

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Annual Securities Report

Milbon Co., Ltd.

E01039

The 64th Fiscal Year (from January 1, 2023 to December 31, 2023)

Annual Securities Report (“Yukashoken Hokokusho”)

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.

Table of Contents

	Page
Annual Securities Report (“Yukashoken Hokokusho”) for the 64th Fiscal Year	
Cover	1
Part 1 Company Information	2
I. Overview of Company	2
1. Key Financial Data	2
2. History	4
3. Business Description	6
4. Subsidiaries and Other Affiliated Entities	7
5. Employees	8
II. Overview of Business	9
1. Management Policy, Business Environment, Issues to Address	9
2. Sustainability Approach and Initiatives	12
3. Business Risks	22
4. Management Analysis of Financial Position, Operating Results and Cash Flows	26
5. Material Contracts, etc.	31
6. Research and Development Activities	32
III. Information about Facilities	34
1. Overview of Capital Expenditures	34
2. Major Facilities	34
3. Planned Addition, Retirement, and Other Changes of Facilities	35
IV. Information about Reporting Company	36
1. Company’s Shares, etc.	36
2. Acquisition and Disposal of Treasury Shares	42
3. Dividend Policy	43
4. Corporate Governance	44
V. Financial Information	68
1. Consolidated Financial Statements, etc.	69
2. Financial Statements, etc.	103
VI. Outline of Share-Related Administration of Reporting Company	117
VII. Reference Information of Reporting Company	118
1. Information about Parent of Reporting Company	118
2. Other Reference Information	118
Part 2 Information about Reporting Company’s Guarantor, etc.	119
Independent Auditor’s Report	
Internal Control Report (in Japanese only)	
Confirmation Letter (in Japanese only)	

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 28, 2024
[Accounting Period]	The 64th Fiscal Year (from January 1, 2023 to December 31, 2023)
[Company Name]	Kabushiki Gaisha Milbon
[Company Name in English]	Milbon Co., Ltd.
[Position and Name of Representative]	Hidenori Sakashita, President & CEO
[Location of Head Office]	2-3-35, Zengenji-cho, Miyakojima-ku, Osaka City, Osaka
[Phone No.]	06-6928-2331 (main)
[Contact for Communications]	Masahiro Murai, Managing Executive Director, and in charge of Finance, Corporate Communication, and Sustainability Promotion
[Nearest Contact]	Kyobashi Edogrand, 2-2-1 Kyobashi, Chuo-ku, Tokyo
[Phone No.]	03-3517-3915 (main)
[Contact for Communications]	Masahiro Murai, Managing Executive Director, and in charge of Finance, Corporate Communication, and Sustainability Promotion
[Place Where Available for Public Inspection]	Head Office, Milbon Co., Ltd. (Kyobashi Edogrand, 2-2-1 Kyobashi, Chuo-ku, Tokyo) Nagoya Branch, Milbon Co., Ltd. (3-19-8 Sakae, Naka-ku, Nagoya City, Aichi) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part 1 Company Information

I. Overview of Company

1. Key Financial Data

(1) Consolidated Financial Data, etc.

Fiscal Year		60th	61st	62nd	63rd	64th
Year End		Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Net sales	(thousand yen)	36,266,444	35,725,069	41,582,267	45,238,377	47,762,432
Ordinary income	(thousand yen)	6,231,538	5,791,315	7,158,440	7,829,279	5,586,650
Profit attributable to owners of parent	(thousand yen)	4,517,615	4,204,139	5,109,288	5,577,274	4,001,627
Comprehensive income	(thousand yen)	4,601,226	3,776,739	5,754,382	6,253,306	4,657,169
Net assets	(thousand yen)	35,882,612	36,308,349	40,197,181	43,991,750	45,932,297
Total assets	(thousand yen)	41,912,194	43,075,520	48,238,490	52,760,387	53,391,872
Net assets per share	(yen)	1,096.02	1,117.10	1,236.41	1,352.52	1,411.56
Basic earnings per share	(yen)	137.99	129.24	157.17	171.49	122.99
Diluted earnings per share	(yen)	-	-	-	-	-
Equity ratio	(%)	85.6	84.3	83.3	83.4	86.0
Return on equity	(%)	13.1	11.6	13.4	13.2	8.9
Price earnings ratio	(times)	44.9	50.8	36.3	33.4	30.0
Cash flows from operating activities	(thousand yen)	4,486,862	6,548,116	6,636,823	5,008,008	4,765,687
Cash flows from investing activities	(thousand yen)	(2,777,709)	(161,779)	(3,995,279)	(3,865,221)	(3,109,692)
Cash flows from financing activities	(thousand yen)	(1,869,274)	(3,416,124)	(1,919,749)	(2,578,462)	(2,797,765)
Cash and cash equivalents at end of period	(thousand yen)	9,376,300	12,307,591	13,312,634	12,258,237	11,292,078
Number of employees	(persons)	910	975	1,038	1,097	1,140

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

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

Fiscal Year		60th	61st	62nd	63rd	64th
Year End		Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Net sales	(thousand yen)	34,085,114	33,651,807	39,237,623	41,780,945	42,520,224
Ordinary income	(thousand yen)	5,825,268	5,584,059	6,928,387	7,959,986	4,906,452
Profit	(thousand yen)	4,236,159	3,842,075	4,986,323	5,533,885	3,233,267
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)	35,120,946	35,243,127	38,128,794	41,249,787	41,444,776
Total assets	(thousand yen)	40,962,412	41,650,835	45,721,261	49,508,428	48,400,863
Net assets per share	(yen)	1,072.76	1,084.32	1,172.79	1,268.22	1,273.65
Dividend per share (Interim dividend per share)	(yen)	56.00 (27.00)	56.00 (27.00)	68.00 (30.00)	86.00 (40.00)	88.00 (40.00)
Basic earnings per share	(yen)	129.39	118.11	153.38	170.16	99.37
Diluted earnings per share	(yen)	-	-	-	-	-
Equity ratio	(%)	85.7	84.6	83.4	83.3	85.6
Return on equity	(%)	12.5	10.9	13.6	13.9	7.8
Price earnings ratio	(times)	47.9	55.6	37.2	33.6	37.2
Dividend payout ratio	(%)	43.3	47.4	44.3	50.5	88.6
Number of employees	(persons)	723	765	810	842	870
Total shareholder return (Comparison indicators: Dividend Included TOPIX)	(%)	140.0 (118.1)	149.5 (126.8)	131.5 (143.0)	133.9 (139.5)	90.6 (178.9)
Highest share price	(yen)	6,500	6,690	7,270	6,480	5,870
Lowest share price	(yen)	4,245	4,280	5,510	4,220	3,247

(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 LISICIO, 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.

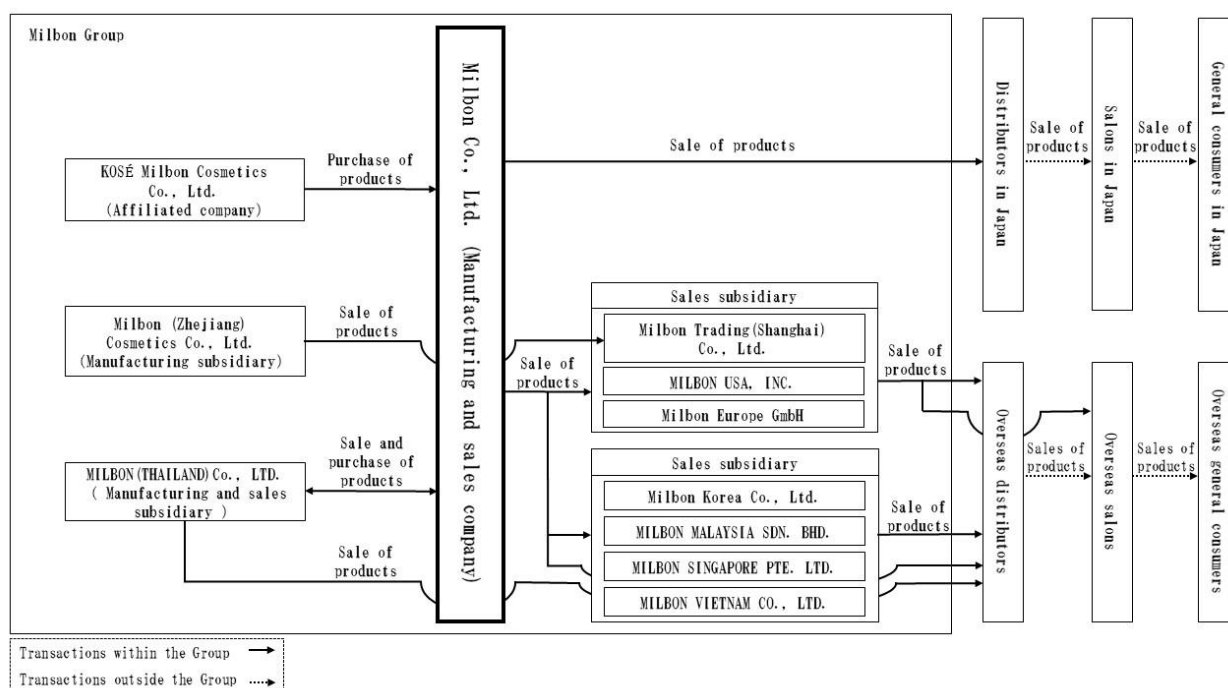
The Group's business is not described in terms of segments, as it consists of the above-mentioned single segment.

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. (Note 1)	South Korea Seoul City	KRW 3,000 million	Sale of hair products	100.0	Sells the Company's hair products in South Korea. Two executives hold concurrent posts at the Company
(Consolidated subsidiary) MILBON (THAILAND) CO., LTD. (Note 1)	Kingdom of Thailand Rayong Pref.	THB 450 million	Manufacture and sale of hair products	100.0	Manufactures and sells the Company's hair products in Thailand.
(Consolidated subsidiary) MILBON MALAYSIA SDN. BHD.	Malaysia Kuala Lumpur	MYR 1.5 million	Sale of hair products	100.0	Sells the Company's hair products in Malaysia.
(Consolidated subsidiary) MILBON VIETNAM CO., LTD. (Note 1)	Vietnam Ho Chi Minh City	VND 46,380 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 2 million	Sale of hair products	100.0	Sells the Company's hair products in Germany.

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

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

5. Employees

(1) Consolidated Companies

As of December 31, 2023

Number of employees
1,140

- (Notes)
1. The number of employees refers to full-time employees and does not include 53 part-time employees, 35 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, 2023

Number of employees	Average age (years old)	Average length of service (years)	Average annual salary (thousand yen)
870	35.4	10.8	7,440

- (Notes)
1. The number of employees refers to full-time employees and does not include 53 part-time employees, 35 associate employees, and 29 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 position (%) (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
10.9	25.0	70.9	74.3	50.6

- (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>

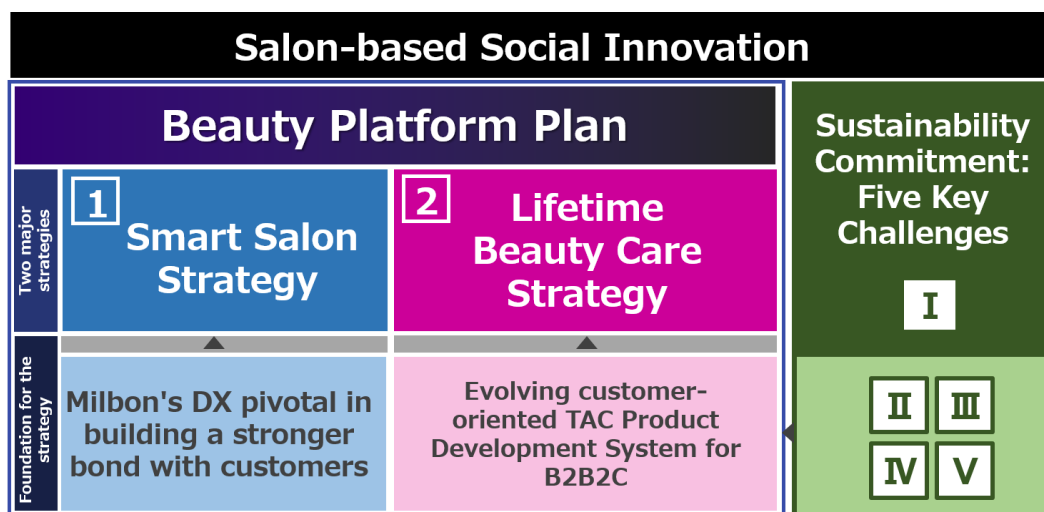
Aim to become the leading manufacturer in Asia and top 5 in the world by elevating the value of industry professionals in the eyes of consumers and society at large.

<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

The outlook for the economic environment is expected to remain uncertain due to global inflationary pressure, which remains high although the rate of inflationary growth has settled, geopolitical risks such as the prolonged situation in Ukraine and the situation in the Middle East, and the risk of economic declines overseas.

Under these circumstances, we are beginning the third year of the Medium-Term Management Plan (2022-2026). In the global market, we view the global market as seven regions (Japan, Korea, the Chinese cultural sphere, ASEAN, North America, EU, and the Middle East), and by advancing our system of local production and local consumption, we aim to minimize geopolitical and other risks and to provide products matched to the values and hair qualities of each region.

In the domestic market, we are accelerating the “Smart Salon Strategy” to achieve the “Beauty Platform Plan,” a new model for hair salons. We are wholeheartedly promoting proposals for our Smart Salons, which we expanded to 23 salons in 2023, and aim to reach 100 Smart Salons by the end of Fiscal Year 2024. Furthermore, in the domestic hair coloring products market, which remains strong, we are promoting total coloring proposals for both hair and eyebrow coloring, as only hair salons can, along with our high value coloring options for adults through the organic brand Villa Lodola. Through these efforts, we will put our domestic hair coloring product sales on a new growth trajectory.

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.

In the following fiscal year, we expect to record net sales of 50,620 million yen (up 6.0% year on year), operating income of 6,600 million yen (up 19.5% year on year), ordinary income of 6,560 million yen (up 17.4% year on year), and profit attributable to owners of parent of 4,650 million yen (up 16.2% year on year).

* With respect to progress on the Medium-Term Management Plan (2022-2026), net sales are proceeding according to plan, but operating income continues to fall below target levels due to soaring raw material costs, increased labor costs due to wage increases, and increases in unforeseen expenses, such as Expo sponsorship payments.

We are therefore reviewing and revising the target figures in the Medium-Term Management Plan (2022-2026) we announced on February 10, 2022, and we have not included a table that was normally reported comparing the actual results for the current fiscal year and the target figures for the final year (FY2026) of the Medium-Term Management Plan.

Once the review and revision process is completed, plan values will be announced after careful review.

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

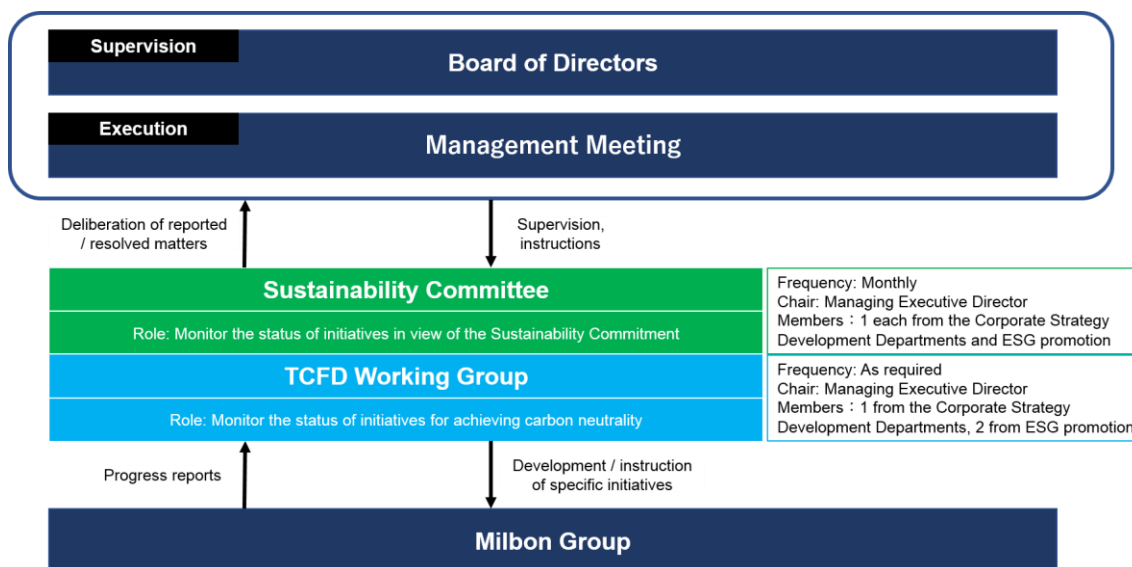
We strive to achieve a sustainable society through our collaboration with haircare professionals.

(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 a month. 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 and 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 [Medium- to long-term theme]	FY2023 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	670,000	1 million	-
	Number of cities in Japan where Milbon deploys knowledge-based product sales (Smart Salon)	19 cities 23 salons	100 cities in Japan	-
Fostering lifetime beauty partners	Total number of annual users of our studios, events, and educational videos	271,000	335,000	-
	Number of registered education:iD members	40,000	100,000	-
II. Promote recycling in manufacturing and consumption activities				
Establishment of a carbon-neutral production system	Reduction rate of CO ₂ emissions at Yumegaoka Factory (compared to 2019 levels)	81% 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)	9.6% reduction	15% reduction	30% reduction
III. Practice people-friendly procurement				
Sustainable procurement of palm oil	RSPO certified palm oil adoption rate (MB+B&C)	9.5%	50%	100%
Respect for human rights in the supply chain	Number of cases of human rights violations identified	0	0	0
IV. Construct a fair and flexible management structure				
Promoting diversity among the Board of Directors	Appointment of outside board directors	5 (5 out of 11)	Continuously appoint over 1/3 outside board directors	-
	Active appointment of female board members	2 (2 out of 14)	Continuously appoint female board members	-
	Securing diverse skills, including internationality	0 (0 out of 14)	Ensure diverse skills	-
Improving the effectiveness of the Board of Directors	Progress in selecting and improving key challenges through third-party evaluations	Continuing	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)	10.8%	9%	6%
	Paid leave utilization rate	67.8%	70%	80%
	Progress of engagement survey	Conducted survey and set targets, etc.	-	-

(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

Fiscal Year 2023 was the first fiscal year in which we implemented climate change measures, so we performed a scenario analysis for Milbon Co., Ltd., the standalone core of the Milbon Group, envisioning scenarios in which average temperatures rose by 1.5°C and 4°C. For the scenario analysis, 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"> • Survey procurement channels and traceability in the context of risk related to climate change and the international situation • Investigate efficient procurement and purchasing methods for securing raw materials • Estimate the increase in costs to suppliers due to carbon pricing, investigate passing on costs to product prices, and investigate alternative raw materials • Actively use RSPO certified palm oil. Target 100% use of Mass Balance certified palm oil by 2030
	Containers and packaging materials	<ul style="list-style-type: none"> • 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 • Research plastic container recycling methods • 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
Milbon's operations	Use of our own energy	<ul style="list-style-type: none"> • Estimate the cost of carbon pricing for Scope 1 and 2 emissions using carbon prices under the NZE scenario in WEO 2021, 2022 • Increase the percentage of electricity generated in-house based on projections of rising electricity costs
	Response to laws and regulations	<ul style="list-style-type: none"> • Identify the various regulations and envisage switching to other raw materials or passing on costs to products depending on the impact of rising costs • Secure costs and establish internal systems for adapting to laws and regulations, particularly in the EU
Demand for products	Product development	<ul style="list-style-type: none"> • Develop products that respond to the needs of consumers' daily lives, enhance functionality, and reduce environmental impact
4°C temperature rise scenario		
Raw material procurement	Procurement	<ul style="list-style-type: none"> • Research palm oil alternatives and investigate adapting by altering the existing formula • Estimate fluctuations in the price of procuring palm oil due to climate change • Research raw materials and securing of procurement channels • Ascertain the impact of climate change on each raw material • Survey climate change in countries where principal natural raw materials originate and undertake activities to protect those materials
Milbon's operations	Disaster response	<ul style="list-style-type: none"> • Confirm that insurance will cover repairs to manufacturing facilities damaged in a disaster • Prepare alternative transportation arrangements in readiness for disaster due to concerns about the impact on some logistics warehouses

(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 CO₂ emission reduction targets for the Yumegaoka Factory in 2026 and 2030, we have set a new 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 aim to achieve carbon neutrality at Yumegaoka Factory, our manufacturing base and the Japanese business location with the highest CO₂ 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.

(CO₂ emissions results and target) (t-CO₂)

	FY2019 (reference year) results	FY2022 results	FY2023 results	2026 target	2030 target	2050 target
Milbon Co., Ltd. (non-consolidated) Scope 1	1,248	1,357	1,419	-	-	-
Scope 2 (market reference)	3,151	1,531	971	-	-	-
Yumegaoka Factory Scope 1	502	530	461	75% reduction (compared to 2019 levels)	Carbon neutrality	-
Scope 2 (market reference)	1,931	450	0			
Milbon Group Scope 1 and 2	-	-	-	-	-	Carbon neutrality

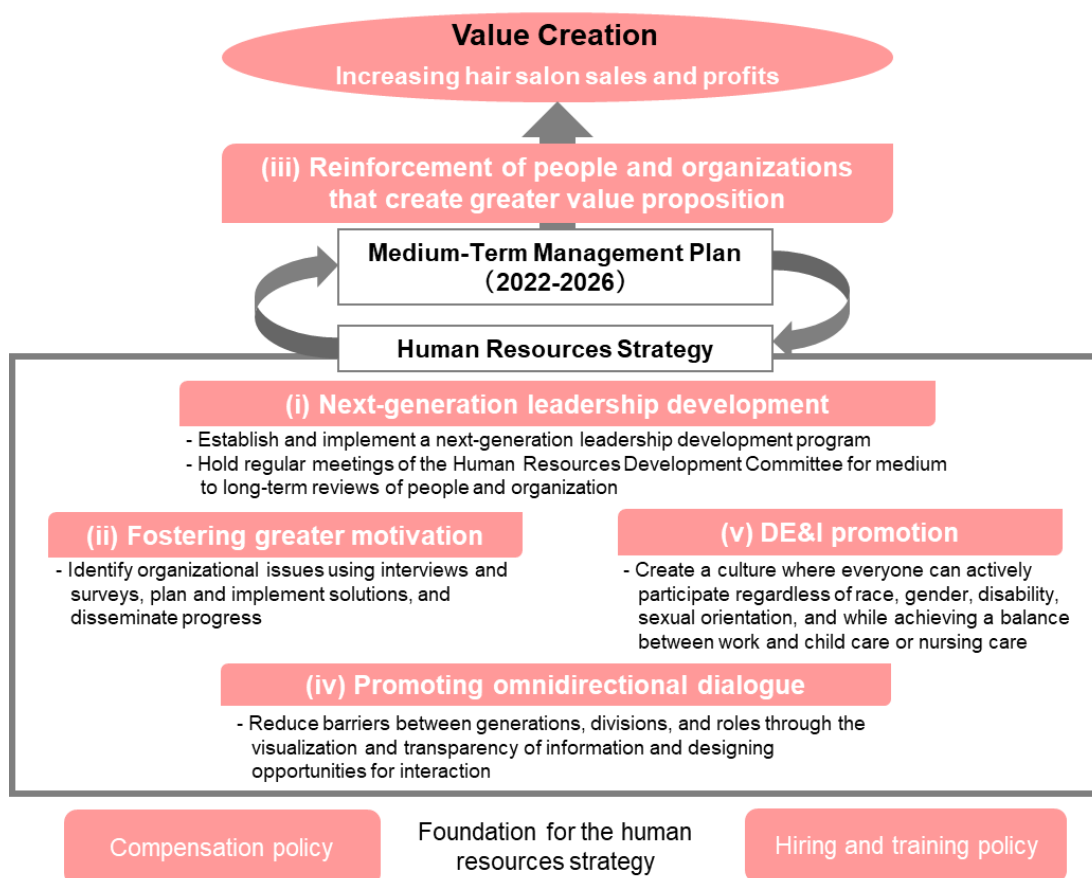
(4) Human capital and diversity initiatives

(i) Basic views on human capital

We consider human capital to be the most important type of capital, absolutely vital to company management and sustained corporate growth. We believe that human resources create the added value that is the source of our continued corporate growth and a foundation of greater sales and profits for hair salons. Since our company was founded, we have positioned human resource hiring and growth as critical management issues, and we have continued to devote our attention to people as we do business.

(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 system of succession for the decade to follow, and over a four-year period beginning in 2015 we conducted a Next Management Leadership Development Program for 42 participants. This led to the appointment of three Board Directors and eight Executive Officers. The qualitative targets we are working toward for the current fiscal year are to rebuild succession plans for 10 and 20 years into the future and to launch a new Next Management Leadership Development Program beginning in 2025.

In parallel with this, in 2024, we will establish a Human Resources Development Committee and we will continue to aim to create an organizational structure that steadily produces new leaders through leadership development from a company-wide perspective and by implementing and monitoring 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	2025 target
Next-generation leadership development	Establish Next Management Leadership Development Program	Implement Next Management Leadership Development Program

2) Fostering greater motivation

In 2022, we introduced an engagement survey and prepared an environment for reporting to management, reporting to and engaging in dialogue with individual business divisions, and creating and implementing action plans, including conducting compliance awareness surveys.

To promote a greater diversity of working styles, we created a system for appointing experts in individual divisions and job categories, we appointed experts under this system, we raised the mandatory retirement age to 65, we introduced a super flextime system, we added productivity-related items to the scope of our evaluation system, and we engaged in various other efforts to foster greater motivation and create environments that encourage employees to continue working.

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

Metrics (KPI)	FY2022 results	FY2023 results	2026 target
Turnover rate of junior employees (new graduates to 3rd year)	10.0	10.8%	9%
Paid leave utilization rate	64.0	67.8%	70%
Progress of engagement survey	Conducted survey	Conducted survey and set targets, etc.	-

3) 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, we are continuing to dedicate ourselves to developing human resources that provide value. In 2025, we will open our Odawara Human Resources Development Center and invest even more in our human resources development.

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

4) Promoting omnidirectional dialogue

Over the past ten years, the numbers of employees on both a consolidated and non-consolidated basis have risen from 649 and 539 to 1,140 and 870, respectively, a roughly 1.7-fold increase. As divisions and organizational levels have grown and the number of diverse employees has risen, we have seen the risk of weakening relationships beginning to turn into a reality. 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.

Furthermore, our qualitative goal for Fiscal Year 2024 is to deepen mutual understanding by creating new internal communication content that helps alleviate gaps in understanding and perception between employees and senior management, and by creating opportunities for the new President & CEO, Hidenori Sakashita, to engage in dialogues with all business divisions (through Field Person/Milbon Person discussions).

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

Metrics (KPI)	2024 target	2025 target
Smooth internal communication	Create new internal communication content and conduct Field Person discussions	Conduct Milbon Person discussions

5) DE&I promotion

In 2023, we launched our new company-wide “DE&I Promotion Project.” Led by the belief that supporting our female employees living beautifully is a way to embody our management philosophy, corporate statement, and slogan, we have focused on the success and ongoing careers of our many female Field Persons, who account for a large percentage of our workforce, setting this as our highest priority theme. In December 2023, we conducted a workshop on this topic for members of management. In 2024, we will explore new approaches and deliberate regarding specific measures. Through these efforts, we aim to increase the ratio of female in management positions to 20% by 2030.

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

Metrics (KPI)	FY2022 results	FY2023 results	2030 target
Percentage of female employees in management position	10.3%	10.9%	20.0%

(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 2023, 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 m³ compared to the preceding year.

• 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 survey conducted in May 2023 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

As of the date of submission of the securities report, we have not defined metrics or targets related to natural capital and biodiversity, which includes water resources. However, we are performing analysis using the LEAP approach published in the TNFD recommendations. We plan to announce the results of our analysis and detailed targets as soon as they are finalized.

3. Business Risks

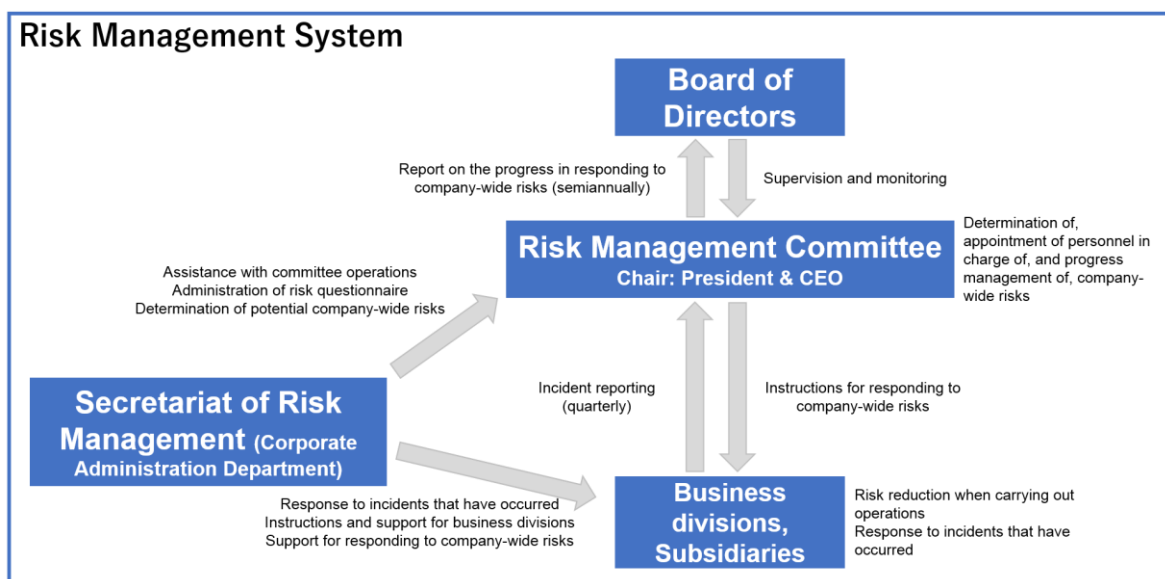
Among the matters related to the business and financial status described in this document, the following are the main risks that the management recognizes as having the potential to exert a significant impact on the financial position, operating results, and cash flows of the Group.

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.

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 and to prevent the expansion of damage in the event that a risk materializes and a crisis occurs. The Group is working to develop and improve its risk management promotion system and framework.

Based on this policy, each 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 the protection of personal information and confidential information, appropriate dissemination of information to consumers via social networking sites and advertisements, and compliance with laws, regulations, and internal rules by clarifying and improving rules, conducting compliance training for employees (confidential information management and information security, legal compliance when the dissemination of information, mental health and harassment, compliance with various laws and regulations) and engaging in other activities.

In addition, the Group has established the Risk Management Committee, which is chaired by the Representative Director, 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 addressed on a company-wide basis, taking into account the significance and priority of the risks surrounding the Group, the likelihood and timing of the materialization of risks, the likelihood and impact of impeding the achievement of the Medium-Term Management Plan, etc., and appoints a person in charge of each company-wide risk from among the members of the Risk Management Committee to implement countermeasures on a company-wide basis. The Risk Management Committee reports to the Board of Directors 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.



In the current fiscal year, Internal Board Directors, the Standing Audit & Supervisory Board Member, and Executive Officers discussed and revised the risk map that mapped company-wide risks by importance and priority when the Risk Management Committee was established in 2022. A list and assessment of company-wide risks as of December 2023 are shown below. Note that the risk assessment is not based on general indicators but risks are uniquely assessed based on the situation within the Group.

(List of company-wide risks)

Company-wide risks	Likelihood of materialization	Impact	Company-wide risks	Likelihood of materialization	Impact
Information security and confidential information management	High	Large	Labor management	Low	Small
System management for hairstylists	Medium	Large	Brand protection	High	Medium
Raw materials, supplies, and logistics costs	High	Medium	Incomplete sales strategy	Low	Large
Regulatory and environmental compliance for raw materials	High	Medium	Business Continuity Plan (BCP)	Low	Large
Insufficient response to SDGs	Low	Medium	Cosmetics business	Medium	Small
Global logistics network	Medium	Medium	Delay in response to digital technologies	Medium	Medium
Deficiencies in trade operations	Medium	Small	Climate change	Low	Medium
Inadequate management of hazardous materials	Low	Small	Quality and safety assurance	Low	Medium
Product quality assurance overseas	Medium	Small	Geopolitics	Low	Medium
Dissemination of information to consumers	High	Large	Failure of overseas business	Medium	Medium
Inadequate production and advertising materials	Low	Large	Uncertainty of business investments	Medium	Medium
Traffic accidents and violations with company vehicles	High	Small	Exchange and interest rates	Low	Small
Group governance	Medium	Large	Delays in research and development	Low	Medium
Overseas tax compliance	Low	Medium	Changes in the market environment	High	Large
Human resources development	Medium	Medium	Failure of internal control	Medium	Large
Compliance	Low	Medium			

*Company-wide risks for FY2023 (64th fiscal year)

(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

(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

Based on the revised risk map and the risk questionnaire conducted with business division heads, the company-wide risks for FY 2024 (65th fiscal year) were determined at the end of the current fiscal year, and we will continue to implement risk reduction activities company-wide.

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.

	Risks	Details of risks	Main initiatives
New	Risks related to raw materials, supplies, and logistics costs	The Group aims to continue to provide a stable supply of products to customers by ensuring steady procurement of raw materials and supplies for manufacturing and shipping products. However, the impact of geopolitical risks, changes in the balance of supply and demand, fluctuations in exchange rates, and rising labor costs related to logistics may result in increased costs for raw materials, supplies, and logistics, as well as longer lead times, which could result in an inability to stably supply products to the market and potentially lead to a deterioration in the credibility of the Group.	Through coordination among related divisions, the Group measures the costs primarily of raw materials, supplies, and logistics and discusses responses based on future projections, as well as prepares for shortages of raw materials and supplies to advance measures for the stable supply of products. In the current fiscal year, we conducted a cost analysis of raw materials and supplies, shipment analysis for logistics, and activities aimed at achieving procurement and distribution at appropriate costs through coordination among related divisions.
Ongoing	Risks related to appropriate information dissemination to consumers	The Group strives to earn the trust of customers and consumers by complying with various laws and regulations, developing and providing safe and high-quality products and services that meet the needs of customers and consumers, and providing accurate information that customers can use safely and with confidence. However, if inappropriate expressions or inaccurate information are disseminated in the Group's advertisements, etc., it may damage the Group's reputation and materially affect the Group's operating results, etc.	The Group strives to maintain the trust of the public by responding promptly to the occurrence of inappropriate information dissemination and other risks, and making public announcements when necessary. In the current fiscal year, we have strengthened internal training (conducting study sessions and video training), revised our system of prior review, and considered the introduction and test operation of automatic check tools as an initiative to prevent inappropriate expressions in the use of advertising and social networking sites.
Ongoing	Risks related to the governance of overseas subsidiaries	The Group's inadequate development of the Group and governance system, such as the formulation of Group strategies and the monitoring and supervision of Group companies, and the failure to fully demonstrate the effects of the management of Group companies, could have a material impact on the Group's operating results and other factors.	The Group collects information on the laws and regulations of each country in which our overseas subsidiaries are expanding, identifies issues that need to be addressed in order to advance our business, and cooperates and shares this information with our subsidiaries as necessary. In the current fiscal year, we held regular meetings between the parent company and each subsidiary and clarified issues that the Group should address based on the analysis of risk reports from subsidiaries.

	Risks	Details of risks	Main initiatives
Ongoing	Risks related to large-scale earthquakes and Business Continuity Plan (BCP)	If a natural disaster such as a major earthquake were to occur, or if unforeseen circumstances were to cause a business continuity crisis, the Group's operating results could be materially affected by such factors as the shutdown of the Group's factory, research institutes or offices, the loss of the Group's human resources, delays in the production and shipment of our products, delays in the development of new products, and a decline in product sales due to our inability to provide our products to salons.	<p>We have formulated a Business Continuity Plan (BCP) aimed at quickly restoring production and logistics operations in the event of a natural disaster such as a major earthquake or a business continuity crisis due to unforeseen circumstances, and we regularly review the plan.</p> <p>In the current fiscal year, the Production Headquarters reviewed and conducted training for the BCP for production and logistics, verified the inventory and supply status assuming the shutdown of the Yumegaoka Factory, confirmed the status of the communication network in the event of a disaster affecting the logistics network, checked the BCP response of subcontractors, and confirmed risks at overseas production sites.</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

Net sales for the current fiscal year were 47,762 million yen (up 5.6% year on year). This was primarily due to the fact that sales of haircare products were strong both in Japan and overseas, led by premium brands Aujua and Milbon, although sales of hair coloring products in Japan decreased due to a rebound from the high demand during the COVID-19 crisis.

Gross profit rose to 29,525 million yen (up 0.1% year on year). The inventory write-downs of hairdryers introduced in Japan and the impact of persistently high raw material prices resulted in a gross profit margin of 61.8% (down 3.4 points year on year).

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

Selling, general and administrative expenses for the current fiscal year were 24,000 million yen (up 9.3% year on year). This was primarily due to the fact that expenses increased mainly due to the resumption of activities, including increased promotion expenses and market development expenses resulting from active holding of large-scale events and seminars both in Japan and overseas. Travel expenses increased due to an increase in domestic and overseas business trips. As a result, operating income was 5,525 million yen (down 26.8% year on year).

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

Non-operating income for the current fiscal year was 186 million yen and non-operating expenses were 125 million yen. As a result, ordinary income was 5,586 million yen (down 28.6% year on year).

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

Extraordinary income for the current fiscal year amounted to 0 million yen and extraordinary losses amounted to 154 million yen. As a result, profit attributable to owners of parent was 4,001 million yen (down 28.3% year on year), and net income per share was 122.99 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	26,312	58.2	28,355	59.4	2,042	7.8
Hair coloring products	16,631	36.7	16,953	35.5	322	1.9
Permanent wave products	1,450	3.2	1,463	3.0	13	1.0
Cosmetic products	572	1.3	571	1.2	(0)	(0.1)
Other	272	0.6	418	0.9	145	53.6
Total	45,238	100.0	47,762	100.0	2,524	5.6

(Breakdown of net sales into domestic and overseas sales)

(Million yen)

	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Domestic sales	35,334	78.1	36,502	76.4	1,168	3.3
Overseas sales	9,904	21.9	11,260	23.6	1,355	13.7
Total	45,238	100.0	47,762	100.0	2,524	5.6

(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, 2023 to December 31, 2023)	Change (%)
Haircare products	31,519,770	(0.7)
Hair coloring products	15,969,133	(9.2)
Permanent wave products	1,582,013	(5.8)
Other	459,141	80.3
Total	49,530,059	(3.4)

(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, 2023 to December 31, 2023)	Change (%)
Haircare products	28,355,020	7.8
Hair coloring products	16,953,723	1.9
Permanent wave products	1,463,884	1.0
Cosmetic products	571,762	(0.1)
Other	418,040	53.6
Total	47,762,432	5.6

(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, 2022 to December 31, 2022)		Current fiscal year (From January 1, 2023 to December 31, 2023)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
Topy Co., Ltd.	4,804	10.6	5,199	10.9
GAMO Co., Ltd.	3,810	8.4	3,947	8.3
BIC HOLDINGS Inc.	3,396	7.5	3,493	7.3

(2) Explanation of Financial Position

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

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

Non-current assets increased by 1,151 million yen from the end of the previous fiscal year to 27,213 million yen. This was mainly due to an increase in construction in progress of 541 million yen associated with construction costs for the Human Resources Development Center.

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

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

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

As a result, the equity ratio changed from 83.4% at the end of the previous fiscal year to 86.0%. Net assets per share based on the total number of shares outstanding at the end of the period were 1,411.56 yen, compared with 1,352.52 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 decreased by 966 million yen from the end of the previous fiscal year to 11,292 million yen.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 4,765 million yen. This was mainly due to profit before income taxes of 5,432 million yen, depreciation of 2,275 million yen, share of loss of entities accounted for using equity method of 110 million yen, an increase in inventories of 469 million yen, and income taxes paid of 2,428 million yen.

(Cash flows from investing activities)

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

(Cash flows from financing activities)

Net cash used in financing activities was 2,797 million yen. This was mainly due to cash dividends paid of 2,796 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 target ratios in the text and the figures in the revised plan for Fiscal Year 2023 are calculated based on the figures announced in the “Notice of Revision to Consolidated Operating Results Forecast” released on November 10, 2023.

The results for Fiscal Year 2023 are net sales of 47,762 million yen (0.1% down from the target), operating income of 5,525 million yen (7.9% down from the target), ordinary income of 5,586 million yen (9.3% down from the target), and profit attributable to owners of parent of 4,001 million yen (6.1% down from the target).

The plan for Fiscal Year 2024 is net sales of 50,620 million yen (up 6.0% year on year), operating income of 6,600 million yen (up 19.5% year on year), ordinary income of 6,560 million yen (up 17.4% year on year), and profit attributable to owners of parent of 4,650 million yen (up 16.2% year on year).

The revised plan and results for Fiscal Year 2023 and the plan for Fiscal Year 2024 are as follows.

(Million yen)

	FY2023 Revised plan	Composition (%)	FY2023 Results	Composition (%)	Increase (decrease) amount	Year-on-year change (%)	FY2024 Plan	Composition (%)
Net sales	47,820	100.0	47,762	100.0	(57)	(0.1)	50,620	100.0
Domestic	36,470	76.3	36,502	76.4	32	0.1	38,620	76.3
Overseas	11,350	23.7	11,260	23.6	(90)	(0.8)	12,000	23.7
Gross profit	29,900	62.5	29,525	61.8	(374)	(1.3)	32,400	64.0
Selling, general and administrative expenses	23,900	50.0	24,000	50.2	100	0.4	25,800	51.0
Operating income	6,000	12.5	5,525	11.6	(474)	(7.9)	6,600	13.0
Ordinary income	6,160	12.9	5,586	11.7	(573)	(9.3)	6,560	13.0
Profit attributable to owners of parent	4,260	8.9	4,001	8.4	(258)	(6.1)	4,650	9.2

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 2,334 million yen (4.9% 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 Inmmetry Line, which corrects the distortion of hair caused by daily damage accumulation and leads to manageable, shiny hair. From “milbon,” we have launched Blondeplus Series and Creative Style Series Shimmer aimed at high-tone customers, considering the expansion of bleach designs. From the newly created sub-brand Milbon &, we have launched Aromatic Series, which makes it possible to choose scents while enjoying a wide range of hair sensation effects.

From the technical brand, we launched Myforce Controller to suppress hair breakage caused by repeated bleaching.

From the professional brand, we launched Elujuda Sun Protect, which makes it possible to choose the preferred agent type for each usage scenario and protects hair moisture from sunlight, and Miincurl, which is used before using a hair iron to maintain large curls without splitting.

From Villa Lodola, we launched Villa Lodola Renovo Tempus & Fulgens, which achieves beautiful color gloss and shine to customers with aging or color damage through the repairing effects of nature’s blessings.

As a new initiative to promote our Lifetime Beauty Care Strategy, we jointly developed beauty equipment and launched Elmista, a hair dryer with a beauty serum spraying function.

(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.

In the ORDEVE hair color brand, we launched Relaxy Line, which gives an elegant and effortless chic look, down to even the highlight design. From ORDEVE Addicthy, we added three hues that cancel out orange undertones and express a translucent grayish tone as a new standard line.

From ORDEVE Crystal, we launched Highbright, which gives saturated radiance to adult hair and allows for free and bright color expression, and added Off Black to the ENOG brand, as a dyeable black that enhances the design with a feeling of tightness and even allows for color changes beyond that.

(3) Beauty health care field

From the current fiscal year, as one of our focus areas in the Lifetime Beauty Care Strategy, we are launching products to achieve total beauty that supports the healthy and beautiful lives of customers.

Based on 20 years of applied research on 5-ALA, referred to as the source material of life energy, we launched Alanous, a beauty supplement that supports a moist and fresh daily life.

(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.

In a joint research division with the Osaka Metropolitan University Graduate School of Medicine, we conducted new hair growth research using human iPS cells and discovered a component that promotes hair lengthening in human hair follicle tissue. This research was presented at the 33rd International Federation of Societies of Cosmetic Chemists (IFSCC) Congress in Barcelona 2023, and was selected in the top ten in the applied research oral presentation category. This component is planned to be gradually applied starting from new products to be launched in Fiscal Year 2024.

(5) 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 2023.

III. Information about Facilities

1. Overview of Capital Expenditures

Capital expenditures (property, plant and equipment, and intangible assets) in the current fiscal year totaled 3,151 million yen. The major components of the capital expenditures were the construction costs of the new Human Resources Development Center, and the introduction of production facilities at Yumegaoka Factory.

2. Major Facilities

(1) The Company

Major facilities are as follows.

As of December 31, 2023

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 ²)	Amount			
Head Office (Chuo-ku, Tokyo)	Companywide administration	173,359	-	-	-	547,703	721,063	62
Jingumae Sales Office (Shibuya-ku, Tokyo)	Sales and services	506,044	0	981	1,258,529	273,871	2,038,446	45
Training Center / Dormitory (Joto-ku, Osaka City)	New hire training and dormitory	73,179	0	422	39,602	1,067	113,849	9
Central Research Institute (Miyakojima-ku, Osaka City)	Research	845,745	6,952	4,100	1,602,859	432,326	2,887,883	190
Yumegaoka Factory (Iga City, Mie)	Manufacture of hair products	2,385,449	1,900,285	58,345	1,555,093	800,440	6,641,267	164
Osaka Branch (Nishi-ku, Osaka City)	Sales and services	358,157	-	542	423,809	6,403	788,369	61

(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, 2023

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 ²)	Amount			
MILBON USA, INC.	Head office (New York, the United States)	Sales and services	117,176	-	-	-	49,509	166,686	21
Milbon Trading (Shanghai) Co., Ltd.	Head office (Shanghai City, China)	Sales and services	6,818	-	-	-	14,894	21,712	49
Milbon Korea Co., Ltd.	Head office (Seoul City, South Korea)	Sales and services	14,309	-	-	-	21,917	36,226	46
MILBON (THAILAND) CO., LTD.	Head office (Rayong Pref., Kingdom of Thailand)	Manufacture and sales	991,828	262,747	24,000	137,811	242,795	1,635,183	90
Milbon (Zhejiang) Cosmetics Co., Ltd.	Head office (Zhejiang, China)	Manufacture and sales	1,854,318	987,280	-	-	318,056	3,159,655	29

- (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			
Milbon Co., Ltd. Human Resources Development Center	Odawara City Kanagawa	Land and building for Human Resources Development Center	4,400	1,935	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, 2023)	Number of issued shares as of the submission date (March 28, 2024)	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, 2023

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	-	24	20	190	183	55	19,976	20,448	-
Number of shares held (Unit)	-	83,227	7,135	52,670	86,539	112	99,544	329,227	194,534
Percentage of shareholdings (%)	-	25.28	2.17	16.00	26.29	0.03	30.23	100	-

(Notes) 1. There are 577,107 treasury shares, of which 5,771 units are included in “individuals and others” and seven shares are in “status of shares less than one unit.” The number of treasury shares of 577,107 is the actual number of shares substantially held as of December 31, 2023.

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, 2023

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)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	4,269	13.12
Konoike Asset Management Company	2-1-1, Edobori, Nishi-ku, Osaka City, Osaka	1,920	5.90
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Services Department, Tokyo Branch, The Hongkong and Shanghai. Banking Corporation Limited)	One Congress Street, Suite 1, Boston, Massachusetts (3-11-1, Nihombashi, Chuo-ku, Tokyo)	1,469	4.52
SMBC Trust Bank Ltd. Designated Securities Trust	1-3-2, Marunouchi, Chiyoda-ku, Tokyo	1,328	4.08
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	1,029	3.16
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, KY 1-9005, Cayman Islands (3-11-1, Nihombashi, Chuo-ku, Tokyo)	1,017	3.13
Kazunobu Konoike	Suita City, Osaka	867	2.66
MILBON Employee Stock Ownership Association	2-2-1, Kyobashi, Chuo-ku, Tokyo	640	1.97
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)	487	1.50
Keiko Murai	Miyakojima-ku, Osaka City, Osaka	483	1.49
Total	-	13,512	41.53

(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.	4,269 thousand shares
SMBC Trust Bank Ltd.	1,328 thousand shares
Custody Bank of Japan, Ltd.	1,029 thousand shares

2. Although the report of large volume holding (change report) made available for public inspection on July 19, 2023 states that JPMorgan Asset Management (Japan) Limited held the following shares as of July 14, 2023, 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 (%)
JPMorgan Asset Management (Japan) Limited.	Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo	1,464	4.42
J.P. Morgan Securities plc	25 Bank Street, Canary Wharf, London E14 5JP, U.K.	140	0.42
Total	-	1,604	4.84

3. Although the report of large volume holding (change report) made available for public inspection on September 7, 2023 states that Capital Research and Management Company held the following shares as of August 31, 2023, 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.	1,237	3.74
Capital International KK	Marunouchi Nijubashi Building, 3-2-3, Marunouchi, Chiyoda-ku, Tokyo	857	2.59
Capital International Inc.	11100 Santa Monica Boulevard, 15th Fl., Los Angeles, CA 90025, U.S.A	138	0.42
Capital International Sarl.	3 Place des Bergues, 1201 Geneva, Switzerland	125	0.38
Capital Group Investment Management Pte. Ltd.	1 Raffles Quay, #43-00, Singapore (048583)	58	0.18
Total	-	2,417	7.30

4. Although the report of large volume holding (change report) made available for public inspection on October 6, 2023 states that NIPPON LIFE INSURANCE COMPANY held the following shares as of September 29, 2023, 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 (%)
NIPPON LIFE INSURANCE COMPANY	3-5-12, Imabashi, Chuo-ku, Osaka City, Osaka	371	1.12
Nissay Asset Management Corporation	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	647	1.96
Total	-	1,019	3.08

5. Although the report of large volume holding (change report) made available for public inspection on December 20, 2023 states that Nomura Securities Co., Ltd. held the following shares as of December 15, 2023, 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, Nihonbashi, Chuo-ku, Tokyo	3	0.01
Nomura International plc	1 Angel Lane, London EC4R 3AB, U.K.	64	0.19
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	2,243	6.78
Total	-	2,311	6.98

(7) Voting rights
(i) Issued shares

As of December 31, 2023

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 577,100	-	Standard shares with no restrictions on shareholder's rights
Shares with full voting rights (Other)	Common stock 32,345,600	323,456	Same as the above
Shares less than one unit	Common stock 194,534	-	-
Total number of issued shares	33,117,234	-	-
Number of voting rights held by all shareholders	-	323,456	-

(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 seven treasury shares held by the Company.

(ii) Treasury shares, etc.

As of December 31, 2023

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	577,100	-	577,100	1.74
Total	-	577,100	-	577,100	1.74

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	418	2,148
Treasury shares acquired during the current term	-	-

(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, 2024 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	14,822	50,898	-	-
Number of treasury shares held	577,107	-	577,107	-

(Notes) 1. The decrease in “other” for the current fiscal year is due to the disposal of treasury shares (number of shares: 14,714 shares, total amount of disposition: 50,527 thousand yen) 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, and due to the sale of shares less than one unit (number of shares: 108 shares, total amount of disposition: 370 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, 2024 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, 2024 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 71.6%.

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 10, 2023

40 yen per share, totaling 1,301,609 thousand yen

Year-end dividend

Resolution at the General Meeting of Shareholders: March 28, 2024

48 yen per share, totaling 1,561,926 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 Representative Director 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 and 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, the Corporate Administration 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; Masahiro Murai, Managing Executive Director; Tsuneko Murata, Board Director; and Etsuhiro Takato, 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

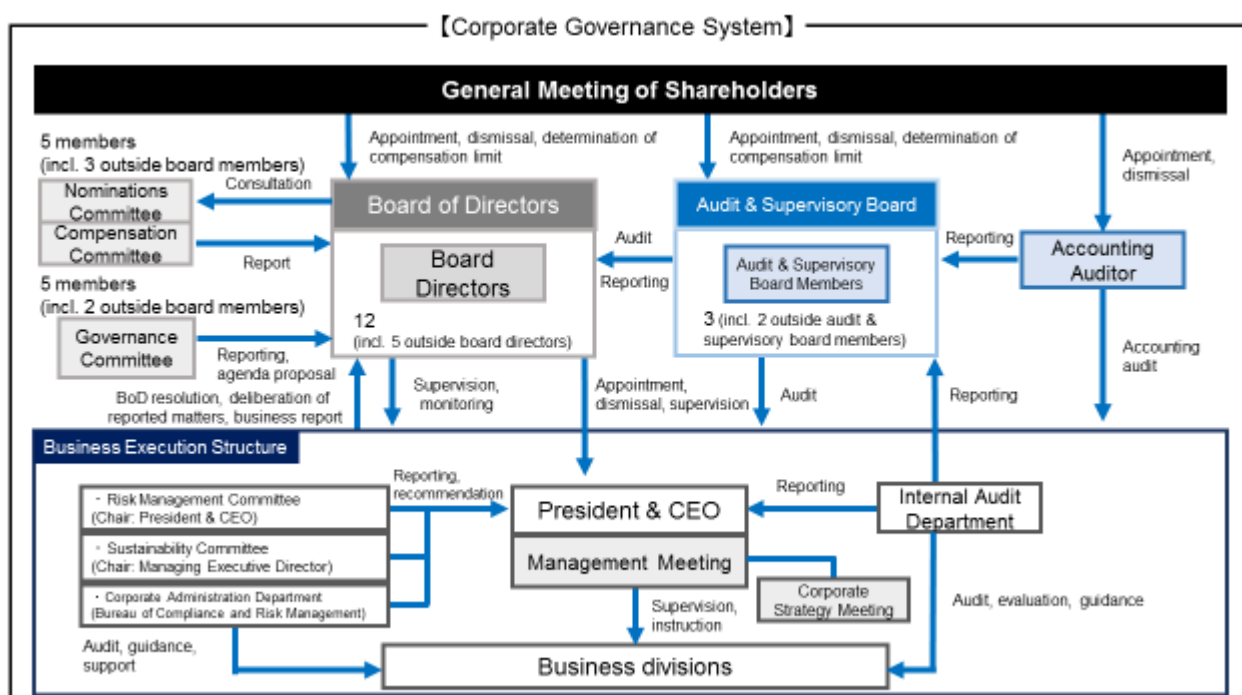
Furthermore, in Fiscal Year 2022, we established the Governance Committee as a new voluntary committee, in addition to the above Nominations and Compensation Committees. The Governance Committee conducts deliberations regarding medium- and long-term themes in order to contribute to the improvement of 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
Representative Director, President & CEO	Ryuji Sato	100% (13/13)
Managing Executive Director	Masahiro Murai	100% (13/13)
Board Director	Yasufumi Takeda	100% (13/13)
Board Director	Kazunobu Konoike	100% (13/13)
Board Director	Junji Morimoto	100% (13/13)
Board Director	Hidenori Sakashita	100% (13/13)
Outside Board Director	Shoichiro Takahata	100% (13/13)
Outside Board Director	Taizo Hamaguchi	100% (13/13)
Outside Board Director	Tsuneko Murata	100% (13/13)
Outside Board Director	Etsuhiro Takato	100% (13/13)
Outside Board Director	Chisa Hayakawa	100% (13/13)

(Notes) 1. Title and position are those as of December 31, 2023.

2. Board Directors Harumichi Okazaki and Hiroyuki Ogata and Outside Board Director Tomomi Fukumoto were elected at the Ordinary General Meeting of Shareholders held on March 28, 2024, and accordingly their attendance at the Board of Directors meetings held during the current fiscal year is not shown.

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, utilization of intellectual property, etc.
Sustainability	TCFD-related, 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 and Compensation Committees

1) Nominations Committee

During the current fiscal year, two Nominations 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% (2/2)
Member: Representative Director, President & CEO	Ryuji Sato	100% (2/2)
Member: Managing Executive Director	Masahiro Murai	100% (2/2)
Member: Outside Board Director	Tsuneko Murata	100% (2/2)
Member: Outside Board Director	Etsuhiro Takato	100% (2/2)

(Note) Title and position are those as of December 31, 2023.

The specific discussions by the Nominations Committee are as follows:

- Human resource requirements for management executives
- Election of Directors, Audit & Supervisory Board Members, and Executive Officers for Fiscal Year 2024
- Members of the Nominations Committee for Fiscal Year 2024, etc.

2) Compensation Committee

During the current fiscal year, two 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% (2/2)
Member: Representative Director, President & CEO	Ryuji Sato	100% (2/2)
Member: Managing Executive Director	Masahiro Murai	100% (2/2)
Member: Outside Board Director	Etsuhiro Takato	100% (2/2)
Member: Outside Board Director	Chisa Hayakawa	100% (2/2)

(Note) Title and position are those as of December 31, 2023.

The specific discussions by the Compensation Committee are as follows:

- Policy for determining amount of compensation for Board Directors
- Level of Board Director compensation for Fiscal Year 2024
- Performance-linked compensation for Fiscal Year 2024, 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 and to prevent the expansion of damage in the event that a risk materializes and a crisis occurs. 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 & CEO Chairperson (current position)</p>	(Note) 1	30
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 & CEO (current position)</p>	(Note) 1	2
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	58

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	<p>April 1992 Joined the Company</p> <p>March 2004 President of MILBON USA, INC.</p> <p>October 2010 General Manager of Corporate Planning Dept.</p> <p>December 2011 General Manager of Corporate Strategy Development Dept.</p> <p>March 2012 Board Director and General Manager of Corporate Strategy Development Dept.</p> <p>December 2013 Board Director and General Manager of International Sales Dept. II</p> <p>January 2018 Board Director and General Manager of Information System Dept. and in charge of CS Promotion</p> <p>January 2022 Board Director and Director of Production Headquarters, and in charge of CS Promotion</p> <p>January 2024 Board Director and Director of Production Headquarters, and in charge of Development Headquarters and Organic Business (current position)</p>	(Note) 1	867
Board Director, and in charge of Corporate Administration, Internal Audit, and Quality Assurance	Junji Morimoto	July 17, 1967	<p>April 1992 Joined the Company</p> <p>December 2005 General Manager of Tokyo Branch</p> <p>December 2007 General Manager of Osaka Branch</p> <p>December 2009 General Manager of Tokyo Branch</p> <p>January 2019 Executive Officer, General Manager of Tokyo Aoyama Branch, FP Headquarters</p> <p>January 2021 Executive Officer, Director of FP Headquarters</p> <p>March 2022 Board Director and Director of FP Headquarters, and in charge of FP Global Sales and Marketing, Education Planning</p> <p>January 2024 Board Director, and in charge of Corporate Administration, Internal Audit, and Quality Assurance (current position)</p>	(Note) 1	7
Board Director, Director of International FP Sales and Marketing and FP Headquarters, and in charge of Education Planning	Harumichi Okazaki	March 9, 1974	<p>April 1996 Joined the Company</p> <p>January 2016 President of MILBON (THAILAND) CO., LTD.</p> <p>January 2018 President of MILBON USA, INC.</p> <p>January 2020 President of MILBON USA, INC. and General Manager of North America Region</p> <p>January 2022 Executive Officer, Director of International FP Sales and Marketing, and General Manager of North America Region and Europe Region</p> <p>January 2024 Executive Officer, Director of International FP Sales and Marketing and FP Headquarters, and in charge of Education Planning</p> <p>March 2024 Board Director, Director of International FP Sales and Marketing and FP Headquarters, and in charge of Education Planning (current position)</p>	(Note) 1	1

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	1
			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 October 2004 December 2004 June 2014 June 2015 March 2016 June 2016 June 2017 June 2019	Joined Ataka & Co., Ltd. Joined ITOCHU Corporation Executive Officer of ITOCHU Corporation Advisor of ITOCHU-SHOKUHIN Co., Ltd. President and CEO of ITOCHU-SHOKUHIN Co., Ltd. Chairman, Director and Executive Officer of ITOCHU-SHOKUHIN Co., Ltd. Chairman of ITOCHU-SHOKUHIN Co., Ltd. Outside Board Director of the Company (current position) Representative Director, President and Executive Officer of ITOCHU-SHOKUHIN Co., Ltd. Director and Consultant of ITOCHU-SHOKUHIN Co., Ltd. Executive Director of ITOCHU-SHOKUHIN Co., Ltd. Outside Director of EPARK, Inc.	(Note) 1	2

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 & General Manager, Legal Affairs & 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 & 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 & 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. (current position) Outside Director, Audit & Supervisory Committee Member of Sun Frontier Fudousan Co., Ltd. (current position)</p> <p>September 2023 Registered as certified fraud examiner</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</p> <p>July 2007</p> <p>June 2009</p> <p>June 2013</p> <p>January 2015</p> <p>June 2015</p> <p>June 2016</p> <p>September 2016</p> <p>June 2017</p> <p>June 2019</p> <p>June 2021</p> <p>March 2022</p> <p>April 2022</p> <p>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 & 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 Joined Sanyo Securities Company Limited</p> <p>March 1998 Joined FANCL CORPORATION</p> <p>November 2002 Registered as tax accountant</p> <p>July 2009 Joined Calbee, Inc.</p> <p>April 2013 Executive Officer and General Manager of Investor Relations Department of Calbee, Inc.</p> <p>April 2014 Executive Officer and General Manager of Corporate Planning Department and Investor Relations Department of Calbee, Inc.</p> <p>April 2017 Executive Officer and General Manager of East Japan Sales Department of Calbee, Inc.</p> <p>April 2019 Executive Officer and General Manager of Financial & Accounting Department of Calbee, Inc.</p> <p>June 2020 Outside Director of SHIBAURA MACHINE CO., LTD. (current position)</p> <p>April 2021 Executive Officer and General Manager, Investor Relations, Finance and Accounting Division of Calbee, Inc.</p> <p>March 2022 Outside Board Director of the Company (current position)</p> <p>April 2022 Managing Executive Officer & CFO of Calbee, Inc.</p> <p>April 2023 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 Joined Suntory Spirits Ltd.</p> <p>April 2008 Deputy Executive Director of Suntory Hall</p> <p>January 2012 Executive Director of Suntory Hall</p> <p>April 2015 Executive Officer and Deputy Division COO of Corporate Communication Division of Suntory Holdings Limited</p> <p>Managing Director and Division COO of Customer Relations Division of Suntory Business Expert Ltd.</p> <p>April 2017 Board Member of Save the Children Japan (current position)</p> <p>April 2018 Executive Officer and Division COO of Corporate Sustainability Division of Suntory Holdings Limited</p> <p>June 2019 Director of Japan Philharmonic Orchestra (current position)</p> <p>September 2021 Executive Board Member of Japan Association for the 2025 World Exposition (current position)</p> <p>January 2022 Advisor of Suntory Holdings Limited (current position)</p> <p>April 2022 Managing Director of Suntory Foundation for the Arts (current position)</p> <p>June 2022 Outside Director of Tokyo Kaikan Co., Ltd. (current position)</p> <p>Trustee of The Resona Foundation for Asia and Oceania (current position)</p> <p>March 2024 Outside Board Director of the Company (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	<p>April 1988 Joined the Company</p> <p>December 2006 General Manager of Osaka Branch</p> <p>December 2007 General Manager of Fukuoka Branch</p> <p>December 2009 General Manager of Nagoya Branch</p> <p>December 2011 General Manager of Nagoya Branch and Business Development Dept.</p> <p>March 2012 Board Director and General Manager of Nagoya Branch and Business Development Dept.</p> <p>December 2013 Board Director and General Manager of Corporate Strategy Development Dept. and Business Development Dept.</p> <p>December 2014 Board Director and General Manager of Business Development Dept.</p> <p>January 2018 Board Director and in charge of Business Development</p> <p>March 2021 Standing Audit & Supervisory Board Member (current position)</p>	(Note) 2	26
Audit & Supervisory Board Member	Yoshihiko Okuda	August 20, 1957	<p>April 1976 Joined Fukuoka Regional Taxation Bureau</p> <p>July 2004 Associate Appeals Judge, Fukuoka Regional Tax Tribunal</p> <p>July 2006 Deputy District Director, Kokura Tax Office</p> <p>July 2009 Professor, Technical Education Department, National Tax College</p> <p>July 2013 District Director, Kanoya Tax Office</p> <p>April 2015 Director (Appeals Judge), Yokohama Branch, Tokyo Regional Tax Tribunal</p> <p>April 2017 Director, Takamatsu Regional Tax Tribunal</p> <p>March 2018 Attached to the Commissioner's Secretariat, National Tax Agency</p> <p>June 2018 Registered as tax accountant</p> <p>March 2020 Outside Audit & Supervisory Board Member of the Company (current position)</p> <p>December 2021 Director of SKM Business Co., Ltd. (current position)</p>	(Note) 3	-
Audit & Supervisory Board Member	Takashi Hirano	February 6, 1957	<p>April 1985 Registered as attorney-at-law and joined Yagi & Ushijima (currently Ushijima & Partners, Attorneys-at-Law)</p> <p>August 1988 Joined Masuda, Funai, Eifert & Mitchell in Chicago, U.S.A.</p> <p>August 1990 Joined Blakemore & Mitsuki</p> <p>January 1991 Partner of Blakemore & Mitsuki</p> <p>January 2000 Executive Officer in charge of Law and Corporate Affairs of Microsoft Japan</p> <p>February 2006 Partner of Blakemore & Mitsuki (current position)</p> <p>January 2008 Outside Audit & Supervisory Board Member of Morpho, Inc.</p> <p>June 2019 Outside Audit & Supervisory Board Member of FALTEC Co., Ltd. (current position)</p> <p>March 2024 Outside Corporate Auditor of RYOBI LIMITED (current position) Outside Audit & Supervisory Board Member of the Company (current position)</p>	(Note) 3	-
Total					998

- (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 30, 2021.
 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., an External Director serving as an Audit and Supervisory Committee Member of TOKYO SEIMITSU CO., LTD., and an Outside Director, Audit & Supervisory Committee Member of Sun Frontier Fudousan Co., Ltd. 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 a Board Member of Save the Children Japan, a Director of Japan Philharmonic Orchestra, an Executive Board Member of the Japan Association for the 2025 World Exposition, an Advisor of Suntory Holdings Limited, a Managing Director of Suntory Foundation for the Arts, an Outside Director of Tokyo Kaikan Co., Ltd., and a Trustee of The Resona Foundation for Asia and Oceania. 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 and a Director of SKM Business 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 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, eight 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% (8/8)
Outside Audit & Supervisory Board Member	Yoshihiko Okuda	100% (8/8)
Outside Audit & Supervisory Board Member	Keisuke Endo	100% (8/8)

(Note) Outside Audit & Supervisory Board Member Takashi Hirano was appointed at the Ordinary General Meeting of Shareholders held on March 28, 2024, and accordingly his attendance at the Audit & Supervisory Board meetings held during the current fiscal year is not shown.

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
- Report on the annual audit plan of the Internal Audit Department
- Evaluation and reappointment of Accounting Auditors, and 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

Interviews were conducted with internal and external Board Directors and Executive Officers to check the status of execution of their duties and express opinions from the perspective of Audit & Supervisory Board Members. In the interview with the President & CEO, discussions were held mainly on the global expansion of the Medium-Term Management Plan (2022-2026) and the “Beauty Platform Plan” as a major initiative in Japan, as well as the outlook for major overseas subsidiaries and the human resources strategy.

- 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, five overseas subsidiaries (MILBON USA, MILBON (THAILAND), MILBON VIETNAM, MILBON MALAYSIA, MILBON SINGAPORE), and research divisions, etc., among domestic indirect divisions. He, together with the Outside Audit & Supervisory Board Members, conducted on-site audits at three domestic locations (Osaka Sales Office, Tokyo Aoyama Sales Office, Yumegaoka Factory), including interviews with the general managers and physical inspections of fixed assets and 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 viability 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 Audit & Supervisory Board, 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 viability 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: 32 years

c. Engagement certified public accountants

Engagement partner Takayuki Nakagawa

Engagement partner Toshiya Shinshima

d. Other personnel engaged in assisting the accounting audit

Twelve certified public accountants and 11 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	26,000	-	30,000	-
Consolidated subsidiaries	-	-	-	-
Total	26,000	-	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 60% / Consolidated operating profit: Weight 30% / 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)x20%

(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)	248,367	192,114	-	56,253	6
Audit & Supervisory Board Member (excluding Audit & Supervisory Board Member)	32,004	32,004	-	-	1
Outside Officer	66,048	66,048	-	-	7

(Note) 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).

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

Performance indicator	Fiscal year ended December 31, 2023			Weight (%)
	Target (Million yen)	Result (Million yen)	Achievement rate (%)	
Consolidated net sales	49,200	47,762	97.1	60.0
Consolidated operating income	8,300	5,525	66.6	30.0
Consolidated profit	5,800	4,001	69.0	10.0

(Note) Target achievement rate for the fiscal year ended December 31, 2023: 97.1%x60%+66.6%x30%+69.0%x10%=85.1%

(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	1,269,000

(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
	1,269,000	1,730,400		

(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	5	28,400	5	28,400
Shares other than the above	5	14,851	5	16,934

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	-	-
Shares other than the above	255	-	12,194

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

(Thousand yen)

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

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

(Thousand yen)

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

Consolidated Statements of Comprehensive Income

(Thousand yen)

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

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

(Thousand yen)

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

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulate other comprehensive income	
Balance at beginning of period	100,262	68,821	850,537	176,984	1,196,605	40,197,181
Changes of items during period						
Dividends of surplus						(2,536,456)
Profit attributable to owners of parent						5,577,274
Purchase of treasury shares						(1,350)
Disposal of treasury shares						79,069
Net changes of items other than shareholders' equity	114,665	(68,821)	915,502	(285,315)	676,032	676,032
Total changes of items during period	114,665	(68,821)	915,502	(285,315)	676,032	3,794,569
Balance at end of period	214,928	-	1,766,040	(108,331)	1,872,637	43,991,750

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

(Thousand yen)

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

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

4) Consolidated Statements of Cash Flows

(Thousand yen)

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

(Thousand yen)

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

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

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

Finished goods and work in process

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

Raw materials

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

Supplies

Stated at cost using the last-purchase-price method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

(2) Depreciation and amortization methods for significant depreciable assets

(i) Property, plant and equipment

They are depreciated using the straight-line method.

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	6,319,121	6,939,156
Loss on valuation of inventories	254,786	1,109,533

(Note) The amount of loss on valuation of inventories represents the amount of write-down due to decreased profitability.

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

In the calculation using the method of write-down based on decreased profitability, regarding merchandise and finished goods, 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.

(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, 2022)	Current fiscal year (As of December 31, 2023)
Notes receivable - trade	80,781	68,336

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

(Thousand yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Notes receivable - trade	170,637	188,316
Accounts receivable - trade	5,085,049	5,157,353

*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, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Remuneration, salaries and allowances	5,858,488	6,066,242
Logistics expenses	3,543,161	3,675,086
Promotion expenses	1,177,111	1,516,851
Provision for bonuses	422,032	366,644
Retirement benefit expenses	307,677	422,581
Provision of allowance for doubtful accounts	(3,566)	(197)

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

(Thousand yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Research and development expenses	2,074,942	2,334,179

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

(Thousand yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Machinery, equipment and vehicles	949	1

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

(Thousand yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Buildings and structures	5,230	26,019
Machinery, equipment and vehicles	872	11,276
Other	186	2,272
Intangible assets	771	-
Total	7,060	39,568

(Consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Thousand yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Valuation difference on available-for-sale securities		
Amount arising during the fiscal year	165,672	(463,482)
Reclassification adjustments	(448)	-
Before tax effect adjustments	165,224	(463,482)
Tax effects	(50,558)	141,825
Valuation difference on available-for-sale securities	114,665	(321,656)
Deferred gains or losses on hedges		
Amount arising during the fiscal year	(99,165)	-
Reclassification adjustments	-	-
Before tax effect adjustments	(99,165)	-
Tax effects	30,344	-
Deferred gains or losses on hedges	(68,821)	-
Foreign currency translation adjustment		
Amount arising during the fiscal year	915,502	607,772
Remeasurements of defined benefit plans, net of tax		
Amount arising during the fiscal year	(383,108)	463,125
Reclassification adjustments	(28,008)	69,188
Before tax effect adjustments	(411,117)	532,313
Tax effects	125,801	(162,888)
Remeasurements of defined benefit plans, net of tax	(285,315)	369,425
Total other comprehensive income	676,032	655,541

(Consolidated statements of changes in shareholders' equity)

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

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)	606,080	238	14,807	591,511

(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 14,787 shares from the disposal of treasury shares pursuant to the resolution of the Board of Directors meeting held on April 15, 2022, 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, 2022	Common stock	1,235,423	38	December 31, 2021	March 30, 2022
Board of Directors meeting held on August 10, 2022	Common stock	1,301,032	40	June 30, 2022	August 16, 2022

(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 29, 2023	Common stock	Retained earnings	1,496,183	46	December 31, 2022	March 30, 2023

Current 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

(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, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Cash and deposits	12,300,053	11,337,201
Time deposits with deposit terms over three months	(41,815)	(45,123)
Cash and cash equivalents	12,258,237	11,292,078

(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, 2022)	Current fiscal year (As of December 31, 2023)
Within one year	366,385	456,098
Over one year	942,027	1,132,717
Total	1,308,413	1,588,816

(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, 2022)

(Thousand yen)

	Amounts in the consolidated balance sheets	Market value	Differences
Investment securities			
Available-for-sale securities	1,747,334	1,747,334	-
Total assets	1,747,334	1,747,334	-

Current 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	-

(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	28,400

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

Previous fiscal year (as of December 31, 2022)

(Thousand yen)

	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	12,300,053	-	-	-
Notes and accounts receivable - trade	5,255,686	-	-	-
Total	17,555,740	-	-	-

Current 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	-	-	-

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, 2022)

(Thousand yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	1,747,334	-	-	1,747,334
Total assets	1,747,334	-	-	1,747,334

Current 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

(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. Held-to-maturity bonds

Previous fiscal year (as of December 31, 2022)

Not applicable.

Current fiscal year (as of December 31, 2023)

Not applicable.

2. Available-for-sale securities

Previous fiscal year (as of December 31, 2022)

(Thousand yen)

	Type	Amounts in the consolidated balance sheets	Acquisition cost	Differences
Available-for-sale securities with the amount in the consolidated balance sheets exceeding the acquisition cost	(1) Shares	1,746,801	1,437,020	309,780
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	1,746,801	1,437,020	309,780
Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost	(1) Shares	533	618	(85)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Subtotal	533	618	(85)
Total		1,747,334	1,437,638	309,695

(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, 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.

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

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

(Thousand yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	538	448	-
(2) Bonds	-	-	-
(3) Other	-	-	-
Total	538	448	-

Current 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	-	-	-

4. Impairment losses on securities

Not applicable.

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

(Derivative transactions)

1. Derivative transactions for which hedge accounting is applied

Currency-related transactions

Previous fiscal year (as of December 31, 2022)

Not applicable.

Current fiscal year (as of December 31, 2023)

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, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Balance of retirement benefit obligations at the beginning of the fiscal year	2,771,124	2,989,436
Service cost	214,520	223,250
Interest cost	14,066	24,356
Actuarial gains and losses generated	12,798	(474,972)
Past service costs generated	111,974	349,624
Retirement benefits paid	(135,047)	(151,150)
Balance of retirement benefit obligations at the end of the fiscal year	2,989,436	2,960,545

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

(Thousand yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Balance of plan assets at the beginning of the fiscal year	3,209,664	3,045,617
Expected return on plan assets	80,241	76,140
Actuarial gains and losses generated	(258,335)	337,777
Contribution from the employer	149,095	163,216
Retirement benefits paid	(135,047)	(151,150)
Balance of plan assets at the end of the fiscal year	3,045,617	3,471,601

(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, 2022)	Current fiscal year (As of December 31, 2023)
Retirement benefit obligations of funded plans	2,989,436	2,960,545
Plan assets	(3,045,617)	(3,471,601)
Net liabilities and assets recorded in the consolidated balance sheets	(56,180)	(511,056)
Net defined benefit asset	(56,180)	(511,056)
Net liabilities and assets recorded in the consolidated balance sheets	(56,180)	(511,056)

(4) Retirement benefit expenses and breakdown thereof

(Thousand yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Service cost	214,520	223,250
Interest cost	14,066	24,356
Expected return on plan assets	(80,241)	(76,140)
Amortization of actuarial gains and losses	(33,607)	23,485
Amortization of past service costs	5,598	45,703
Retirement benefit expenses for defined benefit plans	120,337	240,654

(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, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Actuarial gains and losses	304,741	(836,234)
Past service costs	106,375	303,921
Total	411,117	(532,313)

(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, 2022)	Current fiscal year (As of December 31, 2023)
Unrecognized actuarial gains and losses	(49,721)	786,513
Unrecognized past service costs	(106,375)	(410,296)
Total	(156,096)	376,216

(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, 2022)	Current fiscal year (As of December 31, 2023)
Japanese bonds	23%	21%
Japanese shares	24%	25%
Foreign bonds	10%	13%
Foreign shares	23%	23%
Other	20%	18%
Total	100%	100%

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

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

(8) Matters regarding basis for actuarial assumptions

Major actuarial assumptions (in weighted average)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Discount rate	0.5%	1.5%
Expected long-term rate of return on plan assets	2.5%	2.5%
Expected rate of increase in salary	5.9%	5.9%

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, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Balance of net defined benefit liability at the beginning of the fiscal year	7,753	10,628
Retirement benefit expenses	1,951	3,135
Translation gains or losses	923	856
Balance of net defined benefit liability at the end of the fiscal year	10,628	14,620

(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, 2022)	Current fiscal year (As of December 31, 2023)
Retirement benefit obligations of unfunded plans	10,628	14,620
Net liabilities and assets recorded in the consolidated balance sheets	10,628	14,620
Net defined benefit liability	10,628	14,620
Net liabilities and assets recorded in the consolidated balance sheets	10,628	14,620

(3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method: Previous fiscal year: 1,951 thousand yen
Current fiscal year: 3,135 thousand yen

4. Defined contribution plans

The required amount of contributions to defined contribution plans of the Company and its consolidated subsidiaries are 110,148 thousand yen for the previous fiscal year and 109,419 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 185,256 thousand yen for the previous fiscal year and 197,109 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, 2022)	Current fiscal year (As of December 31, 2023)
Amount of plan assets	16,951,908	17,329,484
Aggregate actuarial obligation under pension finance calculation and minimum reserve	19,873,038	19,781,141
Difference	(2,921,130)	(2,451,657)

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

Previous fiscal year: 11.6% (as of December 31, 2022)

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

(3) Supplementary explanation

Major factors for the difference in (1) above are the balance of past service liabilities under pension finance calculation (6,938,156 thousand yen for the previous fiscal year, 6,019,889 thousand yen for the current fiscal year) and the general reserve (4,017,026 thousand yen for the previous fiscal year, 3,568,232 thousand yen for the current fiscal year). Past service liabilities under the plan are amortized using the straight-line method over a period of 6 years. The Company has amortized special contribution in the consolidated financial statements (126,896 thousand yen in the previous fiscal year, 134,720 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, 2022)	Current fiscal year (As of December 31, 2023)
Deferred tax assets		
Tax loss carryforward (Note)	342,943	386,271
Provision for bonuses	174,159	169,251
Loss on valuation of inventories	89,986	355,246
Accrued enterprise tax and business office tax	86,245	45,781
Accrued social insurance premiums	26,071	26,033
Unrealized income on inventories	435,069	381,134
Depreciation	227,383	224,876
Asset retirement obligations	184,536	211,817
Allowance for doubtful accounts	14,102	14,102
Net defined benefit liability	2,125	2,924
Retirement benefits for directors (and other officers)	3,709	3,709
Valuation difference on available-for-sale securities	-	47,058
Other	108,938	91,400
Subtotal deferred tax assets	1,695,270	1,959,607
Valuation allowance for tax loss carryforward (Note)	(342,943)	(386,271)
Valuation allowance for aggregate deductible temporary differences	(24,295)	(44,706)
Subtotal valuation allowance	(367,238)	(430,977)
Total deferred tax assets	1,328,032	1,528,629
Deferred tax liabilities		
Net defined benefit asset	(17,191)	(156,383)
Retirement cost for asset retirement obligations	(113,579)	(124,342)
Valuation difference on available-for-sale securities	(94,766)	-
Retained earnings of overseas subsidiaries	(275,911)	(338,053)
Other	(610)	(277)
Total deferred tax liabilities	(502,057)	(619,056)
Net deferred tax assets (liabilities)	825,975	909,573

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

Previous fiscal year (as of December 31, 2022)

(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	-	-	9,698	7,955	7,549	317,739	342,943
Valuation allowance	-	-	(9,698)	(7,955)	(7,549)	(317,739)	(342,943)
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, 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 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, 2022)	Current fiscal year (As of December 31, 2023)
Effective statutory tax rate (Adjustments)	30.6%	30.6%
Items permanently excluded from deductible expenses such as entertainment expenses	1.0%	2.3%
Exclusion of dividend income from taxable income	(0.8)%	0.0%
Inhabitant tax on per capita basis	0.3%	0.5%
Experimentation and research expenses tax credit	(4.1)%	(6.6)%
Salary increase tax credits	(0.6)%	(2.2)%
Increase (decrease) in valuation allowance	2.3%	1.2%
Other	(0.0)%	0.5%
Income tax rate after applying tax effect accounting	28.7%	26.3%

(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, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Balance at the beginning of the fiscal year	608,139	643,317
Increase due to the acquisition of property, plant and equipment	58,055	118,734
Adjustments due to passage of time	0	2,375
Decrease due to the performance of asset retirement obligations	(22,877)	(29,611)
Balance at the end of the fiscal year	643,317	734,815

(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, 2022 to December 31, 2022)		Current fiscal year (From January 1, 2023 to December 31, 2023)	
	Amount	Ratio (%)	Amount	Ratio (%)
Haircare products	26,312,862	58.2	28,355,020	59.4
Hair coloring products	16,631,187	36.7	16,953,723	35.5
Permanent wave products	1,450,096	3.2	1,463,884	3.0
Cosmetic products	572,085	1.3	571,762	1.2
Other	272,146	0.6	418,040	0.9
Revenue from contracts with customers	45,238,377	100.0	47,762,432	100.0
Revenue from other sources	-	-	-	-
Net sales to external customers	45,238,377	100.0	47,762,432	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, 2022 to December 31, 2022)

(Thousand yen)

	Beginning of the fiscal year (As of January 1, 2022)	End of the fiscal year (As of December 31, 2022)
Receivables from contracts with customers	4,673,258	5,255,686
Contract liabilities	21,901	4,612

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

Current 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.

(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, 2022 to December 31, 2022)

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	26,312,862	16,631,187	1,450,096	572,085	272,146	45,238,377

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	Other	Total
35,334,124	9,904,253	45,238,377

(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
15,422,742	2,886,791	1,510,364	19,819,899

3. Information by major customer

(Thousand yen)

Name of customer	Net sales
Topy Co., Ltd.	4,804,640
GAMO Co., Ltd.	3,810,883
BIC HOLDINGS Inc.	3,396,274

(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, 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.

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, 2022 to December 31, 2022)

Not applicable.

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

Not applicable.

(Per share information)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Net assets per share (yen)	1,352.52	1,411.56
Basic earnings per share (yen)	171.49	122.99

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

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

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

(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	74,032	75,032	0.002	-
Total	74,032	75,032	-	-

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

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

Schedule of asset retirement obligations

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

(2) Other

Quarterly information, etc., for the current fiscal year

(Cumulative accounting period)	1st quarter	2nd quarter	3rd quarter	Current fiscal year
Net sales (Thousand yen)	10,340,911	22,703,504	34,150,359	47,762,432
Profit before income taxes (Thousand yen)	1,165,683	3,100,045	3,473,759	5,432,083
Profit attributable to owners of parent (Thousand yen)	882,314	2,195,360	2,489,397	4,001,627
Basic earnings per share (Yen)	27.13	67.48	76.52	122.99

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings per share (Yen)	27.13	40.35	9.04	46.47

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	9,399,665	7,108,249
Notes receivable - trade	*2 170,637	*2 188,316
Accounts receivable - trade	*1 5,654,505	*1 5,368,165
Merchandise and finished goods	4,034,129	4,679,315
Work in process	39,422	35,531
Raw materials and supplies	1,645,261	1,763,522
Short-term loans receivable from subsidiaries and associates	-	206,500
Prepaid expenses	182,762	178,912
Other	*1 223,645	*1 242,460
Total current assets	21,350,030	19,770,973
Non-current assets		
Property, plant and equipment		
Buildings	5,958,847	6,183,252
Structures	89,773	81,817
Machinery and equipment	2,106,899	2,049,772
Vehicles	10,288	12,126
Tools, furniture and fixtures	642,177	809,774
Land	6,324,093	6,324,093
Construction in progress	277,940	807,292
Total property, plant and equipment	15,410,019	16,268,129
Intangible assets		
Software	1,194,130	1,440,820
Other	315,446	116,750
Total intangible assets	1,509,577	1,557,571

(Thousand yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Investments and other assets		
Investment securities	1,775,734	1,312,251
Shares of subsidiaries and associates	2,213,793	2,213,793
Investments in capital of subsidiaries and associates	4,457,200	4,457,200
Long-term loans receivable from subsidiaries and associates	828,000	1,124,000
Prepaid pension costs	212,277	134,839
Deferred tax assets	911,607	958,161
Other	1,248,689	1,091,029
Allowance for doubtful accounts	(408,501)	(487,087)
Total investments and other assets	11,238,801	10,804,188
Total non-current assets	28,158,398	28,629,889
Total assets	49,508,428	48,400,863
Liabilities		
Current liabilities		
Accounts payable - trade	*1 1,159,984	*1 1,022,967
Accounts payable - other	*1 3,797,900	*1 3,468,944
Accrued expenses	454,798	482,833
Income taxes payable	1,263,767	319,897
Advances received	4,357	6,579
Deposits received	329,607	332,961
Provision for bonuses	549,238	535,907
Other	22,327	19,211
Total current liabilities	7,581,981	6,189,303
Non-current liabilities		
Asset retirement obligations	602,626	691,749
Other	74,032	75,032
Total non-current liabilities	676,659	766,782
Total liabilities	8,258,641	6,956,086

(Thousand yen)

	Previous fiscal year (As of December 31, 2022)	Current fiscal year (As of December 31, 2023)
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus		
Legal capital surplus	199,120	199,120
Other capital surplus	75,417	107,837
Total capital surplus	274,537	306,957
Retained earnings		
Legal retained earnings	300,880	300,880
Other retained earnings		
General reserve	3,500,000	3,500,000
Retained earnings brought forward	36,990,353	37,425,828
Total retained earnings	40,791,233	41,226,708
Treasury shares	(2,030,911)	(1,982,161)
Total shareholders' equity	41,034,858	41,551,504
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	214,928	(106,728)
Total valuation and translation adjustments	214,928	(106,728)
Total net assets	41,249,787	41,444,776
Total liabilities and net assets	49,508,428	48,400,863

2) Statements of Earnings

(Thousand yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Net sales	*1 41,780,945	*1 42,520,224
Cost of sales	*1 16,215,637	*1 17,973,474
Gross profit	25,565,308	24,546,749
Selling, general and administrative expenses	*1, *2 18,157,310	*1, *2 19,845,110
Operating income	7,407,997	4,701,639
Non-operating income		
Interest and dividend income	*1 226,638	*1 37,621
Surrender value of insurance	-	86,359
Foreign exchange gains	157,434	-
Miscellaneous income	*1 168,387	*1 98,175
Total non-operating income	552,460	222,156
Non-operating expenses		
Foreign exchange losses	-	15,201
Miscellaneous losses	472	2,140
Total non-operating expenses	472	17,342
Ordinary income	7,959,986	4,906,452
Extraordinary income		
Gain on sales of non-current assets	*1 684	1
Gain on sales of investment securities	448	-
Total extraordinary income	1,132	1
Extraordinary losses		
Loss on retirement of non-current assets	6,262	39,493
Loss on valuation of shares of subsidiaries and associates	49,000	-
Provision of allowance for doubtful accounts of loans receivable from subsidiaries and associates	362,414	78,585
Compensation for damages	-	115,000
Total extraordinary losses	417,676	233,079
Profit before income taxes	7,543,443	4,673,373
Income taxes - current	2,212,832	1,344,834
Income taxes - deferred	(203,274)	95,271
Total income taxes	2,009,557	1,440,105
Profit	5,533,885	3,233,267

Schedule of manufacturing costs

Category	Note	Previous fiscal year (From January 1, 2022 to December 31, 2022)		Current fiscal year (From January 1, 2023 to December 31, 2023)	
		Amount (Thousand yen)	Ratio (%)	Amount (Thousand yen)	Ratio (%)
I. Cost of raw materials		9,740,305	69.5	9,919,284	68.8
II. Cost of outsourced processing		1,659,198	11.8	1,596,669	11.1
III. Labor cost		1,035,166	7.4	1,105,952	7.7
(Provision for bonuses)		(75,208)		(78,661)	
IV. Expenses		1,572,281	11.2	1,793,953	12.4
(Depreciation)		(760,879)		(849,768)	
(Repair expenses)		(98,181)		(94,493)	
(Utility expenses)		(130,522)		(131,995)	
(Supplies expenses)		(98,494)		(107,344)	
Gross manufacturing cost for the fiscal year		14,006,951	100.0	14,415,860	100.0
Beginning of work in process		41,084		39,422	
Total		14,048,035		14,455,283	
Transfer to other account	*1	102,924		105,144	
Ending of work in process		39,422		35,531	
Cost of products manufactured		13,905,688		14,314,607	

(Footnote)

Previous fiscal year (From January 1, 2022 to December 31, 2022)		Current fiscal year (From January 1, 2023 to December 31, 2023)	
*1 Breakdown of the transfer to other account is as follows:		*1 Breakdown of the transfer to other account is as follows:	
Promotion expenses	92,920 thousand yen	Promotion expenses	89,004 thousand yen
Research and development expenses	8,333 thousand yen	Research and development expenses	12,474 thousand yen
Other	1,669 thousand yen	Other	3,665 thousand yen
Total	102,924 thousand yen	Total	105,144 thousand yen
2 Method of calculation of costs		2 Method of calculation of costs	
The continuous process cost system is adopted.		Same as the previous fiscal year	

3) Statements of Changes in Shareholders' Equity

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

(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	47,179	246,299	300,880	3,500,000	33,992,924	37,793,804
Changes of items during period								
Dividends of surplus							(2,536,456)	(2,536,456)
Profit							5,533,885	5,533,885
Purchase of treasury shares								
Disposal of treasury shares			28,237	28,237				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	28,237	28,237	-	-	2,997,429	2,997,429
Balance at end of period	2,000,000	199,120	75,417	274,537	300,880	3,500,000	36,990,353	40,791,233

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(2,080,393)	37,959,710	100,262	68,821	169,083	38,128,794
Changes of items during period						
Dividends of surplus		(2,536,456)				(2,536,456)
Profit		5,533,885				5,533,885
Purchase of treasury shares	(1,350)	(1,350)				(1,350)
Disposal of treasury shares	50,832	79,069				79,069
Net changes of items other than shareholders' equity			114,665	(68,821)	45,844	45,844
Total changes of items during period	49,482	3,075,148	114,665	(68,821)	45,844	3,120,993
Balance at end of period	(2,030,911)	41,034,858	214,928	-	214,928	41,249,787

Current 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

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

(i) Merchandise

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

(ii) Finished goods and work in process

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

(iii) Raw materials

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

(iv) Supplies

Stated at cost using the last-purchase-price method (the balance sheet value is calculated using the inventory write-down method based on decreased profitability)

2. Depreciation and amortization methods for non-current assets

(1) Property, plant and equipment

They are depreciated using the straight-line method.

Useful lives of principal assets are as follows:

Buildings: 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	4,034,129	4,679,315
Loss on valuation of inventories	254,786	1,094,327

(Note) The amount of loss on valuation of inventories represents the amount of write-down due to decreased profitability.

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

In the calculation using the method of write-down based on decreased profitability, regarding merchandise and finished goods, 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, 2022)	Current fiscal year (As of December 31, 2023)
Shot-term monetary receivables	911,799	600,900
Shot-term monetary payables	218,889	283,699

*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, 2022)	Current fiscal year (As of December 31, 2023)
Notes receivable - trade	80,781	68,336

(Statements of earnings)

*1 Transactions with subsidiaries and associates

(Thousand yen)

	Previous fiscal year (From January 1, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Amount of operating transactions		
Net sales	5,333,992	4,797,828
Purchase amount	2,542,278	2,530,614
Other	311,952	402,325
Amount of non-operating transactions	275,531	78,586

*2 Approximate ratios of expenses included in selling expenses are 9.8% for the previous fiscal year and 11.9% for the current fiscal year, and those included in general and administrative expenses are 90.2% for the previous fiscal year and 88.1% 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, 2022 to December 31, 2022)	Current fiscal year (From January 1, 2023 to December 31, 2023)
Remuneration, salaries and allowances	4,798,376	4,915,783
Logistics expenses	2,743,662	2,851,725
Research and development expenses	2,108,860	2,361,191
Promotion expenses	932,097	1,203,818
Depreciation	823,036	857,928
Provision for bonuses	390,067	375,976
Retirement benefit expenses	273,695	370,433

(Securities)

Previous fiscal year (as of December 31, 2022)

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, 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.

(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, 2022)	Current fiscal year (As of December 31, 2023)
Deferred tax assets		
Provision for bonuses	168,066	163,987
Loss on valuation of inventories	77,964	334,864
Accrued enterprise tax and business office tax	86,245	45,781
Accrued social insurance premiums	26,071	26,033
Depreciation	227,369	224,396
Allowance for doubtful accounts	125,001	149,048
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	184,403	211,675
Restricted share-based compensation	40,422	65,474
Performance-linked compensation	24,051	-
Valuation difference on available-for-sale securities	-	47,058
Other	26,872	783
Subtotal deferred tax assets	1,184,911	1,467,545
Valuation allowance (Note)	-	(343,780)
Total deferred tax assets	1,184,911	1,123,765
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(94,766)	-
Retirement cost for asset retirement obligations	(113,579)	(124,342)
Prepaid pension costs	(64,956)	(41,260)
Total deferred tax liabilities	(273,303)	(165,603)
Net deferred tax assets (liabilities)	911,607	958,161

(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, 2022)	Current fiscal year (As of December 31, 2023)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Items permanently excluded from deductible expenses such as entertainment expenses	1.1%	2.7%
Dividend income excluded from gross revenue	(0.8)%	0.0%
Inhabitant tax on per capita basis	0.3%	0.6%
Experimentation and research expenses tax credit	(4.2)%	(7.7)%
Salary increase tax credits	(0.6)%	(2.6)%
Increase (decrease) in valuation allowance	-	7.4%
Other	0.2%	(0.2)%
Income tax rate after applying tax effect accounting	26.6%	30.8%

(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	5,958,847	681,619	113,559	431,286	6,183,252	5,989,640
	Structures	89,773	7,200	2,511	15,064	81,817	285,169
	Machinery and equipment	2,106,899	525,189	192,966	571,039	2,049,772	5,928,501
	Vehicles	10,288	7,097	2,280	5,259	12,126	41,528
	Tools, furniture and fixtures	642,177	542,340	66,803	372,573	809,774	2,652,026
	Land	6,324,093	-	-	-	6,324,093	-
	Construction in progress	277,940	1,468,416	939,064	-	807,292	-
	Total	15,410,019	3,231,863	1,317,185	1,395,223	16,268,129	14,896,866
Intangible assets	Software	1,194,130	713,931	-	467,241	1,440,820	3,441,045
	Other	315,446	324,891	523,342	245	116,750	9,417
	Total	1,509,577	1,038,822	523,342	467,486	1,557,571	3,450,462

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

- Major components of an increase in buildings of 681,619 thousand yen are 165,153 thousand yen of construction work for the Haneda Innovation Center, 146,922 thousand yen of construction work for relocation of the Fukuoka Sales Office, and 31,845 thousand yen of construction work for implementation and expansion of the filling and wrapping area at the Yumegaoka Factory.
- A major component of an increase in machinery and equipment of 525,189 thousand yen is 272,841 thousand yen of wrapping and filling facilities at the Yumegaoka Factory.
- Major components of an increase in tools, furniture and fixtures of 542,340 thousand yen are 81,936 thousand yen of fixtures associated with the construction work for the Haneda Innovation Center and 44,862 thousand yen of fixtures associated with the relocation of the Fukuoka Sales Office.
- A major component of an increase in construction in progress of 1,468,416 thousand yen is 490,092 thousand yen of expenses associated with the construction work for the Odawara Training Center.
- A major component of a decrease in construction in progress of 939,064 thousand yen is 242,013 thousand yen of transfer associated with the construction work for the Haneda Innovation Center.
- Major components of an increase in software of 713,931 thousand yen are 169,585 thousand yen for renovating the sales management system and 104,175 thousand yen for adding the milbon:iD STYLESTOCK function.

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	408,501	78,585	-	487,087
Provision for bonuses	549,238	535,907	549,238	535,907

(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. https://www.milbon.com/en/
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 (63rd Term) (From January 1, 2022 to December 31, 2022) Submitted to the Director-General of the Kinki Local Finance Bureau on March 29, 2023
- (2) Internal control report and attached documents
Submitted to the Director-General of the Kinki Local Finance Bureau on March 29, 2023
- (3) Quarterly securities reports and confirmation documents
(The 1st Quarter of 64th Term) (From January 1, 2023 to March 31, 2023) Submitted to the Director-General of the Kinki Local Finance Bureau on May 15, 2023

(The 2nd Quarter of 64th Term) (From April 1, 2023 to June 30, 2023) Submitted to the Director-General of the Kinki Local Finance Bureau on August 10, 2023

(The 3rd Quarter of 64th Term) (From July 1, 2023 to September 30, 2023) Submitted to the Director-General of the Kinki Local Finance Bureau on November 10, 2023
- (4) Extraordinary report
 - (i) Submitted to the Director-General of the Kinki Local Finance Bureau on March 30, 2023.
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.
 - (ii) Submitted to the Director-General of the Kinki Local Finance Bureau on October 25, 2023.
The extraordinary report was submitted based on the provisions of Article 19, Paragraph 2, Item 9 (Change in the representative director) of the Cabinet Office Order on Disclosure of Corporate Affairs.
- (5) Securities registration statement (disposal of treasury shares as restricted share-based compensation) and attached documents
Submitted to the Director-General of the Kinki Local Finance Bureau on April 14, 2023.

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 28, 2024

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

GYOSEI & CO.
Tokyo Office

Designated partner Engagement partner	Certified public accountant	Takayuki Nakagawa
Designated partner Engagement partner	Certified public accountant	Toshiya Shinshima

<Audit of 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, 2023 to December 31, 2023, 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, 2023, 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, 6,939,156 thousand yen has been reported under merchandise and finished goods, of which the merchandise and finished goods of Milbon Co., Ltd. account for 4,679,315 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, and this shipping plan carries a high level of uncertainty, thus requiring the 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"> We assessed the status of design and operation of internal controls related to the valuation of slow-moving inventory. <p>(2) Examination of the validity of the valuation of slow-moving inventory</p> <ul style="list-style-type: none"> 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. 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, gained an understanding of the recent actual shipment volume and sales targets, and assessed the rationality of the shipping plan. Regarding net sales and growth rates, etc., we carried out a trend analysis based on past results as well as a comparative study with available outside data. We verified that the shipping plan for each merchandise and finished goods was consistent with next year's budget approved by the Board of Directors and the Medium-Term Management Plan. 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.

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 any safeguards that are in place to reduce or eliminate obstacles.

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, 2023 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, 2023 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 any safeguards that are in place to reduce or eliminate obstacles.

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.

-
- (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.
-

Independent Auditor's Report

March 28, 2024

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

GYOSEI & CO.

Tokyo Office

Designated partner Engagement partner	Certified public accountant	Takayuki Nakagawa
Designated partner Engagement partner	Certified public accountant	Toshiya Shinshima

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, 2023 to December 31, 2023, 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, 2023, 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 any safeguards that are in place to reduce or eliminate obstacles.

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.

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.

-
- (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.