

# Milbon Co., Ltd.

**FY2020 Second Quarter (January 1, 2020 – June 30, 2020)  
Financial Results Presentation Materials**



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August 5, 2020

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# **Milbon Group**

## **Financial Results for FY2020 (61<sup>th</sup> Term) Second Quarter**

**Masahiro Murai, Executive Director**

## Consolidated Operating Results (FY2020 6 months)

- ◆ Sales and profits declined due to the impact of restrictions on the sales of beauty salons and restraint from outing due to the issuance of Japan's Emergency Declaration.
- ◆ Overseas, South Korea and China are expected to return to a recovery trend, but recovery in the U.S., which is heavily affected by infectious diseases, is expected to take time.

(Unit: million yen)

	FY2019 6 months	% total	FY2020 6 months	% total	Increase/ Decrease	Increase/ Decrease ratio (%)
Net sales	17,242	100.0	15,869	100.0	(1,373)	(8.0)
Gross profit	11,496	66.7	10,540	66.4	(955)	(8.3)
SG&A expenses	8,406	48.8	8,151	51.4	(255)	(3.0)
Operating income	3,089	17.9	2,388	15.1	(700)	(22.7)
Ordinary income	2,824	16.4	2,102	13.3	(721)	(25.6)
Profit attributable to owners of parent	1,999	11.6	1,451	9.1	(548)	(27.4)

## Consolidated Net Sales by Product Category [Hair Care Products (1)]

### Consolidated Net Sales (FY2020 6 months)

(Unit: million yen)

FY2019 6 months	FY2020 6 months	Increase/ Decrease	Increase/ Decrease ratio (%)
9,897	9,391	(506)	(5.1)

- The premium brand has been declining only slightly due to the high repeat needs during the coronavirus pandemic.
- Regarding Aujua, although it had suffered from weak growth due to activity restrictions in the course for introducing a new product, it was on a recovery trend due to the return of salon customers in June and the resumption of activities.
- Professional brands were unable to make new proposals because new product launches coincided with the announcement of emergency declaration (all 3 products were launched on April 9). Existing products also fell below the previous year due to the impact of self-restraint.

## Consolidated Net Sales by Product Category [Hair Care Products (2)]

### New Products

#### FY2020 6 months

#### Aujua Scalpcare Series Fortice Line

A scalp care series that approaches Ageing Bacteria present on the scalp to curb complex aging damage of the hair and scalp.

(Unit: million yen)

FY2020 target*	FY2020 6 months*	Progress rate (%)
-	181	-



February 7, 2020 Debut

#### Cronna Ice Spa Shampoo Orange

A carbonated foam shampoo below the freezing point that continues to cool while eliminating the summer-specific worries of smell and stickiness of the scalp.

(Unit: million yen)

FY2020 target*	FY2020 6 months*	Progress rate (%)
-	83	-



March 10, 2020 Debut

\* From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

# A Premium Brand, Aujua

Despite the harsh business environment, both the number of salons and sales increased.

## Number of salons

(Unit: salons)

FY2019 *1	FY2020 *1	Increase/ Decrease	Increase/ Decrease ratio (%)
3,698	3,897	199	5.4

## Consolidated gross sales (FY2020 6 months)

(Unit: million yen)

FY2019 6 months *2	FY2020 6 months *2	Increase/ Decrease	Increase/ Decrease ratio (%)
3,290	3,330	39	1.2

## Brand concept

A hair care brand that nurtures the beauty of Japanese women's hair, born from the climate, culture and hair characteristics of Japan

## What is Aujua?

Hair care that supports beauty, now and into the future, by addressing each individual's hair and skin concerns and choosing the most appropriate item for that time.

This is Aujua.

## Product range

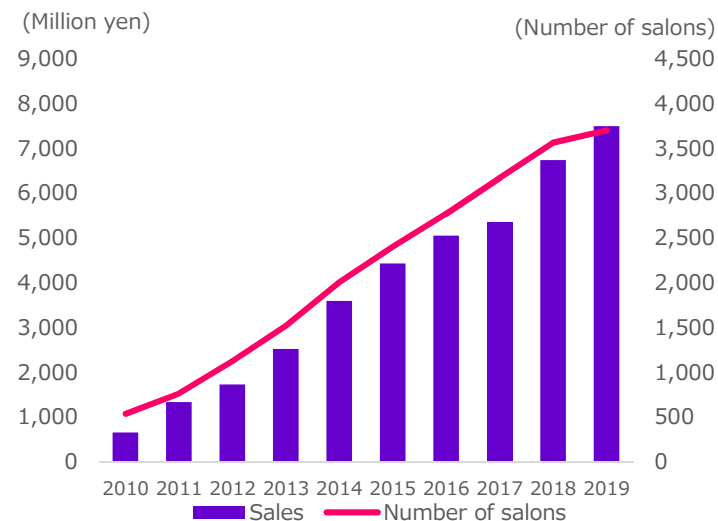
A wide-ranging line-up that suits the hair texture of individual customers

- 5 series
- Eternal stage series (new)
- Aging care series
- Hair care series
- Scalp care series
- Climatic care series
- 14 lines
- 89 items

# Aujua



Trends in sales & number of salons



\* Graphs are based on individual figures.

\*1 Calculated based on the past year's shipment results for both Japan and overseas.

\*2 From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

# A Premium Brand, Global Milbon

Despite an increase in the number of salons, sales decreased due to the impact of overseas lockdowns.

## Number of salons

(Unit: salons)

FY2019 *1	FY2020 *1	Increase/ Decrease	Increase/ Decrease ratio (%)
7,674	8,892	1,218	15.9

## Consolidated gross sales (FY2020 6 months) (Unit: million yen)

FY2019 6 months *2	FY2020 6 months *2	Increase/ Decrease	Increase/ Decrease ratio (%)
1,235	1,188	(47)	(3.8)

## Brand concept

A system hair care brand that cultivates the "unique beauty" of each individual, with 360° shiny hair

## Countries with salons

Japan, USA, Hong Kong, China, Thailand, Taiwan, Turkey, Malaysia, Vietnam, Indonesia, the Philippines, Singapore, Germany

## What is "Global Milbon"?

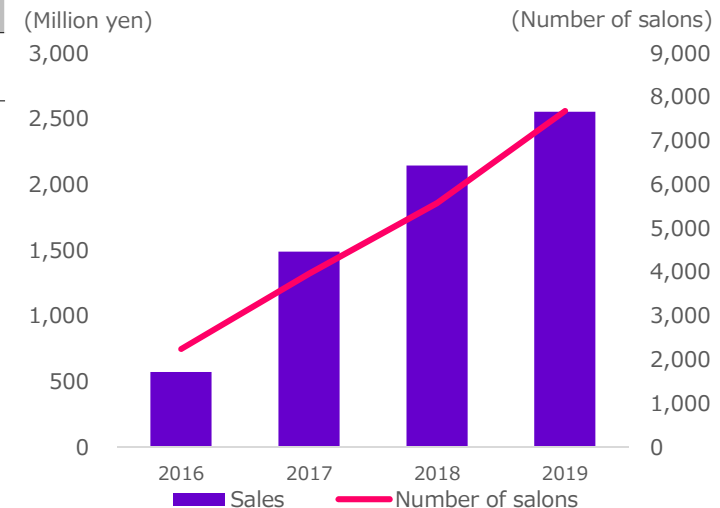
We conducted an in-depth analysis of the inner structure of the hair of women from 20 countries around the world, using our proprietary CT scanning technology, and discovered a universal form of hair damage. Accordingly, we developed a hair care line containing ingredients capable of repairing such damaged hair and increasing the density within each strand of hair.

"Global Milbon" is a system hair care product for developing shiny, beautiful hair from the core.

# MILBON



## Trends in sales & number of salons



\* Graphs are based on individual figures.

\*1 Calculated based on the past year's shipment results for both Japan and overseas.

\*2 From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.



## Consolidated Net Sales by Product Category [Hair Coloring Products (1)]

### Consolidated Net Sales (FY2020 6 months)

(Unit: million yen)

FY2019 6 months	FY2020 6 months	Increase/ Decrease	Increase/ Decrease ratio (%)
6,423	5,594	(828)	(12.9)

- In the hair coloring products sale, salon visiting customers declined due to restrictions on salon sales and self-restraint on going outside, and sales fell by about 13%. The decline in Q1 was largely attributable to the drop in overseas sales, which had a quick spread of the infectious disease (approximately 60% fell overseas), but Q2 saw a significant impact from the decline in domestic sales. (approximately 80% decrease came from Japan)
- Gray colors are struggling due to factors such as the fact that older customers have been reluctant to go to beauty salons and intensifying competition.
- With respect to the gray coloring Ordeve Seedil Interval Re:Care (products that were released in the previous fiscal year and that were dyed at home during the interim before returning to the salons), the Company was able to propose the sale of single items during the period of self-restraint and meet the demands of customers who seek salon quality.

## Consolidated Net Sales by Product Category [Hair Coloring Product (2)]

### Core Product FY2020 6 months

#### Ordeve Addicthy

Erases red-tinged brown with high saturation blue.  
With clear and transparent color expression, it lets customers  
freely realize individual hair color designs.

(Unit: million yen)

FY2019 6 months *	FY2020 6 months *	Increase/ Decrease	Increase/ Decrease ratio (%)
1,938	1,878	(59)	(3.1)



FY2017 Debut

\* From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

# A Premium Organic Brand, Villa Lodola (1)

Decreased due to delayed launch of new products and restrictions on activities

## Number of salons

(Unit: salons)

FY2019	FY2020	Increase/ Decrease	Increase/ Decrease ratio (%)
9,015	9,351	336	3.7

## Consolidated gross sales (FY2020 6 months)

(Unit: million yen)

FY2019 6 months *	FY2020 6 months *	Increase/ Decrease	Increase/ Decrease ratio (%)
563	500	(62)	(11.2)



## Brand concept

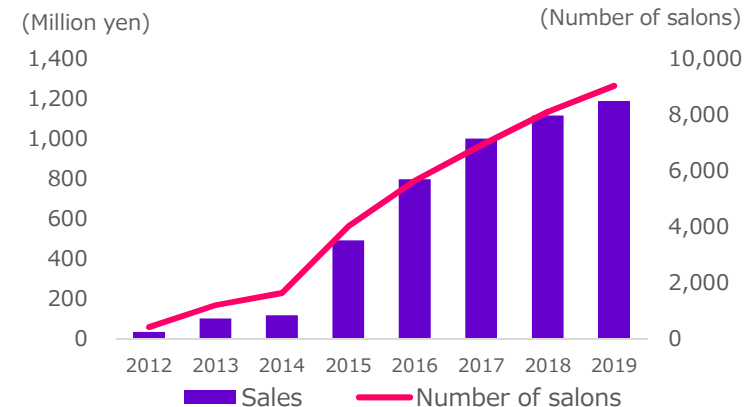
Nurtured in the soil of Italy, these gifts from nature bring out the authentic beauty of your hair and scalp.

## What is Villa Lodola?

Based on the concept of "Beauty, the Organic Way," Villa Lodola is a true organic brand that thoroughly cares about the natural environment not only for the product itself but also in its container, production phase and promotional tools.

All of the products are certified by ICEA, an Italian authority. Villa Lodola supports organic choices, with hair care products nurtured in the soil of Italy, bringing out true beauty.

Trends in sales & number of salons



\* Graphs are based on individual figures.

\* From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

## A Premium Organic Brand, Villa Lodola (2)

### Core Product

#### Villa Lodola Color

With 92% natural ingredients, the product's formulation utilizes the power of plants. It brings comfort of an organic product across all aspects, including during application, the finish and continued use.

#### Consolidated gross sales (FY2020 6 months) (Unit: million yen)

FY2019 6 months *	FY2020 6 months *	Increase/ Decrease	Increase/ Decrease ratio (%)
403	385	(18)	(4.6)



FY2015 Debut

\* From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

## Consolidated Net Sales by Product Category [Cosmetic Products]

### Consolidated Net Sales (FY2020 6 months)

(Unit: million yen)

FY2019 6 months	FY2020 6 months	Increase/ Decrease	Increase/ Decrease ratio (%)
47	136	89	186.1

- Because of restrictions on the activity due to COVID-19, not all salons proceed with the new activity of cosmetics immediately after the resumption of the activity. We were not able to introduce it as expected.

### New Products

#### Imprea Whitening Laser Shot

A whitening solution that directly approaches the origin of smelts, like targeted by a laser. It suppresses the formation of melanin and prevents spots and freckles. (Unit: million yen)

FY2020 target*	FY2020 6 months*	Progress rate (%)
-	28	-



February 7, 2020 Debut

\* From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

# A Premium Brand, Imprea

Stagnation of new dealing salons due to activity restrictions

## Number of salons

(Unit: salons)

FY2019 *1	FY2020 *1	Increase/ Decrease	Increase/ Decrease ratio (%)
200	234	34	17.0

## Consolidated gross sales (FY2020 6 months) (Unit: million yen)

FY2019 6 months *2	FY2020 6 months *2	Increase/ Decrease	Increase/ Decrease ratio (%)
47	136	89	186.1



## Brand concept

The brand concept of Imprea is "Change Your Impression by Beauty Authority". We will provide new beauty value by leveraging beauticians' ability to provide solutions, which is one of the strengths of them.

## What is Imprea?

Imprea is a salon exclusive brand created through joint research by KOSÉ, which specializes in skin research, and Milbon, which specializes in hair research.

We will improve the skin impression by establishing a good balance between the "corner-layer keratin" on the surface of the skin, which holds the key to skin impression.

## "Change Your Impression"

Through communication that takes advantage of strength as a beautician, we propose impressions that comprehensively capture hair and face through beauticians, and deliver "Change Your Impression" to customers.

\*1 Calculated based on the past year's shipment results.

\*2 From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

# Consolidated Statement of Earnings (FY2020 6 months)

## <Consolidated Statement of Earnings> (Unit: million yen)

	FY2019 6 months	% to sales	FY2020 6 months	% to sales
Sales	17,242	100.0	15,869	100.0
Cost of sales	5,746	33.3	5,329	33.6
Gross profit	11,496	66.7	10,540	66.4
SG&A expenses	8,406	48.8	8,151	51.4
Operating income	3,089	17.9	2,388	15.1
Ordinary income	2,824	16.4	2,102	13.3
Profit attributable to owners of parent	1,999	11.6	1,451	9.1

## <Breakdown of net sales by product category> (Unit: million yen)

	FY2019 6 months	FY2020 6 months	% to sales	Increase/ Decrease	Increase/ Decrease ratio (%)
Hair care products	9,897	9,391	59.2	(506)	(5.1)
Hair coloring products	6,423	5,594	35.3	(828)	(12.9)
Permanent wave products	770	660	4.2	(110)	(14.3)
Cosmetic products	47	136	0.9	89	186.1
Others	103	85	0.5	(18)	(17.6)

## <Major factors for the increase/decrease>

### **SG & A expenses**

Personnel costs, which are fixed costs, account for a large share, and the ratio rises.

### **Ordinary income**

Decreased due to a increase in share of loss of Kosei Milbon Cosmetics Co., Ltd. and a increase in foreign exchange losses

## Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category		FY2016	FY2017	FY2018	FY2019	FY2020 Jan.–Jun.	FY2020 Plan
Capital expenditures		4,262	1,570	1,149	1,605	611	1,958
Depreciation and amortization		1,077	1,272	1,370	1,453	755	1,632
R&D exp.	Amount	1,232	1,422	1,479	1,534	741	1,796
	% to sales	4.2	4.3	4.2	4.2	4.7	4.6

### FY2020 CAPEX Main Items (Plan)

- Establishment of sales office in Niigata
- Plant equipment: compounding and filling (vacuum emulsification, etc.)
- Establishment of Aoyama Sales Office 2
- Acquisition of land for construction of the new training center
- Part of expenditure for establishment of a plant in China



# Trends in Fieldpersons (FPs), Market Related Data

## Fieldpersons trends (by country) (Number of FPs / As of January 1, the beginning of the fiscal year (As of December 21 for 2017 and before))

	2016	2017 * <sup>1</sup>	2018	2019	2020
JAPAN	249	258	269	279	297
	102	105	111	108	-
USA	9	12	13	13	17
MILBON USA, INC.	63	48	48	50	-
CHINA	18	19	22	21	30
Milbon Trading (Shanghai) Co., Ltd.	40	50	62	70	-
KOREA	20	23	25	30	32
Milbon Korea Co., Ltd.	80	84	82	77	-
Others * <sup>2</sup>	25	33	33	35	38
	37	31	37	39	-

Upper column: Number of FPs (persons)  
Lower column: Sales per FP (million yen)

(As of June 30, 2020)  
10 FPs joined in October 2019, and are currently in OJT on site  
40 FPs joined in April 2020, and are currently in training

(The above 50 FPs are not included in the left chart.)

## Market Related Data (Japan)

	FY2016	Remarks
Number of business establishments (households)	172,304	Bureau economy census of ministry statistics of public management
Number of workers	443,241	
Number of beauty customers (thousand people)	37,023	Statistics Bureau, Ministry of Internal Affairs and Communications: Population statistics as of October 1st of each year Population statistics for females aged 15 to 64

\* Data in the Ministry of Health, Labour and Welfare's Ministry of Health, Labour and Welfare administrative report, which had been used for the number of salons and beauticians in the "Market Trends," until FY2020 Q1 was judged to differ greatly from the actual situation. Accordingly, the number of business establishments and number of workers are shown in the data from the Economy Census of the Statistics Bureau of the Ministry of Internal Affairs and Communications. The number of workers includes workers other than those with a beautician license.

\*1 Because FY2017 was an irregular accounting period, performance is calculated with adjusted amounts for a 12-month period.

\*2 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, the Philippines, Singapore, Germany and others

# Consolidated Net Sales in Japan and Overseas

## FY2020 6 months

(Unit: million yen)

	FY2019 6 months		FY2020 6 months		Increase/ Decrease	Increase/ Decrease ratio (%)	Changes in Local currency base <sup>*1</sup> (%)
	Net Sales	% to sales	Net Sales	% to sales			
Consolidated Net Sales	17,242	100.0	15,869	100.0	(1,373)	(8.0)	(7.2)
JAPAN	14,383	83.4	13,373	84.3	(1,009)	(7.0)	(7.0)
Overseas	2,859	16.6	2,495	15.7	(363)	(12.7)	(8.2)
USA	315	1.8	189	1.2	(125)	(39.9)	(38.9)
CHINA	759	4.4	642	4.0	(117)	(15.5)	(10.7)
KOREA	1,143	6.6	1,165	7.3	21	1.9	9.8
Other <sup>*2</sup>	639	3.7	497	3.1	(141)	(22.2)	(22.0)

<sup>\*1</sup> Figures are the rates of change in real terms on a local currency basis. Current exchange rates of 108.23 yen to the U.S. dollar, 15.37 yen to the Chinese yuan, and 0.0890 yen to the Korean won

<sup>\*2</sup> Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, the Philippines, Singapore, Germany and others

# Consolidated Operating Income in Japan and Overseas

## FY2020 6 months

(Unit: million yen)

		FY2019 6 months		FY2020 6 months		Increase/ Decrease	Increase/ Decrease ratio (%)
		Operating Income	Operating income ratio(%)	Operating Income	Operating income ratio(%)		
Consolidated Operating Income		3,089	17.9	2,388	15.1	(700)	(22.7)
	JAPAN	2,723	18.9	2,360	17.7	(363)	(13.3)
	Overseas	365	12.8	27	1.1	(337)	(92.5)
	USA	(87)	(27.7)	(164)	(86.5)	(76)	-
	CHINA	197	26.0	95	14.8	(102)	(51.8)
	KOREA	350	30.7	275	23.7	(74)	(21.3)
	Other *	(95)	(14.9)	(179)	(36.0)	(83)	-

\* Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, the Philippines, Singapore, Germany and others

# Outlook of Overseas Subsidiaries (1)

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Figures in the text are based on local currency.

## **USA MILBON USA, INC**

- Lockdown, which began in mid-March, continued in Q2, and cumulative sales declined 38.9% YoY. Although the situation has been recovering since bottoming out in April, the resumption of economic activity in each state remains unstable, and it is expected that it will take some time for the company to recover its sales to the level of last year.
- During the lockdown, the company continued to communicate with distributor executives, and regularly distributed the information to salons via the Internet. The company focused on maintaining relationships with them.
- The distributors have begun to utilize a system called salon intractive in which distributors deliver products from distributors to salon customers, and Milbon USA plans call for introduction in August in the direct sales area of Manhattan as well.

## **CHINA (Milbon Trading (Shanghai) Co., Ltd.)**

- The business operation has been in recovery trend from February, which monthly sales declined 80% compared to the same month last year, and sales for the second quarter from April to June increased 10.6%. However, the results in cumulative period still declined by 10.7%.
  - Since April, when it became possible to resume some activities, the company shared information about market changes and countermeasures by COVID-19 with business partners in a studio or online format. The relationship with salons has been built, leading to an increase in the number of salons with whom the company does business.
  - As for the Global Milbon, the number of salons increased as the company expanded the targets, and sales of hair care products grew.
  - During periods when activities for salons are restricted, in-house study sessions are held to review basic color knowledge and improve basic techniques. It is hoped that the improvement of application technique will lead to the speed of treatment and lead to shorter service times.
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## Outlook of Overseas Subsidiaries (2)

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Figures in the text are based on local currency.

### **KOREA (Milbon Korea Co., Ltd.)**

- The beauty salon market recovered its vigor from mid-May, reflecting government subsidies and signs of a softening of social distance. However, despite the outbreak of a mass infectious disease in certain area of Seoul and a resurgence of regulatory and cautious attitudes, sales increased 9.8% YoY.
- In the hair coloring products category, Addicthy, which is highly designed, contributed to the acquisition of new salons and sales growth. The market is also growing thanks to the use of SNS distribution, etc. in partnership with influencer beauticians.
- In haircare category, the company took advantage of the unexpectedly difficult times for COVID-19 activity, and held a course to become a sales educator for top sales representatives of major distributors nationwide in preparation for the July launch of Global Milbon. Not only did they acquire knowledge and skills up to the level where training activities could be conducted for salons, they also contributed to the sales promotion of existing products.

## <Appendix> Hair Care Brand Positioning Map



# Milbon Group

## Progress in Fiscal Year 2020 (61th Term)

**Ryuji Sato, President and CEO**

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- I. Impact of COVID-19 on business results  
Monthly changes in sales YoY by country (January to June)
- II. About the beauty market of After Corona  
Measures Based on Discussion and Hypothesis  
Change the Stage 18 monthly missions 4 Stages 25 Mission
- III. Various progress points
  - 1. Sales by Product Brand
  - 2. Capital Expenditures
  - 3. SDGs Promotion
- IV. Consolidated Operating Forecasts for Fiscal Year 2020
- V. Return to shareholders

# **I. Impact of COVID-19 on business results**

Monthly changes in sales YoY by country  
(January to June)



# Monthly changes in sales YoY by country

(Unit: %)

	January	February	March	April	May	June
Consolidated	100.4	100.2	97.6	63.5	76.9	115.9
JAPAN	99.7	105.4	102.4	60.3	76.0	118.0
KOREA	105.5	103.9	90.5	104.6	114.9	139.7
CHINA	98.7	16.1	55.8	100.4	104.7	129.9
USA	138.4	113.9	40.9	16.7	32.3	66.6

\* Overseas figures are based on local currency.

\* 100% = Year-on-year change  $\pm 0\%$

## Impact of COVID-19 on business results

### [Trends in Japan]

1/6 First-time infections in Japan

2/5 D Princess Sequestration procedure  
2/26 Voluntary restraint of events  
2/27 National holidays

3/12 WHO Pandemic  
3/13 Enactment of the amendment Special Measures Law  
3/24 Olympic postponement  
3/25 Request for self-restraint in Tokyo

4/7 Declaration of Emergency Situation  
4/16 Departure nationwide

5/4 Extension of Declaration  
5/27 To cancel the declaration

January	February	March	April	May	June
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### [Domestic response]

2/5 Raw Materials & Materials  
Mask procurement

3/30 Policy education  
Digitization

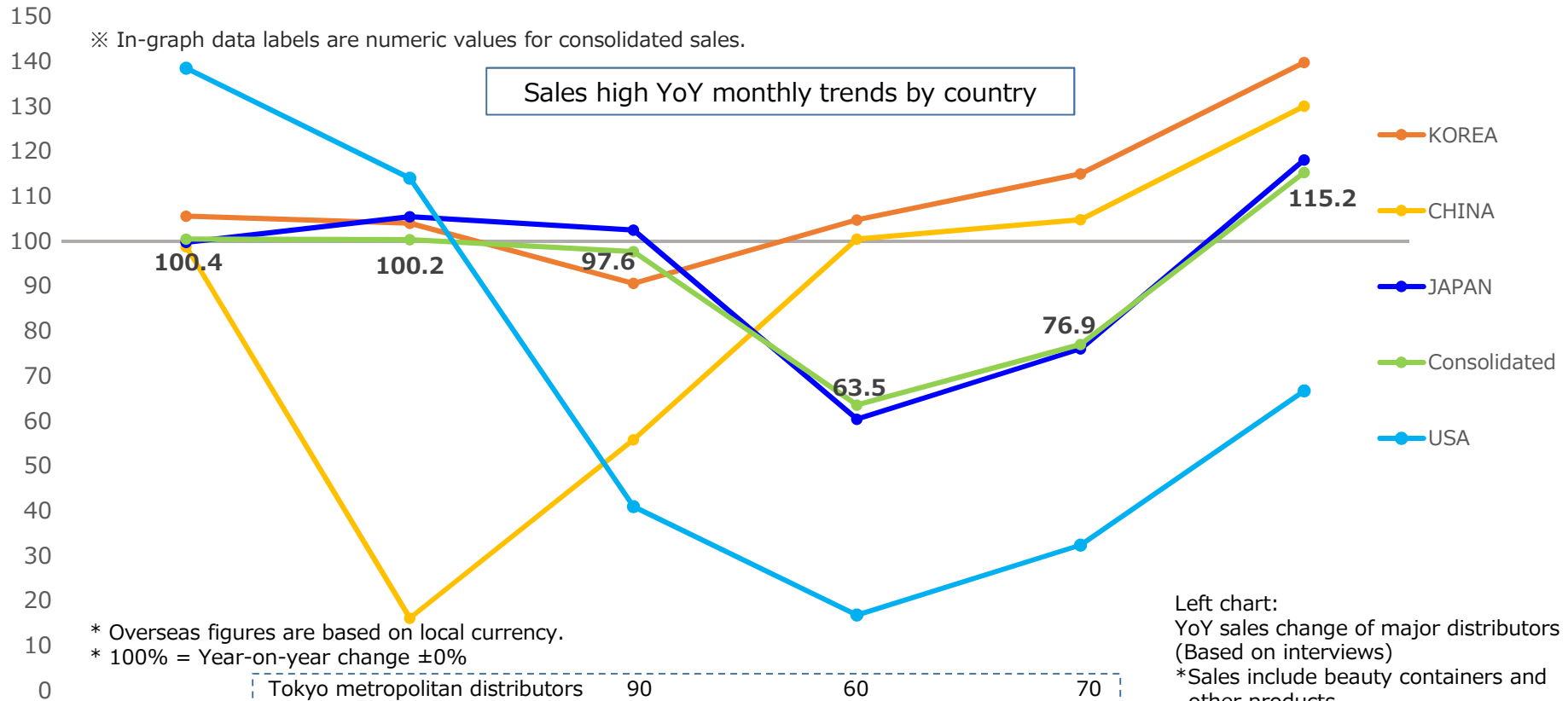
4/2 Urgent message  
4/14 Commencement of temporary delivery  
4/20 Masks & Alcohol Sending

6/1 Distributors and salons  
Started interviews  
6/1 milbon: iD start  
6/16 Change the Stage  
18-month mission

Sales YoY (%)

※ In-graph data labels are numeric values for consolidated sales.

### Sales high YoY monthly trends by country



\* Overseas figures are based on local currency.  
\* 100% = Year-on-year change ±0%

Tokyo metropolitan distributors	90	60	70
Distributor in the Kansai area	90	70	80
Agencies Chubu area distributor		80	90
Fukuoka distributor		70	90

Left chart:  
YoY sales change of major distributors  
(Based on interviews)  
\*Sales include beauty containers and other products.

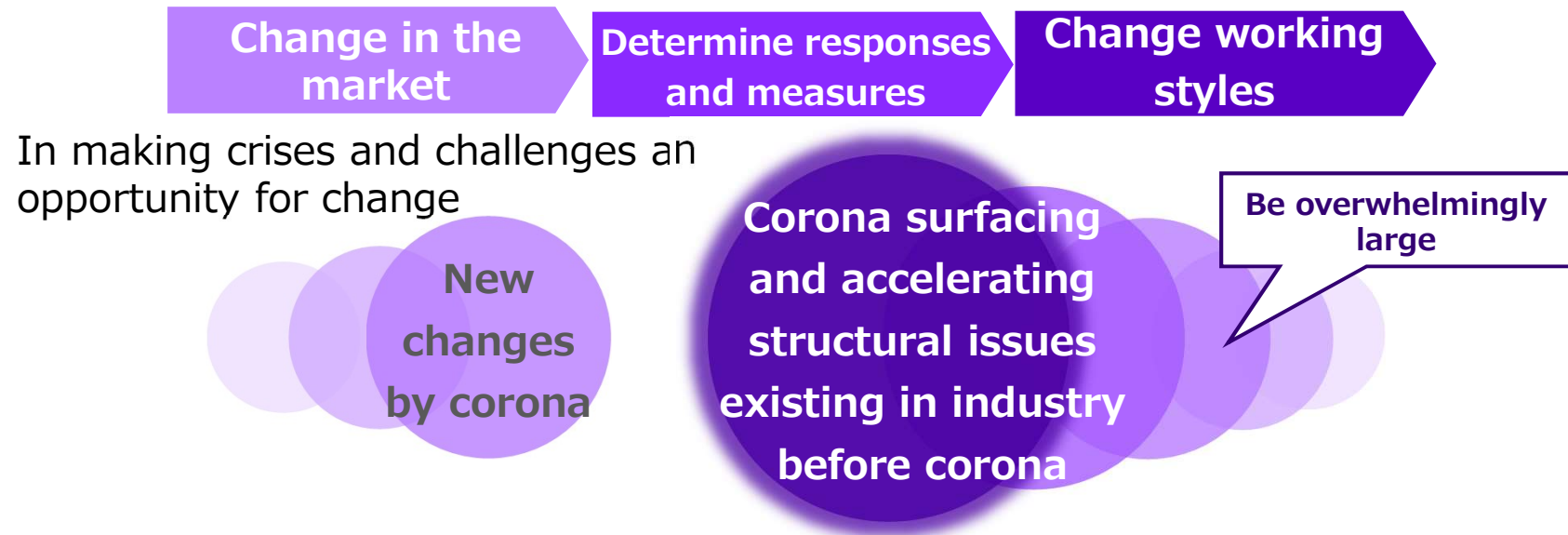
## **II. About the beauty market of after Corona Measures based on Discussion and Hypothesis**

Change the Stage 18 monthly missions  
4 Stages 25 Mission

## II. About the beauty market of after Corona Measures based on Discussion and Hypothesis

### ■ Discussion and assumptions about the beauty market

Crisis and challenge are opportunities: life, economy, people, companies, and the world are all connected



**Capture the essence without being confused  
by the Corona temporary climate**

**Measures based on the Medium-Term Business Plan (Annual Policy)**

## II. About the beauty market of after Corona Measures based on Discussion and Hypothesis

### ■ Instructing countermeasures from discussion and hypothesis



Responding to Changes in society and beauty markets is to accelerate response to changes in society and customer values as outlined in the Medium-Term Business Plan

## II. About the beauty market of after Corona Measures based on Discussion and Hypothesis

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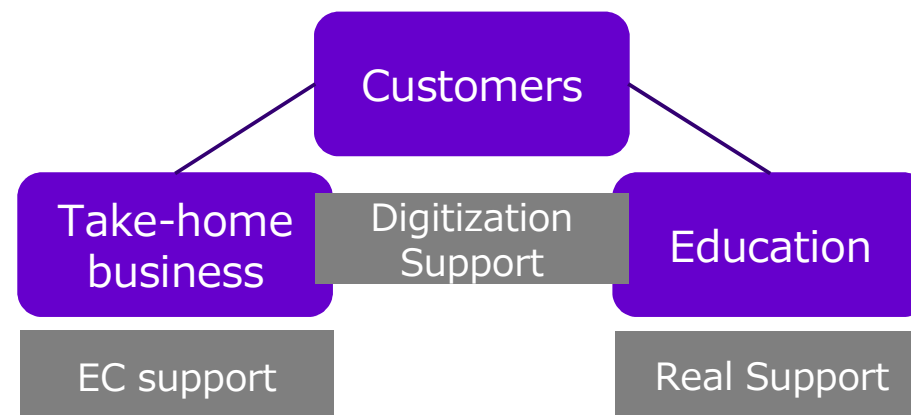
- Policy of reviewing and accelerating the mid-term business plan from considerations and hypotheses to countermeasures

### Domestic policies: Lifetime Beauty Innovation Next 100

Improving productivity

Establishment of a studio and FP system incorporating digital education  
Full-scale development of the take-home business

Corporate branding and product branding



## II. About the beauty market of after Corona Measures based on Discussion and Hypothesis

Discussion and Hypothesis <What the Corona Shock Caused>		Measures <Medium term Project Plan (Annual Policy)+ Policy Issues to be Addressed>			Medium-Term Initiative	
Sales activities	Free customers are difficult to capture	▶ Lifetime customers, customer-oriented MCC <sup>*1</sup> , and customer fan index surveys	Bases	FP	Real	Bases
	Shifting from central urban areas to neighboring residential areas	▶ Accelerating Neighborhood Consumption and Small Commercial Areas: Lifestyle Area Marketing	Bases	FP		Build studio site network
	Customers are not the only visitors in front of us or in the current month.	▶ Customers who have not visited the salons during the current month should also be included in this month's customer. Target for customer management ~ Conversion of ideas ~		FP		FP FP system (FP system, FD activities)
Take-home business	Sales of hair coloring and hair care products, make them to the emergency public marketed product	▶ Ordeve interval re:care : change awareness from salon use product to take-home, and strengthen sales, and increase product value		FP	Brand	Real
	Ongoing online purchasing of hair care products sold exclusively in salons	▶ (Temporary legislation) Aujua, Global Milbon Supporting Direct Delivery to Customers To accelerate EC operation through promotion of milbon:iD (2020.06~)	FP	Digital [EC]	Brand	Strengthening Real Communication Capabilities
	Even in emergency situations, take-home business becomes as a bridge between salon and salon customers	▶ Connected consumption Real = sell technique (hairstyle) Digital = Sell knowledge (takehome business)	FP	Real	Digital [Video]	Digital [EC]
Educational aspects	Accelerating Digital Education (Labor Perspective)	▶ Installation of digital facilities in studios so that online seminars will be performed smoothly. Responding to individual = to offer education videos, utilize MS Teams for meeting, product support via SNSs, visit salons during the day etc.	FP	Bases	Digital [Video]	Strengthen digital communication [Video Education] [E-commerce site]
	Responding to changes from collective to personal (Labor Perspective)	▶ Promotion of Personal Education • SD&MCC support <sup>*3</sup>		FP	Digital [Video]	Brand
	Transition to self-reliant multi-skilled human resources (possess 2 or more strengths)	▶ Promotion of digital education for various speciality qualification	FP	Real	Digital [Video]	Corporate branding Product branding
Terms of productivity	The balance between service revenue and take-home product sales. Product sales became more important.	▶ Enhancing the value of various specialist qualification systems and MCM <sup>*4</sup> Creating and offering VM <sup>*5</sup> To accelerate the cosmetics business	FP	Real	Brand	Cosmetic products Challenge in cosmetic products business

- \* 1 MCC Milbon carrier step curriculum
- \* 2 MCA Milbon Color Academy
- \* 3 SD Self-Development (Voluntary Learning Climate Support)
- \* 4 MCM Milbon Counseling Method
- \* 5 VM visual marketing

## II. About the beauty market of after Corona Measures based on Discussion and Hypothesis

### ■ 4 Stages 25 Mission Specific Measures

**ステージ1 新たな店販のステージの加速①**

テーマ	ミッション	スケジュール・予算
化粧品事業 (月10万円スタイリスト500人)	①印象プロデュース実践セミナーの開催 ②印象プロデュース実践セミナーの開催	2020 年内

**ステージ3 商品・メニューのステージの加速**

テーマ	ミッション	スケジュール・予算
新たな試験力デゴリの創造	サロンカラー・歯板アイテムの拡張 インターバルケア、V.L.インターバルカラー、 ファッションカラー	2020 年内

**ステージ1 新たな店販のステージの加速②**

テーマ	ミッション	スケジュール・予算
V.L. professional カラー・ケア・売上	V.L. professional カラー・ケア・売上	2020 年内

**ステージ4 社内態勢・その他のステージの加速**

テーマ	ミッション	スケジュール・予算
オンラインを活用した試験 会、説明会、発表、情報収集	社内：①初級会議、リモート推進強化 対外：②試験主説明会、オンライン研究用見学 ③WEBセミナー開催(海外強化) ④試験主WEBサイト、デジタル配信	2020 年内

**ステージ2 教育(市場活動)のステージの加速**

テーマ	ミッション	スケジュール・予算
MILBON Stylist: ID (仮称) 教育プラットフォーム	①教育活動 ②教育活動 ③教育活動	2020 年内

Change the Stage 18 Month Missions!

# 4

## ステージ

# 25

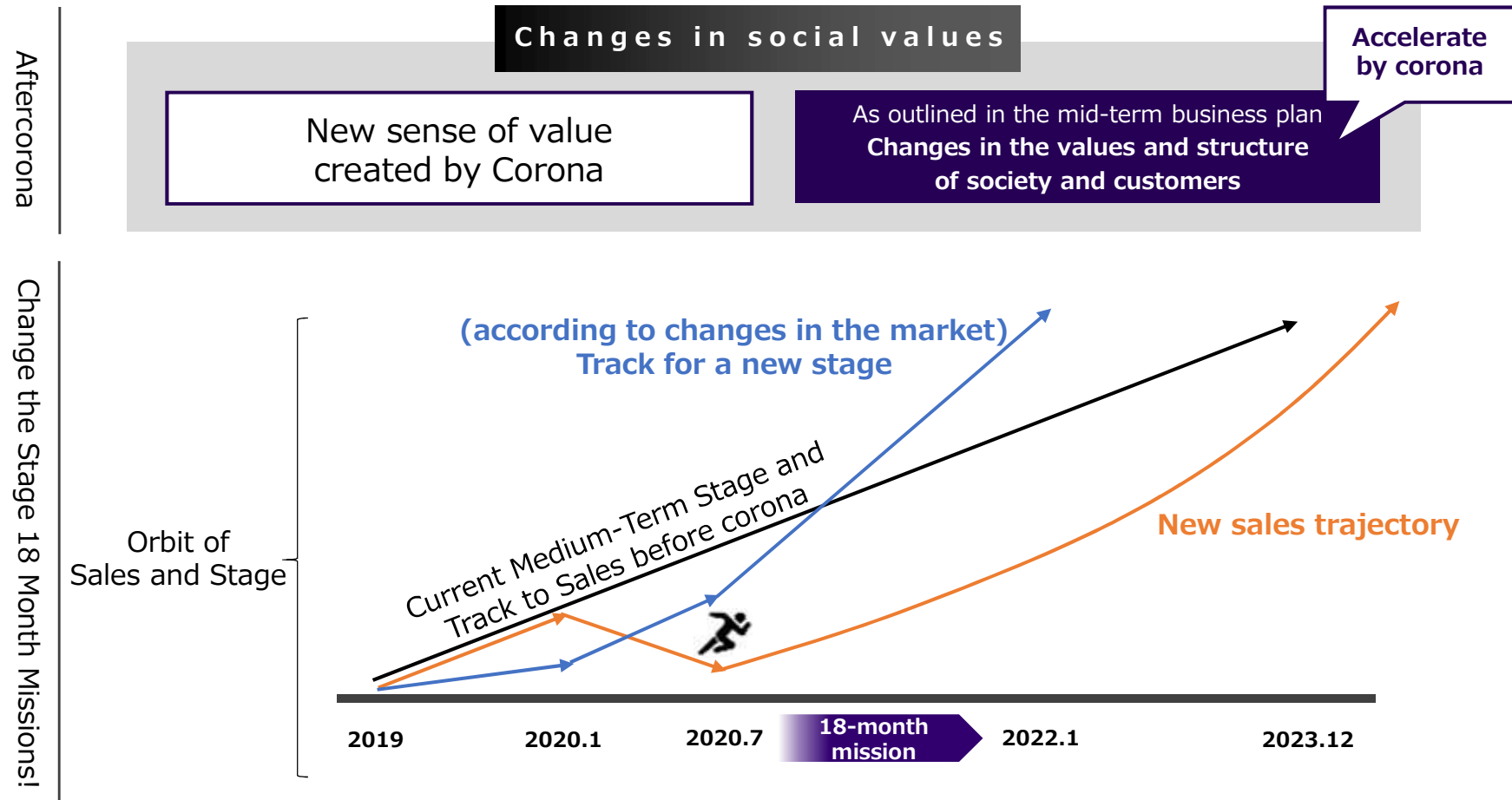
## ミッション

18カ月で創造する4つのステージの加速と25のミッション



## II. About the beauty market of after Corona Measures based on Discussion and Hypothesis

### ■ 18-sale Mission/4-stage 25 Mission New sales track



# **III. Various progress points**

Sales by product brand

Capital Expenditures

SDGs promotion

Consolidated Operating Forecasts for Fiscal Year 2020

Return to Shareholders

# III. Various progress points

## ■ Sales by Product Brand ①

\* Consolidated gross sales basis

### [Premium brand for hair care products]

① Aujua Japan

Q2 cumulative sales YoY +1.2%

Group contact number of salons

<u>Beginning of the year</u>	<u>End of June</u>
3,698 salons	3,897 salons

② Global Milbon Japan

Q2 cumulative sales YoY +2.5%

Group contact number of salons

<u>Beginning of the year</u>	<u>End of June</u>
7,674 salons	8,892 salons

### [Professional brand for hair care products]

① Cronna Ice Spa Shampoo Orange annual target achievement rate 56.0%

② Elujuda SDGs Special Packaging Launched April 9 Limited 6 Months Sales Progress 37.3%

- ✓ The timing of the launch coincided with the emergency declaration.
- ✓ Scheduled to launch a new special package in fall

⇒ New buds: Salons with premium brands can also be sold.

# III. Various progress points

## ■ Sales by Product Brand ②

\* Consolidated gross sales basis

### 【Hair coloring products】

Ordeve brands as a whole YoY Growth -11.6%

Ordeve Addicthy YoY Growth -3.1%

Ordeve Seedil Seedil Interval Re:Care (home color between salon visits)

	<u>January to March</u>	<u>April to May</u>	<u>June (Single month)</u>
Average monthly sales volume	Approx. 1,500	Approx. 14,500	Approx. 3,000

## ■ Point of progress of cosmetic products business

Imprea	2019Q4	2020Q2	2020Q2
		Past year's shipments	Number of contract
Number of salons (salons)	200	234	376
Sales (Millions yen)	165	137	

# III. Various progress points

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## ■ Progress on the EC Site

Milbon official e-commerce website “milbon:iD” launched on June 1

Beginning of the annual plan

Number of salons registered in June	500 salons
Targeted number of salons in December	1000 salons

As of the end of July

Contracted and registered salons numbered approximately 900.

- Registered, in operation:                      Approx. 100 salons
- Registered, in preparation:                      Approx. 400 salons
- Contracted    Approx. 400 salons (awaiting for credit card system authorization)

Full operation expected to be from end of 2020 to 2021

# III. Various progress points

## ■ Capital Expenditures

Situation	Capital Expenditure	Timing of implementation	Amount Invested (Million yen)
In progress	Investment in capital to establish a plant in China	Implemented	1,622 *
Variance in timing	Acquisition of land for construction of the new fieldperson training center	2021 or thereafter	1,000
Variance in timing	Establishment of Aoyama 2 <sup>nd</sup> Sales Office	In 2021	240
New	Remote seminar distribution facilities, etc.	From the second half of 2020	

\* Total 3.6 billion yen (Plan)

# III. Various progress points

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## ■ **SDGs Promotion**

1. Signs the United Nations Global Compact (UNGC)
2. Continuation of support for employment of people with disabilities
3. Collection of haircare plastic containers (currently under test marketing)  
FY2019 30 salons    ⇒    FY2020 100 salons
4. Raw materials
  - ✓ Membership in the Organization RSPO to Promote Sustainable Use of Palm Oil  
(Some products currently use palm oil, which has acquired RSPO certification, and will be applied to all products in the future.)
  - ✓ Use of FSC-certified paper  
(Currently only part of the pamphlet is available. In the future, the application will be promoted to all decorative boxes and promotional materials.)

## ■ **Release of SDGs Matrix - scheduled to be opened in August 2020**

## ■ **Publication of the Integrated Report (scheduled for the end of August 2020)**

## IV. Consolidated Operating Forecasts for Fiscal Year 2020

### ■ Statement of Earnings

(Unit: million yen)

	FY2019 Results	FY2019 % total sales	FY2020 Target	FY2020 % total sales	Increase/ Decrease	Increase/ Decrease ratio (%)
Net sales	36,266	100.0	34,900	100.0	(1,366)	(3.8)
Domestic	30,409	83.8	29,600	84.8	(809)	(2.7)
Overseas	5,857	16.2	5,300	15.2	(557)	(9.5)
Gross profit	23,711	65.4	22,960	65.8	(751)	(3.2)
SG & A expenses	16,959	46.8	17,030	48.8	70	(0.4)
Operating income	6,751	18.6	5,930	17.0	(821)	(12.2)
Ordinary income	6,231	17.2	5,280	15.1	(951)	(15.3)
Profit attributable to owners of parent	4,517	12.5	3,840	11.0	(677)	(15.0)



## V. Return to shareholders

### ■ Shareholder Returns <Dividend Forecast>

(Unit: yen)

	FY2018	FY2019	FY2020
End of 2Q	24	27	27
End of FY	30	29	29 *
Total	54	56	56

\* FY2020 year-end dividend is forecast

We have left the dividend amount unchanged assuming that the spread of the new coronavirus will gradually converge from the third quarter of the fiscal year under review. The dividend payout ratio is expected to be 47.4%.

The year-end dividend forecast cannot be denied any unexpected changes due to exogenous factors such as the spread and convergence of the new coronavirus. Therefore, if there are large fluctuations in the forecast, the dividend forecast will be revised promptly.



Statements concerning the future such as the earnings forecasts given in this document are based on information currently in the possession of the Company and on assumptions that the Company considers reasonable.