



Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese GAAP]

February 14, 2023

Tokyo Stock Exchange, Prime Market

Name of registrant: Milbon Co., Ltd.
Code No.: 4919 URL <https://www.milbon.com/en/>
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Scheduled date of ordinary general meeting of shareholders: March 29, 2023
Scheduled date to submit securities report: March 29, 2023
Scheduled starting date of dividend payments: March 30, 2023
Preparation of supplementary materials on the Consolidated Financial Results: Yes
Holding of an explanatory meeting on the Consolidated Financial Results: Yes (For institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended December 31, 2022 (January 1, 2022 - December 31, 2022)

(1) Consolidated operating results

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2022	45,238	-	7,551	-	7,829	9.4	5,577	9.2
Year ended December 31, 2021	41,582	16.4	7,817	22.3	7,158	23.6	5,109	21.5

Note: Comprehensive income Year ended December 31, 2022: 6,253 million yen [8.7%] Year ended December 31, 2021: 5,754 million yen [52.4%]

	Basic earnings per share	Diluted earnings per share	Return on equity (ROE)	Return on assets (ROA)	Operating income ratio
	Yen	Yen	%	%	%
Year ended December 31, 2022	171.49	-	13.2	15.5	16.7
Year ended December 31, 2021	157.17	-	13.4	15.7	18.8

(Reference) : Equity in earnings (losses) of affiliates Year ended December 31, 2022: (112) million yen Year ended December 31, 2021: (151) million yen

Note: From the beginning of the fiscal year, sales discounts, previously included as non-operating expenses, are deducted from net sales. As a result, the Company has determined that year-on-year comparisons of net sales and operating income may be misleading. Accordingly, the percentage of year-on-year changes in net sales and operating income are not indicated in the above table. (Ordinary income and profit attributable to owners of parent remain unchanged.) If the figures for the previous fiscal year were on the same basis as for the current fiscal year, net sales for the fiscal year would increase 10.7%, and operating income would increase 6.6%. Please refer to the Financial Results Presentation Materials for details.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	52,760	43,991	83.4	1,352.52
As of December 31, 2021	48,238	40,197	83.3	1,236.41

(Reference) Equity As of December 31, 2022: 43,991 million yen As of December 31, 2021: 40,197 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended December 31, 2022	5,008	(3,865)	(2,578)	12,258
Year ended December 31, 2021	6,636	(3,995)	(1,919)	13,312

2. Payment of dividends

	Annual dividends					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividends on equity (DOE) (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of fiscal year	Total			
	Yen	Yen	Yen	Yen	Yen			
Year ended December 31, 2021	-	30.00	-	38.00	68.00	2,210	43.3	5.8
Year ended December 31, 2022	-	40.00	-	46.00	86.00	2,797	50.2	6.6
Year ending December 31, 2023 (forecast)	-	40.00	-	48.00	88.00		49.3	

3. Consolidated operating forecasts for the fiscal year ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending December 31, 2023	49,200	8.8	8,300	9.9	8,250	5.4	5,800	4.0	178.34

*Notes

(1) Significant changes in subsidiaries during the period

(changes in specified subsidiaries resulting in the change in the scope of consolidation) : Yes

New: 1 company (Company name: Milbon Europe GmbH) Exclude: 0 companies (Company name:)

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements

1) Changes in accounting policies due to amendment to the accounting standards, etc. : Yes

2) Changes in accounting policies other than those in 1) above : Yes

3) Changes in accounting estimates : None

4) Retrospective restatements : None

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

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

3) Average number of shares during the period

As of December 31, 2022	33,117,234 shares	As of December 31, 2021	33,117,234 shares
As of December 31, 2022	591,511 shares	As of December 31, 2021	606,080 shares
Year ended December 31, 2022	32,521,551 shares	Year ended December 31, 2021	32,508,933 shares

*These financial statements are not subject to the review by a certified public accountant or an audit corporation.

*Explanation on the appropriate use of operating forecasts and other special instructions

Operating forecasts and other statements regarding the future presented in these materials are based on information currently available and certain assumptions deemed to be reasonable, and actual performance may differ substantially due to various factors.

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1. Qualitative Information on Consolidated Results for the Current Period

(1) Explanation of Operating Results

① Overview

Throughout the fiscal year, the Japanese economy exhibited moderate recovery, despite the impact of factors such as rising resource prices. This was fueled by the progress made in balancing COVID-19 restrictions and economic activities. However, the outlook remains highly uncertain due to various trends, such as rising prices, the slowdown of overseas economies, and the spread of infectious diseases both in Japan and abroad.

Despite fluctuations in the number of COVID-19 patients, the impact on the salon market as a whole was minimal. Against this backdrop, sales by category saw a significant increase in hair coloring products, particularly in bleach-on-color and other double-process coloring, which became increasingly popular among a wide range of age groups, especially young people. Sales of hair care products, especially premium brands, also grew strongly, reflecting the importance placed on maintaining the beauty of hair with hair colors.

Overseas markets saw growth in net sales, mainly due to strong performance in South Korea and the United States, despite the economic stagnation caused by China's Zero-COVID policy and the market turmoil resulting from the sharp increase in COVID-19 cases at the end of 2022.

As a result, consolidated net sales for the fiscal year amounted to 45,238 million yen, with operating income reaching 7,551 million yen, ordinary income 7,829 million yen (up 9.4% YoY), and profit attributable to owners of the parent 5,577 million yen (up 9.2% YoY).

Note: Effective from the beginning of the current fiscal year, sales discounts, which were previously non-operating expenses, are deducted from net sales. As a result, the Company has determined that year-on-year comparisons of net sales and operating income may be misleading. Accordingly, the percentage of year-on-year changes in net sales and operating income are not indicated. (Ordinary income and profit attributable to owners of parent remain unchanged.) If the previous fiscal year's figures were calculated using the same method as the current fiscal year, net sales and operating income would have increased by 10.7% and 6.6%, respectively, in this fiscal year. Please refer to the Financial Results Presentation Materials for details.

Breakdown of net sales by product category and breakdown of net sales into domestic and overseas sales are shown below:

[Breakdown of consolidated net sales by product category]

(Unit: Million yen)

Product category	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	24,466	58.8	26,312	58.2	-	-
Hair coloring products	14,813	35.6	16,631	36.7	-	-
Permanent wave products	1,449	3.5	1,450	3.2	-	-
Cosmetic products	579	1.4	572	1.3	-	-
Other	273	0.7	272	0.6	-	-
Total	41,582	100.0	45,238	100.0	-	-

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	33,643	80.9	35,334	78.1	-	-
Overseas sales	7,938	19.1	9,904	21.9	-	-
Total	41,582	100.0	45,238	100.0	-	-

Note: : Effective from the beginning of the current fiscal year, sales discounts, which were previously non-operating expenses, are deducted from net sales. As a result, the Company has determined that year-on-year comparisons of net sales and operating income may be misleading. Accordingly, the percentage of year-on-year changes in net sales and operating income are not

indicated. Please refer to the Financial Results Presentation Materials for details on the calculation of the figures for the previous fiscal year using the same method as for the current fiscal year.

② Outlook for fiscal year 2023

The outlook for the economic environment is uncertain due to the prolonged situation in Ukraine and the impact of rising energy costs and high prices, although a pick-up is expected, mainly in consumption activities, due to developments in social and economic activities and the effects of various policies.

Under these circumstances, we are proceeding with a medium-term management plan (2022-2026). In the global market, we will promote a global strategy that is conscious of the seven regions. In the domestic market, we will promote the 2 major strategies of "Smart Salon Strategy" and "Beauty Life Care Strategy" in order to realize the "Beauty Platform Plan," which is a reformation of the ideal form of salons. At the same time, we will continue to promote initiatives aimed at realizing the Five Key Challenges of our Sustainability Commitment and work to resolve social issues.

For the next fiscal year, the Group forecasts Net sales of 49.2 billion yen, up 8.8% year on year, Operating income of 8.3 billion yen, up 9.9%, and Ordinary income of 8.25 billion yen, up 5.4%, and Profit attributable to owners of parent of 5.8 billion yen, up 4.0%.

(2) Explanation of Financial Position

① Assets, liabilities and net assets

Total assets at the end of the fiscal year increased by 4,521 million yen from the end of the previous fiscal year to 52,760 million yen.

Current assets increased by 1,797 million yen from the end of the previous fiscal year to 26,698 million yen. The main factors for the change were decreases of 1,050 million yen in Cash and deposits, and increases of 582 million yen in Notes and accounts receivable - trade, 1,781 million yen in Merchandise and finished goods, and 638 million yen in Raw materials and supplies.

Non-current assets increased by 2,724 million yen from the end of the previous fiscal year to 26,061 million yen. This was mainly due to an increase in Land of 1,457 million yen associated with the purchase of land for the Training Center.

Current liabilities increased by 685 million yen from the end of the previous fiscal year to 7,996 million yen. The main factor for the change was an increase of 526 million yen in Accounts payable - other.

Non-current liabilities increased by 41 million yen from the end of the previous fiscal year to 772 million yen.

Net assets increased by 3,794 million yen from the end of the previous fiscal year to 43,991 million yen. The main factors for the change were increases of 3,040 million yen in Retained earnings and 915 million yen in Foreign currency translation adjustment due to the depreciation of the yen.

As a result, the equity ratio changed from 83.3% at the end of the previous fiscal year to 83.4%. Net assets per share based on the total number of shares outstanding at the end of the period were 1,352.52 yen, compared with 1,236.41 yen at the end of the previous fiscal year.

② Cash flows

Cash and cash equivalents (hereinafter, "funds") at the end of the current fiscal year decreased by 1,054 million yen from the end of the previous fiscal year to 12,258 million yen.

The status of cash flows during the current fiscal year and the factors responsible are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 5,008 million yen. This was mainly due to Profit before income taxes of 7,823 million yen, Depreciation of 2,080 million yen, Share of loss of entities accounted for using equity method of 112 million yen, an Increase in notes and accounts receivable-trade of 546 million yen, an Increase in inventories of 2,148 million yen, and Income taxes paid of 2,456 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 3,865 million yen. This was mainly due to Purchase of property, plant and equipment of 3,061 million yen and Purchase of intangible assets of 761 million yen, which were Proceeds from redemption of investment securities of 200 million yen and Payments for guarantee deposits of 285 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 2,578 million yen. This was mainly due to Cash dividends paid of 2,534 million yen.

(Reference) Cash flow-related indicators

	Year ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022
Equity ratio	83.6	85.6	84.3	83.3	83.4
Equity ratio based on market value (%)	369.2	484.3	495.7	384.2	352.6
Interest-bearing debt to cash flows ratio (%)	1.2	1.7	1.6	1.7	1.5

Note: Equity ratio: Equity capital/Total assets

Equity ratio based on market value: Total market capitalization/total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt/cash flows

- * All indicators were calculated using consolidated financial statements.
- * Total market capitalization was calculated by multiplying the closing stock price at the end of the period by the total number of outstanding shares at the end of the period (excluding treasury shares).
- * Cash flows were shown as an operating cash flow in the consolidated statements of cash flows.
- * Interest-bearing debt refers to all debt posted in the balance sheets upon which interest is paid. The amount of interest paid in the consolidated statements of cash flows was treated as an interest payment in the calculations above.
- * Interest-coverage ratio is not shown due to the fact that there were no interest payments.

(3) Basic Policy on the Distribution of Profit and Dividends for the Current Fiscal Year and the Following Fiscal Year

The Group places high importance on returning profits to shareholders and has a policy of paying dividends in accordance with operating results. We also maintain internal reserves to improve earnings in the future. In addition, we have set a target payout ratio of 50%. The Board of Directors determines interim dividends, while year-end dividends are determined by the General Shareholders' Meeting. We aim to pay dividends twice each fiscal year.

For the current fiscal year, we have decided to pay a year-end dividend of 46 yen per share, based on a comprehensive consideration of factors including our financial position and profit level. As a result, the total annual dividend per share will be 86 yen per share, an increase of 18 yen from the previous fiscal year, including the interim dividend of 40 yen per share already paid.

Looking ahead, for the next fiscal year, we plan to pay an annual dividend of 88 yen per share, which is an increase of 2 yen from the current fiscal year.

(4) Business Risks

The Group defines "risks" as matters that have a significant negative impact on the realization of its management philosophy and business continuity, and has established a basic risk management policy to reduce the likelihood of this occurring and to prevent the expansion of damage in the event that a risk materializes and a crisis occurs. The Group is working to develop and improve its risk management promotion system and framework.

Based on this policy, each division and subsidiary reviews the "List of Risk Matters", which summarizes the risks that may arise in the Group. In addition, the Group identifies and responds to risks arising from the conduct of business and reports them on a quarterly basis to the Management Meeting, which is composed of the Internal Board Directors, the Standing Audit & Supervisory Board Member and the Executive Officers.

In addition, the Group has established the Risk Management Committee, which is chaired by the President and CEO and composed of the Internal Board Directors, the Standing Audit & Supervisory Board Member and Executive Officers. This committee identifies " company-wide risks", i.e. risks that should be addressed on a company-wide basis, taking into account the significance and priority of the risks surrounding the Group, the likelihood and timing of the materialization of risks, the likelihood and impact of impeding the achievement of the medium-term management plan, etc., and appoints a person in charge of each company-wide risk from among the members of the Risk Management Committee to implement countermeasures on a company-wide basis. The Risk Management Committee reports to the Board of Directors twice a year on the progress made in responding to company-wide risks, and the Committee is subject to the supervision and control of the Board of Directors.

Among the major risks that may affect the Group's operating results, share price, financial position, etc., the following are the Group-wide risks corresponding to this consolidated fiscal year. However, there are risks other than those described above that may affect investors' judgment.

The forward-looking statements in the text are based on our judgment as of the end of the current fiscal year.

Risk	Details of Risks	Main Initiatives
Risks Related to Confidential Information Management	The Group possesses important information, such as business-related transaction information and confidential information, through its business activities. Unauthorized use of such information by third parties due to theft or loss, violations of laws and regulations, and other unforeseen circumstances could result in incidents such as the disposal or corruption of important data, information leakage or loss, or system failure, which could have a material impact on the Group's operating results and other matters.	The Group strives to maintain credibility by, for example, responding quickly to the occurrence of information leaks and other risks and making public announcements when necessary. In the current fiscal year, we have reviewed and developed internal regulations and clarified internal rules on the handling of confidential information.
Risks Related to the Governance of Overseas Subsidiaries	The Group's inadequate development of the Group and governance system, such as the formulation of Group strategies and the monitoring and supervision of Group companies, and the failure to fully demonstrate the effects of the management of Group companies, could have a material impact on the Group's operating results and other factors.	The Group collects information on the laws and regulations of each country in which our overseas subsidiaries are expanding, identifies issues that need to be addressed in order to advance our business, and cooperates and shares this information with our subsidiaries as necessary. In the current fiscal year, we have established a system in which the parent company regularly identifies issues specific to each subsidiary to ensure smooth information exchange between the parent company and its subsidiaries.

<p>Risks Related to Appropriate Information Dissemination to Consumers</p>	<p>The Group strives to earn the trust of customers and consumers by complying with various laws and regulations, developing and providing safe and high-quality products and services that meet the needs of customers and consumers, and providing accurate information that customers can use safely and with confidence. However, if inappropriate expressions or inaccurate information are disseminated in the Group's advertisements, etc., it may damage the Group's reputation and materially affect the Group's operating results, etc.</p>	<p>The Group strives to maintain the trust of the public by responding promptly to the occurrence of inappropriate information dissemination and other risks, and making public announcements when necessary.</p> <p>In the current fiscal year, the Company has strengthened internal training and revised its system of prior review as an initiative to prevent inappropriate expressions in the use of advertising and social networking sites.</p>
<p>Risks Related to Large-Scale Earthquakes and Business Continuity</p>	<p>If a natural disaster such as a major earthquake were to occur, or if unforeseen circumstances were to cause a business continuity crisis, the Group's operating results could be materially affected by such factors as the shutdown of the Group's factory, research institutes or offices, the loss of the Group's human resources, delays in the production and shipment of our products, delays in the development of new products, and a decline in product sales due to our inability to provide our products to salons.</p>	<p>We have formulated a Business Continuity Plan (BCP) aimed at quickly restoring production and logistics operations in the event of a natural disaster such as a major earthquake or a business continuity crisis due to unforeseen circumstances, and we regularly review the plan.</p> <p>In the current fiscal year, the Production Headquarters reviewed the BCP for production and logistics and improved the content to be effective in the event of an emergency.</p>

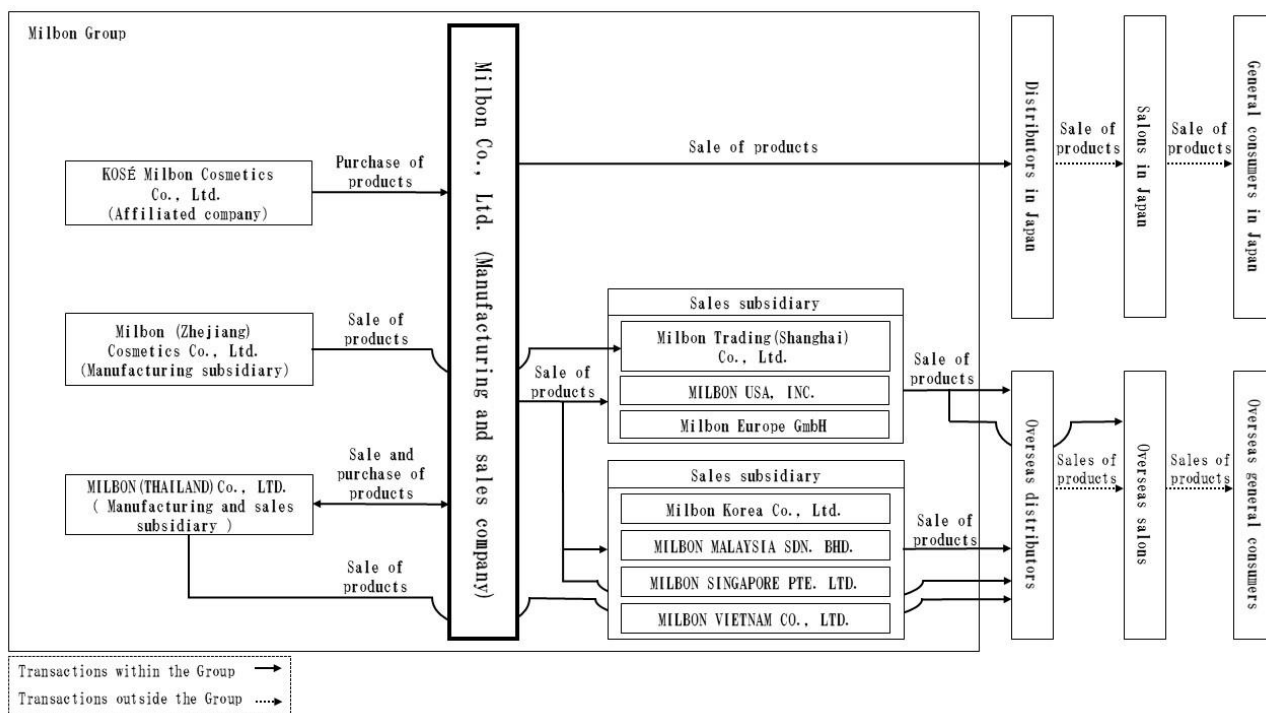
2. Outline of the Milbon Group

Company Name	Location	Capital stock or capital contribution	Main business	Share of voting rights percentage	Relationship with the Company
(Consolidated subsidiary) MILBON USA, INC. (Note 1)	United States New York	USD 2 million	Sale of hair products	100.0	Sells the Company's hair products in the U.S.
(Consolidated subsidiary) Milbon Trading (Shanghai) Co., Ltd. (Note 1)	China Shanghai City	JPY 430 million	Sale of hair products	100.0	Sells the Company's hair products in China. Two executives hold concurrent posts at the Company.
(Consolidated subsidiary) Milbon Korea Co., Ltd. (Note 1)	South Korea Seoul City	KRW 3,000 million	Sale of hair products	100.0	Sells the Company's hair products in South Korea. Two executives hold concurrent posts at the Company.
(Consolidated subsidiary) MILBON (THAILAND) CO., LTD. (Note 1)	Kingdom of Thailand Rayong Pref.	THB 450 million	Manufacture and sale of hair products	100.0	Manufactures and sells the Company's hair products in Thailand.
(Consolidated subsidiary) MILBON MALAYSIA SDN. BHD.	Malaysia Kuala Lumpur	MYR 1.5 million	Sale of hair products	100.0	Sells the Company's hair products in Malaysia.
(Consolidated subsidiary) MILBON VIETNAM CO., LTD. (Note 1)	Vietnam Ho Chi Minh City	VND 46.38 billion	Sale of hair products	100.0	Sells the Company's hair products in Vietnam.
(Consolidated subsidiary) MILBON SINGAPORE PTE. LTD.	Singapore	SGD 250,000	Sale of hair products	100.0	Sells the Company's hair products in Singapore.
(Consolidated subsidiary) Milbon (Zhejiang) Cosmetics Co., Ltd. (Note 1)	China Zhejiang	CNY 240 million	Manufacture and sale of hair products	100.0	Manufactures and sells the Company's hair products in China. Two executives hold concurrent posts at the Company.
(Consolidated subsidiary) Milbon Europe GmbH (Note 1)	Germany Dusseldorf	EUR 2 million	Sale of hair products	100.0	Sells the Company's hair products in Germany.

(Notes) 1. The company falls under the category of "specified subsidiary."

2. In addition to the companies noted above, the Group has one equity-method affiliate.

The following diagram shows the positioning of Milbon Group companies and the Group's businesses.
 (Diagram of business activities)



Note: Overseas transactions differ in sales channels depending on the country.

3. Basic Rationale for Selecting the Accounting Standards

The Milbon Group currently prepares the consolidated financial statements according to the generally accepted accounting standards in Japan (Japanese GAAP), taking into consideration the comparability of consolidated financial statements over different periods and among other companies.

With regard to adoption of International Financial Reporting Standards (IFRS), it is the Group's policy to respond to this issue appropriately based on consideration of various domestic and international circumstances.

4. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year As of December 31, 2021	Current fiscal year As of December 31, 2022
Assets		
Current assets		
Cash and deposits	13,350,147	12,300,053
Notes and accounts receivable - trade	4,673,258	5,255,686
Securities	200,000	-
Merchandise and finished goods	4,537,613	6,319,121
Work in process	41,842	39,927
Raw materials and supplies	1,360,902	1,999,103
Other	740,268	784,924
Allowance for doubtful accounts	(3,271)	(185)
Total current assets	24,900,761	26,698,631
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,865,989	15,437,304
Accumulated depreciation	(5,908,390)	(6,423,189)
Buildings and structures, net	8,957,598	9,014,115
Machinery, equipment and vehicles	8,336,484	9,088,926
Accumulated depreciation	(5,495,871)	(6,006,867)
Machinery, equipment and vehicles, net	2,840,613	3,082,059
Land	4,995,014	6,452,228
Construction in progress	269,654	453,754
Other	3,101,336	3,331,141
Accumulated depreciation	(2,347,955)	(2,513,398)
Other, net	753,381	817,742
Total property, plant and equipment	17,816,262	19,819,899
Intangible assets	1,516,714	1,902,217
Investments and other assets		
Investment securities	1,610,607	1,775,734
Long-term loans receivable	32,527	7,425
Net defined benefit asset	438,540	56,180
Deferred tax assets	577,944	826,583
Other	1,393,519	1,719,802
Allowance for doubtful accounts	(48,387)	(46,087)
Total investments and other assets	4,004,752	4,339,639
Total non-current assets	23,337,729	26,061,755
Total assets	48,238,490	52,760,387

(Thousand yen)

	Previous fiscal year As of December 31, 2021	Current fiscal year As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	936,108	1,133,259
Accounts payable - other	3,495,694	4,022,247
Income taxes payable	1,401,441	1,334,496
Provision for bonuses	511,612	591,582
Other	965,353	914,619
Total current liabilities	7,310,210	7,996,205
Non-current liabilities		
Net defined benefit liability	7,753	10,628
Deferred tax liabilities	595	610
Asset retirement obligations	608,139	643,317
Other	114,611	117,875
Total non-current liabilities	731,099	772,431
Total liabilities	8,041,309	8,768,636
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	246,299	274,537
Retained earnings	38,834,669	41,875,487
Treasury shares	(2,080,393)	(2,030,911)
Total shareholders' equity	39,000,575	42,119,113
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	100,262	214,928
Deferred gains or losses on hedges	68,821	-
Foreign currency translation adjustment	850,537	1,766,040
Remeasurements of defined benefit plans	176,984	(108,331)
Total accumulated other comprehensive income	1,196,605	1,872,637
Total net assets	40,197,181	43,991,750
Total liabilities and net assets	48,238,490	52,760,387

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

Consolidated Statements of Comprehensive Income

(Thousand yen)

	Previous fiscal year (January 1, 2021 - December 31, 2021)	Current fiscal year (January 1, 2022 - December 31, 2022)
Net sales	41,582,267	45,238,377
Cost of sales	14,083,338	15,729,160
Gross profit	27,498,928	29,509,216
Selling, general and administrative expenses	19,681,230	21,957,505
Operating income	7,817,698	7,551,711
Non-operating income		
Interest income	25,878	21,212
Dividend income	32,409	15,980
Company house defrayment income	3,761	3,890
Subsidy income	53,071	101,506
Foreign exchange gains	54,621	152,574
Other	59,254	104,327
Total non-operating income	228,997	399,491
Non-operating expenses		
Sales discounts	733,118	-
Share of loss of entities accounted for using equity method	151,399	112,392
Other	3,736	9,530
Total non-operating expenses	888,255	121,922
Ordinary income	7,158,440	7,829,279
Extraordinary income		
Gain on sales of non-current assets	351	949
Gain on sales of investment securities	19,087	448
Total extraordinary income	19,438	1,397
Extraordinary losses		
Loss on retirement of non-current assets	517	7,060
Loss on sale of investment securities	43,959	-
Total extraordinary losses	44,477	7,060
Profit before income taxes	7,133,401	7,823,617
Income taxes - current	2,183,317	2,387,643
Income taxes - deferred	(159,204)	(141,300)
Total income taxes	2,024,112	2,246,342
Profit	5,109,288	5,577,274
Profit attributable to owners of parent	5,109,288	5,577,274

Consolidated Statements of Comprehensive Income

(Thousand yen)

	Previous fiscal year (January 1, 2021 - December 31, 2021)	Current fiscal year (January 1, 2022 - December 31, 2022)
Profit	5,109,288	5,577,274
Other comprehensive income		
Valuation difference on available-for-sale securities	(305,133)	114,665
Deferred gains or losses on hedges	70,027	(68,821)
Foreign currency translation adjustment	702,761	915,502
Remeasurements of defined benefit plans, net of tax	177,438	(285,315)
Total other comprehensive income	645,093	676,032
Comprehensive income	5,754,382	6,253,306
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,754,382	6,253,306
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Shareholders' Equity
 Previous fiscal year (January 1, 2021, - December 31, 2021)

(Thousand yen)

Balance at beginning of period	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Changes of items during period	2,000,000	222,490	35,643,295	(2,108,947)	35,756,838
Dividends of surplus					
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 Total net assets 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
Acquisition 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

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

(Thousand yen)

Balance at beginning of period	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Changes of items during period	2,000,000	246,299	38,834,669	(2,080,393)	39,000,575
Dividends of surplus					
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 Total net assets 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	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
Acquisition 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

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	Previous fiscal year (January 1, 2021 - December 31, 2021)	Current fiscal year (January 1, 2022 - December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	7,133,401	7,823,617
Depreciation	1,777,323	2,080,891
Increase (decrease) in allowance for doubtful accounts	(10,741)	(5,856)
Increase (decrease) in provision for bonuses	71,943	77,241
Decrease (increase) in net defined benefit asset	24,609	(28,757)
Increase (decrease) in net defined benefit liability	2,529	1,951
Interest and dividend income	(58,287)	(37,193)
Share of (profit) loss of entities accounted for using equity method	151,399	112,392
Foreign exchange losses (gains)	55,540	(30,521)
Loss (gain) on sales of investment securities	24,872	(448)
Loss (gain) on sales of non-current assets	(351)	(949)
Loss on retirement of non-current assets	517	7,060
Decrease (increase) in notes and accounts receivable - trade	(467,843)	(546,020)
Decrease (increase) in inventory	(612,402)	(2,148,445)
Increase (decrease) in notes and accounts payable - trade	122,057	108,264
Other	268,588	16,726
Subtotal	8,483,156	7,429,954
Interest and dividend income received	58,805	34,812
Income taxes paid	(1,905,137)	(2,456,758)
Cash flows from operating activities	6,636,823	5,008,008
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,827,976)	(3,061,820)
Proceeds from sales of property, plant and equipment	351	1,003
Purchase of intangible assets	(659,900)	(761,154)
Payments of loans receivable	(148,000)	(73,500)
Collection of loans receivable	2,024	3,454
Purchase of investment securities	(12,150)	-
Proceeds from redemption of investment securities	200,000	200,000
Proceeds from sales of investment securities	472,646	546
Payments for guarantee deposits	(58,435)	(285,452)
Proceeds from collection of guarantee deposits	28,285	115,978
Other	7,875	(4,277)
Cash flows from investing activities	(3,995,279)	(3,865,221)
Net cash provided by (used in) financing activities		
Increase (decrease) in notes and short-term borrowings - trade	-	(42,631)
Net decrease (increase) in treasury shares	(3,244)	(1,243)
Cash dividends paid	(1,916,504)	(2,534,587)
Net cash provided by (used in) financing activities	(1,919,749)	(2,578,462)

(Thousand yen)

	Previous fiscal year (January 1, 2021 - December 31, 2021)	Current fiscal year (January 1, 2022 - December 31, 2022)
Effect of exchange rate change on cash and cash equivalents	283,248	381,279
Net increase (decrease) in cash and cash equivalents	1,005,043	(1,054,396)
Cash and cash equivalents at beginning of period	12,307,591	13,312,634
Cash and cash equivalents at end of period	13,312,634	12,258,237

(5) Notes Regarding Consolidated Financial Statements

(Notes regarding going concern assumption)

Not applicable.

(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

1) Held-to-maturity bonds

Stated using the amortized cost method

2) Available-for-sale securities

Other than shares, etc. without market price

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)

Stocks, etc. without market price

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 method 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 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 table below outlines the principal performance obligations relating to revenue stemming from contracts with customers of the Company and its consolidated subsidiaries, as well as the standard point at which such obligations are satisfied (i.e. the point at which revenue is recognized).

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.

(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.

(Changes in accounting policies)

(Change in valuation method for inventories)

The Company used the first-in, first-out method for the valuation of merchandise; however, beginning in the first quarter of the current fiscal year, we have changed to the cost method based on the weighted average method. This change in the valuation method is aimed at realizing a more appropriate calculation of periodic profit and loss by smoothing out the impact of fluctuations in purchase prices, triggered by an increase in overseas product purchases, etc. As the impact of this change is immaterial, it has not been applied retrospectively.

(Application of Accounting Standard for Fair Value Measurement)

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

There is no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

Segment information

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

(Per share information)

	Previous fiscal year (January 1, 2021 - December 31, 2021)	Current fiscal year (January 1, 2022 - December 31, 2022)
Net assets per share (Yen)	1,236.41	1,352.52
Basic earnings per share (Yen)	157.17	171.49

Note: 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 (January 1, 2021 - December 31, 2021)	Current fiscal year (January 1, 2022 - December 31, 2022)
Profit attributable to owners of parent (thousand yen)	5,109,288	5,577,274
Amount not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent related to common stock (thousand yen)	5,109,288	5,577,274
Average number of shares of common stock during the period (shares)	32,508,933	32,521,551

(Significant subsequent events)

Not applicable.