simplified method in small companies, etc.

Certain overseas consolidated subsidiaries apply a simplified method to calculate net defined benefit liability and retirement benefit expenses based on the method where the amount of retirement benefits to be paid for voluntary retirement at the end of the fiscal year represents the amount of retirement benefit obligations.

(5) Accounting standards for significant revenue and expenses

The principal performance obligations relating to revenue from contracts with customers of the Group, as well as the standard point at which such obligations are satisfied (i.e., the point at which revenue is recognized) are explained as follows.

The Group is engaged in the manufacturing and sale of cosmetic products. In terms of the sale of such goods or products, revenue is recognized upon delivery of the goods or products to customers. However, revenue is recognized at the time of shipment if the period from the time of shipment to the point at which control of the goods or products is transferred to the customer is the standard period.

Revenue is measured by the amount of consideration promised in the contract with the customer, less any applicable rebates and returns.

The transaction consideration is typically received within one month of the fulfillment of the performance obligation and does not contain any significant financial elements.

(6) Translation standards of significant assets and liabilities denominated in foreign currencies into Japanese yen

Foreign currency denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate on the consolidated closing date, and foreign exchange gains and losses from translation are recognized as profit or loss. The assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate on the local account closing dates of overseas consolidated subsidiaries, while revenue and expenses are translated into Japanese yen at the average exchange rate for the period, and foreign exchange gains and losses from translation are recorded in foreign currency translation adjustment under net assets.

(7) Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash on hand, deposits available for withdrawal as needed, and short-term investments due for redemption within three months from the date of acquisition, which are easily cashable and are subject to minimal risk of fluctuations in value.

(Significant accounting estimates)

Valuation of merchandise and finished goods

(1) Amount recorded in consolidated financial statements for the current fiscal year

(Thousand yen)

|                                  | Previous fiscal year | Current fiscal year |
|----------------------------------|----------------------|---------------------|
| Merchandise and finished goods   | 6,319,121            | 6,939,156           |
| Loss on valuation of inventories | 254,786              | 1,109,533           |

(Note) The amount of loss on valuation of inventories represents the amount of write-down due to decreased profitability.

(2) Information to aid in understanding the details of accounting estimates

In the calculation using the method of write-down based on decreased profitability, regarding merchandise and finished goods, a method, in which the planned shipment volume and the inventory volume at the end of the fiscal year are compared for each merchandise and finished good, and the amount of slow-moving inventories exceeding the planned shipment volume for a certain period is written down, and other methods are adopted.

These accounting estimates may differ from the actual profitability if assumed circumstances change as they can be affected by changes in the future uncertain market environment and other factors.

(New accounting standards not yet applied)

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Summary

These accounting standards, etc., specify the classification of income taxes, etc., when other comprehensive income is taxed as well as the treatment of tax effects on sales of shares of subsidiaries and other securities when the group corporate tax system is applied.

(2) Scheduled date of application

Scheduled to apply from the beginning of the fiscal year ending December 31, 2025.

(3) Impact of applying these accounting standards, etc.

The impact on the consolidated financial statements due to the application of the “Accounting Standard for Current Income Taxes,” etc., is currently being evaluated.

(Consolidated balance sheets)

\*1 Treatment of notes due at the fiscal year-end

Notes due at the end of the fiscal year are treated as settled on the due date.

As the fiscal year-end fell on a holiday for financial institutions, the following notes due at the fiscal year-end are treated as settled on the due date.

(Thousand yen)

|                          | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--------------------------|---|--|
| Notes receivable - trade | 80,781  | 68,336   |

\*2 Receivables from contracts with customers in notes and accounts receivable - trade are as follows:

(Thousand yen)

|                             | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|-----------------------------|---|--|
| Notes receivable - trade    | 170,637   | 188,316  |
| Accounts receivable - trade | 5,085,049   | 5,157,353  |

\*3 “Contract liabilities” are included in “other” under “current liabilities.” The amount of the “contract liabilities” is as described in “Notes to the Consolidated Financial Statements (Revenue recognition), 3. Information on the reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and information on the amount and timing of revenue that is expected to be recognized after the following fiscal year arising from contracts with customers that exist at the end of the current fiscal year, (1) Balance of contract liabilities, etc.”

(Consolidated statements of earnings)

\*1 Revenue from contracts with customers

The Company does not disaggregate revenues from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “Notes to the Consolidated Financial Statements (Revenue recognition), 1. Disaggregation of revenue from contracts with customers” in the consolidated financial statements.

\*2 Major expenses included in selling, general and administrative expenses and their amounts

(Thousand yen)

|  | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|--|--|---|
| Remuneration, salaries and allowances        | 5,858,488  | 6,066,242   |
| Logistics expenses                           | 3,543,161  | 3,675,086   |
| Promotion expenses                           | 1,177,111  | 1,516,851   |
| Provision for bonuses                        | 422,032  | 366,644   |
| Retirement benefit expenses                  | 307,677  | 422,581   |
| Provision of allowance for doubtful accounts | (3,566)  | (197)   |

\*3 The total amount of research and development expenses included in general and administrative expenses

(Thousand yen)

|                                   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|-----------------------------------|--|---|
| Research and development expenses | 2,074,942  | 2,334,179   |

\*4 Breakdown of gain on sales of non-current assets

(Thousand yen)

|                                   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|-----------------------------------|--|---|
| Machinery, equipment and vehicles | 949  | 1   |

\*5 Breakdown of loss on retirement of non-current assets

(Thousand yen)

|                                   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|-----------------------------------|--|---|
| Buildings and structures          | 5,230  | 26,019  |
| Machinery, equipment and vehicles | 872  | 11,276  |
| Other                             | 186  | 2,272   |
| Intangible assets                 | 771  | -   |
| Total                             | 7,060  | 39,568  |

(Consolidated statements of comprehensive income)

\* Reclassification adjustments and tax effects relating to other comprehensive income

(Thousand yen)

|   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|---|--|---|
| Valuation difference on available-for-sale securities |  |   |
| Amount arising during the fiscal year                 | 165,672  | (463,482)   |
| Reclassification adjustments                          | (448)  | -   |
| Before tax effect adjustments                         | 165,224  | (463,482)   |
| Tax effects   | (50,558)   | 141,825   |
| Valuation difference on available-for-sale securities | 114,665  | (321,656)   |
| Deferred gains or losses on hedges                    |  |   |
| Amount arising during the fiscal year                 | (99,165)   | -   |
| Reclassification adjustments                          | -  | -   |
| Before tax effect adjustments                         | (99,165)   | -   |
| Tax effects   | 30,344   | -   |
| Deferred gains or losses on hedges                    | (68,821)   | -   |
| Foreign currency translation adjustment               |  |   |
| Amount arising during the fiscal year                 | 915,502  | 607,772   |
| Remeasurements of defined benefit plans, net of tax   |  |   |
| Amount arising during the fiscal year                 | (383,108)  | 463,125   |
| Reclassification adjustments                          | (28,008)   | 69,188  |
| Before tax effect adjustments                         | (411,117)  | 532,313   |
| Tax effects   | 125,801  | (162,888)   |
| Remeasurements of defined benefit plans, net of tax   | (285,315)  | 369,425   |
| Total other comprehensive income                      | 676,032  | 655,541   |



(Consolidated statements of changes in shareholders' equity)

Previous fiscal year (from January 1, 2022 to December 31, 2022)

1. Matters regarding issued shares

| Class of shares       | Beginning of the fiscal year | Increase | Decrease | End of the fiscal year |
|-----------------------|------------------------------|----------|----------|------------------------|
| Common stock (shares) | 33,117,234                   | -        | -        | 33,117,234             |

2. Matters regarding treasury shares

| Class of shares       | Beginning of the fiscal year | Increase | Decrease | End of the fiscal year |
|-----------------------|------------------------------|----------|----------|------------------------|
| Common stock (shares) | 606,080                      | 238      | 14,807   | 591,511                |

(Outline of reasons for changes)

1. The increase is due to the purchase of shares less than one unit.

2. The decrease is due to a decrease of 20 shares from the sale of shares less than one unit, and a decrease of 14,787 shares from the disposal of treasury shares pursuant to the resolution of the Board of Directors meeting held on April 15, 2022, accompanying the introduction of the restricted share-based compensation plan.

3. Matters regarding dividends

(1) Amount of dividends paid

| Resolution  | Class of shares | Total amount of dividends (Thousand yen) | Dividend per share (Yen) | Record date       | Effective date  |
|---|-----------------|--|--------------------------|-------------------|-----------------|
| Ordinary General Meeting of Shareholders held on March 29, 2022 | Common stock    | 1,235,423                                | 38                       | December 31, 2021 | March 30, 2022  |
| Board of Directors meeting held on August 10, 2022              | Common stock    | 1,301,032                                | 40                       | June 30, 2022     | August 16, 2022 |

(2) Dividend for which the record date falls in the current fiscal year but the effective date falls in the following fiscal year

| Resolution  | Class of shares | Source of dividends | Total amount of dividends (Thousand yen) | Dividend per share (Yen) | Record date       | Effective date |
|---|-----------------|---------------------|--|--------------------------|-------------------|----------------|
| Ordinary General Meeting of Shareholders held on March 29, 2023 | Common stock    | Retained earnings   | 1,496,183                                | 46                       | December 31, 2022 | March 30, 2023 |

Current fiscal year (from January 1, 2023 to December 31, 2023)

1. Matters regarding issued shares

| Class of shares       | Beginning of the fiscal year | Increase | Decrease | End of the fiscal year |
|-----------------------|------------------------------|----------|----------|------------------------|
| Common stock (shares) | 33,117,234                   | -        | -        | 33,117,234             |

2. Matters regarding treasury shares

| Class of shares       | Beginning of the fiscal year | Increase | Decrease | End of the fiscal year |
|-----------------------|------------------------------|----------|----------|------------------------|
| Common stock (shares) | 591,511                      | 418      | 14,822   | 577,107                |

(Outline of reasons for changes)

- The increase is due to the purchase of shares less than one unit.
- The decrease is due to a decrease of 108 shares from the sale of shares less than one unit, and a decrease of 14,714 shares from the disposal of treasury shares pursuant to the resolution of the Board of Directors meeting held on April 14, 2023, accompanying the introduction of the restricted share-based compensation plan.

3. Matters regarding dividends

(1) Amount of dividends paid

| Resolution  | Class of shares | Total amount of dividends (Thousand yen) | Dividend per share (Yen) | Record date       | Effective date  |
|---|-----------------|--|--------------------------|-------------------|-----------------|
| Ordinary General Meeting of Shareholders held on March 29, 2023 | Common stock    | 1,496,183                                | 46                       | December 31, 2022 | March 30, 2023  |
| Board of Directors meeting held on August 10, 2023              | Common stock    | 1,301,609                                | 40                       | June 30, 2023     | August 24, 2023 |

(2) Dividend for which the record date falls in the current fiscal year but the effective date falls in the following fiscal year

| Resolution  | Class of shares | Source of dividends | Total amount of dividends (Thousand yen) | Dividend per share (Yen) | Record date       | Effective date |
|---|-----------------|---------------------|--|--------------------------|-------------------|----------------|
| Ordinary General Meeting of Shareholders held on March 28, 2024 | Common stock    | Retained earnings   | 1,561,926                                | 48                       | December 31, 2023 | March 29, 2024 |

(Consolidated statements of cash flows)

- \* Reconciliation between the balance of cash and cash equivalents at the end of the fiscal year and the amount of accounts presented in the consolidated balance sheets

(Thousand yen)

|  | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|--|--|---|
| Cash and deposits                                  | 12,300,053   | 11,337,201  |
| Time deposits with deposit terms over three months | (41,815)   | (45,123)  |
| Cash and cash equivalents                          | 12,258,237   | 11,292,078  |

(Lease transactions)

1. Operating lease transactions

(Lessor)

Remaining lease payments for non-cancelable operating lease transactions

(Thousand yen)

|                 | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|-----------------|---|--|
| Within one year | 366,385   | 456,098  |
| Over one year   | 942,027   | 1,132,717  |
| Total           | 1,308,413   | 1,588,816  |

(Financial instruments)

1. Matters regarding financial instruments

(1) Policy for financial instruments

The Group manages its funds in principle for the purpose of maintaining its assets, and only manages highly secured funds.

The Group also has a policy of not engaging in derivative transactions for speculative purposes.

(2) Content of financial instruments and risks thereof, and risk management systems

Notes and accounts receivable - trade, which are trade receivables, are exposed to customer credit risks. For such risks, the Group controls the due dates and balances by business partner.

Investment securities are primarily shares of companies with which the Group has business relationships, and are exposed to market price fluctuation risks. For such risks, the Group regularly understands and manages their market value and issuers' financial conditions, etc., and regularly reports the identified market value to the Board of Directors.

Accounts payable - trade, which are trade payables, are mostly due within one month.

(3) Supplementary explanation on market value, etc., of financial instruments

The market value of financial instruments is calculated based on their market prices. If a market price is not available, the value is calculated in a reasonable manner. As the market value calculation incorporates fluctuating factors, the value may differ if different assumptions are used in calculation.

2. Matters regarding market value, etc., of financial instruments

The amounts in the consolidated balance sheets, market value of financial instruments, and their differences are shown below.

Previous fiscal year (as of December 31, 2022)

(Thousand yen)

|                               | Amounts in the consolidated balance sheets | Market value | Differences |
|-------------------------------|--|--------------|-------------|
| Investment securities         |  |              |             |
| Available-for-sale securities | 1,747,334                                  | 1,747,334    | -           |
| Total assets                  | 1,747,334                                  | 1,747,334    | -           |

Current fiscal year (as of December 31, 2023)

(Thousand yen)

|                               | Amounts in the consolidated balance sheets | Market value | Differences |
|-------------------------------|--|--------------|-------------|
| Investment securities         |  |              |             |
| Available-for-sale securities | 1,283,851                                  | 1,283,851    | -           |
| Total assets                  | 1,283,851                                  | 1,283,851    | -           |

(Note 1) “Cash and deposits,” “notes and accounts receivable - trade,” “accounts payable - trade,” “accounts payable - other,” and “income taxes payable” are omitted, because they comprise cash and short-term instruments whose carrying amount approximates their market value.

(Note 2) Shares, etc., without market price are not included in “investment securities.” The amount of the financial instrument in the consolidated balance sheets is as follows:

(Thousand yen)

| Category        | Previous fiscal year | Current fiscal year |
|-----------------|----------------------|---------------------|
| Unlisted shares | 28,400               | 28,400              |

(Note 3) Scheduled redemption amounts of monetary claims after the consolidated closing date

Previous fiscal year (as of December 31, 2022)

(Thousand yen)

|                                       | Within one year | Over one year within five years | Over five years within ten years | Over ten years |
|---------------------------------------|-----------------|---------------------------------|----------------------------------|----------------|
| Cash and deposits                     | 12,300,053      | -                               | -                                | -              |
| Notes and accounts receivable - trade | 5,255,686       | -                               | -                                | -              |
| Total                                 | 17,555,740      | -                               | -                                | -              |

Current fiscal year (as of December 31, 2023)

(Thousand yen)

|                                       | Within one year | Over one year within five years | Over five years within ten years | Over ten years |
|---------------------------------------|-----------------|---------------------------------|----------------------------------|----------------|
| Cash and deposits                     | 11,337,201      | -                               | -                                | -              |
| Notes and accounts receivable - trade | 5,345,669       | -                               | -                                | -              |
| Total                                 | 16,682,870      | -                               | -                                | -              |

3. Matters regarding the breakdown of the market value of financial instruments by level

The market value of financial instruments is classified into the following three levels according to the observability and materiality of the inputs used to measure market value.

Level 1 market value: Market value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 market value: Market value measured using observable inputs other than Level 1 inputs.

Level 3 market value: Market value measured using unobservable inputs.

If multiple inputs are used that are significant to the market value measurement, the market value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at market value in the consolidated financial statements

Previous fiscal year (as of December 31, 2022)

(Thousand yen)

| Category                      | Market value |         |         |           |
|-------------------------------|--------------|---------|---------|-----------|
|                               | Level 1      | Level 2 | Level 3 | Total     |
| Investment securities         |              |         |         |           |
| Available-for-sale securities |              |         |         |           |
| Shares                        | 1,747,334    | -       | -       | 1,747,334 |
| Total assets                  | 1,747,334    | -       | -       | 1,747,334 |

Current fiscal year (as of December 31, 2023)

(Thousand yen)

| Category                      | Market value |         |         |           |
|-------------------------------|--------------|---------|---------|-----------|
|                               | Level 1      | Level 2 | Level 3 | Total     |
| Investment securities         |              |         |         |           |
| Available-for-sale securities |              |         |         |           |
| Shares                        | 1,283,851    | -       | -       | 1,283,851 |
| Total assets                  | 1,283,851    | -       | -       | 1,283,851 |

(Note) A description of the valuation techniques and inputs used in the market value measurements

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their market value is classified as Level 1.

(Securities)

1. Held-to-maturity bonds

Previous fiscal year (as of December 31, 2022)

Not applicable.

Current fiscal year (as of December 31, 2023)

Not applicable.

2. Available-for-sale securities

Previous fiscal year (as of December 31, 2022)

(Thousand yen)

|   | Type       | Amounts in the consolidated balance sheets | Acquisition cost | Differences |
|---|------------|--|------------------|-------------|
| Available-for-sale securities with the amount in the consolidated balance sheets exceeding the acquisition cost     | (1) Shares | 1,746,801                                  | 1,437,020        | 309,780     |
|   | (2) Bonds  | -  | -                | -           |
|   | (3) Other  | -  | -                | -           |
|   | Subtotal   | 1,746,801                                  | 1,437,020        | 309,780     |
| Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost | (1) Shares | 533  | 618              | (85)        |
|   | (2) Bonds  | -  | -                | -           |
|   | (3) Other  | -  | -                | -           |
|   | Subtotal   | 533  | 618              | (85)        |
| Total   |            | 1,747,334                                  | 1,437,638        | 309,695     |

(Note) Unlisted shares (the amount in the consolidated balance sheets: 28,400 thousand yen) are not included in the available-for-sale securities in the table above, since they are shares, etc., without market price.

Current fiscal year (as of December 31, 2023)

(Thousand yen)

|   | Type       | Amounts in the consolidated balance sheets | Acquisition cost | Differences |
|---|------------|--|------------------|-------------|
| Available-for-sale securities with the amount in the consolidated balance sheets exceeding the acquisition cost     | (1) Shares | 14,450                                     | 2,039            | 12,411      |
|   | (2) Bonds  | -  | -                | -           |
|   | (3) Other  | -  | -                | -           |
|   | Subtotal   | 14,450                                     | 2,039            | 12,411      |
| Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost | (1) Shares | 1,269,401                                  | 1,435,598        | (166,197)   |
|   | (2) Bonds  | -  | -                | -           |
|   | (3) Other  | -  | -                | -           |
|   | Subtotal   | 1,269,401                                  | 1,435,598        | (166,197)   |
| Total   |            | 1,283,851                                  | 1,437,638        | (153,786)   |

(Note) Unlisted shares (the amount in the consolidated balance sheets: 28,400 thousand yen) are not included in the available-for-sale securities in the table above, since they are shares, etc., without market price.

3. Available-for-sale securities sold during the fiscal year

Previous fiscal year (from January 1, 2022 to December 31, 2022)

(Thousand yen)

| Type       | Sales amount | Total gain on sales | Total loss on sales |
|------------|--------------|---------------------|---------------------|
| (1) Shares | 538          | 448                 | -                   |
| (2) Bonds  | -            | -                   | -                   |
| (3) Other  | -            | -                   | -                   |
| Total      | 538          | 448                 | -                   |

Current fiscal year (from January 1, 2023 to December 31, 2023)

(Thousand yen)

| Type       | Sales amount | Total gain on sales | Total loss on sales |
|------------|--------------|---------------------|---------------------|
| (1) Shares | -            | -                   | -                   |
| (2) Bonds  | -            | -                   | -                   |
| (3) Other  | -            | -                   | -                   |
| Total      | -            | -                   | -                   |

4. Impairment losses on securities

Not applicable.

Impairment losses are fully recognized for securities whose market value declined 50% or more compared to the acquisition cost. For securities whose market value declined 30% or more but less than 50%, impairment losses are determined by judging the individual recoverability.

(Derivative transactions)

1. Derivative transactions for which hedge accounting is applied

Currency-related transactions

Previous fiscal year (as of December 31, 2022)

Not applicable.

Current fiscal year (as of December 31, 2023)

Not applicable.

(Retirement benefits)

1. Outline of retirement benefit plans adopted

The Company has both a defined benefit corporate pension plan as the defined benefit plan and a defined contribution pension plan.

Some of the consolidated subsidiaries have adopted a lump-sum retirement payment plan as the defined benefit plan and a defined contribution plan.

For the lump-sum retirement payment plan adopted by some of the consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated using a simplified method.

The Company participates in the employees' pension fund plan, which is a multi-employer plan. The same accounting as for the defined contribution plan is adopted for the plans for which the amount of plan assets corresponding to the Company's contribution cannot be reasonably calculated.

2. Defined benefit plan (excluding plans that adopt the simplified method)

(1) Reconciliation of retirement benefit obligations at the beginning and end of the fiscal year

(Thousand yen)

|   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|---|--|---|
| Balance of retirement benefit obligations at the beginning of the fiscal year | 2,771,124  | 2,989,436   |
| Service cost  | 214,520  | 223,250   |
| Interest cost   | 14,066   | 24,356  |
| Actuarial gains and losses generated  | 12,798   | (474,972)   |
| Past service costs generated  | 111,974  | 349,624   |
| Retirement benefits paid  | (135,047)  | (151,150)   |
| Balance of retirement benefit obligations at the end of the fiscal year       | 2,989,436  | 2,960,545   |

(2) Reconciliation of plan assets at the beginning and end of the fiscal year

(Thousand yen)

|  | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|--|--|---|
| Balance of plan assets at the beginning of the fiscal year | 3,209,664  | 3,045,617   |
| Expected return on plan assets                             | 80,241   | 76,140  |
| Actuarial gains and losses generated                       | (258,335)  | 337,777   |
| Contribution from the employer                             | 149,095  | 163,216   |
| Retirement benefits paid                                   | (135,047)  | (151,150)   |
| Balance of plan assets at the end of the fiscal year       | 3,045,617  | 3,471,601   |



(3) Reconciliation of retirement benefit obligations and plan assets at the end of the fiscal year and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets

(Thousand yen)

|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--|---|--|
| Retirement benefit obligations of funded plans                         | 2,989,436   | 2,960,545  |
| Plan assets  | (3,045,617)                                       | (3,471,601)                                      |
| Net liabilities and assets recorded in the consolidated balance sheets | (56,180)  | (511,056)  |
| Net defined benefit asset  | (56,180)  | (511,056)  |
| Net liabilities and assets recorded in the consolidated balance sheets | (56,180)  | (511,056)  |

(4) Retirement benefit expenses and breakdown thereof

(Thousand yen)

|   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|---|--|---|
| Service cost  | 214,520  | 223,250   |
| Interest cost   | 14,066   | 24,356  |
| Expected return on plan assets                        | (80,241)   | (76,140)  |
| Amortization of actuarial gains and losses            | (33,607)   | 23,485  |
| Amortization of past service costs                    | 5,598  | 45,703  |
| Retirement benefit expenses for defined benefit plans | 120,337  | 240,654   |

(5) Remeasurements of defined benefit plans, net of tax

Components of remeasurements of defined benefit plans, net of tax (before tax effects) are as follows:

(Thousand yen)

|                            | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|----------------------------|--|---|
| Actuarial gains and losses | 304,741  | (836,234)   |
| Past service costs         | 106,375  | 303,921   |
| Total                      | 411,117  | (532,313)   |

(6) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before tax effects) are as follows:

(Thousand yen)

|   | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|---|---|--|
| Unrecognized actuarial gains and losses | (49,721)  | 786,513  |
| Unrecognized past service costs         | (106,375)   | (410,296)  |
| Total                                   | (156,096)   | 376,216  |

(7) Matters regarding plan assets

(i) Major components of plan assets

Ratios by major category of the total plan assets are as follows:

|                 | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|-----------------|---|--|
| Japanese bonds  | 23%   | 21%  |
| Japanese shares | 24%   | 25%  |
| Foreign bonds   | 10%   | 13%  |
| Foreign shares  | 23%   | 23%  |
| Other           | 20%   | 18%  |
| Total           | 100%  | 100%   |

(ii) Method of determining expected long-term rate of return on plan assets

The current and expected allocation of plan assets, and the current and expected future long-term rate of return on diverse assets comprising plan assets are taken into account in determining expected long-term rate of return on plan assets.

(8) Matters regarding basis for actuarial assumptions

Major actuarial assumptions (in weighted average)

|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--|---|--|
| Discount rate                                    | 0.5%  | 1.5%   |
| Expected long-term rate of return on plan assets | 2.5%  | 2.5%   |
| Expected rate of increase in salary              | 5.9%  | 5.9%   |

3. Defined benefit plans that apply the simplified method

(1) Reconciliation of net defined benefit liability at the beginning and end of the fiscal year under the plans that apply the simplified method

(Thousand yen)

|  | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|--|--|---|
| Balance of net defined benefit liability at the beginning of the fiscal year | 7,753  | 10,628  |
| Retirement benefit expenses  | 1,951  | 3,135   |
| Translation gains or losses  | 923  | 856   |
| Balance of net defined benefit liability at the end of the fiscal year       | 10,628   | 14,620  |

(2) Reconciliation of retirement benefit obligations and plan assets at the end of the fiscal year and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets

(Thousand yen)

|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--|---|--|
| Retirement benefit obligations of unfunded plans                       | 10,628  | 14,620   |
| Net liabilities and assets recorded in the consolidated balance sheets | 10,628  | 14,620   |
| Net defined benefit liability  | 10,628  | 14,620   |
| Net liabilities and assets recorded in the consolidated balance sheets | 10,628  | 14,620   |

(3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method: Previous fiscal year: 1,951 thousand yen  
Current fiscal year: 3,135 thousand yen

4. Defined contribution plans

The required amount of contributions to defined contribution plans of the Company and its consolidated subsidiaries are 110,148 thousand yen for the previous fiscal year and 109,419 thousand yen for the current fiscal year.

5. Multi-employer plans

The required amount of contributions to the employees' pension fund plan and corporate pension fund plan, which are multi-employer plans and adopt the same accounting method as that for defined contribution plans, are 185,256 thousand yen for the previous fiscal year and 197,109 thousand yen for the current fiscal year.

(1) The latest status of funding of multi-employer plans

|  | (Thousand yen)                                    |  |
|--|---|--|
|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
| Amount of plan assets  | 16,951,908  | 17,329,484                                       |
| Aggregate actuarial obligation under pension finance calculation and minimum reserve | 19,873,038  | 19,781,141                                       |
| Difference   | (2,921,130)                                       | (2,451,657)                                      |

(2) Ratio of contributions by the Company in multi-employer plans

Previous fiscal year: 11.6% (as of December 31, 2022)

Current fiscal year: 12.2% (as of December 31, 2023)

(3) Supplementary explanation

Major factors for the difference in (1) above are the balance of past service liabilities under pension finance calculation (6,938,156 thousand yen for the previous fiscal year, 6,019,889 thousand yen for the current fiscal year) and the general reserve (4,017,026 thousand yen for the previous fiscal year, 3,568,232 thousand yen for the current fiscal year). Past service liabilities under the plan are amortized using the straight-line method over a period of 6 years. The Company has amortized special contribution in the consolidated financial statements (126,896 thousand yen in the previous fiscal year, 134,720 thousand yen in the current fiscal year).

The ratios in (2) above do not correspond to the actual ratios of the contribution by the Company.

(Stock options, etc.)

Not applicable.

(Tax effect accounting)

1. Breakdown of major causes for deferred tax assets and deferred tax liabilities

(Thousand yen)

|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--|---|--|
| Deferred tax assets  |   |  |
| Tax loss carryforward (Note)                                       | 342,943   | 386,271  |
| Provision for bonuses  | 174,159   | 169,251  |
| Loss on valuation of inventories                                   | 89,986  | 355,246  |
| Accrued enterprise tax and business office tax                     | 86,245  | 45,781   |
| Accrued social insurance premiums                                  | 26,071  | 26,033   |
| Unrealized income on inventories                                   | 435,069   | 381,134  |
| Depreciation   | 227,383   | 224,876  |
| Asset retirement obligations                                       | 184,536   | 211,817  |
| Allowance for doubtful accounts                                    | 14,102  | 14,102   |
| Net defined benefit liability                                      | 2,125   | 2,924  |
| Retirement benefits for directors (and other officers)             | 3,709   | 3,709  |
| Valuation difference on available-for-sale securities              | -   | 47,058   |
| Other  | 108,938   | 91,400   |
| Subtotal deferred tax assets                                       | 1,695,270   | 1,959,607  |
| Valuation allowance for tax loss carryforward (Note)               | (342,943)   | (386,271)  |
| Valuation allowance for aggregate deductible temporary differences | (24,295)  | (44,706)   |
| Subtotal valuation allowance                                       | (367,238)   | (430,977)  |
| Total deferred tax assets  | 1,328,032   | 1,528,629  |
| Deferred tax liabilities   |   |  |
| Net defined benefit asset  | (17,191)  | (156,383)  |
| Retirement cost for asset retirement obligations                   | (113,579)   | (124,342)  |
| Valuation difference on available-for-sale securities              | (94,766)  | -  |
| Retained earnings of overseas subsidiaries                         | (275,911)   | (338,053)  |
| Other  | (610)   | (277)  |
| Total deferred tax liabilities                                     | (502,057)   | (619,056)  |
| Net deferred tax assets (liabilities)                              | 825,975   | 909,573  |

(Note) Tax loss carryforward and corresponding deferred tax assets by carryforward period

Previous fiscal year (as of December 31, 2022)

(Thousand yen)

|                       | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years | Total     |
|-----------------------|-----------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|-----------|
| Tax loss carryforward | -               | -                              | 9,698                             | 7,955                              | 7,549                             | 317,739         | 342,943   |
| Valuation allowance   | -               | -                              | (9,698)                           | (7,955)                            | (7,549)                           | (317,739)       | (342,943) |
| Deferred tax assets   | -               | -                              | -                                 | -                                  | -                                 | -               | -         |

(Note) Tax loss carryforward is the amount obtained by multiplying it with the effective statutory tax rate.

Current fiscal year (as of December 31, 2023)

(Thousand yen)

|                       | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years | Total     |
|-----------------------|-----------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|-----------|
| Tax loss carryforward | -               | 10,095                         | 8,281                             | 7,859                              | 110,758                           | 249,277         | 386,271   |
| Valuation allowance   | -               | (10,095)                       | (8,281)                           | (7,859)                            | (110,758)                         | (249,277)       | (386,271) |
| Deferred tax assets   | -               | -                              | -                                 | -                                  | -                                 | -               | -         |

(Note) Tax loss carryforward is the amount obtained by multiplying them with the effective statutory tax rate.

2. Breakdown by item of major causes of significant difference between the effective statutory tax rate and the income tax rate after applying tax effect accounting

|   | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|---|---|--|
| Effective statutory tax rate<br>(Adjustments)   | 30.6%   | 30.6%  |
| Items permanently excluded from deductible expenses<br>such as entertainment expenses | 1.0%  | 2.3%   |
| Exclusion of dividend income from taxable income                                      | (0.8)%  | 0.0%   |
| Inhabitant tax on per capita basis  | 0.3%  | 0.5%   |
| Experimentation and research expenses tax credit                                      | (4.1)%  | (6.6)%   |
| Salary increase tax credits   | (0.6)%  | (2.2)%   |
| Increase (decrease) in valuation allowance  | 2.3%  | 1.2%   |
| Other   | (0.0)%  | 0.5%   |
| Income tax rate after applying tax effect accounting                                  | 28.7%   | 26.3%  |

(Business combinations, etc.)

Not applicable.

(Asset retirement obligations)

Asset retirement obligations recorded in the consolidated balance sheets

(1) Outline of the asset retirement obligations

These are the restoration obligation under real estate lease contracts of branch offices and sales offices.

(2) Calculation method of the amount of the asset retirement obligations

The amount of asset retirement obligations is calculated by using the government bond yield as the discount rate based on the estimated period of use of 10 to 15 years from the acquisition.

(3) Changes in the total amount of the asset retirement obligations

(Thousand yen)

|   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|---|--|---|
| Balance at the beginning of the fiscal year                         | 608,139  | 643,317   |
| Increase due to the acquisition of property,<br>plant and equipment | 58,055   | 118,734   |
| Adjustments due to passage of time                                  | 0  | 2,375   |
| Decrease due to the performance of asset<br>retirement obligations  | (22,877)   | (29,611)  |
| Balance at the end of the fiscal year                               | 643,317  | 734,815   |

(Real estate for lease, etc.)

Not applicable.

(Revenue recognition)

1. Disaggregation of revenue from contracts with customers

(Thousand yen)

| Category                              | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) |           | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |           |
|---------------------------------------|--|-----------|---|-----------|
|                                       | Amount   | Ratio (%) | Amount  | Ratio (%) |
| Hair care products                    | 26,312,862   | 58.2      | 28,355,020  | 59.4      |
| Hair coloring products                | 16,631,187   | 36.7      | 16,953,723  | 35.5      |
| Permanent wave products               | 1,450,096  | 3.2       | 1,463,884   | 3.0       |
| Cosmetic products                     | 572,085  | 1.3       | 571,762   | 1.2       |
| Other                                 | 272,146  | 0.6       | 418,040   | 0.9       |
| Revenue from contracts with customers | 45,238,377   | 100.0     | 47,762,432  | 100.0     |
| Revenue from other sources            | -  | -         | -   | -         |
| Net sales to external customers       | 45,238,377   | 100.0     | 47,762,432  | 100.0     |

2. Useful information in understanding revenue from contracts with customers

The description of useful information in understanding revenue from contracts with customers is omitted as it is provided in “Notes to the Consolidated Financial Statements (Significant matters that serve as the basis for preparation of consolidated financial statements), 4. Matters regarding accounting policies, (5) Accounting standards for significant revenue and expenses.”

3. Information on the reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and information on the amount and timing of revenue that is expected to be recognized after the following fiscal year arising from contracts with customers that exist at the end of the current fiscal year

(1) Balance of contract liabilities, etc.

Previous fiscal year (from January 1, 2022 to December 31, 2022)

(Thousand yen)

|   | Beginning of the fiscal year<br>(As of January 1, 2022) | End of the fiscal year<br>(As of December 31, 2022) |
|---|---|---|
| Receivables from contracts with customers | 4,673,258   | 5,255,686   |
| Contract liabilities                      | 21,901  | 4,612   |

(Note) Contract liabilities are advances received from customers and are reversed upon recognition of revenue.

Current fiscal year (from January 1, 2023 to December 31, 2023)

(Thousand yen)

|   | Beginning of the fiscal year<br>(As of January 1, 2023) | End of the fiscal year<br>(As of December 31, 2023) |
|---|---|---|
| Receivables from contracts with customers | 5,255,686   | 5,345,669   |
| Contract liabilities                      | 4,612   | 8,545   |

(Note) Contract liabilities are advances received from customers and are reversed upon recognition of revenue.

(2) Transaction price allocated to the remaining performance obligations

The description of information on the remaining performance obligations is omitted since there are no significant contracts with an original expected duration of more than one year and the Company has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations.

(Segment information, etc.)

Segment information

This information is omitted since the Group has a single segment of manufacture and sales of cosmetic products.

Related information

Previous fiscal year (from January 1, 2022 to December 31, 2022)

1. Information by product and service

(Thousand yen)

|                                 | Hair care products | Hair coloring products | Permanent wave products | Cosmetic products | Other   | Total      |
|---------------------------------|--------------------|------------------------|-------------------------|-------------------|---------|------------|
| Net sales to external customers | 26,312,862         | 16,631,187             | 1,450,096               | 572,085           | 272,146 | 45,238,377 |

2. Information by geographical area

(1) Net sales

(Thousand yen)

| Japan      | Other     | Total      |
|------------|-----------|------------|
| 35,334,124 | 9,904,253 | 45,238,377 |

(Note) Net sales are based on locations of customers and classified by country or region.

(2) Property, plant and equipment

(Thousand yen)

| Japan      | China     | Other     | Total      |
|------------|-----------|-----------|------------|
| 15,422,742 | 2,886,791 | 1,510,364 | 19,819,899 |

3. Information by major customer

(Thousand yen)

| Name of customer  | Net sales |
|-------------------|-----------|
| Topy Co., Ltd.    | 4,804,640 |
| GAMO Co., Ltd.    | 3,810,883 |
| BIC HOLDINGS Inc. | 3,396,274 |

(Note) The description of related segments is omitted since the Group has a single segment of manufacture and sales of cosmetic products.



Current fiscal year (from January 1, 2023 to December 31, 2023)

1. Information by product and service

(Thousand yen)

|                                 | Hair care products | Hair coloring products | Permanent wave products | Cosmetic products | Other   | Total      |
|---------------------------------|--------------------|------------------------|-------------------------|-------------------|---------|------------|
| Net sales to external customers | 28,355,020         | 16,953,723             | 1,463,884               | 571,762           | 418,040 | 47,762,432 |

2. Information by geographical area

(1) Net sales

(Thousand yen)

| Japan      | Other      | Total      |
|------------|------------|------------|
| 36,502,248 | 11,260,183 | 47,762,432 |

(Note) Net sales are based on locations of customers and classified by country or region.

(2) Property, plant and equipment

(Thousand yen)

| Japan      | China     | Other     | Total      |
|------------|-----------|-----------|------------|
| 16,275,719 | 2,912,054 | 1,811,687 | 20,999,461 |

3. Information by major customer

(Thousand yen)

| Name of customer  | Net sales |
|-------------------|-----------|
| Topy Co., Ltd.    | 5,199,462 |
| GAMO Co., Ltd.    | 3,947,360 |
| BIC HOLDINGS Inc. | 3,493,093 |

(Note) The description of related segments is omitted since the Group has a single segment of manufacture and sales of cosmetic products.

Information regarding impairment losses on non-current assets by reportable segment

Not applicable.

Information regarding amortization and unamortized balance of goodwill by reportable segment

Not applicable.

Information regarding gain on bargain purchase by reportable segment

Not applicable.

Related party information

Previous fiscal year (from January 1, 2022 to December 31, 2022)

Not applicable.

Current fiscal year (from January 1, 2023 to December 31, 2023)

Not applicable.

(Per share information)

|                                | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|--------------------------------|--|---|
| Net assets per share (yen)     | 1,352.52   | 1,411.56  |
| Basic earnings per share (yen) | 171.49   | 122.99  |

(Notes) 1. Diluted earnings per share are not presented because there are no dilutive shares.

2. The basis for calculating basic earnings per share is as follows:

|   | Previous fiscal year<br>(from January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(from January 1, 2023<br>to December 31, 2023) |
|---|--|---|
| Profit attributable to owners of parent (thousand yen)                            | 5,577,274  | 4,001,627   |
| Amount not attributable to common shareholders<br>(thousand yen)                  | -  | -   |
| Profit attributable to owners of parent related to common<br>stock (thousand yen) | 5,577,274  | 4,001,627   |
| Average number of shares of common stock during the<br>period (shares)            | 32,521,551   | 32,536,033  |

(Significant subsequent events)

Not applicable.

5) Consolidated supplementary schedules

Schedule of corporate bonds

Not applicable.

Schedule of borrowings, etc.

| Category  | Balance at beginning of period<br>(Thousand yen) | Balance at end of period<br>(Thousand yen) | Average interest rate<br>(%) | Repayment due date |
|---|--|--|------------------------------|--------------------|
| Short-term borrowings                                 | -  | -  | -                            | -                  |
| Current portion of long-term borrowings               | -  | -  | -                            | -                  |
| Current portion of lease obligations                  | -  | -  | -                            | -                  |
| Long-term borrowings (except for the current portion) | -  | -  | -                            | -                  |
| Lease obligations (except for the current portion)    | -  | -  | -                            | -                  |
| Other interest-bearing liabilities                    | 74,032   | 75,032                                     | 0.002                        | -                  |
| Total   | 74,032   | 75,032                                     | -                            | -                  |

(Notes) 1. The average interest rate shows the weighted average interest rate applicable to the balance at end of period.

2. Other interest-bearing liabilities are guarantee deposits received from customers with no prescribed repayment due date.

Schedule of asset retirement obligations

The description of matters to be reported in the schedule of asset retirement obligations is omitted, because relevant information is provided as notes pursuant to Article 15-23 of the Regulation on Consolidated Financial Statements.

(2) Other

Quarterly information, etc., for the current fiscal year

| (Cumulative accounting period)                         | 1st quarter | 2nd quarter | 3rd quarter | Current fiscal year |
|--|-------------|-------------|-------------|---------------------|
| Net sales (Thousand yen)                               | 10,340,911  | 22,703,504  | 34,150,359  | 47,762,432          |
| Profit before income taxes (Thousand yen)              | 1,165,683   | 3,100,045   | 3,473,759   | 5,432,083           |
| Profit attributable to owners of parent (Thousand yen) | 882,314     | 2,195,360   | 2,489,397   | 4,001,627           |
| Basic earnings per share (Yen)                         | 27.13       | 67.48       | 76.52       | 122.99              |

| (Accounting period)            | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
|--------------------------------|-------------|-------------|-------------|-------------|
| Basic earnings per share (Yen) | 27.13       | 40.35       | 9.04        | 46.47       |

## 2. Financial Statements, etc.

### (1) Financial Statements

#### 1) Balance Sheets

(Thousand yen)

|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--|---|--|
| <b>Assets</b>  |   |  |
| Current assets   |   |  |
| Cash and deposits  | 9,399,665   | 7,108,249  |
| Notes receivable - trade                                     | *2 170,637  | *2 188,316                                       |
| Accounts receivable - trade                                  | *1 5,654,505                                      | *1 5,368,165                                     |
| Merchandise and finished goods                               | 4,034,129   | 4,679,315  |
| Work in process  | 39,422  | 35,531   |
| Raw materials and supplies                                   | 1,645,261   | 1,763,522  |
| Short-term loans receivable from subsidiaries and associates | -   | 206,500  |
| Prepaid expenses   | 182,762   | 178,912  |
| Other  | *1 223,645  | *1 242,460                                       |
| Total current assets   | 21,350,030  | 19,770,973                                       |
| Non-current assets   |   |  |
| Property, plant and equipment                                |   |  |
| Buildings  | 5,958,847   | 6,183,252  |
| Structures   | 89,773  | 81,817   |
| Machinery and equipment                                      | 2,106,899   | 2,049,772  |
| Vehicles   | 10,288  | 12,126   |
| Tools, furniture and fixtures                                | 642,177   | 809,774  |
| Land   | 6,324,093   | 6,324,093  |
| Construction in progress                                     | 277,940   | 807,292  |
| Total property, plant and equipment                          | 15,410,019  | 16,268,129                                       |
| Intangible assets  |   |  |
| Software   | 1,194,130   | 1,440,820  |
| Other  | 315,446   | 116,750  |
| Total intangible assets                                      | 1,509,577   | 1,557,571  |

(Thousand yen)

|   | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|---|---|--|
| <b>Investments and other assets</b>                         |   |  |
| Investment securities                                       | 1,775,734   | 1,312,251  |
| Shares of subsidiaries and associates                       | 2,213,793   | 2,213,793  |
| Investments in capital of subsidiaries and associates       | 4,457,200   | 4,457,200  |
| Long-term loans receivable from subsidiaries and associates | 828,000   | 1,124,000  |
| Prepaid pension costs                                       | 212,277   | 134,839  |
| Deferred tax assets   | 911,607   | 958,161  |
| Other   | 1,248,689   | 1,091,029  |
| Allowance for doubtful accounts                             | (408,501)   | (487,087)  |
| Total investments and other assets                          | 11,238,801  | 10,804,188                                       |
| Total non-current assets                                    | 28,158,398  | 28,629,889                                       |
| Total assets  | 49,508,428  | 48,400,863                                       |
| <b>Liabilities</b>  |   |  |
| <b>Current liabilities</b>                                  |   |  |
| Accounts payable - trade                                    | *1 1,159,984                                      | *1 1,022,967                                     |
| Accounts payable - other                                    | *1 3,797,900                                      | *1 3,468,944                                     |
| Accrued expenses  | 454,798   | 482,833  |
| Income taxes payable  | 1,263,767   | 319,897  |
| Advances received   | 4,357   | 6,579  |
| Deposits received   | 329,607   | 332,961  |
| Provision for bonuses                                       | 549,238   | 535,907  |
| Other   | 22,327  | 19,211   |
| Total current liabilities                                   | 7,581,981   | 6,189,303  |
| <b>Non-current liabilities</b>                              |   |  |
| Asset retirement obligations                                | 602,626   | 691,749  |
| Other   | 74,032  | 75,032   |
| Total non-current liabilities                               | 676,659   | 766,782  |
| Total liabilities   | 8,258,641   | 6,956,086  |

(Thousand yen)

|   | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|---|---|--|
| Net assets  |   |  |
| Shareholders' equity                                  |   |  |
| Capital stock   | 2,000,000   | 2,000,000  |
| Capital surplus                                       |   |  |
| Legal capital surplus                                 | 199,120   | 199,120  |
| Other capital surplus                                 | 75,417  | 107,837  |
| Total capital surplus                                 | 274,537   | 306,957  |
| Retained earnings                                     |   |  |
| Legal retained earnings                               | 300,880   | 300,880  |
| Other retained earnings                               |   |  |
| General reserve                                       | 3,500,000   | 3,500,000  |
| Retained earnings brought forward                     | 36,990,353  | 37,425,828                                       |
| Total retained earnings                               | 40,791,233  | 41,226,708                                       |
| Treasury shares                                       | (2,030,911)                                       | (1,982,161)                                      |
| Total shareholders' equity                            | 41,034,858  | 41,551,504                                       |
| Valuation and translation adjustments                 |   |  |
| Valuation difference on available-for-sale securities | 214,928   | (106,728)  |
| Total valuation and translation adjustments           | 214,928   | (106,728)  |
| Total net assets                                      | 41,249,787  | 41,444,776                                       |
| Total liabilities and net assets                      | 49,508,428  | 48,400,863                                       |

## 2) Statements of Earnings

(Thousand yen)

|   | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|---|--|---|
| Net sales   | *1 41,780,945  | *1 42,520,224   |
| Cost of sales   | *1 16,215,637  | *1 17,973,474   |
| Gross profit  | 25,565,308   | 24,546,749  |
| Selling, general and administrative expenses  | *1, *2 18,157,310  | *1, *2 19,845,110   |
| Operating income  | 7,407,997  | 4,701,639   |
| Non-operating income  |  |   |
| Interest and dividend income  | *1 226,638   | *1 37,621   |
| Surrender value of insurance  | -  | 86,359  |
| Foreign exchange gains  | 157,434  | -   |
| Miscellaneous income  | *1 168,387   | *1 98,175   |
| Total non-operating income  | 552,460  | 222,156   |
| Non-operating expenses  |  |   |
| Foreign exchange losses   | -  | 15,201  |
| Miscellaneous losses  | 472  | 2,140   |
| Total non-operating expenses  | 472  | 17,342  |
| Ordinary income   | 7,959,986  | 4,906,452   |
| Extraordinary income  |  |   |
| Gain on sales of non-current assets   | *1 684   | 1   |
| Gain on sales of investment securities  | 448  | -   |
| Total extraordinary income  | 1,132  | 1   |
| Extraordinary losses  |  |   |
| Loss on retirement of non-current assets  | 6,262  | 39,493  |
| Loss on valuation of shares of subsidiaries and associates  | 49,000   | -   |
| Provision of allowance for doubtful accounts of loans receivable from subsidiaries and associates | 362,414  | 78,585  |
| Compensation for damages  | -  | 115,000   |
| Total extraordinary losses  | 417,676  | 233,079   |
| Profit before income taxes  | 7,543,443  | 4,673,373   |
| Income taxes - current  | 2,212,832  | 1,344,834   |
| Income taxes - deferred   | (203,274)  | 95,271  |
| Total income taxes  | 2,009,557  | 1,440,105   |
| Profit  | 5,533,885  | 3,233,267   |

Schedule of manufacturing costs

| Category  | Note | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) |              | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |              |
|---|------|--|--------------|---|--------------|
|   |      | Amount<br>(Thousand yen)   | Ratio<br>(%) | Amount<br>(Thousand yen)  | Ratio<br>(%) |
| I. Cost of raw materials                        |      | 9,740,305  | 69.5         | 9,919,284   | 68.8         |
| II. Cost of outsourced processing               |      | 1,659,198  | 11.8         | 1,596,669   | 11.1         |
| III. Labor cost                                 |      | 1,035,166  | 7.4          | 1,105,952   | 7.7          |
| (Provision for bonuses)                         |      | (75,208)   |              | (78,661)  |              |
| IV. Expenses                                    |      | 1,572,281  | 11.2         | 1,793,953   | 12.4         |
| (Depreciation)                                  |      | (760,879)  |              | (849,768)   |              |
| (Repair expenses)                               |      | (98,181)   |              | (94,493)  |              |
| (Utility expenses)                              |      | (130,522)  |              | (131,995)   |              |
| (Supplies expenses)                             |      | (98,494)   |              | (107,344)   |              |
| Gross manufacturing cost for the<br>fiscal year |      | 14,006,951   | 100.0        | 14,415,860  | 100.0        |
| Beginning of work in process                    |      | 41,084   |              | 39,422  |              |
| Total   |      | 14,048,035   |              | 14,455,283  |              |
| Transfer to other account                       | *1   | 102,924  |              | 105,144   |              |
| Ending of work in process                       |      | 39,422   |              | 35,531  |              |
| Cost of products manufactured                   |      | 13,905,688   |              | 14,314,607  |              |

(Footnote)

| Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) |                      | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |                      |
|--|----------------------|---|----------------------|
| *1 Breakdown of the transfer to other account is as follows:           |                      | *1 Breakdown of the transfer to other account is as follows:          |                      |
| Promotion expenses   | 92,920 thousand yen  | Promotion expenses  | 89,004 thousand yen  |
| Research and development expenses                                      | 8,333 thousand yen   | Research and development expenses                                     | 12,474 thousand yen  |
| Other  | 1,669 thousand yen   | Other   | 3,665 thousand yen   |
| Total  | 102,924 thousand yen | Total   | 105,144 thousand yen |
| 2 Method of calculation of costs                                       |                      | 2 Method of calculation of costs                                      |                      |
| The continuous process cost system is adopted.                         |                      | Same as the previous fiscal year                                      |                      |



3) Statements of Changes in Shareholders' Equity

Previous fiscal year (from January 1, 2022 to December 31, 2022)

(Thousand yen)

|  | Shareholders' equity |                       |                       |                       |                         |                                   |             |                         |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------------------|-------------|-------------------------|
|  | Capital stock        | Capital surplus       |                       |                       | Retained earnings       |                                   |             |                         |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings           |             | Total retained earnings |
|  |                      |                       |                       |                       | General reserve         | Retained earnings brought forward |             |                         |
| Balance at beginning of period                       | 2,000,000            | 199,120               | 47,179                | 246,299               | 300,880                 | 3,500,000                         | 33,992,924  | 37,793,804              |
| Changes of items during period                       |                      |                       |                       |                       |                         |                                   |             |                         |
| Dividends of surplus                                 |                      |                       |                       |                       |                         |                                   | (2,536,456) | (2,536,456)             |
| Profit   |                      |                       |                       |                       |                         |                                   | 5,533,885   | 5,533,885               |
| Purchase of treasury shares                          |                      |                       |                       |                       |                         |                                   |             |                         |
| Disposal of treasury shares                          |                      |                       | 28,237                | 28,237                |                         |                                   |             |                         |
| Net changes of items other than shareholders' equity |                      |                       |                       |                       |                         |                                   |             |                         |
| Total changes of items during period                 | -                    | -                     | 28,237                | 28,237                | -                       | -                                 | 2,997,429   | 2,997,429               |
| Balance at end of period                             | 2,000,000            | 199,120               | 75,417                | 274,537               | 300,880                 | 3,500,000                         | 36,990,353  | 40,791,233              |

|  | Shareholders' equity |                            | Valuation and translation adjustments                 |                                    |   | Total net assets |
|--|----------------------|----------------------------|---|------------------------------------|---|------------------|
|  | Treasury shares      | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments |                  |
| Balance at beginning of period                       | (2,080,393)          | 37,959,710                 | 100,262   | 68,821                             | 169,083                                     | 38,128,794       |
| Changes of items during period                       |                      |                            |   |                                    |   |                  |
| Dividends of surplus                                 |                      | (2,536,456)                |   |                                    |   | (2,536,456)      |
| Profit   |                      | 5,533,885                  |   |                                    |   | 5,533,885        |
| Purchase of treasury shares                          | (1,350)              | (1,350)                    |   |                                    |   | (1,350)          |
| Disposal of treasury shares                          | 50,832               | 79,069                     |   |                                    |   | 79,069           |
| Net changes of items other than shareholders' equity |                      |                            | 114,665   | (68,821)                           | 45,844                                      | 45,844           |
| Total changes of items during period                 | 49,482               | 3,075,148                  | 114,665   | (68,821)                           | 45,844                                      | 3,120,993        |
| Balance at end of period                             | (2,030,911)          | 41,034,858                 | 214,928   | -                                  | 214,928                                     | 41,249,787       |

Current fiscal year (from January 1, 2023 to December 31, 2023)

(Thousand yen)

|  | Shareholders' equity |                       |                       |                       |                         |                                   |             |                         |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------------------|-------------|-------------------------|
|  | Capital stock        | Capital surplus       |                       |                       | Retained earnings       |                                   |             |                         |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings           |             | Total retained earnings |
|  |                      |                       |                       |                       | General reserve         | Retained earnings brought forward |             |                         |
| Balance at beginning of period                       | 2,000,000            | 199,120               | 75,417                | 274,537               | 300,880                 | 3,500,000                         | 36,990,353  | 40,791,233              |
| Changes of items during period                       |                      |                       |                       |                       |                         |                                   |             |                         |
| Dividends of surplus                                 |                      |                       |                       |                       |                         |                                   | (2,797,792) | (2,797,792)             |
| Profit   |                      |                       |                       |                       |                         |                                   | 3,233,267   | 3,233,267               |
| Purchase of treasury shares                          |                      |                       |                       |                       |                         |                                   |             |                         |
| Disposal of treasury shares                          |                      |                       | 32,420                | 32,420                |                         |                                   |             |                         |
| Net changes of items other than shareholders' equity |                      |                       |                       |                       |                         |                                   |             |                         |
| Total changes of items during period                 | -                    | -                     | 32,420                | 32,420                | -                       | -                                 | 435,475     | 435,475                 |
| Balance at end of period                             | 2,000,000            | 199,120               | 107,837               | 306,957               | 300,880                 | 3,500,000                         | 37,425,828  | 41,226,708              |

|  | Shareholders' equity |                            | Valuation and translation adjustments                 |   | Total net assets |
|--|----------------------|----------------------------|---|---|------------------|
|  | Treasury shares      | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                  |
| Balance at beginning of period                       | (2,030,911)          | 41,034,858                 | 214,928   | 214,928                                     | 41,249,787       |
| Changes of items during period                       |                      |                            |   |   |                  |
| Dividends of surplus                                 |                      | (2,797,792)                |   |   | (2,797,792)      |
| Profit   |                      | 3,233,267                  |   |   | 3,233,267        |
| Purchase of treasury shares                          | (2,148)              | (2,148)                    |   |   | (2,148)          |
| Disposal of treasury shares                          | 50,898               | 83,319                     |   |   | 83,319           |
| Net changes of items other than shareholders' equity |                      |                            | (321,656)   | (321,656)                                   | (321,656)        |
| Total changes of items during period                 | 48,749               | 516,645                    | (321,656)   | (321,656)                                   | 194,989          |
| Balance at end of period                             | (1,982,161)          | 41,551,504                 | (106,728)   | (106,728)                                   | 41,444,776       |

## Notes to the Financial Statements

### (Significant accounting policies)

#### 1. Valuation standards and methods for assets

##### (1) Valuation standard and method for securities

###### (i) Shares of subsidiaries and shares of associates

Stated at cost using the moving-average method

###### (ii) Available-for-sale securities

Other than shares, etc., without market price

Stated at market value based on the market price, etc., at the fiscal year-end (unrealized gains and losses are reported as a separate component of net assets, and cost of sales is calculated by the moving-average method)

Shares, etc., without market price

Stated at cost using the moving-average method

##### (2) Valuation standards and methods for inventories

###### (i) Merchandise

Stated at cost using the weighted average method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

###### (ii) Finished goods and work in process

Stated at cost using the weighted average method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

###### (iii) Raw materials

Stated at cost using the weighted average method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

###### (iv) Supplies

Stated at cost using the last-purchase-price method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

#### 2. Depreciation and amortization methods for non-current assets

##### (1) Property, plant and equipment

They are depreciated using the straight-line method.

Useful lives of principal assets are as follows:

Buildings: 2 to 50 years

Machinery and equipment: 2 to 17 years

##### (2) Intangible assets

They are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the estimated period of internal use (2 to 5 years).

#### 3. Translation standards of assets and liabilities denominated in foreign currencies into Japanese yen

Foreign currency denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate at the fiscal year-end, and foreign exchange gains and losses from translation are recognized as profit or loss.

4. Accounting standards for allowances

(1) Allowance for doubtful accounts

To prepare for losses arising from uncollectible receivables, an allowance for doubtful accounts is recorded at an estimated uncollectible amount based on the historical rate of credit losses with respect to general receivables, and in consideration of individual collectability with respect to doubtful accounts and other specific receivables.

(2) Provision for bonuses

To provide for payment of bonuses to employees (including those for employees also serving as officers), a provision for bonuses is recorded based on the estimated payment amount.

(3) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, a provision for retirement benefits is recorded based on the estimated amount of retirement benefit obligations and plan assets at the end of the current fiscal year.

(i) Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year based on the benefit formula basis.

(ii) Method of amortizing actuarial differences and past service costs

Actuarial gains and losses are amortized using the straight-line method over a certain number of years (5 years) within the average remaining years of service of the eligible employees at the time of occurrence, starting from the fiscal year following the occurrence.

Prior service cost is amortized using the straight-line method over a certain number of years (5 years) within the average remaining years of service of the eligible employees at the time of occurrence.

5. Accounting standards for significant revenue and expenses

The principal performance obligations relating to revenue from contracts with customers of the Company, as well as the standard point at which such obligations are satisfied (i.e., the point at which revenue is recognized) are explained as follows.

The Company is engaged in the manufacturing and sale of cosmetic products. In terms of the sale of such goods or products, for domestic sales, revenue is recognized upon delivery of the goods or products to customers. For export sales, it is considered that the customer has acquired control over the goods or products when the risk burden is transferred to the customer based on the terms of trade stipulated by Incoterms, etc., and that the performance obligation has been satisfied; accordingly, revenue is recognized upon such transfer of the risk burden. However, for domestic sales, revenue is recognized at the time of shipment if the period from the time of shipment to the point at which control of the goods or products is transferred to the customer is the standard period.

Revenue is measured by the amount of consideration promised in the contract with the customer, less any applicable rebates and returns.

The transaction consideration is typically received within one month of the fulfillment of the performance obligation and does not contain any significant financial elements.

6. Other significant matters that serve as the basis for preparation of financial statements

Accounting methods for retirement benefits

The accounting methods for unrecognized actuarial gains and losses and unrecognized past service cost used for retirement benefits are different from those used in the consolidated financial statements.

(Significant accounting estimates)

Valuation of merchandise and finished goods

(1) Amount recorded in consolidated financial statements for the current fiscal year

(Thousand yen)

|                                  | Previous fiscal year | Current fiscal year |
|----------------------------------|----------------------|---------------------|
| Merchandise and finished goods   | 4,034,129            | 4,679,315           |
| Loss on valuation of inventories | 254,786              | 1,094,327           |

(Note) The amount of loss on valuation of inventories represents the amount of write-down due to decreased profitability.

(2) Information to aid in understanding the details of accounting estimates

In the calculation using the method of write-down based on decreased profitability, regarding merchandise and finished goods, the planned shipment volume and the inventory volume at the end of the fiscal year are compared for each merchandise and finished good, and the amount of slow-moving inventories exceeding the planned shipment volume for a certain period is written down.

These accounting estimates may differ from the actual profitability if assumed circumstances change as they can be affected by changes in the future uncertain market environment and other factors.

(Balance sheets)

\*1 Monetary receivables and monetary payables related to subsidiaries and associates

Monetary receivables and monetary payables included in each account other than those presented separately are as follows:

(Thousand yen)

|                                | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--------------------------------|---|--|
| Shot-term monetary receivables | 911,799   | 600,900  |
| Shot-term monetary payables    | 218,889   | 283,699  |

\*2 Treatment of notes due at the fiscal year-end

Notes due at the end of the fiscal year are treated as settled on the due date.

As the fiscal year-end fell on a holiday for financial institutions, the following notes due at the fiscal year-end are treated as settled on the due date.

(Thousand yen)

|                          | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--------------------------|---|--|
| Notes receivable - trade | 80,781  | 68,336   |

(Statements of earnings)

\*1 Transactions with subsidiaries and associates

(Thousand yen)

|                                      | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|--------------------------------------|--|---|
| Amount of operating transactions     |  |   |
| Net sales                            | 5,333,992  | 4,797,828   |
| Purchase amount                      | 2,542,278  | 2,530,614   |
| Other                                | 311,952  | 402,325   |
| Amount of non-operating transactions | 275,531  | 78,586  |

\*2 Approximate ratios of expenses included in selling expenses are 9.8% for the previous fiscal year and 11.9% for the current fiscal year, and those included in general and administrative expenses are 90.2% for the previous fiscal year and 88.1% for the current fiscal year.

Major expenses included in selling, general and administrative expenses and their amounts are as follows:

(Thousand yen)

|                                       | Previous fiscal year<br>(From January 1, 2022<br>to December 31, 2022) | Current fiscal year<br>(From January 1, 2023<br>to December 31, 2023) |
|---------------------------------------|--|---|
| Remuneration, salaries and allowances | 4,798,376  | 4,915,783   |
| Logistics expenses                    | 2,743,662  | 2,851,725   |
| Research and development expenses     | 2,108,860  | 2,361,191   |
| Promotion expenses                    | 932,097  | 1,203,818   |
| Depreciation                          | 823,036  | 857,928   |
| Provision for bonuses                 | 390,067  | 375,976   |
| Retirement benefit expenses           | 273,695  | 370,433   |

(Securities)

Previous fiscal year (as of December 31, 2022)

The description of the market values of shares of subsidiaries and associates (amounts in the balance sheets: 2,213,793 thousand yen of shares of subsidiaries and 4,457,200 thousand yen of investments in capital of subsidiaries and associates) is omitted since they are shares, etc., without market price.

Current fiscal year (as of December 31, 2023)

The description of the market values of shares of subsidiaries and associates (amounts in the balance sheets: 2,213,793 thousand yen of shares of subsidiaries and 4,457,200 thousand yen of investments in capital of subsidiaries and associates) is omitted since they are shares, etc., without market price.

(Tax effect accounting)

1. Breakdown of major causes for deferred tax assets and deferred tax liabilities

(Thousand yen)

|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--|---|--|
| Deferred tax assets  |   |  |
| Provision for bonuses                                      | 168,066   | 163,987  |
| Loss on valuation of inventories                           | 77,964  | 334,864  |
| Accrued enterprise tax and business office tax             | 86,245  | 45,781   |
| Accrued social insurance premiums                          | 26,071  | 26,033   |
| Depreciation   | 227,369   | 224,396  |
| Allowance for doubtful accounts                            | 125,001   | 149,048  |
| Loss on valuation of shares of subsidiaries and associates | 194,732   | 194,732  |
| Retirement benefits for directors (and other officers)     | 3,709   | 3,709  |
| Asset retirement obligations                               | 184,403   | 211,675  |
| Restricted share-based compensation                        | 40,422  | 65,474   |
| Performance-linked compensation                            | 24,051  | -  |
| Valuation difference on available-for-sale securities      | -   | 47,058   |
| Other  | 26,872  | 783  |
| Subtotal deferred tax assets                               | 1,184,911   | 1,467,545  |
| Valuation allowance (Note)                                 | -   | (343,780)  |
| Total deferred tax assets                                  | 1,184,911   | 1,123,765  |
| Deferred tax liabilities                                   |   |  |
| Valuation difference on available-for-sale securities      | (94,766)  | -  |
| Retirement cost for asset retirement obligations           | (113,579)   | (124,342)  |
| Prepaid pension costs                                      | (64,956)  | (41,260)   |
| Total deferred tax liabilities                             | (273,303)   | (165,603)  |
| Net deferred tax assets (liabilities)                      | 911,607   | 958,161  |

(Note) Valuation allowance is recorded as a result of assessing the recoverability of deferred tax assets related to loss on valuation of shares of subsidiaries and associates and allowance for doubtful accounts.

2. Breakdown by item of major causes of significant difference between the effective statutory tax rate and the income tax rate after applying tax effect accounting

|  | Previous fiscal year<br>(As of December 31, 2022) | Current fiscal year<br>(As of December 31, 2023) |
|--|---|--|
| Effective statutory tax rate   | 30.6%   | 30.6%  |
| (Adjustments)  |   |  |
| Items permanently excluded from deductible expenses such as entertainment expenses | 1.1%  | 2.7%   |
| Dividend income excluded from gross revenue  | (0.8)%  | 0.0%   |
| Inhabitant tax on per capita basis   | 0.3%  | 0.6%   |
| Experimentation and research expenses tax credit                                   | (4.2)%  | (7.7)%   |
| Salary increase tax credits  | (0.6)%  | (2.6)%   |
| Increase (decrease) in valuation allowance   | -   | 7.4%   |
| Other  | 0.2%  | (0.2)%   |
| Income tax rate after applying tax effect accounting                               | 26.6%   | 30.8%  |

(Revenue recognition)

The description of useful information in understanding revenue from contracts with customers is omitted as it is provided in “Notes to the Financial Statements (Significant accounting policies), 5. Accounting standards for significant revenue and expenses.”

(Significant subsequent events)

Not applicable.

4) Supplementary schedules

Schedule of property, plant and equipment, etc.

(Thousand yen)

| Category                      | Type of assets                | Balance at beginning of period | Increase during period | Decrease during period | Depreciation (amortization) during period | Balance at end of period | Accumulated depreciation (amortization) |
|-------------------------------|-------------------------------|--------------------------------|------------------------|------------------------|---|--------------------------|---|
| Property, plant and equipment | Buildings                     | 5,958,847                      | 681,619                | 113,559                | 431,286                                   | 6,183,252                | 5,989,640                               |
|                               | Structures                    | 89,773                         | 7,200                  | 2,511                  | 15,064                                    | 81,817                   | 285,169                                 |
|                               | Machinery and equipment       | 2,106,899                      | 525,189                | 192,966                | 571,039                                   | 2,049,772                | 5,928,501                               |
|                               | Vehicles                      | 10,288                         | 7,097                  | 2,280                  | 5,259                                     | 12,126                   | 41,528                                  |
|                               | Tools, furniture and fixtures | 642,177                        | 542,340                | 66,803                 | 372,573                                   | 809,774                  | 2,652,026                               |
|                               | Land                          | 6,324,093                      | -                      | -                      | -   | 6,324,093                | -                                       |
|                               | Construction in progress      | 277,940                        | 1,468,416              | 939,064                | -   | 807,292                  | -                                       |
|                               | Total                         | 15,410,019                     | 3,231,863              | 1,317,185              | 1,395,223                                 | 16,268,129               | 14,896,866                              |
| Intangible assets             | Software                      | 1,194,130                      | 713,931                | -                      | 467,241                                   | 1,440,820                | 3,441,045                               |
|                               | Other                         | 315,446                        | 324,891                | 523,342                | 245                                       | 116,750                  | 9,417                                   |
|                               | Total                         | 1,509,577                      | 1,038,822              | 523,342                | 467,486                                   | 1,557,571                | 3,450,462                               |

(Note) Significant changes in non-current assets are as follows:

1. Major components of an increase in buildings of 681,619 thousand yen are 165,153 thousand yen of construction work for the Haneda Innovation Center, 146,922 thousand yen of construction work for relocation of the Fukuoka Sales Office, and 31,845 thousand yen of construction work for implementation and expansion of the filling and wrapping area at the Yumegaoka Factory.
2. A major component of an increase in machinery and equipment of 525,189 thousand yen is 272,841 thousand yen of wrapping and filling facilities at the Yumegaoka Factory.
3. Major components of an increase in tools, furniture and fixtures of 542,340 thousand yen are 81,936 thousand yen of fixtures associated with the construction work for the Haneda Innovation Center and 44,862 thousand yen of fixtures associated with the relocation of the Fukuoka Sales Office.
4. A major component of an increase in construction in progress of 1,468,416 thousand yen is 490,092 thousand yen of expenses associated with the construction work for the Odawara Training Center.
5. A major component of a decrease in construction in progress of 939,064 thousand yen is 242,013 thousand yen of transfer associated with the construction work for the Haneda Innovation Center.
6. Major components of an increase in software of 713,931 thousand yen are 169,585 thousand yen for renovating the sales management system and 104,175 thousand yen for adding the milbon:iD STYLESTOCK function.

Schedule of provisions

(Thousand yen)

| Account                         | Balance at beginning of period | Increase during period | Decrease during period | Balance at end of period |
|---------------------------------|--------------------------------|------------------------|------------------------|--------------------------|
| Allowance for doubtful accounts | 408,501                        | 78,585                 | -                      | 487,087                  |
| Provision for bonuses           | 549,238                        | 535,907                | 549,238                | 535,907                  |



(2) Components of major assets and liabilities

This information is omitted since the Company prepares the consolidated financial statements.

(3) Others

Not applicable.