

V. Financial Information

1. Method of Preparing Consolidated Financial Statements and Financial Statements

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

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

2. Audit Certification

The Company’s consolidated financial statements for the fiscal year from January 1, 2024 to December 31, 2024 and the financial statements for the fiscal year from January 1, 2024 to December 31, 2024 have been audited by GYOSEI & CO. in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

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

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

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	11,337,201	13,829,730
Notes and accounts receivable - trade	*1, *2 5,345,669	*1, *2 6,037,963
Merchandise and finished goods	6,939,156	7,815,306
Work in process	36,838	58,436
Raw materials and supplies	2,072,829	2,430,008
Other	446,775	778,634
Allowance for doubtful accounts	-	(14,103)
Total current assets	26,178,470	30,935,977
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,206,867	17,331,993
Accumulated depreciation	(6,946,103)	(7,605,692)
Buildings and structures, net	9,260,764	9,726,301
Machinery, equipment and vehicles	9,889,933	10,592,607
Accumulated depreciation	(6,575,887)	(7,115,423)
Machinery, equipment and vehicles, net	3,314,046	3,477,183
Land	6,461,904	6,478,922
Construction in progress	995,352	1,634,978
Other	3,850,747	4,158,351
Accumulated depreciation	(2,883,355)	(3,167,933)
Other, net	967,392	990,417
Total property, plant and equipment	20,999,461	22,307,804
Intangible assets	1,930,204	1,675,032
Investments and other assets		
Investment securities	1,312,251	875,480
Long-term loans receivable	1,120	28,565
Net defined benefit asset	511,056	739,025
Deferred tax assets	909,850	940,314
Other	1,595,544	1,422,145
Allowance for doubtful accounts	(46,087)	(25,290)
Total investments and other assets	4,283,736	3,980,240
Total non-current assets	27,213,401	27,963,077
Total assets	53,391,872	58,899,055

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	931,247	1,444,264
Accounts payable - other	3,665,522	4,545,685
Income taxes payable	410,988	1,229,121
Provision for bonuses	581,530	612,819
Other	*3 978,650	*3 1,376,179
Total current liabilities	6,567,940	9,208,070
Non-current liabilities		
Net defined benefit liability	14,620	17,278
Deferred tax liabilities	277	-
Asset retirement obligations	734,815	737,191
Other	141,919	119,425
Total non-current liabilities	891,633	873,895
Total liabilities	7,459,574	10,081,966
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	306,957	298,667
Retained earnings	43,079,323	45,232,474
Treasury shares	(1,982,161)	(1,906,453)
Total shareholders' equity	43,404,119	45,624,687
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(106,728)	(398,009)
Foreign currency translation adjustment	2,373,812	3,239,389
Remeasurements of defined benefit plans	261,094	351,021
Total accumulated other comprehensive income	2,528,178	3,192,401
Total net assets	45,932,297	48,817,089
Total liabilities and net assets	53,391,872	58,899,055

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Net sales	*1 47,762,432	*1 51,316,414
Cost of sales	18,237,124	18,718,804
Gross profit	29,525,308	32,597,609
Selling, general and administrative expenses	*2, *3 24,000,097	*2, *3 25,758,091
Operating income	5,525,210	6,839,518
Non-operating income		
Interest income	20,044	24,198
Dividend income	17,247	17,227
Company house defrayment income	3,604	4,737
Subsidy income	20,949	32,938
Surrender value of insurance	86,359	-
Foreign exchange gains	-	70,268
Other	38,247	22,459
Total non-operating income	186,454	171,830
Non-operating expenses		
Share of loss of entities accounted for using equity method	110,704	11,052
Foreign exchange losses	6,375	-
Provision of allowance for doubtful accounts	-	17,600
Other	7,934	14,268
Total non-operating expenses	125,014	42,921
Ordinary income	5,586,650	6,968,427
Extraordinary income		
Gain on sales of non-current assets	*4 1	-
Gain on sales of investment securities	-	19,568
Total extraordinary income	1	19,568
Extraordinary losses		
Loss on retirement of non-current assets	*5 39,568	*5 19,339
Loss on sales of investment securities	-	284
Compensation for damages	115,000	-
Total extraordinary losses	154,568	19,623
Profit before income taxes	5,432,083	6,968,372
Income taxes - current	1,533,874	1,892,009
Income taxes - deferred	(103,419)	58,794
Total income taxes	1,430,455	1,950,803
Profit	4,001,627	5,017,568
Profit attributable to owners of parent	4,001,627	5,017,568

Consolidated Statements of Comprehensive Income

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Profit	4,001,627	5,017,568
Other comprehensive income		
Valuation difference on available-for-sale securities	(321,656)	(291,281)
Foreign currency translation adjustment	607,772	865,576
Remeasurements of defined benefit plans, net of tax	369,425	89,927
Total other comprehensive income	* 655,541	* 664,222
Comprehensive income	4,657,169	5,681,791
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,657,169	5,681,791
Comprehensive income attributable to non-controlling interests	-	-

3) Consolidated Statements of Changes in Shareholders' Equity
Previous fiscal year (from January 1, 2023 to December 31, 2023)

(Thousand yen)

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,000,000	306,957	43,079,323	(1,982,161)	43,404,119
Changes of items during period					
Dividends of surplus			(2,864,417)		(2,864,417)
Profit attributable to owners of parent			5,017,568		5,017,568
Purchase of treasury shares				(414)	(414)
Disposal of treasury shares		(8,290)		76,123	67,832
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(8,290)	2,153,151	75,708	2,220,568
Balance at end of period	2,000,000	298,667	45,232,474	(1,906,453)	45,624,687

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(106,728)	2,373,812	261,094	2,528,178	45,932,297
Changes of items during period					
Dividends of surplus					(2,864,417)
Profit attributable to owners of parent					5,017,568
Purchase of treasury shares					(414)
Disposal of treasury shares					67,832
Net changes of items other than shareholders' equity	(291,281)	865,576	89,927	664,222	664,222
Total changes of items during period	(291,281)	865,576	89,927	664,222	2,884,791
Balance at end of period	(398,009)	3,239,389	351,021	3,192,401	48,817,089

4) Consolidated Statements of Cash Flows

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Cash flows from operating activities		
Profit before income taxes	5,432,083	6,968,372
Depreciation	2,275,209	2,289,076
Increase (decrease) in allowance for doubtful accounts	(197)	(6,693)
Increase (decrease) in provision for bonuses	(12,545)	26,956
Decrease (increase) in net defined benefit asset	77,437	(98,391)
Increase (decrease) in net defined benefit liability	3,135	793
Interest and dividend income	(37,292)	(41,425)
Share of loss (profit) of entities accounted for using equity method	110,704	11,052
Foreign exchange losses (gains)	(48,215)	(135,585)
Loss (gain) on sales of investment securities	-	(19,284)
Loss (gain) on sales of non-current assets	(1)	-
Loss on retirement of non-current assets	39,568	19,339
Loss on compensation for damages	115,000	-
Decrease (increase) in trade receivables	(63,545)	(646,187)
Decrease (increase) in inventories	(469,541)	(1,053,494)
Increase (decrease) in trade payables	(251,803)	474,355
Surrender value of insurance	(86,359)	-
Other	188,547	908,661
Subtotal	7,272,184	8,697,545
Interest and dividend income received	36,613	40,369
Cash compensation for damage paid	(115,000)	-
Income taxes paid	(2,428,110)	(1,112,055)
Net cash provided by (used in) operating activities	4,765,687	7,625,859
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,598,241)	(2,194,486)
Proceeds from sales of property, plant and equipment	1	-
Purchase of intangible assets	(612,051)	(346,085)
Payments of loans receivable	(75,200)	-
Collection of loans receivable	5,661	460
Proceeds from sales of investment securities	-	36,342
Payments for guarantee deposits	(179,032)	(64,768)
Proceeds from collection of guarantee deposits	101,153	16,199
Proceeds from cancellation of insurance funds	286,368	-
Other	(38,350)	21,220
Net cash provided by (used in) investing activities	(3,109,692)	(2,531,118)
Cash flows from financing activities		
Net decrease (increase) in treasury shares	(1,669)	(356)
Cash dividends paid	(2,796,096)	(2,861,730)
Net cash provided by (used in) financing activities	(2,797,765)	(2,862,086)

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Effect of exchange rate change on cash and cash equivalents	175,610	253,852
Net increase (decrease) in cash and cash equivalents	(966,159)	2,486,505
Cash and cash equivalents at beginning of period	12,258,237	11,292,078
Cash and cash equivalents at end of period	* 11,292,078	* 13,778,584

Notes to the Consolidated Financial Statements

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

1. Matters regarding the scope of consolidation

Number of consolidated subsidiaries: 9

Names of consolidated subsidiaries

MILBON USA, INC.

Milbon Trading (Shanghai) Co., Ltd.

Milbon Korea Co., Ltd.

MILBON (THAILAND) CO., LTD.

MILBON MALAYSIA SDN. BHD.

MILBON VIETNAM CO., LTD.

MILBON SINGAPORE PTE. LTD.

Milbon (Zhejiang) Cosmetics Co., Ltd.

Milbon Europe GmbH

2. Matters regarding the application of equity method

Number of associates accounted for by the equity method: 1

Names of companies, etc.

KOSÉ Milbon Cosmetics Co., Ltd.

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

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

4. Matters regarding accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Available-for-sale securities

Other than shares, etc., without market price

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

Shares, etc., without market price

Stated at cost using the moving-average method

(ii) Inventories

Merchandise, finished goods, work in process, raw materials, and supplies

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

(2) Depreciation and amortization methods for significant depreciable assets

(i) Property, plant and equipment

They are depreciated using the straight-line method.

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

Buildings and structures: 2 to 50 years

Machinery, equipment and vehicles: 2 to 17 years

(ii) Intangible assets

They are amortized using the straight-line method.

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

(3) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

(4) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods

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

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

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

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

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

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

(5) Accounting standards for significant revenue and expenses

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

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

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

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

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

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

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

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

(Significant accounting estimates)

Valuation of merchandise and finished goods

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

(Thousand yen)

	Previous fiscal year	Current fiscal year
Merchandise and finished goods	6,939,156	7,815,306

(Note) The amounts shown above represent those after deducting the amounts of write-down due to decreased profitability (1,109,533 thousand yen for the previous fiscal year, 1,239,800 thousand yen for the current fiscal year).

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

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

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

(New accounting standards not yet applied)

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

(1) Summary

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

(2) Scheduled date of application

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

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

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

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Summary

As part of initiatives to align Japanese generally accepted accounting principles (GAAP) with international accounting standards, the Accounting Standards Board of Japan (ASBJ) has conducted deliberations based on the international accounting standards with the aim of developing new accounting standards for leases, by which a lessee recognizes assets and liabilities for all leases. Employing the basic policy of adopting not all stipulations but only key stipulations of IFRS 16, while placing its basis on a single accounting treatment model of IFRS 16, ASBJ released the accounting standard for leases, etc., that are simple and of high convenience, and that also aim to basically eliminate the need for restatements when the stipulations of IFRS 16 are applied to non-consolidated financial statements.

With regard to accounting treatment for a lessee, the single accounting treatment model is applied to the cost allocation for leases of a lessee, under which, as under IFRS 16, a lessee is required to record depreciation of right-of-use assets and the amount equivalent to interest for lease liabilities for all leases, whether they are a finance lease transaction or an operating lease transaction.

(2) Scheduled date of application

Scheduled to apply from the beginning of the fiscal year ending December 31, 2028.

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

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

(Consolidated balance sheets)

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

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

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Notes receivable - trade	68,336	70,331

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Notes receivable - trade	188,316	158,357
Accounts receivable - trade	5,157,353	5,879,605

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

(Consolidated statements of earnings)

*1 Revenue from contracts with customers

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

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Remuneration, salaries and allowances	6,066,242	6,819,627
Logistics expenses	3,675,086	3,953,310
Promotion expenses	1,516,851	1,461,613
Provision for bonuses	366,644	454,398
Retirement benefit expenses	422,581	299,777
Provision of allowance for doubtful accounts	(197)	(14,103)

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Research and development expenses	2,334,179	2,452,412

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Machinery, equipment and vehicles	1	-

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Buildings and structures	26,019	18,570
Machinery, equipment and vehicles	11,276	708
Other	2,272	60
Total	39,568	19,339

(Consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Valuation difference on available-for-sale securities		
Amount arising during the fiscal year	(463,482)	(400,429)
Reclassification adjustments	-	(19,284)
Before tax effect adjustments	(463,482)	(419,714)
Tax effects	141,825	128,432
Valuation difference on available-for-sale securities	(321,656)	(291,281)
Foreign currency translation adjustment		
Amount arising during the fiscal year	607,772	865,576
Remeasurements of defined benefit plans, net of tax		
Amount arising during the fiscal year	463,125	233,649
Reclassification adjustments	69,188	(104,070)
Before tax effect adjustments	532,313	129,578
Tax effects	(162,888)	(39,650)
Remeasurements of defined benefit plans, net of tax	369,425	89,927
Total other comprehensive income	655,541	664,222

(Consolidated statements of changes in shareholders' equity)

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

1. Matters regarding issued shares

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

2. Matters regarding treasury shares

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

(Outline of reasons for changes)

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

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

3. Matters regarding dividends

(1) Amount of dividends paid

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

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

1. Matters regarding issued shares

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

2. Matters regarding treasury shares

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common stock (shares)	577,107	124	22,161	555,070

(Outline of reasons for changes)

- The increase is due to the purchase of shares less than one unit.
- The decrease is due to a decrease of 20 shares from the sale of shares less than one unit, and a decrease of 22,141 shares from the disposal of treasury shares pursuant to the resolution of the Board of Directors meeting held on April 12, 2024, accompanying the introduction of the restricted share-based compensation plan.

3. Matters regarding dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 28, 2024	Common stock	1,561,926	48	December 31, 2023	March 29, 2024
Board of Directors meeting held on August 9, 2024	Common stock	1,302,491	40	June 30, 2024	August 23, 2024

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 27, 2025	Common stock	Retained earnings	1,562,983	48	December 31, 2024	March 28, 2025

(Consolidated statements of cash flows)

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Cash and deposits	11,337,201	13,829,730
Time deposits with deposit terms over three months	(45,123)	(51,146)
Cash and cash equivalents	11,292,078	13,778,584

(Lease transactions)

1. Operating lease transactions

(Lessor)

Remaining lease payments for non-cancelable operating lease transactions

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Within one year	456,098	471,552
Over one year	1,132,717	971,459
Total	1,588,816	1,443,012

(Financial instruments)

1. Matters regarding financial instruments

(1) Policy for financial instruments

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

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

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

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

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

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

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

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

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

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

Previous fiscal year (as of December 31, 2023)

(Thousand yen)

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

Current fiscal year (as of December 31, 2024)

(Thousand yen)

	Amounts in the consolidated balance sheets	Market value	Differences
Investment securities			
Available-for-sale securities	861,480	861,480	-
Total assets	861,480	861,480	-

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

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

(Thousand yen)

Category	Previous fiscal year	Current fiscal year
Unlisted shares	28,400	14,000

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

Previous fiscal year (as of December 31, 2023)

(Thousand yen)

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

Current fiscal year (as of December 31, 2024)

(Thousand yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	13,829,730	-	-	-
Notes and accounts receivable - trade	6,037,963	-	-	-
Total	19,867,694	-	-	-

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

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

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

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

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

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

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

Previous fiscal year (as of December 31, 2023)

(Thousand yen)

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

Current fiscal year (as of December 31, 2024)

(Thousand yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	861,480	-	-	861,480
Total assets	861,480	-	-	861,480

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

Investment securities

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

(Securities)

1. Available-for-sale securities

Previous fiscal year (as of December 31, 2023)

(Thousand yen)

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

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

Current fiscal year (as of December 31, 2024)

(Thousand yen)

	Type	Amounts in the consolidated balance sheets	Acquisition cost	Differences
Available-for-sale securities with the amount in the consolidated balance sheets exceeding the acquisition cost	(1) Shares	-	-	-
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	-	-	-
Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost	(1) Shares	861,480	1,434,980	(573,500)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	861,480	1,434,980	(573,500)
Total		861,480	1,434,980	(573,500)

(Note) Unlisted shares (the amount in the consolidated balance sheets: 14,000 thousand yen) are not included in the available-for-sale securities in the table above, since they are shares, etc., without market price.

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

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

(Thousand yen)

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

(Thousand yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	36,342	19,568	284
(2) Bonds	-	-	-
(3) Other	-	-	-
Total	36,342	19,568	284

3. Impairment losses on securities

Not applicable.

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

(Derivative transactions)

1. Derivative transactions for which hedge accounting is applied

Currency-related transactions

Previous fiscal year (as of December 31, 2023)

Not applicable.

Current fiscal year (as of December 31, 2024)

Not applicable.

(Retirement benefits)

1. Outline of retirement benefit plans adopted

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

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

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

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

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

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Balance of retirement benefit obligations at the beginning of the fiscal year	2,989,436	2,960,545
Service cost	223,250	214,504
Interest cost	24,356	44,408
Actuarial gains and losses generated	(474,972)	80,709
Past service costs generated	349,624	-
Retirement benefits paid	(151,150)	(34,717)
Balance of retirement benefit obligations at the end of the fiscal year	2,960,545	3,265,450

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Balance of plan assets at the beginning of the fiscal year	3,045,617	3,471,601
Expected return on plan assets	76,140	86,790
Actuarial gains and losses generated	337,777	314,358
Contribution from the employer	163,216	166,443
Retirement benefits paid	(151,150)	(34,717)
Balance of plan assets at the end of the fiscal year	3,471,601	4,004,475

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Retirement benefit obligations of funded plans	2,960,545	3,265,450
Plan assets	(3,471,601)	(4,004,475)
Net liabilities and assets recorded in the consolidated balance sheets	(511,056)	(739,025)
Net defined benefit asset	(511,056)	(739,025)
Net liabilities and assets recorded in the consolidated balance sheets	(511,056)	(739,025)

(4) Retirement benefit expenses and breakdown thereof

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Service cost	223,250	214,504
Interest cost	24,356	44,408
Expected return on plan assets	(76,140)	(86,790)
Amortization of actuarial gains and losses	23,485	(196,390)
Amortization of past service costs	45,703	92,319
Retirement benefit expenses for defined benefit plans	240,654	68,051

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

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Actuarial gains and losses	(836,234)	(37,258)
Past service costs	303,921	(92,319)
Total	(532,313)	(129,578)

(6) Remeasurements of defined benefit plans

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Unrecognized actuarial gains and losses	786,513	823,771
Unrecognized past service costs	(410,296)	(317,976)
Total	376,216	505,794

(7) Matters regarding plan assets

(i) Major components of plan assets

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

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Japanese bonds	21%	22%
Japanese shares	25%	25%
Foreign bonds	13%	13%
Foreign shares	23%	23%
Other	18%	17%
Total	100%	100%

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

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

(8) Matters regarding basis for actuarial assumptions

Major actuarial assumptions (in weighted average)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Discount rate	1.5%	1.5%
Expected long-term rate of return on plan assets	2.5%	2.5%
Expected rate of increase in salary	5.9%	6.2%

3. Defined benefit plans that apply the simplified method

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Balance of net defined benefit liability at the beginning of the fiscal year	10,628	14,620
Retirement benefit expenses	3,135	5,191
Retirement benefits paid	-	(4,398)
Translation gains or losses	856	1,864
Balance of net defined benefit liability at the end of the fiscal year	14,620	17,278

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

(Thousand yen)		
	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Retirement benefit obligations of unfunded plans	14,620	17,278
Net liabilities and assets recorded in the consolidated balance sheets	14,620	17,278
Net defined benefit liability	14,620	17,278
Net liabilities and assets recorded in the consolidated balance sheets	14,620	17,278

(3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method: Previous fiscal year: 3,135 thousand yen
Current fiscal year: 5,191 thousand yen

4. Defined contribution plans

The required amount of contributions to defined contribution plans of the Company and its consolidated subsidiaries are 109,419 thousand yen for the previous fiscal year and 122,081 thousand yen for the current fiscal year.

5. Multi-employer plans

The required amount of contributions to the employees' pension fund plan and corporate pension fund plan, which are multi-employer plans and adopt the same accounting method as that for defined contribution plans, are 197,109 thousand yen for the previous fiscal year and 210,592 thousand yen for the current fiscal year.

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

(Thousand yen)		
	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Amount of plan assets	17,329,484	19,320,339
Aggregate actuarial obligation under pension finance calculation and minimum reserve	19,781,141	19,533,351
Difference	(2,451,657)	(213,012)

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

Previous fiscal year: 12.2% (as of December 31, 2023)
Current fiscal year: 13.0% (as of December 31, 2024)

(3) Supplementary explanation

Major factors for the difference in (1) above are the balance of past service liabilities under pension finance calculation (6,019,889 thousand yen for the previous fiscal year, 5,093,388 thousand yen for the current fiscal year) and the general reserve (3,568,232 thousand yen for the previous fiscal year, 4,880,376 thousand yen for the current fiscal year). Past service liabilities under the plan are amortized using the straight-line method over a period of 5 years. The Company has amortized special contribution in the consolidated financial statements (134,720 thousand yen in the previous fiscal year, 144,061 thousand yen in the current fiscal year).

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

(Stock options, etc.)

Not applicable.

(Tax effect accounting)

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Deferred tax assets		
Tax loss carryforward (Note)	386,271	539,030
Provision for bonuses	169,251	177,712
Loss on valuation of inventories	355,246	370,154
Accrued enterprise tax and business office tax	45,781	82,815
Accrued social insurance premiums	26,033	24,921
Unrealized income on inventories	381,134	313,937
Depreciation	224,876	227,215
Asset retirement obligations	211,817	215,128
Allowance for doubtful accounts	14,102	12,054
Net defined benefit liability	2,924	3,455
Retirement benefits for directors (and other officers)	3,709	3,709
Valuation difference on available-for-sale securities	47,058	175,491
Other	91,400	111,096
Subtotal deferred tax assets	1,959,607	2,256,722
Valuation allowance for tax loss carryforward (Note)	(386,271)	(539,030)
Valuation allowance for aggregate deductible temporary differences	(44,706)	(21,311)
Subtotal valuation allowance	(430,977)	(560,341)
Total deferred tax assets	1,528,629	1,696,380
Deferred tax liabilities		
Net defined benefit asset	(156,383)	(226,141)
Retirement cost for asset retirement obligations	(124,342)	(117,765)
Retained earnings of overseas subsidiaries	(338,053)	(412,159)
Other	(277)	-
Total deferred tax liabilities	(619,056)	(756,066)
Net deferred tax assets (liabilities)	909,573	940,314

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

Previous fiscal year (as of December 31, 2023)

(Thousand yen)

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

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

Current fiscal year (as of December 31, 2024)

(Thousand yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carryforward	10,688	8,767	8,321	120,229	84,583	306,439	539,030
Valuation allowance	(10,688)	(8,767)	(8,321)	(120,229)	(84,583)	(306,439)	(539,030)
Deferred tax assets	-	-	-	-	-	-	-

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

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

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Effective statutory tax rate (Adjustments)	30.6%	30.6%
Items permanently excluded from deductible expenses such as entertainment expenses	2.3%	2.1%
Exclusion of dividend income from taxable income	(0.0)%	(0.0)%
Inhabitant tax on per capita basis	0.5%	0.4%
Experimentation and research expenses tax credit	(6.6)%	(5.5)%
Salary increase tax credits	(2.2)%	(1.0)%
Increase (decrease) in valuation allowance	1.2%	1.9%
Other	0.5%	(0.5)%
Income tax rate after applying tax effect accounting	26.3%	28.0%

(Business combinations, etc.)

Not applicable.

(Asset retirement obligations)

Asset retirement obligations recorded in the consolidated balance sheets

(1) Outline of the asset retirement obligations

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

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

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

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Balance at the beginning of the fiscal year	643,317	734,815
Increase due to the acquisition of property, plant and equipment	118,734	2,135
Adjustments due to passage of time	2,375	240
Decrease due to the performance of asset retirement obligations	(29,611)	-
Balance at the end of the fiscal year	734,815	737,191

(Real estate for lease, etc.)

Not applicable.

(Revenue recognition)

1. Disaggregation of revenue from contracts with customers

(Thousand yen)

Category	Previous fiscal year (From January 1, 2023 to December 31, 2023)		Current fiscal year (From January 1, 2024 to December 31, 2024)	
	Amount	Ratio (%)	Amount	Ratio (%)
Haircare products	28,355,020	59.4	31,324,151	61.1
Hair coloring products	16,953,723	35.5	17,200,898	33.5
Permanent wave products	1,463,884	3.0	1,547,204	3.0
Cosmetic products	571,762	1.2	868,261	1.7
Other	418,040	0.9	375,898	0.7
Revenue from contracts with customers	47,762,432	100.0	51,316,414	100.0
Revenue from other sources	-	-	-	-
Net sales to external customers	47,762,432	100.0	51,316,414	100.0

2. Useful information in understanding revenue from contracts with customers

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

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

(1) Balance of contract liabilities, etc.

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

(Thousand yen)

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

(Thousand yen)

	Beginning of the fiscal year (As of January 1, 2024)	End of the fiscal year (As of December 31, 2024)
Receivables from contracts with customers	5,345,669	6,037,963
Contract liabilities	8,545	14,328

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

(2) Transaction price allocated to the remaining performance obligations

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

(Segment information, etc.)

Segment information

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

Related information

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

1. Information by product and service

(Thousand yen)

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

2. Information by geographical area

(1) Net sales

(Thousand yen)

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

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

(2) Property, plant and equipment

(Thousand yen)

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

3. Information by major customer

(Thousand yen)

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

1. Information by product and service

(Thousand yen)

	Haircare products	Hair coloring products	Permanent wave products	Cosmetic products	Other	Total
Net sales to external customers	31,324,151	17,200,898	1,547,204	868,261	375,898	51,316,414

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	South Korea	Other	Total
38,684,815	5,345,045	7,286,552	51,316,414

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

(2) Property, plant and equipment

(Thousand yen)

Japan	China	Other	Total
17,155,885	2,968,344	2,183,574	22,307,804

3. Information by major customer

(Thousand yen)

Name of customer	Net sales
Topy Co., Ltd.	5,781,404
GAMO Co., Ltd.	4,384,803
MASS HOLDINGS Inc.	3,575,935

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

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

Not applicable.

Information regarding amortization and unamortized balance of goodwill by reportable segment

Not applicable.

Information regarding gain on bargain purchase by reportable segment

Not applicable.

Related party information

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

Not applicable.

Current fiscal year (from January 1, 2024 to December 31, 2024)

Not applicable.

(Per share information)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Net assets per share (yen)	1,411.56	1,499.20
Basic earnings per share (yen)	122.99	154.12

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

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

	Previous fiscal year (from January 1, 2023 to December 31, 2023)	Current fiscal year (from January 1, 2024 to December 31, 2024)
Profit attributable to owners of parent (thousand yen)	4,001,627	5,017,568
Amount not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent related to common stock (thousand yen)	4,001,627	5,017,568
Average number of shares of common stock during the period (shares)	32,536,033	32,556,014

(Significant subsequent events)

Not applicable.

5) Consolidated supplementary schedules

Schedule of corporate bonds

Not applicable.

Schedule of borrowings, etc.

Category	Balance at beginning of period (Thousand yen)	Balance at end of period (Thousand yen)	Average interest rate (%)	Repayment due date
Short-term borrowings	-	-	-	-
Current portion of long-term borrowings	-	-	-	-
Current portion of lease obligations	-	-	-	-
Long-term borrowings (except for the current portion)	-	-	-	-
Lease obligations (except for the current portion)	-	-	-	-
Other interest-bearing liabilities	75,032	73,062	0.125	-
Total	75,032	73,062	-	-

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

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

Schedule of asset retirement obligations

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

(2) Other

Quarterly information, etc., for the current fiscal year

(Cumulative accounting period)	1st quarter	Interim accounting period	3rd quarter	Current fiscal year
Net sales (Thousand yen)	11,508,323	24,526,319	36,993,567	51,316,414
Profit before income taxes (Thousand yen)	1,390,734	3,305,788	4,862,405	6,968,372
Profit attributable to owners of parent (Thousand yen)	973,435	2,280,390	3,393,820	5,017,568
Basic earnings per share (Yen)	29.91	70.06	104.25	154.12

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings per share (Yen)	29.91	40.14	34.19	49.87

(Note) The amounts for the 3rd quarter are presented based on the quarterly financial results information that has undergone an interim review by GYOSEI & CO.

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	7,108,249	8,960,370
Notes receivable - trade	*2 188,316	*2 158,357
Accounts receivable - trade	*1 5,368,165	*1 6,162,096
Merchandise and finished goods	4,679,315	5,197,804
Work in process	35,531	57,150
Raw materials and supplies	1,763,522	1,983,082
Short-term loans receivable from subsidiaries and associates	206,500	-
Prepaid expenses	178,912	182,689
Other	*1 242,460	*1 455,247
Allowance for doubtful accounts	-	(14,103)
Total current assets	19,770,973	23,142,695
Non-current assets		
Property, plant and equipment		
Buildings	6,183,252	6,429,914
Structures	81,817	83,254
Machinery and equipment	2,049,772	1,837,435
Vehicles	12,126	17,130
Tools, furniture and fixtures	809,774	830,460
Land	6,324,093	6,324,093
Construction in progress	807,292	1,631,955
Total property, plant and equipment	16,268,129	17,154,245
Intangible assets		
Software	1,440,820	1,265,819
Other	116,750	29,462
Total intangible assets	1,557,571	1,295,281

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Investments and other assets		
Investment securities	1,312,251	875,480
Shares of subsidiaries and associates	2,213,793	2,649,930
Investments in capital of subsidiaries and associates	4,457,200	4,457,200
Long-term loans receivable from subsidiaries and associates	1,124,000	1,175,000
Prepaid pension costs	134,839	233,230
Deferred tax assets	958,161	1,173,589
Other	1,091,029	877,128
Allowance for doubtful accounts	(487,087)	(466,290)
Total investments and other assets	10,804,188	10,975,269
Total non-current assets	28,629,889	29,424,796
Total assets	48,400,863	52,567,492
Liabilities		
Current liabilities		
Accounts payable - trade	*1 1,022,967	*1 1,495,080
Accounts payable - other	*1 3,468,944	*1 4,232,230
Accrued expenses	482,833	502,125
Income taxes payable	319,897	1,140,118
Advances received	6,579	55,897
Deposits received	332,961	356,146
Provision for bonuses	535,907	554,106
Other	19,211	335,284
Total current liabilities	6,189,303	8,670,989
Non-current liabilities		
Asset retirement obligations	691,749	691,749
Other	75,032	73,062
Total non-current liabilities	766,782	764,812
Total liabilities	6,956,086	9,435,802

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus		
Legal capital surplus	199,120	199,120
Other capital surplus	107,837	99,547
Total capital surplus	306,957	298,667
Retained earnings		
Legal retained earnings	300,880	300,880
Other retained earnings		
General reserve	3,500,000	3,500,000
Retained earnings brought forward	37,425,828	39,336,605
Total retained earnings	41,226,708	43,137,485
Treasury shares	(1,982,161)	(1,906,453)
Total shareholders' equity	41,551,504	43,529,699
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(106,728)	(398,009)
Total valuation and translation adjustments	(106,728)	(398,009)
Total net assets	41,444,776	43,131,689
Total liabilities and net assets	48,400,863	52,567,492

2) Statements of Earnings

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Net sales	*1 42,520,224	*1 45,598,486
Cost of sales	*1 17,973,474	*1 18,649,005
Gross profit	24,546,749	26,949,480
Selling, general and administrative expenses	*1, *2 19,845,110	*1, *2 20,829,993
Operating income	4,701,639	6,119,487
Non-operating income		
Interest and dividend income	*1 37,621	*1 153,706
Surrender value of insurance	86,359	-
Foreign exchange gains	-	19,959
Miscellaneous income	*1 98,175	*1 111,218
Total non-operating income	222,156	284,884
Non-operating expenses		
Foreign exchange losses	15,201	-
Provision of allowance for doubtful accounts	-	17,600
Miscellaneous losses	2,140	1,606
Total non-operating expenses	17,342	19,206
Ordinary income	4,906,452	6,385,164
Extraordinary income		
Gain on sales of non-current assets	1	-
Gain on sales of investment securities	-	19,568
Total extraordinary income	1	19,568
Extraordinary losses		
Loss on retirement of non-current assets	39,493	1,306
Loss on sales of investment securities	-	284
Provision of allowance for doubtful accounts of loans receivable from subsidiaries and associates	78,585	-
Compensation for damages	115,000	-
Total extraordinary losses	233,079	1,590
Profit before income taxes	4,673,373	6,403,142
Income taxes - current	1,344,834	1,714,944
Income taxes - deferred	95,271	(86,995)
Total income taxes	1,440,105	1,627,948
Profit	3,233,267	4,775,194

Schedule of manufacturing costs

Category	Note	Previous fiscal year (From January 1, 2023 to December 31, 2023)		Current fiscal year (From January 1, 2024 to December 31, 2024)	
		Amount (Thousand yen)	Ratio (%)	Amount (Thousand yen)	Ratio (%)
I. Cost of raw materials		9,919,284	68.8	10,780,027	70.3
II. Cost of outsourced processing		1,596,669	11.1	1,798,255	11.7
III. Labor cost		1,105,952	7.7	1,140,424	7.6
(Provision for bonuses)		(78,661)		(79,687)	
IV. Expenses		1,793,953	12.4	1,606,368	10.5
(Depreciation)		(849,768)		(727,037)	
(Repair expenses)		(94,493)		(147,710)	
(Utility expenses)		(131,995)		(131,880)	
(Supplies expenses)		(107,344)		(143,819)	
Gross manufacturing cost for the fiscal year		14,415,860	100.0	15,325,075	100.0
Beginning of work in process		39,422		35,531	
Total		14,455,283		15,360,607	
Transfer to other account	*1	105,144		76,406	
Ending of work in process		35,531		57,150	
Cost of products manufactured		14,314,607		15,227,050	

(Footnote)

Previous fiscal year (From January 1, 2023 to December 31, 2023)		Current fiscal year (From January 1, 2024 to December 31, 2024)	
*1 Breakdown of the transfer to other account is as follows:		*1 Breakdown of the transfer to other account is as follows:	
Promotion expenses	89,004 thousand yen	Promotion expenses	66,376 thousand yen
Research and development expenses	12,474 thousand yen	Research and development expenses	9,978 thousand yen
Other	3,665 thousand yen	Other	51 thousand yen
Total	105,144 thousand yen	Total	76,406 thousand yen
2 Method of calculation of costs		2 Method of calculation of costs	
The continuous process cost system is adopted.		Same as the previous fiscal year	

3) Statements of Changes in Shareholders' Equity

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

(Thousand yen)

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

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

Current fiscal year (from January 1, 2024 to December 31, 2024)

(Thousand yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of period	2,000,000	199,120	107,837	306,957	300,880	3,500,000	37,425,828	41,226,708
Changes of items during period								
Dividends of surplus							(2,864,417)	(2,864,417)
Profit							4,775,194	4,775,194
Purchase of treasury shares								
Disposal of treasury shares			(8,290)	(8,290)				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	(8,290)	(8,290)	-	-	1,910,776	1,910,776
Balance at end of period	2,000,000	199,120	99,547	298,667	300,880	3,500,000	39,336,605	43,137,485

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(1,982,161)	41,551,504	(106,728)	(106,728)	41,444,776
Changes of items during period					
Dividends of surplus		(2,864,417)			(2,864,417)
Profit		4,775,194			4,775,194
Purchase of treasury shares	(414)	(414)			(414)
Disposal of treasury shares	76,123	67,832			67,832
Net changes of items other than shareholders' equity			(291,281)	(291,281)	(291,281)
Total changes of items during period	75,708	1,978,194	(291,281)	(291,281)	1,686,912
Balance at end of period	(1,906,453)	43,529,699	(398,009)	(398,009)	43,131,689

Notes to the Financial Statements

(Significant accounting policies)

1. Valuation standards and methods for assets

(1) Valuation standard and method for securities

(i) Shares of subsidiaries and shares of associates

Stated at cost using the moving-average method

(ii) Available-for-sale securities

Other than shares, etc., without market price

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

Shares, etc., without market price

Stated at cost using the moving-average method

(2) Valuation standards and methods for inventories

Merchandise, finished goods, work in process, raw materials, and supplies

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

2. Depreciation and amortization methods for non-current assets

(1) Property, plant and equipment

They are depreciated using the straight-line method.

Useful lives of principal assets are as follows:

Buildings: 2 to 50 years

Machinery and equipment: 2 to 17 years

(2) Intangible assets

They are amortized using the straight-line method.

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

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

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

4. Accounting standards for allowances

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for retirement benefits

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

(i) Method of attributing expected retirement benefits to periods

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

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

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

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

5. Accounting standards for significant revenue and expenses

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

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

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

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

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

Accounting methods for retirement benefits

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

(Significant accounting estimates)

Valuation of merchandise and finished goods

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

(Thousand yen)

	Previous fiscal year	Current fiscal year
Merchandise and finished goods	4,679,315	5,197,804

(Note) The amounts shown above represent those after deducting the amounts of write-down due to decreased profitability (1,094,327 thousand yen for the previous fiscal year, 1,171,658 thousand yen for the current fiscal year).

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

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

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

(Balance sheets)

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

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Shot-term monetary receivables	600,900	903,775
Shot-term monetary payables	283,699	402,615

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

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

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Notes receivable - trade	68,336	70,331

(Statements of earnings)

*1 Transactions with subsidiaries and associates

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Amount of operating transactions		
Net sales	4,797,828	5,577,455
Purchase amount	2,530,614	3,341,426
Other	402,325	473,573
Amount of non-operating transactions	78,586	213,019

*2 Approximate ratios of expenses included in selling expenses are 11.9% for the previous fiscal year and 10.9% for the current fiscal year, and those included in general and administrative expenses are 88.1% for the previous fiscal year and 89.1% for the current fiscal year.

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

(Thousand yen)

	Previous fiscal year (From January 1, 2023 to December 31, 2023)	Current fiscal year (From January 1, 2024 to December 31, 2024)
Remuneration, salaries and allowances	4,915,783	5,383,100
Logistics expenses	2,851,725	3,068,885
Research and development expenses	2,361,191	2,486,963
Promotion expenses	1,203,818	1,090,251
Depreciation	857,928	886,995
Provision for bonuses	375,976	395,685
Retirement benefit expenses	370,433	267,751
Provision of allowance for doubtful accounts	-	(14,103)

(Securities)

Previous fiscal year (as of December 31, 2023)

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

Current fiscal year (as of December 31, 2024)

The description of the market values of shares of subsidiaries and associates (amounts in the balance sheets: 2,649,930 thousand yen of shares of subsidiaries and 4,457,200 thousand yen of investments in capital of subsidiaries and associates) is omitted since they are shares, etc., without market price.

(Tax effect accounting)

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Deferred tax assets		
Provision for bonuses	163,987	169,556
Loss on valuation of inventories	334,864	358,527
Accrued enterprise tax and business office tax	45,781	82,815
Accrued social insurance premiums	26,033	24,921
Depreciation	224,396	221,651
Allowance for doubtful accounts	149,048	147,000
Loss on valuation of shares of subsidiaries and associates	194,732	194,732
Retirement benefits for directors (and other officers)	3,709	3,709
Asset retirement obligations	211,675	211,675
Restricted share-based compensation	65,474	79,009
Performance-linked compensation	-	24,051
Valuation difference on available-for-sale securities	47,058	175,491
Other	783	793
Subtotal deferred tax assets	1,467,545	1,693,935
Valuation allowance (Note)	(343,780)	(332,520)
Total deferred tax assets	1,123,765	1,361,414
Deferred tax liabilities		
Retirement cost for asset retirement obligations	(124,342)	(116,455)
Prepaid pension costs	(41,260)	(71,368)
Total deferred tax liabilities	(165,603)	(187,824)
Net deferred tax assets (liabilities)	958,161	1,173,589

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

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

	Previous fiscal year (As of December 31, 2023)	Current fiscal year (As of December 31, 2024)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Items permanently excluded from deductible expenses such as entertainment expenses	2.7%	2.2%
Dividend income excluded from gross revenue	0.0%	(0.5)%
Inhabitant tax on per capita basis	0.6%	0.4%
Experimentation and research expenses tax credit	(7.7)%	(6.0)%
Salary increase tax credits	(2.6)%	(1.1)%
Increase (decrease) in valuation allowance	7.4%	(0.2)%
Other	(0.2)%	(0.0)%
Income tax rate after applying tax effect accounting	30.8%	25.4%

(Revenue recognition)

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

(Significant subsequent events)

Not applicable.

4) Supplementary schedules

Schedule of property, plant and equipment, etc.

(Thousand yen)

Category	Type of assets	Balance at beginning of period	Increase during period	Decrease during period	Depreciation (amortization) during period	Balance at end of period	Accumulated depreciation (amortization)
Property, plant and equipment	Buildings	6,183,252	689,473	8,248	442,232	6,429,914	6,424,203
	Structures	81,817	16,732	-	15,295	83,254	300,464
	Machinery and equipment	2,049,772	197,755	153,811	403,170	1,837,435	6,184,782
	Vehicles	12,126	11,674	4,839	6,669	17,130	43,358
	Tools, furniture and fixtures	809,774	423,392	200,222	402,687	830,460	2,854,510
	Land	6,324,093	-	-	-	6,324,093	-
	Construction in progress	807,292	1,666,870	842,208	-	1,631,955	-
	Total	16,268,129	3,005,899	1,209,329	1,270,055	17,154,245	15,807,319
Intangible assets	Software	1,440,820	348,529	1,037	523,530	1,265,819	3,963,537
	Other	116,750	104,440	191,484	245	29,462	9,662
	Total	1,557,571	452,970	192,521	523,775	1,295,281	3,973,200

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

1. A major component of an increase in buildings of 689,473 thousand yen is 655,696 thousand yen of the construction work for expansion of the Technical Center.
2. A major component of an increase in machinery and equipment of 197,755 thousand yen is for wrapping and filling facilities at the Yumegaoka Factory.
3. Major components of an increase in tools, furniture and fixtures of 423,392 thousand yen are 66,918 thousand yen of fixtures associated with the construction work for expansion of the Technical Center, 149,939 thousand yen of expenses for the production of videos for technical training, etc., 38,508 thousand yen of fixtures for research and development, 34,510 thousand yen of dies, and 33,451 thousand yen of quality control instruments.
4. A major component of an increase in construction in progress of 1,666,870 thousand yen is 1,051,757 thousand yen of expenses associated with the construction work for the Odawara Training Center.
5. A major component of a decrease in construction in progress of 842,208 thousand yen is 473,193 thousand yen of transfer associated with the expansion work for the Technical Center.
6. Major components of an increase in software of 348,529 thousand yen are 165,630 thousand yen of investment in the expansion of the milbon:iD functions, 49,220 thousand yen for the expansion of the education:iD functions, and 40,890 thousand yen for renovating the sales management system.

Schedule of provisions

(Thousand yen)

Account	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Allowance for doubtful accounts	487,087	31,703	38,397	480,393
Provision for bonuses	535,907	554,106	535,907	554,106

(2) Components of major assets and liabilities

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

(3) Others

Not applicable.