



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

February 14, 2024

Tokyo Stock Exchange, Prime Market

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

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

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

(1) Consolidated operating results

(Percentages show year-on-year changes.)

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

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

	Basic earnings per share	Diluted earnings per share	Return on equity (ROE)	Return on assets (ROA)	Operating income ratio
	Yen	Yen	%	%	%
Year ended December 31, 2023	122.99	-	8.9	10.5	11.6
Year ended December 31, 2022	171.49	-	13.2	15.5	16.7

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

(2) Consolidated financial position

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

(Reference) Equity As of December 31, 2023: 45,932 million yen As of December 31, 2022: 43,991 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended December 31, 2023	4,765	(3,109)	(2,797)	11,292
Year ended December 31, 2022	5,008	(3,865)	(2,578)	12,258

2. Payment of dividends

	Annual dividends					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividends on equity (DOE) (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of fiscal year	Total			
	Yen	Yen	Yen	Yen	Yen			
Year ended December 31, 2022	-	40.00	-	46.00	86.00	2,797	50.2	6.6
Year ended December 31, 2023	-	40.00	-	48.00	88.00	2,863	71.6	6.4
Year ending December 31, 2024 (forecast)	-	40.00	-	48.00	88.00		61.6	

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

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending December 31, 2024	50,620	6.0	6,600	19.5	6,560	17.4	4,650	16.2	142.92

*Notes

(1) Significant changes in subsidiaries during the period

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

New: 0 company (Company name:)

Exclude: 0 companies (Company name:)

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

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

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

3) Changes in accounting estimates : None

4) Retrospective restatements : None

(3) Number of shares issued (common stock)

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

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

3) Average number of shares during the period

	As of December 31, 2023	33,117,234 shares	As of December 31, 2022	33,117,234 shares
1)	As of December 31, 2023	33,117,234 shares	As of December 31, 2022	33,117,234 shares
2)	As of December 31, 2023	577,107 shares	As of December 31, 2022	591,511 shares
3)	Year ended December 31, 2023	32,536,033 shares	Year ended December 31, 2022	32,521,551 shares

(Reference) Overview of non-consolidated financial results

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

(1) Non-consolidated operating results

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 31, 2023	42,520	1.8	4,701	(36.5)	4,906	(38.4)	3,233	(41.6)
Year ended December 31, 2022	41,780	6.5	7,407	(0.7)	7,959	14.9	5,533	11.0

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

(2) Non-consolidated financial position

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

(Reference) Equity As of December 31, 2023: 41,444 million yen As of December 31, 2022: 41,249 million yen

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

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

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

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1. Qualitative Information on Consolidated Results for the Current Period

(1) Explanation of Operating Results

(i) Overview

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

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

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

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

[Breakdown of consolidated net sales by product category]

(Unit: Million yen)

Product category	Previous fiscal year		Current fiscal year		Increase (decrease) amount	Year-on-year change (%)
	Amount	Ratio (%)	Amount	Ratio (%)		
Hair care products	26,312	58.2	28,355	59.4	2,042	7.8
Hair coloring products	16,631	36.7	16,953	35.5	322	1.9
Permanent wave products	1,450	3.2	1,463	3.0	13	1.0
Cosmetic products	572	1.3	571	1.2	(0)	(0.1)
Other	272	0.6	418	0.9	145	53.6
Total	45,238	100.0	47,762	100.0	2,524	5.6

[Breakdown of net sales into domestic and overseas sales]

(Unit: Million yen)

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

(ii) Outlook for fiscal year 2024

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

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

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

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

(2) Explanation of Financial Position

(i) Assets, liabilities and net assets

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

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

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

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

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

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

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

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the fiscal year decreased by 966 million yen from the end of the previous fiscal year to 11,292 million yen.

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

(Cash flows from operating activities)

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

(Cash flows from investing activities)

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

(Cash flows from financing activities)

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

(Reference) Cash flow-related indicators

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

Note: Equity ratio : Equity capital/Total assets

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

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

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

(3) Basic policy on the distribution of profit and dividends for the fiscal year under review and the following fiscal year

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

For the current fiscal year, we have decided to pay a year-end dividend of 48 yen per share, based on a comprehensive consideration of factors including our financial position and profit level. As a result, the total annual dividend per share will be 88 yen per share, an increase of 2 yen from the previous fiscal year, including the interim dividend of 40 yen per share already paid.

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

2. Basic Rationale for Selecting the Accounting Standards

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

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

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Thousand yen)

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

(Thousand yen)

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

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

Consolidated Statements of Earnings

(Thousand yen)

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

Consolidated Statements of Comprehensive Income

(Thousand yen)

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

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

(Thousand yen)

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

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

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

(Thousand yen)

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

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

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	Previous fiscal year (January 1, 2022 - December 31, 2022)	Current fiscal year (January 1, 2023 - 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 (profit) loss of entities accounted for using equity method	112,392	110,704
Foreign exchange losses (gains)	(30,521)	(48,215)
Loss (gain) on sales of investment securities	(448)	-
Loss (gain) on sales of non-current assets	(949)	(1)
Loss on retirement of non-current assets	7,060	39,568
Loss on compensation for damages	-	115,000
Decrease (increase) in notes and accounts receivable - trade	(546,020)	(63,545)
Decrease (increase) in inventory	(2,148,445)	(469,541)
Increase (decrease) in notes and accounts payable - trade	108,264	(251,803)
Surrender value of insurance	-	(86,359)
Other	16,726	188,547
Subtotal	7,429,954	7,272,184
Interest and dividend income received	34,812	36,613
Cash compensation for damage paid	-	(115,000)
Income taxes paid	(2,456,758)	(2,428,110)
Cash flows from operating activities	5,008,008	4,765,687
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)
Cash flows from investing activities	(3,865,221)	(3,109,692)
Net cash provided by (used in) financing activities		
Increase (decrease) in notes and short-term borrowings - trade	(42,631)	-
Net decrease (increase) in treasury shares	(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 (January 1, 2022 - December 31, 2022)	Current fiscal year (January 1, 2023 - December 31, 2023)
Effect of exchange rate change on cash and cash equivalents	381,279	175,610
Net increase (decrease) in cash and cash equivalents	(1,054,396)	(966,159)
Cash and cash equivalents at beginning of period	13,312,634	12,258,237
Cash and cash equivalents at end of period	12,258,237	11,292,078

- (5) Notes to the Consolidated Financial Statements
(Notes regarding going concern assumption)
Not applicable.

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

1 Matters regarding the scope of consolidation

Number of consolidated subsidiaries: 9

Names of consolidated subsidiaries

MILBON USA, INC.

Milbon Trading (Shanghai) Co.,Ltd.

Milbon Korea Co., Ltd.

MILBON (THAILAND) CO., LTD.

MILBON MALAYSIA SDN. BHD.

MILBON VIETNAM CO., LTD.

MILBON SINGAPORE PTE. LTD.

Milbon (Zhejiang) Cosmetics Co., Ltd.

Milbon Europe GmbH

2 Matters regarding application of equity method

Number of associates accounted for by the equity method: 1

Names of companies, etc.

KOSÉ Milbon Cosmetics Co., Ltd.

3 Matters regarding the fiscal year, etc. of consolidated subsidiaries

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

4 Matters regarding accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Available-for-sale securities

Other than shares, etc. without market price

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

Stocks, etc. without market price

Stated at cost using the moving-average method

(ii) Inventories

Merchandise

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

Finished goods and work in process

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

Raw materials

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

Supplies

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

(2) Depreciation and amortization methods for important depreciable assets

(i) Property, plant and equipment

They are depreciated using the straight-line method.

Estimated useful lives of major asset items are as follows:

Buildings and structures: 2 to 50 years

Machinery, equipment and vehicles: 2 to 17 years

(ii) Intangible assets

They are depreciated using the straight-line method.

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

years).

(3) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

(4) Accounting method for retirement benefits

(i) Method of attributing expected retirement benefits to periods

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

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

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

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

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

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

(5) Accounting standards for significant revenue and expenses

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

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

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

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

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

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

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

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

(Segment information, etc.)

Segment information

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

(Per share information)

	Previous fiscal year (January 1, 2022 - December 31, 2022)	Current fiscal year (January 1, 2023 - 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 (January 1, 2022 - December 31, 2022)	Current fiscal year (January 1, 2023 - 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 shares Amount (thousand yen)	5,577,274	4,001,627
Average number of outstanding shares of common stock during the period (shares)	32,521,551	32,536,033

(Significant subsequent events)

Not applicable.

4. Other

(1) Changes in Directors

(i) Change in Representatives

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

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

1. Retiring Directors

Yasufumi Takeda, Board Director

Shoichiro Takahata, Outside Board Director

2. Retiring Audit & Supervisory Board Member

Keisuke Endo, Outside Audit & Supervisory Board Member

3. Candidate for New Director

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

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

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

4. Candidate for new Auditor

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