



Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 [Japanese GAAP]

February 10, 2022

Tokyo Stock Exchange, First Section

Name of registrant: Milbon Co., Ltd.
 Code No.: 4919 URL <http://www.milbon.co.jp>
 Representative: Ryuji Sato, Representative Director, President & CEO
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 Scheduled date of annual general meeting of shareholders: March 29, 2022
 Scheduled filing date for Securities Report: March 29, 2022
 Scheduled starting date of dividend payments: March 30, 2022
 Preparation of supplementary materials on the Consolidated Financial Results: Yes
 Holding of an explanatory meeting on the Consolidated 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, 2021 (January 1, 2021 - December 31, 2021)

(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, 2021	41,582	16.4	7,817	22.3	7,158	23.6	5,109	21.5
Year ended December 31, 2020	35,725	(1.5)	6,394	(5.3)	5,791	(7.1)	4,204	(6.9)

(Note) Comprehensive income Year ended December 31, 2021: 5,754 million yen [52.4%] Year ended December 31, 2020: 3,776 million yen [(17.9)%]

	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, 2021	157.17	-	13.4	15.7	18.8
Year ended December 31, 2020	129.24	-	11.6	13.6	17.9

(Reference) Equity in earnings (losses) of affiliates Year ended December 31, 2021: (151) million yen Year ended December 31, 2020: (138) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	48,238	40,197	83.3	1,236.41
As of December 31, 2020	43,075	36,308	84.3	1,117.10

(Reference) Equity As of December 31, 2021: 40,197 million yen As of December 31, 2020: 36,308 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, 2021	6,636	(3,995)	(1,919)	13,312
Year ended December 31, 2020	6,548	(161)	(3,416)	12,307

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	Million yen	%	%
Year ended December 31, 2020	-	27.00	-	29.00	56.00	1,820	43.3	5.0
Year ended December 31, 2021	-	30.00	-	38.00	68.00	2,210	43.3	5.8
Year ending December 31, 2022 (forecast)	-	34.00	-	46.00	80.00		49.7	

3. Consolidated operating forecasts for the fiscal year ending December 31, 2022 (January 1, 2022 - December 31, 2022)

	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, 2022	43,900	5.6	7,550	(3.4)	7,410	3.5	5,230	2.4	160.88

*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, 2021	33,117,234 shares	As of December 31, 2020	33,117,234 shares
As of December 31, 2021	606,080 shares	As of December 31, 2020	614,837 shares
Year ended December 31, 2021	32,508,933 shares	Year ended December 31, 2020	32,529,606 shares

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

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

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

○Accompanying Materials – Contents

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1. Overview of Operating Results, etc.

(1) Analysis of operating results

① Operating results for the fiscal year under review

During the fiscal year under review, the economy continued to face severe conditions as socioeconomic activities were restricted due to the launch of repeated emergency declarations associated with the spread of COVID-19 from October onwards, the number of people with infections declined due to the spread of vaccines, and there were signs of a recovery in economic activity. However, the number of people with infections of new variant is on the rise recently, and we cannot be optimistic about the future.

In the beauty industry, COVID-19 prompted a rapid surfacing of the importance of incorporating consumers' perspectives in line with changes in people's behavioral patterns and values, and the need for digital-based transformation even though salon management is part of the real world. Recognizing the urgent need to respond to this change, our Group has been working on "Change the Stage 18 Month Missions!" as a period to build a foundation for the new medium-term business plan (2022-2026). In the consolidated fiscal year of the fiscal year under review, the domestic market continued to receive a strong reputation for field activities that combine online and brick-and-mortar sales to salons amid COVID-19. In the hair care products category, sales of premium-brand Aujua and Global Milbon were favorable due in part to the introduction of new products that capture demand and the impact of milbon:iD, an e-commerce website accessible exclusively through salons. In the hair coloring products category, sales of Ordeve Addicthy fashion color continued to be steady. In overseas markets, sales in China and South Korea continued to be steady, and sales in the U.S. also grew significantly as economic activities resumed and collaboration with distributors progressed.

As a result, consolidated net sales for the fiscal year under review amounted to 41,582 million, an increase of 16.4% compared with the corresponding period of the previous fiscal year. Operating income was 7,817 million yen (up 22.3% year-on-year), ordinary income was 7,158 million yen (up 23.6% year-on-year), and profit attributable to owners of parent was 5,109 million yen (up 21.5% 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	21,135	59.2	24,466	58.8	3,331	15.8
Hair coloring products	12,594	35.3	14,813	35.6	2,219	17.6
Permanent wave products	1,372	3.8	1,449	3.5	76	5.6
Cosmetic products	360	1.0	579	1.4	218	60.6
Other	262	0.7	273	0.7	11	4.3
Total	35,725	100.0	41,582	100.0	5,857	16.4

[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	29,880	83.6	33,643	80.9	3,762	12.6
Overseas sales	5,844	16.4	7,938	19.1	2,094	35.8
Total	35,725	100.0	41,582	100.0	5,857	16.4

② Outlook for fiscal 2022

The economic environment for the next fiscal year remains uncertain due to the re-expansion of COVID-19 and the curtailment of economic activities, as well as the accompanying soaring prices of raw materials and logistics disruptions. As a result, the outlook for the global economy is uncertain.

Under these circumstances, the Milbon Group will launch a new medium-term business plan (2022-2026). In Fiscal Year 2022, the first year of the plan, we will work to lay the foundation for realizing the Beauty Platform Plan, pioneering new functions of beauty salons. In line with changes in society, we will continue to pursue the potential of salons that can become "new channels" for consumers.

In the following fiscal year, we forecast net sales of 43,900 million yen (up 5.6% from the current fiscal year), operating income of 7,550 million yen (down 3.4% from the current fiscal year), ordinary income of 7,410 million yen (up 3.5% from the current fiscal year), and profit attributable to owners of parent of 5,230 million yen (up 2.4% from the current fiscal year).

(2) Analysis of financial position

① Assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased 5,162 million yen from the end of the previous fiscal year, to 48,238 million yen.

Current assets increased by 2,778 million yen from the end of the previous fiscal year to 24,900 million yen. This was mainly due to increases of 1,005 million yen in cash and deposits, 545 million yen in merchandise and finished goods, 473 million yen in notes and accounts receivable-trade, and 183 million yen in raw materials and supplies.

Non-current assets increased by 2,384 million yen from the end of the previous fiscal year to 23,337 million yen. Major contributing factors included an increase of 2,950 million yen in property, plant and equipment due to the construction of a new factory in China and the expansion of a factory in Milbon Thailand, and a decrease of 1,325 million yen in investment securities due to the sale of a portion of investment securities held and a decrease in unrealized gains on the market value of listed shares.

Current liabilities increased by 1,209 million yen from the end of the previous fiscal year to 7,310 million yen. The main factors for the change were increases of 764 million yen in accounts payable-other, 296 million yen in income taxes payable, and 147 million yen in accounts payable-trade.

Non-current liabilities increased by 64 million yen from the end of the previous fiscal year to 731 million yen.

Net assets increased by 3,888 million yen from the end of the previous fiscal year to 40,197 million yen. The main factors for the change were increases of 3,191 million yen in retained earnings and 702 million yen in foreign currency translation adjustment due to the depreciation of the yen, and a decrease of 305 million yen in valuation difference on available-for-sale securities due to a decrease in unrealized gains on market value of listed stocks.

As a result, the equity ratio changed from 84.3% at the end of the previous fiscal year to 83.3%. Net assets per share based on the total number of shares issued at the end of the fiscal year were 1,236.41 yen, compared to 1,117.10 yen at the end of the previous fiscal year.

② Cash flows

Cash and cash equivalents ("funds") at the end of the fiscal year under review increased by 1,005 million yen from the end of the previous fiscal year to 13,312 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 6,636 million yen. This was mainly due to the recording of income before income taxes of 7,133 million yen, depreciation and amortization of 1,777 million yen, equity in losses of affiliates of 151 million yen, an increase in notes and accounts receivable-trade of 467 million yen, an increase in inventories of 612 million yen, and income taxes paid of 195 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 3,995 million yen. This was mainly due to expenditures of 3,827 million yen for the purchase of tangible fixed assets, 659 million yen for the purchase of intangible fixed assets, proceeds of 200 million yen from the redemption of investment securities, and proceeds of 472 million yen from the sale of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was 1,919 million yen. This was mainly due to dividends paid to shareholders of 1,916 million yen.

(Reference) Cash flow-related indicators

	Year ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021
Equity ratio	82.6	83.6	85.6	84.3	83.3
Equity ratio based on market value (%)	329.6	369.2	484.3	495.7	384.2
Interest-bearing debt to cash flows ratio (%)	1.8	1.2	1.7	1.6	1.7

(Notes) Equity ratio: Equity/net 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). For the fiscal year ended December 31, 2017, total market capitalization was calculated by the following formula, due to the impact at the end of the period of ex-rights resulting from the stock split:
Closing stock price at the end of the period multiplied by (total number of outstanding shares at the end of the period plus the number of additional shares resulting from the stock split)
- * 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 Milbon Group considers the returning of profits to shareholders as an important management issue and makes it a basic policy to pay dividends in accordance with its operating results, while enhancing its business structure by maintaining internal reserves to improve its earnings in the future. Moreover, we have set the target dividend payout ratio at 40%. Interim dividends are determined at the Board of Directors meetings and year-end dividends at the general meeting of shareholders, and it is the Group's basic policy to pay dividends twice every fiscal year.

For the current fiscal year, upon comprehensively taking into account factors including our financial position and profit levels, we have decided to pay a year-end dividend of 38 yen per share. As a result, the total annual dividend per share will amount to 68 yen per share, an increase of 12 yen from the previous fiscal year, which includes the interim dividend of 30 yen per share that has already been paid.

For the following fiscal year, we plan to pay an annual dividend of 80 yen per share. This is due to the targeted payout ratio of 50% under the New Medium-Term Business Plan (2022-2026) in order to further enhance returns to shareholders.

(4) Business and other risks

Risks that could potentially affect the operating results, stock price and financial position of the Milbon Group include the following.

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

① Risks Related to COVID-19

With the global spread of COVID-19, the Japanese government has taken measures to restrict socio-economic activities in Japan and other countries in which it operates, which could have a significant impact on the Group's operating results and other factors. In the beauty market in which we operate, the reversal of the flow of people in residential areas and urban centers and changes in consumption behavior are evident. In addition to the urgent issues that originally existed, such as the declining birthrate, the aging of society, and the declining population, structural issues such as the trend toward smaller salons and the prolonged cycle of store visits are becoming more apparent.

Corporate Administration Department plays a central role in gathering and responding to these risks, and we flexibly decide on our response policies while giving top priority to ensuring the health and safety of our business partners and employees in the Group. As part of our efforts to prevent the spread of infections, we are implementing safety measures for all domestic Group employees, including active use of telecommuting and staggered commuting, and online implementation of meetings and other measures. In addition, we formulated guidelines for COVID-19, and established a system to enable swift responses in the event of an infectious disease among employees or persons concerned.

Based on the above initiatives, we are striving to respond with an emphasis on financial stability in order to expand our business after the pandemic.

② Risks associated with global expansion

The Milbon Group has taken various measures to protect information assets including customers' personal information and confidential information. However, unforeseeable events, such as the leakage of information due to unauthorized access, could have a significant impact on the Group's operating results and other factors.

In response to this risk, we gather information on political, economic and social conditions in each country in which it operates, as well as laws and regulations related to the Group's businesses in each country, on a daily basis, and then responding as necessary.

③ Information security

Through its business activities, the Milbon Group possesses important information, such as business-related transaction information and confidential information. With regard to this information, incidents such as unauthorized misappropriation of third parties due to theft or loss, violations of laws and regulations, cyber-attacks that exceed expectations, and other unforeseen situations could result in the destruction or falsification of important data, information leaks, leakage, or system shutdowns. These threats are increasing year by year. As a result, our Group's operating results and other factors could be significantly affected.

In response to this risk, we have established a management system and rules related to information security, and has taken measures to combat cyber-attacks, strengthen IT governance, and take other advanced measures, including employee training to increase information literacy, management of subcontractors, warnings concerning the handling of information, analysis of risk cases, response to stricter laws and regulations, including the protection of personal information, and reinforcement of technical measures.

④ Risks associated with debt collection

The Milbon Group has credit risk receivables such as trade receivables from customers. Deterioration in the creditworthiness of customers or business failures could have a significant impact on the Group's operating results and other factors.

In response to this risk, we strive to minimize the risk of collection of receivables by collecting information, setting certain internal standards, and managing receivables separately from each company in order to strictly manage credit. In addition, the Group takes measures to protect receivables, such as entering into customer credit guarantee agreements with financial institutions.

⑤ Risks associated with major accidents

The Milbon Group utilizes company vehicles to carry out sales activities. In the event of a major traffic accident, the trust of customers and social credibility may be lost which could have a significant impact on the Group's operating results and other factors.

In response to these risks, we are implementing safety measures that give top priority to respect for human life, such as thorough operational management and enhanced safety education.

⑥ Risks associated with product-related health hazards

Many Milbon Group products come into direct contact with the scalp and skin of consumers. In the event of an unexpected

and serious health hazard or quality defect caused by our products, the trust of our customers and social credibility may be lost, which could have a significant impact on the Group's operating results and other factors.

In response to these risks, we have established a safety management system in which divisions in charge of safety and quality assurance confirm the design and quality control status of products manufactured and sold to related divisions.

2. Outline of the Milbon Group

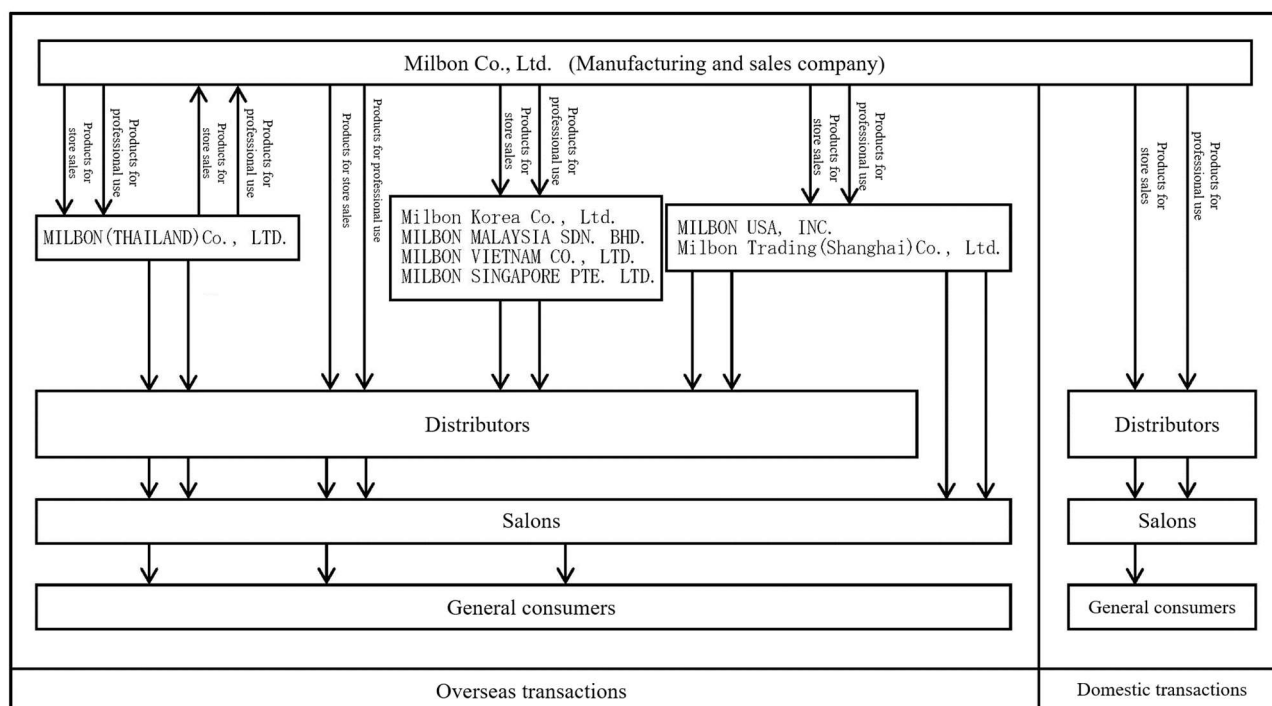
Name	Location	Capital stock or capital contribution	Main line of business	Share of voting rights Percentage (%)	Relationship with the Company
(Consolidated subsidiary) MILBON USA, INC. (NOTE)1	New York United States	USD 2 million	Sale of hair products	100.0	Sells the Company's hair products in the U.S.
(Consolidated subsidiary) Milbon Trading (Shanghai) Co., Ltd. (NOTE)1	Shanghai City China	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	Seoul City South Korea	KRW 3,000 million	Sale of hair products	100.0	Sells the Company's hair products in South Korea. Three executives hold concurrent posts at the Company.
(Consolidated subsidiary) MILBON (THAILAND) CO., LTD. (NOTE)1	Rayong Pref. Kingdom of Thailand	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.	Kuala Lumpur Malaysia	MYR 1.5 million	Sale of hair products	100.0	Sells the Company's hair products in Malaysia.
(Consolidated subsidiary) MILBON VIETNAM CO., LTD.	Ho Chi Minh City Vietnam	VND 22,594 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	Zhejiang China	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.

(NOTE)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.

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

_(Diagram of business activities)



- (NOTE)
1. Overseas transactions differ in sales channels depending on the country.
 2. The main items for store sales are haircare products.
 3. Milbon (Zhejiang) Cosmetics Co., Ltd. is not shown in the above business diagram because it did not engage in production or sales as of the end of Fiscal Year 2021.

3. 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.

4. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	12,345,024	13,350,147
Notes and accounts receivable - trade	4,199,283	4,673,258
Securities	-	200,000
Merchandise and finished goods	3,991,946	4,537,613
Work in process	46,317	41,842
Raw materials and supplies	1,177,090	1,360,902
Other	366,288	740,268
Allowance for doubtful accounts	(3,648)	(3,271)
Total current assets	22,122,303	24,900,761
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,223,211	14,865,989
Accumulated depreciation	(5,430,925)	(5,908,390)
Buildings and structures, net	6,792,285	8,957,598
Machinery, equipment and vehicles	7,001,271	8,336,484
Accumulated depreciation	(5,057,731)	(5,495,871)
Machinery, equipment and vehicles, net	1,943,540	2,840,613
Land	4,995,014	4,995,014
Construction in progress	543,159	269,654
Other	2,807,331	3,101,336
Accumulated depreciation	(2,215,534)	(2,347,955)
Other, net	591,796	753,381
Total property, plant and equipment	14,865,795	17,816,262
Intangible assets	1,318,478	1,516,714
Investments and other assets		
Investment securities	2,935,650	1,610,607
Long-term loans receivable	28,906	32,527
Net defined benefit asset	207,475	438,540
Deferred tax assets	395,087	577,944
Other	1,260,203	1,393,519
Allowance for doubtful accounts	(58,381)	(48,387)
Total investments and other assets	4,768,942	4,004,752
Total non-current assets	20,953,217	23,337,729
Total assets	43,075,520	48,238,490

(Thousand yen)

	Previous fiscal year (As of December 31, 2020)	Current fiscal year (As of December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	788,911	936,108
Accounts payable - other	2,730,817	3,495,694
Income taxes payable	1,104,850	1,401,441
Provision for bonuses	436,811	511,612
Other	1,038,850	965,353
Total current liabilities	6,100,241	7,310,210
Non-current liabilities		
Net defined benefit liability	5,216	7,753
Deferred tax liabilities	2,329	595
Asset retirement obligations	546,954	608,139
Other	112,427	114,611
Total non-current liabilities	666,928	731,099
Total liabilities	6,767,170	8,041,309
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	222,490	246,299
Retained earnings	35,643,295	38,834,669
Treasury shares	(2,108,947)	(2,080,393)
Total shareholders' equity	35,756,838	39,000,575
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	405,396	100,262
Deferred gains or losses on hedges	(1,206)	68,821
Foreign currency translation adjustment	147,775	850,537
Remeasurements of defined benefit plans	(454)	176,984
Total accumulated other comprehensive income	551,511	1,196,605
Total net assets	36,308,349	40,197,181
Total liabilities and net assets	43,075,520	48,238,490

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

(Thousand yen)

	Previous fiscal year (On January 1, 2020 To December 31, 2020)	Current fiscal year (January 1, 2021 From December 31, 2021)
Net sales	35,725,069	41,582,267
Cost of sales	12,339,754	14,083,338
Gross profit	23,385,315	27,498,928
Selling, general and administrative expenses	16,990,520	19,681,230
Operating income	6,394,794	7,817,698
Non-operating income		
Interest income	28,306	25,878
Dividend income	49,003	32,409
Company house defrayment income	4,683	3,761
Refund of custom duty	52,410	-
Subsidy income	39,674	53,071
Foreign exchange gains	-	54,621
Other	100,829	59,254
Total non-operating income	274,907	228,997
Non-operating expenses		
Sales discounts	642,698	733,118
Share of loss of entities accounted for using equity method	138,963	151,399
Foreign exchange losses	90,906	-
Other	5,817	3,736
Total non-operating expenses	878,386	888,255
Ordinary income	5,791,315	7,158,440
Extraordinary income		
Gain on sales of non-current assets	-	351
Gain on sales of investment securities	114,578	19,087
Total extraordinary income	114,578	19,438
Extraordinary losses		
Loss on retirement of non-current assets	15,884	517
Loss on sale of investment securities	-	43,959
Total extraordinary losses	15,884	44,477
Profit before income taxes	5,890,009	7,133,401
Income taxes - current	1,740,038	2,183,317
Income taxes - deferred	(54,167)	(159,204)
Total income taxes	1,685,870	2,024,112
Profit	4,204,139	5,109,288
Profit attributable to owners of parent	4,204,139	5,109,288

Consolidated Statements of Comprehensive Income

(Thousand yen)

	Previous fiscal year (On January 1, 2020 To December 31, 2020)	Current fiscal year (January 1, 2021 From December 31, 2021)
Profit	4,204,139	5,109,288
Other comprehensive income		
Valuation difference on available-for-sale securities	(367,685)	(305,133)
Deferred gains or losses on hedges	(1,206)	70,027
Foreign currency translation adjustment	(119,408)	702,761
Remeasurements of defined benefit plans, net of tax	60,900	177,438
Total other comprehensive income	(427,400)	645,093
Comprehensive income	3,776,739	5,754,382
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,776,739	5,754,382
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (January 1, 2020, to December 31, 2020)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Changes of items during period	2,000,000	200,742	33,266,155	(563,197)	34,903,700
Dividends of surplus					
Dividends of surplus			(1,827,000)		(1,827,000)
Profit attributable to owners of parent			4,204,139		4,204,139
Purchase of treasury shares				(1,591,235)	(1,591,235)
Disposal of treasury shares		21,748		45,485	67,233
Net changes of items other than shareholders' equity					
Total changes of items during period	-	21,748	2,377,139	(1,545,750)	853,137
Balance at end of current period	2,000,000	222,490	35,643,295	(2,108,947)	35,756,838

	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, net of tax	Total other comprehensive income	
Changes of items during period	773,082	-	267,184	(61,355)	978,911	35,882,612
Dividends of surplus						
Dividends of surplus						(1,827,000)
Profit attributable to owners of parent						4,204,139
Purchase of treasury shares						(1,591,235)
Disposal of treasury shares						67,233
Net changes of items other than shareholders' equity	(367,685)	(1,206)	(119,408)	60,900	(427,400)	(427,400)
Total changes of items during period	(367,685)	(1,206)	(119,408)	60,900	(427,400)	425,736
Balance at end of current period	405,396	(1,206)	147,775	(454)	551,511	36,308,349

Current fiscal year (from January 1, 2021 to December 31, 2021)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Changes of items during period	2,000,000	222,490	35,643,295	(2,108,947)	35,756,838
Dividends of surplus					
Dividends of surplus			(1,917,914)		(1,917,914)
Profit attributable to owners of parent			5,109,288		5,109,288
Purchase of treasury shares				(3,244)	(3,244)
Disposal of treasury shares		23,809		31,798	55,608
Net changes of items other than shareholders' equity					
Total changes of items during period	-	23,809	3,191,374	28,553	3,243,737
Balance at end of current period	2,000,000	246,299	38,834,669	(2,080,393)	39,000,575

	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, net of tax	Total other comprehensive income	
Changes of items during period	405,396	(1,206)	147,775	(454)	551,511	36,308,349
Dividends of surplus						
Dividends of surplus						(1,917,914)
Profit attributable to owners of parent						5,109,288
Purchase of treasury shares						(3,244)
Disposal of treasury shares						55,608
Net changes of items other than shareholders' equity	(305,133)	70,027	702,761	177,438	645,093	645,093
Total changes of items during period	(305,133)	70,027	702,761	177,438	645,093	3,888,831
Balance at end of current period	100,262	68,821	850,537	176,984	1,196,605	40,197,181

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	Previous fiscal year (On January 1, 2020 To December 31, 2020)	Current fiscal year (January 1, 2021 From December 31, 2021)
Cash flows from operating activities		
Profit before income taxes	5,890,009	7,133,401
Depreciation	1,609,008	1,777,323
Increase (decrease) in allowance for doubtful accounts	659	(10,741)
Increase (decrease) in provision for bonuses	39,915	71,943
Decrease (increase) in net defined benefit asset	36,111	24,609
Increase (decrease) in net defined benefit liability	1,122	2,529
Interest and dividend income	(77,309)	(58,287)
Share of (profit) loss of entities accounted for using equity method	138,963	151,399
Foreign exchange losses (gains)	(22,265)	55,540
Loss (gain) on sales of investment securities	(114,578)	24,872
Loss (gain) on sales of non-current assets	-	(351)
Loss on retirement of non-current assets	15,884	517
Decrease (increase) in notes and accounts receivable - trade	(28,189)	(467,843)
Decrease (increase) in inventories	(164,891)	(612,402)
Increase (decrease) in notes and accounts payable - trade	(4,605)	122,057
Other	677,197	268,588
Subtotal	7,997,031	8,483,156
Interest and dividend income received	78,114	58,805
Income taxes paid	(1,527,029)	(1,905,137)
Cash flows from operating activities	6,548,116	6,636,823
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,388,061)	(3,827,976)
Proceeds from sales of property, plant and equipment	-	351
Purchase of intangible assets	(581,146)	(659,900)
Payments of loans receivable	(9,130)	(148,000)
Collection of loans receivable	3,027	2,024
Proceeds from withdrawal of time deposits	1,200,000	-
Purchase of investment securities	-	(12,150)
Proceeds from redemption of investment securities	-	200,000
Proceeds from sales of investment securities	619,587	472,646
Payments for guarantee deposits	(63,105)	(58,435)
Proceeds from collection of guarantee deposits	58,877	28,285
Other	(1,828)	7,875
Cash flows from investing activities	(161,779)	(3,995,279)
Net cash provided by (used in) financing activities		
Net decrease (increase) in treasury shares	(1,590,687)	(3,244)
Cash dividends paid	(1,825,436)	(1,916,504)
Net cash provided by (used in) financing activities	(3,416,124)	(1,919,749)

(Thousand yen)

	Previous fiscal year (On January 1, 2020 To December 31, 2020)	Current fiscal year (January 1, 2021 From December 31, 2021)
Effect of exchange rate change on cash and cash equivalents	(38,921)	283,248
Net increase (decrease) in cash and cash equivalents	2,931,291	1,005,043
Cash and cash equivalents at beginning of period	9,376,300	12,307,591
Cash and cash equivalents at end of period	12,307,591	13,312,634

(5) Notes regarding consolidated financial statements

(Notes regarding going concern assumption)

None

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

1 Scope of consolidation

Matters regarding Number of consolidated subsidiaries: 8

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.

2 Matters regarding application of equity method

Number of equity-method affiliates: 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 is the same as the consolidated account closing date.

4 Matters regarding accounting policies

(1) Valuation standards and methods for important assets

① Securities

1) Held-to-maturity bonds

Stated using the amortized cost method

2) Available-for-sale securities

With market value

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

Market value not available

Stated at cost using the moving-average method

② Inventories

Merchandise

Stated primarily at cost using the first-in first-out 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

① Property, plant and equipment

They are amortized using the straight-line method.

Useful lives of principal assets are as follows.

Buildings and structures	31 to 50 years
Machinery, equipment and vehicles	6 to 8 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 (3 to 5 years).

(3) Accounting standards for major allowances

① Allowance for doubtful accounts

The allowance for doubtful receivables is provided at an amount calculated based on the historical write-off ratio for general receivables and on an estimated uncollectible amount determined by reference to the individual collectability of certain doubtful receivables.

② 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 the estimated amount of payment of bonuses.

(4) Accounting method for retirement benefits

① Periodic allocation of projected retirement benefits

Method of attributing expected retirement benefits to the period up to the end of the current fiscal year in calculating retirement benefit obligations

Figures are based on the benefit formula basis.

② Method of amortizing actuarial differences and past service costs

Actuarial gains and losses are determined over a certain number of years (5 years) within the average remaining years of service of the eligible employees at the time of occurrence.

Actuarial differences are amortized using the occurrence, starting from the fiscal year following the occurrence.

Prior service cost is determined over a certain number of years (5 years) which are shorter than the average remaining years of service of the eligible employees at the time of accrual.

Amortized using the straight-line method.

③ Adoption of simplified method in small companies

Certain overseas consolidated subsidiaries need to calculate net defined benefit liability and retirement benefit expenses voluntarily at the end of the fiscal year.

The simplified method using the method where the amount paid is the retirement benefit obligation is applied.

(5) The standards for recognition of significant revenues and expenses

The Company and its overseas consolidated subsidiaries have applied the "Accounting Standards for Revenue Recognition" (corporate accounting standard No. 29, March 30, 2018) and the "Guidelines for the Application of Accounting Standards for Revenue Recognition" (corporate accounting standard No. 30, March 30, 2018), and recognize the amount of revenues expected to be received for replacement with the goods or services promised upon transfer of control of the goods or services to the customer.

(6) Standard for translation of significant foreign currency dominated assets and liabilities into yen

Foreign currency denominated monetary claims and liabilities are translated into yen at the spot exchange rate on the consolidated account closing date, and translation differences are accounted for as profit or loss. The assets and liabilities of overseas consolidated subsidiaries are translated into yen at the spot exchange rate on the local account closing dates of overseas consolidated subsidiaries, while revenue and expenses are translated into yen at the average exchange rate for the period, and translation differences 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.

(8) Other significant issues for the preparation of consolidated financial statements

Taxes are accounted for by the tax

Consumption tax and other similar taxes are accounted for by the tax-exclusion method.

(Per share information)

	Previous fiscal year (January 1, 2020 From December 31, 2020)	Current fiscal year (On January 1, 2021 To December 31, 2021)
Net assets per share (Yen)	1,117.10	1,236.41
Basic earnings per share (Yen)	129.24	157.17

(NOTE) 1 Diluted net income per share is 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, 2020 From December 31, 2020)	Current fiscal year (On January 1, 2021 To December 31, 2021)
Profit attributable to owners of parent (Thousand yen)	4,204,139	5,109,288
Amount not attributable to common shareholders (Thousand yen)	-	-
Profit attributable to owners of parent relating to Amount (Thousand yen)	4,204,139	5,109,288
Average number of outstanding shares of common stock during the period (shares)	32,529,606	32,508,933

(Significant subsequent events)

None

5. Other

(1) Change of officers

① Change in representatives

None

② Changes in Other Officers (Scheduled for March 29, 2022)

1. Retiring Director

Noboru Shigemune, Senior Executive Director

Teruo Murata, Board Director

2. Candidate for new Director

Junji Morimoto, Board Director (FP Headquarters Dept., International FP Headquarters Dept., Education Planning Dept.)

Hidenori Sakashita, Board Director (Corporate Strategy Development Dept., Cosmetics Planning Dept., Information Planning Dept.)

Etsuhiro Takahashi, Outside Board Director (Part-time) (currently Advisor of Ajinomoto Co., Inc.)

Chisa Hayakawa, Outside Board Director (Part-time) (currently Executive Officer, General Manager of Finance & Accounting and Investor Relations Division of Calbee Corporation)