

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, 2021 to December 31, 2021 and the financial statements for the fiscal year from January 1, 2021 to December 31, 2021 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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	12,345,024	13,350,147
Notes and accounts receivable - trade	* 4,199,283	* 4,673,258
Securities	-	200,000
Merchandise and finished goods	3,991,946	4,537,613
Work in process	46,317	41,842
Raw materials and supplies	1,177,090	1,360,902
Other	366,288	740,268
Allowance for doubtful accounts	(3,648)	(3,271)
Total current assets	22,122,303	24,900,761
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,223,211	14,865,989
Accumulated depreciation	(5,430,925)	(5,908,390)
Buildings and structures, net	6,792,285	8,957,598
Machinery, equipment and vehicles	7,001,271	8,336,484
Accumulated depreciation	(5,057,731)	(5,495,871)
Machinery, equipment and vehicles, net	1,943,540	2,840,613
Land	4,995,014	4,995,014
Construction in progress	543,159	269,654
Other	2,807,331	3,101,336
Accumulated depreciation	(2,215,534)	(2,347,955)
Other, net	591,796	753,381
Total property, plant and equipment	14,865,795	17,816,262
Intangible assets	1,318,478	1,516,714
Investments and other assets		
Investment securities	2,935,650	1,610,607
Long-term loans receivable	28,906	32,527
Net defined benefit asset	207,475	438,540
Deferred tax assets	395,087	577,944
Other	1,260,203	1,393,519
Allowance for doubtful accounts	(58,381)	(48,387)
Total investments and other assets	4,768,942	4,004,752
Total non-current assets	20,953,217	23,337,729
Total assets	43,075,520	48,238,490

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	788,911	936,108
Accounts payable - other	2,730,817	3,495,694
Income taxes payable	1,104,850	1,401,441
Provision for bonuses	436,811	511,612
Other	1,038,850	965,353
Total current liabilities	6,100,241	7,310,210
Non-current liabilities		
Net defined benefit liability	5,216	7,753
Deferred tax liabilities	2,329	595
Asset retirement obligations	546,954	608,139
Other	112,427	114,611
Total non-current liabilities	666,928	731,099
Total liabilities	6,767,170	8,041,309
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	222,490	246,299
Retained earnings	35,643,295	38,834,669
Treasury shares	(2,108,947)	(2,080,393)
Total shareholders' equity	35,756,838	39,000,575
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	405,396	100,262
Deferred gains or losses on hedges	(1,206)	68,821
Foreign currency translation adjustment	147,775	850,537
Remeasurements of defined benefit plans	(454)	176,984
Total accumulated other comprehensive income	551,511	1,196,605
Total net assets	36,308,349	40,197,181
Total liabilities and net assets	43,075,520	48,238,490

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

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Net sales	35,725,069	41,582,267
Cost of sales	12,339,754	14,083,338
Gross profit	23,385,315	27,498,928
Selling, general and administrative expenses	*1, *2 16,990,520	*1, *2 19,681,230
Operating income	6,394,794	7,817,698
Non-operating income		
Interest income	28,306	25,878
Dividend income	49,003	32,409
Company house defrayment income	4,683	3,761
Refund of custom duty	52,410	-
Subsidy income	39,674	53,071
Foreign exchange gains	-	54,621
Other	100,829	59,254
Total non-operating income	274,907	228,997
Non-operating expenses		
Sales discounts	642,698	733,118
Share of loss of entities accounted for using equity method	138,963	151,399
Foreign exchange losses	90,906	-
Other	5,817	3,736
Total non-operating expenses	878,386	888,255
Ordinary income	5,791,315	7,158,440
Extraordinary income		
Gain on sales of non-current assets	-	*3 351
Gain on sales of investment securities	114,578	19,087
Total extraordinary income	114,578	19,438
Extraordinary losses		
Loss on retirement of non-current assets	*4 15,884	*4 517
Loss on sales of investment securities	-	43,959
Total extraordinary losses	15,884	44,477
Profit before income taxes	5,890,009	7,133,401
Income taxes - current	1,740,038	2,183,317
Income taxes - deferred	(54,167)	(159,204)
Total income taxes	1,685,870	2,024,112
Profit	4,204,139	5,109,288
Profit attributable to owners of parent	4,204,139	5,109,288

Consolidated Statements of Comprehensive Income

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Profit	4,204,139	5,109,288
Other comprehensive income		
Valuation difference on available-for-sale securities	(367,685)	(305,133)
Deferred gains or losses on hedges	(1,206)	70,027
Foreign currency translation adjustment	(119,408)	702,761
Remeasurements of defined benefit plans, net of tax	60,900	177,438
Total other comprehensive income	* (427,400)	* 645,093
Comprehensive income	3,776,739	5,754,382
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,776,739	5,754,382
Comprehensive income attributable to non-controlling interests	-	-

3) Consolidated Statements of Changes in Shareholders' Equity
 Previous fiscal year (from January 1, 2020 to December 31, 2020)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,000,000	200,742	33,266,155	(563,197)	34,903,700
Changes of items during period					
Dividends of surplus			(1,827,000)		(1,827,000)
Profit attributable to owners of parent			4,204,139		4,204,139
Purchase of treasury shares				(1,591,235)	(1,591,235)
Disposal of treasury shares		21,748		45,485	67,233
Net changes of items other than shareholders' equity					
Total changes of items during period	-	21,748	2,377,139	(1,545,750)	853,137
Balance at end of period	2,000,000	222,490	35,643,295	(2,108,947)	35,756,838

	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 accumulated other comprehensive income	
Balance at beginning of period	773,082	-	267,184	(61,355)	978,911	35,882,612
Changes of items during period						
Dividends of surplus						(1,827,000)
Profit attributable to owners of parent						4,204,139
Purchase of treasury shares						(1,591,235)
Disposal of treasury shares						67,233
Net changes of items other than shareholders' equity	(367,685)	(1,206)	(119,408)	60,900	(427,400)	(427,400)
Total changes of items during period	(367,685)	(1,206)	(119,408)	60,900	(427,400)	425,736
Balance at end of period	405,396	(1,206)	147,775	(454)	551,511	36,308,349

Current fiscal year (from January 1, 2021 to December 31, 2021)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,000,000	222,490	35,643,295	(2,108,947)	35,756,838
Changes of items during period					
Dividends of surplus			(1,917,914)		(1,917,914)
Profit attributable to owners of parent			5,109,288		5,109,288
Purchase of treasury shares				(3,244)	(3,244)
Disposal of treasury shares		23,809		31,798	55,608
Net changes of items other than shareholders' equity					
Total changes of items during period	-	23,809	3,191,374	28,553	3,243,737
Balance at end of period	2,000,000	246,299	38,834,669	(2,080,393)	39,000,575

	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 accumulated other comprehensive income	
Balance at beginning of period	405,396	(1,206)	147,775	(454)	551,511	36,308,349
Changes of items during period						
Dividends of surplus						(1,917,914)
Profit attributable to owners of parent						5,109,288
Purchase of treasury shares						(3,244)
Disposal of treasury shares						55,608
Net changes of items other than shareholders' equity	(305,133)	70,027	702,761	177,438	645,093	645,093
Total changes of items during period	(305,133)	70,027	702,761	177,438	645,093	3,888,831
Balance at end of period	100,262	68,821	850,537	176,984	1,196,605	40,197,181

4) Consolidated Statements of Cash Flows

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Profit before income taxes	5,890,009	7,133,401
Depreciation	1,609,008	1,777,323
Increase (decrease) in allowance for doubtful accounts	659	(10,741)
Increase (decrease) in provision for bonuses	39,915	71,943
Decrease (increase) in net defined benefit asset	36,111	24,609
Increase (decrease) in net defined benefit liability	1,122	2,529
Interest and dividend income	(77,309)	(58,287)
Share of loss (profit) of entities accounted for using equity method	138,963	151,399
Foreign exchange losses (gains)	(22,265)	55,540
Loss (gain) on sales of investment securities	(114,578)	24,872
Loss (gain) on sales of non-current assets	-	(351)
Loss on retirement of non-current assets	15,884	517
Decrease (increase) in trade receivables	(28,189)	(467,843)
Decrease (increase) in inventories	(164,891)	(612,402)
Increase (decrease) in trade payables	(4,605)	122,057
Other	677,197	268,588
Subtotal	7,997,031	8,483,156
Interest and dividend income received	78,114	58,805
Income taxes paid	(1,527,029)	(1,905,137)
Net cash provided by (used in) operating activities	6,548,116	6,636,823
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,388,061)	(3,827,976)
Proceeds from sales of property, plant and equipment	-	351
Purchase of intangible assets	(581,146)	(659,900)
Payments of loans receivable	(9,130)	(148,000)
Collection of loans receivable	3,027	2,024
Proceeds from withdrawal of time deposits	1,200,000	-
Purchase of investment securities	-	(12,150)
Proceeds from redemption of investment securities	-	200,000
Proceeds from sales of investment securities	619,587	472,646
Payments for guarantee deposits	(63,105)	(58,435)
Proceeds from collection of guarantee deposits	58,877	28,285
Other	(1,828)	7,875
Net cash provided by (used in) investing activities	(161,779)	(3,995,279)
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(1,590,687)	(3,244)
Cash dividends paid	(1,825,436)	(1,916,504)
Net cash provided by (used in) financing activities	(3,416,124)	(1,919,749)

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Effect of exchange rate change on cash and cash equivalents	(38,921)	283,248
Net increase (decrease) in cash and cash equivalents	2,931,291	1,005,043
Cash and cash equivalents at beginning of period	9,376,300	12,307,591
Cash and cash equivalents at end of period	* 12,307,591	* 13,312,634

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: 8

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.

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

1) Held-to-maturity bonds

Stated using the amortized cost method

2) Available-for-sale securities

With market value

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

Market value not available

Stated at cost using the moving-average method

(ii) Inventories

Merchandise

Stated primarily at cost using the first-in first-out 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.

Useful lives of principal assets are as follows:

Buildings and structures: 31 to 50 years

Machinery, equipment and vehicles: 6 to 8 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 (3 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 Company and its overseas consolidated subsidiaries have applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018), and recognized revenue at the amount expected to receive in exchange for promised goods or services at the time of transfer of control of such goods or services to the customer.
- (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.
- (8) Other significant matters for preparation of consolidated financial statements
 - Accounting method for consumption taxes, etc.
 - Consumption taxes, etc., are accounted for by the tax exclusion method.

(Significant accounting estimates)

Valuation of merchandise and finished goods

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

Merchandise and finished goods: 4,537,613 thousand yen

The above figure represents the amount after deducting 78,046 thousand yen 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 recognized as long-term overdue, the planned annual 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 inventories exceeding the planned shipment volume for a certain period is written down. Even in the case in which the inventory volume does not exceed the planned shipment volume for a certain period, if actual sales significantly deviate from planned sales, the necessity of write-down is examined for individual cases.

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.

(Accounting standards, etc., not yet applied)

“Accounting Standard for Fair Value Measurement,” etc.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline

With a view to enhancing the comparability with international accounting standards, the “Accounting Standard for Fair Value Measurement” and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter referred to as the “Fair Value Measurement Accounting Standards”) were developed, and the guidance on the method for fair value measurements, among others, has been established. The Fair Value Measurement Accounting Standards are applied to the calculation of the fair value for the following items:

- Financial instruments subjected to the “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes subjected to the “Accounting Standard for Measurement of Inventories”

In addition, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised and stipulated the required disclosure of a breakdown of financial instruments according to their fair value levels among other requirements.

(2) Planned date of application

The Company plans to apply the accounting standards, etc., from the beginning of the fiscal year ending December 31, 2022.

(3) Effects of application of the accounting standards, etc.

Effects of application of the “Accounting Standard for Fair Value Measurement,” etc., on the consolidated financial statements have not been determined at the moment.

(Changes in presentation methods)

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the current fiscal year, and provided notes concerning accounting estimates for the consolidated financial statements.

(Consolidated balance sheets)

* 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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Notes receivable - trade	89,335	88,450

(Consolidated statements of earnings)

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

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Remuneration, salaries and allowances	5,059,165	5,447,521
Logistics expenses	2,323,589	3,413,309
Promotion expenses	910,000	1,105,993
Provision for bonuses	312,206	377,488
Retirement benefit expenses	305,865	309,787
Provision of allowance for doubtful accounts	659	(633)

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

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Research and development expenses	1,581,055	1,741,738

*3 Breakdown of gain on sales of non-current assets

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Machinery, equipment and vehicles	-	351

*4 Breakdown of loss on retirement of non-current assets

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Buildings and structures	528	117
Machinery, equipment and vehicles	12,014	400
Other	3,340	0
Total	15,884	517

(Consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Valuation difference on available-for-sale securities		
Amount arising during the fiscal year	(415,228)	(464,545)
Reclassification adjustments	(114,578)	24,872
Before tax effect adjustments	(529,806)	(439,673)
Tax effects	162,120	134,540
Valuation difference on available-for-sale securities	(367,685)	(305,133)
Deferred gains or losses on hedges		
Amount arising during the fiscal year	(1,738)	100,903
Reclassification adjustments	-	-
Before tax effect adjustments	(1,738)	100,903
Tax effects	532	(30,876)
Deferred gains or losses on hedges	(1,206)	70,027
Foreign currency translation adjustment		
Amount arising during the fiscal year	(119,408)	702,761
Remeasurements of defined benefit plans, net of tax		
Amount arising during the fiscal year	48,820	232,098
Reclassification adjustments	38,933	23,575
Before tax effect adjustments	87,753	255,674
Tax effects	(26,852)	(78,236)
Remeasurements of defined benefit plans, net of tax	60,900	177,438
Total other comprehensive income	(427,400)	645,093

(Consolidated statements of changes in shareholders' equity)

Previous fiscal year (from January 1, 2020 to December 31, 2020)

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)	378,250	249,852	13,265	614,837

(Outline of reasons for changes)

- The increase was due to an increase of 352 shares from the purchase of shares less than one unit, and an increase of 249,500 shares from the purchase of treasury shares through an off-hour share repurchase transaction pursuant to the resolution of the Board of Directors meeting held on February 12, 2020.
- The decrease was due to a decrease of 112 shares from the sale of shares less than one unit, and a decrease of 13,153 shares from the disposal of treasury shares pursuant to the resolution of the Board of Directors meeting held on April 10, 2020, 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 26, 2020	Common stock	949,430	29	December 31, 2019	March 27, 2020
Board of Directors meeting held on August 5, 2020	Common stock	877,569	27	June 30, 2020	August 28, 2020

(2) Dividend for which the record date falls in the fiscal year under review 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 30, 2021	Common stock	Retained earnings	942,569	29	December 31, 2020	March 31, 2021

Current fiscal year (from January 1, 2021 to December 31, 2021)

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)	614,837	511	9,268	606,080

(Outline of reasons for changes)

- The increase is due to the purchase of shares less than one unit.
- The decrease is due to the disposal of treasury shares pursuant to the resolution of the Board of Directors meeting held on April 9, 2021, 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 30, 2021	Common stock	942,569	29	December 31, 2020	March 31, 2021
Board of Directors meeting held on August 6, 2021	Common stock	975,344	30	June 30, 2021	August 16, 2021

(2) Dividend for which the record date falls in the fiscal year under review 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, 2022	Common stock	Retained earnings	1,235,423	38	December 31, 2021	March 30, 2022

(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 (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Cash and deposits	12,345,024	13,350,147
Time deposits with deposit terms over three months	(37,432)	(37,512)
Cash and cash equivalents	12,307,591	13,312,634

(Lease transactions)

1. Operating lease transactions

(Lessor)

Remaining lease payments for non-cancelable operating lease transactions

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Within one year	222,009	326,159
Over one year	550,994	926,536
Total	773,004	1,252,695

(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.

Securities and investment securities are primarily shares of companies with which the Group has business relationships and held-to-maturity bonds, 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. The following tables do not include financial instruments whose market values are deemed extremely difficult to determine. (Please refer to (Note 2).)

Previous fiscal year (as of December 31, 2020)

(Thousand yen)

	Amounts in the consolidated balance sheets	Market value	Differences
(1) Cash and deposits	12,345,024	12,345,024	-
(2) Notes and accounts receivable - trade	4,199,283	4,199,283	-
(3) Investment securities	2,919,400	2,916,064	(3,336)
Total assets	19,463,707	19,460,371	(3,336)
(1) Accounts payable - trade	788,911	788,911	-
(2) Accounts payable - other	2,730,817	2,730,817	-
(3) Income taxes payable	1,104,850	1,104,850	-
Total liabilities	4,624,579	4,624,579	-

Current fiscal year (as of December 31, 2021)

(Thousand yen)

	Amounts in the consolidated balance sheets	Market value	Differences
(1) Cash and deposits	13,350,147	13,350,147	-
(2) Notes and accounts receivable - trade	4,673,258	4,673,258	-
(3) Securities	200,000	197,806	(2,194)
(4) Investment securities	1,582,207	1,582,207	-
Total assets	19,805,613	19,803,419	(2,194)
(1) Accounts payable - trade	936,108	936,108	-
(2) Accounts payable - other	3,495,694	3,495,694	-
(3) Income taxes payable	1,401,441	1,401,441	-
Total liabilities	5,833,244	5,833,244	-

(Note 1) Matters regarding the method to determine market value of financial instruments and securities

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable - trade

These items are settled within short periods and are recorded at their book value, because their market value approximates to their book value.

(3) Securities, and (4) Investment securities

The market value of shares is based on quoted market prices at stock exchanges, and the market value of bonds is determined based on the price provided by financial institutions, etc., with which the Group has business relationships. Please refer to "Securities" for notes on securities by holding purpose.

Liabilities

(1) Accounts payable - trade, (2) Accounts payable - other, and (3) Income taxes payable

These items are settled within short periods and are recorded at their book value, because their market value approximates to their book value.

(Note 2) Amounts in the consolidated balance sheets of financial instruments whose market values are deemed extremely difficult to determine

(Thousand yen)

Category	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Unlisted shares	16,250	28,400

These are not included in “(4) Investment securities,” since they have no market price and their market values are deemed extremely difficult to determine.

(Note 3) Scheduled redemption amounts of monetary claims and securities with a maturity period after the consolidated closing date
Previous fiscal year (as of December 31, 2020)

(Thousand yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	12,345,024	-	-	-
Notes and accounts receivable - trade	4,199,283	-	-	-
Securities and investment securities				
Held-to-maturity bonds				
(i) Bonds payable	-	-	200,000	-
(ii) Other	-	200,000	-	-
Total	16,544,307	200,000	200,000	-

Current fiscal year (as of December 31, 2021)

(Thousand yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	13,350,147	-	-	-
Notes and accounts receivable - trade	4,673,258	-	-	-
Securities and investment securities				
Held-to-maturity bonds				
(i) Bonds payable	-	-	-	-
(ii) Other	200,000	-	-	-
Total	18,223,405	-	-	-

(Securities)

1. Held-to-maturity bonds

Previous fiscal year (as of December 31, 2020)

(Thousand yen)

	Type	Amounts in the consolidated balance sheets	Market value	Differences
Bonds with the market value exceeding the amount in the consolidated balance sheets	(1) Government and local government bonds, etc.	-	-	-
	(2) Bonds payable	100,000	100,026	26
	(3) Other	-	-	-
	Subtotal	100,000	100,026	26
Bonds with the market value not exceeding the amount in the consolidated balance sheets	(1) Government and local government bonds, etc.	-	-	-
	(2) Bonds payable	100,000	99,916	(84)
	(3) Other	200,000	196,722	(3,278)
	Subtotal	300,000	296,638	(3,362)
Total		400,000	396,664	(3,336)

Current fiscal year (as of December 31, 2021)

(Thousand yen)

	Type	Amounts in the consolidated balance sheets	Market value	Differences
Bonds with the market value exceeding the amount in the consolidated balance sheets	(1) Government and local government bonds, etc.	-	-	-
	(2) Bonds payable	-	-	-
	(3) Other	-	-	-
	Subtotal	-	-	-
Bonds with the market value not exceeding the amount in the consolidated balance sheets	(1) Government and local government bonds, etc.	-	-	-
	(2) Bonds payable	-	-	-
	(3) Other	200,000	197,806	(2,194)
	Subtotal	200,000	197,806	(2,194)
Total		200,000	197,806	(2,194)

2. Available-for-sale securities

Previous fiscal year (as of December 31, 2020)

(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	2,191,764	1,494,554	697,210
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	2,191,764	1,494,554	697,210
Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost	(1) Shares	327,635	440,701	(113,065)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	327,635	440,701	(113,065)
Total		2,519,400	1,935,255	584,144

(Note) Unlisted shares (the amount in the consolidated balance sheets: 16,250 thousand yen) are not included in the available-for-sale securities in the table above, since they have no market price and their market values are deemed extremely difficult to determine.

Current fiscal year (as of December 31, 2021)

(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	1,581,665	1,437,118	144,546
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	1,581,665	1,437,118	144,546
Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost	(1) Shares	542	618	(76)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	542	618	(76)
Total		1,582,207	1,437,736	144,470

(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 have no market price and their market values are deemed extremely difficult to determine.

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

Previous fiscal year (from January 1, 2020 to December 31, 2020)

(Thousand yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	619,587	114,578	-
(2) Bonds	-	-	-
(3) Other	-	-	-
Total	619,587	114,578	-

Current fiscal year (from January 1, 2021 to December 31, 2021)

(Thousand yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	472,646	19,087	43,959
(2) Bonds	200,000	-	-
(3) Other	-	-	-
Total	672,646	19,087	43,959

(Note) The sales amount in the above table represents the amount of redemption.

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, 2020)

The Company engages in forward exchange contracts for currency-related transactions. However, this information is omitted due to lack of materiality.

Current fiscal year (as of December 31, 2021)

The Company engages in forward exchange contracts for currency-related transactions. However, this information is omitted due to lack of materiality.

(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 (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Balance of retirement benefit obligations at the beginning of the fiscal year	2,522,792	2,634,269
Service cost	189,121	202,157
Interest cost	12,613	13,171
Actuarial gains and losses generated	16,444	12,347
Retirement benefits paid	(106,702)	(90,821)
Balance of retirement benefit obligations at the end of the fiscal year	2,634,269	2,771,124

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

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Balance of plan assets at the beginning of the fiscal year	2,678,625	2,841,744
Expected return on plan assets	66,965	71,043
Actuarial gains and losses generated	65,265	244,445
Contribution from the employer	137,592	143,251
Retirement benefits paid	(106,702)	(90,821)
Balance of plan assets at the end of the fiscal year	2,841,744	3,209,664

(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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Retirement benefit obligations of funded plans	2,634,269	2,771,124
Plan assets	(2,841,744)	(3,209,664)
Net liabilities and assets recorded in the consolidated balance sheets	(207,475)	(438,540)
Net defined benefit asset	(207,475)	(438,540)
Net liabilities and assets recorded in the consolidated balance sheets	(207,475)	(438,540)

(4) Retirement benefit expenses and breakdown thereof

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Service cost	189,121	202,157
Interest cost	12,613	13,171
Expected return on plan assets	(66,965)	(71,043)
Amortization of actuarial gains and losses	38,933	23,575
Retirement benefit expenses for defined benefit plans	173,703	167,860

(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 (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Actuarial gains and losses	(87,753)	(255,674)
Total	(87,753)	(255,674)

(6) Remeasurements of defined benefit plans

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Unrecognized actuarial gains and losses	(654)	255,020
Total	(654)	255,020

(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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Japanese bonds	23%	20%
Japanese shares	24%	25%
Foreign bonds	12%	12%
Foreign shares	24%	25%
Other	17%	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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Discount rate	0.5%	0.5%
Expected long-term rate of return on plan assets	2.5%	2.5%
Expected rate of increase in salary	4.7%	4.7%

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 (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Balance of net defined benefit liability at the beginning of the fiscal year	4,290	5,216
Retirement benefit expenses	1,122	2,529
Translation gains or losses	(196)	7
Balance of net defined benefit liability at the end of the fiscal year	5,216	7,753

(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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Retirement benefit obligations of unfunded plans	5,216	7,753
Net liabilities and assets recorded in the consolidated balance sheets	5,216	7,753
Net defined benefit liability	5,216	7,753
Net liabilities and assets recorded in the consolidated balance sheets	5,216	7,753

(3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method: Previous fiscal year: 1,122 thousand yen
Current fiscal year: 2,529 thousand yen

4. Defined contribution plans

The required amount of contributions to defined contribution plans of the Company and its consolidated subsidiaries are 85,079 thousand yen for the previous fiscal year and 89,532 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 169,437 thousand yen for the previous fiscal year and 176,159 thousand yen for the current fiscal year.

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

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Amount of plan assets	13,846,426	15,897,847
Aggregate actuarial obligation under pension finance calculation and minimum reserve	18,545,691	19,938,577
Difference	(4,699,265)	(4,040,730)

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

Previous fiscal year: 10.9% (as of December 31, 2020)
Current fiscal year: 10.9% (as of December 31, 2021)

(3) Supplementary explanation

Major factors for the difference in (1) above are the balance of past service liabilities under pension finance calculation (8,776,245 thousand yen for the previous fiscal year, 7,918,856 thousand yen for the current fiscal year) and the general reserve (4,076,980 thousand yen for the previous fiscal year, 3,878,126 thousand yen for the current fiscal year). Past service liabilities under the plan are amortized using the straight-line method over a period of 8 years. The Company has amortized special contribution in the consolidated financial statements (115,764 thousand yen in the previous fiscal year, 119,873 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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Deferred tax assets		
Tax loss carryforward (Note)	151,610	160,145
Provision for bonuses	132,372	154,722
Loss on valuation of inventories	19,788	27,056
Accrued enterprise tax and business office tax	77,000	84,449
Accrued social insurance premiums	19,733	23,192
Unrealized income on inventories	165,699	270,895
Depreciation	236,473	231,677
Asset retirement obligations	157,623	175,025
Allowance for doubtful accounts	18,948	15,726
Net defined benefit liability	1,043	1,550
Loss on valuation of investment securities	1,145	43
Retirement benefits for directors (and other officers)	3,905	3,905
Other	97,503	155,629
Subtotal deferred tax assets	1,082,847	1,304,019
Valuation allowance for tax loss carryforward (Note)	(151,610)	(160,145)
Valuation allowance for aggregate deductible temporary differences	(30,627)	(28,545)
Subtotal valuation allowance	(182,238)	(188,691)
Total deferred tax assets	900,609	1,115,329
Deferred tax liabilities		
Net defined benefit asset	(63,487)	(134,193)
Retirement cost for asset retirement obligations	(114,445)	(118,568)
Valuation difference on available-for-sale securities	(178,748)	(44,208)
Retained earnings of overseas subsidiaries	(147,308)	(208,844)
Other	(3,861)	(32,164)
Total deferred tax liabilities	(507,850)	(537,979)
Net deferred tax assets (liabilities)	392,758	577,349

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

Previous fiscal year (as of December 31, 2020)

(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	-	-	-	-	7,725	143,884	151,610
Valuation allowance	-	-	-	-	(7,725)	(143,884)	(151,610)
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, 2021)

(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	-	-	-	8,733	7,164	144,248	160,145
Valuation allowance	-	-	-	(8,733)	(7,164)	(144,248)	(160,145)
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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Effective statutory tax rate (Adjustments)	30.6%	30.6%
Items permanently excluded from deductible expenses such as entertainment expenses	1.0%	0.8%
Inhabitant tax on per capita basis	0.4%	0.4%
Experimentation and research expenses tax credit	(4.2)%	(3.2)%
Salary increase tax credits	-%	(0.6)%
Other	0.8%	0.4%
Income tax rate after applying tax effect accounting	28.6%	28.4%

(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 (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Balance at the beginning of the fiscal year	505,563	546,954
Increase due to the acquisition of property, plant and equipment	41,391	61,184
Adjustments due to passage of time	0	0
Balance at the end of the fiscal year	546,954	608,139

(Real estate for lease, etc.)

Not applicable.

(Revenue recognition)

The Group engages in manufacture and sales of cosmetic products. The Company recognizes revenue at the amount expected to receive in exchange for promised goods at the time of transfer of control of such goods to the customer. The Company deems that the customer obtains control at the time of shipment or delivery.

The revenue is measured at the amount of the promised consideration in the contract concluded with the customer less rebates and returns, etc.

(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, 2020 to December 31, 2020)

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	21,135,444	12,594,137	1,372,412	360,806	262,268	35,725,069

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	Other	Total
29,880,790	5,844,278	35,725,069

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

(2) Property, plant and equipment

This information is omitted since the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Thousand yen)

Name of customer	Net sales
Topy Co., Ltd.	4,107,661
GAMO Co., Ltd.	3,222,679
BIC HOLDINGS Inc.	3,165,648

(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, 2021 to December 31, 2021)

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	24,466,607	14,813,209	1,449,411	579,594	273,444	41,582,267

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	Other	Total
33,643,710	7,938,557	41,582,267

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

(2) Property, plant and equipment

This information is omitted since the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Thousand yen)

Name of customer	Net sales
Topy Co., Ltd.	4,532,368
GAMO Co., Ltd.	3,628,949
BIC HOLDINGS Inc.	3,194,447

(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, 2020 to December 31, 2020)

Not applicable.

Current fiscal year (from January 1, 2021 to December 31, 2021)

Not applicable.

(Per share information)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Net assets per share (yen)	1,117.10	1,236.41
Basic earnings per share (yen)	129.24	157.17

(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 (from January 1, 2020 to December 31, 2020)	Current fiscal year (from January 1, 2021 to December 31, 2021)
Profit attributable to owners of parent (thousand yen)	4,204,139	5,109,288
Amount not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent related to common stock (thousand yen)	4,204,139	5,109,288
Average number of shares of common stock during the period (shares)	32,529,606	32,508,933

(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 (Thousand yen)	Balance at end of period (Thousand yen)	Average interest rate (%)	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	75,733	75,448	0.002	-
Total	75,733	75,448	-	-

(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)	8,989,268	19,558,798	29,718,991	41,582,267
Profit before income taxes (Thousand yen)	1,502,434	3,374,032	5,246,228	7,133,401
Profit attributable to owners of parent (Thousand yen)	1,091,229	2,413,196	3,725,324	5,109,288
Basic earnings per share (Yen)	33.57	74.24	114.60	157.17

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings per share (Yen)	33.57	40.66	40.36	42.57

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	8,927,272	10,505,512
Notes receivable - trade	*2 195,727	*2 180,771
Accounts receivable - trade	*1 4,099,817	*1 5,211,564
Securities	-	200,000
Merchandise and finished goods	2,959,671	3,031,256
Work in process	45,990	41,084
Raw materials and supplies	1,014,557	1,136,801
Prepaid expenses	145,004	144,426
Other	*1 145,198	*1 192,779
Total current assets	17,533,239	20,644,197
Non-current assets		
Property, plant and equipment		
Buildings	6,149,555	6,085,512
Structures	112,080	103,558
Machinery and equipment	1,858,386	1,836,420
Vehicles	3,047	14,174
Tools, furniture and fixtures	546,672	628,788
Land	4,879,893	4,879,893
Construction in progress	18,700	153,740
Total property, plant and equipment	13,568,336	13,702,088
Intangible assets		
Software	1,059,127	1,151,587
Other	48,481	134,030
Total intangible assets	1,107,609	1,285,618

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Investments and other assets		
Investment securities	2,935,650	1,610,607
Shares of subsidiaries and associates	1,995,246	1,995,246
Investments in capital of subsidiaries and associates	2,273,400	3,838,000
Long-term loans receivable from employees	1,020	750
Long-term loans receivable from subsidiaries and associates	643,985	740,030
Prepaid pension costs	208,129	183,519
Deferred tax assets	497,671	728,547
Other	944,928	1,041,044
Allowance for doubtful accounts	(58,381)	(48,387)
Total investments and other assets	9,441,649	10,089,358
Total non-current assets	24,117,596	25,077,064
Total assets	41,650,835	45,721,261
Liabilities		
Current liabilities		
Accounts payable - trade	*1 836,273	*1 989,613
Accounts payable - other	*1 2,620,248	*1 3,273,075
Accrued expenses	407,948	431,993
Income taxes payable	1,040,628	1,332,777
Advances received	1,306	5,125
Deposits received	251,795	268,641
Provision for bonuses	411,799	480,844
Other	245,202	162,971
Total current liabilities	5,815,202	6,945,041
Non-current liabilities		
Asset retirement obligations	515,033	571,978
Other	77,472	75,448
Total non-current liabilities	592,505	647,426
Total liabilities	6,407,707	7,592,467

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus		
Legal capital surplus	199,120	199,120
Other capital surplus	23,370	47,179
Total capital surplus	222,490	246,299
Retained earnings		
Legal retained earnings	300,880	300,880
Other retained earnings		
General reserve	3,500,000	3,500,000
Retained earnings brought forward	30,924,514	33,992,924
Total retained earnings	34,725,394	37,793,804
Treasury shares	(2,108,947)	(2,080,393)
Total shareholders' equity	34,838,937	37,959,710
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	405,396	100,262
Deferred gains or losses on hedges	(1,206)	68,821
Total valuation and translation adjustments	404,189	169,083
Total net assets	35,243,127	38,128,794
Total liabilities and net assets	41,650,835	45,721,261

2) Statements of Earnings

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Net sales	*1 33,651,807	*1 39,237,623
Cost of sales	*1 12,706,887	*1 14,828,677
Gross profit	20,944,920	24,408,945
Selling, general and administrative expenses	*1, *2 14,806,785	*1, *2 16,950,535
Operating income	6,138,134	7,458,410
Non-operating income		
Interest and dividend income	*1 59,122	*1 43,230
Miscellaneous income	*1 90,388	*1 133,867
Total non-operating income	149,511	177,098
Non-operating expenses		
Sales discounts	622,782	704,715
Miscellaneous losses	80,803	2,404
Total non-operating expenses	703,586	707,120
Ordinary income	5,584,059	6,928,387
Extraordinary income		
Gain on sales of non-current assets	52	56
Gain on sales of investment securities	114,578	19,087
Total extraordinary income	114,631	19,143
Extraordinary losses		
Loss on retirement of non-current assets	14,682	517
Loss on valuation of shares of subsidiaries and associates	386,837	43,959
Total extraordinary losses	401,520	44,477
Profit before income taxes	5,297,170	6,903,054
Income taxes - current	1,612,720	2,043,942
Income taxes - deferred	(157,625)	(127,211)
Total income taxes	1,455,094	1,916,730
Profit	3,842,075	4,986,323

Schedule of manufacturing costs

Category	Note	Previous fiscal year (From January 1, 2020 to December 31, 2020)		Current fiscal year (From January 1, 2021 to December 31, 2021)	
		Amount (Thousand yen)	Ratio (%)	Amount (Thousand yen)	Ratio (%)
I. Cost of raw materials		7,044,150	65.4	8,211,825	68.7
II. Cost of outsourced processing		1,376,965	12.8	1,390,343	11.6
III. Labor cost		1,021,333	9.5	975,609	8.2
(Provision for bonuses)		(60,657)		(65,006)	11.5
IV. Expenses		1,320,568	12.3	1,367,462	
(Depreciation)		(680,466)		(729,431)	
(Repair expenses)		(108,155)		(111,417)	
(Utility expenses)		(87,988)		(89,284)	
(Supplies expenses)		(88,067)		(95,680)	
Gross manufacturing cost for the fiscal year		10,763,018	100.0	11,945,240	100.0
Beginning of work in process		34,781		45,990	
Total		10,797,799		11,991,230	
Transfer to other account	*1	15,357		63,183	
Ending of work in process		45,990		41,084	
Cost of products manufactured		10,736,451		11,886,963	

(Footnote)

Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)														
<p>*1 Breakdown of the transfer to other account is as follows:</p> <table> <tr> <td>Research and development expenses</td> <td>11,672 thousand yen</td> </tr> <tr> <td>Other</td> <td>3,685 thousand yen</td> </tr> <tr> <td><u>Total</u></td> <td><u>15,357 thousand yen</u></td> </tr> </table>	Research and development expenses	11,672 thousand yen	Other	3,685 thousand yen	<u>Total</u>	<u>15,357 thousand yen</u>	<p>*1 Breakdown of the transfer to other account is as follows:</p> <table> <tr> <td>Promotion expenses</td> <td>56,604 thousand yen</td> </tr> <tr> <td>Research and development expenses</td> <td>6,174 thousand yen</td> </tr> <tr> <td>Other</td> <td>404 thousand yen</td> </tr> <tr> <td><u>Total</u></td> <td><u>63,183 thousand yen</u></td> </tr> </table>	Promotion expenses	56,604 thousand yen	Research and development expenses	6,174 thousand yen	Other	404 thousand yen	<u>Total</u>	<u>63,183 thousand yen</u>
Research and development expenses	11,672 thousand yen														
Other	3,685 thousand yen														
<u>Total</u>	<u>15,357 thousand yen</u>														
Promotion expenses	56,604 thousand yen														
Research and development expenses	6,174 thousand yen														
Other	404 thousand yen														
<u>Total</u>	<u>63,183 thousand yen</u>														
<p>2. Method of calculation of costs</p> <p>The continuous process cost system is adopted.</p>	<p>2. Method of calculation of costs</p> <p>Same as the previous fiscal year</p>														

3) Statements of Changes in Shareholders' Equity

Previous fiscal year (from January 1, 2020 to December 31, 2020)

(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	1,622	200,742	300,880	3,500,000	28,909,439	32,710,319
Changes of items during period								
Dividends of surplus							(1,827,000)	(1,827,000)
Profit							3,842,075	3,842,075
Purchase of treasury shares								
Disposal of treasury shares			21,748	21,748				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	21,748	21,748	-	-	2,015,075	2,015,075
Balance at end of period	2,000,000	199,120	23,370	222,490	300,880	3,500,000	30,924,514	34,725,394

	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	(563,197)	34,347,864	773,082	-	773,082	35,120,946
Changes of items during period						
Dividends of surplus		(1,827,000)				(1,827,000)
Profit		3,842,075				3,842,075
Purchase of treasury shares	(1,591,235)	(1,591,235)				(1,591,235)
Disposal of treasury shares	45,485	67,233				67,233
Net changes of items other than shareholders' equity			(367,685)	(1,206)	(368,892)	(368,892)
Total changes of items during period	(1,545,750)	491,073	(367,685)	(1,206)	(368,892)	122,180
Balance at end of period	(2,108,947)	34,838,937	405,396	(1,206)	404,189	35,243,127

Current fiscal year (from January 1, 2021 to December 31, 2021)

(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	23,370	222,490	300,880	3,500,000	30,924,514	34,725,394
Changes of items during period								
Dividends of surplus							(1,917,914)	(1,917,914)
Profit							4,986,323	4,986,323
Purchase of treasury shares								
Disposal of treasury shares			23,809	23,809				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	23,809	23,809	-	-	3,068,409	3,068,409
Balance at end of period	2,000,000	199,120	47,179	246,299	300,880	3,500,000	33,992,924	37,793,804

	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	(2,108,947)	34,838,937	405,396	(1,206)	404,189	35,243,127
Changes of items during period						
Dividends of surplus		(1,917,914)				(1,917,914)
Profit		4,986,323				4,986,323
Purchase of treasury shares	(3,244)	(3,244)				(3,244)
Disposal of treasury shares	31,798	55,608				55,608
Net changes of items other than shareholders' equity			(305,133)	70,027	(235,105)	(235,105)
Total changes of items during period	28,553	3,120,772	(305,133)	70,027	(235,105)	2,885,666
Balance at end of period	(2,080,393)	37,959,710	100,262	68,821	169,083	38,128,794

Notes to the Financial Statements

(Significant accounting policies)

1. Valuation standards and methods for assets

(1) Valuation standard and method for securities

(i) Held-to-maturity bonds

Stated using the amortized cost method

(ii) Shares of subsidiaries and shares of associates

Stated at cost using the moving-average method

(iii) Available-for-sale securities

With market value

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)

Market value not available

Stated at cost using the moving-average method

(2) Valuation standards and methods for inventories

(i) Merchandise

Stated at cost using the first-in first-out 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: 31 to 50 years

Machinery and equipment: 8 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 (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 Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018), and recognized revenue at the amount expected to receive in exchange for promised goods or services at the time of transfer of control of such goods or services to the customer.

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

(1) 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.

(2) Accounting method for consumption taxes, etc.

Consumption taxes, etc., are accounted for by the tax exclusion method.

(Significant accounting estimates)

Valuation of merchandise and finished goods

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

Merchandise and finished goods: 3,031,256 thousand yen

The above figure represents the amount after deducting 78,046 thousand yen 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 recognized as long-term overdue, the planned annual 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 inventories exceeding the planned shipment volume for a certain period is written down. Even in the case in which the inventory volume does not exceed the planned shipment volume for a certain period, if actual sales significantly deviate from planned sales, the necessity of write-down is examined for individual cases.

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.

(Changes in presentation methods)

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the current fiscal year, and provided notes concerning accounting estimates for the financial statements.

(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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Shot-term monetary receivables	233,030	643,962
Shot-term monetary payables	168,547	217,957

*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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Notes receivable - trade	89,335	88,450

(Statements of earnings)

*1 Transactions with subsidiaries and associates

(Thousand yen)

	Previous fiscal year (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Amount of operating transactions		
Net sales	2,905,205	4,691,979
Purchase amount	1,532,941	2,300,470
Other	1,665	15,324
Amount of non-operating transactions	17,652	49,291

*2 Approximate ratios of expenses included in selling expenses are 9.6% for the previous fiscal year and 9.7% for the current fiscal year, and those included in general and administrative expenses are 90.4% for the previous fiscal year and 90.3% 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 (From January 1, 2020 to December 31, 2020)	Current fiscal year (From January 1, 2021 to December 31, 2021)
Remuneration, salaries and allowances	4,305,863	4,598,139
Logistics expenses	1,923,405	2,858,206
Research and development expenses	1,581,055	1,744,223
Promotion expenses	733,819	829,828
Depreciation	685,334	778,770
Provision for bonuses	287,194	346,719
Retirement benefit expenses	289,306	293,508
Provision of allowance for doubtful accounts	-	115

(Securities)

Previous fiscal year (as of December 31, 2020)

The description of shares of subsidiaries and shares of associates (amounts in the balance sheets: 1,946,246 thousand yen of shares of subsidiaries, 2,273,400 thousand yen of investments in capital of subsidiaries and associates, and 49,000 thousand yen of shares of associates) is omitted, since they have no market price and their market values are deemed extremely difficult to determine.

Current fiscal year (as of December 31, 2021)

The description of shares of subsidiaries and shares of associates (amounts in the balance sheets: 1,946,246 thousand yen of shares of subsidiaries, 3,838,000 thousand yen of investments in capital of subsidiaries and associates, and 49,000 thousand yen of shares of associates) is omitted, since they have no market price and their market values are deemed extremely difficult to determine.

(Tax effect accounting)

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Deferred tax assets		
Provision for bonuses	126,010	147,138
Loss on valuation of inventories	16,932	23,882
Accrued enterprise tax and business office tax	77,000	84,449
Accrued social insurance premiums	19,733	23,192
Depreciation	236,356	231,209
Allowance for doubtful accounts	17,864	14,806
Loss on valuation of investment securities	1,145	43
Loss on valuation of shares of subsidiaries and associates	179,738	179,738
Retirement benefits for directors (and other officers)	3,905	3,905
Asset retirement obligations	157,600	175,025
Restricted share-based compensation	15,304	33,167
Performance-linked compensation	-	30,420
Other	2,962	30,846
Total deferred tax assets	854,552	977,825
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(178,748)	(44,208)
Deferred gains or losses on hedges	-	(30,344)
Retirement cost for asset retirement obligations	(114,445)	(118,568)
Prepaid pension costs	(63,687)	(56,157)
Total deferred tax liabilities	(356,880)	(249,278)
Net deferred tax assets (liabilities)	497,671	728,547

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 (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Items permanently excluded from deductible expenses such as entertainment expenses	1.1%	0.9%
Inhabitant tax on per capita basis	0.5%	0.4%
Experimentation and research expenses tax credit	(4.6)%	(3.3)%
Salary increase tax credits	-%	(0.6)%
Other	(0.1)%	(0.2)%
Income tax rate after applying tax effect accounting	27.5%	27.8%

(Revenue recognition)

The Company engages in manufacture and sales of cosmetic products. The Company recognizes revenue at the amount expected to receive in exchange for promised goods at the time of transfer of control of such goods to the customer. The Company deems that the customer obtains control at the time of shipment or delivery.

The revenue is measured at the amount of the promised consideration in the contract concluded with the customer less rebates and returns, etc.

(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	6,149,555	336,129	117	400,055	6,085,512	5,306,103
	Structures	112,080	7,851	-	16,372	103,558	256,470
	Machinery and equipment	1,858,386	478,689	400	500,255	1,836,420	5,184,265
	Vehicles	3,047	14,254	0	3,126	14,174	34,090
	Tools, furniture and fixtures	546,672	356,951	0	274,835	628,788	2,238,707
	Land	4,879,893	-	-	-	4,879,893	-
	Construction in progress	18,700	556,767	421,727	-	153,740	-
	Total	13,568,336	1,750,642	422,244	1,194,645	13,702,088	13,019,636
Intangible assets	Software	1,059,127	532,281	-	439,822	1,151,587	2,515,697
	Other	48,481	456,732	370,851	332	134,030	8,927
	Total	1,107,609	989,014	370,851	440,154	1,285,618	2,524,625

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

1. Major components of an increase in buildings of 336,129 thousand yen are 187,434 thousand yen of construction work for the new establishment of the Aoyama Sales Office, 41,368 thousand yen of air conditioning equipment construction work at the Yumegaoka Factory, and 12,390 thousand yen of interior construction at the Jingumae Sales Office.
2. A major component of an increase in machinery and equipment of 478,689 thousand yen is 477,921 thousand yen of cosmetics products production facilities at the Yumegaoka Factory.
3. A major component of an increase in tools, furniture and fixtures of 356,951 thousand yen is 45,691 thousand yen of fixtures associated with the new establishment of the Aoyama Sales Office.
4. A major component of an increase in construction in progress of 556,767 thousand yen is 245,996 thousand yen of expenses associated with the new establishment of the Aoyama Sales Office.
5. A major component of a decrease in construction in progress of 421,727 thousand yen is 252,596 thousand yen of transfer associated with the new establishment of the Aoyama Sales Office.
6. Major components of an increase in software of 532,281 thousand yen are 142,000 thousand yen for establishing the platform of the Milbon Digital Arena, 78,997 thousand yen for establishing the EC website, 51,405 thousand yen for building the education:iD, and 40,950 thousand yen for establishing the platform for beauty salons.

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	58,381	115	10,108	48,387
Provision for bonuses	411,799	480,844	411,799	480,844

(2) Components of major assets and liabilities

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

(3) Others

Not applicable.