



# Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 [Japanese GAAP]

February 13, 2019

Tokyo Stock Exchange, First Section

Name of registrant: Milbon Co., Ltd.  
 Code No.: 4919 URL <http://www.milbon.co.jp>  
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 Scheduled date of annual general meeting of shareholders: March 28, 2019  
 Scheduled filing date for Securities Report: March 28, 2019  
 Scheduled starting date of dividend payments: March 29, 2019  
 Preparation of supplementary materials on the Consolidated Financial Results: Yes

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Holding of an explanatory meeting on the Consolidated Financial Results: Yes (For institutional investors and analysts)

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

## 1. Consolidated financial results for the fiscal year ended December 31, 2018 (January 1, 2018 - December 31, 2018)

### (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, 2018	35,185	-	6,260	-	5,811	-	4,495	-
Year ended December 31, 2017	33,456	-	5,345	-	4,997	-	3,817	-

(Note) Comprehensive income Year ended December 31, 2018: 3,689 million yen [-%] Year ended December 31, 2017: 4,715 million yen [-%]

	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, 2018	137.31	-	14.0	15.0	17.8
Year ended December 31, 2017	116.58	-	13.0	14.3	16.0

(Reference) Equity in earnings (losses) of affiliates Year ended December 31, 2018: (3) million yen Year ended December 31, 2017: 0 million yen

### (Notes)

1. The fiscal year ended December 31, 2017 is an irregular accounting period. Results are for the 12 months plus 11 days from December 21, 2016 to December 31, 2017. For the consolidated accounting, financial results for overseas consolidated subsidiaries are their respective individual results for the 15-month period from October 1, 2016 to December 31, 2017. Therefore, year-on-year changes are not stated.

2. On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Accordingly, basic earnings per share was calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2018	39,794	33,151	83.3	1,012.58
As of December 31, 2017	37,642	31,103	82.6	949.99

(Reference) Equity As of December 31, 2018: 33,151 million yen As of December 31, 2017: 31,103 million yen

(Note) On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Accordingly, net assets per share was calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

### (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, 2018	6,487	(1,202)	(1,639)	9,541
Year ended December 31, 2017	4,346	(1,919)	(1,317)	5,928

(Note) The fiscal year ended December 31, 2017 is an irregular accounting period. Results are for the 12 months plus 11 days from December 21, 2016 to December 31, 2017. For the consolidated accounting, financial results for overseas consolidated subsidiaries are their respective individual results for the 15-month period from October 1, 2016 to December 31, 2017.

## 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, 2017	-	40.00	-	52.00	92.00	1,506	39.5	5.1
Year ended December 31, 2018	-	24.00	-	30.00	54.00	1,767	39.3	5.5
Year ending December 31, 2019 (forecast)	-	27.00	-	27.00	54.00	-	-	-

(Note) On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Regarding the dividend for the fiscal year ended December 31, 2017, the amount stated is the actual dividend paid before the stock split.

3. Consolidated operating forecasts for the fiscal year ending December 31, 2019 (January 1, 2019 - December 31, 2019)

(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, 2019	36,600	8.0	6,840	9.3	6,190	6.5	4,350	(3.2)	132.86

(Note [A1]) The Company adopts the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 30, 2018) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018). In addition, year-on-year changes are calculated on the basis of consolidated financial results for the fiscal year ended December 31, 2018, after reclassification.

\*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 companies (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)

As of December 31, 2018	33,117,234 shares	As of December 31, 2017	33,117,234 shares
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2) Number of treasury shares at the end of the period

As of December 31, 2018	377,460 shares	As of December 31, 2017	376,572 shares
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3) Average number of shares during the period

Year ended December 31, 2018	32,740,018 shares	Year ended December 31, 2017	32,742,188 shares
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(Note) On January 1, 2018, the Company conducted a stock split at a ratio of two shares for every one share of common stock. Accordingly, the number of shares issued at the end of the period, the number of treasury shares at the end of the period, and the average number of shares during the period were calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended December 31, 2017.

\*These financial statements are not subject to audit 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. For notes on the use of preconditions of operating forecasts and the use of operating forecasts, refer to “1. Analysis of Operating Results and Financial Position (1) Analysis of operating results” on page 2 of the supplementary materials.

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## 1. Overview of Operating Results, etc.

### (1) Analysis of operating results

#### 1) Operating results for the fiscal year under review

Starting in the previous fiscal year, the Company changed its fiscal year end from December 20 to December 31. Additionally, the Company's consolidated subsidiaries changed their fiscal year end from September 30 to December 31. These changes give the Company and all of its consolidated subsidiaries the same fiscal year end. While the fiscal year under review covers the 12 months from January 1, 2018 to December 31, 2018, the previous fiscal year covered the 12 months and 11 days from December 21, 2016 to December 31, 2017 (for consolidated subsidiaries, the 15 months from October 1, 2016 to December 31, 2017). Therefore, year-on-year comparisons are not stated.

During the fiscal year under review, the Japanese economy continued on a moderate recovery trend as personal consumption picked up amid improvement in the employment environment. The global economy is also generally on a recovery trend. However, concerns surround the overall economic outlook regarding the impact on the global economy, as a result of a slowdown in the Chinese economy from prolonged trade friction between the U.S. and China, as well as the protectionist trade policy of the U.S.

Amid this environment, the Milbon Group worked with salons premised on the goal of "aiming to improve labor productivity by supporting lifetime hair designers who fulfill 'lifetime beauty' and enhance its dual time values."

In the hair care product category, the upgraded version of Aujua released in November 2017 continued to be very well received by the market. Additionally, the "milbon" brand, targeting the global market, also progressed steadily in salons, and the premium brand remained strong. In the hair coloring product category, the fashion color Ordeve Addicthy, which was launched in February 2017, saw substantial growth. In overseas markets, the East Asian region, mainly China, performed steadily.

As a result of the above efforts, consolidated net sales for the fiscal year under review amounted to 35,185 million yen, operating income was 6,260 million yen, ordinary income was 5,811 million yen, and profit attributable to owners of parent was 4,495 million yen. Reversal of provision for sales returns of 209 million yen recorded during the first quarter for the previous version of Aujua is included in each type of income. In addition, 310 million yen in gain on sales of investment securities due to sales of cross-held shares, etc., was recorded during the fiscal year under review.

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	19,511	58.3	21,124	60.0	—	—
Hair coloring products	12,095	36.2	12,202	34.7	—	—
Permanent wave products	1,569	4.7	1,590	4.5	—	—
Others	279	0.8	267	0.8	—	—
Total	33,456	100.0	35,185	100.0	—	—

[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	27,974	83.6	29,872	84.9	—	—
Overseas sales	5,481	16.4	5,312	15.1	—	—
Total	33,456	100.0	35,185	100.0	—	—

## 2) Outlook for fiscal 2019

In the economic outlook for Japan, an increase in the consumption tax scheduled for October 2019 has triggered concerns about budget-mindedness among consumers. Other issues include the slowdown in the Chinese economy and the impact on the global economy resulting from the prolonged trade friction between the U.S. and China.

Amid this environment, the Milbon Group will work with salons premised on the goal of “promoting the NEXT 100 by supporting ‘the creation of salons where human resources development is well established,’ where personnel are nurtured and retained, and creating ‘lifetime beauty salons’ by training beauty partners who fulfill lifetime beauty for women.”

The Company anticipates net sales of 36,600 million yen (up 8.0% year on year), operating income of 6,840 million yen (up 9.3% year on year), ordinary income of 6,190 million yen (up 6.5% year on year), and profit attributable to owners of parent of 4,350 million yen (down 3.2% year on year) on a consolidated basis for the next fiscal year. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 30, 2018) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 30, 2018) have been applied to these amounts. The year-on-year comparisons are calculated on the basis of consolidated financial results for the fiscal year ended December 31, 2018, after reclassification.

## (2) Analysis of financial position

### 1) Assets, liabilities and net assets

Total assets at the end of the fiscal year ended December 31, 2018 increased by 2,151 million yen compared to the end of the previous fiscal year to 39,794 million yen.

Current assets increased by 3,197 million yen compared to the end of the previous fiscal year to 19,303 million yen. This was mainly due to the 3,613 million yen increase in cash and deposits, the 651 million yen increase in merchandise and finished goods and the 1,200 million yen decrease in notes and accounts receivable - trade.

Non-current assets decreased by 1,045 million yen compared to the end of the previous fiscal year to 20,490 million yen. This was mainly due to the 285 million yen decrease in property, plant and equipment due to the recording of depreciation, etc., and the 600 million yen decrease in investment securities associated with the sales and drop in prices of listed stocks.

Current liabilities increased by 350 million yen compared to the end of the previous fiscal year to 6,345 million yen. This was mainly due to the 799 million yen increase in income taxes payable and the 280 million yen decrease in accounts payable – trade, the 265 million yen decrease in provision for sales returns and the 158 million yen decrease in accounts payable – other.

Non-current liabilities decreased by 247 million yen compared to the end of the previous fiscal year to 296 million yen.

Net assets increased by 2,048 million yen compared to the end of the previous fiscal year to 33,151 million yen. This was mainly due to the 2,858 million yen increase in retained earnings and the 472 million yen decrease in valuation difference on available-for-sale securities associated with the sales and drop in prices of listed stocks.

As a result, the equity ratio changed from 82.6% at the end of the previous fiscal year to 83.3%. Net assets per share based on the total outstanding shares as of the end of the period under review increased from 949.99 yen per share at the end of the previous fiscal year to 1,012.58 yen per share.

### 2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year increased by 3,613 million yen compared to the end of the previous fiscal year to 9,541 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 amounted to 6,487 million yen. This was mainly the result of posting 6,113 million yen in profit before income taxes, depreciation of 1,380 million yen, 812 million yen in income taxes paid and the 1,191 million yen decrease in notes and accounts receivable - trade.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,202 million yen. This was mainly due to the purchase of property, plant and equipment of 941 million yen, the purchase of intangible assets of 396 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 1,639 million yen. This was mainly due to the cash dividends paid to shareholders of 1,635 million yen.

## (Reference) Cash flow-related indicators

	Year ended December 20, 2014	Year ended December 20, 2015	Year ended December 20, 2016	Year ended December 31, 2017	Year ended December 31, 2018
Equity ratio (%)	85.7	85.1	85.4	82.6	83.3
Equity ratio based on market value (%)	183.0	264.2	223.3	329.6	367.8
Interest-bearing debt to cash flows ratio (%)	3.0	2.1	2.4	1.8	1.2

(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 the end of improving 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 30 yen per share. As a result, the total annual dividend per share will amount to 54 yen per share, which includes the interim dividend of 24 yen per share that has already been paid.

For the following fiscal year, we plan to pay an annual dividend of 54 yen per share.

(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 future risks identified in this section are based on assessments made by the Company as of the end of the fiscal year under review. The Group recognizes the possibility of these risk events actually occurring and has prepared policies to prevent and avert such risks and take appropriate measures to minimize the impact of such risks when they do occur.

1) Risks associated with global expansion

The Milbon Group is aggressively expanding its business into the overseas markets. Global expansion entails risks relating to intellectual property rights including counterfeit goods, unforeseeable changes in laws and regulations, and risks of social unrest due to terrorism, war and other factors. Such risks could have a major impact on the Group's operating results and financial position.

2) Information security

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 major impact on the Group's operating results and financial position.

3) Risks associated with debt collection

The Milbon Group deliberates and records necessary reserves upon regularly reviewing its business partners from both quantitative and qualitative perspectives and in terms of collection status. However, deterioration in the business partner's credit standing or events such as bankruptcy could have a major impact on the Group's operating results and financial position.

4) Risks associated with major accidents

The Milbon Group utilizes company cars in its sales activities. The Group implements safety measures that place maximum priority on human life, including strict control over driving and the reinforcement of safety training. However, should a major accident event occur, it could lead to the loss of the customers' and the public's trust in the Group and have a major impact on the Group's operating results and financial position.

5) Risks associated with product-related health hazards

Many Milbon Group products come into direct contact with consumers' hair and scalp, and as such the Milbon Group places top priority on its efforts to ensure product safety and quality. However, should an unforeseeable incident involving a major health hazard occur, it could lead to the loss of the customers' and the public's trust in the Group and have a major impact on the Group's operating results and financial position.

## 2. Outline of the Milbon Group

Name	Location	Capital stock or capital contribution	Main line of business	Percentage of voting rights held (%)	Relationship with the Company
(Consolidated subsidiary) MILBON USA, INC. (Note) 1.	New York, USA	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, China	JPY 430 million	Sale of hair products	100.0	Sells the Company's hair products in China. Three executives hold concurrent posts at the Company.
(Consolidated subsidiary) Milbon Korea Co., Ltd. (Note) 1.	Seoul, 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, 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	Plans to sell 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	Plans to sell the Company's hair products in Vietnam.

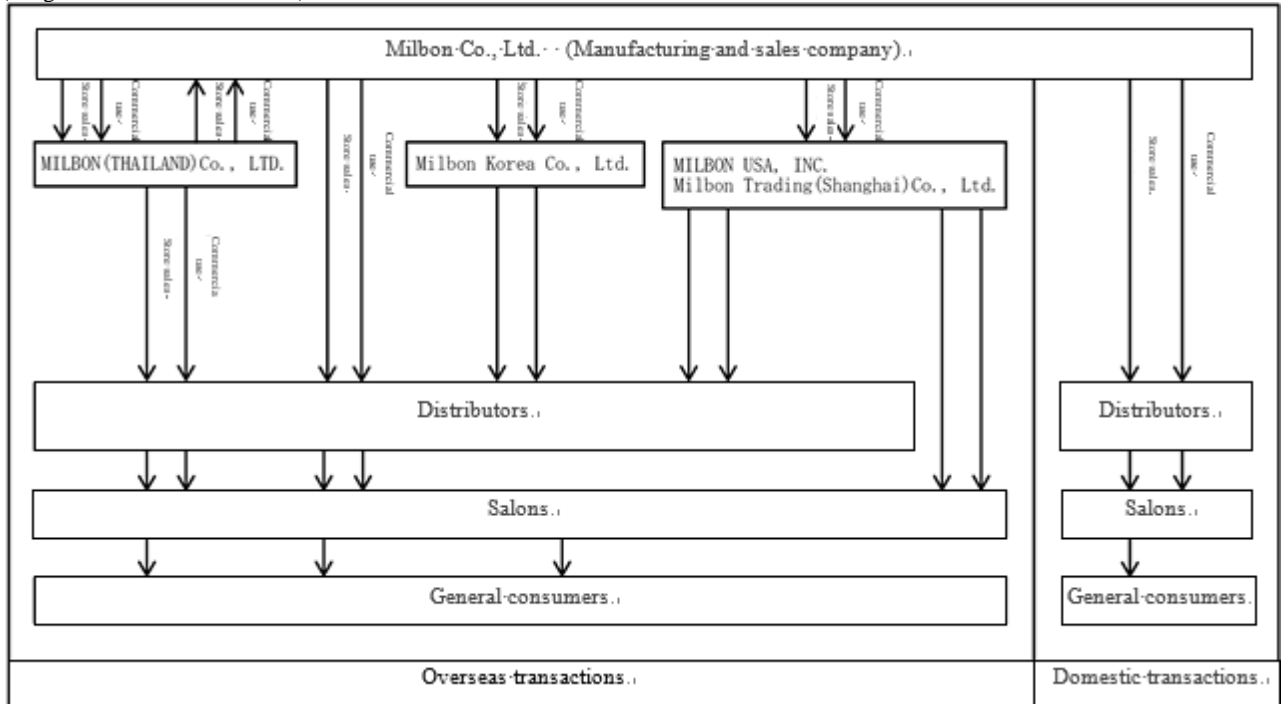
(Notes) 1. The company falls under the category of "specified subsidiary."

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



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

(Diagram of business activities)



- (Notes)
1. For overseas transactions, sales channels differ depending on the country.
  2. The main items for store sales are hair-care products.
  3. MILBON MALAYSIA SDN. BHD. and MILBON VIETNAM CO., LTD were newly established during the current fiscal year but had not begun operations as of the end of the fiscal year ended December 31, 2018. Therefore, they are not included in the above diagram of business activities.

### 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), as it makes it possible to compare the consolidated financial statements against previous fiscal year and against 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, 2017)	Current Fiscal Year (As of December 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	6,164,763	9,778,129
Notes and accounts receivable - trade	*2 5,076,624	*2 3,875,865
Merchandise and finished goods	2,991,885	3,643,382
Work in process	57,709	39,687
Raw materials and supplies	1,025,671	1,140,083
Deferred tax assets	458,893	472,397
Other	450,693	410,547
Allowance for doubtful accounts	(119,553)	(56,335)
<b>Total current assets</b>	<b>16,106,686</b>	<b>19,303,757</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,148,669	11,312,678
Accumulated depreciation	(4,286,940)	(4,661,323)
Buildings and structures, net	6,861,729	6,651,355
Machinery, equipment and vehicles	6,172,774	6,541,039
Accumulated depreciation	(4,002,956)	(4,433,316)
Machinery, equipment and vehicles, net	2,169,817	2,107,722
Land	5,029,802	5,028,467
Construction in progress	12,981	13,830
Other	2,476,243	2,542,100
Accumulated depreciation	(1,923,830)	(2,002,027)
Other, net	552,412	540,072
<b>Total property, plant and equipment</b>	<b>14,626,742</b>	<b>14,341,447</b>
Intangible assets	943,654	987,821
Investments and other assets		
Investment securities	*1 4,748,113	*1 4,147,992
Net defined benefit asset	275,188	-
Deferred tax assets	9,750	11,640
Other	996,332	1,049,684
Allowance for doubtful accounts	(63,862)	(48,272)
<b>Total investments and other assets</b>	<b>5,965,522</b>	<b>5,161,044</b>
<b>Total non-current assets</b>	<b>21,535,919</b>	<b>20,490,313</b>
<b>Total assets</b>	<b>37,642,605</b>	<b>39,794,071</b>

(Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,145,987	865,878
Accounts payable - other	2,535,084	2,376,675
Income taxes payable	786,252	1,585,720
Provision for sales returns	292,501	27,271
Provision for bonuses	318,617	419,922
Other	916,809	1,070,015
Total current liabilities	5,995,253	6,345,484
Non-current liabilities		
Net defined benefit liability	47,859	57,243
Deferred tax liabilities	411,511	159,128
Other	84,614	80,417
Total non-current liabilities	543,986	296,788
Total liabilities	6,539,239	6,642,273
Net assets		
Shareholders' equity		
Capital stock	2,000,000	2,000,000
Capital surplus	200,066	200,613
Retained earnings	27,756,292	30,614,693
Treasury shares	(554,227)	(558,811)
Total shareholders' equity	29,402,131	32,256,496
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,332,021	859,702
Foreign currency translation adjustment	381,392	264,024
Remeasurements of defined benefit plans	(12,178)	(228,425)
Total accumulated other comprehensive income	1,701,234	895,301
Total net assets	31,103,366	33,151,797
Total liabilities and net assets	37,642,605	39,794,071

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

(Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Net sales	33,456,268	35,185,374
Cost of sales	10,659,047	10,824,145
Gross profit	22,797,220	24,361,229
Selling, general and administrative expenses	*1,*2 17,452,054	*1,*2 18,100,704
Operating income	5,345,165	6,260,524
Non-operating income		
Interest income	6,981	6,980
Dividend income	67,316	60,870
Share of profit of entities accounted for using equity method	979	–
Company house defrayment income	74,078	57,686
Gain on surrender of insurance	14,439	3,255
Subsidy income	–	50,528
Other	40,884	57,251
Total non-operating income	204,680	236,571
Non-operating expenses		
Sales discounts	512,060	608,641
Share of loss of entities accounted for using equity method	–	3,399
Foreign exchange losses	10,032	69,657
Depreciation	11,962	–
Other	18,006	4,025
Total non-operating expenses	552,062	685,723
Ordinary income	4,997,783	5,811,372
Extraordinary income		
Gain on sales of non-current assets	*3 70	*3 229
Gain on sales of investment securities	788,540	310,341
Total extraordinary income	788,611	310,571
Extraordinary losses		
Loss on retirement of non-current assets	*4 48,144	*4 8,158
Loss on renewal of brand	*5 520,594	–
Total extraordinary losses	568,739	8,158
Profit before income taxes	5,217,656	6,113,785
Income taxes - current	1,438,644	1,583,193
Income taxes - deferred	(38,174)	35,174
Total income taxes	1,400,469	1,618,367
Profit	3,817,186	4,495,417
Profit attributable to owners of parent	3,817,186	4,495,417

Consolidated Statements of Comprehensive Income

(Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Profit	3,817,186	4,495,417
Other comprehensive income		
Valuation difference on available-for-sale securities	579,325	(472,318)
Foreign currency translation adjustment	338,055	(117,367)
Remeasurements of defined benefit plans, net of tax	(18,771)	(216,247)
Total other comprehensive income	898,609	(805,933)
Comprehensive income	4,715,795	3,689,484
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,715,795	3,689,484
Comprehensive income attributable to non-controlling interests	-	-

## (3) Consolidated Statements of Changes in Shareholders' Equity

Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,000,000	199,946	25,248,823	(544,946)	26,903,823
Changes of items during period					
Dividends of surplus			(1,309,716)		(1,309,716)
Profit attributable to owners of parent			3,817,186		3,817,186
Purchase of treasury shares				(9,508)	(9,508)
Disposal of treasury shares		119		227	347
Net changes of items other than shareholders' equity					
Total changes of items during period	-	119	2,507,469	(9,280)	2,498,308
Balance at end of current period	2,000,000	200,066	27,756,292	(554,227)	29,402,131

	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 current period	752,695	43,336	6,592	802,624	27,706,448
Changes of items during period					
Dividends of surplus					(1,309,716)
Profit attributable to owners of parent					3,817,186
Purchase of treasury shares					(9,508)
Disposal of treasury shares					347
Net changes of items other than shareholders' equity	579,325	338,055	(18,771)	898,609	898,609
Total changes of items during period	579,325	338,055	(18,771)	898,609	3,396,917
Balance at end of current period	1,332,021	381,392	(12,178)	1,701,234	31,103,366

Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,000,000	200,066	27,756,292	(554,227)	29,402,131
Changes of items during period					
Dividends of surplus			(1,637,016)		(1,637,016)
Profit attributable to owners of parent			4,495,417		4,495,417
Purchase of treasury shares				(4,894)	(4,894)
Disposal of treasury shares		547		309	857
Net changes of items other than shareholders' equity					
Total changes of items during period	-	547	2,858,401	(4,584)	2,854,364
Balance at end of current period	2,000,000	200,613	30,614,693	(558,811)	32,256,496

	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 current period	1,332,021	381,392	(12,178)	1,701,234	31,103,366
Changes of items during period					
Dividends of surplus					(1,637,016)
Profit attributable to owners of parent					4,495,417
Purchase of treasury shares					(4,894)
Disposal of treasury shares					857
Net changes of items other than shareholders' equity	(472,318)	(117,367)	(216,247)	(805,933)	(805,933)
Total changes of items during period	(472,318)	(117,367)	(216,247)	(805,933)	2,048,431
Balance at end of current period	859,702	264,024	(228,425)	895,301	33,151,797



## (4) Consolidated Statements of Cash Flows

(Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,217,656	6,113,785
Depreciation	1,278,755	1,380,881
Increase (decrease) in allowance for doubtful accounts	(44,328)	(78,710)
Increase (decrease) in provision for bonuses	176,422	102,079
Increase (decrease) in provision for sales returns	277,302	(265,229)
Decrease (increase) in net defined benefit asset	(52,382)	(34,042)
Increase (decrease) in net defined benefit liability	10,214	10,092
Interest and dividend income	(74,297)	(67,850)
Share of (profit) loss of entities accounted for using equity method	(979)	3,399
Foreign exchange losses (gains)	(35,648)	(1,475)
Loss (gain) on sales of investment securities	(788,540)	(310,341)
Loss (gain) on sales of non-current assets	(70)	(229)
Loss on retirement of non-current assets	48,144	8,158
Decrease (increase) in notes and accounts receivable - trade	(1,232,633)	1,191,330
Decrease (increase) in inventories	(25,676)	(813,250)
Increase (decrease) in notes and accounts payable - trade	399,781	(272,641)
Other, net	487,603	266,516
<b>Subtotal</b>	<b>5,641,322</b>	<b>7,232,471</b>
Interest and dividend income received	75,003	67,849
Income taxes paid	(1,369,467)	(812,988)
<b>Net cash provided by (used in) operating activities</b>	<b>4,346,858</b>	<b>6,487,332</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,151,251)	(941,457)
Proceeds from sales of property, plant and equipment	300,091	266
Purchase of intangible assets	(386,997)	(396,429)
Payments of loans receivable	(6,400)	(4,110)
Collection of loans receivable	7,020	5,313
Payments into time deposits	(619)	(325)
Proceeds from withdrawal of time deposits	61,605	-
Purchase of investment securities	(1,439,880)	(244,100)
Proceeds from sales of investment securities	938,007	476,722
Payments for guarantee deposits	(315,192)	(141,009)
Proceeds from collection of guarantee deposits	48,847	46,617
Proceeds from cancellation of insurance funds	54,873	6,589
Other, net	(29,961)	(10,226)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,919,858)</b>	<b>(1,202,149)</b>
<b>Cash flows from financing activities</b>		
Net decrease (increase) in treasury shares	(9,161)	(4,036)
Cash dividends paid	(1,308,689)	(1,635,166)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,317,850)</b>	<b>(1,639,203)</b>
Effect of exchange rate change on cash and cash equivalents	81,441	(32,513)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,190,590</b>	<b>3,613,466</b>
Cash and cash equivalents at beginning of period	4,737,426	5,928,017
<b>Cash and cash equivalents at end of period</b>	<b>5,928,017</b>	<b>9,541,483</b>

(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. Matters regarding the scope of consolidation

Number of consolidated subsidiaries: 6

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 MALAYSIA SDN. BHD. and MILBON VIETNAM CO., LTD have been included in the scope of consolidation as they were newly established in the fiscal year under review.

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

i) Held-to-maturity bonds

Stated using the amortized cost method

ii) Available-for-sale securities

Market value available

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 depreciated 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

In order to prepare for potential credit losses on receivables, the Company and its overseas consolidated subsidiaries record the estimated uncollectible amount at the amount calculated based on the historical rate of credit loss in the case of ordinary receivables, and at the amount determined in consideration of collectability of individual receivables in the case of doubtful accounts and other certain 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.

3) Provision for sales returns

To provide for loss due to returns of merchandise and products, the Company records the estimated amount of loss resulting from future returns, taking into account factors including the historical sales return ratio.

(4) Accounting method for retirement benefits

1) Periodic allocation of projected retirement benefits

In calculating retirement benefit obligations, the benefit formula basis is applied for allocation of projected retirement benefits to the periods up to the end of the fiscal year under review.

2) Method of amortizing actuarial differences and past service costs

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

Past service costs are amortized using the straight-line method over a certain number of years (5 years) within the average remaining period of service of the corresponding employees at the time of the occurrence.

3) Adoption of simplified method in small companies

Some of the overseas consolidated subsidiaries adopt a simplified method for calculating net defined benefit liability and retirement benefit expenses, in which the amount of retirement benefit payable at fiscal year-end due to voluntary termination is recognized as retirement benefit obligations.

(5) 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.

(6) 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.

(7) Other significant matters in the preparation of consolidated financial statements

Accounting treatment of consumption tax, etc.

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

(Notes to Consolidated Balance Sheets)

\*1 Information concerning affiliates are as follows.

(Unit: Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Investment securities (shares)	5,879	52,713

\*2 Accounting treatment for notes maturing at period end

Notes maturing at the end of the fiscal year are accounted for as if they had been settled on their maturity dates.

As the last day of the fiscal year under review fell on a bank holiday, the following notes maturing at the end of the fiscal year are accounted for as if they had been settled on their maturity dates.

(Unit: Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Notes receivable - trade	101,266	104,512

(Notes to Consolidated Statements of Earnings)

\*1 Main items and amounts of selling, general and administrative expenses

(Unit: Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Sales promotion expenses	3,063,409	3,097,793
Compensation, salaries and allowances	4,314,985	4,351,512
Provision for bonuses[A2]	240,335	299,318
Retirement benefit expenses	203,082	223,101
Provision of allowance for doubtful accounts[A3]	(44,328)	(60,767)

\*2 Total amount of research and development expenses included in selling, general and administrative expenses

(Unit: Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Research and development expenses	1,422,422	1,479,094

\*3 Breakdown of gain on sales of non-current assets

(Unit: Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Machinery, equipment and vehicles	70	229

\*4 Breakdown of loss on retirement of non-current assets

(Unit: Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Buildings and structures	14,978	1,689
Machinery, equipment and vehicles	565	93
Software	17,557	-
Other	15,043	6,375
<b>Total</b>	<b>48,144</b>	<b>8,158</b>

\*5 Loss on renewal of brand

Fiscal year ended December 31, 2017 (December 21, 2016 - December 31, 2017)

With respect to its main stay brand Aujua, the Company recorded the amount of disposed Aujua products before upgrading along with estimated future sales returns under extraordinary losses. The breakdown of loss on renewal of brand is 245,594 thousand yen of loss on abandonment of inventories[A4] and 275,000 thousand yen of provision for sales returns.

Fiscal year ended December 31, 2018 (January 1, 2018 - December 31, 2018)

None

## (Notes to Consolidated Statements of Comprehensive Income)

\* Reclassification adjustment and tax effect relating to other comprehensive income

(Unit: Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Valuation difference on available-for-sale securities		
Amount incurred during the current period	1,623,303	(370,233)
Reclassification adjustment	(788,540)	(310,341)
Before tax effect adjustment	834,762	(680,574)
Tax effect	(255,437)	208,255
Valuation difference on available-for-sale securities	579,325	(472,318)
Foreign currency translation adjustment		
Amount incurred during the current period	338,055	(117,367)
Remeasurements of defined benefit plans		
Amount incurred during the current period	14,328	(286,629)
Reclassification adjustment	(41,376)	(24,965)
Before tax effect adjustment	(27,048)	(311,595)
Tax effect	8,276	95,348
Remeasurements of defined benefit plans	(18,771)	(216,247)
Total other comprehensive income	898,609	(805,933)

## (Notes to Consolidated Statements of Changes in Shareholders' Equity)

Fiscal year ended December 31, 2017 (December 21, 2016 - December 31, 2017)

## 1. Matters regarding issued shares

Class of shares	Beginning of current fiscal year	Increase	Decrease	End of current fiscal year
Common stock (shares)	16,558,617	–	–	16,558,617

## 2. Matters regarding treasury shares

Class of shares	Beginning of current fiscal year	Increase	Decrease	End of current fiscal year
Common stock (shares)	186,816	1,548	78	188,286

(Outline of reasons for changes)

1. The increase comprises the purchase of shares in response to the request for the Company's purchase of shares of less than one unit.
2. The decrease comprises the sale of shares in response to the request to purchase additional shares of less than one unit.

## 3. Matters regarding dividends

## (1) Payment of dividends

Resolution	Class of shares	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders <sup>[A5]</sup> held on March 16, 2017	Common stock	654,872	40	December 20, 2016	March 17, 2017
The Board of Directors meeting held on June 28, 2017	Common stock	654,844	40	June 20, 2017	August 10, 2017

## (2) Dividends for which the record date falls in the fiscal year under review but the effective date falls in the following fiscal year

Resolution	Class of shares	Dividend resource	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 29, 2018	Common stock	Retained earnings	851,257	52	December 31, 2017	March 30, 2018

(Note) The Company conducted a two-for-one stock split of its common stock on January 1, 2018. The above dividend per share is the actual amount of dividend paid before the stock split.

Fiscal year ended December 31, 2018 (January 1, 2018 - December 31, 2018)

1. Matters regarding issued shares

Class of shares	Beginning of current fiscal year	Increase	Decrease	End of current fiscal year
Common stock (shares)	16,558,617	16,558,617	–	33,117,234

(Outline of reasons for changes)

The increase of 16,558,617 shares is an increase resulting from the two-for-one stock split of common stock conducted on January 1, 2018.

2. Matters regarding treasury shares

Class of shares	Beginning of current fiscal year	Increase	Decrease	End of current fiscal year
Common stock (shares)	188,286	189,384	210	377,460

(Outline of reasons for changes)

1. The increase comprises the purchase of 1,098 shares in response to the request for the Company's purchase of shares of less than one unit and the increase of 188,286 shares due to the stock split.

2. The decrease comprises the sale of shares in response to the request to purchase additional shares of less than one unit.

3. Matters regarding dividends

(1) Payment of dividends

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, 2018	Common stock	851,257	52	December 31, 2017	March 30, 2018
The Board of Directors meeting held on August 10, 2018	Common stock	785,758	24	June 30, 2018	August 22, 2018

(2) Dividends for which the record date falls in the fiscal year under review but the effective date falls in the following fiscal year

Resolution	Class of shares	Dividend resource	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 28, 2019	Common stock	Retained earnings	982,193	30	December 31, 2018	March 29, 2019

(Notes to Consolidated Statements of Cash Flows)

\* Relationship between cash and cash equivalents at end of period and the amounts of items stated in the Consolidated Balance Sheets  
(Unit: Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Cash and deposits	6,164,763	9,778,129
Term deposits with deposit terms of more than three month	(236,745)	(236,645)
Cash and cash equivalents	5,928,017	9,541,483



(Lease transactions)

1. Operating lease transactions

(Lessee)

Future lease payments for the operating lease transactions that are non-cancellable

(Unit: Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Due within one year or less	54,596	208,560
Due within more than one year	58,433	415,328
Total	113,029	623,889

(Financial instruments)

1. Matters regarding the current status of financial instruments

(1) Policies for handling financial instruments

The Group invests its funds exclusively in the asset classes with higher degree of safety for the purpose of preserving its assets in principle.

It is also the Group's policy not to perform any speculative transactions. In the fiscal year under review, the Group conducted no derivative transactions.

(2) Description of financial instruments, related risks and risk management system

Notes and accounts receivable - trade, which are trade receivables, are exposed to the credit risks of customers. For these risks, term administration and balance management are performed for each customer.

Securities and investment securities mainly comprise shares in the companies with whom the company maintains business relationship and held-to-maturity bonds, and are exposed to the risks of market price fluctuations. These risks are managed through regular identification of their market values as well as the financial conditions of their issuers, while such market values are reported to the Board of Directors on a regular basis.

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

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

The market value of financial instruments is based on the market price, and when there is no market price available, a rationally calculated amount is used. Since such calculation involves factors that fluctuate, applying different assumptions and factors can change such market value.

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

Consolidated balance sheet amount, market value and their difference are as follows. Instruments whose market value is extremely difficult to determine are not included in the following table. (Please refer to (Note 2))

Previous fiscal year (As of December 31, 2017)

	Consolidated balance sheet amount (Thousand yen)	Market value (Thousand yen)	Difference (Thousand yen)
(1) Cash and deposits	6,164,763	6,164,763	—
(2) Notes and accounts receivable - trade	5,076,624	5,076,624	—
(3) Investment securities	4,725,984	4,725,560	(424)
Total assets	15,967,371	15,966,947	(424)
(1) Accounts payable - trade	1,145,987	1,145,987	—
(2) Accounts payable - other	2,535,084	2,535,084	—
(3) Income taxes payable	786,252	786,252	—
Total liabilities	4,467,325	4,467,325	—

Current fiscal year (As of December 31, 2018)

	Consolidated balance sheet amount (Thousand yen)	Market value (Thousand yen)	Difference (Thousand yen)
(1) Cash and deposits	9,778,129	9,778,129	—
(2) Notes and accounts receivable - trade	3,875,865	3,875,865	—
(3) Investment securities	4,079,028	4,065,905	(13,123)
Total assets	17,733,023	17,719,900	(13,123)
(1) Accounts payable - trade	865,878	865,878	—
(2) Accounts payable - other	2,376,675	2,376,675	—
(3) Income taxes payable	1,585,720	1,585,720	—
Total liabilities	4,828,274	4,828,274	—

(Note 1) Matters regarding the method for calculating the market value of financial instruments as well as securities

Assets

(1) Cash and deposits and (2) Notes and accounts receivable - trade

As these are settled in the short term, their market value approximate the book value, and therefore the book value is used as the market value.

(3) Investment securities

The prices on the exchanges are used for the market value of shares, while the prices provided by correspondent financial institutions, etc. are used for the market value of bonds. For the notes regarding securities by purpose of holding, please refer to notes related to "Securities".

Liabilities

(1) Accounts payable - trade, (2) Accounts payable - other and (3) Income taxes payable

As these are settled in the short term, their market value approximate the book value, and therefore the book value is used as the market value.

(Note 2) Consolidated balance sheet amount of the financial instruments whose market value is extremely difficult to determine

(Unit: Thousand yen)

Category	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Unlisted shares	22,129	68,963

Since unlisted shares have no market price available and the market value is extremely difficult to determine, they are not included in "(3) Securities."

(Note 3) Scheduled redemption amounts of monetary claims and securities with maturity after consolidated account closing date

Previous fiscal year (As of December 31, 2017)

	Within one year (Thousand yen)	More than one year but within five years (Thousand yen)	More than five years but within ten years (Thousand yen)	More than ten years (Thousand yen)
Cash and deposits	6,164,763	–	–	–
Notes and accounts receivable - trade	5,076,624	–	–	–
Securities and investment securities				
Held-to-maturity bonds				
1) Corporate bonds	–	–	200,000	–
2) Other	–	–	–	–
Total	11,241,387	–	200,000	–

Current fiscal year (As of December 31, 2018)

	Within one year (Thousand yen)	More than one year but within five years (Thousand yen)	More than five years but within ten years (Thousand yen)	More than ten years (Thousand yen)
Cash and deposits	9,778,129	–	–	–
Notes and accounts receivable - trade	3,875,865	–	–	–
Securities and investment securities				
Held-to-maturity bonds				
1) Corporate bonds	–	–	200,000	–
2) Other	–	200,000	–	–
Total	13,653,994	200,000	200,000	–

## (Securities)

## 1. Held-to-maturity bonds

Previous fiscal year (As of December 31, 2017)

	Category	Consolidated balance sheet amount (Thousand yen)	Market value (Thousand yen)	Difference (Thousand yen)
Securities with market value exceeding consolidated balance sheet amount	(1) Japanese government bonds and local government bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	–	–	–
	Sub-total	–	–	–
Securities with market value not exceeding consolidated balance sheet amount	(1) Japanese government bonds and local government bonds, etc.	–	–	–
	(2) Corporate bonds	200,000	199,576	(424)
	(3) Other	–	–	–
	Sub-total	200,000	199,576	(424)
Total		200,000	199,576	(424)

Current fiscal year (As of December 31, 2018)

	Category	Consolidated balance sheet amount (Thousand yen)	Market value (Thousand yen)	Difference (Thousand yen)
Securities with market value exceeding consolidated balance sheet amount	(1) Japanese government bonds and local government bonds, etc.	–	–	–
	(2) Corporate bonds	200,000	200,129	129
	(3) Other	–	–	–
	Sub-total	200,000	200,129	129
Securities with market value not exceeding consolidated balance sheet amount	(1) Japanese government bonds and local government bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Other	200,000	186,748	(13,252)
	Sub-total	200,000	186,748	(13,252)
Total		400,000	386,877	(13,123)

2. Available-for-sale securities

Previous fiscal year (As of December 31, 2017)

	Category	Consolidated balance sheet amount (Thousand yen)	Acquisition cost (Thousand yen)	Difference (Thousand yen)
Securities with consolidated balance sheet amount exceeding acquisition cost	(1) Shares	4,525,984	2,606,645	1,919,338
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Sub-total	4,525,984	2,606,645	1,919,338
Securities with consolidated balance sheet amount not exceeding acquisition cost	(1) Shares	–	–	–
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Sub-total	–	–	–
Total		4,525,984	2,606,645	1,919,338

(Note) Since unlisted shares (consolidated balance sheet amount of 16,250 thousand yen) have no market price available and the market value is extremely difficult to determine, they are not included in “available-for-sale securities” in the table above.

Current fiscal year (As of December 31, 2018)

	Category	Consolidated balance sheet amount (Thousand yen)	Acquisition cost (Thousand yen)	Difference (Thousand yen)
Securities with consolidated balance sheet amount exceeding acquisition cost	(1) Shares	3,264,349	1,999,562	1,264,786
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Sub-total	3,264,349	1,999,562	1,264,786
Securities with consolidated balance sheet amount not exceeding acquisition cost	(1) Shares	414,679	440,701	(26,022)
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Sub-total	414,679	440,701	(26,022)
Total		3,679,028	2,440,264	1,238,764

(Note) Since unlisted shares (consolidated balance sheet amount of 16,250 thousand yen) have no market price available and the market value is extremely difficult to determine, they are not included in “available-for-sale securities” in the table above.

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

Fiscal year ended December 31, 2017 (December 21, 2016 - December 31, 2017)

Category	Amount of sales (Thousand yen)	Total gain on sales (Thousand yen)	Total loss on sales (Thousand yen)
(1) Shares	938,007	788,540	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	938,007	788,540	—

Fiscal year ended December 31, 2018 (January 1, 2018 - December 31, 2018)

Category	Amount of sales (Thousand yen)	Total gain on sales (Thousand yen)	Total loss on sales (Thousand yen)
(1) Shares	476,722	310,341	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	476,722	310,341	—

4. Securities subject to impairment

None

Criteria for impairment recognition are as follows. Shares whose market value fell 50% or more from acquisition cost are all subject to impairment recognition, while those whose market value fell 30% or more but less than 50% from acquisition cost are individually reviewed for their recoverability to decide whether impairment recognition is necessary.

(Derivative transactions)

As the Group does not use derivative transactions at all, there is no applicable information.

(Retirement benefits)

1. Outline of the retirement benefits plan adopted

The Company has adopted a defined benefit corporate pension plan and a defined contribution corporate pension plan as defined benefit plans.

The Company was participating in a joint-type welfare pension plan, which, however, was transferred to the corporate pension plan on March 1, 2017 under the permission by the Minister of Health, Labor and Welfare allowing the Company to return the substitution part.

Meanwhile, some of the consolidated subsidiaries have adopted retirement lump-sum plans and defined contribution pension plans as defined benefit plans.

2. Defined benefit plans (excluding the plans adopting simplified method)

(1) Reconciliation of the balances of retirement benefit obligations at beginning and end of period

	(Unit: Thousand yen)	
	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Balance of retirement benefit obligation at beginning of period	1,941,296	2,213,143
Service cost	146,563	166,199
Interest cost	17,471	11,065
Amount of actuarial differences incurred	134,070	29,450
Retirement benefits paid	(26,258)	(46,547)
Balance of retirement benefit obligations at end of period	2,213,143	2,373,312

(2) Reconciliation of the balances of plan assets at beginning and end of period

	(Unit: Thousand yen)	
	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Balance of plan assets at beginning of period	2,191,150	2,488,331
Expected return on plan assets	56,429	62,208
Amount of actuarial differences incurred	148,398	(257,178)
Employer contributions	118,611	124,134
Retirement benefits paid	(26,258)	(46,547)
Balance of plan assets at end of period	2,488,331	2,370,948



(3) Reconciliation of the balances of retirement benefit obligations and pension assets at end of period, and net defined benefit liability and net defined benefit asset recorded in Consolidated Balance Sheets

(Unit: Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Retirement benefit obligations of the funded pension plan	2,213,143	2,373,312
Plan assets	(2,488,331)	(2,370,948)
Net amount of liability and asset recorded in Consolidated Balance Sheets	(275,188)	2,364
Net defined benefit asset	(275,188)	2,364
Net amount of liability and asset recorded in Consolidated Balance Sheet	(275,188)	2,364

(4) Amount of retirement benefit expenses and its breakdown

(Unit: Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Service cost	146,563	166,199
Interest cost	17,471	11,065
Expected return on plan assets	(56,429)	(62,208)
Amount of actuarial differences expensed	(41,376)	(24,965)
Retirement benefit expenses related to defined benefit plan	66,228	90,091

(5) Remeasurements of defined benefit plans

Breakdown of the items recorded in remeasurements of defined benefit plans (before tax effect adjustment) is as follows.

(Unit: Thousand yen)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Actuarial differences	27,048	311,595
Total	27,048	311,595

(6) Accumulated remeasurements of defined benefit plans

Breakdown of the items recorded in accumulated remeasurements of defined benefit plans (before tax effect adjustment) is as follows.

(Unit: Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Unrecognized actuarial differences	(17,548)	(329,143)
Total	(17,548)	(329,143)

(7) Matters regarding the plan assets

1) Main components of the plan assets

The ratio of each main category to the plan assets is as follows.

	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Domestic bonds	19%	21%
Domestic shares	26%	23%
Foreign bonds	13%	13%
Foreign shares	24%	22%
Other	18%	21%
Total	100%	100%

2) Method for determining expected long-term rate of return

In determining the expected long-term rate of return of the plan assets, the Company takes into consideration the current and expected allocation of plan assets, as well as the current and expected long-term rate of return from various assets constituting the plan assets.

(8) Matters regarding the basis of actuarial calculation

Main basis of actuarial calculation

	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Discount rate	0.5%	0.5%
Expected long-term rate of return	2.5%	2.5%
Estimated salary increase rate	5.1%	5.1%

### 3. Defined benefit plan adopting the simplified method

(1) Reconciliation of the balances of net defined benefit liability at beginning and end of period in the plan adopting the simplified method

	(Unit: Thousand yen)	
	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Balance of net defined benefit liability at beginning of period	32,270	47,859
Retirement benefit expenses	15,944	20,801
Paid retirement benefits	(5,730)	(10,709)
Currency translation differences	5,375	(3,073)
Balance of net defined benefit liability at end of period	47,859	54,878

(2) Reconciliation of the balances of retirement benefit obligations and pension assets at end of period, and net defined benefit liability and asset recorded in the Consolidated Balance Sheets

None

(3) Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method

Previous fiscal year: 15,944 thousand yen

Fiscal year under review: 20,801 thousand yen

### 4. Defined contribution plans

The amount the Company was required to contribute to its defined contribution plans was 50,680 thousand yen for the previous fiscal year, while 54,849 thousand yen for the fiscal year under review.

### 5. Multiemployer pension plan

The amount the Company was required to contribute to the multiemployer welfare pension plan and the corporate pension plan, both of which are accounted for in the similar way as the defined contribution plan, was 147,708 thousand yen for the previous fiscal year, while 145,103 thousand yen for the fiscal year under review.

	(Unit: Thousand yen)	
	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Plan assets	10,658,672	12,422,596
The sum of actuarial obligations in the calculation of pension finance and the minimum liability reserves	18,632,634	18,604,938
Balance	(7,973,962)	(6,182,342)

(2) The Group's share in the contribution to the multiemployer pension plan

Previous fiscal year: 9.6% (as of December 31, 2017)

Fiscal year under review: 10.1% (as of December 31, 2018)

(3) Supplementary explanation

Main components of the balance in (1) above are the balance of past service liability in the calculation of pension finance (10,012,238 thousand yen for the previous fiscal year and 9,768,404 thousand yen for the fiscal year under review), and general reserve (2,038,276 thousand yen for the previous fiscal year and 3,586,062 thousand yen for the fiscal year under review). Past service liability under the plan is subject to amortization of principal and interest by using the straight-line method over the period of 11 years, whereby the Company expensed special contribution (91,423 thousand yen for the previous fiscal year and 98,070 thousand yen for the fiscal year under review) in its Consolidated Financial Statements.

Shares in (2) above do not precisely match the actual shares.

(Stock options, etc.)

Not applicable

(Tax effect accounting)

1. Breakdown of deferred tax assets and liabilities by main causes

(Unit: Thousand yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Deferred tax assets (current)		
Allowance for doubtful accounts	36,267	16,498
Provision for sales returns	90,090	8,345
Provision for bonuses	96,093	124,957
Valuation loss on inventories	18,110	16,467
Accrued enterprise tax and business office tax	45,787	98,145
Accrued social insurance premiums	45,975	66,346
Unrealized gain on inventories	100,717	117,109
Other	35,698	27,153
Sub-total of deferred tax assets (current)	468,739	475,023
Valuation allowance	(9,846)	(2,625)
Total of deferred tax assets (current)	458,893	472,397
Deferred tax assets (non-current)		
Depreciation	274,859	268,541
Asset retirement cost associated with asset retirement obligations	16,583	18,870
Allowance for doubtful accounts	19,542	15,476
Net defined benefit liability	9,987	12,026
Valuation loss on investment securities	1,889	1,879
Executive retirement benefits	3,905	3,905
Other	105,129	89,392
Sub-total of deferred tax assets (non-current)	431,896	410,091
Valuation allowance	(127,210)	(110,986)
Total of deferred tax assets (non-current)	304,686	299,104
Deferred tax liabilities (non-current)		
Net defined benefit asset	(84,207)	723
Valuation difference on available-for-sale securities	(587,317)	(379,061)
Retained earnings at overseas subsidiaries	(34,922)	(68,254)
Total of deferred tax liabilities (non-current)	(706,446)	(446,592)
Net amount of deferred tax assets and liabilities (non-current)	(401,761)	(147,487)

2. Breakdown by major item of differences between the statutory tax rate and the income tax rate after the adoption of tax effect accounting

	Previous Fiscal Year (As of December 31, 2017)	Current Fiscal Year (As of December 31, 2018)
Statutory tax rate	30.8%	30.8%
(Adjustments)		
Entertainment and other permanently non-deductible expenses	1.4%	1.3%
Dividends income and other income permanently excluded from gross revenue	(0.1)%	(0.1)%
Inhabitant tax on a per capita basis	0.5%	0.4%
Tax credit for research and development expenses	(2.9)%	(3.4)%
Tax credit for employee salaries, etc.	(1.8)%	(2.2)%
Other	(1.1)%	(0.3)%
<b>Income tax rate after the adoption of tax effect accounting</b>	<b>26.8%</b>	<b>26.5%</b>

(Business combinations)

None

(Asset retirement obligations)

While the Company recognizes asset retirement obligations for its obligations under the property lease agreement for its business office premises, etc., to restore the property to the original state when returning it to the landlord, such obligations are not specifically stated due to the insignificance of the amount of such obligations.

Rather than recording such asset retirement obligations, the Company reasonably estimates the amount of lease deposit under the property lease agreement that is recognized to be ultimately unrecoverable, and records the amount attributable to each fiscal year.

(Real estate for leasing, etc.)

None

(Segment information, etc.)

a. Segment information

The Company omits segment information, as it operates just one business segment engaged in the manufacturing and sales of hair cosmetics.

b. Related information

Fiscal year ended December 31, 2017 (December 21, 2016 - December 31, 2017)

1. Information by product and service

(Unit: Thousand yen)

	Hair care products	Hair coloring products	Permanent wave products	Others	Total
Net sales to external customers	19,511,148	12,095,507	1,569,700	279,911	33,456,268

2. Information by geographical area

(1) Net sales

(Unit: Thousand yen)

Japan	Others	Total
27,974,631	5,481,636	33,456,268

(Note) Net sales are classified into countries or regions based on the customer locations.

(2) Property, plant and equipment

The Company omits this information, as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the Consolidated Balance Sheet.

3. Major customer information

The Company omits this information, as there is no major external customer that represents 10% or more of the net sales in the Consolidated Statements of Earnings.

Fiscal year ended December 31, 2018 (January 1, 2018 - December 31, 2018)

1. Information by product and service

(Unit: Thousand yen)

	Hair care products	Hair coloring products	Permanent wave products	Others	Total
Net sales to external customers	21,124,883	12,202,862	1,590,324	267,303	35,185,374

2. Information by geographical area

(1) Net sales

(Unit: Thousand yen)

Japan	Others	Total
29,872,668	5,312,706	35,185,374

(Note) Net sales are classified into countries or regions based on the customer locations.

(2) Property, plant and equipment

The Company omits this information, as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the Consolidated Balance Sheet.



### 3. Major customer information

(Unit: Thousand yen)

Trade name or name of customers	Net sales
Topy Co., Ltd.[A6]	3,643,478
BIC HOLDINGS Inc.[A7]	3,267,720
GAMO Co., Ltd.[A8]	3,176,537

(Note) The Group omits to provide the name of concerned segments, as it operates just one business segment engaged in the manufacturing and sales of hair cosmetics.

#### c. Information regarding impairment loss on property, plant and equipment by reportable segment

The Group omits this information, as it operates just one business segment engaged in the manufacturing and sales of hair cosmetics.

#### d. Information regarding amortization and unamortized balance of goodwill by reportable segment

None

#### e. Information regarding gain on negative goodwill by reportable segment

None

[Related party transactions]

Fiscal year ended December 31, 2017 (December 21, 2016 - December 31, 2017)

None

Fiscal year ended December 31, 2018 (January 1, 2018 - December 31, 2018)

None

(Per share information)

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Net assets per share (Yen)	949.99	1,012.58
Basic earnings per share (Yen)	116.58	137.31

(Notes) 1. Diluted earnings per share is not stated as there are no residual shares.

2. The Company conducted a two-for-one stock split of its common stock on January 1, 2018. Accordingly, net assets per share and basic earnings per share are calculated based on the assumption that such stock split took place at the beginning of the previous fiscal year.

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

	Fiscal Year Ended December 31, 2017 (December 21, 2016 - December 31, 2017)	Fiscal Year Ended December 31, 2018 (January 1, 2018 - December 31, 2018)
Profit attributable to owners of parent (Thousand yen)	3,817,186	4,495,417
Amount not attributable to common shareholders (Thousand yen)	–	–
Profit attributable to owners of parent relating to common stock (Thousand yen)	3,817,186	4,495,417
Average number of outstanding shares of common stock during the period (shares)	32,742,188	32,740,018

(Significant subsequent events)

None