

Milbon Co., Ltd.

FY2019 Financial Results

Presentation Materials



February 12, 2020

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Find Your Beauty **MILBON**

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Consolidated Operating Results

- ◆ Q4 was below expectations, partly due to a reaction to the front-loaded increase in demand prior to the tax hike in Q3. Full-year results were slightly below the target of 0.9%. YoY grew 7%.
- ◆ Gain on the sale of cross-share holdings of approx. 0.3 billion yen was recorded in the previous fiscal year. None in the current fiscal year.

(Unit: million yen)

	FY2018 *	% total	FY2019 *	% total	Increase/ Decrease	Increase/ Decrease ratio (%)
Net sales	33,882	100.0	36,266	100.0	2,383	7.0
Gross profit	22,189	65.5	23,711	65.4	1,522	6.9
SG&A expenses	15,928	47.0	16,959	46.8	1,031	6.5
Operating income	6,260	18.5	6,751	18.6	491	7.8
Ordinary income	5,811	17.2	6,231	17.2	420	7.2
Profit attributable to owners of parent	4,495	13.3	4,517	12.5	22	0.5

* The "Accounting Standard for Revenue Recognition," etc., has been adopted since the first quarter of FY2019. The results for Fiscal Year 12/2018 are also retroactively applied.

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

Premium Brands Continue to Strong, Professional Brands Challenge

Sales

(Unit: million yen)

FY2018 *	FY2019 *	Increase/ Decrease	Increase/ Decrease ratio (%)
20,222	21,328	1,105	5.5

- Aujua Eternal Stage Series Diorum Line, launched in March, contributed to sales growth for Aujua by promoting high-priced menu proposals at salons.
- Sales of the premium-brand milbon grew throughout the year as distributor-led contact points were established. Efforts to increase sales at existing salons will be an issue for the future.
- A new brand, CRONNA, was introduced in April. The company was unable to differentiate itself from premium brands and existing brands and missed targets significantly. From its brand strategy, the company aims to increase the number of salons under its brand by shifting our deployment focus from the whole brand to each individual product.
- In July, the company launched the Jemile Fran Hair Base Makeup series. The lineup of oil finishes to meet customer needs, as well as containers and price ranges tailored to the target market, contributed to the overall growth of the Jemile Fran brand.

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

New Products

FY2019

Aujua Eternal Stage Series Diorum Line

Gives a beautiful freshness to hair that is experiencing aging in a composite manner.

Supports the feelings of women who always want to have beautiful hair by nurturing fresh, elastic, and shiny hair.

(Unit: million yen)

FY2019 target *	FY2019 *	Progress rate (%)
800	783	97.9



March 8, 2019 Debut

CRONNA

Simple care that brings comfort and cleanliness to the hair of busy adult women

Increase. Supports the desires of women who want their hair to always receive praise for being beautiful.

(Unit: million yen)

FY2019 target *	FY2019 *	Progress rate (%)
750	352	47.0



April 10, 2019 Debut

* Gross sales figures are on a non-consolidated basis

Consolidated Sales by Product Category [Hair Care Product (3)]

New Products

FY2019

Jemile Fran Hair Base Make Series

Utilizing only ingredients used in skin care, the special design of the styling product comfortably shapes the appearance of hair.

(Unit: million yen)

FY2019 target *	FY2019 *	Progress rate (%)
100	127	127.0



July 10, 2019 Debut

* Gross sales figures are on a non-consolidated basis

A Premium Brand, Aujua

New product "Eternal Stage Series Diorum Line" drives brand sales

Number of salons

(Unit: salons)

FY2018 *1	FY2019 *1	Increase/ Decrease	Increase/ Decrease ratio (%)
3,271	3,698	427	13.1

Consolidated Sales

(Unit: million yen)

FY2018 *2	FY2019 *2	Increase/ Decrease	Increase/ Decrease ratio (%)
6,726	7,485	758	11.3

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

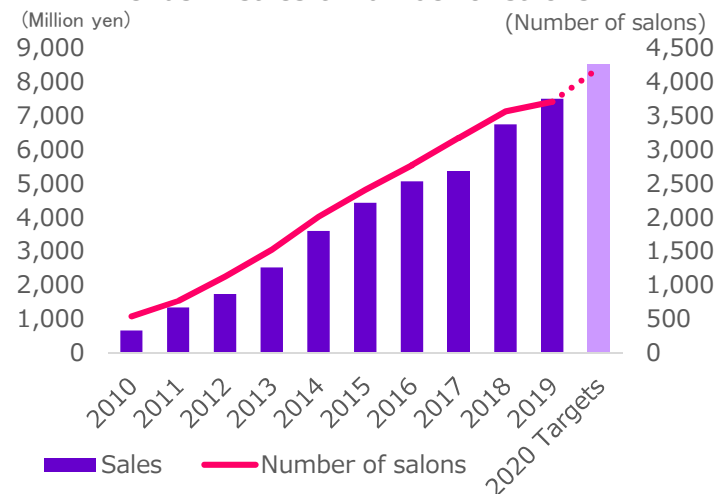
A wide-ranging line up that suits the hair texture of individual customers

- 5 series
- Eternal stage series (new)
- Aging care series
- Hair care series
- Scalp care series
- Climatic care series
- 13 lines
- 86 items

Aujua



Trends in sales & number of salons



*1 Figures for both Japan and overseas are calculated based on shipments over a one-year period.

*2 Gross sales figures are on a non-consolidated basis.

A Premium Brand, “milbon”

Growth with more salons both in Japan and overseas

Number of salons

FY2018 *1	FY2019 *1	Increase/ Decrease	Increase/ Decrease ratio (%)
5,571	7,674	2,103	37.7

Consolidated Sales

FY2018 *2	FY2019 *2	Increase/ Decrease	Increase/ Decrease ratio (%)
2,142	2,551	408	19.1

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

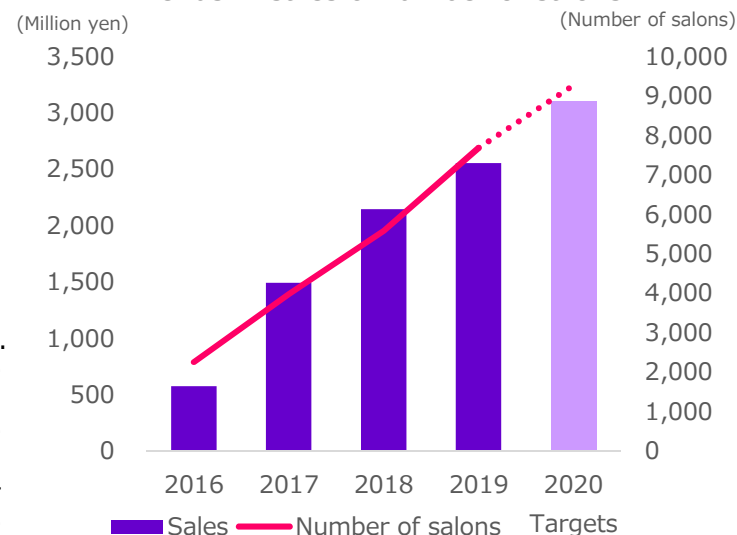
What is “milbon”?

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. “milbon” is a system hair care product for developing shiny, beautiful hair from the core.

MILBON



Trends in sales & number of salons



*1 Figures for both Japan and overseas are calculated based on shipments over a one-year period.

*2 Gross sales figures are on a non-consolidated basis.

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

Ordeve Addicthy continues to grow, with gray colors driving sales by category as an issue

FY2019

(Unit: million yen)

FY2018 ^{*1}	FY2019 ^{*1}	Increase/ Decrease	Increase/ Decrease ratio (%)
11,857	12,994	1,137	9.6

- Sales for the fashion color Ordeve Addicthy have continued to grow. A clear segregation between each series, Ordeve Addicthy and Ordeve that is strong in brown color variations, has been emerging.
- In gray-hair coloring products, Ordeve Seedil was introduced in June. This is an Ordeve brand that is achromatic, friendly to the skin, and enables cold color expression. Along with Ordeve Ledress, semi-permanent color, that was released in March, we will pursue taking a larger share of the gray-hair coloring product market, which is highly competitive.

Core Product 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)

FY2018 ^{*2}	FY2019 ^{*2}	Increase/ Decrease	Increase/ Decrease ratio (%)
3,034	3,916	881	29.1



FY2017 Debut

^{*1} The "Accounting Standard for Revenue Recognition," etc., has been adopted since the first quarter of FY2019. The results for Fiscal Year 12/2018 are also retroactively applied.

^{*2} Gross sales figures are on a non-consolidated basis.

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

New Products

FY2019

Ordeve Ledress

Gives color and shine to hair while increasing the density within each strand of hair.

It supports the needs of customers who want to continue to enjoy a salon color while taking care of their hair.

(Unit: million yen)

FY2019 target *	FY2019 *	Achievement (%)
700	454	64.9



ORDEVE
Ledress

March 7, 2019 Debut

Ordeve Seedil

A gray-hair coloring product for gentle dyeing. Does not irritate the scalp, allowing adult women who have repeatedly used gray-hair coloring products to continue enjoying and feel secure about hair coloring.

(Unit: million yen)

FY2019 target *	FY2019 *	Achievement (%)
800	382	47.8



June 6, 2019 Debut

* Gross sales figures are on a non-consolidated basis

A Premium Organic Brand, Villa Lodola (1)

Growth rate slowed due to inability to launch new products as planned.

Number of salons

FY2018	FY2019	Increase/ Decrease	Increase/ Decrease ratio (%)
8,085	9,015	930	11.5

Consolidated sales

(Unit: million yen)

FY2018 *	FY2019 *	Increase/ Decrease	Increase/ Decrease ratio (%)
1,113	1,187	73	6.6

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?

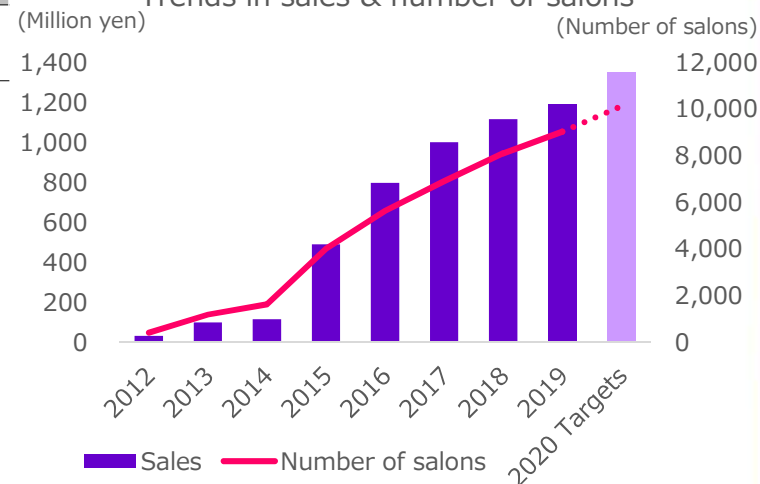
Based on the concept of "Beauty, the Organic Way," Villa Lodola is a true organic brand that thoroughly cares about the natural environment not only for the product itself but also in its container, production phase and promotional tools.

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.

* Gross sales figures are on a non-consolidated basis



Trends in sales & number of salons



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 sales

(Unit: million yen)

FY2018 *	FY2019 *	Increase/ Decrease	Increase/ Decrease ratio (%)
803	882	79	9.9



FY2015 Debut

* Gross sales figures are on a non-consolidated basis

Consolidated Statement of Earnings (FY2019)

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

	FY2018 *	% to sales	FY2019 *	% to sales
Net sales	33,882	100.0	36,266	100.0
Cost of sales	11,693	34.5	12,554	34.6
Gross profit	22,189	65.5	23,711	65.4
SG&A expenses	15,928	47.0	16,959	46.8
Operating income	6,260	18.5	6,751	18.6
Ordinary income	5,811	17.2	6,231	17.2
Profit attributable to owners of parent	4,495	13.3	4,517	12.5

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

	FY2018*	FY2019*	% total sales	Increase/Decrease	Increase/Decrease ratio(%)
Hair care products	20,222	21,328	58.8	1,105	5.5
Hair coloring products	11,857	12,994	35.8	1,137	9.6
Permanent wave products	1,544	1,515	4.2	(29)	(1.9)
Cosmetic products	-	165	0.5	165	-
Others	257	263	0.7	5	2.0

<Major factors for the increase/decrease>

Cost of sales

Cost of sales increased due to production volume adjustments resulting from enhanced inventory control.

Profit attributable to owners of parent

While there was a gain of 305 million yen from the sale of cross-shareholdings in the first quarter of FY2018, there was no such gain in FY2019.

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Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category		FY2015	FY2016	FY2017	FY2018	FY2019
Capital expenditures		2,779	4,262	1,570	1,149	1,605
Depreciation and amortization		1,033	1,077	1,272	1,370	1,453
R&D exp.	Amount	1,214	1,232	1,422	1,479	1,534
	% to sales	4.4	4.2	4.3	4.2	4.2

FY2019 CAPEX Main Items

- Establishment of a new domestic base (Matsuyama Sales Office)
- Compounding equipment for plant (automatic dye weighing machines)
- Build system infrastructure
- EC site platform

Trends in Market Related Data, Trends in Fieldpersons (FPs)

Market trends (Japan)

	2014	2015	2016	2017	2018	2019	Remarks
Number of salons (salons)	237,525	240,299	243,360	247,578	251,140	—	Ministry of Health, Labour and Welfare, Report on Public Health Administration and Services
Number of hair dressers (people)	496,697	504,698	509,279	523,543	533,814	—	Number of beauty salon facilities / number of employees (year-end)
Number of beauty customers (thousand people)	37,847	37,395	37,023	36,643	36,300	36,091 (As of Aug.1)	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

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))

	2015	2016	2017 * ¹	2018	2019
JAPAN	237	249	258	269	279
	100	102	105	111	108
USA	12	9	12	13	13
MILBON USA, INC.	53	63	48	48	50
CHINA	18	18	19	22	21
Milbon Trading (Shanghai) Co., Ltd.	36	40	50	62	70
KOREA	19	20	23	25	30
Milbon Korea Co., Ltd.	75	80	84	82	77
THAILAND	6	6	9	7	7
Milbon (Thailand) Co., Ltd.	15	14	13	17	22
VIETNAM					7
MILBON VIETNAM CO., LTD					13
Others* ²	16	19	24	26	21
	42	47	38	43	53

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

(As of September 30, 2019)

6 FPs joined in October 2018, and are assigned on site
31 FPs joined in April 2019, and are currently in OJT on site
10 FPs joined in October 2019, and are currently in training
(The above 47 FPs are not included in the left chart.)

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

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

Consolidated Net Sales and Operating Income in Japan and Overseas

■ Net Sales

(Unit: million yen)

	FY2018 *		FY2019 *		Increase/ Decrease	Increase/ Decrease ratio (%)
	Amount	% total	Amount	% total		
Domestic	28,569	84.3	30,409	83.8	1,839	6.4
Overseas	5,312	15.7	5,857	16.2	544	10.2
Total	33,882	100.0	36,266	100.0	2,383	7.0

■ Operating Income

(Unit: million yen)

	FY2018 *		FY2019 *		Increase/ Decrease	Increase/ Decrease ratio (%)	Operating income ratio (%)	
	Amount	% total	Amount	% total			FY2018	FY2019
Domestic	5,642	90.1	6,177	91.5	535	9.5	19.8	20.3
Overseas	617	9.9	574	8.5	(43)	(7.1)	11.6	9.8
Total	6,260	100.0	6,751	100.0	491	7.8	18.5	18.6

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Outlook of Overseas Subsidiaries (1)

■ Sales of overseas subsidiaries (non-consolidated and local currency basis)

	Currencies (unit)	FY2018	FY2019	Increase/ Decrease ratio(%)	Forex rates FY2018 (yen)	Forex rates FY2019 (yen)
USA MILBON USA, INC.	US dollar (thousand)	5,730	6,026	5.2	1\$= 110.44	109.04
CHINA Milbon Trading (Shanghai) Co., Ltd.	Yuan (thousand)	81,776	94,118	15.1	1 yuan= 16.73	15.82
KOREA Milbon Korea Co., Ltd.	Won (million)	20,630	24,927	20.8	1₩= 0.1001	0.0936
THAILAND Milbon (Thailand) Co., Ltd.	Baht (thousand)	35,868	44,427	23.9	1 baht= 3.43	3.53
VIETNAM MILBON VIETNAM CO., LTD	Dong (million)	-	22,452	-	1VND= -	0.004741

USA (MILBON USA, INC)

In Manhattan's direct sales area in the United States, we are winning new young salons and expanding our share of the Japanese market for color products. In the distributor sales areas, we are steadily expanding our sales network and have established a structure that covers 35 states with 7 distributors. In addition to existing distributors, sales at distributors in the North Central area, which started this year, were favorable. As a result, sales increased despite the transition from direct sales to a distributor system. On a product-by-product basis, Milbon is highly valued for its good finishing at a technical seminar for distributor, leading to the acquisition of new salons. In the area of hair coloring product Sophistone, demi-color, we are in the process of creating a contact point. Going forward, we will continue to hold workshops using the new studios that have been relocated.

Outlook of Overseas Subsidiaries (2)

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

In the Chinese market, in addition to a sense of economic slowdown, customer needs are diversifying, and whether salons can respond to these trends is becoming increasingly important. Milbon has maintained a high growth rate even in a difficult environment through field activities for targetting salons. However, sales were somewhat sluggish covered by distributors from the time of founding, including those in Jiangsu, Zhejiang and Guangdong provinces. This is believed to be due to a slight weakness in supporting activities for distributors, and in order to improve this, we started training involving not only in-house but also distributors.

KOREA (Milbon Korea Co., Ltd.)

Sales rose sharply, to 20.8%, largely unaffected by the Japan-Korea trade dispute. This is likely due to the characteristics of the beauty industry and the successful localization of people and organizations in milbon. In hair coloring products, the Ordeve Addicthy, which was launched last year, has been highly regarded by young beauticians and has steadily secured new sales channels. In hair care, Aujua have steadily secured new dealing salons. In addition, we have trained 17 in-house trainers who can conduct counseling training. It is expected that the quality of educational activities will be further enhanced.

THAILAND (Milbon (Thailand) Co., Ltd.)

The hair coloring category is performing well, thanks in part to proactive implementation of training sessions at individual stores and studios, as well as the effects of training provided to sales at distributors. In the hair care segment, Millbon has been highly evaluated for its salon treatment finish, and both the number of salons and the amount purchased per salon have increased.

Outlook of Overseas Subsidiaries (3)

VIETNAM (MILBON VIETNAM CO., LTD)

Much of Vietnam's population is in the 20s and 30s age groups. The fashion colors Ordeve and Ordeve Addicthy are highly regarded in the hair coloring product category, and market deployment is being promoted while the respective positions of these products is being clarified. In the hair care business, For Milbon, we are working to increase sales at existing stores, rather than increasing the number of salons, mainly limited to quality salons. Professional brand Linckage Meu and Deesse's Neu Due have also become the key products of acquiring new salons.

<Appendix> Hair Care Brand Positioning Map



Milbon Group

Initiatives for FY2020 (61st term)

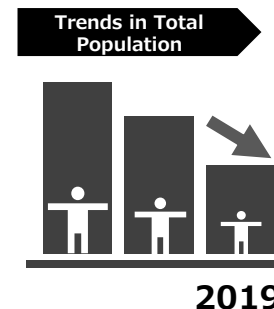
Ryuji Sato, President and CEO

I. Domestic market environment in Japan

■ Current outlook

1. Population decrease and birth rate decrease

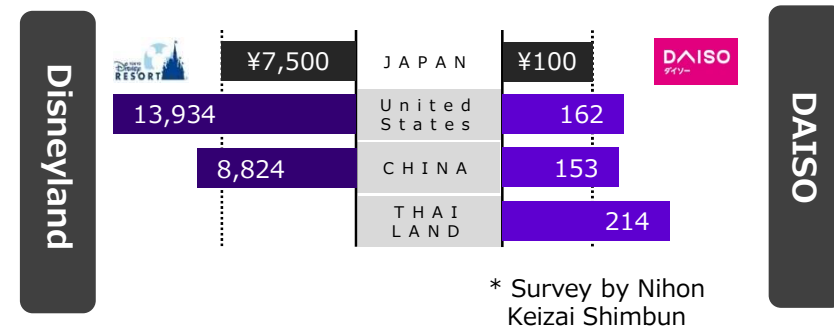
- ✓ Largest ever decline in population
- ✓ Growing number of single-person households due to the declining birthrate and aging population



*Bureau investigation of ministry statistics of public management

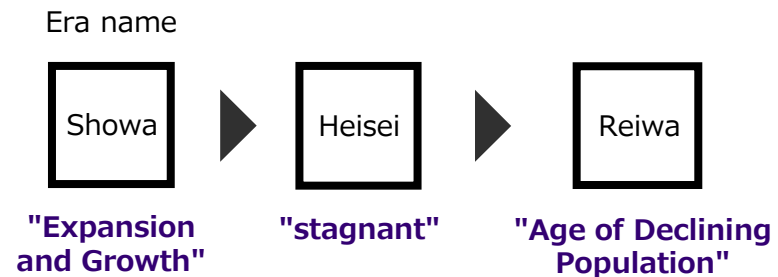
2. Price slump

- ✓ Japan's prices are sluggish, reflecting sluggish prices compared to other countries in the world.



3. Changes in local communities

- ✓ Diversification of values of human resources and life, and changes in communities due to changes in the value of information
- Local community Urban community
 Local community



II. Social Responsibility Trends (Sustainability Initiatives)

■ From the Establishment of SDGs Promotion Committees to Initiatives

1. In Fiscal Year 2019, workshops were held for all employees.
2. Utilize SDGs matrix and value chains to set activity targets
 - ✓ Putting Ideas and Initiatives into Practice by Individual Employees
 - ✓ Establishment of contact persons for each theme
3. Formulation of Basic Sustainability Policy

Basic Sustainability Policy

Through hair designers, Milbon aims to create a sustainable society by creating a beauty industry that is conducive to beauty and spiritual wealth.

II. Social Responsibility Trends (Sustainability Initiatives)

[SDGs matrix]

ESG	ESG重要統制	主な目標 (KPI項目)	2020年目標 (中期目標)	2030年目標	SDGs 17目標との関連性																
ガバナンス	取締役会・取締役会	取締役会	G-1 経営方針の策定・推進	経営方針の策定・推進	経営方針の策定・推進																
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			G-20 取締役会の業務執行・業務執行	取締役会の業務執行・業務執行	取締役会の業務執行・業務執行																
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			G-22 取締役会の業務執行・業務執行	取締役会の業務執行・業務執行	取締役会の業務執行・業務執行																
			G-23 取締役会の業務執行・業務執行	取締役会の業務執行・業務執行	取締役会の業務執行・業務執行																
			G-24 取締役会の業務執行・業務執行	取締役会の業務執行・業務執行	取締役会の業務執行・業務執行																
			G-25 取締役会の業務執行・業務執行	取締役会の業務執行・業務執行	取締役会の業務執行・業務執行																
	取締役会・取締役会	取締役会	G-26 取締役会の業務執行・業務執行	取締役会の業務執行・業務執行	取締役会の業務執行・業務執行																
			G-27 取締役会の業務執行・業務執行	取締役会の業務執行・業務執行	取締役会の業務執行・業務執行																
			G-28 取締役会の業務執行・業務執行	取締役会の業務執行・業務執行	取締役会の業務執行・業務執行																
			G-29 取締役会の業務執行・業務執行	取締役会の業務執行・業務執行	取締役会の業務執行・業務執行																
			G-30 取締役会の業務執行・業務執行	取締役会の業務執行・業務執行	取締役会の業務執行・業務執行																

* Organize the relevance of ESG-related issues and SDGs17 items

II. Social Responsibility Trends (Sustainability Initiatives)

[Value chain mapping]

		調達（素材選定）	企画・開発	製造・物流	営業・販売
価値創造する	競争優位性	責任ある持続可能な調達	プロフェッショナル価値を創造する美容技術ソフト	品質と環境配慮を両立した生産体制	美容産業の発展
		<ul style="list-style-type: none">■独自の持続可能性基準と組織体制による調達の実行■調達基準の開示■安定的な調達のためのルート確保	<ul style="list-style-type: none">■世界の一流ヘアデザイナーから学ぶ開発システム（グローバルTAC製品開発システム）■時流と多様なプロフェッショナルの要望に応えられる製品・サービスラインナップ■プロフェッショナルの感性にまで応える品質基準■特許・知財戦略による独自技術の確保■オープンイノベーションによる新技術開発■最先端テクノロジーを創出する研究体制■高度な安全性を担保する検証技術	<ul style="list-style-type: none">■多様な需要に対応する多品種変量生産システム■物性だけでは測れない、感性領域までの品質検査■循環型の生産エネルギー活用■省エネルギー生産■グローバルな生産・物流システムによる安定供給体制	<ul style="list-style-type: none">■人口動態を基軸とした社会状況に基づくグローバルエリアごとの市場政策の実行■美容室の戦略的支援システム（FPトランザクションシステム）■ヘアデザイナーが今必要な教育プログラムを多様な手法で提供■スペシャリストによる高度な技術教育■販売代理店との協働による広域への情報提供■専門職認定制度によるヘアデザイナーの価値向上■トータルビューティプロデュース■美容室のローカルハブステーション構想（日本）
		<ul style="list-style-type: none">■主要な原料のトレーサビリティ確保■環境配慮型容器の活用■省資材化対策の継続実施	<ul style="list-style-type: none">■社会環境を考慮した開発プロセス■持続可能性と機能性を追求した独自原料開発■環境配慮型容器の開発	<ul style="list-style-type: none">■製造の効率性と環境負荷低減を追求する製造技術開発■循環を前提とした排出基準■地域活性化への積極的貢献	<ul style="list-style-type: none">■事業所排水のグリーン化■持続可能型社会に向けてのエリア啓発■地域活性化への積極的貢献
価値創造を支える基盤		○コーポレートガバナンス・リスクマネジメント・コンプライアンスの各委員会による組織マネジメント、○ダイバーシティ対応型の透明性のある人事・組織、○機動的かつ安定的な事業展開を支える財務戦略、○人権宣言に基づく人権尊重、○ステークホルダーとの開かれた対話の実践、○経営理念の社内浸透、○市場を理解し最適な価値提供を行う人材の育成（FP研修、スペシャリスト制度）			

III. Environment Surrounding Salons and Management Plan

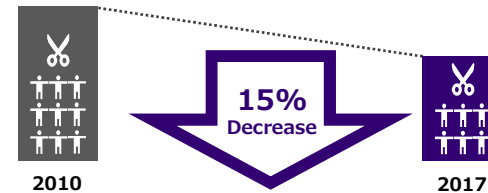
■ Points of the Environment Surrounding Salons (Social Perspectives)

1. Slowdown in consumption after the tax hike (delayed)

2. Decrease in population per beautician

- ✓ Decreased by 15% over the past 7 years due to population decline

Per beauty salon population (total population ÷ number of beauty salons)



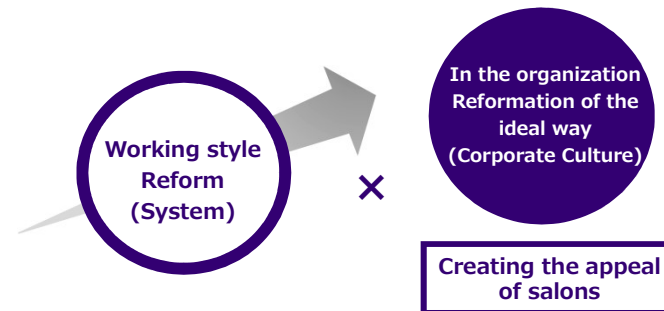
3. Neighborhood consumption and small commercial areas continue

Aging population and rising woman employment rate

> In the vicinity of residences, workplaces, and schools, Consumption in the neighborhood is becoming stronger, and the market is becoming smaller.

4. Reform of organizational structure (environment)
Creating the appeal of salons

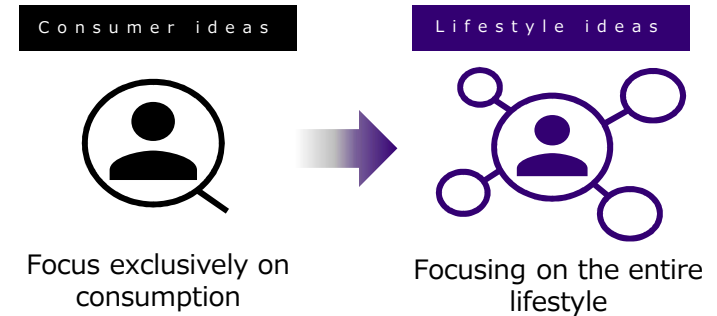
- ✓ Work style reform (as the system progresses, it is important to retain employees as part of management strategy, to continue working, and to reform organizational structure (culture))



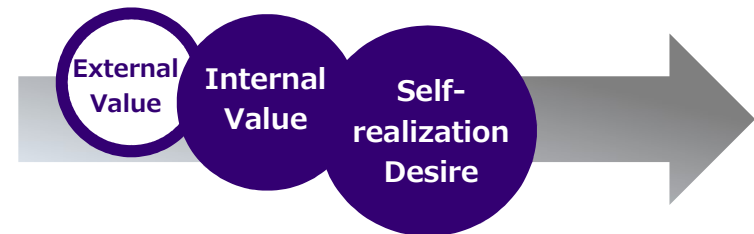
III. Environment Surrounding Salons and Management Plan

■ Points of the Environment Surrounding Salons (Customer Perspectives)

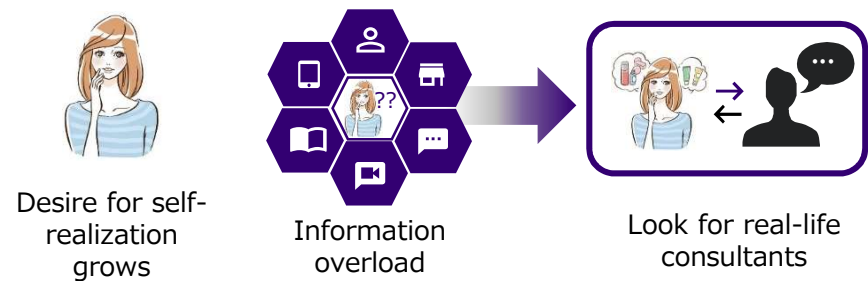
1. Shift from Consumer Concept to Lifestyle Concept



2. From external value, internal value and desire for self-realization are increasing.



3. As customers' desire for self-fulfillment grows, while there is an information overload, real-life consultants are being sought.



III. Environment Surrounding Salons and Management Plan

2 major promoting themes

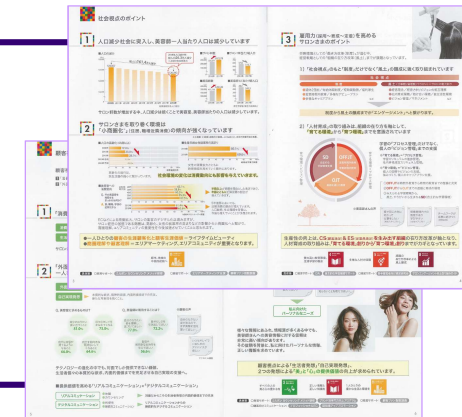
Market policy concept

LIFETIME BEAUTY INNOVATION for NEXT100

Creating a Lifetime Beauty Salon = Supporting the creation of a lifetime beauty salon that continues to provide beauty and emotional fulfillment through lifetime beauticians with the aim of achieving a monthly productivity of 1 million yen per beautician

Through our core business activities,
To sustainable growth in beauty industry,
Aiming to earn the trust of customers and society

Contributing to SDGs



▲2020 Policy manual

The policy manuals also refer to SDGs efforts and approach the market as a whole.

III. Environment Surrounding Salons and Management Plan

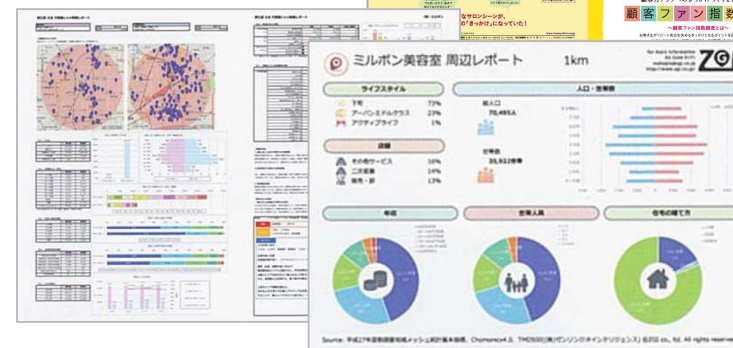
■ Initiatives from a Social Perspective

① Responding to the development of small commercial areas

- ✓ Understanding of Commercial Areas: Area Marketing Support
- ✓ Customer Understanding: Customer Fan Index Survey

- "Area marketing support" refers to data on the population and households of the survey area, deepening the understanding of the store's trading area and customer understanding, and creating promotions tailored to the target customer setting and market.
- "Customer Fan Index Survey" provides easy-to-use questionnaire tools for smartphones and tablets, enabling the company to easily gather points for problem-solving from the voices of customers, which will lead to an increase in customer strength.

▼ Brochure on customer fan index survey



▲ Area marketing support

② Beauty Partner Development

- ✓ Milbon Counseling Method (MCM)
- ✓ Milbon Carrier Step-Up Curriculum (MCC)
- ✓ Milbon Hair Color Academy (MCA)
- ✓ Milbon Designers' Ability (DA) *

* Designers' Ability (DA) is an educational event designed to expand the potential of hair designers by facing their sensibilities.

III. Environment Surrounding Salons and Management Plan

■ Initiatives from a Social Perspective

③ Reform of organizational structure (cultivation of corporate culture)

Nurturing Environment = Process Management

Growing Environment = Management of Vision and Career Plan

▼ Salon Engagement Initiative Guides



- ✓ Salon Engagement Initiative Guide
- ✓ Management workshop for young managers
- ✓ Store manager training

- Salon Engagement Initiative Guides: Provide support for the creation of a corporate culture by proposing points to raise "the level of the company's liking, willingness to voluntarily engage in business, and willingness to contribute" as a foundation for long-term productivity improvement.



III. Environment Surrounding Salons and Management Plan

■ Initiatives from the Customer's Perspective

① Shift in thinking

- ✓ Shift from Consumer Concept to Lifestyle Concept
- ✓ Shift from External Ideas to Self-fulfilment Ideas



Through Real Communication and Digital Communication,
Fulfill the customers' Beauty and Spiritual Wealth

② Creating a relationship of trust between customers and beauticians

Professional education for each brand

- Aujua Sommelier
- Global Milbon Stylist Club
- Villa Lodola Organic Preacher
- Imprea leader



III. Environment Surrounding Salons and Management Plan

Lifetime Beauty Salons, which are communities of beauty and spiritual wealth, are the creation of social value and play a central role in the creation of sustainable cities and regions.



➤ **Creating a new way of beauty**

IV. Overseas Market Environment

【Asia】

- ◆ Chinese market : Fiscal Year 2019 Results +15.1% (Local currency basis)
 - ① EC Regulations Affect take-home products
 - ② As the discriminant power of the consumer increases and it struggles for mere retail, the unique field activity of the milbon leads to differentiation and continues to grow by 2 orders of magnitude
 - ③ Impact of the new coronaviruses
- ◆ Korean market : Fiscal Year 2019 Results +20.8% (Local currency basis)
 - ① Getting back to a growth trajectory based on reliability through quality of product and field activities by Fieldpersons after the circumstances that low-priced products were entered into the market
 - ② Double-digit growth without being affected by the Japan-Korea trade dispute
 - ✓ Characteristics of the beauty market
 - ✓ Localization of personnel and organizations
- ◆ Impacts and concerns in Asia
 - Diffusion of new coronaviruses-uncertainty

IV. Overseas Market Environment

【USA】

- ◆ North American market Fiscal Year 2019 Results : +5.2% (Local currency basis)
 - ① Accelerate transition to a distributor system (7 distributors as of the end of December 2019)
 - ② Sophistone's first product launched
 - ✓ July in 2019 Direct Sales Area (Manhattan) Demi-Color *, Bleach
 - ③ USA Office Studio Relocation
 - ✓ Consisting lighting studios, toward the launch of hair coloring products



* Demi-color: Colors hair without bleaching. Allows for delicate color adjustments in the blonde range.

V. Cosmetics Business

[Start of market activities]

The number of distributor IA * and salons handled have been increased, accordingly, the number of cases increased, and new seeds and challenges to be solved have become clearer.

(As of the end of Fiscal Year 2019)

- ◆ Number of distributors IA: Approx. 150
- ◆ Number of salons approx. 200



IMPREA

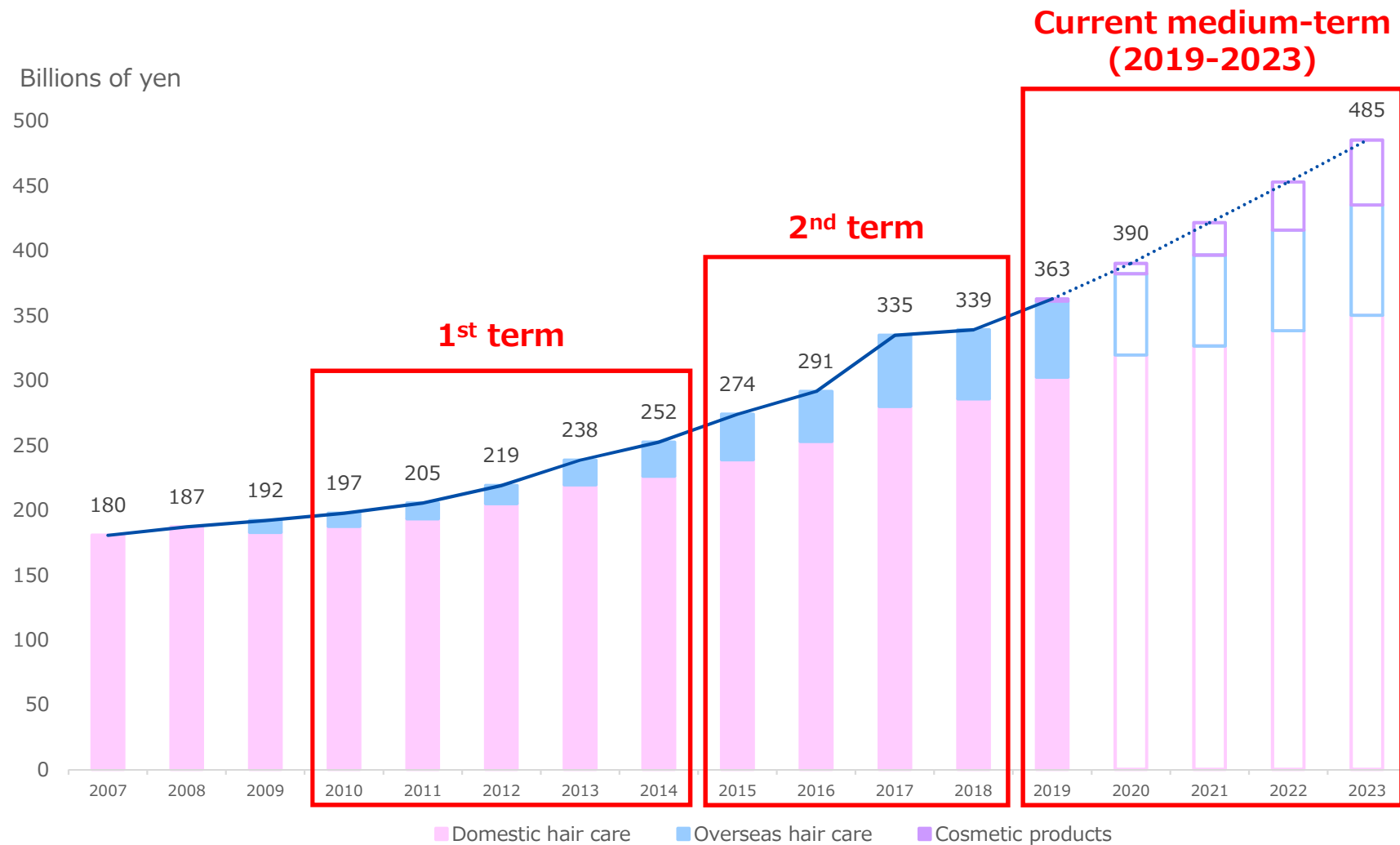
[New seeds]

- ✓ Skin lotions that are difficult to switch are top sellers
- ✓ Monthly sales of more than 0.2 million yen per beautician
- ✓ Counseling effect for hair and skincare as a whole

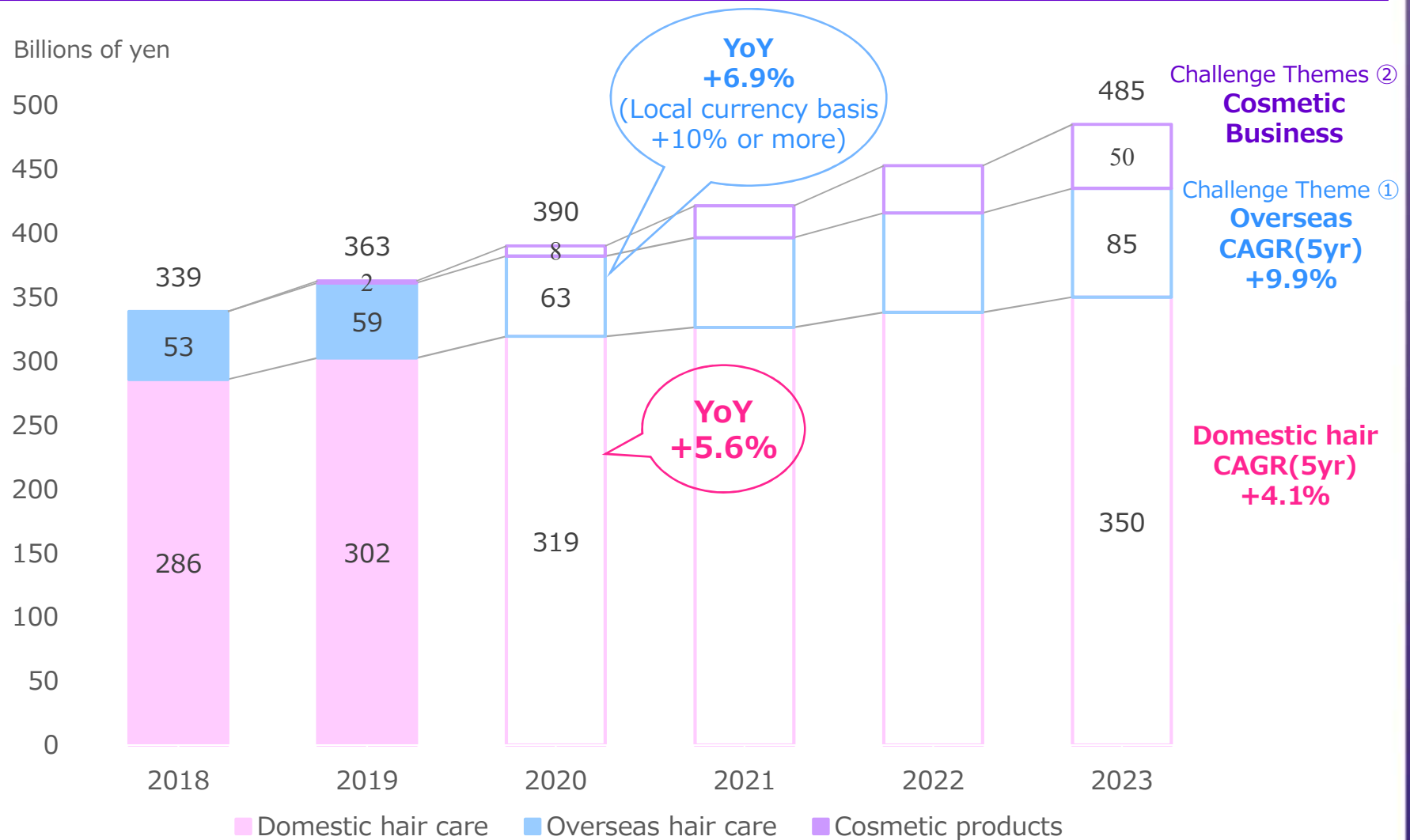
* IA (Imprea Ambassador): Similar position/role to FCEs at distributors. IAs work with FCEs to follow up on salons.

Measures for Fiscal Year 2020

VI. Measures for FY2020 ~ Historical Medium-Term Results Trends ~



VI. Measures for FY2020 ~ Sales Targets for Current Medium-term ~



VI. Measures for FY2020 ~ Group-Wide ~

■ Product Development & Production System

1. Basic Research

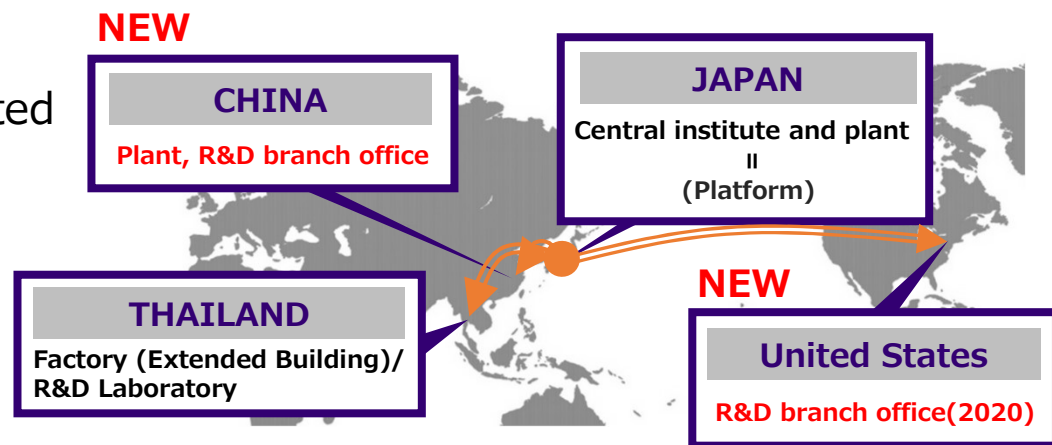
In response to changes in hair due to aging, we have focused on aging fungi contained not only in hair and roots but also in scalp flora, and have discovered new technologies that can reduce the aging of the scalp and hair.

2. R&D branch establishment

Establishment of R&D research branch in the U.S.

3. China Factory project started

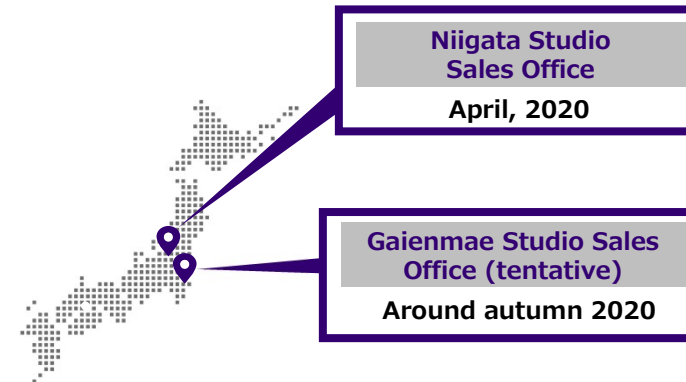
Hai-Shio Chemical Industrial District, Zhejiang Province
Scheduled to be constructed



VI. Measures for FY2020 ~ the Japanese Market ~

1. Build studio site network

Strengthen educational seminar at studio by establishing new bases

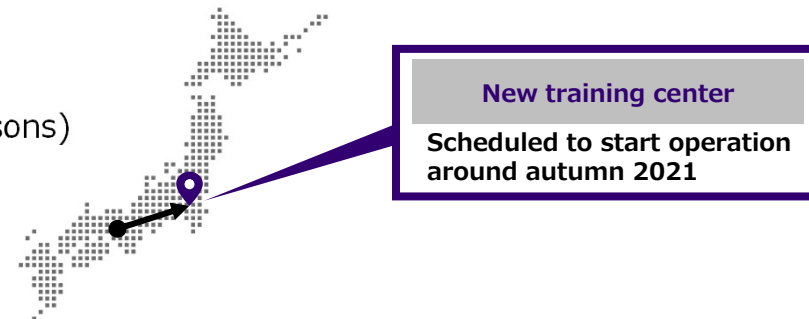


Structure of **19 domestic bases**

2. Fieldperson (FP) system

Relocation of Training Center to Strengthen FP Training Environment

	<u>2019</u>	<u>2020</u>
FCE	19 persons-	28 persons (+9 persons)
FMS		178
FSE		91
Total		297



VI. Measures for FY2020 ~ the Japanese Market ~

3. Strengthen real-communication capabilities

Provision of a program to improve counseling skills of Beauty Partners

- ✓ MCM (Milbon Counseling Method) Training: The Hair and Skin Total Approach

Communication program that enhances the value of "beauty" and "peace of mind" in order to fulfill customers' lifelong beauty needs through our "customer-oriented counseling capabilities"

4. Strengthen digital communication (support for education)

■ Biyoshi Doga

Contents for beauticians



App

Biyoshi Doga

Search

■ Seminar-linked video

Introduced blended learning as support for beauticians

Technique combination of e-Learning and studio seminars consisting technical session

■ Milbon Channel -YouTube-

Distribution of information to end users

Distribution from YouTube of information that customers want to know (new products and how to use them, etc.)



VI. Measures for FY2020 ~ the Japanese Market ~

5. Strengthen digital communication (e-commerce site)

Milbon's own BtoBtoC official e-commerce site
Full-fledged rollout in June by adding premium
hair care brands



► Milbon official Online Stores, Inc.
Milbon:iD

Face-to-face
counseling is
starting point

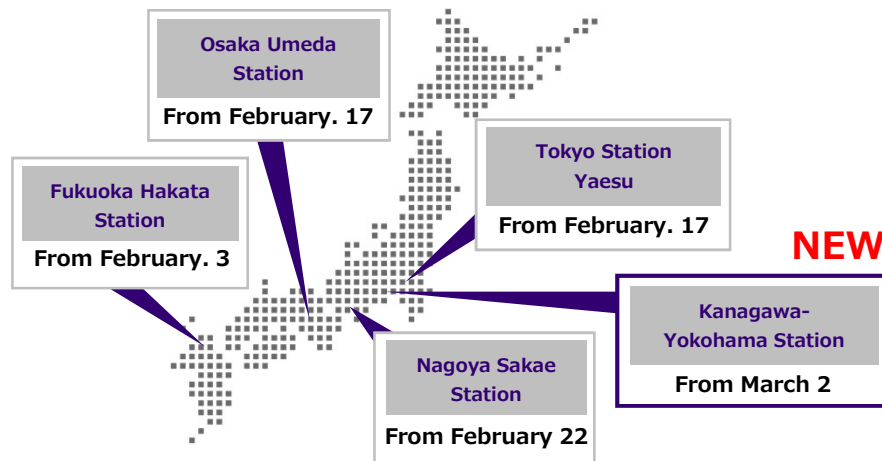
Create
repeating
customer

Sales is
recorded to
salon

VI. Measures for FY2020 ~ the Japanese Market ~

6. Corporate branding and product branding

■ Transportation advertisements



■ Find Your Beauty Project

Disseminating information on values of beauty professionals, etc.

Find Your Beauty
MAGAZINE

FYB magazine

Search



髪の毛を寄付する一歩先。ヘアドネーションから考える私たちの「未来」

Activity Report



細菌に着目して白髪やうねり髪を改善！ミルボンが発見した老化菌とは？

R&D



GIRLS POWER

VI. Measures for FY2020 ~ the Japanese Market ~

■ Main Products (First Half)

(Unit: million yen)

Category	Product name	Launch month	Target amount
Premium Brand	Aujua Scalp Care Series Fortice Line	February	600
	Milbon Creative Style Series TEXTURE Added Items	March	50
	iMPREA Whitening Laser Shot	March	50
Professional Brand	CRONNA Ice Spa shampoo orange	March	150
	Elujuda Daytime line 2 lines 3 types	April	400
	Special package promotion for Elujuda	April	150
Technical Brand	Ordeve Seathrough Line, Inc.	February	250
	Neo Liscio Bright rich	April	250

Aujua
Scalp care series
Fortice line



Milbon
Creative Style Series
TEXTURE additional items



iMPREA
Whitening
Laser show



CRONNA
Ice spa shampoo
Orange



Elujuda
Daytime line



Elujuda
Special package
Promotions



Ordeve
Seathrough line



Neo Liscio
Bright rich



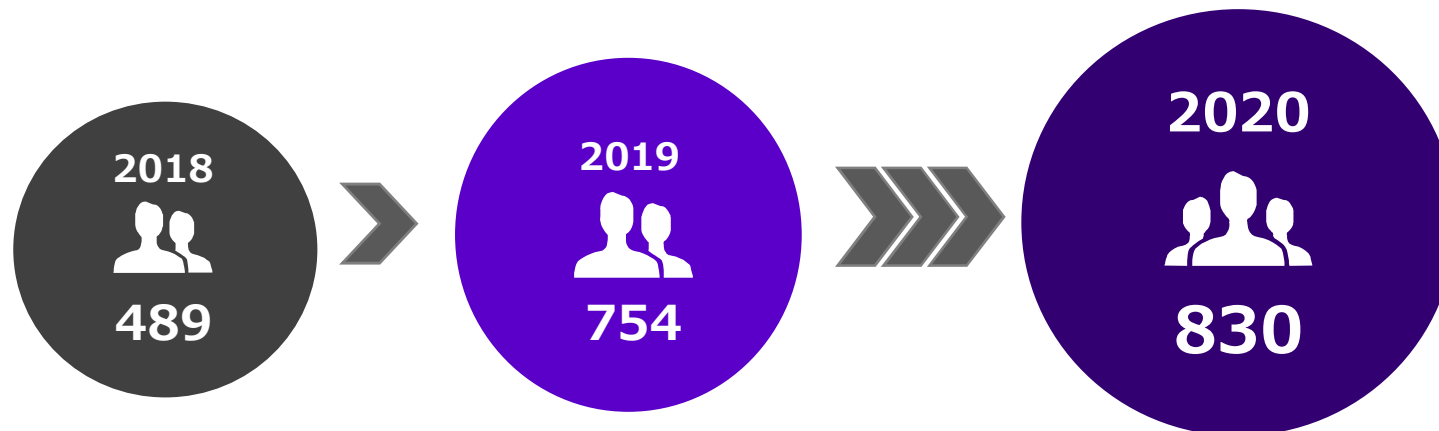
VI. Measures for FY2020 ~ Overseas Market ~

1. Promotion of localization + establishment of new bases



Structure of
19 overseas bases

2. Plan to double the number of sales person at distributors



VI. Measures for Fiscal Year 2020 ~ Overseas Market ~

3. Development of Sophistone

(hair coloring products for Europe and North America Market)



■ Sophistone Deployment Schedule

Demi-Color *¹ January 2020 Distributor salons area

Permanent color *² July 2021 Direct sales area in Manhattan



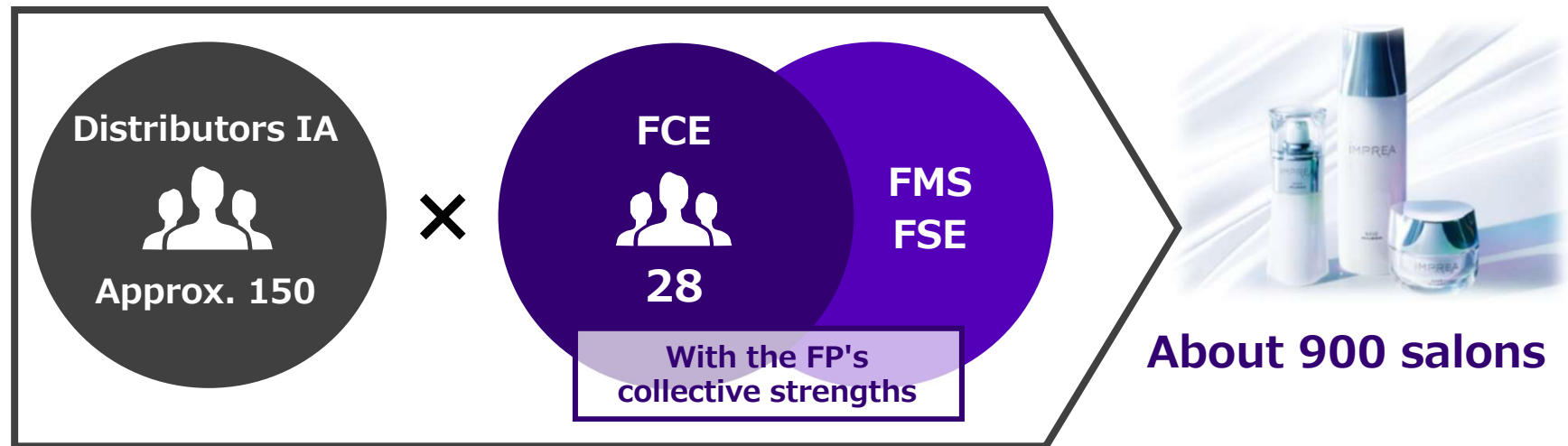
*¹ Demi-color: Colors hair without bleaching. Allows for delicate color adjustments in the blonde range.

*² Permanent color: Colors hair while bleaching. Hair coloring product generally used in Japan.

VI. Measures for FY2020 ~ Cosmetics business ~

Challenge in cosmetic products business

<Full-scale development in 2020>



Full-fledged implementation of educational, promotional, and customer management activities using all of FP's strengths, from the creation of model salons to full-fledged expansion of salon counters

VI. Measures for FY2020 ~ Cosmetics business ~

Direction of Strategy Development

1

Deepening iMPREA “Impression Produce”

2

Be fun and easy to work on
Customer proposals and promotions

3

Strengthen development of new sales floors, creations of human resources, and creation of sales operations for salons by making full use of VM and customer

Development of new consumer-oriented salon sales software

VII. Consolidated Targets 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	39,000	100.0	2,733	7.5
Domestic	30,409	83.8	32,737	83.9	2,327	7.7
Overseas	5,857	16.2	6,263	16.1	405	6.9
Gross profit	23,711	65.4	25,990	66.6	2,278	9.6
SG & A expenses	16,959	46.8	18,690	47.9	1,730	10.2
Operating income	6,751	18.6	7,300	18.7	548	8.1
Ordinary income	6,231	17.2	6,670	17.1	438	7.0
Profit attributable to owners of parent	4,517	12.5	4,730	12.1	212	4.7

VII. Consolidated Targets for Fiscal Year 2020

■ Net Sales by Products Category (Consolidated Net Sales)

(Unit: million yen)

	FY2019	FY2020 target	Increase/ Decrease	Increase/ Decrease ratio (%)
Hair care products	21,328	23,243	1,914	9.0
Hair coloring products	12,994	13,170	175	1.3
Permanent wave products	1,515	1,527	11	0.8
Cosmetic products	165	800	634	384.0
Others	263	260	△ 3	△ 1.2

■ Premium Brand Sales (Non-consolidated gross sales) Number of Customers (Group)

(Unit: million yen)

		FY2019	FY2020 target	Increase/ Decrease	Increase/ Decrease ratio (%)
Aujua	Sales	7,485	8,500	1,014	13.6
	Number of salons* (salons)	3,698	4,200	502	13.6
Milbon	Sales	2,551	3,100	548	21.5
	Number of salons Domestic* (salons)	4,370	5,100	730	16.7
	Number of salons Overseas* (salons)	3,304	4,162	858	26.0
Villa Lodola	Sales	1,187	1,350	162	13.7
	Number of salons (salons)	9,015	10,100	1,085	12.0

* Number of salons: Figures for both Japan and overseas are calculated based on shipments over a one-year period.

VII. Consolidated Targets for Fiscal Year 2020

■ Capital expenditures and others

(Unit: million yen)

Classification		FY2019	FY2020 Planned
Capital expenditures		1,605	1,958
Depreciation and amortization		1,453	1,632
R&D exp.	Amount	1,534	1,796
	% to sales	4.2	4.6

FY2020 CAPEX Main Items

- Establishment of a new domestic base (Niigata Sales Office)
- Plant compounding and filling equipment (vacuum emulsification equipment, etc.)
- Studio Sales Office in Tokyo
- Part of the expenditures of constructing a new training center
- Part of the expenditures of building a plant in China

VII. Consolidated Targets for Fiscal Year 2020

■ Annual plans (new products, events, capital expenditures, etc.)

	1Q	2Q	3Q	4Q
New Products	<ul style="list-style-type: none"> ■ Ordeve additional line ■ Aujua scalp care series Additional line ■ Milbon creative style Additional series items ■ iMPREA additional items ■ CRONNA additional items 	<ul style="list-style-type: none"> ■ Elujuda Daytime line Additional items ■ Special package promotion for Elujuda ■ Neo Liscio Additional Series ■ Villa Lodola additional items Villa Lodola Color ■ Ordeve Addicthy Additional line ■ Villa Lodola Livel Series Additional styling items ■ Milbon Repair Series Additional items 	<ul style="list-style-type: none"> ■ New professional Styling brand door ■ Ordeve additional line ■ Ordeve Addicthy Additional line ■ Ordeve Seedil Additional line 	<ul style="list-style-type: none"> ■ New professional Hair care brand grand linkage ■ Special package promotion for Elujuda
EVENTS	<ul style="list-style-type: none"> ■ Transportation advertisements Tokyo/Yokohama/Nagoya/Osaka/Fukuoka 	<ul style="list-style-type: none"> ■ Through professional e-commerce Develop hair care premium brand 	<ul style="list-style-type: none"> ■ DA-AWARD- ■ DA-INSPIRE 	(12 venues from Japan to Asia)
Capital Expenditures	<ul style="list-style-type: none"> ■ Established new sales office in Niigata Studio [Cash outflow] ■ Part of the expenditures of building a plant in China 	<ul style="list-style-type: none"> ■ Plant compounding and filling equipment, etc. 	<ul style="list-style-type: none"> ■ Establishment of a new sales office at Gaizenmae Studio ■ Plant compounding and filling equipment, etc. 	<ul style="list-style-type: none"> ■ Plant compounding and filling equipment, etc.

- Red: Items promoting menu proposals at salons
- Blue: Items for which a contact point is created throughout the year
- Green... Items that generate sales through promotions

VIII. Medium-Term Plan (2019-2023) Measures Progress

	FY2019 results Net sale YoY+7.0% Operating income YoY+7.8%	FY2020 plan Net sale YoY+7.5% Operating income YoY+8.1%			
◆ Group-wide	2019	2020	2021~	2022	2023
Product Development & Production System (Customer perspective, cutting-edge technology)	[Products Utilizing New technology] Aujua Diorum Line (MX-CMADK)	[Products Utilizing New technology] Aujua Fortice line (aging bacteria) [R&D Laboratory] Establishment of R&D research lab : USA			
◆ Japanese Market					
Building studio site network	Established Matsuyama Studio Sales Office (17 offices in Japan)	Niigata Studio Sales Office Gaienmae Studio Sales Office (Temporary)-19 offices in Japan			
FP system (FP system, FD activity)	Restructure and launch FP triangle system	FMS: 178 persons, FSE:91 persons, FCE:28 persons	New training center		
Strengthen real communication capabilities	Program to improve counseling skills: MCC, MCA	NEW: Hair and Skin Total Approach (MCM)			
Strengthen digital communication	[Video Education] • Video clip: +323 Contents (+28) • Milbon Channel (YouTube) [EC Site] Began test marketing of cosmetic products	[Video Education] • Video clip (new content added) • Seminar-linked video (B-learning) launched • Milbon Channel (Add Content) [EC Site] Added Premium Hair Care. Full-fledged rollout as milbon:iD official online stores in Milbon	Web counseling Digital diagnosis system		
Corporate Branding Product branding	[Traffic Advertising] Tokyo Station Yaesu, Osaka Umeda Station NEW: Nagoya Sakae Station, Fukuoka Hakata Station (+2) [Find Your Beauty projects] GIRLS POWER	[Traffic Advertising] NEW: Yokohama Station (+1) [Find Your Beauty projects] Addition of new projects			
◆ Overseas Markets					
Promote localization overseas + Establish new bases	[VIETNAM] Overseas incorporation [MALAYSIA] Overseas incorporation [Korea] Established new Kohoku Studio (17 overseas bases)	[Singapore] Overseas incorporation [Korea] Establishment of a new KOSHU office (to 19 overseas offices)			
Plan to double sales by distributors	754 (+265)	830 (+76)			
Development of sophistone (hair collar for Europe and the United States markets)	[Demi-Color, Bleach] July: Manhattan direct sales area	[Demi-Color, Bleach] January: Distribution area	[Permanent wave Color] July: Manhattan direct sales area		
◆ Cosmetic business					
Challenge in cosmetic business	• Distributor IA: Approx. 150 people • FCE: 19 • Number of service counters: 200 salons	• Distributor IA: Start of approx. 150 personnel system • FCE: 28 + FP total • Number of service counters: 900 salons (+700) • With an eye to advertising			

VIII. Progress of Medium-Term Business Plan (2019-2023)

	Actual (2019)	Medium-term Targets (2019-2023)	Progress rate
Cash flow from operating activities: ,000 million yen	4,486 million yen	26 billion yen	17.3%

※ Income tax payment period changed due to the change in the Fiscal Year 2017 fiscal year-end.

Uses	Actual (2019)	Medium-term Targets (2019-2023)	Progress rate
Investment in future growth	1,818 million yen	12,000 million yen	15.2%
Main items	<ul style="list-style-type: none"> Establishment and expansion of new domestic bases Domestic: Established new Matsuyama Sales Office Overseas: Established subsidiaries in Vietnam and Malaysia Established Milbon Korea Kohoku Studio System investment (EC platform, etc.) 	<ul style="list-style-type: none"> Establishment of integrated education center in Aoyama, Tokyo Establishment of new bases Relocation and expansion of existing bases Expansion of Thai Factory Launch of cosmetic business Creation of Villa Lodola as business company System investments Building China supply system 	
Return to shareholders	1,833 million yen	10,000 million yen	18.3%
	<ul style="list-style-type: none"> Dividend payout ratio FY2019 40.6% 	<ul style="list-style-type: none"> Stable return to shareholders targeting a dividend payout ratio of 40% 	
Increase in Retained Earnings	835 million yen	4,000 million yen	20.9%
Capital efficiency	ROE performance FY2019 13.1%	ROE14% or more (FY2023 target)	

IX. Return to shareholders

■ Dividend Forecast

(Unit: yen)

	FY2018	FY2019	FY2020 Forecast
End of 2Q	24	27	28
End of FY	30	29	30
Total	54	56	58



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.