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Milbon Co., Ltd.

Q4 Financial Results Briefing for the Fiscal Year Ending December 2022

February 14, 2023

Event Summary

[Company Name]	Milbon Co., Ltd.
[Company ID]	4919-QCODE
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[Event Type]	Earnings Announcement
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[Date]	February 14, 2023
[Venue]	Webcast
[Number of Speakers]	2
	Ryuji Sato Masahiro Murai
	Representative Director, President, CEO Managing Executive Director

NOTE :Addition of Sales Deduction Items

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.

Murai: This is Murai. I will explain about the briefing.

Thank you all very much for coming today. We would like to announce the financial results of Milbon Co., Ltd. because we have completed the settlement of accounts. Please allow me to explain according to this explanatory material.

This is what I explained at the briefings of last year's financial results, as sales deduction item were added, the results cannot be compared with "Tanshin" (Consolidated Financial Results) alone. Therefore, I will explain explanatory materials with the retroactive changes.

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.

First, the overall operating results. As you can see, we were able to increase both net sales and income. I think the results were decent.

The recovery of bleach-on-color and double-color led to good results of hair coloring. In addition, there has been an increase in hair care needs, which has led to strong sales of premium brands.

As for overseas, while the results of China were unavoidable under their circumstances, other regions such as South Korea, the USA, and other regions mainly in Southeast Asia, also did very well.

However, profits have something to do with higher raw material costs. That had an uncontrollable impact. And a factory in China, and overseas R&D. Because they were newly established, operating margin declined slightly YoY.

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

Consolidated Net Sales

(Unit: million yen)

FY2021 Reference * ¹	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.

Next page is about hair care products. As you can see, the Premium Brand continued to perform well, growing 9.5%.

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.

Next is the results of new hair care products. Unfortunately, Aujua was a little short of our plan as customers did not understand The INMMETRY line, launched this year, is a very straightforward product, and we are very excited about it.

Then Global Milbon finished with a strong performance as new products were well received.

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

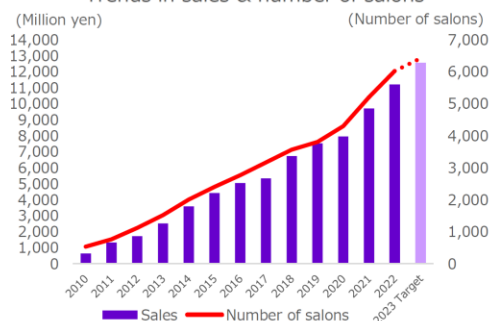
Aujua supports diverse perspectives on beauty, now and into the future, by addressing each individuals' hair and skin concerns and offering the most appropriate item for that time.

·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.

This is Aujua brand. The number of salons increased steadily.

As explained earlier, as the new products struggled a little, net sales did not grow accordingly. However, we believe that the increase in the number of salons will lead to the next step.

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

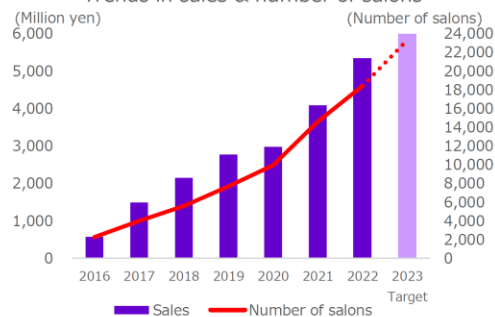
What is "Global Milbon"?

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.

We are also expanding overseas. This is Global Milbon. Both the number of salons and sales volume increased well here.

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

Consolidated Net Sales

(Unit: million yen)

FY2021 Reference ^{*1}	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 Ordev 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.

Next is hair dye, or hair coloring. This one, as I mentioned a little earlier, was quite strong, as the generation that have started to enjoy double colors has expanded very much. The increase was 14.3%.

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

Core Product FY2022

Ordeve Addichthy

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

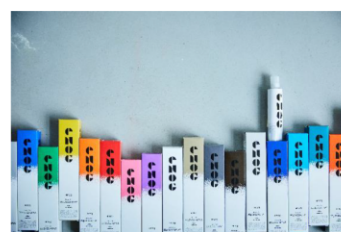
New Products FY2022

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.

Colors are also doing very well overseas, with sales increasing in South Korea and other countries where they received very high acclaim.

A color product, Addichthy, was launched in 2017, but it performed well in the last year. Then a new product, ENOG, was also able to finish with such a good result.

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

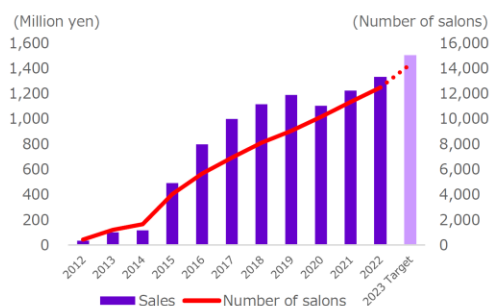
Organic brand that proposes lifestyles that fulfill the beauty of people and the environment

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.

This is organic Villa Lodola. This also continued to perform well.

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.



Debut in FY2015

(Unit: million yen)

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

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.



Debut on February 10, 2022

(Unit: million yen)

FY2022 target	FY2022	Progress rate (%)
150	94	62.8

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

This slide shows products of Villa Lodora. Although we did not reach our target for the new product of Color PALETTE, the results were relatively strong.

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

Consolidated Net Sales

(Unit: million yen)

FY2021 Reference ^{*1}	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.

Now, please move on to the next page. Cosmetic products. As you can see, we were unable to exceed the results of the previous year, albeit by a small margin.

However, in H2, by making repeated efforts in sales methods, salons began to understand a method of using cosmetic products and a method that is easy to understand. Consequently, the products started to perform well. Therefore, although the results for H1 of last year were insufficient, they can be expected to improve in the future.

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.

This is iMPREA's results. Although the number of salons increased well, as I mentioned earlier, the sales volume did not reach the level of the previous period.

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.

Next is a consolidated statement of earnings. Since this is a comparison between the previous period and the current period, I will briefly explain where the composition ratio has changed somewhat.

Gross profit changed from 65.5% to 65.2%. This was, of course, most likely due to the rise in raw material costs.

SG&A expenses increased the percentage due to increases in personnel expenses, travel expenses from the resumption of activities, and expenses from the resumption of major events. In addition, of course, overseas new R&D began. Unfortunately, operating margin declined since expenses related to the China Factory was added to the above.

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	<ul style="list-style-type: none"> Establishment and maintenance of business locations (Relocation of Kobe Sales Office, etc.) 	Digital	<ul style="list-style-type: none"> Digital Arena Education: iD milbon: iD
Production system	<ul style="list-style-type: none"> Yumegaoka Factory (Machinery and equipment circulation equipment investment, implementation) Thai Factory machinery and equipment 		<ul style="list-style-type: none"> DX in field activities Smart Salon (Digital marketing, etc.)
Training	<ul style="list-style-type: none"> Training Center (Land) 	Others	<ul style="list-style-type: none"> 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.

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Find Your Beauty **MILBON**

This is consolidated trends in capital expenditures.

The planned capital expenditures plan has progressed well. However, the initial target of that was JPY5 billion. The reason for the decrease is that land for the Training Center was acquired at a lower price of about JPY600 million.

In addition, some digital-related investments were made in a later period than planned. As a result, although there was no major change in the amount, the amount of capital expenditures was about JPY1 billion less than planned.

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 MILBON USA, INC.	13.2	13.0
	68	102
CHINA Milbon Trading (Shanghai) Co., Ltd.	29.8	31.6
	72	66
KOREA Milbon Korea Co., Ltd.	26.0	32.8
	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 December 31, 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

Now, please move on to the next page. This shows field person change. From this year, we have changed how to display this information so that it is based on the average number of people during the period.

As you can see, sales per field person in the USA increased significantly. This was a good result because we have expanded our business with a small number of people and, of course, making good use of distributors. However, I think it is difficult to convey the meaning only by looking at it.

In South Korea, sales per field person have traditionally remained high. Although the number of field persons has increased considerably, sales per field person was still such a high figure.

Consolidated Net Sales in Japan and Overseas

(Unit: million yen)

	FY2021 Reference ^{*1}		FY2022		Increase/ Decrease	Increase/ Decrease ratio (%)	Changes in local currency base ^{*2} (%)
	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 ^{*3}	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

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Find Your Beauty **MILBON**

This is consolidated net sales in Japan and overseas. As you can see from the figures, the actual growth rate of overseas operations was very favorable, growing 14.6% on a local currency basis, despite the impact of the yen's depreciation and foreign exchange rate fluctuations during the current period.

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

Next is about consolidated operating income. Although income in China declined slightly, the USA has been recovering and approaching a profitable point. As South Korea has performed well, the overseas operating margin has been also rising.

Outlook of Overseas Subsidiaries (1)

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.

Figures in the text are based on local currency.

This is the overseas information. Concerning Milbon USA, Global Milbon has been doing well and so expanding its market. Higher sales figures will contribute to the results.

Outlook of Overseas Subsidiaries (2)

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.

* Figures in the text are based on local currency.

China still saw a bit of a difficult year. As we describe next year here, we plan to take such a positive approach in FY2023 by holding a new large-scale event. We hope to see good results of such efforts in China.

As for the factory in China, the production of hair care products has started smoothly. And it is said that the production of hair coloring products will be started a little earlier than planned.

As for South Korea, sales have been very steady, although there was a slight slowdown in H2. However, sales performance was very good. We believe that we can continue to expect this.

That is all for my explanation. Mr. Sato will continue the presentation.

SECTION
1.

Seven Regions

SECTION
2.

Market Environment in Japan / Beauty Platform Plan

SECTION
3.

Consolidated Target for FY2023

Sato: Thank you for joining us today and for watching. I would like to talk about three key points.

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.

Let me start with the first one. This is the second year of a new medium-term management plan, launched last year. One of the major pillars in the medium-term management plan is “seven regions.” We are taking measures to respond to the global environment in the five categories of sales, R&D, production, logistics, and finally human resources; with the intention of expanding globally in the future in Japan, Korea, Chinese cultural sphere, ASEAN, North America, the EU, and the Middle East.

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

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First, regarding the global sales structure, as you can see in this table, at the top is net sales in each country. Fortunately, the USA performed very well, especially in Global Milbon, whereas South Korea grew steadily. China, of course, was also considerably affected by COVID-19. However, we are very grateful that the annual impact was only 1.6%.

The below four in the table: sell-out of distributors, number of salons, number of sales personnel at distributors, productivity per capita. This is based solely on the productivity of the distributors. We are trying to pursue these four KPIs over the medium-term management plan.

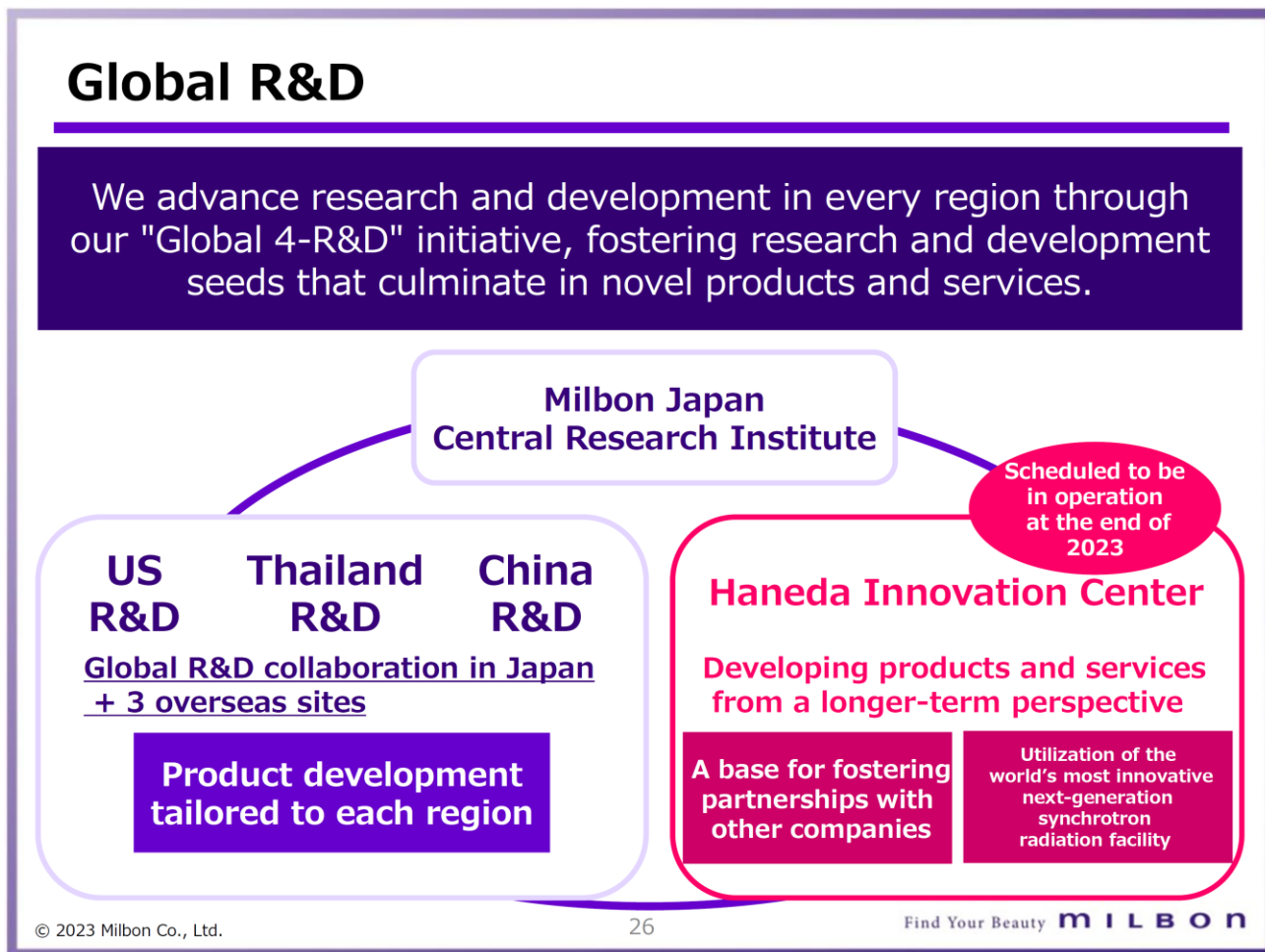
Since the sell-outs, along with sell-ins, makes us grasp figures to some extent. So, we target the other three KPIs from number two to number four, or from the number of contacts to productivity, as our reference. Therefore, we would appreciate it if you could look at it only as your reference.

For example, in terms of the number of salons, there are quite a few in the USA. In the case of the USA, however, there are a great many people known as freelancers. Freelancers will also be counted as one salon, so please understand that the number of salons includes both salons and freelancers.

As for the number of sales personnel at distributors, as Mr. Murai explained a little, the number of sales personnel who work for our distributors in the USA has not increased significantly. However, in such a situation, we have about 14 part-time educators now, working in the USA, and educating mainly in hair coloring by asking the distributors to pay expenses for their personnel and so by sharing personnel expenses between distributors and us.

As for Korea, although the number of people seems to have remained the same, it declined slightly due to the impact of COVID-19. However, we will have a Global Milbon Sales Educator system in Milbon Korea. We make contracts with salespeople to develop Global Milbon, along with educational activities. I hope you will understand that there is more to this project than simply the numbers of people in countries and regions as they will cover the expenses and contribute in the future.

As the productivity is based on the above, by brushing up these figures from two to four we would like to move forward. We will publish the information when we brush up again.



Under these circumstances, regarding R&D, as I mentioned earlier, and as Mr. Murai mentioned R&D costs, R&D in the USA, Thailand, and China has begun to move fully, together with the Central Research Institute.

We are now preparing to establish an Innovation Center in Haneda at the end of 2023 at the earliest, serving as a base for collaboration with other companies and the promotion of such collaboration from a short-medium and long term perspective to support Milbon's sustainable growth. In addition, the center will have a role to create innovation.

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.



As for the production system, the China Factory has been completed and is now manufacturing some hair care products such as hair care product, Elujuda, and sample products. If applications are approved, which I think is difficult, an application for hair coloring will be approved in China as early as next summer, if all goes well.

Thanks to the steady progress of the application process in China, we will have three plants: Yumegaoka Factory, Thailand Factory, and China Factory, which will produce products for Chinese cultural sphere. We would like to create a production system by linking all three factories well.

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

...

Milbon will continue to produce products based on the concept of "Made by Milbon," changed from "Made in Japan," which means that the value of Milbon's manufacturing will not change no matter where the products are made, whether in China or in Thailand. We will continue to bring Milbon's quality to the market by integrating Milbon's educational activities, services, logistics, and brand.

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)

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In terms of the logistics system, we would like to establish a two-week delivery system during this medium-term period to ensure that our products are delivered within two weeks in the 13 countries and regions where we are currently operating.

I have spoken about the Netherlands logistics warehouse, but we are now considering logistics in North America, ASEAN warehouse, and another unexpectedly time-consuming and time-consuming process of shipping overseas in Japan due to label and various other time-consuming processes. To shorten the time required for this, a warehouse dedicated to trading was established in Nishiyodogawa, and the whole process was carried out comprehensively. This year, we are also moving forward to shorten the time concerning logistics.

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

Role	Training for MP/FP	»»
Target	New employees	»»
Location	Noe, Osaka	»»
Total Floor Area	891m ²	»»

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

2,494m²



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Finally, from the perspective of human resources, as we announced, we have found land in Odawara, where we can relocate the current facilities in Miyakojima, which is three times as large as the current land area. Although the current training center focuses on new employee education, at a new center we would like to further strengthen Milbon's human resource education, not only through training for young new employees, but also through leadership training and global training with a concept of training facilities for our whole group. Construction will begin this year, in 2023, and is expected to be completed in 2025 at the earliest so that we can start education there in the spring of 2026, if possible.

These are the five points we are pursuing for global expansion.

SECTION
1.

Seven Regions

SECTION
2.

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

SECTION
3.

Consolidated Targets for FY2023

And the second prospective. This is the main domestic focuses of this medium-term management plan, the domestic market, and the Beauty Platform Plan.

In a nutshell, while the domestic market environment has been affected by the infection since last year, we believe that customers are returning in beauty on the whole.

As I mentioned before, beauty salon industry has nothing to do with inbound customers. However, I think customers are returning to their daily lives like before COVID-19. Of course, rural areas and the elderly may be affected by the infection, but we believe that the situation has generally returned to normal.

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.

In this context, there are three perspectives that we are focusing on.

Nevertheless, demographics is a major point that is even more essential to us than the coronavirus. In addition to the promotion of digitalization, the number of Millennials and Generation Z, who have a high affinity for digital technology, has now accounted for 40% or more of the working-age population. This fact is one of the key factors and perspectives for the future.

Secondly, in terms of improving human and time productivity, we have shifted from a focus on how to shorten the time required to a focus on how to make proposals and products that increase consumer value through salons. I thought these would be important perspectives for the future.

The third prospective, consumer awareness has changed as a result of the COVID-19, and demand has gradually begun to emerge even among salons for social value, experience value, which is often referred to these days as "hands-on" value, and health value, such as self-protection and self-health care. There is a budding demand for these types of services in salons.

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

In this context, there are three possibilities.

One is to further deepen the knowledge and expertise of stylists, not to mention their techniques and hairstyles. So to speak, developing expertise. By doing so, we will respond to desires of our customers. How to provide these services is increasingly likely in the future.

Also, fortunately, the second possibility, milbon:iD exceeded 450,000 members in the last year. Previously, to get customers to use hair care products, stylists had to close the sale at the salon and complete the process there. However, with milbon:iD, even if customers are not only able to complete their shopping experience there, they are also able to consider it, make a choice, look at various items, learn about information, and make a purchase. The style changed from completion to start point. In doing so, we are creating the possibility for more customers to use our products.

The third possibility is the expansion of the domain that will lead to the above. As I mentioned earlier about social value, experience value, and health value relating to COVID-19. There are needs, especially among young people, to go to salons not only for their hair, but also for health care and skin care, to ask questions, to learn about them, and to have them as part of the information. There is an emerging need for information about health care, skin care, etc. This is the flip side of the fact that such conversations are becoming less common, but I believe that this is where our potential lies.

Salon-based Social Innovation

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

With this in mind, we have been preparing for Salon Social Innovation since last year. The Beauty Platform Plan, the main focus of the medium-term plan, will be fully implemented from this year.

As I mentioned the three perspectives and three possibilities, how do we support salons in creating an environment in which they can make the most of their strengths? Also, how to make it a store start salon and how to make it a start salon by getting people to use iDs well. This is exactly what will lead to the Smart Salon Strategy.

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~

And a new challenge: expanding the territory and approaching young people. Young people mean Millennials and then Generation Z. We would like to support salons in the form of beauty life care by supporting these newcomers to stay beautiful, both externally and internally, in hair, skin, and health care.

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

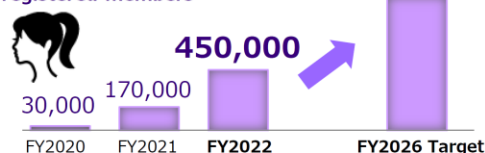
• Education iD [Over 20,000 registered stylists]

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

Number of registered members



Number of salons



FY2020 FY2021 FY2022
1,300 ⇒ 3,200 ⇒ 4,800

EC Sales



60 million yen ⇒ 510 million yen ⇒ 1,150 million yen

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

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There are the three foundations for the Beauty Platform Plan.

For one thing, hair care is closely related to hair coloring. As coloring grows, care will grow, just as it used to be said that as perms grew, styling would grow. In such a situation, how to expand salon color is important.

As explained earlier, this means that bleach-on-color, color-on-color and double-process color have been spreading across generations. I think we still have a chance. According to a survey conducted by the NBBA (National Beauty & Barber Manufacturer’s Association Japan), a manufacturer’s association in our industry, the percentage of people who get their hair colored at salons, including those who also use home coloring, has risen from 70% to about 75% through the COVID-19 crisis. Double-process color is not easy for customers to do by themselves. This would give the salon an advantage. We believe this may also be a contributing factor.

Then, as I said earlier, enhancement of the expertise. They may be Beauty Sommeliers. Also, salons have receptionists. Even if the receptionist is unable to do that technique, the education allows them to handle customers like providing counseling with expertise. And all of the education shall not be real education. As education iD, which has already started last year, has over 20,000 registered beauticians. By integrating real and digital learnings, we will be more efficient and help stylists learn more efficiently.

And finally, milbon:iD. As this is the major premise and foundation of these strategies. the number exceeded 450,000 last year. We hope to exceed 1 million during this medium-term management plan. This year, we are aiming for 640,000 to 650,000 registered members, which we consider as a passing point. The number of salons is now 4,800, whereas net sales from e-commerce alone were JPY1.15 billion last period. But, anyway, the most important KPI is the number of members.

The most important point is how many customers retain and utilize milbon:iD. And there are now over 500 salons that have registered more than 200 iDs per store. We believe that these 500 salons will be the very candidates for Smart 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.

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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)

Find Your Beauty **MILBON**

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In such a context, concerning Smart Salon strategy, it takes a lot of time to explain. This is a simple four-minute video showing the image of this salon, which we use to introduce the Smart Salon to our customers. Please, watch the video.

[Video Begins]

Company Representative: How many times a year do you go to salon? Some go four or six times, whereas other go 10 or more times. Such hair after returning from the hair salon is beautiful, isn't it? The stylists will help you choose the best products. "I want you to make me beautiful." "I want to experience the excitement of encountering new products." Smart Salon is a new way of being a salon that fulfills this desire of yours.

To begin with, Smart Salon has a different store concept. There is an open space where visitors can freely touch and experience products. You can enjoy product experience at your own pace when waiting for your turn or leaving a salon. Of course, in the service space, you can get your hair cut, receive a color and care menu, and have your hair styled.

At the Smart Salon, the experience extends beyond the salon to your home. milbon:iD connects your beauty at the salon and at home. You will be able to research and purchase products.

Let's take a closer look at the new Smart Salon experience. In the experience space, visitors can hold all the products in their hands and enjoy their textures and fragrances. It is exciting to be able to freely touch to test how products felt.

In addition, KAORIUM experience includes an AI diagnosis of fragrance, which displays your favorite products. You can enjoy and assort the products you are interested in, and purchase as a trial kit. And have an unprecedented salon experience.

You can also consult with staff in the experience space to discover the hair care products and cosmetics that suit you.

Smart Salon also changes the soft experience. Information about the products suggested by a stylist comes into the display in front of you. Please, check out features and prices. You can also view the styling, product usage, and product recommendations taken by hair stylists on milbon:iD so that you can reproduce them at home by yourself.

At home, you can slowly examine and purchase products you like at the Smart Salon or items recommended by my stylist. So your personalized beauty information is condensed in milbon:iD. In addition, milbon:iD exclusive promotions and live commerce are regularly held, so enjoy discovering something new.

At a hair salon that you go to several times a year. Find your new beauty more and more. We want you to enjoy beauty more. We invite you to experience Smart Salon, a hands-on salon where you can discover a new you.

[Video Ends]

Sato: Thank you for watching the video. This kind of Smart Salon is exactly the type of Smart Salon where customers can not only get their hair styled at the salon, but also enjoy the experience of touching the products and buying them with more excitement, fun, and choice. And of course, professional hair stylists are there to provide counseling. We will expand Smart Salon with our salons.

Milbon itself does not create these salons. But, rather, we will create them together with salons that sympathize and agree with us when they open new salons or renovate their salons. At the moment, Smart Salons already opened in Tokyo, Osaka, and Kokura on January 21, February 1, and February 5. Now, several salons have already decided and are in the process of making preparations. This year, we would like to monitor what kind of results are really being produced there rather than figures. And we will use that for the future.

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

Then what is important is not only hair but also what is called Lifetime Beauty Care, from hair care to skin care, especially skin care, which has a good affinity for hands-on experience, even more so than hair. We have also prepared such boxes that you can use and test there.

In this context, this year we will launch a brand, IM, with KOSÉ Corporation, targeting younger people even though we already have a core and premium product, iMPREA with KOSÉ.

In beauty health care, we are also working on a collaborative project with Kao Corporation. This is RNA skin monitoring, which will provide a variety of information to customers, so that they can enjoy new health care health data, which will then lead to our products.

This year, Milbon is preparing to launch a product called ALANOUS as a health care product, which uses 5-ALA and was a hair-growth agent originally developed by Milbon and released with Cosmo Oil Co., Ltd. in 2008. We had struggled with it for a long time. Although it was difficult to stabilize the formulation in the hair-growth agent as is, we have made various findings, including findings that lead to very fresh skin.

ELMISTA

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

Panasonic x MILBON

ELMISTA

- Launch of Airconc (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



And finally, regarding beauty equipment, Panasonic Corporation and Milbon have recently announced a hair dryer with new value. What this means is that Aujua and Global Milbon have customers who use quite expensive hair dryers from about JPY50,000 to JPY100,000. The very people who have such high values for hair also have high values for hair dryers.

In such a situation, we wondered if we could match the dryer with Milbon's products and chemicals, so we jointly developed ELMISTA with Panasonic, and its development started three years ago. After the ultrafine atomization was possible and verifying that the SPring-8 had a definite effect on hair, we decided to offer a new hair dryer, a high value-added hair dryer that atomizes the beauty essence in a microscopic form, which only Milbon and Panasonic could do. We plan to launch these this year.

Anyway, we would like to expand the number of our bases, and we would like to initiative of making salons platform during the present medium-term management plan.

Progress of Sustainability Key Challenges

Case

Initiatives in Manufacturing

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



2 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)

In addition, as what we are promoting is sustainability in manufacturing, particularly such as the acquisition of RSPO supply chain certification and the EcoVadis Silver Medal.

In addition, Yumegaoka Factory has been able to reduce CO2 emissions by approximately 60% by introducing renewable energy. And we are taking on various sustainability challenges and promoting them at the same time.

In addition, we will focus on the company-wide engagement of our employees, or their job satisfaction, as well as on our philosophy, external adaptation, and transformation activities in the changing times.

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

Lastly, this page shows our consolidated financial targets for the present fiscal year of FY2023.

As you can see from the figures here, our net sales target is JPY49.2 billion, close to reaching JPY50 billion.

FY2023 Major New Products

Schedule		Name of Products	Target* (million yen)
1Q	Feb.	Hair Care Aujua Hair Care Series INMMETRY Line	1,100
	Feb.	Hair Coloring ORDEVE Relaxy Line	250
	★ Feb.	Cosmetics IMPREA Milky Souffle UV	32
	Mar.	Hair Care Elujuda Sun Protect	400
	Mar.	Hair Care Global Milbon Blonde Plus Series	300
	Mar.	Hair Care MIINCURL	150
2Q	★ Apr.	Beauty Equipment ELMISTA	1,300
	Apr.	Hair Care Global Milbon milbon & Aromatic Series	250
	Apr.	Hair Coloring ORDEVE Addicthy New Shades	250
	Apr.	Hair Care Villa Lodola RENOVO TEMPUS / FULGENS	100
	Apr.	Hair Care Global Milbon CREATIVE STYLE Series SHIMMER	40
3Q	Jul.	Hair Coloring ORDEVE Crystal New Line	150
	Jul.	Hair Care MYFORCE New Line	100
	★ Jul.	Cosmetics IM	20
	★ Sep.	Health Care ALANOUS	70
	Sep.	Hair Coloring ENOG New Shades	50
	Sep.	Hair Perms NeoLiscio New Line	80
Sep.	Hair Coloring Villa Lodola COLOR PALETTE New Shades	20	

*The target amounts are not presented on a consolidated basis.

★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



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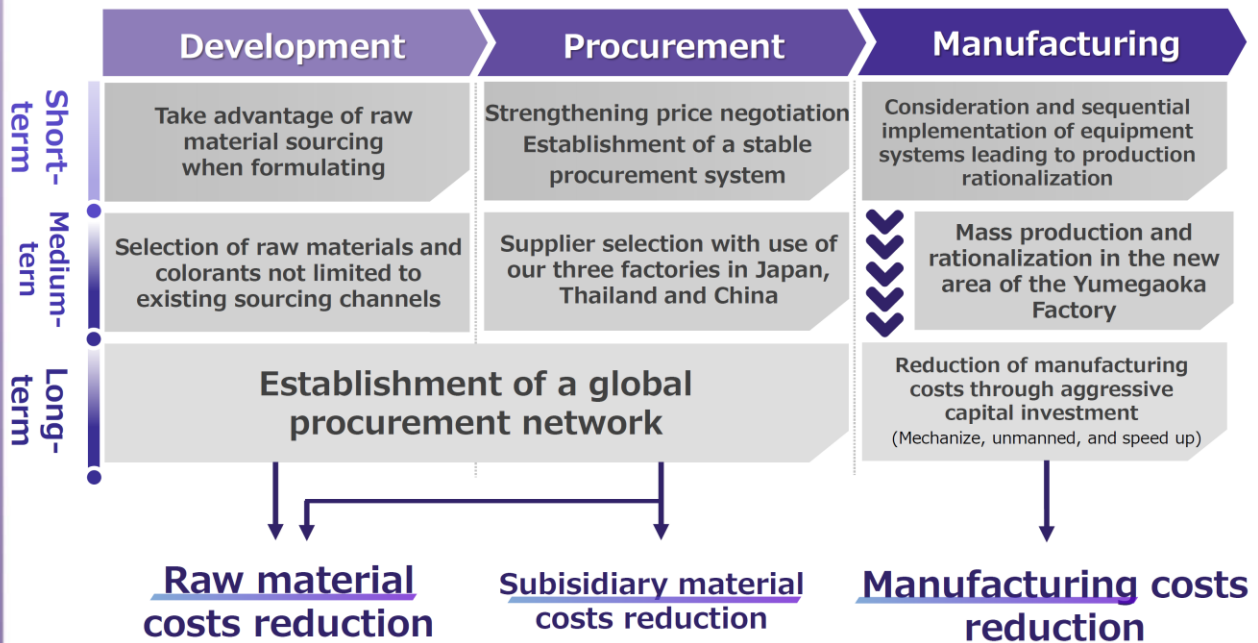
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In this context, looking at figures of the present year by quarter would find slight differences compared with past years.

Although we are going to launch new products, what are called co-developed products will be launched in each period. In that case, as I mentioned the dryer, we have set a target of JPY1.3 billion. This is not just in Q2, but Q2 would have large volume.

Gross profit margins for each quarter differ between co-developed products and in-house products, so please keep in mind that the gross profit margin will be a little different from previous years. Just for your reference, we have many new products planned for this year, including hair.

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



Next, of course, we are taking measures to cope with soaring raw material prices from three perspectives: short-term, medium-term, and long-term; as well as from three other perspectives: development, procurement, and manufacturing; and in various ways: raw material costs, subsidiary material costs, and manufacturing costs.

In the first place, Milbon has been releasing new products every year, and if we go back 10 years from last year to 2012, The unit price of Milbon's (non-consolidated) products sold in salons was about 1,080 yen, but has risen by about 30% to about 1,400 yen. But it is a rough estimate. I hope you can understand that the price has risen in accordance with the value of the products.

How to make costs smaller, while of course also carrying out improvement activities in procurement and manufacturing, is important.

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

The next is operating income. As you can see from these figures, although the USA will be still in the red, the deficit will have become much smaller. Inevitably, China will temporarily be affected by the COVID-19.

As for South Korea, net sales and productivity per capita will be very high. I appreciate this higher productivity, but there is also quite a load. So considering a balance between labor costs and growth, this year we will increase labor costs of about nine more people, and also review labor costs again. Soon, Korea will also resume events, which means that profits will temporarily decrease in such circumstances. However, hopefully, you understand that this is just an investment in human resources to ensure sustainable growth in the future, and we will do for this reason.

In any case, although this is also a rough estimate, if we look at Japan alone, operating margin is close to 19 to 20. 16.7 was the last year's consolidated operating margin. We are allocating a portion of our business to overseas business, new businesses, cosmetics, and other new businesses for the future. Thereby, we will make every effort to restore operating income in the future, considering the future and the sustainable growth.

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	Sales Offices, Studios: 150 million yen (Renovation and expansion of Saitama Sales Office , relocation of Kobe Sales Office)	Sales Offices, Studios: 1.9 billion yen	
	Production system: 1,330 million yen (Machinery and equipment of Yumegaoka Factory, China Factory, expansion of Thai Factory)	Production system: 9.8 billion yen	
	Training: 1,440 million yen (Acquisition of land for Human Resource Development Center at Odawara, Kanagawa)	Training: 4.5 billion yen*	
	Digital: 80 million yen (Digital Arena, Education:iD, milbon:iD)	Digital: 1.7 billion yen	
	Other: 730 million yen (Internal infrastructure, research equipment)	Others: 5.1 billion yen	
	Suspense account: 360 million yen (Construction in progress, software in progress)		
Return to Shareholders	2.8 billion yen Dividend payout ratio 50.2%	16 billion yen Stable and continuous dividend payout ratio target of 50%	17.5%
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).

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Next, we have cash flow figures for premium brands, capital expenditures, and financial strategies. I think it is better you will check them later.

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%

Last item, shareholder returns.

Today, we decided a year-end dividend of JPY46 with a consolidated dividend payout ratio of 50.2%. We have set a target of a dividend payout ratio of 50 for the medium-term plan. And we are sure to achieve this target.

Although this is only a plan for FY2023, we hope to pay an interim dividend of JPY40 and a year-end of JPY48, up JPY2 with an annual dividend of JPY88 and a ratio of about 49%. We would like to reward our shareholders again for this one depending on future results, and we would like to ask for your continued support.

Thank you very much for your kind attention.

[END]