



# Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 [Japanese GAAP]

February 14, 2024

Tokyo Stock Exchange, Prime Market

Name of registrant: Milbon Co., Ltd.  
Code No.: 4919 URL <https://www.milbon.com/en/>  
Representative: Hidenori Sakashita, President & CEO  
Inquiries: Masahiro Murai, Managing Executive Director  
Scheduled date of ordinary general meeting of shareholders: March 28, 2024  
Scheduled filing date for securities report: March 28, 2024  
Scheduled starting date of dividend payments: March 29, 2024  
Preparation of supplementary materials on the financial results: Yes  
Holding of an explanatory meeting on the financial results: Yes (For institutional investors and analysts)

TEL: +81-3-6478-6301

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

## 1. Consolidated financial results for the fiscal year ended December 31, 2023 (January 1, 2023 - December 31, 2023)

### (1) Consolidated operating results

(Percentages show year-on-year changes.)

|                              | Net sales   |     | Operating income |        | Ordinary income |        | Profit attributable to owners of parent |        |
|------------------------------|-------------|-----|------------------|--------|-----------------|--------|---|--------|
|                              | Million yen | %   | Million yen      | %      | Million yen     | %      | Million yen                             | %      |
| Year ended December 31, 2023 | 47,762      | 5.6 | 5,525            | (26.8) | 5,586           | (28.6) | 4,001                                   | (28.3) |
| Year ended December 31, 2022 | 45,238      | -   | 7,551            | -      | 7,829           | 9.4    | 5,577                                   | 9.2    |

Note: Comprehensive income Year ended December 31, 2023: 4,657 million yen [(25.5)%] Year ended December 31, 2022: 6,253 million yen [8.7%]

|                              | 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, 2023 | 122.99                   | -                          | 8.9                    | 10.5                   | 11.6                   |
| Year ended December 31, 2022 | 171.49                   | -                          | 13.2                   | 15.5                   | 16.7                   |

Note: Since the beginning of the previous fiscal year, sales discounts, previously categorized as non-operating expenses, are deducted from net sales. As a result, the Company has determined that year-on-year comparisons of net sales and operating income with the same period of the previous year may be misleading. Accordingly, the percentage of year-on-year changes in net sales and operating income from the same period of the two fiscal years are not indicated in the above table. (Ordinary income and profit attributable to owners of parent remain unchanged.) If the figures of FY2021 were calculated on the same basis as FY2022, net sales and operating income would increase by 10.7% and 6.6%, respectively, in FY2022. For more details, please see the FY2022 Financial Results Presentation Materials.

### (2) Consolidated financial position

|                         | Total assets | Net assets  | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
|                         | Million yen  | Million yen | %            | Yen                  |
| As of December 31, 2023 | 53,391       | 45,932      | 86.0         | 1,411.56             |
| As of December 31, 2022 | 52,760       | 43,991      | 83.4         | 1,352.52             |

(Reference) Equity As of December 31, 2023: 45,932 million yen As of December 31, 2022: 43,991 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, 2023 | 4,765                                | (3,109)                              | (2,797)                              | 11,292                                     |
| Year ended December 31, 2022 | 5,008                                | (3,865)                              | (2,578)                              | 12,258                                     |

## 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, 2022             | -                  | 40.00              | -                  | 46.00              | 86.00 | 2,797                    | 50.2                                 | 6.6                                      |
| Year ended December 31, 2023             | -                  | 40.00              | -                  | 48.00              | 88.00 | 2,863                    | 71.6                                 | 6.4                                      |
| Year ending December 31, 2024 (forecast) | -                  | 40.00              | -                  | 48.00              | 88.00 |                          | 61.6                                 |  |

## 3. Consolidated operating results forecasts for the fiscal year ending December 31, 2024 (January 1, 2024 - December 31, 2024)

(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, 2024 | 50,620      | 6.0 | 6,600            | 19.5 | 6,560           | 17.4 | 4,650                                   | 16.2 | 142.92                   |

\*Notes

(1) Significant changes in subsidiaries during the period

(changes in specified subsidiaries resulting in the change in the scope of consolidation) : None

New: 0 company (Company name: )

Exclude: 0 companies (Company name: )

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

1) Changes in accounting policies due to amendment to the accounting standards, etc. : None

2) Changes in accounting policies other than those in 1) above : None

3) Changes in accounting estimates : None

4) Retrospective restatements : None

(3) 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<br>December 31, 2023      | 33,117,234 shares | As of<br>December 31, 2022      | 33,117,234 shares |
|--|---------------------------------|-------------------|---------------------------------|-------------------|
|  | As of<br>December 31, 2023      | 577,107 shares    | As of<br>December 31, 2022      | 591,511 shares    |
|  | Year ended<br>December 31, 2023 | 32,536,033 shares | Year ended<br>December 31, 2022 | 32,521,551 shares |

(Reference) Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended December 31, 2023 (January 1, 2023 - December 31, 2023)

(1) Non-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, 2023 | 42,520      | 1.8 | 4,701            | (36.5) | 4,906           | (38.4) | 3,233                                   | (41.6) |
| Year ended December 31, 2022 | 41,780      | 6.5 | 7,407            | (0.7)  | 7,959           | 14.9   | 5,533                                   | 11.0   |

|                         | Basic earnings per share |     | Diluted earnings per share |     |
|-------------------------|--------------------------|-----|----------------------------|-----|
|                         | Yen                      | Yen | Yen                        | Yen |
| As of December 31, 2023 | 99.37                    | -   | -                          | -   |
| As of December 31, 2022 | 170.16                   | -   | -                          | -   |

(2) Non-consolidated financial position

|                         | Total assets |             | Net assets  |             | Equity ratio |          | Net assets per share |  |
|-------------------------|--------------|-------------|-------------|-------------|--------------|----------|----------------------|--|
|                         | Million yen  | Million yen | Million yen | Million yen | %            | Yen      | Yen                  |  |
| As of December 31, 2023 | 48,400       | 41,444      | 41,444      | 41,249      | 85.6         | 1,273.65 | 1,268.22             |  |
| As of December 31, 2022 | 49,508       | 41,249      | 41,249      | 41,249      | 83.3         | 1,268.22 | 1,268.22             |  |

(Reference) Equity

As of December 31, 2023: 41,444 million yen

As of December 31, 2022: 41,249 million yen

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

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

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

○Accompanying Materials - Contents

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## 1. Qualitative Information on Consolidated Results for the Current Period

### (1) Explanation of Operating Results

#### (i) Overview

During this fiscal year, the Japanese economy saw a moderate recovery, spurred by the reclassification of COVID-19 as Class5, which led to increased economic activities. However, the outlook remains uncertain due to soaring energy prices driven by geopolitical tensions in Ukraine and the Middle East, the slowdown of the Chinese economy, which had previously been a key driver of growth, and domestically, a rapid inflation rate that has outpaced wage growth.

In 2023, the second year of our Medium-Term Management Plan (2022-2026), we initiated the development of Smart Salons domestically. By the end of Fiscal Year 2023, we had expanded to 19 cities with 23 salons. Additionally, it was a year marked by steady progress towards realizing our Beauty Platform Concept, which includes the launch of a new product, ALANOUS, in the Beauty Health Care Category for the domestic market. As for overseas, despite China experiencing an economic slowdown, growth was driven by the United States, South Korea, and Southeast Asia.

Consolidated net sales for the fiscal year were 47,762 million yen (a 5.6% increase year-on-year). In the domestic hair coloring market, sales declined due to the impact of the plateau in color demand, which had been growing during the COVID-19 pandemic. However, our premium haircare brands, Aujua and Global Milbon, maintained steady sales. In terms of profit, the gross profit margin declined due to inventory write-downs of hairdryers introduced in Japan and the impact of persistently high raw material prices. Regarding SG&A expenses, expenses increased mainly due to the resumption of activities, including increased promotion expenses and market development expenses resulting from active holding of large-scale events and seminars both in Japan and overseas. Travel expenses increased due to an increase in domestic and overseas business trips. As a result, operating income was 5,525 million yen (a 26.8% decrease year-on-year), ordinary income was 5,586 million yen (a 28.6% decrease year-on-year), and profit attributable to owners of the parent was 4,001 million yen (a 28.3% decrease year-on-year).

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      | 26,312               | 58.2      | 28,355              | 59.4      | 2,042                      | 7.8                     |
| Hair coloring products  | 16,631               | 36.7      | 16,953              | 35.5      | 322                        | 1.9                     |
| Permanent wave products | 1,450                | 3.2       | 1,463               | 3.0       | 13                         | 1.0                     |
| Cosmetic products       | 572                  | 1.3       | 571                 | 1.2       | (0)                        | (0.1)                   |
| Other                   | 272                  | 0.6       | 418                 | 0.9       | 145                        | 53.6                    |
| Total                   | 45,238               | 100.0     | 47,762              | 100.0     | 2,524                      | 5.6                     |

[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 | 35,334               | 78.1      | 36,502              | 76.4      | 1,168                      | 3.3                     |
| Overseas sales | 9,904                | 21.9      | 11,260              | 23.6      | 1,355                      | 13.7                    |
| Total          | 45,238               | 100.0     | 47,762              | 100.0     | 2,524                      | 5.6                     |

(ii) Outlook for fiscal year 2024

As for the outlook for the economic environment, although the inflation rate has been stabilizing, global inflationary pressures remain, and uncertainty is expected to continue, including geopolitical risks such as the prolonged problems in Ukraine and the Middle East, and downside risks to overseas economies.

Under these circumstances, we are now in the third year of our Medium-Term Management Plan (2022-2026). In the global market, we view markets as 7 regions (Japan, South Korea, Greater China, ASEAN, North America, EU, and the Middle East). By promoting a system of local production for local consumption, we aim to minimize geopolitical risks and provide products that meet the values and hair types of each region.

In the domestic market, we will accelerate Smart Salon Strategy to realize the Beauty Platform Plan, which aims to create a new style for salons. We are fully committed to aggressively promoting the expansion of Smart Salons, which expanded to 23 salons in 2023, and we aim to reach 100 salons by the end of Fiscal Year 2024. Furthermore, in the domestic hair coloring products market, which has seen sustained stagnation, we will propel domestic hair coloring products sales on a new growth trajectory by proposing a unique salon-exclusive total color service for both hair and eyebrow, and promoting the proposal of enhanced color services with high added value for mature individuals featuring our organic brand, Villa Lodola.

For the next fiscal year, the Group forecasts net sales of 50,620 million yen (a 6.0% increase year-on-year), operating income of 6,600 million yen (a 19.5% increase year-on-year), and ordinary income of 6,560 million yen (a 17.4% increase year-on-year), and profit attributable to owners of parent of 4,650 million yen (a 16.2% increase year-on-year).

(2) Explanation of Financial Position

(i) Assets, liabilities and net assets

Total assets at the end of the fiscal year increased by 631 million yen from the end of the previous fiscal year to 53,391 million yen.

Current assets decreased by 520 million yen from the end of the previous fiscal year to 26,178 million yen. The main factors for the change were a 962 million yen decrease in Cash and deposits and a 620 million yen increase in Merchandise and finished goods.

Non-current assets increased by 1,151 million yen from the end of the previous fiscal year to 27,213 million yen. The main reason for the change was a 541 million yen rise in Construction in progress associated with construction costs at the Human Resources Development Center.

Current liabilities decreased by 1,428 million yen from the end of the previous fiscal year to 6,567 million yen. The main factor for the change was a 923 million yen decrease in Income taxes payable.

Non-current liabilities increased by 119 million yen from the end of the previous fiscal year to 891 million yen.

Net assets increased by 1,940 million yen from the end of the previous fiscal year to 45,932 million yen. The main factors for the change were increases of 1,203 million yen in Retained earnings and 607 million yen in Foreign currency translation adjustment due to the depreciation of the yen.

As a result, the equity ratio changed from 83.4% at the end of the previous fiscal year to 86.0%. Net assets per share based on the total number of shares issued and outstanding at the end of the fiscal year were 1,411.56 yen, compared with 1,352.52 yen at the end of the previous fiscal year.

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the fiscal year decreased by 966 million yen from the end of the previous fiscal year to 11,292 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 4,765 million yen. This was mainly due to Profit before income taxes of 5,432 million yen, Depreciation of 2,275 million yen, Share of loss of entities accounted for using equity method of 110 million yen, an increase in inventories of 469 million yen, and Income taxes paid of 2,428 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 3,109 million yen. This was mainly due to Purchase of property, plant and equipment of 2,598 million yen, Purchase of intangible assets of 612 million yen, Payments for guarantee deposits of 179 million yen, and proceeds from cancellation of insurance reserves of 286 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 2,797 million yen. This was mainly due to dividends paid to shareholders of 2,796 million yen.

(Reference) Cash flow-related indicators

|   | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2020 | Year ended<br>December 31,<br>2021 | Year ended<br>December 31,<br>2022 | Year ended<br>December 31,<br>2023 |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Equity ratio                                  | 85.6                               | 84.3                               | 83.3                               | 83.4                               | 86.0                               |
| Equity ratio based on market value (%)        | 484.3                              | 495.7                              | 384.2                              | 352.6                              | 225.1                              |
| Interest-bearing debt to cash flows ratio (%) | 1.7                                | 1.6                                | 1.7                                | 1.5                                | 1.6                                |

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 fiscal year under review 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 48 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 88 yen per share, an increase of 2 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 the same amount as for the current fiscal year.

## 2. 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.

### 3. Consolidated Financial Statements and Main Notes

#### (1) Consolidated Balance Sheets

(Thousand yen)

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

(Thousand yen)

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

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

## Consolidated Statements of Earnings

(Thousand yen)

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

## Consolidated Statements of Comprehensive Income

(Thousand yen)

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

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

(Thousand yen)

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

|  | Accumulated other comprehensive income                |                                    |   |   |  | Total net assets |
|--|---|------------------------------------|---|---|--|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total 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        |
| Purchase of treasury shares                          |   |                                    |   |   |  | (1,350)          |
| Disposal of treasury shares                          |   |                                    |   |   |  | 79,069           |
| Net changes of items other than shareholders' equity | 114,665   | (68,821)                           | 915,502                                 | (285,315)                               | 676,032                                      | 676,032          |
| Total changes of items during period                 | 114,665   | (68,821)                           | 915,502                                 | (285,315)                               | 676,032                                      | 3,794,569        |
| Balance at end of period                             | 214,928   | -                                  | 1,766,040                               | (108,331)                               | 1,872,637                                    | 43,991,750       |

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

(Thousand yen)

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

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

## (4) Consolidated Statements of Cash Flows

(Thousand yen)

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

(Thousand yen)

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

- (5) Notes to the 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 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 the fiscal year, etc. of consolidated subsidiaries

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

4 Matters regarding accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Available-for-sale securities

Other than shares, etc. without market price

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

Stocks, etc. without market price

Stated at cost using the moving-average method

(ii) Inventories

Merchandise

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

Finished goods and work in process

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

Raw materials

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

Supplies

Stated primarily 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 important depreciable assets

(i) Property, plant and equipment

They are depreciated using the straight-line method.

Estimated useful lives of major asset items are as follows:

Buildings and structures: 2 to 50 years

Machinery, equipment and vehicles: 2 to 17 years

(ii) Intangible assets

They are depreciated using the straight-line method.

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

years).

(3) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

(4) Accounting 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. Adoption of simplified method in small companies

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

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

(5) Accounting standards for significant revenue and expenses

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

The 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 fluctuation in value.

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

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

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

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

(Significant subsequent events)

Not applicable.

#### 4. Other

(1) Changes in Directors

(i) Change in Representatives

For changes in representatives, please refer to the "Notice Concerning Changes of Representative Directors" announced on October 13, 2023.

(ii) Changes in Other Directors (Scheduled for March 28, 2024)

1. Retiring Directors

Yasufumi Takeda, Board Director

Shoichiro Takahata, Outside Board Director

2. Retiring Audit & Supervisory Board Member

Keisuke Endo, Outside Audit & Supervisory Board Member

3. Candidate for New Director

Harumichi Okazaki, Board Director (Director of International FP Sales and FP Headquarters and in charge of Education Planning)

Hiroyuki Ogata, Board Director (Director of Corporate Strategy Headquarters and in charge of KMC)

Tomomi Fukumoto, Outside Director (currently Senior General Manager of Suntory Foundation for the Arts)

4. Candidate for new Auditor

Takashi Hirano, Outside Audit & Supervisory Board Member (currently an attorney at law)