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# Annual Securities Report

Milbon Co., Ltd.

E01039

The 65th Fiscal Year (from January 1, 2024 to December 31, 2024)

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# Annual Securities Report

## (“Yukashoken Hokokusho”)

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1. This document is an electronic report of the Annual Securities Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act, which was submitted using the Electronic Disclosure for Investors’ NETwork (EDINET) provided for in Article 27, Paragraph 30-2 of the same Act, and was printed with an added table of contents and page numbers.
2. This document includes, at the end, the audit report attached to the Annual Securities Report submitted in the manner described above and the internal control report (in Japanese only) and confirmation document (in Japanese only) submitted in conjunction with the Annual Securities Report described above.

Milbon Co., Ltd.

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## Cover

[Document Submitted]	Annual Securities Report (“Yukashoken Hokokusho”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director-General, Kinki Local Finance Bureau
[Date of Submission]	March 27, 2025
[Accounting Period]	The 65th Fiscal Year (from January 1, 2024 to December 31, 2024)
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[Company Name in English]	Milbon Co., Ltd.
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## Part 1 Company Information

### I. Overview of Company

#### 1. Key Financial Data

(1) Consolidated Financial Data, etc.

Fiscal Year	61st	62nd	63rd	64th	65th
Year End	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024
Net sales (thousand yen)	35,725,069	41,582,267	45,238,377	47,762,432	51,316,414
Ordinary income (thousand yen)	5,791,315	7,158,440	7,829,279	5,586,650	6,968,427
Profit attributable to owners of parent (thousand yen)	4,204,139	5,109,288	5,577,274	4,001,627	5,017,568
Comprehensive income (thousand yen)	3,776,739	5,754,382	6,253,306	4,657,169	5,681,791
Net assets (thousand yen)	36,308,349	40,197,181	43,991,750	45,932,297	48,817,089
Total assets (thousand yen)	43,075,520	48,238,490	52,760,387	53,391,872	58,899,055
Net assets per share (yen)	1,117.10	1,236.41	1,352.52	1,411.56	1,499.20
Basic earnings per share (yen)	129.24	157.17	171.49	122.99	154.12
Diluted earnings per share (yen)	-	-	-	-	-
Equity ratio (%)	84.3	83.3	83.4	86.0	82.9
Return on equity (%)	11.6	13.4	13.2	8.9	10.6
Price earnings ratio (times)	50.8	36.3	33.4	30.0	22.7
Cash flows from operating activities (thousand yen)	6,548,116	6,636,823	5,008,008	4,765,687	7,625,859
Cash flows from investing activities (thousand yen)	(161,779)	(3,995,279)	(3,865,221)	(3,109,692)	(2,531,118)
Cash flows from financing activities (thousand yen)	(3,416,124)	(1,919,749)	(2,578,462)	(2,797,765)	(2,862,086)
Cash and cash equivalents at end of period (thousand yen)	12,307,591	13,312,634	12,258,237	11,292,078	13,778,584
Number of employees (persons)	975	1,038	1,097	1,140	1,188

(Note) Diluted earnings per share is not shown since there are no dilutive shares.

## (2) Financial Data, etc., of Reporting Company

Fiscal Year		61st	62nd	63rd	64th	65th
Year End		Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024
Net sales	(thousand yen)	33,651,807	39,237,623	41,780,945	42,520,224	45,598,486
Ordinary income	(thousand yen)	5,584,059	6,928,387	7,959,986	4,906,452	6,385,164
Profit	(thousand yen)	3,842,075	4,986,323	5,533,885	3,233,267	4,775,194
Capital stock	(thousand yen)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of issued shares	(shares)	33,117,234	33,117,234	33,117,234	33,117,234	33,117,234
Net assets	(thousand yen)	35,243,127	38,128,794	41,249,787	41,444,776	43,131,689
Total assets	(thousand yen)	41,650,835	45,721,261	49,508,428	48,400,863	52,567,492
Net assets per share	(yen)	1,084.32	1,172.79	1,268.22	1,273.65	1,324.60
Dividend per share	(yen)	56.00	68.00	86.00	88.00	88.00
(Interim dividend per share)	(yen)	(27.00)	(30.00)	(40.00)	(40.00)	(40.00)
Basic earnings per share	(yen)	118.11	153.38	170.16	99.37	146.68
Diluted earnings per share	(yen)	-	-	-	-	-
Equity ratio	(%)	84.6	83.4	83.3	85.6	82.1
Return on equity	(%)	10.9	13.6	13.9	7.8	11.3
Price earnings ratio	(times)	55.6	37.2	33.6	37.2	23.9
Dividend payout ratio	(%)	47.4	44.3	50.5	88.6	60.0
Number of employees	(persons)	765	810	842	870	904
Total shareholder return	(%)	106.9	93.9	95.6	64.4	62.8
(Comparison indicators: Dividend Included TOPIX)	(%)	(107.4)	(121.1)	(118.1)	(151.5)	(182.5)
Highest share price	(yen)	6,690	7,270	6,480	5,870	3,791
Lowest share price	(yen)	4,280	5,510	4,220	3,247	2,815

(Notes) 1. Diluted earnings per share is not shown since there are no dilutive shares.

2. Highest and lowest share prices are those recorded on the Prime Market of the Tokyo Stock Exchange from April 4, 2022, while those recorded on the First Section of the Tokyo Stock Exchange before that date.

## 2. History

Month / Year	Overview
July 1960	Established Yutaka Beauty Chemicals Co., Ltd. in Higashi-yodogawa-ku, Osaka City, for the purpose of manufacturing and selling cosmetic products (cold wave perm solutions, shampoos, etc.). A factory was also built at the same location.
September 1963	Transferred the head office in Higashi-yodogawa-ku, Osaka City to Higashi-sumiyoshi-ku, Osaka City and shutdown the factory. Established Kire Factory in Higashi-sumiyoshi-ku, Osaka City.
January 1965	Changed trade name to Milbon Co., Ltd. Transferred the head office to Asahi-ku, Osaka City in the next month.
February 1969	Established Ueno Dai-Ichi Factory in Ueno City, Mie (currently Iga City, Mie), and shutdown Kire Factory.
May 1970	Opened Tokyo Branch in Minato-ku, Tokyo.
October 1975	Established Ueno Dai-Ni Factory in Ueno City, Mie (currently Iga City, Mie).
June 1979	Opened Osaka Branch in Miyakojima-ku, Osaka City, and established Osaka Studio in the same location.
July 1980	Transferred Tokyo Branch to Shinjuku-ku, Tokyo, and established Tokyo Studio in the same location.
July 1982	Opened Nagoya Branch in Naka-ku, Nagoya City, and established Nagoya Studio in the same location.
March 1984	Established Training Center in Miyakojima-ku, Osaka City.
April 1984	Started Field Person Strategy (first term employees were hired).
March 1987	Started Milbon's proprietary TAC Product Development System.
March 1991	Transferred Training Center to Joto-ku, Osaka City.
October 1992	Established Aoyama Factory in Aoyama-cho, Naga-gun, Mie (currently Iga City, Mie).
April 1993	Launched NIGELLE to create natural design.
June 1996	Registered shares as over-the-counter securities at Japan Securities Dealers Association.
April 1997	Transferred head office to Miyakojima-ku, Osaka City. Renovated the former head office and established Central Research Institute.
April 1998	Transferred Tokyo Branch from Shibuya-ku, Tokyo to Shinjuku-ku, Tokyo
October 1998	Launched LISCIO, a hair straightening system using iron technology.
June 1999	Launched DEESSE'S, haircare series that supports colored hair.
May 2000	Established additional factory adjacent to Aoyama Factory in Aoyama-cho, Naga-gun, Mie (currently Iga City, Mie).
July 2000	Listed shares on the Second Section of the Tokyo Stock Exchange.
November 2000	Newly built the Training Center and company dormitory at Joto-ku, Osaka City.
June 2001	Assigned to the First Section of the Tokyo Stock Exchange.
September 2002	Newly built the head office and Central Research Institute buildings and transferred from Asahi-ku, Osaka City to Miyakojima-ku, Osaka City.
March 2004	Established MILBON USA, INC. in New York.
December 2004	Opened MILBON USA, INC. Studio in New York.
July 2005	Established Yumegaoka Factory in Iga City, Mie.
December 2006	Transferred Osaka Branch from Miyakojima-ku, Osaka City to Nishi-ku, Osaka City.
April 2007	Launched a hair color product "ORDEVE" that supports foil placement techniques.
November 2007	Established Milbon Trading (Shanghai) Co., Ltd. in China.
December 2008	Opened Milbon Trading (Shanghai) Co., Ltd. Studio in China.
June 2009	Shutdown Ueno Dai-Ichi Factory in Iga City, Mie.
July 2009	Established Production Technology Development Center in Yumegaoka Factory in Iga City, Mie.
July 2009	Established Milbon Korea Co., Ltd. in South Korea and opened a Studio.
April 2010	Launched a premium brand "Aujua," born from Japanese climate, culture, and hair characteristics.
May 2012	Established MILBON (THAILAND) CO., LTD. in Thailand.
December 2013	Established MILBON (THAILAND) CO., LTD. production factory in Thailand.
March 2015	Opened Tokyo Ginza Branch in Chuo-ku, Tokyo and opened a Studio.
June 2016	Launched "milbon," a premium brand of 360 Degree Beautiful Hair.
September 2016	Shutdown Aoyama Factory in Iga City, Mie.
November 2016	Established additional factory adjacent to Yumegaoka Factory in Iga City, Mie.

Month / Year	Overview
July 2017	Established KOSÉ MILBON COSMETICS CO., LTD. (currently affiliate accounted for by the equity method) jointly with KOSÉ Corporation.
November 2017	Upgraded the premium brand “Aujua.”
November 2017	Transferred head office from Miyakojima-ku, Osaka City to Chuo-ku, Tokyo.
December 2017	Changed settlement day from December 20 to December 31.
September 2018	Established MILBON MALAYSIA SDN. BHD. in Malaysia.
October 2018	Established MILBON VIETNAM CO., LTD. in Vietnam.
April 2019	Launched “iMPREA,” a premium cosmetics brand exclusive to hair salons
October 2019	Established MILBON SINGAPORE PTE. LTD. in Singapore.
January 2020	Established Milbon (Zhejiang) Cosmetics Co., Ltd. in China.
July 2021	Transferred Tokyo Aoyama Branch from Shibuya-ku, Tokyo to Minato-ku, Tokyo
April 2022	Established Milbon Europe GmbH in Germany.

(Note) Studios are training venue for stylists.



### 3. Business Description

The Group consists of the Company, nine subsidiaries, and one affiliate, and is mainly engaged in the manufacture and sale of cosmetic products, as well as related services.

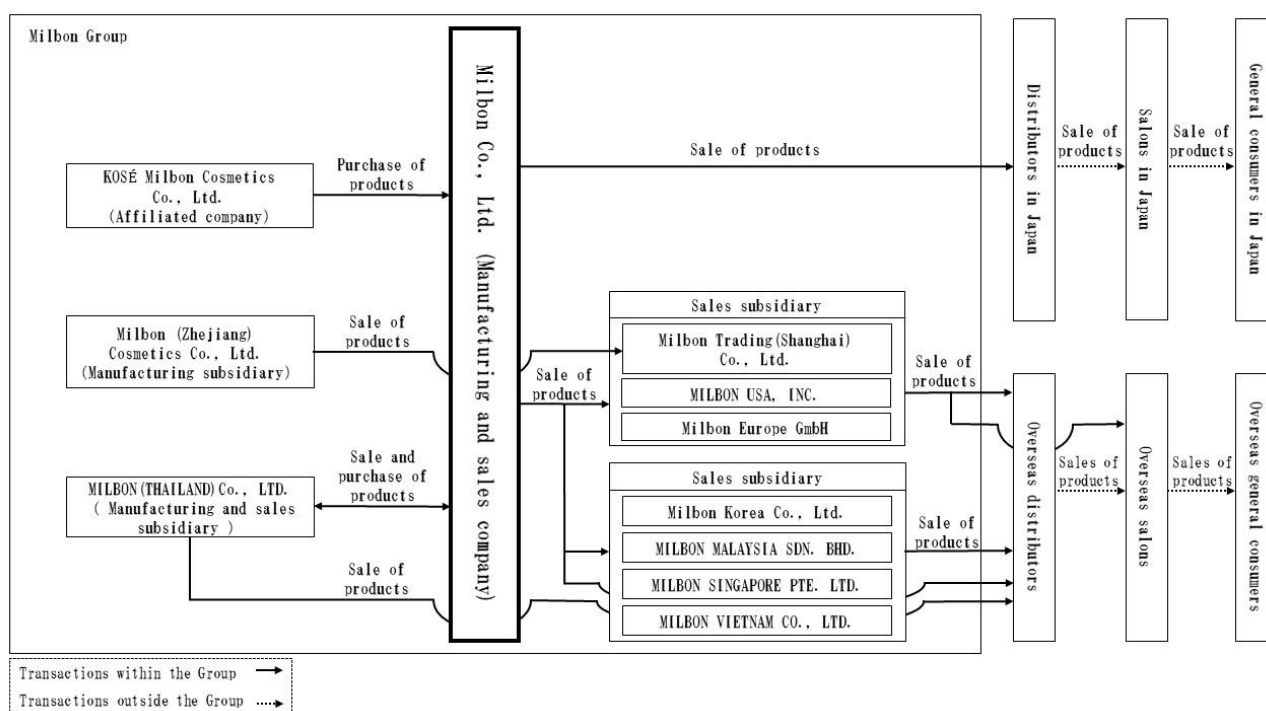
The Group's business is not described in terms of segments, as it consists of the above-mentioned single segment.

The Group classifies the products it manufactures or handles into the following five categories.

Category	Major items
Haircare products	Shampoo, hair treatment, hair tonic, hair cream, liquid and foam hairdressing product, set lotion, hair spray
Hair coloring products	Oxidative hair dye, acid hair dye, hair dye, hair bleach
Permanent wave products	Thioglycolic acid-based permanent wave product Cysteine-based permanent wave product, hair straightening product
Cosmetic products	Skincare, make-up cosmetics
Other	Health food, beauty equipment, etc.

The following diagram shows the positioning of the Milbon Group companies and the Group's businesses.

(Diagram of business activities)



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

#### 4. Subsidiaries and Other Affiliated Entities

Company name	Location	Capital stock or capital contribution	Main business	Share of voting rights percentage	Relationship with the Company
(Consolidated subsidiary) MILBON USA, INC. (Note 1)	United States New York	USD 2 million	Sale of hair products	100.0	Sells the Company's hair products in the U.S.
(Consolidated subsidiary) Milbon Trading (Shanghai) Co., Ltd. (Note 1)	China Shanghai City	JPY 430 million	Sale of hair products	100.0	Sells the Company's hair products in China. Two executives hold concurrent posts at the Company.
(Consolidated subsidiary) Milbon Korea Co., Ltd. (Notes 1, 2)	South Korea Seoul City	KRW 3,000 million	Sale of hair products	100.0	Sells the Company's hair products in South Korea. Three executives hold concurrent posts at the Company
(Consolidated subsidiary) MILBON (THAILAND) CO., LTD. (Note 1)	Kingdom of Thailand Rayong Pref.	THB 450 million	Manufacture and sale of hair products	100.0	Manufactures and sells the Company's hair products in Thailand.
(Consolidated subsidiary) MILBON MALAYSIA SDN. BHD.	Malaysia Kuala Lumpur	MYR 1.5 million	Sale of hair products	100.0	Sells the Company's hair products in Malaysia.
(Consolidated subsidiary) MILBON VIETNAM CO., LTD. (Note 1)	Vietnam Ho Chi Minh City	VND 46,380 million	Sale of hair products	100.0	Sells the Company's hair products in Vietnam.
(Consolidated subsidiary) MILBON SINGAPORE PTE. LTD.	Singapore	SGD 250,000	Sale of hair products	100.0	Sells the Company's hair products in Singapore.
(Consolidated subsidiary) Milbon (Zhejiang) Cosmetics Co., Ltd. (Note 1)	China Zhejiang	CNY 240 million	Manufacture and sale of hair products	100.0	Manufactures and sells the Company's hair products in China. Two executives hold concurrent posts at the Company.
(Consolidated subsidiary) Milbon Europe GmbH (Note 1)	Germany Dusseldorf	EUR 4.5 million	Sale of hair products	100.0	Sells the Company's hair products in Germany.

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

2. Net sales (excluding internal net sales between consolidated companies) of Milbon Korea Co., Ltd. account for more than 10% of consolidated net sales.

Main profit and loss information, etc.	(1) Net sales	5,345,045 thousand yen
	(2) Ordinary income	490,492 thousand yen
	(3) Profit	388,871 thousand yen
	(4) Net assets	2,586,090 thousand yen
	(5) Total assets	3,412,879 thousand yen

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

## 5. Employees

### (1) Consolidated Companies

As of December 31, 2024

Number of employees
1,188

- (Notes)
1. The number of employees refers to full-time employees and does not include 51 part-time employees, 29 associate employees.
  2. The Group is composed of a single segment, the manufacture and sale of cosmetics, and therefore, no segment-related information is presented.

### (2) The Company

As of December 31, 2024

Number of employees	Average age (years old)	Average length of service (years)	Average annual salary (thousand yen)
904	35.6	11.1	7,371

- (Notes)
1. The number of employees refers to full-time employees and does not include 51 part-time employees, 29 associate employees, and 34 employees seconded from the Company to subsidiaries and affiliates.
  2. The average annual salary includes bonuses and extra wages.

### (3) Status of Labor Union

Although no labor union has been formed, the relationship between labor and management is amicable.

### (4) Percentage of female employees in management positions, rate of childcare leave usage by male employees, and gender pay gap among employees

The Company

Current fiscal year				
Percentage of female employees in management positions (%) (Note 1)	Rate of childcare leave usage by male employees (%) (Note 2)	Gender pay gap among employees (%) (Notes 1, 3, 4)		
		All employees	Regular employees	Irregular employees
14.5	40.7	72.0	75.0	52.9

- (Notes)
1. Calculated in accordance with the stipulations of the Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
  2. Childcare leave usage rates as described in Article 71-4, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) were calculated in accordance with the stipulations of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
  3. "Regular employees" refers to Executive Officers (other than Board Directors) and permanent employees. "Irregular employees" refers to associate employees (employees rehired after reaching retirement age), part-time employees, and fixed-term contract employees.
  4. The gender pay gap among employees is primarily due to the fact that a large number of female employees have short lengths of service due to hiring conditions in recent years, the percentage of people in managerial positions that are women is low, women account for a relatively high percentage of employees with reduced working hours, and other factors. Wage structures and systems are uniformly defined, irrespective of gender or age.

## II. Overview of Business

### 1. Management Policy, Business Environment, Issues to Address

Matters related to future developments that are mentioned in this section are judgments of the Group that were made as of the end of the current fiscal year.

#### (1) Management policy

The Group is in the business of supporting beautiful lifestyles through hairstylists.

In order to establish long-term relationships of trust with its customers, the Group expresses its promise to them in its corporate statement and the slogan has been established as a symbol of this.

#### Corporate Statement

To live beautifully.

It's how we approach the world. It's the one, single idea that drives us.

Our hair frames our personal beauty how it's styled, how it feels, how it flows.

It sets the stage for the inner self we radiate. Everyone's hair is unique, and everyone's beauty is, too. Our purpose is to help people find, embrace, and express their individuality to head out into each day confidently and gracefully, and to live vibrantly.

For more than 50 years, professional stylists have been Milbon's partners: we learn from and inspire each other.

What unites us is our passion for transforming everything we touch into something beautiful. Together, we constantly push the boundaries of the global haircare industry.

Together, we help give people the confidence, sophistication, and grace with which they inspire the world.

#### Corporate Slogan

Find Your Beauty

We believe that the sources of corporate value for the Group are (i) to (iii) below.

#### (i) Sales capability = Field Person System

The Group has established a unique sales structure to support hair salons and hairstylists. Rather than simply selling products, we listen sincerely to the voices of hair salons and end users, identify issues, and propose solutions. With educational activities for hair salons at the core, we contribute to the increase in sales and profits of hair salons. We call the sales department members who conduct such activities "Field Persons."

In order to develop Field Persons, the Group conducts in-house training programs that last for nine months. In addition to basic beauty techniques such as hair care, coloring, and perms, Field Persons develop various skills such as acquiring a broad knowledge of the beauty industry, business analysis, and planning. This is the Group's unique business model that competitors cannot imitate.

#### (ii) Product development capability = TAC Product Development System

The Group's unique "TAC (Target Authority Customer) Product Development System" develops beauty software and products while learning from successful hairstylists at hair salons and end users.

Hair salons and hairstylists that are by far the most popular with their customers by theme, such as salons with more hair color customers than other salons, salons with more haircare customers than other salons have successful techniques (philosophy, way of thinking, hair design, and beauty techniques). We standardize these successful techniques so that they can be used in general hair salons, and create products to support them.

#### (iii) Market strategy = Field Activity System

Growing hair salons exist in any market environment. By concentrating the activities of Field Persons in hair salons that are growing or have great potential for growth, we are developing marketing that allows the Group to grow with them even when market conditions deteriorate.

(2) Medium-Term Management Plan (2022-2026)

Starting from Fiscal Year 2022 (63rd fiscal year), the Group has formulated a Medium-Term Management Plan (2022-2026), “Stage for the Future,” looking ahead to the next future, and announced it on February 10, 2022.

The Group’s mid-term goal is to “become the leading manufacturer in Asia and top 5 in the world by elevating the value of industry professionals in the eyes of consumers and society at large.”

To realize our mid-term goal, in our global strategy, we view the global market as seven regions (Japan, Korea, Chinese cultural sphere, ASEAN, North America, EU, and the Middle East), and as a long-term global strategy, we will work to establish a development and production system for each region, responding to differences in hair quality, culture, and values, and contributing to the development of the local beauty industry.

On the other hand, in the Japanese market, in order to strengthen our business foundation, we will implement “Salon-based Social Innovation,” a reform of the way hair salons should be in response to the times, and will implement the “Beauty Platform Plan,” a new form of hair salon, and the “Sustainability Commitment Five Key Challenges,” centered on the realization of spiritual enrichment through beauty.

The “Beauty Platform Plan” will be achieved through the promotion of the “Smart Salon Strategy,” which creates a place for customer experience that integrates digital and real life, and the “Lifetime Beauty Care Strategy,” which is composed of three care concepts: hair care, skin care, and beauty health care.

We have set the following challenges as “Sustainability Commitment Five Key Challenges” and are working on them: I. Enrich the spirit through beauty, II. Promote recycling in manufacturing and consumption activities, III. Practice people-friendly procurement, IV. Construct a fair and flexible management structure, and V. Realize work environments with enhanced job satisfaction.

Beyond the achievement of these goals, Milbon strives to achieve a sustainable community and society for people to live beautifully, through collaboration with hair salons.

<Mid-term goal>

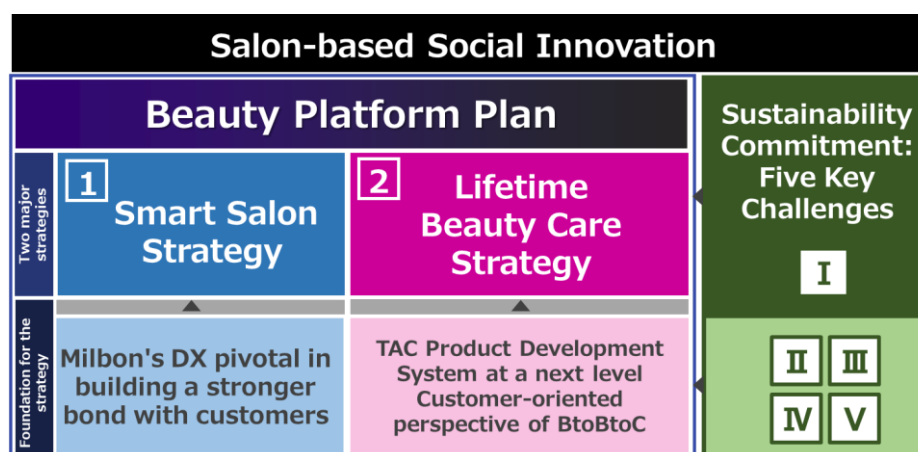
Aim to become the leading manufacturer in Asia and top 5 in the world by elevating the value of industry professionals in the eyes of consumers and society at large.

<Mid-term policy>

Stage for the Future

“Salon-based Social Innovation” × “Sustainability Commitment”

Milbon strives to achieve a sustainable community and society for people to live beautifully, through collaboration with hair salons.



- I. Enrich the spirit through beauty
- II. Promote recycling in manufacturing and consumption activities
- III. Practice people-friendly procurement
- IV. Construct a fair and flexible management structure
- V. Realize work environments with enhanced job satisfaction

(3) Issues to be addressed

While continued price increases may impact consumer spending, we expect a moderate recovery in the domestic economy to continue, supported by ongoing improvements in employment and income environments. On the other hand, we need to remain cautious about trends in overseas markets, particularly in China and the United States. We anticipate continued uncertainty due to prolonged inflation in the United States, ongoing conflicts and geopolitical risks, and their impact on consumer sentiment.

The Company will enter the fourth year of the Medium-Term Management Plan (2022-2026) in Fiscal Year 2025. Considering the current cost structure, we have announced a downward revision of our profit targets in Fiscal Year 2026, as well as the development and implementation of measures to improve profitability. Under such circumstances, we will reassess investment priorities in the seven regions of the overseas market, focusing on the United States., the EU, and South Korea, where we see significant growth opportunities, and strengthen our activities in these areas. In Fiscal Year 2025, we particularly plan to focus on strengthening personnel and product branding in the United States.

In the domestic market, we will continue promoting Smart Salon initiatives and milbon:iD to realize the Beauty Platform Plan, which aims to create a new normal for hair salons, thereby strengthening the infrastructure for purchasing take-home products. Furthermore, to achieve high-value-added and high-priced service menus in salons, we will continue the high-value-added hair color strategy and promote technical training support based on entry-level training and Sommelier education to enhance the expertise of hair stylists. By advancing high-value-added and high-priced services in salons, we will maximize the effectiveness of Smart Salon and milbon:iD.

At the same time, we will continue to promote initiatives aimed at realizing our Sustainability Commitment Five Key Challenges and work to resolve social issues.

Our targets for the end of the revised Medium-Term Management Plan (2022-2026) are as indicated below.

	Targets for the end of the Plan (FY2026) (before revisions)		Targets for the end of the Plan (FY2026) (after revisions)	
	Amount (million yen)	Composition (%)	Amount (million yen)	Composition (%)
Net sales	58,000	100.0	58,000	100.0
Domestic	43,700	75.3	43,700	75.3
Overseas	14,300	24.7	14,300	24.7
Gross profit	38,160	65.8	37,600	64.8
Selling, general and administrative expenses	27,360	47.2	29,200	50.3
Operating income	10,800	18.6	8,400	14.5
Ordinary income	10,810	18.6	8,340	14.4
Profit attributable to owners of parent	7,670	13.2	5,940	10.2

2. Sustainability Approach and Initiatives

Our approach to sustainability and our sustainability initiatives are as indicated below.

Matters related to future developments that are mentioned in this section are judgments that were made as of the end of the current fiscal year.

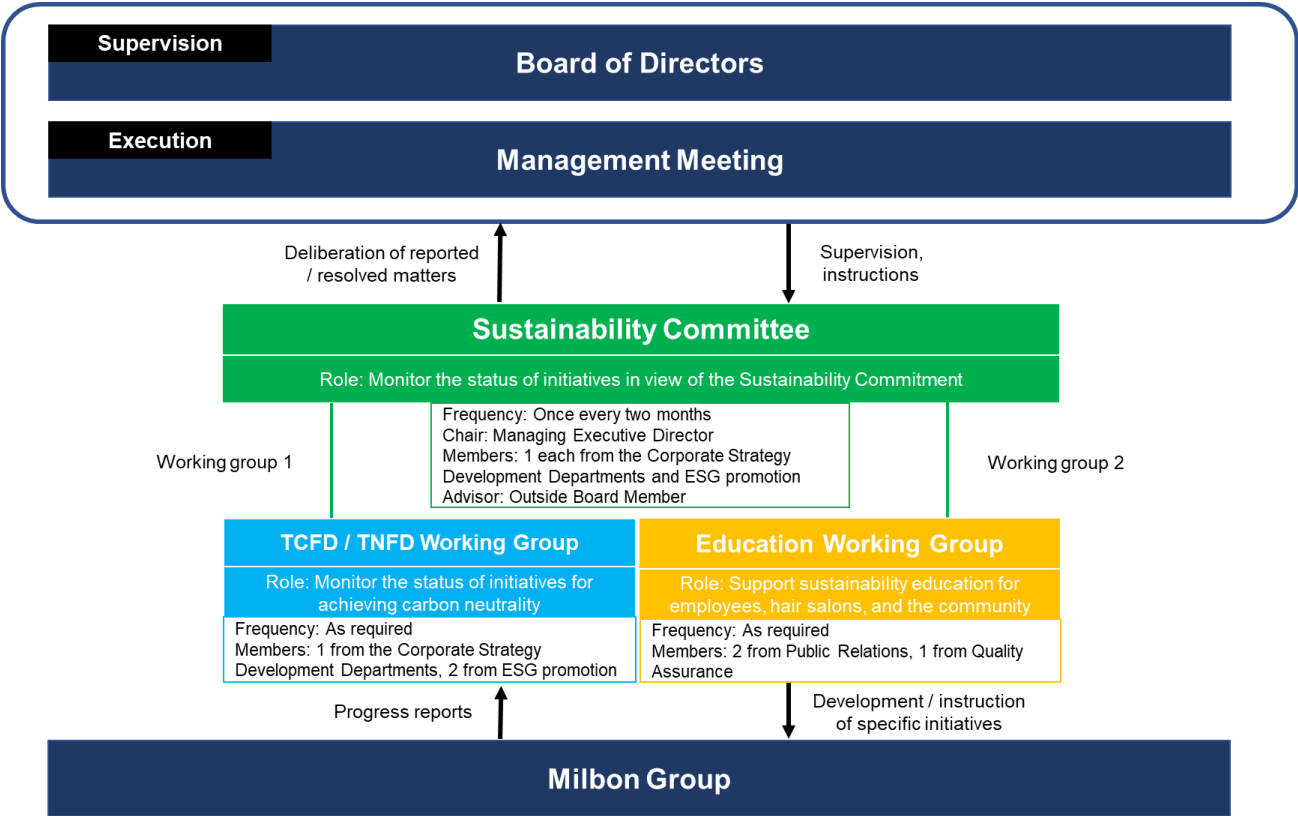
- (1) Sustainability approach and basic guideline
- The Company focuses its business activities on the beauty market, founded in its management philosophy that has been handed down since its founding. We believe that the creation of a sustainable beauty industry will eventually lead to the realization of a sustainable society. Each and every one of us, including executive management, is working toward this goal by thinking and acting toward this realization.

Basic Guideline for Sustainability

We strive to achieve a sustainable society through our collaboration with haircare professionals.

- (2) Matters applying to all aspects of sustainability
- (i) Governance and risk management
- The Company views sustainability-related issues as significant business challenge and has put in place a promotion framework for resolving those issues. Specifically, the Sustainability Committee, chaired by the Managing Executive Director, meets once every two months. The Sustainability Committee identifies sustainability-related risks and opportunities and evaluates their impact on the company. Based on this evaluation, it examines and discusses sustainability policies and issues around implementation of related measures with details reported, or submitted for discussion, to the Management Meeting or the Board of Directors as required. The Board of Directors regularly supervises this process, instructing courses of action and adjusting strategy accordingly.

(Sustainability-related governance structure)



(ii) Strategy

1) Defining the “Five Key Challenges (Materiality)”

In the Medium-Term Management Plan (2022-2026) announced on February 10, 2022, we have identified the following “Sustainability Commitment Five Key Challenges,” and we are actively prioritizing those areas with the aim of realizing a sustainable society.

- I. Enrich the spirit through beauty
- II. Promote recycling in manufacturing and consumption activities
- III. Practice people-friendly procurement
- IV. Construct a fair and flexible management structure
- V. Realize work environments with enhanced job satisfaction

2) Process for determining the Five Key Challenges

To determine the Five Key Challenges, we debated the issues that we should promote from three separate perspectives—ISO 26000, the 17 Sustainable Development Goals (SDGs), and environmental, social, and governance (ESG) perspectives—and arranged them within an SDGs/ESG matrix (<https://www.milbon.com/ja/uploads/docs/esg-sdgsmatrix.pdf>) (in Japanese only). The Sustainability Committee played a central role in this process, gathering input from various business divisions, outside experts, and senior management. Subsequently, we reassessed those themes within the matrix to identify those with high relevance to our business activities and those for which stakeholders have high expectations. The Five Key Challenges were then selected based on three areas: solving societal issues, achieving sustainable business growth, and establishing internal foundations. In addition, we have designated “Enrich the spirit through beauty,”—one of the Five Key Challenges—as our core issue, labelled Key Challenge I. Providing beauty is not only integral to our business activities, but it also contributes to emotional well-being. We believe that a spiritually enriched society will engender a sustainable society. If Key Challenges IV and V ensure that we can continue to be sustainable, Key Challenges II and III will ensure that the entire supply chain encompassed by our business activity can continue to be sustainable.

(iii) Metrics (KPI) and targets for each of the Five Key Challenges

We have defined priority themes for each of the Five Key Challenges and we have set KPIs and concrete numerical targets for each theme. These KPIs are periodically monitored by the Sustainability Committee to confirm progress toward them. When necessary, the Sustainability Committee also deliberates regarding additions or revisions of KPIs.



Priority themes		KPI	FY2024 Results	2026 Target	2030 Target
I. Enrich the spirit through beauty					
Establishment of knowledge-based product sales business utilizing both the physical and digital realms	Number of registered milbon:iD members	870,000	1 million	-	
	Number of cities in Japan where Milbon deploys knowledge-based product sales (Smart Salon)	50 cities 62 salons	100 cities 500 salons	-	
Fostering lifetime beauty partners	Total number of annual users of our studios, events, and educational videos	244,000	335,000	-	
	Number of registered education:iD members	51,000	100,000	-	
II. Promote recycling in manufacturing and consumption activities					
Establishment of a carbon-neutral production system	Reduction rate of CO <sub>2</sub> emissions at Yumegaoka Factory (compared to 2019 levels)	82.2% reduction	75% reduction	Achieve carbon neutrality	
Sustainable container and packaging design	Reduction rate of petroleum-derived virgin plastic use (compared to 2020 levels, per unit sales)	11.6% reduction	15% reduction	30% reduction	
III. Practice people-friendly procurement					
Sustainable procurement of palm oil	RSPO certified palm oil adoption rate (MB+B&C)	24.4%	50%	100%	
Respect for human rights in the supply chain	Number of cases of human rights violations identified	0	Zero human rights violations wherever possible	Zero human rights violations wherever possible	
IV. Construct a fair and flexible management structure					
Promoting diversity among the Board of Directors	Appointment of outside board directors	5 (5 out of 12)	Continuously appoint over 1/3 outside board directors	-	
	Active appointment of female board members	3 (3 out of 15)	Continuously appoint female board members	-	
	Securing diverse skills, including internationality	Number of non-Japanese executives 0 (0 out of 15)	Ensure diverse skills	-	
Improving the effectiveness of the Board of Directors	Progress in selecting and improving key challenges though third-party evaluations	Continuing	Conduct continuous improvement activities for setting annual challenges	-	

V. Realize work environments with enhanced job satisfaction				
Achieving systems and framework that encourage employees to continue working	Turnover rate of junior employees (new graduates to 3rd year)	11.7%	9%	6%
	Paid leave utilization rate	72.9%	70%	80%
	Progress of engagement survey	Continued to conduct engagement survey	Three key indicator fields function as strengths	-

(3) Response to climate change

(i) Governance and risk management

We see climate change as a real risk that will affect our business strategies and financial plans over the medium to long term. We have therefore positioned it as one of the Key Challenges of our Sustainability Commitment.

Within our sustainability-related activities, we have created a TCFD Working Group under our Sustainability Committee to deal with climate change-related risks and opportunities. The TCFD Working Group identifies risks, etc. related to climate change. The Sustainability Committee reports the activities of the TCFD Working Group to the Management Meeting and the Board of Directors semiannually, and the TCFD Working Group is supervised by the Board of Directors.

(ii) Strategy

In the scenario analysis performed in Fiscal Year 2023 for Milbon Co., Ltd., the standalone core of the Milbon Group, we envisaged temperature rises of 1.5°C and 4°C and examined the risks and opportunities presented by climate change at three points in time—the years 2025 (short-term), 2030 (medium-term), and 2050 (long-term). Scenarios provided by the IPCC and the International Energy Agency (IEA) were used for the analysis. For the 1.5°C temperature rise scenario, we analyzed the impact of changes in policy, regulations, technology, markets, and consumer perceptions associated with a transition to a decarbonized society. For the 4°C temperature rise scenario, we analyzed physical impacts resulting from both acute change (e.g. heavy rainfall, floods) and chronic change (e.g. increases in average temperature, changes in annual rainfall).

Scenario analysis revealed around 40 risks and opportunities for the Company. The impacts of these risks and opportunities for us were evaluated, and responses were determined. Results of scenario analysis showed that we would potentially be significantly impacted by increases in raw material procurement costs under both 1.5°C and 4°C scenarios and would potentially be significantly impacted by an increase in the costs of the company's own operations under the 1.5°C scenario. The results also showed that progress on promoting recycling in manufacturing and consumption activities and practicing people-friendly procurement, as prescribed in the Five Key Challenges, would help minimize identified risks and capture identified opportunities. In the future, we will regularly monitor actual conditions and strive to reduce risk by developing additional response measures as necessary.

(Results of scenario analysis)

Description of opportunity-risk		Classification	Time frame	Impact
1.5°C temperature rise scenario				
Raw material procurement	Increase in procurement costs due to the introduction or expansion of carbon pricing applicable to suppliers	Risk	2030	Large
	Increase in procurement costs resulting from land use constraints due to laws and regulations for protecting forests	Risk	2025	Medium
	Increase in procurement costs due to strengthening of laws and regulations relating to raw material traceability	Risk	2030	Medium
Milbon's operations	Increase in operating costs due to the introduction or expansion of carbon pricing applicable to Milbon	Risk	2030	Small
	Increase in energy costs due to rising retail electricity prices	Risk	2030	Medium
	Increase in compliance costs due to more stringent laws and regulations at various worldwide locations	Risk	2030	Medium
	Increase in costs for adapting to a circular economy	Risk	2030	Medium
	Increase in sales due to a rise in competitiveness as a result of the impact of carbon pricing on competitors	Opportunity	2030	Medium
	Decrease in emissions and energy costs due to the introduction of in-house power generation	Opportunity	2030	Medium
Demand for products	Increase in sales of environmentally friendly product	Opportunity	2030	Medium
4°C temperature rise scenario				
Raw material procurement	Increase in the cost of procuring palm oil and other plant-derived raw materials due to climate change	Risk	2050	Large
	Decrease in procurement costs due to initiatives for ensuring stable procurement of raw materials	Opportunity	2030	Medium
Milbon's operations	Increase in costs for repairing damaged manufacturing facilities	Risk	2050	Small
	Decrease in sales due to impacts on deliveries and increase in costs due to damaged inventories as a result of flooding and typhoon damage	Risk	2050	Small

(Envisaged responses)

1.5°C temperature rise scenario		
Raw material procurement	Plant-derived raw materials	<ul style="list-style-type: none"> <li>• Survey procurement channels and traceability in the context of risk related to climate change and the international situation</li> <li>• Investigate efficient procurement and purchasing methods for securing raw materials</li> <li>• Estimate the increase in costs to suppliers due to carbon pricing, investigate passing on costs to product prices, and investigate alternative raw materials</li> <li>• Actively use RSPO certified palm oil. Target 100% use of Mass Balance certified palm oil by 2030</li> </ul>
	Containers and packaging materials	<ul style="list-style-type: none"> <li>• Actively use plant-derived plastic and resin-reducing molding methods for packaging of new products with the aim of reducing petroleum-derived virgin plastic use by 30% by 2030</li> <li>• Research plastic container recycling methods</li> <li>• Estimate the increase in costs of containers and packaging materials due to carbon pricing, investigate passing on costs to product prices, and investigate alternative raw materials</li> </ul>
Milbon's operations	Use of our own energy	<ul style="list-style-type: none"> <li>• Estimate the cost of carbon pricing for Scope 1 and 2 emissions using carbon prices under the NZE scenario in WEO 2021, 2022</li> <li>• Increase the percentage of electricity generated in-house based on projections of rising electricity costs</li> </ul>
	Response to laws and regulations	<ul style="list-style-type: none"> <li>• Identify the various regulations and envisage switching to other raw materials or passing on costs to products depending on the impact of rising costs</li> <li>• Secure costs and establish internal systems for adapting to laws and regulations, particularly in the EU</li> </ul>
Demand for products	Product development	<ul style="list-style-type: none"> <li>• Develop products that respond to the needs of consumers' daily lives, enhance functionality, and reduce environmental impact</li> </ul>
4°C temperature rise scenario		
Raw material procurement	Procurement	<ul style="list-style-type: none"> <li>• Research palm oil alternatives and investigate adapting by altering the existing formula</li> <li>• Estimate fluctuations in the price of procuring palm oil due to climate change</li> <li>• Research raw materials and securing of procurement channels</li> <li>• Ascertain the impact of climate change on each raw material</li> <li>• Survey climate change in countries where principal natural raw materials originate and undertake activities to protect those materials</li> </ul>
Milbon's operations	Disaster response	<ul style="list-style-type: none"> <li>• Confirm that insurance will cover repairs to manufacturing facilities damaged in a disaster</li> <li>• Prepare alternative transportation arrangements in readiness for disaster due to concerns about the impact on some logistics warehouses</li> </ul>

(iii) Metrics (KPI) and targets for climate change-related initiatives

With regard to the KPI for climate change-related initiatives, activities to minimize the risk of increases in raw material procurement costs, which scenario analysis results indicate would have the largest impact on our business, will continue through efforts to achieve the KPI, which are set out in the Five Key Challenges, of reduction rate of petroleum-derived virgin plastic use and RSPO certified palm oil adoption rate.

To address the risk of increased operating costs due to the introduction of carbon pricing and escalating electricity prices, in addition to our CO<sub>2</sub> emission reduction targets for the Yumegaoka Factory in 2026 and 2030, we have set a goal for the Milbon Group to achieve carbon neutrality by 2050. With regard to the Milbon Group's Scope 1 and 2 emissions, first we will achieve carbon neutrality at Yumegaoka Factory, our manufacturing base and the Japanese business location with the highest CO<sub>2</sub> emissions, by 2030. We will then aim to achieve carbon neutrality across the Milbon Group by 2050.

We will continue our efforts to minimize risk by regularly monitoring the status of initiatives for achieving carbon neutrality and developing measures to address risks.

(CO<sub>2</sub> emissions results and target) (t-CO<sub>2</sub>)

	FY2019 (reference year) results	FY2023 results	FY2024 results	2026 target	2030 target	2050 target
Milbon Co., Ltd. (non-consolidated) Scope 1	1,248	1,419	1,393	-	-	-
Scope 2 (market reference)	3,151	971	1,073			
Yumegaoka Factory Scope 1	502	461	443	75% reduction (compared to 2019 levels)	Carbon neutrality	
Scope 2 (market reference)	1,931	0	0			
Milbon Group Scope 1 and 2	-	-	-	-	-	Carbon neutrality

(4) Human capital and diversity initiatives

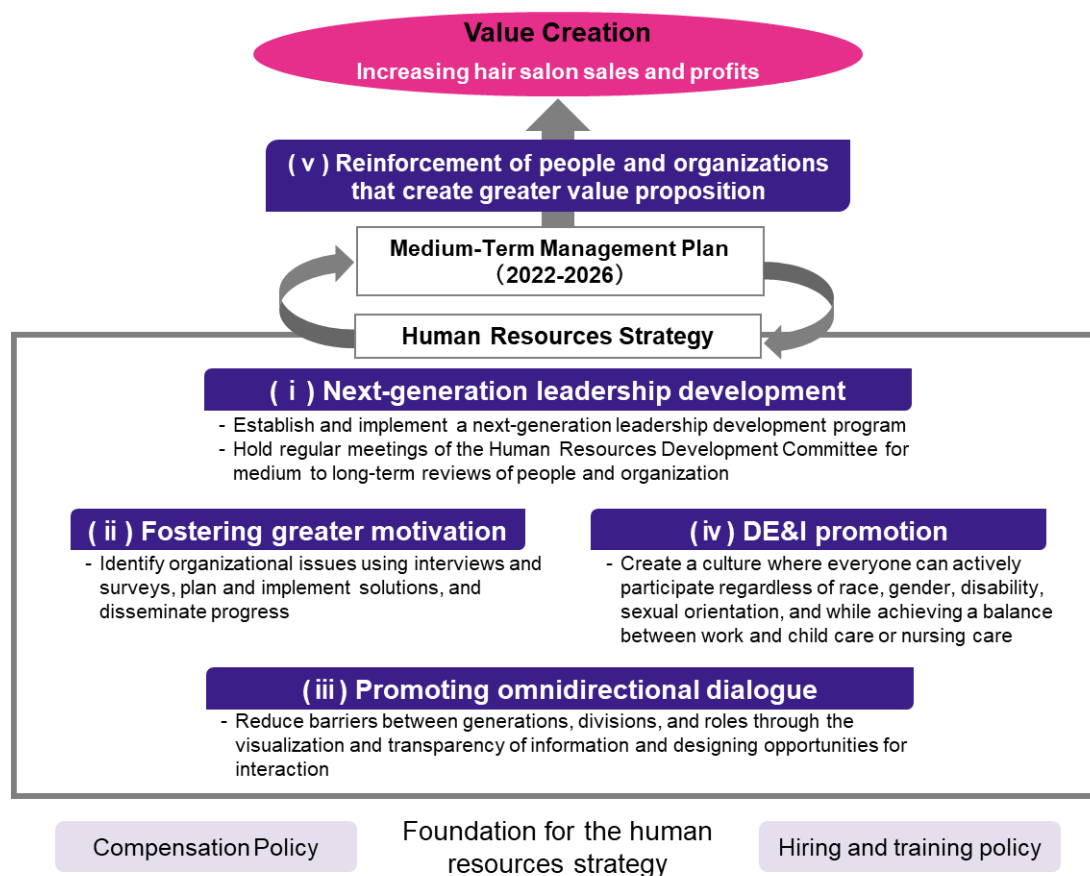
(i) Basic views on human capital

Along with the philosophy we have had since our founding that “Everything we do, we do for and with hair professionals,” Milbon believes in “building a solid company that won’t collapse.” This was the firm belief in sustainability that our founder, Ichiro Konoike swore to uphold after witnessing the tragedies of people close to him suffering corporate bankruptcies prior to our company’s establishment, and it embodies his commitment to “bring happiness to our employees and their families and provide job satisfaction.” This is precisely why we have consistently remained committed to management that values people since the time of our founding.

Creating unique value that starts with people is a vital component for implementing our unique business model, in which we work closely with each individual hair salon, and the progress we have made thus far is a history of the embodiment of our policy that “the growth of people is key to growth of the company.” We therefore regard human capital as the most important type of capital, which is absolutely vital to company management and sustained corporate growth, and implement human resources strategy that is linked to our management strategies.

(ii) Human capital strategies, metrics (KPI), and targets of the Medium-Term Management Plan (2022-2026)

To achieve our Medium-Term Management Plan (2022-2026), we have set out a “Basic Policy on Human Resources Strategy: Each employee becomes a driving force of Milbon; As part of Milbon’s sustainable growth, we will foster a corporate culture that enables every employee to continue to work with a spirit of independence and a feeling of satisfaction.” We have defined “five key human resources strategy themes” and we strive to motivate employees and create environments that encourage employees to continue working. These “five key human resources strategy themes” are closely linked to our Medium-Term Management Plan (2022-2026) to create new added value that will be the source of our sustained growth and to contribute to greater hair salon sales and profits.



The contents of specific initiatives, metrics (KPI), and targets for these five key human resources strategy themes are as indicated below.

1) Next-generation leadership development

In 2014, we envisioned our succession system for the decade to follow and launched the Milbon Corporate University (MCU), a unique next management leadership development program. This led to the appointment of three Board Directors and eight Executive Officers from amongst the 42 participants of the program in the four years beginning with 2015. Now that the transition to the new system is complete, we are restructuring our succession plan for the next 10 and 20 years. Prior to the start of the next MCU, we plan to launch MCU-Prep in 2025, a program for leader candidates in their 30s, in which 24 persons selected through an open call will participate.

We established a new Human Resources Development Committee in 2024, and have systems for ongoing discussions of issues and measures related to people and our organizations. Going forward, we will continue our reform, with the aim of realizing a corporate entity that steadily produces new leaders through leadership development from a company-wide perspective, and by implementing training and personnel placement that contributes to the motivation of each and every member of our Group.

(Metrics (KPI) and targets for next-generation leadership development)

Metrics (KPI)	2024 target	FY2024 results	2025 target
Next-generation leadership development	Establish the next MCU	Planned and designed MCU-Prep	Implement MCU-Prep

2) Fostering greater motivation

In 2022, we introduced an engagement survey, and have since been engaged in reporting to and dialogue with the Management Meeting and individual business divisions, as well as in creating and implementing action plans, including conducting compliance awareness surveys. Our overall engagement score indicates that our organization maintains a high level of engagement compared to other companies, with our engagement rating of AA, which is the second highest

rating on an 11-point scale. However, we are not content to rest on our laurels, and have instead defined three areas of Philosophy Strategy, External Adaptation, and Transformation Activities as key indicators which will enable us to embody a solid company that won't collapse. For 2026, we set the goal of achieving high levels of both "expectation" and "satisfaction" in these three areas, which are functioning as our Group's strengths.

The overall turnover rates for junior employees have increased due to a rise in turnover rates for employees who joined the Company in 2021, for whom we conducted recruitment activities in the midst of the COVID-19 pandemic. We will work to improve this issue as one of our key challenges, through a variety of efforts such as strengthening our measures for preventing mismatches in the recruitment and selection process, developing follow-up training for employees in their third year, and promoting active roles for employees in educational positions, starting with redefining their roles.

The paid leave utilization rate rose to 72.9% in 2024, thanks to our efforts to promote more diverse work styles, such as enhancing our system for systematically granting paid leave, expansion of the number of divisions that can use the flextime system, and enhanced awareness-raising activities by our Health Committee.

Moving forward, based on qualitative and quantitative data gathered through engagement surveys, we will further foster increased motivation and create environments that encourage our employees to continue working.

(Metrics (KPI) and targets for fostering greater motivation)

Metrics (KPI)	FY2023 results	FY2024 results	2026 target
Turnover rate of junior employees (new graduates to 3rd year)	10.8%	11.7%	9.0%
Paid leave utilization rate	67.8%	72.9%	70.0%
Progress of engagement survey	Conducted engagement survey and set targets, etc.	Continued to conduct engagement survey	Three key indicator fields function as strengths

### 3) Promoting omnidirectional dialogue

Over the past ten years, the number of employees has increased roughly 1.8-fold on a consolidated basis. Along with growth in our divisions and organizational levels, as well as the rise in the number of our diverse employees, concerns have emerged regarding risks that may arise from weakened relationships. This is why we regularly conduct meetings throughout the Company, and in every organization, in which we share *The Milbon Way*, our set of action guidelines.

In 2024, which was the first fiscal year for our new President & CEO, Hidenori Sakashita, he visited all of the Group's sales offices in Japan and engaged in Field Person discussions with sales staff, with the aim of creating opportunities for dialogue with all of our business divisions and deepening their mutual understanding.

In 2025, we plan to expand these discussions to all Japanese divisions other than our sales divisions, in order to conduct Milbon Person discussions. Deliberations will also be conducted regarding the creation of new internal communications content.

(Metrics (KPI) and targets for promoting omnidirectional dialogue)

Metrics (KPI)	2024 target	FY2024 results	2025 target
Smooth internal communication	Create new internal communication content and conduct Field Person discussions	Conducted Field Person discussions (20 discussions)	Conduct Milbon Person discussions (21 discussions planned)

### 4) DE&I promotion

In 2023, we launched our new company-wide "DE&I Promotion Project." Led by the belief that supporting our female employees in living beautifully is a way of embodying our management philosophy and corporate slogan, we have engaged in activities focused on the success and ongoing careers of our many female Field Persons, who account for a large percentage of our workforce. In December 2023, we conducted a workshop on this topic for members of management. In 2024, through this project, we identified that five challenges female Field Persons face as they strive for success and ongoing career development, and reached an agreement on the direction of measures to address these challenges. As a result of these efforts, the ratio of female employees in management positions rose to 14.5% in 2024.

In 2025, as we are in the phase of fleshing out our measures for addressing these challenges, we will work as one on our initiatives, such as implementing measures to support working mothers and conducting Iku-Boss training for managers (“Iku-Boss” means a boss who takes the initiative in creating a workplace environment that is supportive of work-life balance). We will engage in ongoing deliberations and implement measures, with the aim of achieving our goal of raising the percentage of female employees in management positions to 20% by 2030.

(Metrics (KPI) and targets for DE&I promotion)

Metrics (KPI)	FY2023 results	FY2024 results	2030 target
Percentage of female employees in management positions	10.3%	14.5%	20.0%

5) Reinforcement of people and organizations that create greater value proposition

Based on our nine-month long new employee training (Milbon Person/Field Person training and division-specific training), which we have been conducting for 40 years starting in 1984, we are continuously dedicating ourselves to the development of human resources who provide value. In December 2024, at our Odawara Human Resources Development Center, a training building was completed, which will serve as a site for nurturing a corporate culture of ongoing learning, from the time our employees are newly hired to the time they reach retirement age. From 2025, training to develop the next generation of leaders will start, and we also plan to use the site for new employee training, for those who join the Group in the fall.

Furthermore, we will rebuild our sales structure to create a chain reaction of moving experiences driven by hair coloring (strong value proposition), build and maintain customer experience value, we will continue projects that contribute to global employee training and development, and launch a project for systematization of the Milbon style of management. We will continue to take on these challenges, with the aim of becoming the company that enjoys the greatest level of support from hairstylists.

(5) Initiatives related to water resources

(i) Basic approach to water resources

We understand that water plays an integral role in all aspects of our business—from serving as an ingredient in many of our products, including our mainstay haircare products, to being necessary for the rinsing process after customers use our products. Recognizing the importance of water resource conservation, we are committed to gaining a thorough understanding of water stress in each of our business regions. Additionally, we are dedicated to effective water-saving practices, encouraging the reuse of water, and actively advancing water conservation initiatives.

As of 2024, at the Yumegaoka Factory, which is the core production base of the Milbon Group where water resources are most used, we are monitoring water intake and discharge amounts, investigating water stress in the local area, and promoting conservation activities.

Moving forward, we will strive to monitor the intake and discharge amounts of water across the entire group, including production bases of our consolidated subsidiaries and business bases both in Japan and abroad. We will also make efforts to research and consider countermeasures for water stress specific to each location.

(ii) Specific initiatives related to water resources

- Water stress survey at the Yumegaoka Factory

As a result of the water stress survey conducted at the Yumegaoka factory in 2023, the stress level has been determined to be “Low\*.” (Evaluation was performed using the Baseline Water Stress from the Aqueduct Country Ranking.)

Going forward, we plan to conduct water stress surveys not only within Japan but also in our overseas factories, such as those in Thailand and China.

- Efforts to reduce water consumption

At the Yumegaoka Factory, we installed new pure water devices in 2021 to reduce the factory’s environmental impact. The new devices improved pure water reclamation rates by 20%, cutting the amount of pure water used for manufacturing in 2022 by approximately 2,000 m<sup>3</sup> compared to the preceding year. Following this initiative, in 2023, we introduced new component washing machines to make the washing of production equipment components more efficient and effective, which offers greater cleaning performance than hand-washing, while also saving water and reducing washing time. This improves productivity and helps us reduce water usage.



- Consideration for wastewater

The Yumegaoka Factory concluded an environmental conservation agreement with Iga City to prevent pollution and to protect the health and living environments of the local community. A third-party organization has been commissioned to analyze monthly water discharge levels and check that they were below defined thresholds. We perform our own daily inspections to check that levels are being kept below the restriction levels. Through these measures, we are ensuring that the water that is discharged into the sewer system meets processing standards equivalent to those required for discharging water into rivers.

- Water quality survey of drainage routes

In Iga City, Mie Prefecture, where the Yumegaoka Factory is located, we are conducting water quality surveys of the Kume River and the Kizu River, which are the direct discharge routes for the water used at the factory to reach the ocean, together with the citizens' group, the Network of Fish and Children. Results from the PACKTEST surveys conducted in 2023 and 2024 confirmed that the water quality of the Kume River and the Kizu River showed no abnormality in the chemical oxygen demand (an index to measure pollution caused by organic compounds present in water) measurement.

Based on the environmental preservation agreement, we will continue to work together with the local community on activities to reduce environmental impact, including this survey.

(iii) Metrics (KPI) and targets for water resource-related initiatives

We set a water usage reduction target in 2024, and by 2026 aim to maintain a reduction of at least 4% compared with the 2021 level, in water usage per unit (water used (m<sup>3</sup>)/production volume (t)) at the Yumegaoka Factory, our domestic production site.

(Results for water usage per unit)

	FY2021 (reference year) results	FY2023 results	FY2024 results	2026 target
Yumegaoka Factory	4.900	4.665	4.366	Maintain a reduction of at least 4% vs. the 2021 level

### 3. Business Risks

Among the matters related to the business and financial status presented in this document, the following risks, which the management recognizes as having the potential to exert a significant impact on the financial position, operating results, and cash flows of the Group, have been identified to create a risk map, and analyzed as follows.

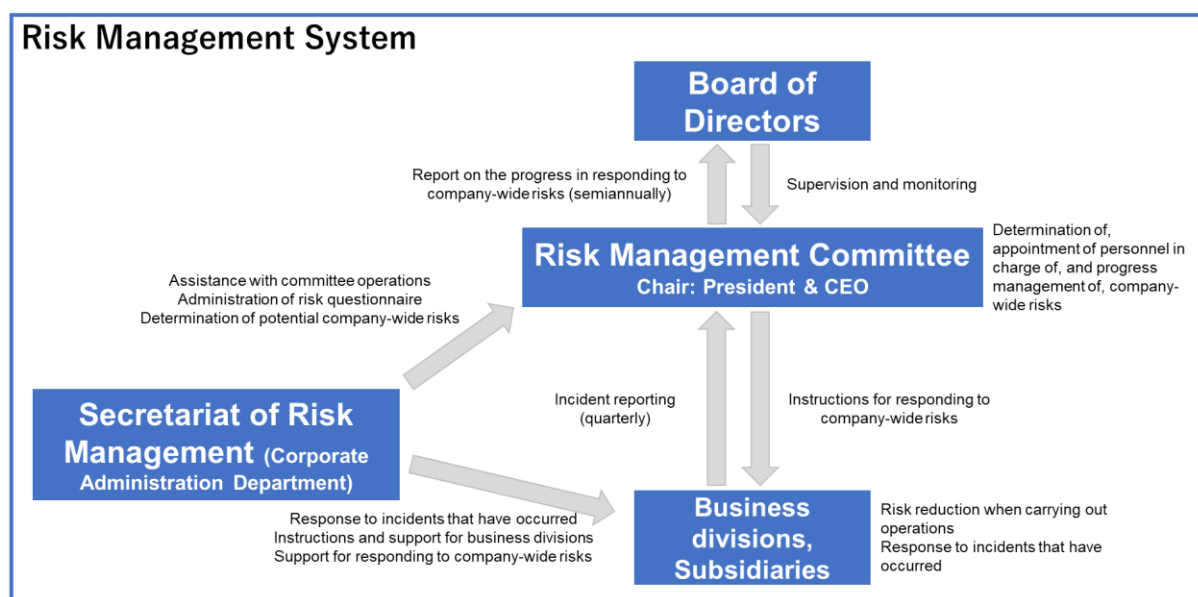
The forward-looking statements in the text are based on judgments made by the Group as of the end of the current fiscal year, but are not limited to the items listed herein.

#### (1) Risk management approach and structure

The Group defines matters with the potential to have a significant negative impact on the realization of our management philosophy or our business continuity as “risks,” and has established a basic risk management policy to reduce the likelihood of these risks manifesting themselves, to prevent the expansion of damage in the event that a risk materializes and a crisis occurs, and to increase the Group’s corporate value. The Group is working to develop and improve its risk management promotion system and framework.

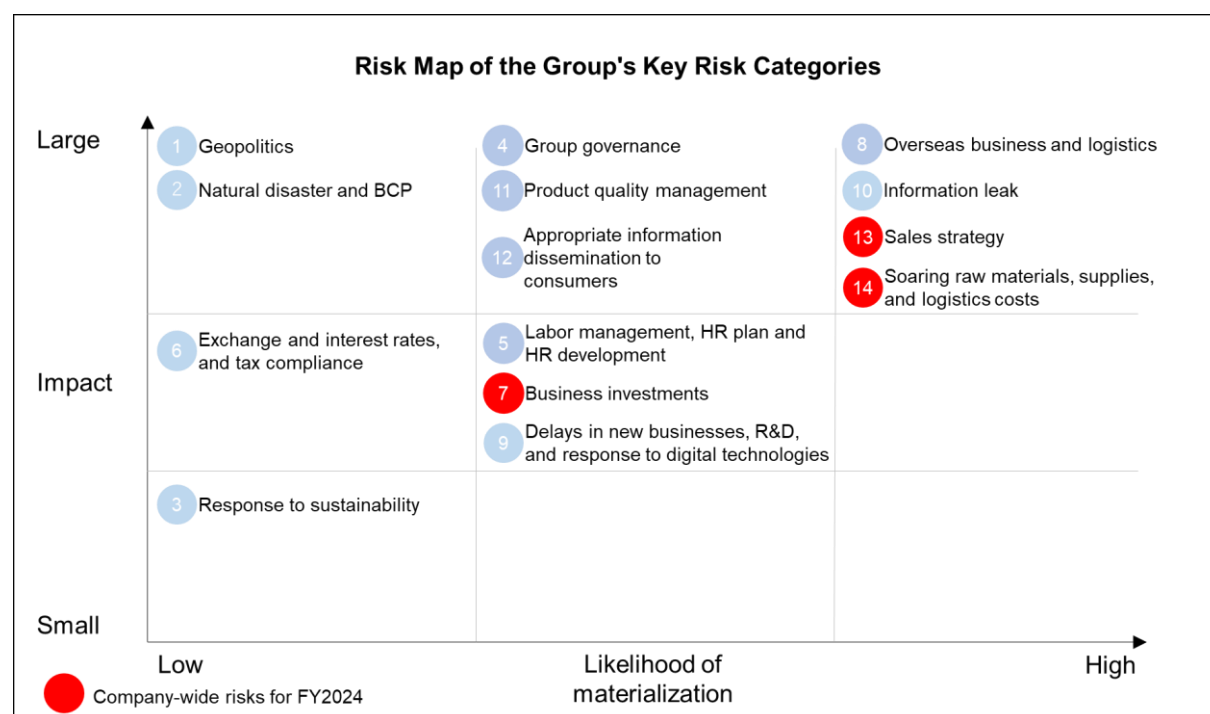
Based on this policy, each business division and subsidiary reviews the “List of Risk Matters,” which summarizes the risks that may arise in the Group. In addition, the Group identifies and responds to incidents arising from the conduct of business and reports them on a quarterly basis to the Management Meeting, which is composed of the Internal Board Directors, the Standing Audit & Supervisory Board Member and the Executive Officers. During the current fiscal year, the Corporate Administration Department and business divisions worked together to establish systems for reducing risks related mainly to dealing with soaring logistics costs, preparing procedures for evaluating and monitoring business investment efficiency, and improving the brand value of both our products and the Group, and to clarify and improve rules, and also implemented compliance training for employees (the Milbon Ethics and Code of Conduct, mental health and harassment, and copyright and portrait rights) and engaged in other activities.

In addition, the Group has established the Risk Management Committee, which is chaired by the President & CEO and composed of the Internal Board Directors, the Standing Audit & Supervisory Board Member and Executive Officers. As a general rule, this committee meets three times per year. This committee identifies “company-wide risks,” i.e., risks that should be particularly addressed on a company-wide basis, taking into account the significance and priority of the risks surrounding the Group, the likelihood and timing of the materialization of risks, the likelihood and impact of impeding the achievement of the Medium-Term Management Plan, etc., and appoints a person in charge of each company-wide risk from among the members of the Risk Management Committee to implement countermeasures. The Risk Management Committee reports to the Board of Directors semiannually on the progress made in responding to company-wide risks, and the Committee is subject to the supervision and monitoring of the Board of Directors.



(2) Identification and analysis of risks

In the current fiscal year, the Internal Board Directors, the Standing Audit & Supervisory Board Member, and the Executive Officers discussed and revised our risk map, which maps the Group's key risk categories based on their impact and likelihood. Lists of risk assessments and company-wide risks as of December 2024 are shown below. Note that these risk assessments are not based on general indicators, but are instead assessed specifically based on the situation within the Group. Based on the revised risk map and risk questionnaires administered to the heads of our business divisions, three categories of risks, namely, "geopolitics," "product quality management," and "sales strategy" (in particular, brand protection, on an ongoing basis starting from the current fiscal year) were selected as company-wide risks for Fiscal Year 2025, at the Risk Management Committee meeting at the end of the current fiscal year. Going forward, we will continue to implement risk reduction activities across the Group.



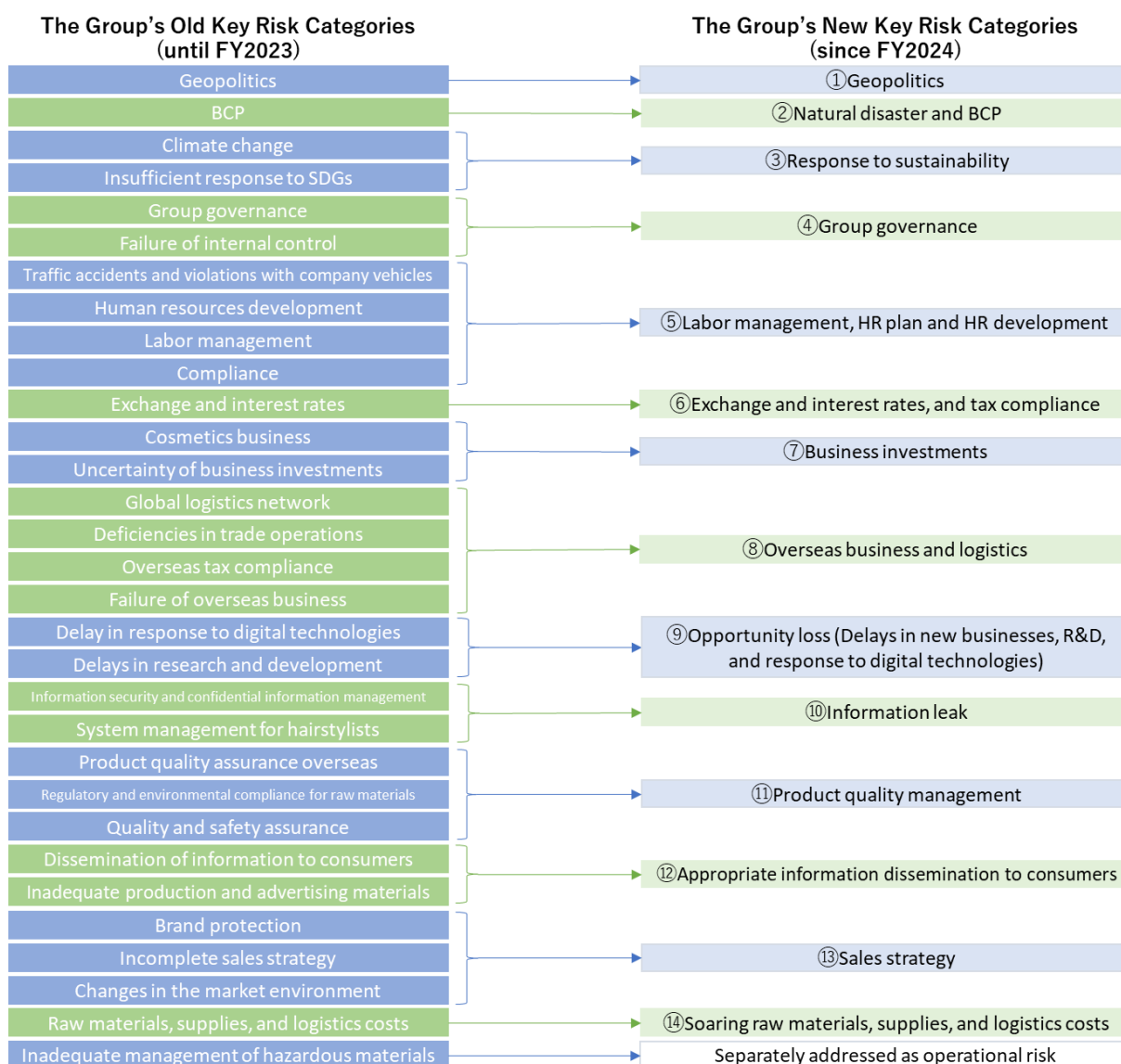
(Approximate level of impact)

Level	Meaning of level	(Quantitative) Impact on sales	(Qualitative) Scope of impact
Large	Significant impact	Impact of 1% or more	Society as a whole
Medium	Moderate impact	Impact of less than 1%	Industry and stakeholders
Small	Minor impact	Little or no impact	Internal only

(Approximate likelihood of the materialization of risks)

Level	Time of materialization
High	Likelihood of materialization within a year
Medium	Likelihood of materialization within three years
Low	Likelihood of materialization within five years

As indicated below, in the current fiscal year, we reviewed and revised the Group's key risk categories which had been used through Fiscal Year 2023. These efforts were led by the Risk Management Secretariat, and the risk categories were integrated based on changes in the internal and external environments, while covering all the risks we had previously been addressing and clarifying the definitions of each category, which had grown increasingly complicated. From Fiscal Year 2025 onward, the Group's new key risk categories will be used to identify and analyze risks, in order to understand the likelihood of the materialization of risks and grasp changes in their impact, in comparison with the previous fiscal year and over the medium to long term, with the aim of further reducing risks.



### (3) Company-wide risks

The table below shows the company-wide risks which may affect the Group's operating results, share price, financial position, etc., and the Risk Management Committee has selected as risks requiring company-wide deliberation and for which the committee has considered countermeasures during the current fiscal year.

1) Soaring logistics costs			
Key risk category: Soaring raw materials, supplies, and logistics costs	Impact: Large	Likelihood: Large	
Details of risk and impact			
The Group aims to continue to provide a stable supply of products to our customers. However, a rise in logistics costs due to geopolitical risks, fluctuations in exchange rates, and soaring labor costs related to logistics is affecting both our ability to maintain a stable supply of products and the continuity of our existing transportation system.			
Response			
We have identified and organized various risks related to logistics, including changes in the logistics industry, soaring logistics costs, and limitations on logistics volume. At the same time, we have also assessed customer needs and the service levels of logistics companies for individual logistics routes. Through these efforts, we have promoted the optimization of our services based on societal conditions. In addition, we have analyzed data regarding our customers, such as the number of orders placed by customers, examined an operating method for consolidating to a minimum number of deliveries and calculated its costs, reexamined shipping costs, and reviewed our logistics network, service levels, and delivery methods. Furthermore, we have applied ingenuity to packaging materials and formats, with the aim of continuing to reduce costs as well as our environmental impact.			

2) Business investment			
Key risk category: Business investment	Impact: Medium	Likelihood: Medium	
<p>Details of risk and impact</p> <p>In domestic and overseas business investment, it is important to promote growth investment in line with business profitability and our business strategies. However, the process involved in making decisions on investment is unclear, and changes in the market and business environments which had not been foreseen when investment decisions were made can cause investment results to deviate significantly from initial plans, potentially resulting in an impairment loss and affecting our business results.</p>			
<p>Response</p> <p>We have created a process flowchart for investment in businesses, including planning, preparing investment plans, deliberating the details of investment, making decisions regarding investment, and carrying out follow-up assessments. In addition, we have also clarified which divisions are responsible for each process. In the planning stage, we have added monetary amount requirements when judging business investment projects. In the assessment stage, we have created a new policy of reviewing and revising investment management plans every five years after they are formulated and, in the event that actual values deviate from ROI plans by a certain level or more, rethinking the investment plans themselves. For overseas business investment, we evaluate various conditions in countries in which we plan to invest, formulate investment plans based on those evaluations, analyze conditions and ROI in each individual country, and make business continuity decisions accordingly.</p>			

3) Brand protection			
Key risk category: Sales strategy	Impact: Large	Likelihood: Medium	
<p>Details of risk and impact</p> <p>The sale of counterfeit versions of the Group's products, distribution of the Group's products through unauthorized sales channels without sales contracts, or unauthorized export of the Group's products intended for sale inside Japan to other countries may result in violations of cosmetics regulations and other regulations in the countries or regions to which the products are exported. This could ultimately damage the value of the Milbon brand and our individual product brands.</p>			
<p>Response</p> <p>To protect the Milbon brand and our product brands, we coordinate with related divisions and emphasize the value of our products as salon-exclusive products for which hairstylists provide face-to-face counseling. We are accomplishing this by engaging in regular and effective communications not only with Group employees, but also with our customers and other stakeholders. Furthermore, we have formulated unified Group policies regarding protection of the Milbon brand and our product brands, and deliberated guidelines for dealing with this issue. Going forward, we will continue to implement initiatives to protect the Milbon brand and our product brands, and provide our customers with safe and reliable products that comply with the cosmetics regulations of each country and region.</p>			

#### 4. Management Analysis of Financial Position, Operating Results and Cash Flows

The summary of the financial position, operating results, and cash flows (below, “operating results, etc.”) of the Group (the Company, its consolidated subsidiaries, and its equity-method affiliates) for the current fiscal year and analysis and discussion of the Group’s operating results, etc., from the perspective of management are as follows.

Matters related to future developments that are mentioned in this section are judgments that were made as of the end of the current fiscal year.

##### (1) Analysis of operating results

###### (i) Net sales and gross profit

Consolidated net sales for the current fiscal year were 51,316 million yen (up 7.4% year on year). This growth was primarily driven by the strong domestic performance of the premium haircare brand Aujua and the professional brand Elujuda. Additionally, the proposal of high-value-added in-salon coloring menus led to an increase in hair salons introducing Villa Lodola, which shows signs of recovery in domestic sales of hair coloring products. New measures implemented in Fiscal Year 2024 also contributed to sales growth, as sales of the new product from the cosmetics brand IM exceeded expectations due to the total color proposal for hair and eyebrows. Internationally, sales in South Korea saw a significant boost due to enhanced activities in the haircare and perm markets, along with a recovery in hair coloring product sales. As a result, the sales growth rate remained high, driving an overall growth in overseas sales.

###### (ii) Selling, general and administrative expenses, and operating income

Selling, general and administrative expenses for the current fiscal year were 25,758 million yen (up 7.3% year on year) and operating income was 6,839 million yen (up 23.8% year on year). This was primarily due to the facts that the gross profit margin improved due to the rebound from inventory valuation losses on hair dryers recorded the previous year, and profit levels recovered through decreased SG&A expense ratios due to higher sales and enhanced control of SG&A expenses.

###### (iii) Non-operating income/expenses, ordinary income

Non-operating income for the current fiscal year was 171 million yen and non-operating expenses were 42 million yen. As a result, ordinary income was 6,968 million yen (up 24.7% year on year).

###### (iv) Extraordinary income/loss, profit attributable to owners of parent

Extraordinary income for the current fiscal year amounted to 19 million yen and extraordinary losses amounted to 19 million yen. As a result, profit attributable to owners of parent was 5,017 million yen (up 25.4% year on year), and net income per share was 154.12 yen.

A breakdown of consolidated net sales by product category, a breakdown of net sales into domestic and overseas sales, and production, orders, and sales results are shown below.

(Consolidated net sales by product category)

(Million yen)

Category	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Haircare products	28,355	59.4	31,324	61.1	2,969	10.5
Hair coloring products	16,953	35.5	17,200	33.5	247	1.5
Permanent wave products	1,463	3.0	1,547	3.0	83	5.7
Cosmetic products	571	1.2	868	1.7	296	51.9
Other	418	0.9	375	0.7	(42)	(10.1)
Total	47,762	100.0	51,316	100.0	3,553	7.4

(Breakdown of net sales into domestic and overseas sales)

(Million yen)

	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	36,502	76.4	38,684	75.4	2,182	6.0
Overseas sales	11,260	23.6	12,631	24.6	1,371	12.2
Total	47,762	100.0	51,316	100.0	3,553	7.4

(Production, orders, and sales results)

(i) Production results

The following is a breakdown by product category for the current fiscal year.

(Thousand yen)

Product category	Current fiscal year (From January 1, 2024 to December 31, 2024)	Change (%)
Haircare products	35,405,609	12.3
Hair coloring products	16,867,638	5.6
Permanent wave products	1,602,625	1.3
Other	683,841	48.9
Total	54,559,714	10.2

(Note) Amounts are based on selling prices.

(ii) Order results

There are no applicable items because the Group conducts production on a prospective basis.

(iii) Sales results

The following is a breakdown by product category for the current fiscal year.

(Thousand yen)

Product category	Current fiscal year (From January 1, 2024 to December 31, 2024)	Change (%)
Haircare products	31,324,151	10.5
Hair coloring products	17,200,898	1.5
Permanent wave products	1,547,204	5.7
Cosmetic products	868,261	51.9
Other	375,898	(10.1)
Total	51,316,414	7.4

(Note) Sales results by the major counterparty and the ratio of such sales results to total sales results for the two most recent fiscal years are as follows.

Counterparty	Previous fiscal year (From January 1, 2023 to December 31, 2023)		Current fiscal year (From January 1, 2024 to December 31, 2024)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
Topy Co., Ltd.	5,199	10.9	5,781	11.3
GAMO Co., Ltd.	3,947	8.3	4,384	8.5
MASS HOLDINGS Inc.	3,310	6.9	3,575	7.0

(2) Explanation of Financial Position

Total assets at the end of the current fiscal year increased by 5,507 million yen from the end of the previous fiscal year to 58,899 million yen.

Current assets increased by 4,757 million yen from the end of the previous fiscal year to 30,935 million yen. The main factors for the change were increases of 2,492 million yen in cash and deposits, 692 million yen in notes and accounts receivable - trade, and 876 million yen in merchandise and finished goods.

Non-current assets increased by 749 million yen from the end of the previous fiscal year to 27,963 million yen.

Current liabilities increased by 2,640 million yen from the end of the previous fiscal year to 9,208 million yen. The main factors for the change were increases of 880 million yen in accounts payable - other and 818 million yen in income taxes payable.

Non-current liabilities decreased by 17 million yen from the end of the previous fiscal year to 873 million yen.

Net assets increased by 2,884 million yen from the end of the previous fiscal year to 48,817 million yen. The main factors for the change were increases of 2,153 million yen in retained earnings and 865 million yen in foreign currency translation adjustment due to the depreciation of the yen.

As a result, the equity ratio changed from 86.0% at the end of the previous fiscal year to 82.9%. Net assets per share based on the total number of shares outstanding at the end of the period were 1,499.20 yen, compared with 1,411.56 yen at the end of the previous fiscal year.



(3) Cash Flows

Cash and cash equivalents (hereinafter, “funds”) at the end of the current fiscal year increased by 2,486 million yen from the end of the previous fiscal year to 13,778 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 7,625 million yen. This was mainly due to profit before income taxes of 6,968 million yen, depreciation of 2,289 million yen, an increase in trade receivables of 646 million yen, an increase in inventories of 1,053 million yen, and income taxes paid of 1,112 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 2,531 million yen. This was mainly due to purchase of property, plant and equipment of 2,194 million yen and purchase of intangible assets of 346 million yen.

(Cash flows from financing activities)

Net cash used in financing activities was 2,862 million yen. This was mainly due to cash dividends paid of 2,861 million yen.

(4) Significant accounting policies and estimates

The Group’s consolidated financial statements have been prepared based on accounting principles generally accepted in Japan.

In preparing the consolidated financial statements, the Group continually evaluates the estimates and judgments that affect the reported items of assets and liabilities and the disclosure of contingent liabilities as of the balance sheet date, as well as the reported figures of revenues and expenses during the consolidated accounting period. However, actual results may differ from current estimates due to the occurrence of unforeseeable events and other factors.

Significant accounting policies adopted in the Group’s consolidated financial statements are described in Notes to the Consolidated Financial Statements (Significant matters that serve as the basis for preparation of consolidated financial statements) of “V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements.”

(5) Recognition, analysis and discussion of the status of operating results

Factors affecting the Group’s management are described in “II. Overview of Business, 3. Business Risks.”

(6) Sources of capital and liquidity of funds

The Group’s capital needs are primarily working capital needs and capital expenditure needs.

The working capital needs are mainly due to the Group’s production costs, such as the purchase of raw materials, and operating expenses, such as selling, general and administrative expenses. Capital expenditure needs are mainly for the purchase of fixed assets for the establishment of new bases, relocation and expansion of existing bases, and acquisition of production facilities. For general investment of surplus funds, the Company selects investment instruments with safety as the primary consideration.

(7) Objective indicators for judging the achievement of management policy, management strategy, or management objectives

The Group’s management policy is described in “II. Overview of Business, 1. Management Policy, Business Environment, Issues to Address, (1) Management policy.”

The results for Fiscal Year 2024 are net sales of 51,316 million yen (1.4% up from the target), operating income of 6,839 million yen (3.6% up from the target), ordinary income of 6,968 million yen (6.2% up from the target), and profit attributable to owners of parent of 5,017 million yen (7.9% up from the target).

The planned targets for Fiscal Year 2025 are net sales of 54,250 million yen (up 5.7% year on year), operating income of 7,000 million yen (up 2.3% year on year), ordinary income of 7,000 million yen (up 0.5% year on year), and profit attributable to owners of parent of 5,200 million yen (up 3.6% year on year).

The plan and results for Fiscal Year 2024 and the plan for Fiscal Year 2025 are as follows.

(Million yen)

	FY2024 Plan	Composition (%)	FY2024 Results	Composition (%)	Increase (decrease) amount	Year-on-year change (%)	FY2025 Plan	Composition (%)
Net sales	50,620	100.0	51,316	100.0	696	1.4	54,250	100.0
Domestic	38,620	76.3	38,684	75.4	64	0.2	40,850	75.3
Overseas	12,000	23.7	12,631	24.6	631	5.3	13,400	24.7
Gross profit	32,400	64.0	32,597	63.5	197	0.6	35,000	64.5
Selling, general and administrative expenses	25,800	51.0	25,758	50.2	(41)	(0.2)	28,000	51.6
Operating income	6,600	13.0	6,839	13.3	239	3.6	7,000	12.9
Ordinary income	6,560	13.0	6,968	13.6	408	6.2	7,000	12.9
Profit attributable to owners of parent	4,650	9.2	5,017	9.8	367	7.9	5,200	9.6

The Medium-Term Management Plan is described in “II. Overview of Business, 1. Management Policy, Business Environment, Issues to Address, (2) Medium-Term Management Plan (2022-2026).”

5. Material Contracts, etc.

There were no significant decisions or agreements on material contracts, etc., during the current fiscal year.

## 6. Research and Development Activities

The Group conducts product development under the “TAC Product Development System,” a structure in which persons with a high level of beauty expertise, such as hairstylists who are supported by customers, are invited to participate as representatives of their customers. The Group uses scientific methods to elucidate the sensible beauty know-how of hairstylists, such as design creation, and create products that reflect this know-how using formulation technology.

In the current fiscal year, we strengthened business in the hair care field by focusing on basic and fundamental research, and we also engaged in research and development activities with an emphasis on environmental friendliness from the perspective of the sustainability. We are also engaged in global research and development by strengthening the collaboration system at four locations in Japan, the U.S., China, and Thailand. In addition, in December 2023, we opened the Innovation Center in Haneda, Tokyo as a new research base for product and service development from a longer-term perspective. We will utilize the Center as a place to promote collaboration with other companies and academia-government-industry collaboration and conduct research using cutting-edge research technologies, and promote highly confidential research that will become the seeds of future business.

Going forward, we intend to quickly respond to rapidly changing market needs, and to develop local products for overseas markets that match the characteristics of each region, in addition to our existing global products from Japan, in order to create products that will please stylists and their customers around the world.

Total research and development expenses for the current fiscal year amounted to 2,452 million yen (4.8% of net sales), and the main research and development activities and achievements are as follows.

### (1) Hair care field

By combining the latest hair research results with innovative formulation development technologies, we are developing salon care products that achieve salon quality and essentially solve problems through stylists’ treatments, as well as home care products that propose the realization of beautiful hair in accordance with customers’ values and lifestyles.

From the premium brand Aujua, we have launched Aujua Presedia Line, which is based on the latest scalp findings and offers effects that users can feel, and Feliage Line, Aujua’s first series of bodycare products, which are made with Milbon’s protein science expertise and formulation technologies. From “milbon,” we have launched Color Preserve Series, which addresses the problem of fading for a wide range of customers of hair coloring products. In the sub-brand Milbon &, we have added new items with two types of fragrance.

From the professional brand, we launched Elujuda Frizz Fixer, which makes frizzy or wavy hair easy to manage, Grandlinkage Exfique for hair that has suffered aging and coloring damage, which makes the roots of hair light and soft and the tips smooth and manageable, and Miincurl Smooth Sheer Primer, which is used before use of a hair iron to create silky layered styles while also maintaining curls.

From Villa Lodola, we launched Villa Lodola Professional Delectas Night Sleep Milk, which moisturizes and soaks into hair when users are asleep, making effective use of sleeping time.

For customers who are interested in organic and ethical products, we launched Pjoli, which is made using plant-based ingredients that are effective for both hair and skin, and which comes in packaging with lower environmental impact.

From Elmista, we launched Elujuda Airconc, two varieties of hair serum that customers can choose from based on their own hair type.

### (2) Hair color field

We are developing additional items that provide customers with new hair color designs and developing high-value-added formulations based on the latest hair research results.

From the ORDEVE hair color brand, we launched Shell Line, which helps greige hair make skin look even more beautiful and gives hair a sense of shiny translucence, and is available in three hues with a total of 30 colors. In ORDEVE Addicthy, we launched a long-awaited warm color line of two additional hues, Bordeaux Ruby and Smoky Amber, which cancel out orange undertones even during the course of fading, with a total of 10 colors.

In Villa Lodola, we added two hues, Khaki and Cassis Pink, with a total of seven colors to Villa Lodola Color Palette, which has less of a brown tone and makes it possible to achieve brighter coloration, expanding the expressive range of hair color designs.

### (3) Beauty health care field

This is one of our focus areas in the Lifetime Beauty Care Strategy, and we are developing beauty health care products that support the healthy and beautiful lives of our customers, while verifying their safety and effectiveness through clinical research.

We have combined 5-ALA, which is referred to as the source material of life energy, with chlorogenic acid, which promotes blood circulation and helps restore skin temperature, to launch Lassical, a personalized beauty supplement that assists in

creating a foundation for beautiful hair and skin.

(4) Basic research field

In order to apply cutting-edge research to the development of products, we are actively promoting the use of SPring-8, a large synchrotron radiation experimental facility that enables observation of hair and cells at the nano-level, as well as joint research with universities. The results are utilized in the development of new products, such as Aujua and “milbon” products. To continuously create new products that bring joy to our customers, we plan to apply pioneering research results to product development.

(5) Innovation research field

To realize our Beauty Platform Plan, we will not only further explore the hair field, but also carry out research that contributes to making innovations, such as gaining knowledge from other fields in R&D and engaging in highly confidential research conducted together with other companies that have their own unique strengths, to develop products and services over the medium to long term.

(6) Other R&D

As part of our research and development activities with an emphasis on environmental friendliness, we are implementing 4R (reduce, replace, reuse, and recycle) initiatives towards our 2030 target of reducing the use of petroleum-derived virgin plastic by 30%.

In new products, we are promoting the continuous use of bottles by adopting bottles with a pump and refill pouch specifications.

Furthermore, we have worked on reducing the amount of plastic use while maintaining quality through measures such as downsizing the caps on refill pouches, switching to capless pouches, and changing the bottle molding method. These initiatives are being gradually rolled out to new and existing products in Fiscal Year 2024.

### III. Information about Facilities

#### 1. Overview of Capital Expenditures

Capital expenditures (property, plant and equipment, and intangible assets) in the current fiscal year totaled 2,865 million yen. The major components of the capital expenditures were the construction costs of the new Human Resources Development Center, the construction work for expansion of the Technical Center, and the introduction of production facilities at the Thailand Factory.

#### 2. Major Facilities

##### (1) The Company

Major facilities are as follows.

As of December 31, 2024

Office name (Location)	Description of facilities	Book value (thousand yen)						Number of employees
		Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
				Area (m <sup>2</sup> )	Amount			
Head Office (Chuo-ku, Tokyo)	Companywide administration	161,828	-	-	-	542,611	704,439	65
Jingumae Sales Office (Shibuya-ku, Tokyo)	Sales and services	478,936	0	981	1,258,529	243,252	1,980,718	43
Training Center / Dormitory (Joto-ku, Osaka City)	New hire training and dormitory	70,739	0	422	39,602	2,316	112,658	14
Central Research Institute (Miyakojima-ku, Osaka City)	Research	825,288	2,596	4,100	1,602,859	369,530	2,800,274	195
Yumegaoka Factory (Iga City, Mie)	Manufacture of hair products	2,225,581	1,702,484	58,345	1,555,093	671,581	6,154,741	160
Osaka Branch (Nishi-ku, Osaka City)	Sales and services	336,801	-	542	423,809	4,433	765,044	68

(Notes) 1. “Other” under book value includes tool, furniture and fixtures, construction in progress, software and software in progress.

2. The number of employees refers to full-time employees and does not include employees concurrently serving as officers, part-time employees, associate employees, and employees seconded from the Company to subsidiaries and affiliates.

3. There are no major leased facilities under lease contracts.

## (2) Overseas subsidiaries

As of December 31, 2024

Company Name	Office name (Location)	Description of facilities	Book value (thousand yen)						Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
					Area (m <sup>2</sup> )	Amount			
MILBON USA, INC.	Head office (New York, the United States)	Sales and services	123,473	-	-	-	28,703	152,176	27
Milbon Trading (Shanghai) Co., Ltd.	Head office (Shanghai City, China)	Sales and services	3,029	-	-	-	12,586	15,616	47
Milbon Korea Co., Ltd.	Head office (Seoul City, South Korea)	Sales and services	59,493	-	-	-	24,981	84,475	49
MILBON (THAILAND) CO., LTD.	Head office (Rayong Pref., Kingdom of Thailand)	Manufacture and sales	1,051,557	680,848	24,000	154,829	100,453	1,987,689	87
Milbon (Zhejiang) Cosmetics Co., Ltd.	Head office (Zhejiang, China)	Manufacture and sales	1,971,917	940,405	-	-	317,667	3,229,990	30

- (Notes) 1. "Other" under book value includes tool, furniture and fixtures, construction in progress, leasehold interests in land and software in progress.
2. The number of employees does not include the number of associate employees and part-time staff.
3. There are no major leased facilities under lease contracts.

## 3. Planned Addition, Retirement, and Other Changes of Facilities

The Group's capital expenditures are planned by each group company based on future demand forecasts and new product plans. Facility plans are formulated by consolidated companies in principle, while the overall plan is coordinated by the reporting company.

Significant plans for the addition, refurbishment and retirement of facilities as of the end of the current fiscal year are as follows.

## (1) Significant addition of facilities

Company name Office name	Location	Description of facilities	Planned capital expenditures (million yen)		Method of fund procurement	Start date	Planned end date
			Total amount	Amount already paid			
Human Resources Development Center	Odawara City Kanagawa	Land and building for Human Resources Development Center	4,400	2,905	Own funds	September 2023	March 2026

## (2) Significant refurbishment

Not applicable.

## (3) Significant retirement of facilities

Not applicable.

## IV. Information about Reporting Company

### 1. Company's Shares, etc.

#### (1) Total number of shares, etc.

##### (i) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	120,408,000
Total	120,408,000

##### (ii) Issued shares

Class	Number of issued shares as of the end of the current fiscal year (December 31, 2024)	Number of issued shares as of the submission date (March 27, 2025)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	33,117,234	33,117,234	Tokyo Stock Exchange (Prime Market)	Standard shares with no restrictions on shareholder's rights Number of shares per unit: 100 shares
Total	33,117,234	33,117,234	-	-

#### (2) Share Acquisition Rights

##### (i) Stock options

Not applicable.

##### (ii) Rights plans

Not applicable.

##### (iii) Other share acquisition rights

Not applicable.



(3) Exercises of bonds with share acquisition rights containing a clause for exercise price amendment

Not applicable.

(4) Changes in total number of issued shares, share capital and others

Date	Changes in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Changes in share capital (thousand yen)	Balance of share capital (thousand yen)	Changes in legal capital surplus (thousand yen)	Balance of legal capital surplus (thousand yen)
January 1, 2018 (Note)	16,558,617	33,117,234	-	2,000,000	-	199,120

(Note) The increase was due to the 2-for-1 stock split.

(5) Shareholding by shareholder category

As of December 31, 2024

Category	Status of shares (Number of shares constituting one unit: 100 shares)								Status of shares less than one unit (shares)
	Government and local municipalities	Financial institutions	Financial service providers	Other corporations	Foreign corporations		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	-	18	19	215	169	75	22,862	23,358	-
Number of shares held (Unit)	-	58,864	6,865	73,724	92,031	175	97,600	329,259	191,334
Percentage of shareholdings (%)	-	17.88	2.08	22.39	27.95	0.05	29.64	100	-

(Notes) 1. There are 555,070 treasury shares, of which 5,550 units are included in “individuals and others” and 70 shares are in “status of shares less than one unit.” The number of treasury shares of 555,070 is the actual number of shares substantially held as of December 31, 2024.

2. The figures in “other corporations” and “status of shares less than one unit” above include 20 units and 68 shares, respectively, held under the name of Japan Securities Depository Center, Inc.

## (6) Major shareholders

As of December 31, 2024

Name/company name	Address	Number of shares held (thousand shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	1-8-1, Akasaka, Minato-ku, Tokyo	3,686	11.32
Konoike Asset Management Company	2-1-1, Edobori, Nishi-ku, Osaka City, Osaka	2,782	8.54
STATE STREET BANK AND TRUST COMPANY (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	One Congress Street, Suite 1, Boston, Massachusetts (Building A, Shinagawa Intercity, 2-15-1, Konan, Minato-ku, Tokyo)	2,039	6.26
KOSÉ Corporation	3-6-2, Nihombashi, Chuo-ku, Tokyo	1,328	4.08
MISAKI ENGAGEMENT MASTER FUND (Standing proxy: Custody Services Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands (3-11-1, Nihombashi, Chuo-ku, Tokyo)	1,197	3.68
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	917	2.82
MILBON Employee Stock Ownership Association	2-2-1, Kyobashi, Chuo-ku, Tokyo	664	2.04
RBC IST 15 PCT NON LENDING ACCOUNT-CLIENT ACCOUNT (Standing proxy: Tokyo Branch, Citibank, N.A.)	7th Floor, 155 Wellington Street West Toronto, Ontario M5V 3L3, Canada (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	656	2.02
THE BANK OF NEW YORK MELLON 140042 (Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 Greenwich Street, New York, NY 10286, U.S.A. (Building A, Shinagawa Intercity, 2-15-1, Konan, Minato-ku, Tokyo)	562	1.73
Keiko Murai	Miyakojima-ku, Osaka City, Osaka	483	1.49
Total	-	14,318	43.97

(Notes) 1. The above numbers of shares held by banks include the following shares held in connection with their trust business.

The Master Trust Bank of Japan, Ltd. 3,686 thousand shares

Custody Bank of Japan, Ltd. 917 thousand shares

2. Although the report of large volume holding (change report) made available for public inspection on March 7, 2024 states that Capital Research and Management Company held the following shares as of February 29, 2024, since the Company is not able to confirm the actual number of shares held as of the end of the current fiscal year, these shares are not included in the status of major shareholders above.

The details of the report of large volume holding (change report) are as follows:

Name/company name	Address	Number of share certificates, etc. held (thousand shares)	Percentage of shares held (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	883	2.67

3. Although the report of large volume holding (change report) made available for public inspection on July 4, 2024 states that Burgundy Asset Management Ltd. held the following shares as of June 28, 2024, since the Company is not able to confirm the actual number of shares held as of the end of the current fiscal year, these shares are not included in the status of major shareholders above.

The details of the report of large volume holding (change report) are as follows:

Name/company name	Address	Number of share certificates, etc. held (thousand shares)	Percentage of shares held (%)
Burgundy Asset Management Ltd.	181 Bay Street, Suite 4510, Toronto, Ontario M5J 2T3, Canada	1,690	5.10

4. Although the report of large volume holding (change report) made available for public inspection on September 19, 2024 states that Misaki Capital Inc. held the following shares as of September 11, 2024, since the Company is not able to confirm the actual number of shares held as of the end of the current fiscal year, these shares are not included in the status of major shareholders above.

The details of the report of large volume holding (change report) are as follows:

Name/company name	Address	Number of share certificates, etc. held (thousand shares)	Percentage of shares held (%)
Misaki Capital Inc.	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	1,662	5.02

5. Although the report of large volume holding (change report) made available for public inspection on January 9, 2025 states that Nomura Securities Co., Ltd. and its joint holders held the following shares as of December 31, 2024, since the Company is not able to confirm the actual number of shares held as of the end of the current fiscal year, these shares are not included in the status of major shareholders above.

The details of the report of large volume holding (change report) are as follows:

Name/company name	Address	Number of share certificates, etc. held (thousand shares)	Percentage of shares held (%)
Nomura Securities Co., Ltd.	1-13-1, Nihombashi, Chuo-ku, Tokyo	(1)	0.00
Nomura International plc	1 Angel Lane, London EC4R 3AB, U.K.	104	0.32
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	1,566	4.73
Total	-	1,669	5.04

(7) Voting rights  
(i) Issued shares

As of December 31, 2024

Category	Number of shares (shares)	Number of voting rights	Description
Shares with no voting rights	-	-	-
Shares with restricted voting rights (Treasury shares, etc.)	-	-	-
Shares with restricted voting rights (Other)	-	-	-
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common stock 555,000	-	Standard shares with no restrictions on shareholder's rights
Shares with full voting rights (Other)	Common stock 32,370,900	323,709	Same as the above
Shares less than one unit	Common stock 191,334	-	-
Total number of issued shares	33,117,234	-	-
Number of voting rights held by all shareholders	-	323,709	-

- (Notes) 1. The figures in “shares with full voting rights (other)” and “shares less than one unit” include 2,000 shares (20 voting rights) and 68 shares, respectively, held under the name of Japan Securities Depository Center, Inc.  
2. The number of shares in “shares less than one unit” includes 70 treasury shares held by the Company.

(ii) Treasury shares, etc.

As of December 31, 2024

Name/company name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held (shares)	Ratio of number of shares held to total number of issued shares (%)
(Treasury shares) Milbon Co., Ltd.	2-3-35, Zengenji-cho, Miyakojima-ku, Osaka City	555,000	-	555,000	1.68
Total	-	555,000	-	555,000	1.68

## 2. Acquisition and Disposal of Treasury Shares

Class of Shares, etc.: Redemption of common stock in accordance with Article 155, Item 7 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors meeting

Not applicable.

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors meeting

Category	Number of shares (shares)	Total amount (thousand yen)
Treasury shares acquired during the current fiscal year	124	414
Treasury shares acquired during the current term	40	135

(Note) The number of treasury shares acquired during the current term does not include the number of shares acquired as a result of the purchase of shares less than one unit during the period from March 1, 2025 to the date of filing of this annual securities report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Current fiscal year		Current term	
	Number of shares (shares)	Total amount of disposition (thousand yen)	Number of shares (shares)	Total amount of disposition (thousand yen)
Acquired treasury shares for which subscribers were solicited	-	-	-	-
Acquired treasury shares that were canceled	-	-	-	-
Acquired treasury shares that were transferred due to merger, share exchange, share issuance, or company split	-	-	-	-
Other	22,161	76,123	-	-
Number of treasury shares held	555,070	-	555,110	-

(Notes) 1. The decrease in “other” for the current fiscal year is due to the disposal of treasury shares (number of shares: 22,141 shares, total amount of disposition: 76,054 thousand yen) 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, and due to the sale of shares less than one unit (number of shares: 20 shares, total amount of disposition: 68 thousand yen).

2. The status of disposal during the current term does not include the sale of shares less than one unit during the period from March 1, 2025 to the date of filing of this annual securities report.

3. The number of treasury shares held during the current term does not include the purchase or sale of shares less than one unit during the period from March 1, 2025 to the date of filing of this annual securities report.

### 3. Dividend Policy

The Company considers the return of profits to its shareholders as one of the management priorities, and upholds the basic policy of carrying out the performance-based distribution while working to reinforce its corporate structure by maintaining internal reserves for achieving higher profitability in the future.

The decision-making body is the Board of Directors for the interim dividend and the General Meeting of Shareholders for the year-end dividend, and the Company conducts two dividend payments per fiscal year.

With respect to the dividends for the current fiscal year, the Company decided to pay an annual dividend of 88 yen per share after comprehensively considering its financial position and profit level, among others. As a result, the payout ratio on a consolidated basis for the current fiscal year was 57.1%.

The internal reserve will be used for enhancing the production capability and establishing and reinforcing new sales offices in order to further strengthen the corporate structure.

The Company stipulates in its Articles of Incorporation that it is able to pay an interim dividend pursuant to the provisions in Article 454, Paragraph 5 of the Companies Act.

(Note) Dividend of surplus distributed in the current fiscal year pursuant to Article 453 of the Companies Act

Interim dividend

Resolution by the Board of Directors: August 9, 2024

40 yen per share, totaling 1,302,491 thousand yen

Year-end dividend

Resolution at the General Meeting of Shareholders: March 27, 2025

48 yen per share, totaling 1,562,983 thousand yen

## 4. Corporate Governance

### (1) Overview of corporate governance

#### (i) Basic views on corporate governance

##### a. Basic approach to corporate governance

Maintaining a sound corporate governance framework and making improvements is one of the highest priorities of Milbon. We have a strong commitment to upgrading the transparency, fairness and efficiency of management in order to achieve steady growth in corporate value.

##### b. Fundamental policy

###### 1) Shareholder rights and equality

We will disclose in a timely and accurate manner the information required for shareholders to exercise their rights. We will also maintain a proper environment for shareholders to submit votes on resolutions and protect the rights and equality of foreign shareholders (including beneficial shareholders), minority shareholders, and all other shareholders.

###### 2) Proper relationships with stakeholders other than shareholders

We will maintain proper relationships with customers, suppliers, employees, creditors, communities, the hair salon industry and all other stakeholders. We will also show respect for the rights, perspectives and ethical business operations of stakeholders.

###### 3) Suitable information disclosure and transparency

We will supply information about our financial condition, results of operations and other aspects of business operations on a quarterly basis as prescribed in laws and regulations. We will also disclose all pertinent information about our strategies, medium-term vision and other non-financial subjects. We will do everything possible to ensure that all of this information is accurate and easy to understand for the purpose of facilitating a constructive dialogue with shareholders.

###### 4) Responsibilities of the Board of Directors

The Board of Directors has an obligation to operate in the best interests of shareholders and to provide explanations for their actions. Consequently, the Board Directors are responsible for the following roles and duties, as well as other items, for the purpose of achieving sustained growth, a consistent increase in corporate value, and improvements in earnings and the return on capital.

- The Board Directors establish a corporate philosophy and medium-term vision, clearly define strategic goals and supervise the necessary actions.
- The Board Directors establish frameworks for internal controls and risk management and provide support for appropriate risk exposure decisions by senior executives.
- Milbon has an Audit & Supervisory Board. Audits are performed by the members of this Board, where the majority of the members are from outside the Milbon Group. There is also a Nominations Committee and Compensation Committee, each with a majority of Independent Outside Board Directors. The use of Independent Outside Audit & Supervisory Board Members and Independent Outside Board Directors makes it possible to perform highly effective audits of the Board Directors from an objective standpoint.

###### 5) Dialogues with shareholders

To contribute to the consistent growth of the Milbon Group and its corporate value, the President & CEO and the Board Director in charge of Finance conduct a variety of investor relations activities. The objective is constructive dialogues with shareholders and other stakeholders.

#### (ii) Overview of corporate governance system and reasons for adopting the system

We have adopted the company with an Audit & Supervisory Board as our corporate governance structure. The basis of the structure lies in the supervision and audits of the status of business execution of the Board of Directors by five Outside Board Directors and Audit & Supervisory Board Members including two Outside Audit & Supervisory Board Members who attend important meetings such as the Board of Directors meetings.

Finely detailed control activities are made possible through the coordination of the Internal Audit Department and the Corporate Administration Department to promote companywide risk management activities and engage in activities to develop and evaluate internal controls over financial reporting, thereby responding to the risks of each business division while auditing and evaluating the status of business execution and making reports to the President & CEO.

We have also concluded advisory and other agreements with outside experts in each field and have been making efforts to promote corporate governance and gather the information and know-how necessary to bolster its framework. Furthermore, the Audit & Supervisory Board Members, the Internal Audit Department, and the Accounting Auditor have strengthened their cooperation by engaging in exchanges of information, when necessary, and voicing their views from



their unique standpoints, and engaged in the establishment and reinforcement of an effective and efficient corporate governance structure.

We have established the Nominations Committee and Compensation Committee as voluntary committees, the majority of the members of which comprise Independent Outside Board Directors. The Nominations Committee and Compensation Committee deliberate executive appointments and executive compensation, and make recommendations to the Board of Directors, after which the Board of Directors deliberates and determines the nomination and compensation proposals based on such recommendations.

The members of the Nominations Committee and Compensation Committee are as follows:

(Nominations Committee)

Chairman: Taizo Hamaguchi, Board Director

Members: Ryuji Sato, Chairperson; Hidenori Sakashita, President & CEO; Masahiro Murai, Managing Executive Director; Tsuneko Murata, Board Director; Etsuhiro Takato, Board Director; and Tomomi Fukumoto, Board Director

(Compensation Committee)

Chairman: Taizo Hamaguchi, Board Director

Members: Hidenori Sakashita, President & CEO; Masahiro Murai, Managing Executive Director; Etsuhiro Takato, Board Director; and Chisa Hayakawa, Board Director

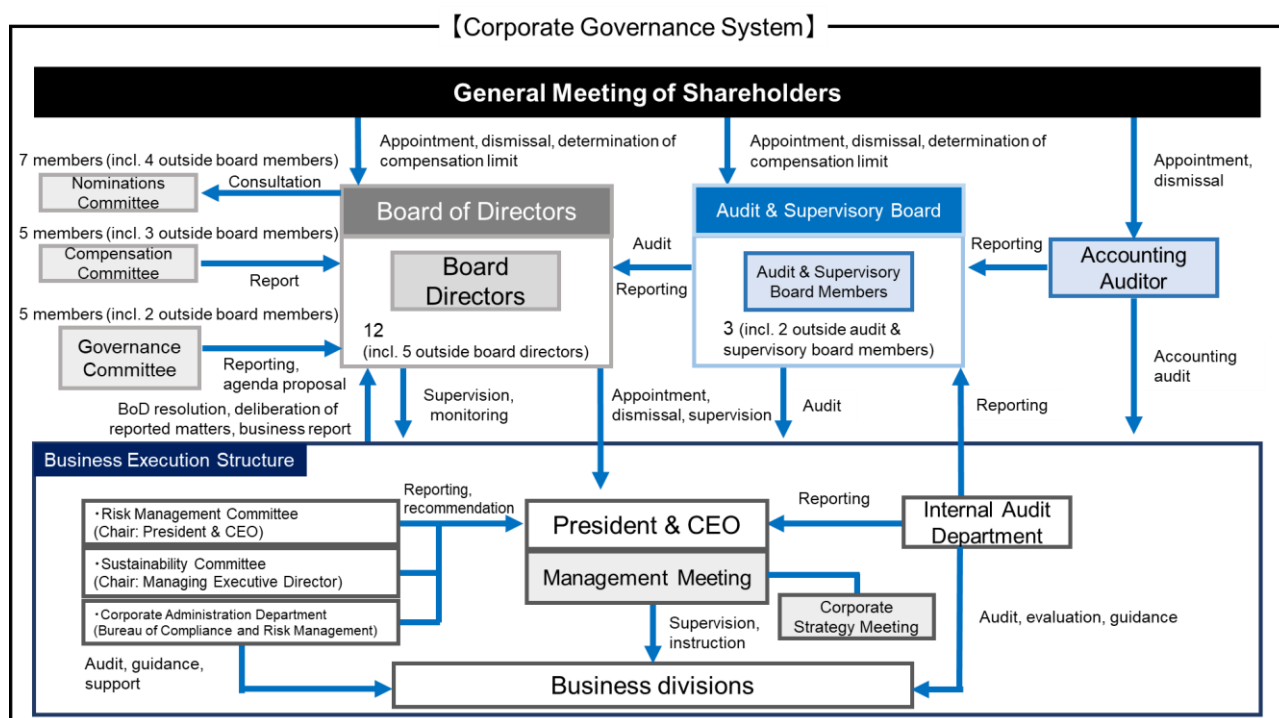
Furthermore, in Fiscal Year 2022, we established the Governance Committee as a new voluntary committee, in addition to the above Nominations and Compensation Committees. The Governance Committee conducts deliberations regarding medium- and long-term themes in order to contribute to the improvement of our corporate governance, reports its progress, and submits matters to be discussed as necessary, to the Board of Directors.

The members of the Governance Committee are as follows:

Chairman: Hidenori Sakashita, President & CEO

Members: Ryuji Sato, Chairperson; Masahiro Murai, Managing Executive Director; Etsuhiro Takato, Board Director; and Chisa Hayakawa, Board Director

We have elected five Outside Board Directors and two Outside Audit & Supervisory Board Members in order to strengthen the function of oversight of the Board of Directors, which has been entrusted with the function of management decision-making. In terms of corporate governance, we recognize that the function of objective and neutral monitoring from the outside is essential and has thus maintained the current structure in the belief that the function of monitoring from the outside has become fully functional as a result of the oversight and auditing by the five Outside Board Directors and the two Outside Audit & Supervisory Board Members.



(iii) Activities of the Board of Directors, Audit & Supervisory Board, Nominations Committee, and Compensation Committee during the current fiscal year

a. Activities of the Board of Directors

During the current fiscal year, 13 Board of Directors meetings were held, and the attendance of individual Directors was as follows:

Title and position	Name	Attendance
Chairperson	Ryuji Sato	100% (13/13)
President & CEO	Hidenori Sakashita	100% (13/13)
Managing Executive Director	Masahiro Murai	100% (13/13)
Board Director	Yasufumi Takeda	100% (3/3)
Board Director	Kazunobu Konoike	92% (12/13)
Board Director	Junji Morimoto	100% (13/13)
Board Director	Harumichi Okazaki	100% (10/10)
Board Director	Hiroyuki Ogata	100% (10/10)
Outside Board Director	Shoichiro Takahata	100% (3/3)
Outside Board Director	Taizo Hamaguchi	100% (13/13)
Outside Board Director	Tsuneko Murata	92% (12/13)
Outside Board Director	Etsuhiro Takato	92% (12/13)
Outside Board Director	Chisa Hayakawa	92% (12/13)
Outside Board Director	Tomomi Fukumoto	100% (10/10)

(Notes) 1. Board Director Yasufumi Takeda and Outside Board Director Shoichiro Takahata retired at the conclusion of the Ordinary General Meeting of Shareholders held on March 28, 2024.

2. Board Directors Harumichi Okazaki and Hiroyuki Ogata and Outside Board Director Tomomi Fukumoto were newly elected at the Ordinary General Meeting of Shareholders held on March 28, 2024.

The specific discussions by the Board of Directors are as follows:

Theme	Contents of discussions
Management and business strategy	Confirmation of progress of Medium-Term Management Plan, DX investment, cosmetics business-related issues, issues at overseas subsidiaries, management with awareness on capital costs and share prices, utilization of intellectual property, etc.
Sustainability	Progress management on the Materiality, ESG assessment, etc.
Corporate governance	Ordinary General Meeting of Shareholders, basic policy and basic plan for internal control system, corporate governance report, evaluation of the effectiveness of the Board of Directors, etc.
Accounts and finance	Financial results, annual budget, medium-term financial strategy, dividend and shareholder return policy, etc.
Nominations and compensation	Selection of Representative Directors, selection of chairmen and members of the Nominations and Compensation Committees, selection of Executive Officers, compensation for Board Directors and Audit & Supervisory Board Members, restricted share-based compensation, etc.
Human resources strategy	Wage and salary structure, organizational structure, personnel evaluation system, engagement survey, executive appointments for overseas subsidiaries, etc.
Others	Amendment or abolition of important regulations, matters related to donations and contributions, etc.

b. Activities of the Audit & Supervisory Board

The activities of the Audit & Supervisory Board are described in “(3) Audits, (i) Status of audits by Audit & Supervisory Board Members, b. Activities of the Audit & Supervisory Board.”

c. Activities of the Nominations Committee

During the current fiscal year, one Nominations Committee meeting was held, and the attendance of individual members was as follows:

Title and position	Name	Attendance
Chairman: Outside Board Director	Taizo Hamaguchi	100% (1/1)
Member: Chairperson	Ryuji Sato	100% (1/1)
Member: President & CEO	Hidenori Sakashita	100% (1/1)
Member: Managing Executive Director	Masahiro Murai	100% (1/1)
Member: Outside Board Director	Tsuneko Murata	100% (1/1)
Member: Outside Board Director	Etsuhiro Takato	100% (1/1)
Member: Outside Board Director	Tomomi Fukumoto	100% (1/1)

The specific discussions by the Nominations Committee are as follows:

- Next management structure and succession plans
- Approach to the Executive Officer system
- Election of Directors, Audit & Supervisory Board Members, and Executive Officers for Fiscal Year 2025, etc.

d. Activities of the Compensation Committee

During the current fiscal year, three Compensation Committee meetings were held, and the attendance of individual members was as follows:

Title and position	Name	Attendance
Chairman: Outside Board Director	Taizo Hamaguchi	100% (3/3)
Member: President & CEO	Hidenori Sakashita	100% (3/3)
Member: Managing Executive Director	Masahiro Murai	100% (3/3)
Member: Outside Board Director	Etsuhiro Takato	100% (3/3)
Member: Outside Board Director	Chisa Hayakawa	100% (3/3)

The specific discussions by the Compensation Committee are as follows:

- Policy for determining amount of compensation for Board Directors for Fiscal Year 2024
- Overall structure of Board Director compensation for Fiscal Year 2025, etc.

(iv) Other matters regarding corporate governance

a. Development status of the internal control system and the risk management framework

Based on the Companies Act and the Regulations for Enforcement of the Companies Act, the Company and its subsidiaries (below, the “Group”) have established the Basic Policy for the Internal Control System to manage various risks that impact the efficiency and the effectiveness of management, while ensuring the reliability of financial reporting and making efforts to promote compliance.

- 1) System for ensuring that the execution of duties by the Board Directors and employees of the Group complies with laws, regulations and the Articles of Incorporation, and system for ensuring the adequacy of operations
  - A. We have adopted the company with an Audit & Supervisory Board structure, where Audit & Supervisory Board Members ensure the legality of the execution of business by Board Directors through their audit function. The Board of Directors meets every month in principle and as needed to mutually supervise the execution of duties by Board Directors.
  - B. The Governance Committee has been established to continuously improve corporate governance and strengthen the transparency and objectivity of decision making by management. In addition, the Nominations Committee and the Compensation Committee have been established to strengthen the independence, objectivity, and accountability of the function of the Board of Directors related to the nomination and compensation of Board Directors. The Governance Committee, the Nominations Committee and the Compensation Committee consist of Board Directors, including Outside Board Directors.
  - C. Based on the Milbon Ethics and Code of Conduct to practice *The Milbon Way*, the Board Directors and employees of the Group act, throughout the value chain, in compliance with laws and regulations of all countries and regions based on high ethical standards that conform with social ethics, and practice the following: “provision of safe and superior products and services and gaining of customer trust,” “contribution to and coexistence with local communities,” “responsibility to the environment,” “respect for human rights,” “fair transactions and mutual development with business partners,” “maintenance of workplace environment for employees,” “understanding and support of shareholders and investors,” “sound relationships with government and administration,” and “dealing with antisocial forces.” The Board Directors of the Group lead by example in complying with laws and regulations and the Milbon Ethics and Code of Conduct, actively work to maintain and enhance compliance management, and aim to raise compliance awareness and spread the Milbon Ethics and Code of Conduct through the continuous implementation of awareness and education activities on compliance.
  - D. We ensure that the Group’s management plans are thoroughly communicated to employees at management plan presentation meetings and manage them by regularly reporting the status of execution at Board of Directors meetings through financial reports and activity reports. In addition, we hold regular meetings among the Board Directors of the Company and its subsidiaries and provide various forms of support to subsidiaries as necessary to ensure the adequacy of the operations of subsidiaries.
  - E. We have established internal and external whistle-blowing contact points, promote the use of them by the Board Directors and employees of the Company, and strive for the early detection of matters that may violate or risk violating laws, regulations, or internal regulations.
  - F. The Internal Audit Department conducts business audits on the Company and its subsidiaries, reports the results to the President & CEO, the Board of Directors, and the Audit & Supervisory Board, requests the audited organizations to correct issues pointed out, and inspects the status of implementation.
- 2) System for the storage and management of information related to the execution of duties by Board Directors

Board of Directors meeting minutes, Management Meeting minutes, and other important documents related to decision-making in business execution are stored and managed in accordance with laws, regulations, and internal regulations.
- 3) Regulations and other systems concerning the management of the risk of loss of the Group
  - A. We define matters with the potential to have a significant negative impact on the realization of our management philosophy or our business continuity as “risks,” and has established a basic risk management policy to reduce the likelihood of these risks manifesting themselves, to prevent the expansion of damage in the event that a risk materializes and a crisis occurs, and to improve corporate value of the Group. We develop and improve a risk management promotion system and framework.
  - B. We have established the Risk Management Committee, which is chaired by the President & CEO, to identify “company-wide risks,” i.e., risks that should be addressed on a company-wide basis, taking into account the significance and priority of the risks surrounding the Group, the likelihood and timing of the materialization of risks, the likelihood and impact of impeding the achievement of the Medium-Term Management Plan, etc. The Risk Management Committee regularly reports to the Board of Directors on the progress made in response to

company-wide risks, and is subject to the supervision and monitoring of the Board of Directors.

- C. In accordance with the Basic Rules of Risk Management and the Rules on the Management of Subsidiaries, we gather information on risks that have occurred within the Group, report to Board Directors as necessary, and provide appropriate support to each division and subsidiary.

4) System for ensuring the efficient execution of duties by Board Directors

Through the introduction of the Executive Officer system, we separate the business execution function from the supervisory function, clarify management responsibility, and aim for quicker decision-making and business execution. The primary roles of the Board of Directors are defined as deciding on management strategies and policies and monitoring their execution, and we aim to enhance the advisory function, strengthen the supervisory function, and increase effectiveness by appointing Independent Outside Board Directors that account for at least one-third of the Board Directors. By implementing the Rules on the Board of Directors, the Rules on the Division of Duties, the Rules on Job Authority, and the Rules on the Management of Subsidiaries, we ensure the appropriate delegation of authority and a system for enabling the appropriate and efficient execution of duties.

5) System for ensuring the accuracy of reporting and information regarding financial calculations

Based on the Financial Instruments and Exchange Act and other related laws and regulations, etc., we have established a policy for internal control over financial reporting in the Basic Rules of Internal Control, maintain and operate internal control over financial reporting, continuously evaluate its effectiveness, and make necessary corrections and improvements to ensure the reliability of financial reporting.

b. Overview of the liability limitation agreement

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act and Article 34 Paragraph 2 of the Articles of Incorporation, we have entered into an agreement with all Outside Board Directors and all Audit & Supervisory Board Members to limit their liability provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under this agreement is the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.

c. Overview of the indemnification agreement

We have entered into an indemnification agreement with all Board Directors and all Audit & Supervisory Board Members in accordance with the provisions of Article 430-2, Paragraph 1 of the Companies Act. The agreement indemnifies them against the expenses indicated in Item 1 and the losses indicated in Item 2 of Article 430-2, Paragraph 1 of the Companies Act. However, to ensure that the Board Directors and Audit & Supervisory Board Members execute their duties in an appropriate manner, the agreement does not provide coverage in the case of malice or gross negligence during the execution of their duties.

d. Overview of the Board Directors and officers liability insurance contract, etc.

We have entered into a Directors and Officers liability insurance with an insurance company in accordance with the provisions of Article 430-3, Paragraph 1 of the Companies Act, in which insurance shall cover damages and costs of dispute resolutions that the Board Directors and Audit & Supervisory Board Members, who are the insured party, are otherwise to bear under law. All insurance premiums are paid by the company and will be renewed with the same coverage at the next renewal.

- (v) Matters to be resolved by the General Meeting of Shareholders that may be resolved by the Board of Directors
  - a. Acquisition of treasury shares

The Company's Articles of Incorporation provide that the Company may redeem its treasury shares by resolution of the Board of Directors through market transactions or other means pursuant to Article 165, Paragraph 2 of the Companies Act, in order to flexibly carry out its management policies including capital policy in response to changes in the business environment.
  - b. Exemption of liability of Board Directors and Audit & Supervisory Board Members

Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, to ensure that Board Directors and Audit & Supervisory Board Members fully perform their expected roles, the Company's Articles of Incorporation stipulate that Board Directors (including former Board Directors) and Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) may be exempted from liability for damages referred to in Article 423, Paragraph 1 of the same Act, to the extent provided by laws and regulations by resolution of the Board of Directors.
  - c. Decision-making body for interim dividends

To flexibly distribute earnings to shareholders, the Company's Articles of Incorporation stipulate that interim dividends may be paid by resolution of the Board of Directors.
- (vi) Maximum number of Board Directors

The Company's Articles of Incorporation stipulate that the number of Board Directors shall be no more than 15.
- (vii) Requirements for resolution regarding election of Board Directors

The Company's Articles of Incorporation provide that resolution for the election of Board Directors requires attendance by shareholders with more than one-third of the voting rights of shareholders entitled to exercise voting rights, and is adopted by a majority of the votes of the shareholders present, and that the election of Board Directors shall not be conducted by cumulative voting.
- (viii) Requirements for special resolution at the General Meetings of Shareholders

The Company's Articles of Incorporation provide that the special resolution at a General Meeting of Shareholders pursuant to Article 309, Paragraph 2 of the Companies Act requires attendance by shareholders with more than one-third of the voting rights of shareholders entitled to exercise voting rights, and is adopted by a majority, representing two-thirds or more of the votes of the shareholders present. This arrangement aims to smoothly operate General Meetings of Shareholders by relaxing the quorum for special resolution at general meetings of shareholders.

(2) Board Directors

(i) List of Board Directors

12 male Board Directors and three female Board Directors (Ratio of female Board Directors: 20.0%)

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Chairperson	Ryuji Sato	October 18, 1959	<p>April 1981 December 1999 December 2000 March 2002 December 2003 March 2008 January 2024</p> <p>Joined the Company General Manager of Products Produce Dept. General Manager of Marketing Dept. Board Director and General Manager of Marketing Dept. Managing Executive Director Representative Director, President &amp; CEO Chairperson (current position)</p>	(Note) 1	34
Representative Director, President & CEO	Hidenori Sakashita	February 3, 1976	<p>April 2001 October 2010 January 2018 March 2022 January 2024</p> <p>Joined the Company President of MILBON USA, INC. General Manager of Corporate Strategy Development Dept. Board Director and General Manager of Corporate Strategy Development Dept., and in charge of Cosmetics Business Planning, ICT Strategies, and Board Director of KOSÉ MILBON COSMETICS CO., LTD. President &amp; CEO (current position)</p>	(Note) 1	6
Managing Executive Director, and in charge of Finance, Corporate Communication, and Sustainability Promotion	Masahiro Murai	April 28, 1959	<p>March 1992 December 2001 March 2007 December 2009 December 2014 January 2018 January 2020 January 2022 January 2024</p> <p>Joined the Company General Manager of Corporate Administration Dept. Board Director and General Manager of Corporate Administration Dept. Managing Executive Director, and in charge of Corporate Administration Managing Executive Director, and in charge of Corporate Administration, Corporate Strategy Development, and CS Promotion Managing Executive Director, and in charge of Corporate Administration, Corporate Strategy Development, and Internal Audit Managing Executive Director, and in charge of Corporate Administration, Corporate Strategy Development, Internal Audit, Finance, and Cosmetics Business Planning Managing Executive Director, and in charge of Corporate Administration, Internal Audit, Finance, and Sustainability Promotion Managing Executive Director, and in charge of Finance, Corporate Communication, and Sustainability Promotion (current position)</p>	(Note) 1	60



Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Board Director, Director of Production Headquarters, and in charge of Development and Organic Business	Kazunobu Konoike	November 8, 1969	April 1992 March 2004 October 2010  December 2011 March 2012 December 2013 January 2018  January 2022  January 2024	Joined the Company President of MILBON USA, INC. General Manager of Corporate Planning Dept. General Manager of Corporate Strategy Development Dept. Board Director and General Manager of Corporate Strategy Development Dept. Board Director and General Manager of International Sales Dept. II Board Director and General Manager of Information System Dept. and in charge of CS Promotion Board Director and Director of Production Headquarters, and in charge of CS Promotion Board Director and Director of Production Headquarters, and in charge of Development Headquarters and Organic Business (current position)	(Note) 1	6
Board Director, and in charge of Corporate Administration, Internal Audit, and Quality Assurance	Junji Morimoto	July 17, 1967	April 1992 December 2005 December 2007 December 2009 January 2019  January 2021 March 2022  January 2024	Joined the Company General Manager of Tokyo Branch General Manager of Osaka Branch General Manager of Tokyo Branch Executive Officer, General Manager of Tokyo Aoyama Branch, FP Headquarters Executive Officer, Director of FP Headquarters Board Director and Director of FP Headquarters, and in charge of FP Global Sales and Marketing, Education Planning Board Director, and in charge of Corporate Administration, Internal Audit, and Quality Assurance (current position)	(Note) 1	9
Board Director, Director of International FP Sales and Marketing and FP Headquarters, and in charge of Education Planning	Harumichi Okazaki	March 9, 1974	April 1996 January 2016  January 2018 January 2020  January 2022  January 2024  March 2024	Joined the Company President of MILBON (THAILAND) CO., LTD. President of MILBON USA, INC. President of MILBON USA, INC. and General Manager of North America Region Executive Officer, Director of International FP Sales and Marketing, and General Manager of North America Region and Europe Region Executive Officer, Director of International FP Sales and Marketing and FP Headquarters, and in charge of Education Planning Board Director, Director of International FP Sales and Marketing and FP Headquarters, and in charge of Education Planning (current position)	(Note) 1	2

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Board Director, Director of Corporate Strategy Headquarters, and Deputy President of KOSÉ MILBON COSMETICS CO., LTD.	Hiroyuki Ogata	July 13, 1975	April 1999 January 2020	Joined the Company General Manager of Cosmetics Business Planning Dept. and Finance Dept.	(Note) 1	4
			January 2022	Executive Officer and General Manager of Cosmetics Business Planning Dept. and Finance Dept.		
			January 2023	Executive Officer and General Manager of Corporate Strategy Dept.		
			January 2024	Executive Officer, Director of Corporate Strategy Headquarters, and Deputy President of KOSÉ MILBON COSMETICS CO., LTD.		
			March 2024	Board Director, Director of Corporate Strategy Headquarters, and Deputy President of KOSÉ MILBON COSMETICS CO., LTD. (current position)		
Board Director	Taizo Hamaguchi	October 29, 1950	April 1973 October 1977 June 2004	Joined Ataka & Co., Ltd. Joined ITOCHU Corporation Executive Officer of ITOCHU Corporation	(Note) 1	3
			October 2004	Advisor of ITOCHU-SHOKUHIN Co., Ltd.		
			December 2004	President and CEO of ITOCHU-SHOKUHIN Co., Ltd.		
			June 2014	Chairman, Director and Executive Officer of ITOCHU-SHOKUHIN Co., Ltd.		
			June 2015	Chairman of ITOCHU-SHOKUHIN Co., Ltd.		
			March 2016	Outside Board Director of the Company (current position)		
			June 2016	Representative Director, President and Executive Officer of ITOCHU-SHOKUHIN Co., Ltd.		
			June 2017	Director and Consultant of ITOCHU-SHOKUHIN Co., Ltd.		
			June 2019	Executive Director of ITOCHU-SHOKUHIN Co., Ltd. Outside Director of EPARK, Inc.		

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Board Director	Tsuneko Murata	September 27, 1958	<p>April 1982 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)</p> <p>May 2003 General Manager, Legal Affairs Department, Panasonic System Solutions of Matsushita Electric Industrial Co., Ltd.</p> <p>April 2007 Senior Councilor &amp; General Manager, Legal Affairs &amp; CSR Department of Home Appliances Company of Matsushita Electric Industrial Co., Ltd.</p> <p>June 2008 Member of Board of Directors of Matsushita Facilities Net Services Co., Ltd. (currently Panasonic Appliances Safety Service Co., Ltd.)</p> <p>February 2010 Director for Lifelong Learning Policy, Ministry of Education, Culture, Sports, Science &amp; Technology Japan</p> <p>July 2013 Senior Councilor of Corporate Legal Affairs Division of Panasonic Corporation</p> <p>January 2014 Executive Director of Japan Pension Service</p> <p>January 2016 Auditor of Japan Pension Service</p> <p>June 2018 Member of the Audit and Supervisory Board of Japan Finance Corporation Outside Director and Audit and Supervisory Committee member of ADVANTEST CORPORATION</p> <p>June 2019 Director (Outside director), Audit &amp; Supervisory Committee Member of Fujikura Ltd.</p> <p>March 2021 Outside Board Director of the Company (current position)</p> <p>June 2021 Outside Director of Kakuyasu Group Co., Ltd. (current position)</p> <p>June 2022 External Director serving as Audit and Supervisory Committee Member of TOKYO SEIMITSU CO., LTD. Outside Director, Audit &amp; Supervisory Committee Member of Sun Frontier Fudousan Co., Ltd.</p> <p>September 2023 Registered as certified fraud examiner</p> <p>June 2024 Outside Director of GECOSS CORPORATION (current position)</p>	(Note) 1	0

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Board Director	Etsuhiro Takato	February 6, 1957	<p>April 1979 August 2002 July 2007 June 2009 June 2013 January 2015 June 2015 June 2016 September 2016 June 2017 June 2019 June 2021 March 2022 April 2022 June 2022</p> <p>Joined Ajinomoto Co., Inc. President of PT AJINOMOTO INDONESIA General Manager of Umami Seasoning for Processing at Amino Acid Company Division of Ajinomoto Co., Inc. Executive Officer of Ajinomoto Co., Inc. President of AJINOMOTO DO BRASIL INDÚSTRIA E COMÉRCIO DE ALIMENTOS LTDA. Director and Managing Executive Officer of Ajinomoto Co., Inc. President of AJINOMOTO CO. (THAILAND) LTD. President of ASEAN Region Management Company of Ajinomoto Co., Inc. Executive Officer &amp; Senior Vice President of Ajinomoto Co., Inc. General Manager, Food Products Division of Ajinomoto Co., Inc. Outside Director of TOKAI DENPUN CO., LTD. Representative Director of Ajinomoto Co., Inc. Director of Ajinomoto Co., Inc. Advisor of Ajinomoto Co., Inc. Outside Board Director of the Company (current position) Outside Director of TOKYO VERDY, Inc. (current position) Outside Director of Seven Bank, Ltd. (current position)</p>	(Note) 1	-

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Board Director	Chisa Hayakawa	June 27, 1968	<p>April 1991 March 1998 November 2002 July 2009 April 2013 April 2014 April 2017 April 2019 June 2020 April 2021 March 2022 April 2022 April 2023</p>	<p>Joined Sanyo Securities Company Limited Joined FANCL CORPORATION Registered as tax accountant Joined Calbee, Inc. Executive Officer and General Manager of Investor Relations Department of Calbee, Inc. Executive Officer and General Manager of Corporate Planning Department and Investor Relations Department of Calbee, Inc. Executive Officer and General Manager of East Japan Sales Department of Calbee, Inc. Executive Officer and General Manager of Financial &amp; Accounting Department of Calbee, Inc. Outside Director of SHIBAURA MACHINE CO., LTD. (current position) Executive Officer and General Manager, Investor Relations, Finance and Accounting Division of Calbee, Inc. Outside Board Director of the Company (current position) Managing Executive Officer &amp; CFO of Calbee, Inc. Executive Officer and Asia-Oceania Regional CFO of Calbee, Inc. (current position)</p>	(Note) 1	0
Board Director	Tomomi Fukumoto	February 18, 1959	<p>April 1981 April 2008 January 2012 April 2015 April 2018 January 2022 April 2022 June 2022 March 2024 April 2024 June 2024</p>	<p>Joined Suntory Spirits Ltd. Deputy Executive Director of Suntory Hall Executive Director of Suntory Hall Executive Officer and Deputy Division COO of Corporate Communication Division of Suntory Holdings Limited Managing Director and Division COO of Customer Relations Division of Suntory Business Expert Ltd. Executive Officer and Division COO of Corporate Sustainability Division of Suntory Holdings Limited Advisor of Suntory Holdings Limited Managing Director of Suntory Foundation for the Arts Outside Director of Tokyo Kaikan Co., Ltd. (current position) Outside Board Director of the Company (current position) Fellow of Suntory Holdings Limited (current position) Senior Adviser of Suntory Foundation for the Arts (current position) Outside Director of Daiwa House Industry Co., Ltd. (current position)</p>	(Note) 1	-

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Standing Audit & Supervisory Board Member	Mitsuru Oshio	December 16, 1965	April 1988 December 2006 December 2007 December 2009 December 2011 March 2012 December 2013 December 2014 January 2018 March 2021	Joined the Company General Manager of Osaka Branch General Manager of Fukuoka Branch General Manager of Nagoya Branch General Manager of Nagoya Branch and Business Development Dept. Board Director and General Manager of Nagoya Branch and Business Development Dept. Board Director and General Manager of Corporate Strategy Development Dept. and Business Development Dept. Board Director and General Manager of Business Development Dept. Board Director and in charge of Business Development Standing Audit & Supervisory Board Member (current position)	(Note) 2	26
Audit & Supervisory Board Member	Yoshihiko Okuda	August 20, 1957	April 1976 July 2004 July 2006 July 2009 July 2013 April 2015 April 2017 March 2018 June 2018 March 2020 December 2021 July 2024	Joined Fukuoka Regional Taxation Bureau Associate Appeals Judge, Fukuoka Regional Tax Tribunal Deputy District Director, Kokura Tax Office Professor, Technical Education Department, National Tax College District Director, Kanoya Tax Office Director (Appeals Judge), Yokohama Branch, Tokyo Regional Tax Tribunal Director, Takamatsu Regional Tax Tribunal Attached to the Commissioner's Secretariat, National Tax Agency Registered as tax accountant Outside Audit & Supervisory Board Member of the Company (current position) Director of SKM Business Co., Ltd. (current position) Outside Director, Audit and Supervisory Committee Member of ITO EN, LTD.	(Note) 3	-
Audit & Supervisory Board Member	Takashi Hirano	February 6, 1957	April 1985 August 1988 August 1990 January 1991 January 2000 February 2006 January 2008 June 2019 March 2024	Registered as attorney-at-law and joined Yagi & Ushijima (currently Ushijima & Partners, Attorneys-at-Law) Joined Masuda, Funai, Eifert & Mitchell in Chicago, U.S.A. Joined Blakemore & Mitsuki Partner of Blakemore & Mitsuki Executive Officer in charge of Law and Corporate Affairs of Microsoft Japan Partner of Blakemore & Mitsuki (current position) Outside Audit & Supervisory Board Member of Morpho, Inc. Outside Audit & Supervisory Board Member of FALTEC Co., Ltd. (current position) Outside Corporate Auditor of RYOBI LIMITED (current position) Outside Audit & Supervisory Board Member of the Company (current position)	(Note) 3	-
Total						156

- (Notes)
1. As of the conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within two years after March 28, 2024.
  2. As of the conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within four years after March 27, 2025.
  3. As of the conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within four years after March 28, 2024.
  4. Board Directors Taizo Hamaguchi, Tsuneko Murata, Etsuhiro Takato, Chisa Hayakawa and Tomomi Fukumoto are Outside Board Directors.
  5. Audit & Supervisory Board Members Yoshihiko Okuda and Takashi Hirano are Outside Audit & Supervisory Board Members.
  6. Board Director Kazunobu Konoike is the younger brother of the spouse of Managing Executive Director Masahiro Murai.

(ii) Outside officers

The Company has five Outside Board Directors and two Outside Audit & Supervisory Board Members. There is no special interest between any of these outside officers and the Company except for having an ownership of the Company's shares described in (i) Board Directors and Officers.

Outside Board Director Tsuneko Murata concurrently serves as an Outside Board Director of Kakuyasu Group Co., Ltd. and an Outside Director of GECOSS CORPORATION. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

Outside Board Director Etsuhiro Takato concurrently serves as an Outside Director of TOKYO VERDY, Inc. and an Outside Director of Seven Bank, Ltd. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

Outside Board Director Chisa Hayakawa concurrently serves as an Executive Officer and Asia-Oceania Regional CFO of Calbee, Inc. and an Outside Director of SHIBAURA MACHINE CO., LTD. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

Outside Board Director Tomomi Fukumoto concurrently serves as an Outside Director of Tokyo Kaikan Co., Ltd., a Fellow of Suntory Holdings Limited, and an Outside Director of Daiwa House Industry Co., Ltd. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

Outside Audit & Supervisory Board Member Yoshihiko Okuda is a tax accountant and he concurrently serves as the representative of Yoshihiko Okuda Tax Accountant Office, a Director of SKM Business Co., Ltd., and an Outside Director, Audit and Supervisory Committee Member of ITO EN, LTD. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

Outside Audit & Supervisory Board Member Takashi Hirano is an attorney-at-law and he concurrently serves as a partner of Blakemore & Mitsuki, an Outside Audit & Supervisory Board Member of FALTEC Co., Ltd., and an Outside Corporate Auditor of RYOBI LIMITED. There is no capital relationship, important business relationship or any other special interest between these companies and the Company.

The Company's independence criteria for appointing Outside Board Directors and Outside Audit & Supervisory Board Members are as follows: they must not have any special interest in other Directors, Audit & Supervisory Board Members, or the Company; they must be independent; there must be no possibility of a conflict of interest with general shareholders; and they must meet the independence criteria stipulated by the Companies Act and the Tokyo Stock Exchange. There is no special interest between the five Outside Board Directors and two Outside Audit & Supervisory Board Members and the Company.

The five Outside Board Directors and two Outside Audit & Supervisory Board Members have been determined to have no potential conflicts of interest with general shareholders and have been registered with the Tokyo Stock Exchange, Inc. as independent officers as stipulated by the exchange.

(iii) Relationship between supervision or auditing by Outside Board Directors or Outside Audit & Supervisory Board Members and mutual coordination with internal audits, audits by Audit & Supervisory Board Members, and accounting audits, as well as the relationship with the internal control division

At Board of Directors meetings and other important meetings attended by Outside Board Directors and Outside Audit & Supervisory Board Members, important matters concerning the status of business execution by Board Directors, including internal audits, accounting audits, results of internal control development and evaluation, and the status of risk management and compliance, are proposed and reported. As necessary, the Board Director in charge of Corporate Administration and the Standing Audit & Supervisory Board Member provide information to Outside Board Directors and Outside Audit & Supervisory Board Members in the form of materials for the Board of Directors meetings.



### (3) Audits

#### (i) Status of audits by Audit & Supervisory Board Members

##### a. Organization and personnel of the Audit & Supervisory Board

The Audit & Supervisory Board of the Company consists of a total of three members: one Standing Audit & Supervisory Board Member and two highly independent Outside Audit & Supervisory Board Members.

Standing Audit & Supervisory Board Member Mitsuru Oshio joined the Company in 1988, and after serving as General Manager of branches at our domestic sales locations, was in charge of the Corporate Strategy Development Department and the Business Development Department as a Board Director from 2012. He has been a Standing Audit & Supervisory Board Member since 2021. Outside Audit & Supervisory Board Member Yoshihiko Okuda is a tax accountant and has a significant level of knowledge of finance and accounting. Outside Audit & Supervisory Board Member Takashi Hirano is an attorney-at-law and has a significant level of legal knowledge.

##### b. Activities of the Audit & Supervisory Board

During the current fiscal year, 14 Audit & Supervisory Board meetings were held, and the attendance of individual members was as follows:

Title and position	Name	Attendance
Standing Audit & Supervisory Board Member	Mitsuru Oshio	100% (14/14)
Outside Audit & Supervisory Board Member	Yoshihiko Okuda	100% (14/14)
Outside Audit & Supervisory Board Member	Keisuke Endo	100% (4/4)
Outside Audit & Supervisory Board Member	Takashi Hirano	100% (10/10)

(Notes) 1. Outside Audit & Supervisory Board Member Keisuke Endo retired at the conclusion of the Ordinary General Meeting of Shareholders held on March 28, 2024.

2. Outside Audit & Supervisory Board Member Takashi Hirano was newly appointed at the Ordinary General Meeting of Shareholders held on March 28, 2024.

The specific discussions by the Audit & Supervisory Board during the current fiscal year are as follows:

- Basic policy for audits by Audit & Supervisory Board Members, annual audit plan, and allocation of tasks
- Selection of Chairperson of the Audit & Supervisory Board, Standing Audit & Supervisory Board Member and specified Audit & Supervisory Board Member, and compensation for Audit & Supervisory Board Members
- Evaluation of the effectiveness of the Audit & Supervisory Board
- Sharing the content of the Management Meeting and prior consultation on agenda items to be submitted to the Board of Directors meetings
- Evaluation and resolution for the appointment of the Accounting Auditor, and consent to the audit fees
- Establishment and implementation status of the internal control system
- Results of on-site audits at domestic locations and overseas subsidiaries, etc.

##### c. Activities of Audit & Supervisory Board Members

Audit & Supervisory Board Members conduct audit activities according to the basic policy for audits by Audit & Supervisory Board Members, the annual audit plan, and allocation of tasks determined by the Audit & Supervisory Board, and share information among Audit & Supervisory Board Members on a monthly basis on the tasks individually conducted.

The main activities conducted during the current fiscal year are as follows:

- Attendance at the Board of Directors meetings and other important meetings

In addition to the Audit & Supervisory Board meetings, Audit & Supervisory Board Members attended the Board of Directors meetings, and the Standing Audit & Supervisory Board Member also attended the Management Meeting and regular meetings of overseas subsidiaries, etc. Audit & Supervisory Board Members expressed opinions as appropriate, and Outside Audit & Supervisory Board Members expressed opinions from their professional perspective as an attorney-at-law or a tax accountant.

- Interviews with Board Directors and Executive Officers

Audit & Supervisory Board Members regularly conduct interviews with Board Directors and Executive Officers to check the status of on-site department audits, internal controls, and execution of their duties and express opinions from the perspective of Audit & Supervisory Board Members. In the interviews with the Chairperson and the President & CEO, discussions were held mainly on the status of the Medium-Term Management Plan (2022-2026), which entered its third year, and the management plan for Fiscal Year 2025, as well as domestic and overseas business strategies, compliance and risk management, and the outlook for capital investment.

- On-site audits at domestic locations and overseas subsidiaries

On-site audits are actively conducted at domestic locations and overseas subsidiaries to examine the status of operations and assets. In the current fiscal year, the Standing Audit & Supervisory Board Member held interviews on overall operations and risks with the division heads of all domestic locations, two overseas subsidiaries (Milbon Korea, Milbon Trading (Shanghai)), two representative offices (Indonesia, Philippines), and domestic indirect divisions including research divisions. He, together with the Outside Audit & Supervisory Board Members, conducted on-site audits at three domestic locations (Osaka Branch, Fukuoka Branch, Yumegaoka Factory), including interviews with the general managers and physical inspections of inventory.

- Cooperation with Internal Audit Department and Accounting Auditor

Audit & Supervisory Board Members work to enhance coordination with the Internal Audit Department and Accounting Auditor to improve the effectiveness of the internal control system. They receive reports on the status of an accounting audit on a quarterly basis and regularly receive reports on internal control from the Accounting Auditor. Furthermore, three-party audit joint meetings with the addition of the Internal Audit Department are held three times a year to share and exchange opinions on the status of each audit.

(ii) Status of internal audits

The Internal Audit Department (consisting of three staff members), which is independent from other business divisions, conduct internal audits at the Company based on the Rules on Internal Audits and an annual internal audit plan approved by the President & CEO, covering divisions and Group companies in Japan, and also evaluates internal controls related to financial reporting pursuant to the Financial Instruments and Exchange Act.

The audit results are regularly reported to the President & CEO, the Standing Audit & Supervisory Board Member, and the Board of Directors. Responses are requested from the audited divisions regarding the matters pointed out, and the status of subsequent corrective actions is confirmed.

In addition, to ensure the effectiveness and efficiency of audits, the Internal Audit Department holds three-party audit joint meetings with the Audit & Supervisory Board and the Accounting Auditor three times a year, and holds information exchange meetings as needed to strengthen cooperation among the three parties. Audit issues seen from the perspective of each party are shared and solutions are discussed at the three-party audit joint meetings.

(iii) Accounting audits

a. Name of audit firm

GYOSEI & CO.

b. Continuous audit period: 33 years

c. Engagement certified public accountants

Engagement partner Toshiya Shinshima

Engagement partner Takaaki Hasegawa

d. Other personnel engaged in assisting the accounting audit

Eight certified public accountants and seven personnel who have passed the certified public accountant exam engage in assisting the accounting audit of the Company.

e. Policy and reasons for selecting audit firm

The Audit & Supervisory Board of the Company comprehensively evaluates and makes a decision on the selection of the accounting auditor based on the “Practical Guidelines for Audit & Supervisory Board Members on the Evaluation of Accounting Auditors and the Establishment of Selection Standards” published by the Japan Audit & Supervisory Board Members Association, confirming the status of quality control, independence and expertise of the accounting auditor, the establishment of an audit system, the specific audit plan and whether audit fees are reasonable and appropriate, as well as audit results.

GYOSEI & CO. ensures the adequacy of the audit plan, audit method and audit implementation system, as well as smooth communication with the Company’s management (Board Directors, etc.), Audit & Supervisory Board and Internal Audit Department.

The Audit & Supervisory Board will dismiss the Accounting Auditor with the unanimous consent of the Audit & Supervisory Board Member if the Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. In this case, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report the dismissal of the accounting auditor and the reasons for the dismissal at the first General Meeting of Shareholders convened after the dismissal.

- f. Evaluation of the audit firm by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board of the Company has established standards for the evaluation and appointment of accounting auditors, and evaluates the work of the accounting auditor in each fiscal year in accordance with the standards. The criteria set by the Company were met in the results of the evaluation.

- (iv) Audit fees, etc.

- a. Fees paid to the certified public accountants, etc.

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services (thousand yen)	Fees for non-audit services (thousand yen)	Fees for audit services (thousand yen)	Fees for non-audit services (thousand yen)
Reporting company	30,000	-	30,000	-
Consolidated subsidiaries	-	-	-	-
Total	30,000	-	30,000	-

- b. Fees for member firms of certified public accountants, etc. (excluding a.)

Not applicable.

- c. Other important details of fees for audit service

(Previous fiscal year)

Not applicable.

(Current fiscal year)

Not applicable.

- d. Policy for determining audit fees

The Company's audit fees to certified public accountants is determined by taking into consideration the reasonable number of audit days, etc., based on the scale of the Company's business.

- e. Reasons the Audit & Supervisory Board's consent to the fees, etc., of the accounting auditor

Based on the "Practical Guidelines for Cooperation with Accounting Auditors" of the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board has analyzed and evaluated the audit results for the previous fiscal year and reviewed the audit fees and audit plan for the current fiscal year presented by the accounting auditor, and as a result, has determined that the said fees, etc., are appropriate and gave consent to the terms of Article 399, Paragraph 1 of the Companies Act.

(4) Compensation for Board Directors

(i) Policy for determining amount or calculation method of compensation for Board Directors

a. Policy for determining amount of compensation for Board Directors

At its meeting held on March 11, 2022, the Company's Board of Directors approved a policy for determining the details of individual Board Director compensation. The Board of Directors consults the Nominations and Compensation Committees on the details of the resolution to be adopted in advance and received a report from the Nominations and Compensation Committees. In addition, the Board of Directors has confirmed that the method of determining the details of compensation, etc., and the details of compensation, etc., determined for each individual Board Director for the relevant fiscal year are consistent with such determination policy and that the report from the Nominations and Compensation Committees is respected, and the Board of Directors has determined that such determination policy is in line with such policy.

The details of the Company's policy for determining the details of compensation, etc., for each individual Board Director are as follows.

1) Basic policy for Board Director compensation

Compensation for Board Directors (excluding Outside Board Directors) shall consist of base compensation, performance-linked compensation, and stock-based compensation as an incentive to continuously increase corporate value, in order to encourage each Board Director to perform his/her duties with an awareness of business performance and sustainable improvement of corporate value. The Board of Directors also consults the Nominations and Compensation Committees, which are comprised mainly of Outside Board Directors, on proposed compensation amounts, and determines individual compensation amounts after obtaining advice as necessary. Outside Board Directors and Audit & Supervisory Board Members shall receive only base compensation, as they are independent from the execution of business operations, and compensation linked to performance is not appropriate for them.

2) Method of calculating compensation for Board Directors (excluding Outside Board Directors)

A. Basic compensation

The amount of basic compensation is determined in accordance with the Board Director's position and paid in cash monthly.

B. Performance-linked compensation

In order to raise awareness of the need to improve the Company's performance in each fiscal year, performance-linked compensation is calculated by adding up the percentage of achievement of each performance indicator target multiplied by the weighting ratio, and then multiplying the performance-linked coefficient corresponding to the percentage of achievement of the target by the performance-linked standard amount corresponding to the position, and is paid in cash once a year (in April). The performance indicators, performance-linked coefficients and actual performance-linked compensation are as follows.

(Performance indicator)

Consolidated net sales: Weight 40% / Consolidated operating profit: Weight 50% / Consolidated profit: Weight 10%

(Performance-linked coefficient)

Target achievement	Performance-linked coefficient
Over 120%	200%
Over 115%, less than 120%	175%
Over 110%, less than 115%	150%
Over 105%, less than 110%	125%
Over 100%, less than 105%	100%
Over 95%, less than 100%	80%
Over 90%, less than 95%	50%
Less than 90%	0%

3) Stock-based compensation

Stock-based compensation is granted once a year (around May) with a restriction on transfer until retirement of the Company's shares equivalent to the amount obtained by multiplying the base compensation plus the performance-linked compensation by 20%.

4) Ratio of compensation, etc., by type

The ratio of each type of compensation for Board Directors (excluding Outside Board Directors) is as follows:

Basic compensation : Performance-linked compensation = 70% : 30%

Stock-based compensation = (Basic compensation + Performance-linked compensation) x 20%

(ii) Total amount of compensation, etc., by category of Board Director, total amount of compensation, etc., by type of compensation, and number of recipients of reporting company

Officer category	Total amount of compensation (thousand yen)	Total amount of compensation, etc., by type of compensation (thousand yen)			Number of recipients (persons)
		Basic compensation	Performance-linked compensation	Stock-based compensation	
Board Director (excluding Outside Board Director)	372,068	241,960	78,600	51,508	8
Audit & Supervisory Board Member (excluding Audit & Supervisory Board Member)	32,004	32,004	-	-	1
Outside Officer	67,549	67,549	-	-	9

- (Notes) 1. At the 62nd Ordinary General Meeting of Shareholders held on March 29, 2022, it was resolved that the amount of cash compensation for Board Directors shall be "no more than 500 million yen per year (including 70 million yen for Outside Board Directors)" (not including employee salaries paid to Board Directors who concurrently serve as employees). The number of Board Directors as of the conclusion of said Ordinary General Meeting of Shareholders was 11 (including five Outside Board Directors).
2. The amount of compensation for Board Directors includes the compensation for one Board Director who retired at the conclusion of the 64th Ordinary General Meeting of Shareholders held on March 28, 2024, during his term of office.
3. The amount of compensation for Outside Officers includes the compensation for one Outside Board Director and one Outside Audit & Supervisory Board Member who retired at the conclusion of the 64th Ordinary General Meeting of Shareholders held on March 28, 2024, during their terms of office.

(iii) Results for performance-linked compensation in the current fiscal year

Performance indicator	Fiscal year ended December 31, 2024			Weight (%)
	Target (Million yen)	Result (Million yen)	Achievement rate (%)	
Consolidated net sales	50,620	51,316	101.4	40.0
Consolidated operating income	6,600	6,839	103.6	50.0
Consolidated profit	4,650	5,017	107.9	10.0

(Note) Target achievement rate for the fiscal year ended December 31, 2024: 101.4% x 40% + 103.6% x 50% + 107.9% x 10% = 103.2%

(iv) Total amount of consolidated compensation, etc., by Board Director of the reporting company

Not stated because there are no persons whose total amount of consolidated compensation, etc., is 100 million yen or more.

(5) Shareholdings

(i) Criteria for and approach to investment shares

The Company classifies shares as investment shares held for pure investment if they are held for the purpose of making profit from changes in the value of shares or dividends on shares, and other shares as investment shares (cross-shareholdings) held for purposes other than pure investment.

(ii) Investment shares held for purposes other than pure investment

a. Policy of shareholding, method for verifying the rationality of shareholding, and details of verification of the suitability of holding individual shares by the Board of Directors, etc.

The Company's policy is to hold only shares of business partners for which there is a rational reason, such as strengthening ties in anticipation of business expansion. For rationality of holdings these shares, the Board of Directors makes a comprehensive judgment, and if the Board of Directors determines that there is no rationality in holding these shares, it will consider such measures as reducing the number of shares held.

b. Number of individual shares and carrying amount

	Number of individual shares	Carrying amount (thousand yen)
Unlisted shares	-	-
Shares other than the above	1	861,480

(Stocks whose number of shares increased in the current fiscal year)

	Number of individual shares	Total acquisition cost related to increase in number of shares (thousand yen)	Reasons for an increase in number of shares
Unlisted shares	-	-	-
Shares other than the above	-	-	-

(Stocks whose number of shares decreased in the current fiscal year)

	Number of individual shares	Total sale price related to decrease in number of shares (thousand yen)
Unlisted shares	-	-
Shares other than the above	-	-

- c. Information on number of shares, amounts in the balance sheet, etc., of specified investment shares and deemed investment shares by individual shares

Specified investment shares

Issuing company	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliances, etc., quantitative effect of holding, and reasons for increase in number of shares	Shareholding in the Company
	Number of shares (shares)	Number of shares (shares)		
	Amounts in the consolidated balance sheets (thousand yen)	Amounts in the consolidated balance sheets (thousand yen)		
KOSÉ Corporation	120,000	120,000	(Purpose of holding) Strengthening collaboration for future business expansion (Outline of business alliances, etc.) Joint development of skincare and make-up products for hair salons and implementation of sales in Japan (Quantitative effect of holding) (Note)	Yes
	861,480	1,269,000		

(Note) Although it is difficult to describe the quantitative effect of holding, a comprehensive study of the holding effect is conducted, taking into account a review of the cost of capital.

(iii) Investment shares held for pure investment

Category	Current fiscal year		Previous fiscal year	
	Number of individual shares (Individual shares)	Carrying amount (thousand yen)	Number of individual shares (Individual shares)	Carrying amount (thousand yen)
Unlisted shares	4	14,000	5	28,400
Shares other than the above	-	-	5	14,851

Category	Current fiscal year		
	Total dividend income (thousand yen)	Total income (loss) from sales (thousand yen)	Total unrealized gains (loss) (thousand yen)
Unlisted shares	192	7,200	-
Shares other than the above	235	12,084	-

## **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)
<b>Assets</b>		
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)
<b>Liabilities</b>		
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
<b>Net assets</b>		
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
<b>Total liabilities and net assets</b>	<b>53,391,872</b>	<b>58,899,055</b>

## 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 accumulate 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 accumulate 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)
<b>Cash flows from operating activities</b>		
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
<b>Cash flows from investing activities</b>		
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)
<b>Cash flows from financing activities</b>		
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)

1. The increase is due to the purchase of shares less than one unit.
2. The decrease is due to a decrease of 20 shares from the sale of shares less than one unit, and a decrease of 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	30.6%	30.6%
(Adjustments)		
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)
<b>Assets</b>		
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: Promotion expenses 89,004 thousand yen Research and development expenses 12,474 thousand yen Other 3,665 thousand yen Total 105,144 thousand yen	*1	Breakdown of the transfer to other account is as follows: Promotion expenses 66,376 thousand yen Research and development expenses 9,978 thousand yen Other 51 thousand yen Total 76,406 thousand yen
2	Method of calculation of costs The continuous process cost system is adopted.	2	Method of calculation of costs 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.



## VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From January 1 to December 31
Ordinary General Meeting of Shareholders	During March
Record date	December 31
Record date for distribution of surplus	June 30 and December 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	
Handling office	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Administrator of shareholder registry	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Transfer office	-
Purchase / sale fee	An amount set separately equivalent to the amount of brokerage commission
Method of public notice	The method of public notice of the Company shall be by electronic public notice. However, in the event that electronic public notice becomes impossible due to unavoidable circumstances, announcements will be published in the Nikkei. Electronic public notices are posted on the Company's website, which may be accessed with the following URL. <a href="https://www.milbon.com/en/">https://www.milbon.com/en/</a>
Shareholder benefits	We have a shareholder benefit program where bonus points are awarded based on the number of shares held and the holding period of the shares.

(Note) We have stipulated in our Articles of Incorporation that shareholders of shares constituting less than one unit may not exercise some or all rights, other than the following rights.

- (1) The rights which cannot be restricted by the Articles of Incorporation in accordance with relevant laws and ordinances.
- (2) The right to receive an allotment of shares or share purchase options in proportion to the number of shares owned by shareholders.
- (3) The right to request the purchase of shares constituting less than one unit.

## VII. Reference Information of Reporting Company

### 1. Information about Parent of Reporting Company

Not applicable.

### 2. Other Reference Information

The Company submitted the following documents during the period from the beginning of the current fiscal year to the date of submission of the annual securities report.

#### (1) Annual securities report and attached documents, and confirmation document

Fiscal Year (64th Term)	(From January 1, 2023 to December 31, 2023)	Submitted to the Director-General of the Kinki Local Finance Bureau on March 28, 2024
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#### (2) Internal control report and attached documents

Submitted to the Director-General of the Kinki Local Finance Bureau on March 28, 2024

#### (3) Quarterly securities report and confirmation documents

(The 1st Quarter of 65th Term)	(From January 1, 2024 to March 31, 2024)	Submitted to the Director-General of the Kinki Local Finance Bureau on May 14, 2024
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#### (4) Semi-annual securities report and confirmation documents

(Interim Period of 65th Term)	(From January 1, 2024 to June 30, 2024)	Submitted to the Director-General of the Kinki Local Finance Bureau on August 9, 2024
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#### (5) Extraordinary report

Submitted to the Director-General of the Kinki Local Finance Bureau on March 29, 2024.

The extraordinary report was submitted based on the provisions of Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights at a general meeting of shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs.

**Part 2 Information about Reporting Company's Guarantor, etc.**

Not applicable.

Independent Auditor's Report on the Financial Statements  
and Internal Control Over Financial Reporting

March 27, 2025

To the Board of Directors of Milbon Co., Ltd.

GYOSEI & CO.  
Tokyo Office

Designated partner Engagement partner	Certified public accountant	Toshiya Shinshima
Designated partner Engagement partner	Certified public accountant	Takaaki Hasegawa

<Audit of Consolidated Financial Statements>

Opinion

We have audited Milbon Co., Ltd.'s consolidated financial statements referred to in the Financial Information section of this annual securities report for the consolidated fiscal year from January 1, 2024 to December 31, 2024, which comprise the consolidated balance sheets, consolidated statement of income, consolidated statement of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows, material matters that serve as the basis for preparation of consolidated financial statements, other notes, and annexed consolidated detailed schedules, in order to certify the audit pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Milbon Co., Ltd. and its consolidated subsidiaries as of December 31, 2024, and the results of its operations and cash flows for the consolidated fiscal year then ended, in accordance with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in Auditor's Responsibility for the Audit of the Consolidated Financial Statements. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matter

A key audit matter is a matter, in our professional judgments, which is of most significance in our audit of the consolidated financial statements for the current consolidated fiscal year. The key audit matter is addressed in the context of our audit of the consolidated financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of the merchandise and finished goods of Milbon Co., Ltd.	
Description of the key audit matter and reason for determination as key audit matter	How the key audit matter was addressed in the audit
<p>In the consolidated balance sheets for the current fiscal year, 7,815,306 thousand yen has been reported under merchandise and finished goods, of which the merchandise and finished goods of Milbon Co., Ltd. account for 5,197,804 thousand yen.</p> <p>The balance sheet value of merchandise and finished goods was calculated using the inventory write-down method based on decreased profitability, as stated in 4 (1) Valuation standards and methods for significant assets under Significant matters that serve as the basis for preparation of consolidated financial statements.</p> <p>The Company manufactures and sells haircare products, hair coloring products, permanent wave products, etc., and holds various types of merchandise and finished goods. In certain cases, merchandise and finished goods fail to sell as planned and remain due to market demand, competition from peers and other factors.</p> <p>The Company, as stated in its (Significant accounting estimates), has primarily been reducing the carrying amounts of slow-moving inventory that exceeds the planned shipment volume for a certain period. This shipping plan carries uncertainty and may involve subjective judgment of management.</p> <p>We, therefore, determined that the valuation of the merchandise and finished goods of Milbon Co., Ltd. was a particularly important element in the audit of the consolidated financial statements for the current fiscal year and hence a key audit matter.</p>	<p>To verify the validity of the valuation of the merchandise and finished goods, we primarily implemented the following audit procedures.</p> <p>(1) Assessment of internal controls</p> <ul style="list-style-type: none"> <li>• We assessed the status of design and operation of internal controls related to the valuation of slow-moving inventory.</li> </ul> <p>(2) Examination of the validity of the valuation of slow-moving inventory</p> <ul style="list-style-type: none"> <li>• We assessed the accuracy of management's estimates by comparing the sales budget and actual results for the current fiscal year and examining the reasons for their differences.</li> <li>• We obtained the shipping plan for each merchandise and finished goods for the following year, questioned management on the risk factors which could impact the achievability of this shipping plan, and assessed the rationality of the shipping plan considering the recent actual shipment volume and sales budget. Regarding growth rates of net sales, we carried out a trend analysis based on past results as well as a comparative study with available outside data.</li> <li>• We verified that the shipping plan for each merchandise and finished goods was consistent with the following year's budget approved by the Board of Directors.</li> <li>• By carrying out a recalculation based on the valuation method used by the Company, we verified the validity of the amount reported as a valuation loss.</li> </ul>

#### Other Information

The other information comprises the information included in the annual securities report other than the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Board Directors' performance of their duties with regard to the design and operation of the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility in our audit of the consolidated financial statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of the

duties of Executive Officers and Board Directors related to designing and operating the financial reporting process.

#### Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgments in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and, if applicable, measures taken to eliminate obstacles or safeguards applied to reduce obstacles to an acceptable level.

From the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board, the auditor judges the matter that is of most significance in the audit of the consolidated financial statements of the current consolidated fiscal year and determines it as the key audit matter, and describes the matter in the auditor's report. However, in the event that laws and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, the auditor determined that a matter should not be reported in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such report, such matter shall not be described in the report.

#### <Audit of Internal Control>

##### Opinion

We have audited the internal control report over financial reporting of Milbon Co., Ltd. as of December 31, 2024 in order to certify the audit pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act.

In our opinion, the report on internal control over financial reporting referred to above, which shows that the internal control over financial reporting of Milbon Co., Ltd. as of December 31, 2024 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

#### Basis for the Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibility under the auditing standards for internal control over financial reporting is stated in Auditors' Responsibilities for the Internal Audit. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Member and the Audit & Supervisory Board for Report on Internal Control Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair representation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring and verifying the design and operating status of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

#### Auditor's Responsibility for the Audit of the Internal Control

Our responsibility is to obtain reasonable assurance about whether the internal control report is free from material misstatement, and to express an opinion on the internal control report from an independent standpoint in an audit report on the internal control over financial reporting, based on our audit.

We make professional judgments in the audit process in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. Audit procedures for internal control audits are selected and applied at the auditor's discretion, based on the materiality of the effect on the reliability of financial reporting.
- Examine representations on the scope, procedures, and results of the assessment of internal control over financial reporting made by management, as well as consider the overall presentation of the internal control report.
- Obtain sufficient and appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. The auditor is responsible for instructing, supervising, and implementing the audit of the internal control report, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned internal control audit, the results of internal control audit, material weaknesses identified which should be disclosed, the results of their remediation, and other matters required under the internal control auditing standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and, if applicable, measures taken to eliminate obstacles or safeguards applied to reduce obstacles to an acceptable level.

#### <Fee-related Information>

The amounts of fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in (3) Audits under 4. Corporate Governance in the Information about Reporting Company section of this annual securities report.

#### Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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|---------|---|
| (Notes) | 1. The above is the digitized form of the matters described in the original audit report, and the original copy is in the custody of the Company (the company submitting the annual securities report). |
|         | 2. XBRL data are not in the audit scope of the Independent Auditor.   |
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## Independent Auditor's Report

March 27, 2025

To the Board of Directors of Milbon Co., Ltd.

GYOSEI & CO.

Tokyo Office

Designated partner Engagement partner	Certified public accountant	Toshiya Shinshima
Designated partner Engagement partner	Certified public accountant	Takaaki Hasegawa

### <Audit of Financial Statements>

#### Opinion

We have audited Milbon Co., Ltd.'s financial statements referred to in the Financial Information section of this annual securities report for the fiscal year from January 1, 2024 to December 31, 2024, which comprise the balance sheets, statement of income, statements of changes in net assets, significant accounting policies, other notes, and annexed detailed schedules, in order to certify the audit pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milbon Co., Ltd. as of December 31, 2024, and the results of its operations for the fiscal year then ended, in accordance with accounting principles generally accepted in Japan.

#### Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in Auditor's Responsibility for the Audit of the Financial Statements. We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

#### Key Audit Matter

A key audit matter is a matter, in our professional judgments, which is of most significance in our audit of the financial statements for the current fiscal year. The key audit matter is addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on the matter.



Valuation of the merchandise and finished goods of Milbon Co., Ltd.
The description is omitted since it is the same as the description of the key audit matter (Valuation of the merchandise and finished goods of Milbon Co., Ltd.) in the Independent Auditor's Report on the consolidated financial statements.

#### Other Information

The other information comprises the information included in the annual securities report other than the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Board Directors' performance of their duties with regard to the design and operation of the reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility in our audit of the financial statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements**  
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statement in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of the duties of Executive Officers and Board Directors related to designing and operating the financial reporting process.

#### Auditor's Responsibility for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgments in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements in the audit report, or if the notes to the financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements including related notes, and

whether the financial statements fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence, and if applicable, measures taken to eliminate obstacles or safeguards applied to reduce obstacles to an acceptable level.

From the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board, the auditor judges the matter that is of most significance in the audit of the financial statements of the current fiscal year and determines it as the key audit matter, and describes the matter in the auditor's report. However, in the event that laws and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, the auditor determined that a matter should not be reported in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such report, such matter shall not be described in the report.

<Fee-related Information>

Fee-related information is as described in the Independent Auditor's Report on the consolidated financial statements.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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(Notes) 1. The above is the digitized form of the matters described in the original audit report, and the original copy is in the custody of the Company (the company submitting the annual securities report).

2. XBRL data are not in the audit scope of the Independent Auditor.