

Milbon Co., Ltd.

FY2023 First Quarter (January 1, 2023 – March 31, 2023)
Financial Results Presentation Materials



May 15, 2023

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

Consolidated Operating Results (FY2023 3 months)

- ◆ In Japan, the beauty trend remained unchanged, with our Premium Brands of the hair care products continuing to drive sales growth. Overseas, sales increased due to strong performance in South Korea and the U.S.
- ◆ The gross profit margin declined due to increasing cost of raw materials, etc. In addition, operating income decreased due to an increase in activity costs, but was 121.3% of the plan, well in line with the annual plan.

(Unit: million yen)

	FY2022 3 months	% total	FY2023 3 months	% total	Increase/ Decrease	Increase/ Decrease ratio (%)
Net sales	9,635	100.0	10,340	100.0	705	7.3
Gross profit	6,451	67.0	6,750	65.3	299	4.6
SG&A expenses	4,954	51.4	5,555	53.7	600	12.1
Operating income	1,496	15.5	1,195	11.6	(301)	(20.1)
Ordinary income	1,633	17.0	1,167	11.3	(466)	(28.6)
Profit attributable to owners of parent	1,166	12.1	882	8.5	(284)	(24.4)

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

Consolidated Net Sales (FY2023 3 months)

(Unit: million yen)

FY2022 3 months	FY2023 3 months	Increase/ Decrease	Increase/ Decrease ratio (%)
5,333	5,969	636	11.9

- Premium Brands led the growth in hair care sales with an 18.1% YoY increase. The Hair Care Series Inmmetry Line, Aujua's new product that met a wide range of customers' needs, contributed to the significant growth of the brand's overall sales. Both in Japan and overseas, Global Milbon continued to grow steadily, with strong growth in sales in the U.S. market.
- The milbon:iD, an e-commerce platform for our Premium Brands, is supporting their growth. At the end of the 1Q, the number of registered members reached approximately 490,000 (450,000 at the end of FY2022) and the number of registered salons totaled 5,100 (4,800 at the end of FY2022). E-commerce sales expanded steadily to 280 million yen (170 million yen at the end of the 1Q of FY2022).
- Professional Brands experienced steady YoY growth of 3.8%, driven by the successful launch of the new "Sun Protect" line under the popular Elujuda brand, which effectively tapped into the seasonal need. Moreover, the newly introduced styling brand "Miincurl," catering to the trend of Korean hairstyles, has received strong support from hair stylists and exceeded our initial expectations.

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

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

New Products FY2023 3 months

Aujua Hair Care Series Inmmetry Line

A new line that corrects distortion*1 in the hair and frees from the habit of blow drying and ironing to condition hair, leading to lustrous and manageable hair with just a dry.

(Unit: million yen)

FY2023 target	FY2023 3 months	Progress rate (%)
1,100	193	17.6



Debut on February 11, 2023

*1 A condition in which curly or wavy hair suffers from damage, losing its shine and smoothness

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

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

Elujuda Sun Protect

Elujuda's new sun care products that shield hair from the harmful rays of the sun while maintaining its moisture throughout day. Four items with different forms and usage timings to choose from.

(Unit: million yen)

FY2023 target	FY2023 3 months	Progress rate (%)
400	165	41.3



Debut on March 11, 2023

Miincurl Iron Keep Primer

A pre-ironing primer oil that protects hair from the heat of the iron and keeps the ironed hair design soft and hydrated for a long time.

(Unit: million yen)

FY2023 target	FY2023 3 months	Progress rate (%)
150	74	49.6



Debut on March 11, 2023

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

Premium Brand: Aujua

Hair Care Series Inmmetry Line, launched in February, performed well.

Number of Salons*1

(Unit: salons)

FY2022	FY2023	Increase/ Decrease	Increase/ Decrease ratio (%)
6,022	6,216	194	3.2

Consolidated Gross Sales (FY2023 3 months)

(Unit: million yen)

FY2022 3 months	FY2023 3 months	Increase/ Decrease	Increase/ Decrease ratio (%)
1,839	2,121	281	15.3

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 / 17 lines / 112 items

Eternal stage series

Aging care series

Hair care series

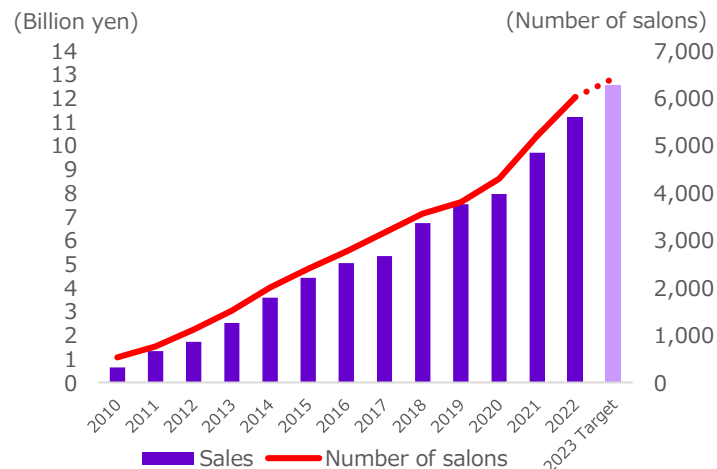
Scalp care series

Climatic care series

Aujua



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.

Premium Brand: Global Milbon

Sales grew steadily both in Japan and overseas, especially in the U.S.

Number of Salons*1

We are currently reviewing the count of the number of salons, so we have decided not to publish this information at this time.

(Unit: salons)

FY2022	FY2023	Increase/Decrease	Increase/Decrease ratio (%)
—	—	—	—

Consolidated Gross Sales (FY2023 3 months)

(Unit: million yen)

FY2022 3 months	FY2023 3 months	Increase/Decrease	Increase/Decrease ratio (%)
1,058	1,312	254	24.1

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

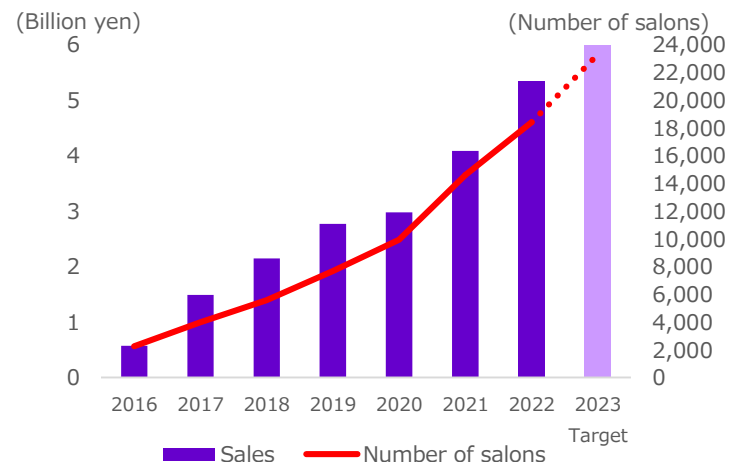
What is “Global Milbon”?

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.

* Sales figures are based on shipment value.

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

Consolidated Net Sales (FY2023 3 months)

(Unit: million yen)

FY2022 3 months	FY2023 3 months	Increase/ Decrease	Increase/ Decrease ratio (%)
3,800	3,922	122	3.2

- In Japan, sales of hair coloring products remained steady with a 1.9% YoY increase. The trend of multi-tonal hair coloring, such as hair bleaching designs, continued to grow among a wide range of age groups.
- Overseas, sales increase by 11.5% YoY, mainly driven by South Korea, where hair coloring products are the main source of sales. However, sales in China dropped as a result of the surge in COVID-19 cases and economic instability after the relaxation of the zero-COVID policy.

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

Premium Organic Brand: Villa Lodola

Increase in the number of new touchpoints and "Color Palette" launched last year boosted sales compared to the same period in the previous fiscal year

Number of Salons

(Unit: salons)

FY2022	FY2023	Increase/ Decrease	Increase/ Decrease ratio (%)
12,458	12,682	224	1.8

Consolidated Gross Sales (FY2023 3 months)

(Unit: million yen)

FY2022 3 months	FY2023 3 months	Increase/ Decrease	Increase/ Decrease ratio (%)
289	306	16	5.7

Brand Concept

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

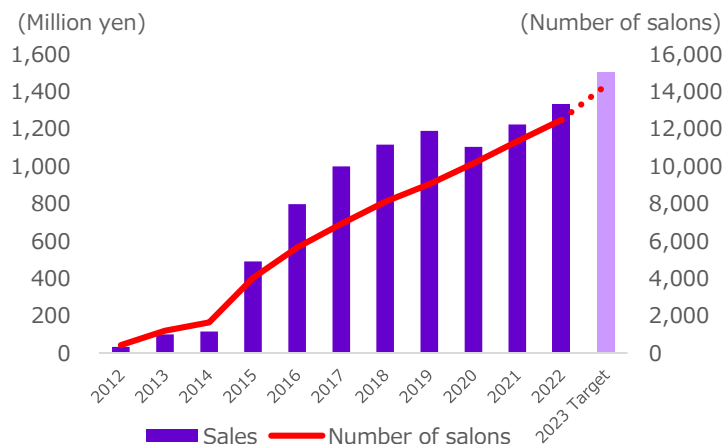
What is Villa Lodola?

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

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



Trends in sales & number of salons



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

* Sales figures are based on shipment value.

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

Consolidated Net Sales (FY2023 3 months)

(Unit: million yen)

FY2022 3 months	FY2023 3 months	Increase/ Decrease	Increase/ Decrease ratio (%)
137	126	(10)	(7.7)

- The number of touchpoints for introducing makeup items that can coordinate with hair color has increased. However, a challenge is that makeup leads to fewer repeat purchases than skincare. We plan to implement strategies to connect makeup with skincare and promote customer loyalty.
- A contributing factor to the sales decline was the reduced demand for the regular-size Lotion, a best-selling product, in this quarter, following the release of the large-size Lotion at the end of last year.

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

Consolidated Sales by Product Category [Cosmetic Products (2)]

New Products FY2023 3 months

iMPREA Milky Soufflé UV

An airy, soufflé-textured sunscreen cream that blocks powerful ultraviolet rays and protects the skin from damage caused by dryness and other factors to the stratum corneum.

(Unit: million yen)

FY2023 target	FY2023 3 months	Progress rate (%)
32	26	83.0



Debut on February 11, 2023

Premium Brand: iMPREA

The new product performed well, but sales declined slightly YoY

Number of Salons*1

(Unit: salons)

FY2022	FY2023	Increase/ Decrease	Increase/ Decrease ratio (%)
1,601	1,743	142	8.9

Consolidated Gross Sales (FY2023 3 months)

(Unit: million yen)

FY2022 3 months	FY2023 3 months	Increase/ Decrease	Increase/ Decrease ratio (%)
137	131	(5)	(4.2)



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 “horny 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.

* Sales figures are based on shipment value.

Consolidated Statement of Earnings

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

	FY2022 3 months	% to sales	FY2023 3 months	% to sales
Net sales	9,635	100.0	10,340	100.0
Cost of sales	3,183	33.0	3,590	34.7
Gross profit	6,451	67.0	6,750	65.3
SG&A expenses	4,954	51.4	5,555	53.7
Operating income	1,496	15.5	1,195	11.6
Ordinary income	1,633	17.0	1,167	11.3
Profit attributable to owners of parent	1,166	12.1	882	8.5

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

	FY2022 3 months	FY2023 3 months	% to sales	Increase/ Decrease	Increase/ Decrease ratio (%)
Hair care products	5,333	5,969	57.7	636	11.9
Hair coloring products	3,800	3,922	37.9	122	3.2
Permanent wave products	314	301	2.9	(13)	(4.4)
Cosmetic products	137	126	1.2	(10)	(7.7)
Others	49	20	0.2	(28)	(58.0)

<Major Factors for the Increase/Decrease>

- The effect of high raw material costs, which had not been evident in the 1Q of the previous fiscal year, was the main factor that lowered the gross profit margin.
- The easing of restrictions led to increased sales activities, which resulted in higher market development expenses for major events, etc., and travel and transportation costs. This caused the operating income to decrease YoY, despite remaining within the expected range.
- Foreign exchange gains were recorded in the 1Q of the previous fiscal year, but foreign exchange losses were recorded in this fiscal year, which lowered the ordinary income margin.

Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category		FY2019	FY2020	FY2021	FY2022	FY2022 3 months	FY2023 Plan
Capital expenditures		1,605	1,917	4,644	4,097	751	2,927
Depreciation and amortization		1,453	1,562	1,777	2,026	542	2,301
R&D exp.	Amount	1,534	1,581	1,741	2,074	512	2,372
	% to sales	4.2	4.4	4.2	4.6	5.0	4.8%

FY2023 CAPEX Main Items (Plans)

- | | | | |
|-------------------------------|--|----------------|--|
| Sales Offices, Studios | <ul style="list-style-type: none"> Establishment and maintenance of business locations
(Relocation of Fukuoka Sales Office, etc.) | Digital | <ul style="list-style-type: none"> milbon:iD education:iD Smart Salon (Digital marketing, etc.) |
| Production system | <ul style="list-style-type: none"> Yumegaoka Factory (Machinery and equipment) Thailand Factory (Machinery and equipment) | Others | <ul style="list-style-type: none"> Internal infrastructure, production equipment, etc. Innovation Center |

Trends in Fieldpersons (FPs)

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

	FY2021	FY2022	FY2023
JAPAN	328.2	335.4	351.0
	102	105	-
USA MILBON USA, INC.	13.2	13.0	12.5
	68	102	-
CHINA Milbon Trading (Shanghai) Co., Ltd.	29.8	31.6	33.5
	72	66	-
SOUTH KOREA Milbon Korea Co., Ltd.	26.0	32.8	36.0
	130	126	-
Others *1	36.0	36.2	36.0
	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: Average number of FPs during the period (persons)

Lower column: Net sales per FP (million yen)

(As of March 31, 2023)

-10 FPs joined in October 2022, and are currently in OJT on site.

-28 FPs are scheduled to join in April 2023.

(The above 38 FPs are not included in the left chart.)

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

Consolidated Net Sales in Japan and Overseas

FY2023 3 months

(Unit: million yen)

	FY2022 3 months		FY2023 3 months		Increase/ Decrease	Increase/ Decrease ratio (%)	Changes in local currency base* ¹ (%)
	Net sales	% to sales	Net sales	% to sales			
Consolidated net sales	9,635	100.0	10,340	100.0	705	7.3	5.6
JAPAN	7,249	75.2	7,659	74.1	410	5.7	5.7
Overseas	2,385	24.8	2,681	25.9	295	12.4	5.5
USA	261	2.7	340	3.3	78	30.2	13.5
CHINA	578	6.0	588	5.7	10	1.9	(2.7)
SOUTH KOREA	931	9.7	1,100	10.6	168	18.1	10.9
Other* ²	614	6.4	651	6.3	37	6.1	1.5

[Reference] Exchange rate

(Unit: yen)

	FY2022 3 months	FY2023 3 months
USA (USD)	116.34	133.44
CHINA (CNY)	18.53	19.41
SOUTH KOREA (KRW)	0.0975	0.1038

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

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

Consolidated Operating Income in Japan and Overseas

FY2023 3 months

(Unit: million yen)

	FY2022 3 months		FY2023 3 months		Increase/ Decrease	Increase/ Decrease ratio (%)
	Operating income	Operating income ratio(%)	Operating income	Operating income ratio(%)		
Consolidated operating income	1,496	15.5	1,195	11.6	(301)	(20.1)
JAPAN	1,146	15.8	881	11.5	(264)	(23.1)
Overseas	350	14.7	313	11.7	(37)	(10.6)
USA	(65)	(25.1)	(39)	(11.5)	26	-
CHINA	9	1.7	22	3.8	12	133.2
SOUTH KOREA	310	33.3	298	27.1	(12)	(4.0)
Other*	96	15.7	32	4.9	(64)	(66.6)

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

Outlook of Overseas Subsidiaries (1)

USA (Milbon USA)

- Global Milbon continues to achieve significant sales growth in terms of hair care products, thanks to its high-quality products. The Premium Position, which has been launched as the luxury brand called the “Gold Line,” is steadily increasing its sales. The strong appeal of the brand to affluent consumers has resulted in sales at new outlets, such as salons in luxury resort hotels.
- The Company is actively undertaking initiatives to enhance sales for its hair coloring products. These efforts include conducting multiple one-day intensive hair color training sessions for distributor representatives from different regions.
- The profit deficit has narrowed due to the price increase implemented last November, the increased profit from selling the higher-priced “Global Milbon Gold Line,” and the lower shipping costs to the U.S. compared to the previous year.

Figures in the text are based on local currency.

Outlook of Overseas Subsidiaries (2)

CHINA (Milbon China)

- Sales in January plummeted due to the effect of the Lunar New Year break and the spike in COVID-19 cases caused by the backlash of the zero-COVID policy relaxation. However, sales progressed at the planned level from February onward, resulting in a decline of 2.7% YoY in Q1 sales on a local-currency basis.
- Salon customers have been refraining from opting for high-priced services, such as color services, due to the economic turmoil. Under these circumstances, the Company continues its efforts to build trust by supporting salons through activities such as proposing rational menus that contribute to customer loyalty. In May, we will hold a large event targeting thousands of beauty industry professionals to communicate the role of beauty salons and the value of beauty in a changing society, with the aim of building stronger relationships with them.
- The one-time costs associated with the start of production at the China Factory, which occurred in the same quarter of the previous fiscal year, did not occur this quarter, thus increasing profits.

* Figures in the text are based on local currency.

Outlook of Overseas Subsidiaries (3)

SOUTH KOREA (Milbon Korea)

- Hair coloring products, which make up more than 70% of total sales, continued to perform well. As future initiatives, the Company plans to strategically capture new young hair stylists with ENOG, which was released in March, and further expand its mainstay Ordeve Addicthy with the new color to be released in May and other products.
- In the hair care category, Global Milbon is steadily increasing the number of touchpoints and sales. The recently launched "Premium Position Enhancing Vivacity" in South Korea in March has gotten off to a strong start attributed to its high effectiveness in reducing hair loss, and it is expected to grow further in the future.
- Profit decreased due to costs associated with aggressive hiring to enhance the Company's structure and expenses for major events, which were previously cancelled or suspended during the COVID-19 pandemic.

* Figures in the text are based on local currency.

<Appendix> Hair Care Brand Positioning Map

Premium Brands

MILBON



Aujua



Villa Lodola
PROFESSIONAL



GRAND
LINKAGE



jemile fran



CRONNA



PLARMIA



Elujuda



DOOR



Professional Brands



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