

Milbon Co., Ltd.

FY2017 First Quarter (December 21, 2016 – March 20, 2017)

Financial Results Presentation Materials



March 31, 2017

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Find Your Beauty **MILBON**

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Consolidated Operating Results (FY2017 3 months)

Sales increased, but profits declined due to a temporary rise in the cost of sales ratio associated with extension work on the Yumegaoka Plant

(Unit: million yen)

| | Amount | | Increase/ Decrease | YoY comparison (%) |
|------------------|--------------------|--------------------|-----------------------|--------------------------|
| | FY2016 3 months | FY2017 3 months | | |
| Net sales | 6,708 | 6,898 | 189 | 102.8 |
| Gross profit | 4,562 | 4,544 | (18) | 99.6 |
| SG&A expenses | 3,637 | 3,757 | 119 | 103.3 |
| Operating income | 924 | 786 | (138) | 85.1 |
| Ordinary income | 813 | 717 | (96) | 88.2 |
| Net income | 546 | 538 | (8) | 98.5 |

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Consolidated Sales by Product Category [Hair Care Product]

Sales remained flat despite the introduction of new products under professional brands

(FY2017 3 months)

(Unit: million yen)

| FY2016 3 months | FY2017 3 months | Increase/Decrease | YoY comparison (%) |
|-----------------|-----------------|-------------------|--------------------|
| 3,918 | 3,924 | 6 | 100.2 |

- In professional brands that recognize generational perspectives, we introduced “Jemile Fran Salon Treatment” as a way to create opportunities for women in their 20s to be made aware of a new salon treatment. We also added the “PLARMIA Enriched Series” to address issues experienced by women in their 50s who feel uncomfortable with their hair. However, sales in the hair care product category did not grow as expected, because proposal activities were concentrated on new hair coloring products..

New

Jemile Fran Salon Treatment

A salon treatment that provides thorough care extending to the inner part of the hair in a salon service, combined with once-a-week care at home to maintain the effect.

(Unit: million yen)

| FY target | Results | Prog. rate |
|-----------|---------|------------|
| 500 | 88 | 17.6% |



Feb. 1 Debut

PLARMIA Enriched

Shampoo and treatment that provide the feeling of elasticity demanded by women in their 50s who are no longer satisfied with simple moisturizing.

(Unit: million yen)

| FY target | Results | Prog. rate |
|-----------|---------|------------|
| 500 | 89 | 17.8% |



Mar. 1 Debut

Find Your Beauty **MILBON**

A Premium Brand, Aujua

Higher sales maintained amid the challenging market environment

Number of Aujua salons

| FY2016 year-end | FY2017 Q1-end | Comparison with FY2016 year-end |
|-----------------|---------------|---------------------------------|
| 2,779 salons | 2,869 salons | 103.2% |

Sales*) (FY2017 3 months)

(Unit: million yen)

| FY2016 3 months | FY2017 3 months | YoY comparison |
|-----------------|-----------------|----------------|
| 1,019 | 1,038 | 101.8% |

Brand concept

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

What is Aujua?

A hair care series that responds to hair concerns by creating and evolving a program just for one individual. This is Aujua.

Product range

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

•4 series

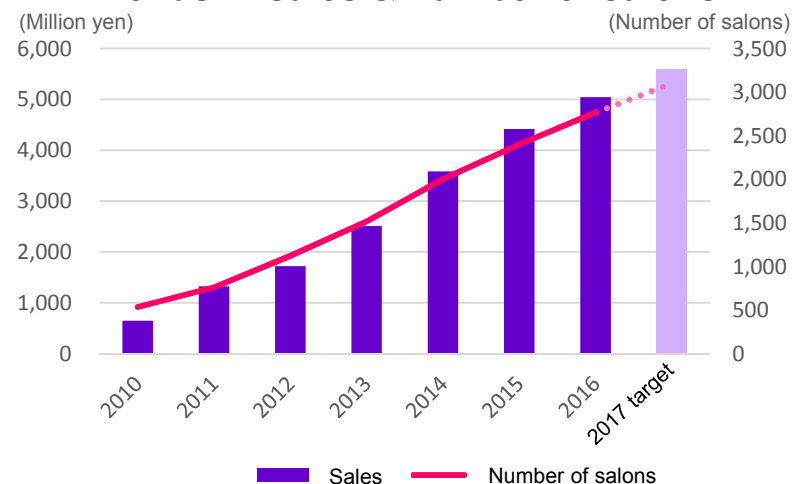
- Aging care series
- Hair care series
- Scalp care series
- Climatic care series

•15 lines •96 items

A tailor-made hair care program that nurtures beauty of each and everyone



Trends in sales & number of salons



*) Figures are on a non-consolidated basis.

A Premium Brand, “milbon”

Rolled out overseas in 5 countries

Brand concept

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

What is “milbon”?

We conducted an in-depth analysis of the inner structure of the hair of women from 20 countries around the world, using our proprietary CT scanning technology, and discovered SSVs (Sticked-Shaped Voids). SSVs are hollow, tubular gaps that form in damaged hair. Accordingly, we developed a hair care line containing ingredients capable of repairing such hollowed out hair and increasing the density within each strand of hair. “milbon” is a system hair care product for developing shiny, beautiful hair from the core.

Number of salons

FY2017 Q1-end.....2,540 salons

Sales*)

FY2017 3 months.....255 million yen

MILBON



360° BEAUTIFUL HAIR

Launched in FY2016—rolled out consecutively in 12 countries worldwide

*) Figures are on a non-consolidated basis.

Consolidated Sales by Product Category [Hair Coloring Product]

New products aimed at the young demographic were well received, driving sales of hair color products

(FY2017 3 months)

(Unit: million yen)

| FY2016 3 months | FY2017 3 months | Increase/Decrease | YoY comparison (%) |
|-----------------|-----------------|-------------------|--------------------|
| 2,441 | 2,667 | 225 | 109.2 |

- We introduced a new brand, "ORDEVE Addicthy," to respond to the desires of women who want to continue to display freedom in their color design. It is performing well, thanks to a positive reception for its ability to easily express color by eliminating red tones.

New

ORDEVE Addicthy

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

(Unit: million yen)

| FY target | Results | Prog. rate |
|-----------|---------|------------|
| 755 | 414 | 54.9% |



Feb. 1 Debut

ORDEVE's additional color FEMININITY LINE

Expresses stylish femininity to suit each individual through "transparent pink" with adjustable saturation.

(Unit: million yen)

| FY target | Results | Prog. rate |
|-----------|---------|------------|
| 400 | 110 | 27.7% |



Feb. 1 Debut

Find Your Beauty MILBON

A Premium Organic Brand, Villa Lodola (1)

Villa Lodola Color continues to be well received and to drive sales

Number of Villa Lodola salons

| FY2016 year-end | FY2017 Q1-end | Comparison with FY2016 year-end |
|-----------------|---------------|---------------------------------|
| 5,632 salons | 5,909 salons | 104.9% |

Sales (FY2017 3 months)

(Unit: million yen)

| FY2016 3 months | FY2017 3 months | YoY comparison |
|-----------------|-----------------|----------------|
| 161 | 202 | 124.8% |

Brand concept

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

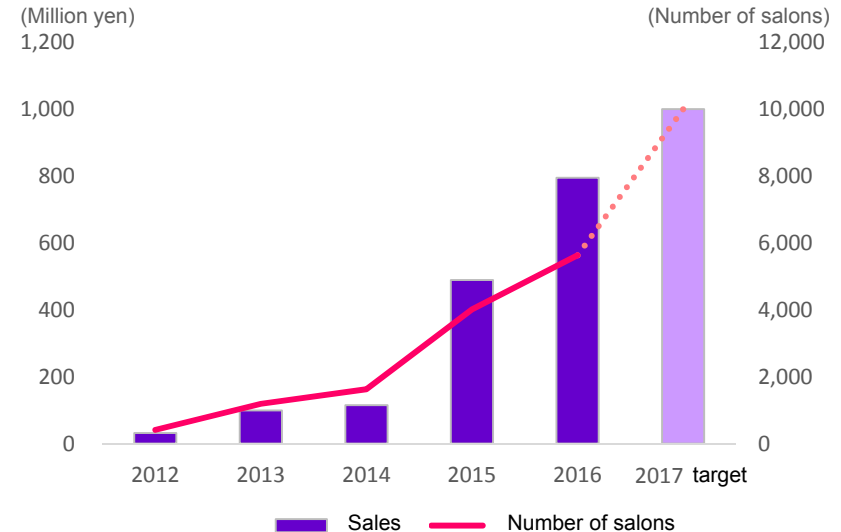
What is Villa Lodola?

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

Villa Lodola supports organic choices, with hair care products nurtured in the soil of Italy, bringing out true beauty.



Trends in sales & number of salons



Find Your Beauty **MILBON**

A Premium Organic Brand, Villa Lodola (2)

Core Product

Villa Lodola Color

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



| FY target | Results | Prog. rate |
|-----------|---------|------------|
| 516 | 143 | 27.8% |

FY2015 Debut

Consolidated Statement of Earnings (FY2017 3 months)

(Unit: million yen)

| | Amount | | Increase/ Decrease | YoY compari- son (%) |
|---------------------|--------------------|--------------------|-----------------------|-------------------------------|
| | FY2016 3 months | FY2017 3 months | | |
| Sales | 6,708 | 6,898 | 189 | 102.8 |
| Cost of sales | 2,145 | 2,354 | 208 | 109.7 *1 |
| Gross profit | 4,562 | 4,544 | (18) | 99.6 |
| SG&A expenses | 3,637 | 3,757 | 119 | 103.3 *2 |
| Operating income | 924 | 786 | (138) | 85.1 |
| Ordinary income | 813 | 717 | (96) | 88.2 |
| Net income | 546 | 538 | (8) | 98.5 |

<Breakdown of net sales by product category>

(Unit: million yen)

| | FY2016 3 months | FY2017 3 months | % total sales | YoY change | YoY compari- son (%) |
|----------------------------|--------------------|--------------------|------------------|---------------|----------------------------|
| Hair care products | 3,918 | 3,924 | 56.9 | 6 | 100.2 |
| Hair coloring products | 2,441 | 2,667 | 38.6 | 225 | 109.2 |
| Permanent wave products | 307 | 260 | 3.8 | (47) | 84.7 |
| Others | 41 | 46 | 0.7 | 4 | 111.9 |

<Major factors for the increase/decrease>

*1 Cost of sales: Increase in depreciation and amortization associated with start of operations at new Yumegaoka Plant, etc.

*2 SG&A expenses:

- Higher personnel expenses due to an increase in personnel and salary hikes.
- Increase in sales promotion costs associated with creation of sales promotion tools, etc.

Supplemental Info. – Return to shareholders

<Dividends>

(Unit: yen)

| | FY2015 | FY2016 | FY2017 plan |
|-----------|--------|--------|-------------|
| End of 2Q | 35 | 38 | 40 |
| End of FY | 39 | 40 | 42 |
| Total | 74 | 78 | 82 |

Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

| Category | | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 Jan.–Mar. | FY2017 Plan ^{*)} |
|-------------------------------|------------|--------|--------|--------|--------|---------------------|------------------------------|
| Capital expenditures | | 1,680 | 1,028 | 2,779 | 4,262 | 268 | 1,760 |
| Depreciation and amortization | | 878 | 1,004 | 1,033 | 1,077 | 266 | 1,240 |
| R&D exp. | Amount | 969 | 1,168 | 1,214 | 1,232 | 310 | 1,372 |
| | % to sales | 4.1% | 4.6% | 4.4% | 4.2% | 4.5% | 4.2% |

FY2017 CAPEX Main Items

- Development expenses for sales management system
- Establishment of a new domestic base (Shizuoka Sales Office)
- Interior, equipment, etc., due to relocation of domestic bases (Fukuoka Branch, Okayama Sales Office, Yokohama Sales Office)

^{*)} Figures reflect the revision of operating forecasts announced on February 24.

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

Market trends (Japan)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Remarks |
|--|---------|---------|---------|---------|---------|--------------------------|--|
| Number of salons (salons) | 228,429 | 231,134 | 234,089 | 237,525 | 240,299 | — | Ministry of Health, Labour and Welfare, Report on Public Health Administration and Services Number of beauty salon facilities / number of employees (year-end) |
| Number of hair dressers (people) | 471,161 | 479,509 | 487,636 | 496,697 | 504,698 | — | |
| Number of beauty customers (thousand people) | 39,640 | 39,076 | 38,468 | 37,847 | 37,395 | 37,023 (As of Oct. 1) | Statistics Bureau, Ministry of Internal Affairs and Communications: Population statistics as of October 1 st of each year Population statistics for females aged 15 to 64 |

Fieldpersons trends (by country)

(Number of FPs / As of the beginning of the fiscal year (December 21))

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------|------|------|------|------|
| JAPAN Milbon Co., Ltd. | 210 | 216 | 237 | 249 | 258 |
| | 104 | 104 | 100 | 102 | |
| USA MILBON USA, INC. | 12 | 12 | 12 | 9 | 12 |
| | 36 | 40 | 53 | 63 | |
| CHINA Milbon Trading (Shanghai) Co., Ltd | 16 | 17 | 18 | 18 | 19 |
| | 17 | 25 | 36 | 40 | |
| KOREA Milbon Korea Co., Ltd. | 17 | 17 | 19 | 20 | 23 |
| | 41 | 64 | 75 | 80 | |
| THAILAND Milbon (Thailand) Co., Ltd | 3 | 6 | 6 | 6 | 9 |
| | 6 | 8 | 15 | 14 | |
| Others*) | 7 | 12 | 16 | 19 | 24 |
| | 63 | 46 | 42 | 47 | |

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

8 FPs expected to be assigned on March 21, 2017

26 FPs expected to join in April 2017

(The above 34 FPs are not included in the left chart.)

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

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Outlook of Milbon Group

Overseas continues to drive growth

| | Number of employees ^{*1)} | Sales (million yen) | | YoY comparison (%) | Start operations | Forex rates | |
|---|------------------------------------|---------------------|-----------------|--------------------|------------------|----------------------|--------|
| | Number of FPs ^{*1)} | FY2016 3 months | FY2017 3 months | | | FY2016 | FY2017 |
| Japan Milbon Co., Ltd | 595 | 5,739 | 5,856 | 102.0 | 1960 | - | - |
| | 256 | | | | | | |
| USA MILBON USA, INC | 16 | 147 | 145 | 99.0 | 2004 | 1 dollar = 121.46 | 109.56 |
| | 13 | | | | | | |
| CHINA Milbon Trading (Shanghai) Co., Ltd. | 28 | 154 | 169 | 109.3 | 2009 | 1 yuan = 18.93 | 16.17 |
| | 20 | | | | | | |
| KOREA Milbon Korea Co., Ltd. | 32 | 408 | 427 | 104.7 | 2009 | 1 won = 0.1043 | 0.0939 |
| | 23 | | | | | | |
| THAILAND Milbon (Thailand) Co., Ltd. | 67 | 18 | 25 | 141.0 | 2013 | 1 baht = 3.37 | 3.29 |
| | 8 | | | | | | |
| Others ^{*2)} | 27 | 240 | 273 | 113.8 | - | - | - |
| | 24 | | | | | | |

*1) Number of employees and FPs are as of the end of the period under review.

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

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Outlook of Overseas Subsidiaries (1)

USA (MILBON USA, Inc.)

Efforts to promote the switchover to the premium brand “milbon,” launched in June 2016, have been progressing smoothly. Total sales amount for “milbon” and switchover target products grew by 26.6% year on year on a local currency basis.

In Manhattan, a direct sales area, we carried out activities targeting high-end salons and expanded our in-store share through training at salons that introduced “milbon.”

In addition, sales have grown steadily at distributor TruBeauty as a result of enhancements to the system, including increasing personnel with knowledge of products and beauty technologies.

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

We have deepened our relationships with top salons in direct sales areas such as Shanghai through the efforts of fieldpersons, and the number of new customer salons is increasing. Furthermore, in distributor areas, educational activities by fieldpersons are taking root among distributor staff and leading to results.

By product, ORDEVE (fashion color) is performing well partly due to the introduction of additional colors. In hair care products, sales have been steady for Linkage-μ (mu) (salon treatment).

KOREA (Milbon Korea Co., Ltd.)

Aging care brand Plarmia saw steady sales due to the launch of a new product, Volumizer .

In the period under review, we began full-scale sales of Aujua, which was test-marketed the previous year. Reception has been positive at salons where it has been introduced, and new contracts were concluded with 10 salons in the period under review. Going forward, we plan to make new contracts with 10 salons every three months.

We also held an education-type event, “DA Korea,” which was a big success, attracting 120 designer entrant teams as well as 1,212 audience members.

Outlook of Overseas Subsidiaries (2)

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

[Sales division]

Although the launch of premium brand “milbon” was delayed due to the demise of King Bhumibol Adulyadej of Thailand, we are starting to see positive effects as a result of focusing our activities on a single distributor. In addition, our brand image is improving as the number of A Class contracting salons grows, and cultivation for hair color products is progressing steadily through seminars at distributor studios.

[Production division]

The manufacturing cost ratio has improved more than planned due to greater speed in the hair color production line and a higher local procurement rate for raw materials. In addition, production volume increased by 29% year on year on a local currency basis.



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