

# Milbon Co., Ltd.

## FY2022 Financial Results Presentation Materials



February 14, 2022

# Table of Contents

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P3	Consolidated Operating Results
P4	Consolidated Sales by Product Category
P14	Consolidated Statement of Earnings
P15	Consolidated Trends in Capital Expenditures and R&D Expenses
P16	Trends in Fieldpersons (FPs), Market Related Data
P17	Consolidated Net Sales in Japan and Overseas
P18	Consolidated Operating Income in Japan and Overseas
P19	Outlook of Overseas Subsidiaries
P21	Appendix
P22	Initiatives for FY2023 (64th Term)

NOTE: Figures by the brand are based on shipment value.  
Milbon Co., Ltd. is hereinafter referred to as "the Group".  
Overseas subsidiary in each country is hereinafter referred to as "the Company".

# NOTE :Addition of Sales Deduction Items

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Previously, sales discounts for cash payment were treated as financial expenses (non-operating expenses) from the viewpoint of materiality. However, in light of recent interest rate conditions, such expenses will be treated in the same manner as rebates, and from Fiscal Year 2022, they will be deducted from sales. Figures of the previous fiscal year indicated as "Reference\*" in the following briefing materials, shown for the comparison with the current fiscal year, are the amount after deducting the sales discount from sales in FY2021, and are different from the actual financial results.

# Consolidated Operating Results

- ◆ In Japan, sales showed steady growth, fueled by the increasing popularity of hair bleaching designs and other double-process colors among various age groups, along with robust demand for our premium brands that cater to the growing hair care needs. Overseas, the Company achieved significant growth in sales, mainly driven by expanding revenue in Korea, the U.S., and other regions, as well as the favorable currency impact of a weaker yen, although the ongoing COVID-19 turmoil in China affected the Company's performance.
- ◆ The operating income margin was adversely impacted by not only the increasing cost of raw materials but also by higher personnel expenses and expenses related to the China Factory and overseas R&D initiatives, which began during the current fiscal year.

(Unit: million yen)

	FY2021 Reference*	% total	FY2022	% total	Increase/ Decrease	Increase/ Decrease ratio (%)
Net sales	40,849	100.0	45,238	100.0	4,389	10.7
Gross profit	26,765	65.5	29,509	65.2	2,743	10.2
SG&A expenses	19,681	48.2	21,957	48.5	2,276	11.6
Operating income	7,084	17.3	7,551	16.7	467	6.6
Ordinary income	7,158	17.5	7,829	17.3	670	9.4
Profit attributable to owners of parent	5,109	12.5	5,577	12.3	467	9.2

\* The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

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

## Consolidated Net Sales

(Unit: million yen)

FY2021 Reference <sup>*1</sup>	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
24,029	26,312	2,283	9.5

- The Premium Brands experienced a strong performance with a remarkable YoY growth rate of 13.1%, primarily driven by the heightened attention on hair care amid mask-wearing and increasing demand for hair coloring. For Aujua, the introduction of the Exschild Line, aimed at addressing "pollution care," did not unfold as planned due to its novelty as a product genre and difficulty in communicating its unique characteristics and usage. For Global Milbon, sales saw a surge attributed to establishing touchpoints in each country and the expansion of the Premium Position, including the new hair growth care product, Enhancing Vivacity.
- Professional Brands sales grew by 4.4%, driven by Elujuda, which remains popular, and GRAND LINKAGE, which is expanding overseas as economic activity picks up.

\*1 The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

\* Sales growth by brand is based on consolidated gross sales.

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

## New Products FY2022

### Aujua Climatic Care Series Exshield Line

A new line of Climatic Care Series designed to effectively eliminate and prevent particle pollution\*1 from adhering to hair, resulting in a radiant and glossy appearance.

(Unit: million yen)

FY2022 target	FY2022	Progress rate (%)
307	60	19.8



Debut on February 10, 2022

### Global Milbon Premium Position Enhancing Vivacity

A new scalp care line of Premium Position that nurtures strong and beautiful hair by addressing factors related to hair loss.

(Unit: million yen)

FY2022 target	FY2022	Progress rate (%)
170	213	125.8



Debut on March 10, 2022

### Global Milbon Reawaken Series

An anti-aging care series that specifically targets hair concerns caused by age-related changes, such as dullness and dryness.

(Unit: million yen)

FY2022 target	FY2022	Progress rate (%)
231	191	82.4



Debut on June 11, 2022

\*1 Air pollution, such as PM2.5 and pollen, which is difficult to remove even with shampoo.

\* Sales figures for each brand are based on shipment value.

# A Premium Brand, Aujua

Sales fell short of the target, partly due to a challenging market environment for new products, despite an increase in the number of touchpoints.

## Number of Salons\*1

(Unit: salons)

FY2021*2	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
5,200	6,022	822	15.8

## Consolidated Gross Sales

(Unit: million yen)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
9,700	10,288	588	6.1

## Brand Concept

A premium hair care brand born in consideration of Japan's social climate, culture, and characteristics of the hair of the Japanese people.

## What is Aujua?

A wide range of product lineups offering personalized treatment for each individual's needs and hair type.

## Product Range

Aujua supports diverse perspectives on beauty, now and into the future, by addressing each individuals' hair and skin concerns and offering the most appropriate item for that time.

• 5 series / 16 lines / 100 items

Eternal stage series

Aging care series

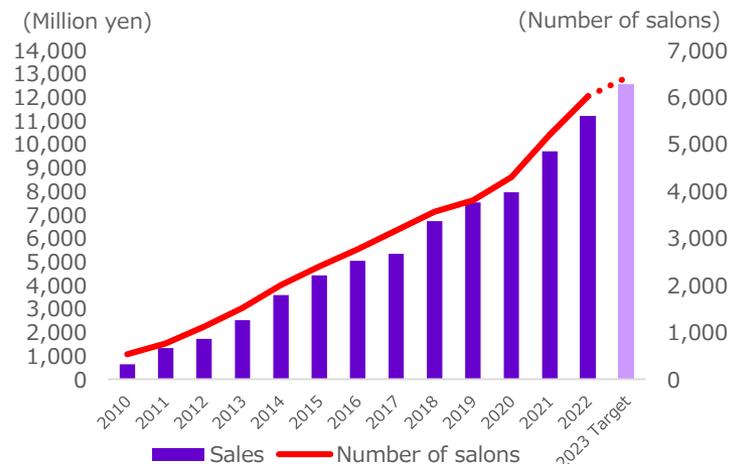
Hair care series

Scalp care series

Climatic care series



Trends in sales & number of salons



\* Figures in the graph are based on non-consolidated total sales through 2018 and on consolidated total sales since 2019.

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

\*2 In the previous document, the number of the touchpoints at the end of FY2021 was listed as 4,946, but this has been corrected due to an error in the counting method.

\* Sales figures are based on shipment value.

# A Premium Brand, Global Milbon

Sales growth was primarily driven by the establishment of touchpoints in each country and the positive impact of new products from the Premium Position.

## Number of Salons\*1

(Unit: salons)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
14,575	18,400	3,825	26.2

## Consolidated Gross Sales

(Unit: million yen)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
4,082	5,341	1,258	30.8

## Brand Concept

A system hair care brand that cultivates the “unique beauty” of each individual, achieving “360 Degree Beautiful Hair.”

## Countries and regions with Salons

The brand is available in the following countries and regions:  
Japan, USA, Hong Kong, China, Thailand, Taiwan, Turkey, Malaysia, Vietnam, Indonesia, the Philippines, Singapore, Germany, Korea, Canada

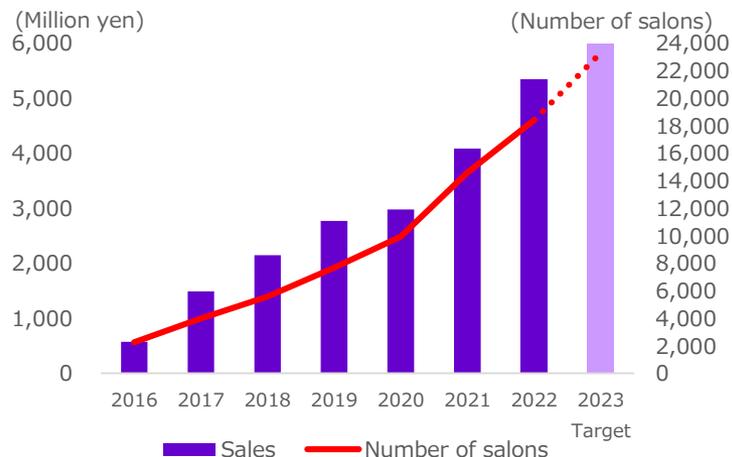
## What is “Global Milbon”?

Based on the hair research technology we have cultivated since our founding, we analyzed diverse hair characteristics from 20 countries. Our analysis broke down the factors for common hair damage phenomena derived from our research, leading to the establishment of a new hair care system. This line contains ingredients that penetrates the shaft with its high affinity to repair hair’s inner porosity and to improve hair’s overall integrity, from the inside out.

## MILBON



## Trends in sales & number of salons



\* Figures in the graph are based on non-consolidated total sales through 2018 and on consolidated total sales since 2019.

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

\* Sales figures are based on shipment value.

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

## Consolidated Net Sales

(Unit: million yen)

FY2021 Reference <sup>*1</sup>	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
14,549	16,631	2,082	14.3

- In Japan, sales of hair coloring products showed a steady growth of 12.4% YoY. This growth can be attributed to the growing popularity of dual-process hair coloring, such as hair bleaching design, among people of all ages. The continued popularity of Ordeve Addicty also contributed to this growth. Moreover, the launch of ENOG in June was well received, attracting a new segment of customers that values design, thereby contributing to the overall sales growth.
- Overseas, while sales in China were affected by the lockdown, sales in Korea, where hair coloring products are a mainstay, and other regions with significant economic activity picked up, resulting in a strong increase of 21.1% YoY in overseas sales of hair coloring products.

\*1 The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

\* Sales growth by brand is based on consolidated gross sales.

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

## Core Product FY2022

### Ordeve Addicthy

Effectively cancels out red-tinged brown and allows customers to freely express their individual hair color designs with clear and transparent color expression.

(Unit: million yen)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
6,212	7,126	913	14.7



Debut in FY2017

## New Products FY2022

### ENOG

A hair color brand that allows you to create unique hair colors with flexible color expressions as inspired by the concept of paints (Enogu in Japanese).

(Unit: million yen)

FY2022 target	FY2022	Progress rate (%)
500	614	122.9



Debut on June 11, 2022

\* Sales figures for each brand are based on shipment value.

# A Premium Organic Brand, Villa Lodola (1)

Sales remained steadily due to continued growth in hair coloring products.

## Number of Salons

(Unit: salons)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
11,317	12,458	1,141	10.1

## Consolidated Gross Sales

(Unit: million yen)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
1,222	1,328	105	8.6

## Brand Concept

Organic brand that proposes lifestyles that fulfill the beauty of people and the environment

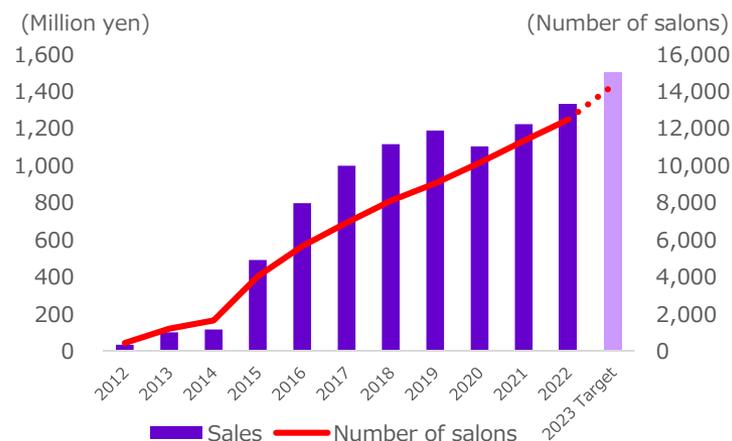
## What is Villa Lodola?

Based on the philosophy of "Beauty, the Organic Way", the brand is fully committed to the natural environment not only in its products, but also in its manufacturing process, packaging, and promotional tools.

All products are certified by ICEA, an Italian organic certification organization. Organic hair care born in Italy, where nature's blessings bring beauty to hair and skin.



Trends in sales & number of salons



\* Figures in the graph are based on non-consolidated total sales through 2018 and on consolidated total sales since 2019.

\* Sales figures are based on shipment value.

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

## Core Product FY2022

### Villa Lodola Color

The product is formulated with 92% naturally derived ingredients and harnesses the power of plants. It offers a fully organic hair care experience, from application to finish and continued use, providing consumers with maximum comfort.

(Unit: million yen)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
921	1,025	104	11.3



Debut in FY2015

## New Products FY2022

### Villa Lodola Color PALETTE

The new shades of Villa Lodola Color offer a range of benefits, from beautiful texture and shine to vibrant tones, all thanks to the power of 92% naturally derived ingredients.

(Unit: million yen)

FY2022 target	FY2022	Progress rate (%)
150	94	62.8



Debut on February 10, 2022

\* Sales figures for each brand are based on shipment value.

# Consolidated Sales by Product Category [Cosmetic Products (1)]

## Consolidated Net Sales

(Unit: million yen)

FY2021 Reference <sup>*1</sup>	FY2022	Increase/Decrease	Increase/Decrease ratio (%)
579	572	(7)	(1.3)

- During the COVID-19 pandemic, in-store touch-up referral activities in salons did not develop as expected. Additionally, the newly launched Tone UP CC Cushion Foundation, which was introduced in March, faced difficulties in capturing customers' understanding, as it serves a unique skin-illuminating function that is distinct from the conventional skin-concealing purpose of traditional foundation products. In the fall/winter seasonal sales promotion, sales increased year on year by offering eyebrow products linked to hair color and "Enjoy Cosmetics!" activities that lead customers to experience iMPREA while having fun. In 2023, we will continue and strengthen our good practices.

## New Products FY2022

### iMPREA Tone UP CC Cushion Foundation

A cushion foundation infused with serum formula creates a veil that controls the reflection of light to give the skin a translucent appearance.

(Unit: million yen)

FY2022 target	FY2022	Progress rate (%)
50	34	70.0



Debut on March 10, 2022

\*1 The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

\* Sales figures for each brand are based on shipment value.

# A Premium Brand, iMPREA

Sales fell short of target, but the number of touchpoints surpassed the target, portending future growth.

## Number of Salons\*1

(Unit: salons)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
1,104	1,601	497	45.0

## Consolidated Gross Sales

(Unit: million yen)

FY2021 Reference*2	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
579	572	(7)	(1.3)



## Brand Concept

The brand concept of iMPREA is “Revolutionize Your Aura with your Professional Stylist”. We will provide new beauty value by leveraging Professional Stylists’ ability to provide solutions, by utilizing their strengths.

## 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 complexion by establishing a good balance of moisture in the "corner-layer keratin" on the surface of the skin, which holds the key to complexion.

## “Revolutionize Your Aura with your Professional Stylist”

This is a communication method that takes advantage of the unique strengths of hair salons, in which the hair stylist crafts your aura by approaching a total impression of both the hair and face.

We deliver an aura change that is unique to you.

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

\*2 The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

\* Sales figures are based on shipment value.

# Consolidated Statement of Earnings

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

	FY2021 Reference*	% to sales	FY2022	% to sales
Sales	40,849	100.0	45,238	100.0
Cost of sales	14,083	34.5	15,729	34.8
Gross profit	26,765	65.5	29,509	65.2
SG&A expenses	19,681	48.2	21,957	48.5
Operating income	7,084	17.3	7,551	16.7
Ordinary income	7,158	17.5	7,829	17.3
Profit attributable to owners of parent	5,109	12.5	5,577	12.3

## <Breakdown of Net Sales by Product Category> (Unit: million yen)

	FY2021 Reference*	FY2022	% to sales	Increase/ Decrease	Increase/ Decrease ratio (%)
Hair care products	24,029	26,312	58.2	2,283	9.5
Hair coloring products	14,549	16,631	36.7	2,082	14.3
Permanent wave products	1,424	1,450	3.2	25	1.8
Cosmetic products	579	572	1.3	(7)	(1.3)
Others	266	272	0.6	5	2.0

## <Major Factors for the Increase/Decrease>

- The gross profit margin was negatively impacted by the increase in raw material costs, which intensified in the third quarter. This trend is expected to persist until the first half of 2023, posing a significant challenge for the Group.
- In addition to the decline in gross profit margin, SG&A expenses were affected by an increase in personnel, travel expenses due to the resumption of activities, market development expenses for major events, research expenses for overseas R&D that began in the current fiscal year, and one-time expenses related to the China Factory, all of which contributed to the decline in operating profit margin.

\* The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

# Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category		FY2018	FY2019	FY2020	FY2021	FY2022
Capital expenditures		1,149	1,605	1,917	4,644	4,097
Depreciation and amortization		1,370	1,453	1,562	1,777	2,026
R&D exp.	Amount	1,479	1,534	1,581	1,741	2,074
	% to sales	4.2	4.2	4.4	4.2	4.6

## FY2022 CAPEX Main Items

### Sales Offices, Studios

- Establishment and maintenance of business locations  
(Relocation of Kobe Sales Office, etc.)

### Production system

- Yumegaoka Factory (Machinery and equipment circulation equipment investment, implementation)
- Thai Factory machinery and equipment

### Training

- Training Center (Land)

### Digital

- Digital Arena
- Education: iD
- milbon: iD
- DX in field activities
- Smart Salon  
(Digital marketing, etc.)

### Others

- Internal infrastructure, research equipment, etc.

\* In the financial results presentation released on February 10, 2022, the R&D expense target for 2022 was set at 1,874 million yen (4.3% of sales). However, the Group has revised the allocation of overseas R&D expenses, which had been recorded as other items, to R&D expenses.

# Trends in Fieldpersons (FPs), Market Related Data

## Fieldpersons Trends (by Country) (Number of FPs / Average number during the period)

	2021	2022
JAPAN	328.2	335.4
	102	105
USA	13.2	13.0
MILBON USA, INC.	68	102
CHINA	29.8	31.6
Milbon Trading (Shanghai) Co., Ltd.	72	66
KOREA	26.0	32.8
Milbon Korea Co., Ltd.	130	126
Others *1	36.0	36.2
	41	63

The number of Fieldpersons reported represents the average number during the period and is not as of January 1. Please note that the calculation method was changed starting from FY2022 3Q, and the figures for 2021 have been recalculated accordingly based on the new method.

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

(As of September 30, 2022)  
27 FPs joined in April 2022, and are currently in OJT on site.  
10 FPs are scheduled to join in October 2022.

(The above 37 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

\* The data in the Report on Public Health Administration and Services by the Ministry of Health, Labour and Welfare, which was previously used for the number of salons and hairstylists in the "Market Trends", has been deemed to have a large difference from the actual situation. Accordingly, the number of establishments and employees are shown based on data from the Economic Census conducted by the Statistics Bureau of the Ministry of Internal Affairs and Communications starting from FY2020 Q2. Please note that the number of employees includes those who are not licensed beauticians.

\*1 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, the Philippines, Singapore, Germany and others

# Consolidated Net Sales in Japan and Overseas

(Unit: million yen)

	FY2021 Reference* <sup>1</sup>		FY2022		Increase/ Decrease	Increase/ Decrease ratio (%)	Changes in local currency base* <sup>2</sup> (%)
	Net sales	% to sales	Net sales	% to sales			
Consolidated net sales	40,849	100.0	45,238	100.0	4,389	10.7	8.7
JAPAN	32,938	80.6	35,334	78.1	2,395	7.3	7.3
Overseas	7,910	19.4	9,904	21.9	1,994	25.2	14.6
USA	905	2.2	1,328	2.9	422	46.7	22.6
CHINA	2,148	5.3	2,114	4.7	(34)	(1.6)	(13.6)
KOREA	3,368	8.2	4,159	9.2	791	23.5	16.6
Other* <sup>3</sup>	1,487	3.6	2,301	5.1	814	54.7	45.9

## [Reference] Exchange rate

(Unit: yen)

	FY2021	FY2022
USA (USD)	109.90	131.49
CHINA (CNY)	17.10	19.49
KOREA (KRW)	0.0962	0.1019

\*1 The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

\*2 Figures are the rates of change in real terms on a local currency basis.

\*3 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, the Philippines, Singapore, Germany and others

# Consolidated Operating Income in Japan and Overseas

(Unit: million yen)

	FY2021 Reference*1		FY2022		Increase/ Decrease	Increase/ Decrease ratio (%)
	Operating income	Operating income ratio(%)	Operating income	Operating income ratio(%)		
Consolidated operating income	7,084	17.3	7,551	16.7	467	6.6
JAPAN	6,106	18.5	6,194	17.5	87	1.4
Overseas	977	12.4	1,357	13.7	379	38.9
USA	(561)	(62.0)	(168)	(12.7)	392	-
CHINA	449	20.9	(9)	(0.4)	(458)	-
KOREA	1,109	32.9	1,351	32.5	241	21.8
Other*2	(20)	(1.4)	184	8.0	204	-

\*1 The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

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

# Outlook of Overseas Subsidiaries (1)

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## USA (Milbon USA)

- While remote activities became the mainstream with the COVID-19 pandemic, market activities by the Company such as salon visits with distributor sales staff, were highly appreciated and helped to strengthen relationships with distributors. Global Milbon performed well due to their high product quality, and the branding effect of the Premium Position as a luxury brand referred to as "Gold" was also successful, resulting in a 23.5% increase in hair care products.
- SOPHISTONE, a hair color brand for European and North American market was well received for its superior functionality and product potency, and the number of touchpoints was steadily expanded.
- In 2023, the Company will continue to promote educational programs aimed at fostering passionate Milbon enthusiasts (i.e., concept salons) through strong relationships with distributors. This includes training product educators and hosting educational events.

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Figures in the text are based on local currency.

# Outlook of Overseas Subsidiaries (2)

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## CHINA (Milbon China)

- In addition to the socio-economic stagnation caused by the zero-COVID policy that lasted until December, the outbreak of infections caused by the backlash following the lifting of the zero-COVID restriction on the flow of people and other factors resulted to a difficult year, with sales down 13.6% from the previous year.
- The Company is planning a large-scale event in 2023, targeting thousands of beauty professionals, as part of its salon education initiatives. The aim is to share with salons the future of the beauty industry in the midst of significant societal changes, and to collaborate with them to create a new growth story for salons.
- China Factory, which started operations during the current fiscal year, currently manufactures Elujuda and some other hair care products, and is preparing to start manufacturing hair coloring products, the main products to be manufactured at the China Factory, one year earlier than the initial plan to begin production in 2024.

## KOREA (Milbon Korea)

- Despite the decline in consumer confidence during the October-December period due to increased interest rates and prices in South Korea, as well as the Itaewon crowd crush, the mainstay hair coloring products continued to perform well throughout the year. Additionally, sales of hair care products steadily expanded, resulting in a YoY net sales increase of 16.6%.
- The company plans to organize new events to attract the younger generation of hairstylists and achieve further growth.

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\* Figures in the text are based on local currency.

# <Appendix> Hair Care Brand Positioning Map

## Premium Brands

MILBON



Aujua



Villa Lodola  
PROFESSIONAL



GRAND  
LINKAGE



*jemile fran*



CRONNA



PLARMIA



*Elujuda*



DOOR



## Professional Brands

# **Milbon Group Initiatives for FY2023 (64th Term)**

**Ryuji Sato,**  
**Representative Director, President and CEO**

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SECTION  
**1.**

# Seven Regions

SECTION  
**2.**

## Market Environment in Japan / Beauty Platform Plan

SECTION  
**3.**

## Consolidated Target for FY2023

# **Seven Regions: Promotion of Local Production for the Local Market**

## **Seven Regions Making Up the Overall Global Market: Promotion of Local Production for the Local Market**

- ①Japan ②Korea
- ③Chinese cultural sphere (Mainland China·Hong Kong·Taiwan)
- ④ASEAN ⑤North America (US·Canada) ⑥EU
- ⑦Middle East (Turkey)

We will design systems for “sales,” “R&D,” and “production and logistics” in each of the seven regions to adequately cater to the variations in hair type and cultural diversity and aid the advancement of the local beauty culture.

# Global Sales Network

## 4 Target Indicators for Overseas Market

\*Reference figures compiled from figures provided by distributors in each country.

	FY2021	FY2022			FY2026	
	Result	Result	Increase / Decrease	Increase / Decrease ratio (%)	Target	Progress rate
<b>Net sales of overseas subsidiaries (million yen)</b>						
USA	906	<b>1,328</b>	423	+46.7%	1,850	
China	2,148	<b>2,114</b>	(34)	(1.6%)	4,740	
Korea	3,369	<b>4,160</b>	791	+23.5%	5,200	
<b>① Sell-out of distributors (million yen) ⇒ Sales of Milbon products from distributors to salons</b>						
USA <sup>*1</sup>	1,120	<b>1,719</b>	599	+53.5%	2,576	
China	3,048	<b>2,881</b>	(167)	(5.5%)	6,181	
Korea	4,267	<b>5,038</b>	771	+18.1%	6,500 <sup>*2</sup>	
<b>② Number of salons that carry Milbon products</b>						
USA <sup>*1</sup>	7,000	<b>9,024</b>	2,024	+28.9%	12,000	40.5%
China	3,094	<b>3,501</b>	407	+13.2%	7,030	10.3%
Korea	10,791	<b>11,123</b>	332	+3.1%	17,379	5.0%
<b>③ Number of sales personnel at distributors that carry Milbon products</b>						
USA <sup>*1</sup>	160	<b>201</b>	41	+25.6%	250	45.6%
China	100	<b>98</b>	(2)	(2.0%)	153	(3.8%)
Korea	290	<b>290</b>	0	+0.0%	470	0.0%
<b>④ Productivity (million yen) ⇒ ① ÷ ③</b>						
USA <sup>*1</sup>	7	<b>9</b>	2	+22.2%	10	
China	30	<b>29</b>	(1)	(3.6%)	40	
Korea	15	<b>17</b>	3	+18.1%	14	

\*KPIs ② ~ ④ change depending on the environment.

\* Including freelance hair stylist

\* 14 part-time educators whose labor costs are shared between the distributors and Milbon

\* Including GMSE

(Global Milbon Sales Educator)

\*1 Figures for FY2022 in USA are as of end-November

\*2 In the financial results presentation materials for FY2021 released on February 10, 2022, the target amount for Korea for ① Sell-out of distributors was 12,700 million yen, but it was revised due to a change in the aggregation method.

# Global R&D

We advance research and development in every region through our "Global 4-R&D" initiative, fostering research and development seeds that culminate in novel products and services.

**Milbon Japan  
Central Research Institute**

**US R&D      Thailand R&D      China R&D**

Global R&D collaboration in Japan  
+ 3 overseas sites

**Product development  
tailored to each region**

**Scheduled to be  
in operation  
at the end of  
2023**

**Haneda Innovation Center**

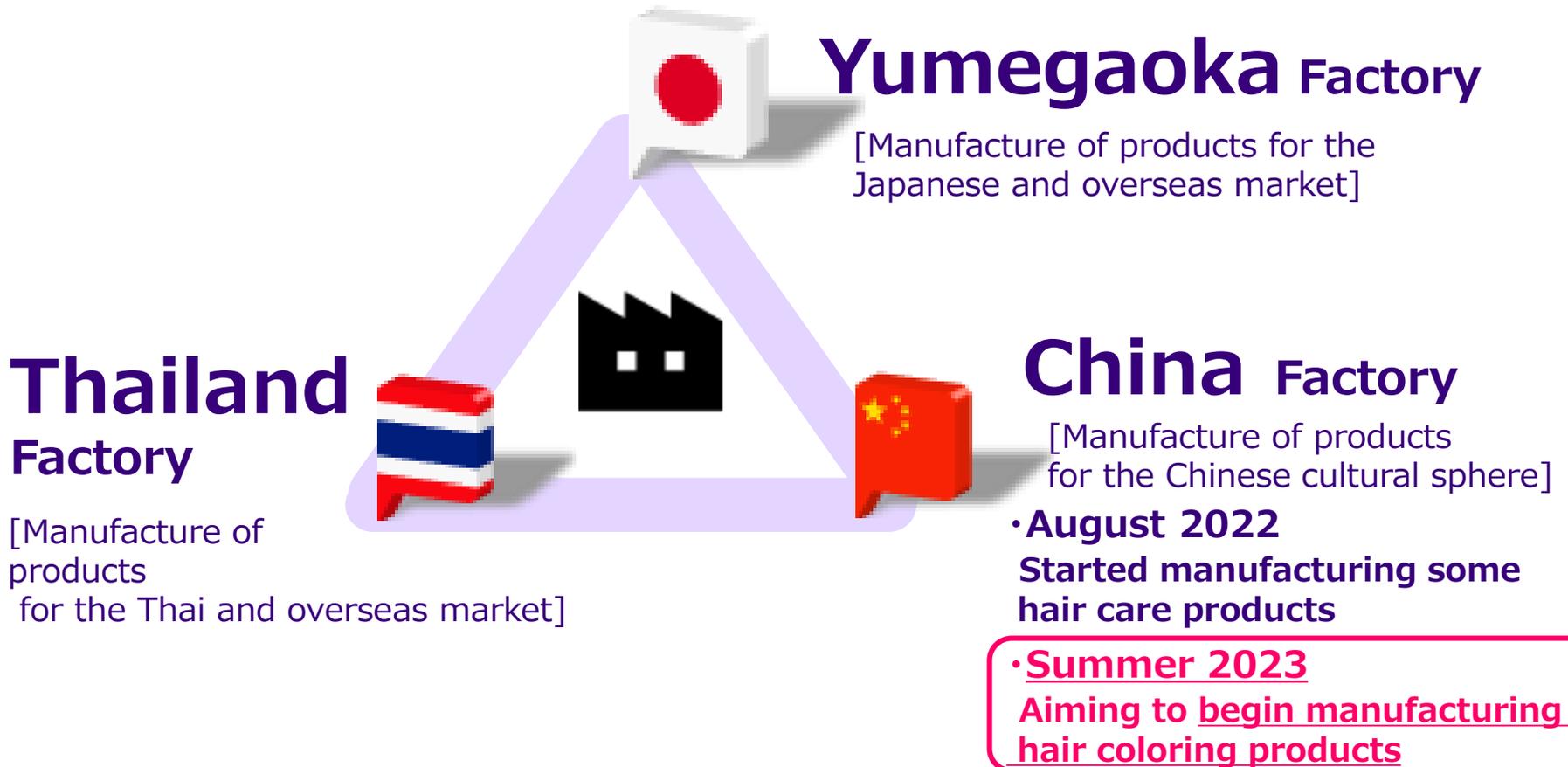
**Developing products and services  
from a longer-term perspective**

**A base for fostering  
partnerships with  
other companies**

**Utilization of the  
world's most innovative  
next-generation  
synchrotron  
radiation facility**

# Global Production

The triad of factories will collaborate to fortify the regionalized manufacturing infrastructure, fitting for local consumption, with Yumegaoka Factory serving as the central facility.



# Global Production

Initiatives aimed at fostering trust through the "Made by Milbon" philosophy, and to articulate Milbon Quality as a hallmark of value for customers and consumers

Made in Japan



Made by Milbon

Value in Production

Milbon Quality

<Value for Customers>

Product

Service

Education

Brand

Logistics

DX

...

# Global Logistics

Advancement of trade systems and logistics strategies in Japan and abroad, with the aim of achieving a Global 2-Week Delivery standard.

## Domestic Structure



### Efforts to reduce the lead time for overseas shipment

#### Trade Center

The establishment of a specialized export warehouse in Japan (Nishiyodogawa, Osaka) securing inventory for overseas utilization (scheduled for Summer 2023).

#### Digital Transformation of Trade Work Flow

•The transition of the order-to-shipment process to an online workflow for enhanced efficiency (pilot operation scheduled for Spring 2023).

## Overseas Structure



### Netherlands Warehouse

- Started operation in September 2022
- For distribution to EU and Middle East regions
- Considering use for distribution to North America

### ASEAN Warehouse (under consideration)

# Global Human Resources

## Preparations for the launch of the Human Resources Development Center in 2025

### / In a further effort to fortify our employee training

1. The Training Center will become an "educational hub" that will support the development of all employees within the Group.
2. The further development of the Milbon Person/Field Person Training, including the revision of the curriculum and the expansion of the training capacity
3. Global Leadership Development

### Current Training Center

<b>Role</b>	Training for MP/FP	➤➤
<b>Target</b>	New employees	➤➤
<b>Location</b>	Noe, Osaka	➤➤
<b>Total Floor Area</b>	891m <sup>2</sup>	➤➤

### Human Resources Development Center <Scheduled to open in 2025>

The educational hub that will support the development of all employees within the Group (The main focus is MP/FP Training)

All employees within the Group

Odawara, Kanagawa

2,494m<sup>2</sup>



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SECTION  
1.

Seven Regions

SECTION  
2.

**Market Environment in Japan /  
Beauty Platform Plan**

SECTION  
3.

Consolidated Targets for FY2023

# Three Perspectives in the eyes of customers and society at large

Perspective

01

## Demographic Trends on Consumption



The continued decline of the under-18 population makes it more difficult to attract younger customers and hire younger employees.



Millennials and Generation Z are driving new trends.  
(40-50% of the working-age population)

Perspective

02

## Efforts to Improve Man-Hour Productivity



Transition from efforts to reduce “workload and time” to initiatives aimed at enhancing essential “consumer value”.

Perspective

03

## Changes in Consumer Attitudes



As consumer behavior becomes more diverse and complex, it is becoming more important to empathize with and match the values and preferences (social values, experience values, and health values) of individual consumers.

# New Form and Function of Hair Salons : Three Potentials

---

## Potential 01

### Create an environment where each individual can maximize their own "strengths"



By persevering in the enhancement of the "expertise" born from the interplay of "likes" and "strengths," we can establish a work environment in which each individual may assume a proactive role.

Beauty Reception Sommelier training

## Potential 02

### Salon "product sales" will evolve from being completed only in the salons to "knowledge-based product sales" with the salons as the starting point.



Transformation and evolution from an "in-store-only salon" to a "store-based salon" that connects with consumers without the need for closing.

## Potential 03

### "Expanding the business domain" and "Reaching out to the younger generation"



Expectations on beauty salons and the amount of money spent on them are growing, and further expansion of the business and a new approach to the younger generation may lead to a better future.

Interest in inner care about skin in 20s

# Salon-based Social Innovation

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## Salon-based Social Innovation

### Beauty Platform Plan

Two major strategies

1

Smart Salon Strategy

2

Lifetime Beauty Care Strategy

Sustainability

Sustainable Cities and Communities

The second year has started

# Market Policy Concept for FY2023

## Toward a new form of Salon: **Beauty Platform Plan**

Developing "Expertise" and "Career"

**Creating an working environment that leverages one's strength**

~Education~

Salons that connect with consumers

**Store-based salons**

~Smart Salon Strategy~

Sign for the future

**"Expanding the business domain" and "Reaching out to the younger generation."**

~Lifetime Beauty Care Strategy~

# The “basis” for the Beauty Platform Plan

Hair coloring  
as a basis

## • Growth in the ratio of hair color menu use at salons

Percentage of female color customers in their 10s-60s who get their coloring done in salons.

70.6% → **74.8%**  
[2017] [2021]

(According to the research of National Beauty & Barber Manufacturers Association Japan in 2022)

\*Including those using home coloring

Education

## • Evolution of Beauty Sommelier Training Program

Beauty Reception Sommelier

### • Education iD [Over 20,000 registered stylists]

More than 300 videos to help stylists learn the information they need to advance their careers  
A variety of educational services to support stylists as they learn

milbon:iD

## • Steady membership and other growth since launch in 2020



## • More than 500 salons with more than 200 registered members per salon

# Smart Salon Strategy

Smart Salon, a new salon form that fuses the real and digital worlds to fulfill customers' desire for "more," was launched in January 2023.

## What is "Smart Salon"?

- A salon space where you can experience a new shopping experience that combines the real and the digital, with the advice of professionals.
- A new salon business model developed in collaboration with Milbon and the salons that support the project.
- Beginning in January 2023, a nationwide rollout is planned.



KAORIUM  
By SCENTMATIC

### KAORIUM

AI diagnoses products with your favorite scent

\*KAORIUM is a registered trademark of SCENTMATIC Corporation.



### DAGASHI

Available to purchase trial sizes of products you are interested in



### Smart Salon Viewer

Display information about products used during treatment and simulations of hair coloring, etc. on a tablet.



### STYLESTOCK

Information on hairstylist-recommended products, styling techniques, etc. delivered to your smartphone (service scheduled to begin in March 2023)

# Initiatives for Lifetime Beauty Care Strategies



## Hair Care

- **Aujua**  
New product INMMETRY Line takes hair care to the next level
- **Global Milbon**  
Blonde Plus : Damage care for bleached hair  
milbon & : Reaching out to the younger generation / developing Store-based Salons



## Skin Care

- Expect synergistic effects with Smart Salon in addition to existing cosmetic referral activities
- **New Brand “IM”**  
Targeting young people, widespread development through distributors



## Beauty Health Care

- **Joint project with Kao underway**
- **ALANOUS**  
A beauty supplement that helps create a radiant appearance based on 20 years of basic research on “5-ALA.”



## Beauty Equipment

- Expanding the range of beauty products/services that customers can experience in salons through collaboration with other companies.  
⇒ Developed hair dryer in collaboration with Panasonic

# ELMISTA

**ELMISTA, a hair dryer that micronizes and atomizes beauty serum, is jointly developed by Milbon and Panasonic.**

Panasonic x MILBON

## ELMISTA

- Launch of Air Conch (interchangeable cartridges containing hair serums that can be selected according to hair concerns and desired texture) under the "Aujua" and "milbon" brands
- Personalized hair dryer recommendations made possible by the intervention of a haircare professional
- Sold at salons that carry "Aujua" or "milbon" and at the official online store milbon:iD



# Progress of Sustainability Key Challenges

Case

## Initiatives in Manufacturing

**1** Yumegaoka Factory receives RSPO Supply Chain Certification  
Achieves distribution certification as first cosmetics manufacturer



Yumegaoka Factory wins EcoVadis Silver Medal



**2** Assessment items of EcoVadis;  
Environment Labor & Human Rights Ethics Sustainable Procurement  
Silver Medal ▶ Top 25% or higher of all companies evaluated

**3** Yumegaoka Factory's CO2 emissions in 2022 through the introduction of renewable energy reduced by 59.7% compared to 2019

Case

Establish company-wide engagement targets

Priority Themes  
(Philosophy Strategy, External Adaptation, Transformation Activities)

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SECTION  
**1.**

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SECTION  
**2.**

Market Environment in Japan /  
Beauty Platform Plan

SECTION  
**3.**

**Consolidated Targets for FY2023**

# Consolidated Targets for FY2023

## ■ Consolidated Statement of Earnings

(Unit: million yen)	FY2022	FY2022 % total sales	FY2023 Target	FY2023 % total sales	Increase / Decrease	Increase / Decrease ratio(%)	FY2026 Target	FY2026 % total sales
Net sales	45,238	100.0	49,200	100.0	3,961	8.8	58,000	100.0
Japan	35,334	78.1	38,021	77.3	2,686	7.6	43,700	75.3
Overseas	9,904	21.9	11,179	22.7	1,274	12.9	14,300	24.7
Gross profit	29,509	65.2	32,160	65.4	2,650	9.0	38,160	65.8
SG& A expenses	21,957	48.5	23,860	48.5	1,902	8.7	27,360	47.2
Operating income	7,551	16.7	8,300	16.9	748	9.9	10,800	18.6
Ordinary income	7,829	17.3	8,250	16.8	420	5.4	10,810	18.6
Profit attributable to owners of parent	5,577	12.3	5,800	11.8	222	4.0	7,670	13.2

# FY2023 Major New Products

Schedule		Name of Products	Target* (million yen)		
1Q	Feb.	<b>Hair Care</b>	Aujua Hair Care Series INMMETRY Line	1,100	*The target amounts are not presented on a consolidated basis.
	Feb.	<b>Hair Coloring</b>	ORDEVE Relaxy Line	250	
	★ Feb.	<b>Cosmetics</b>	iMPREA Milky Souffle UV	32	
	Mar.	<b>Hair Care</b>	Elujuda Sun Protect	400	
	Mar.	<b>Hair Care</b>	Global Milbon Blonde Plus Series	300	
	Mar.	<b>Hair Care</b>	MIINCURL	150	
2Q	★ Apr.	<b>Beauty Equipment</b>	ELMISTA	1,300	
	Apr.	<b>Hair Care</b>	Global Milbon milbon & Aromatic Series	250	
	Apr.	<b>Hair Coloring</b>	ORDEVE Addicthy New Shades	250	
	Apr.	<b>Hair Care</b>	Villa Lodola RENOVO TEMPUS / FULGENS	100	
	Apr.	<b>Hair Care</b>	Global Milbon CREATIVE STYLE Series SHIMMER	40	
3Q	Jul.	<b>Hair Coloring</b>	ORDEVE Crystal New Line	150	
	Jul.	<b>Hair Care</b>	MYFORCE New Line	100	
	★ Jul.	<b>Cosmetics</b>	IM	20	
	★ Sep.	<b>Health Care</b>	ALANOUS	70	
	Sep.	<b>Hair Coloring</b>	ENOG New Shades	50	
	Sep.	<b>Hair Perms</b>	NeoLiscio New Line	80	
Sep.	<b>Hair Coloring</b>	Villa Lodola COLOR PALETTE New Shades	20		

★These are co-developed products with other companies. Therefore, these are purchased items.

Aujua  
Hair Care Series  
INMMETRY Line



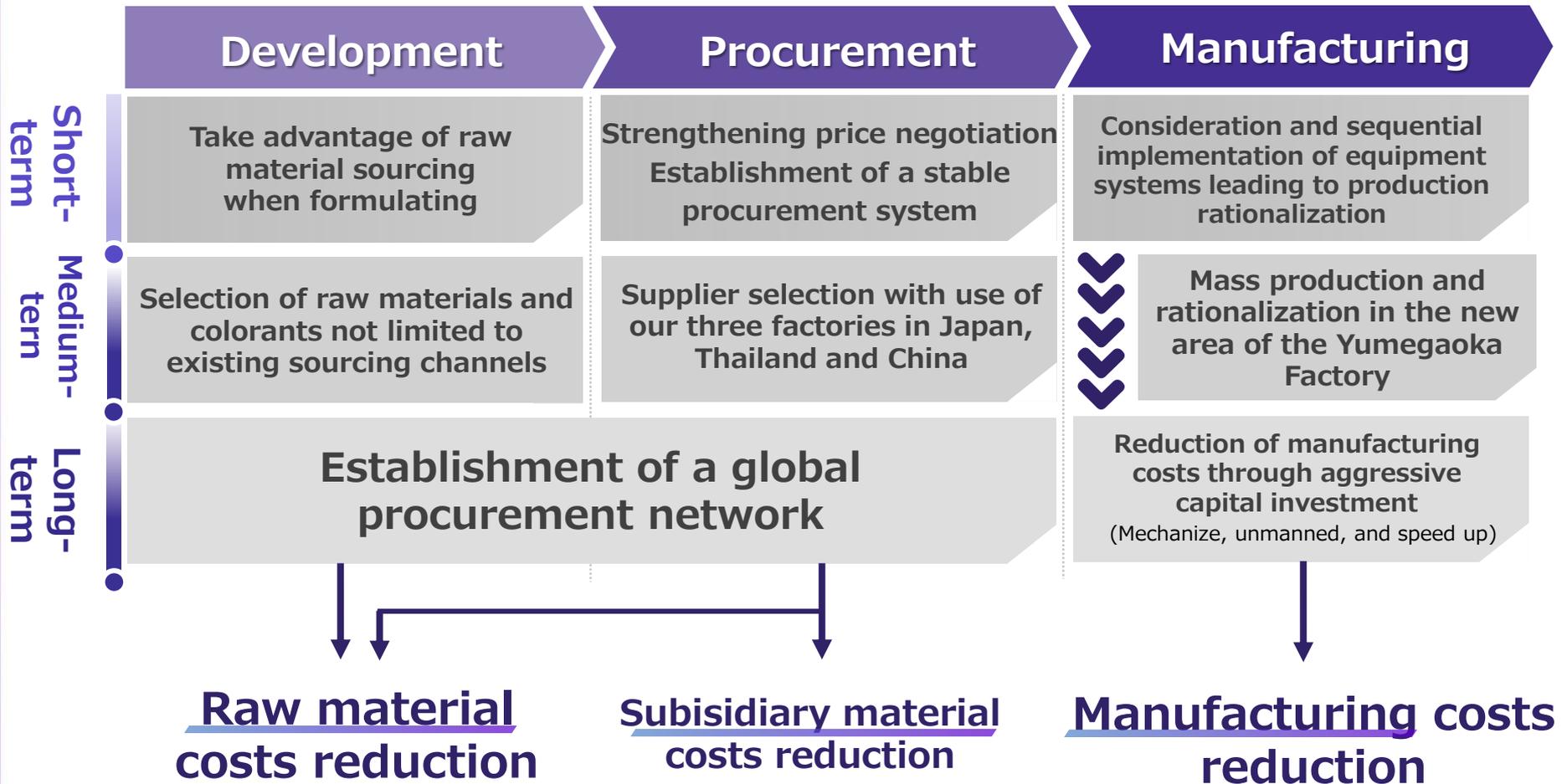
Elujuda  
Sun Protect



Global Milbon  
Blonde Plus  
Series



# Actions to address rising raw material prices (short, medium and long term)



# Consolidated Targets for FY 2023 (Net Sales and Operating Income by Country)

## ■ Consolidated Net Sales in Japan and Overseas

(Unit: million yen)	FY2022	FY2023 Target	Increase / Decrease	Increase / Decrease ratio (%)	Forex rates FY2022 (Unit : yen)	Forex rates FY2023 (Unit : yen)	FY2026 Target
Japan	35,334	38,021	2,686	7.6	-	-	43,700
Overseas	9,904	11,179	1,274	12.9	-	-	14,300
USA	1,328	1,430	101	7.6	USD 131.49	130.0	1,850
CHINA	2,114	2,641	526	24.9	CNY 19.49	19.0	4,740
KOREA	4,159	4,543	383	9.2	KRW 0.1019	0.1000	5,200
OTHER	2,301	2,565	263	11.4	-	-	2,510

## ■ Consolidated Operating Income in Japan and Overseas

(Unit: million yen)	FY2022		FY2023 Target		Increase / Decrease	Increase / Decrease ratio (%)	FY2026	
	Operating Income	Operating income ratio(%)	Operating Income Target	Operating income ratio(%)			Operating Income Target	Operating income ratio(%)
Japan	6,194	17.5	7,021	18.5	827	13.4	8,200	18.8
Overseas	1,357	13.7	1,278	11.4	(78)	(5.8)	2,600	18.2
USA	(168)	(12.7)	(160)	(11.2)	8	-	(64)	(3.5)
CHINA	(9)	(0.4)	240	9.1	249	-	1,084	22.9
KOREA	1,351	32.5	1,212	26.7	(139)	(10.3)	1,528	29.4
OTHER	184	8.0	(12)	(0.5)	(197)	-	51	2.1

# Consolidated Targets for FY2023 (Net Sales by Product Category / Premium Brands)

## ■ Reference: Net Sales by Product Category (Consolidated Net Sales)

(Unit: million yen)	FY2022	FY2023 Target	Increase / Decrease	Increase / Decrease ratio (%)
Hair care products	26,312	27,942	1,629	6.2
Hair coloring products	16,631	17,403	771	4.6
Permanent wave products	1,450	1,594	143	9.9
Cosmetic products	572	673	100	17.6
Others	272	1,588	1,315	483.5

## ■ Premium Brand Sales (Consolidated Gross Sales), Number of Salons

(Unit: million yen)		FY2022	FY2023 Target	Increase / Decrease	Increase / Decrease ratio (%)
Aujua	Sales	10,288	12,500	2,211	21.5
	Number of salons*	6,022	6,420	398	6.6
milbon	Sales	5,341	6,000	658	12.3
	Number of salons: Japan*	8,046	9,500	1,454	18.1
	Number of salons: Overseas*	10,354	13,780	3,426	33.1
Villa Lodola	Sales	1,328	1,500	171	12.9
	Number of salons	12,458	14,300	1,842	14.8

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

# Capital Expenditures in FY2023

## ■ Capital expenditures, Depreciation and R&D expenses

Classification		FY 2022	FY 2023 Planned
Capital expenditures		4,097	2,927
Depreciation and amortization		2,026	2,301
R&D exp.	Amount	2,074	2,372
	% to sales	4.6%	4.8%

## FY2023 CAPEX Main Items

### Sales Offices, Studios

- Establishment and maintenance of business locations (Relocation of Fukuoka Sales Office, etc.)

### Production system

- Yumegaoka Factory (Machinery and equipment)
- Thai Factory (Machinery and equipment)

### Digital

- milbon:iD
- Education:iD
- Smart Salon (Digital marketing, etc.)

### Others

- Internal infrastructure, production equipment
- Innovation Center

# Progress in Medium-term Financial Strategy (2022-2026)

	Results: FY2022	Target: New Medium-term (2022-2026) : 5 years	Progress Rate
Cash flows from operating activities	5 billion yen	Over 44 billion yen	11.4%
Use:	4.1 billion yen	23 billion yen	17.8%
Capital Expenditure	<b>Sales Offices, Studios: 150 million yen</b> (Renovation and expansion of Saitama Sales Office , relocation of Kobe Sales Office) <b>Production system: 1,330 million yen</b> (Machinery and equipment of Yumegaoka Factory, China Factory, expansion of Thai Factory)	<b>Sales Offices, Studios: 1.9 billion yen</b> <b>Production system: 9.8 billion yen</b>	
	<b>Training: 1,440 million yen</b> (Acquisition of land for Human Resource Development Center at Odawara, Kanagawa)	<b>Training: 4.5 billion yen*</b>	
	<b>Digital: 80 million yen</b> (Digital Arena, Education:iD, milbon:iD) <b>Other: 730 million yen</b> (Internal infrastructure, research equipment)	<b>Digital: 1.7 billion yen</b> <b>Others: 5.1 billion yen</b>	
	<b>Suspense account: 360 million yen</b> (Construction in progress, software in progress)		
Return to Shareholders	2.8 billion yen	16 billion yen	17.5%
	Dividend payout ratio <b>50.2%</b>	Stable and continuous <b>dividend payout ratio target of 50%</b>	
Maintain financial base	(1.9 billion yen)	5 billion yen	-
Cash Position	12.2 billion yen	18.3 billion yen	66.7%
ROE	13.2%	13.9%	
ROIC	12.5%	13.6%	

\* In the financial results presentation materials for FY2021 released on February 10, 2022, the amount was set at 4.8 billion yen, but due to a change in the plan, part of the amount has been moved from "Training" to "Other." (There is no change in the total investment amount).

# Return to Shareholders

## ■ Shareholder Return <Divident Forecast>

	FY2021	FY2022	FY2023 Forecast
(Unit : yen)			
End of 2Q	30	40	40
End of FY	38	46	48
Total	68	86	88
Consolidated dividend payout ratio	43.3%	50.2%	49.3%



With respect to the business forecasts included in this document, any statement that is not historical fact is a forward-looking statement based on information available and certain premises that are judged to be rational at the time of the announcement. Please be aware that actual results may differ from any forward-looking statements due to risks, uncertainties, and a number of other factors.