

Milbon Co., Ltd.

FY2016 First Quarter (December 21, 2015 – March 20, 2016)

Financial Results Presentation Materials



March 31, 2016

Copyright © 2016 Milbon. All rights reserved.

Find Your Beauty **MILBON**

Table of Contents

- P3** Consolidated Operating Results
- P4-9** Consolidated Sales by Product Category
- P10** Consolidated Statement of Earnings
- P11** Consolidated Trends in Capital Expenditures and R&D Expenses
- P12** Trends in Market Related Data, Trends in FPs
- P13-16** Outlook of Milbon Group

Fiscal Year 2016 (57th term) Operating Results for the First Quarter

Consolidated Operating Results (FY2016 3 months)

Profits declined from the previous fiscal year from the effects of the cost of sales ratio and SG&A expenses. However, they remained at expected levels.

(Unit: million yen)

	Amount		Increase/ Decrease	YoY comparison (%)
	FY2015 3 months	FY2016 3 months		
Net sales	6,083	6,708	625	110.3
Gross profit	4,282	4,562	280	106.6
SG&A expenses	3,284	3,637	353	110.8
Operating income	997	924	(72)	92.7
Ordinary income	980	813	(166)	83.0
Net income	635	546	(88)	86.0

Consolidated Sales by Product Category [Hair Care Product]

Sales are off to a steady start for new products that target two generations at turning points of beauty

(FY2016 3 months)

(Unit: million yen)

FY2015 3 months	FY2016 3 months	Increase/Decrease	YoY comparison (%)
3,537	3,918	380	110.8

- We have launched new products that match the needs of two demographic stages: the turning point for women in their 20s, who are regarded as “awakening to the notion of beauty,” and women in their 50s, “embarking on a quest for beauty.” We are developing activities to support the creation of various stages of beauty for women by a single designer, while revealing specific examples such as “communication that captures the demographic turning points” and “from design proposals to proposals for the future.”
- Sales were off to a steady start for Jemile Fran Melty Butter, which helps out women in their 20s during their busy mornings; and PLARMIA Volumizer, which naturally makes hair stand from the roots for women in their 40s and 50s who feel their hair lacks volume.

Core Products

New - PLARMIA Volumizer

Leave-in treatment foam that makes women’s hair stand from the roots and creates a silhouette with natural volume they can run their fingers through.

(Unit: million yen)

FY target	Results	Prog. rate
250	161	64.6%



Mar. 1 Debut

New - Jemile Fran Hair Care Series Melty Butter

Leave-in treatment retains the memory of the blow-dried style from the night before until the next morning and allows for quick styling in the morning. This product helps working women during their busy mornings.

(Unit: million yen)

FY target	Results	Prog. rate
350	126	36.2%



Jan. 28 Debut

Find Your Beauty **MILBON**

Aujua (1)

Sales expanded steadily with the introduction of new line-ups that meet the growing needs for aging care

Number of Aujua salons

FY2015 year-end	FY2016 Q1-end	Comparison with FY2015 year-end
2,511 salons	2,634 salons	104.9%

Sales (FY2016 3 months)

(Unit: million yen)

FY2015 3 months	FY2016 3 months	YoY comparison
852	1,013	118.8%

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

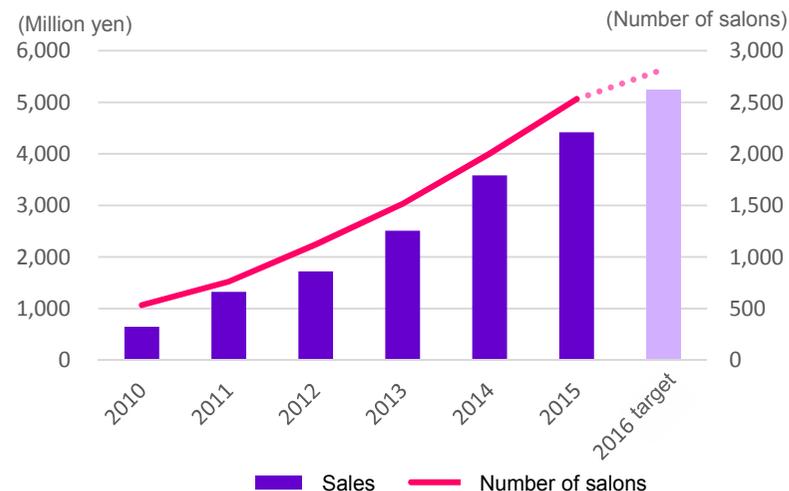
- Aging care series
- Hair care series
- Scalp care series
- Climatic care series

•15 lines •96 items

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



Trends in sales & number of salons



Find Your Beauty **MILBON**

Aujua (2)

New Product

Aging Care Series EQUIAL LINE

For women concerned about unmanageable hair tips and roots as aging advances. Works on hair's double-layer structure, creating a beautiful silhouette.



(Unit: million yen)

FY target	Results	Prog. rate
400	87	21.9%

Jan. 29 Debut

Consolidated Sales by Product Category [Hair Coloring Product]

Sales boosted by activities to offer additional color lines and new gray color launched last year

(FY2016 3 months)

(Unit: million yen)

FY2015 3 months	FY2016 3 months	Increase/Decrease	YoY comparison (%)
2,172	2,441	269	112.4

- The “ORDEVE FRENCH LINE,” a new color line to match Spring/Summer 2016 trends, has been launched. Its shiny and light cold shades that complement a casual French look were well-received. We are actively promoting activities to support hair designers so that they offer trendy hair colors to salon customers.
- “ORDEVE CRYSTAL” was launched in FY2015 and made it possible to dye long hair peppered with gray to become a bright color with a beautiful finish, from the roots to the tips. The product has been well-received, and the number of salons offering it has continued to grow since last year.

Core Product

ORDEVE CRYSTAL

A hybrid color for dyeing long hair for mature women, with a beautiful finish from the roots to the tips. ORDEVE CRYSTAL has the brightness of fashion colors, and it dyes both black and gray hairs evenly for a long-lasting finish.

(Unit: million yen)



FY target	Results	Prog. rate
1,980	394	19.9%

FY2015 Debut

Find Your Beauty **MILBON**

Villa Lodola (1)

Villa Lodola Color, launched last year, continues to drive sales

Number of salons

FY2015 year-end	FY2016 Q1-end	Comparison with FY2015 year-end
4,014 salons	4,479 salons	111.6%

Sales (FY2016 3 months)

(Unit: million yen)

FY2015 3 months	FY2016 3 months	YoY comparison
65	161	246.7%

Brand concept

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

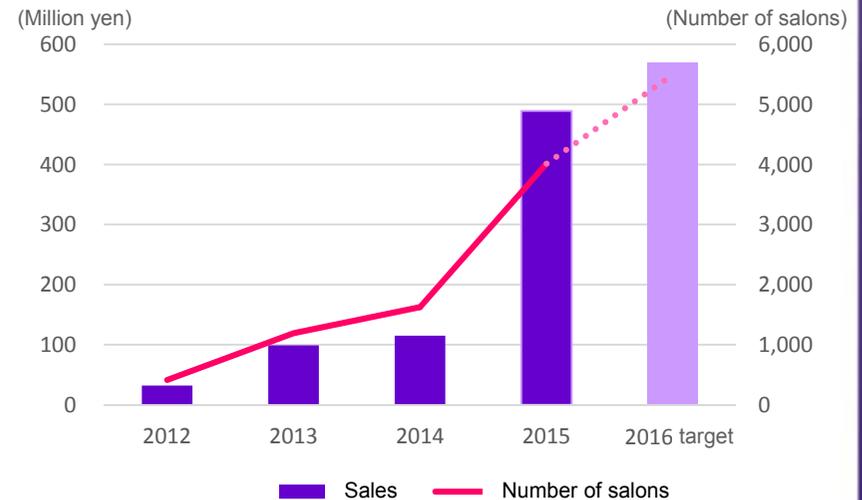
What is Villa Lodola?

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**

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
315	108	34.3%

FY2015 Debut

Consolidated Statement of Earnings (FY2016 3 months)

(Unit: million yen)

	Amount		Increase/ Decrease	YoY compari- son (%)
	FY2015 3 months	FY2016 3 months		
Sales	6,083	6,708	625	110.3
Cost of sales	1,800	2,145	345	119.2
Gross profit	4,282	4,562	280	106.6
SG&A expenses	3,284	3,637	353	110.8
Operating income	997	924	(72)	92.7
Ordinary income	980	813	(166)	83.0
Net income	635	546	(88)	86.0

<Breakdown of net sales by product category>

(Unit: million yen)

	FY2015 3 months	FY2016 3 months	% total sales	YoY change	YoY compari- son (%)
Hair care products	3,537	3,918	58.4	380	110.8
Hair coloring products	2,172	2,441	36.4	269	112.4
Permanent wave products	331	307	4.6	(24)	92.6
Others	41	41	0.6	0	100.0

<Major factor for the increase in SG&A expenses>

- Salary hikes from increases in the number of personnel and promotions
- Rent hikes at new bases

*Supplemental Info. – Return to shareholders

<Dividends>

(Unit: yen)

	FY2014	FY2015	FY2016 plan
End of 2Q	34	35	38
End of FY	34	39	40
Total	68	74	78

Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category		FY2012	FY2013	FY2014	FY2015	FY2016 Jan.–Mar.	FY2016 Plan
Capital expenditures		840	1,680	1,028	2,779	216	4,329
Depreciation and amortization		947	878	1,004	1,033	231	1,113
R&D exp.	Amount	873	969	1,168	1,214	292	1,215
	% to sales	4.0%	4.1%	4.6%	4.4%	4.4%	4.2%

FY2016 3 months CAPEX Main Items (Plan)

- Expansion of Yumegaoka Plant
- Development of new sales management system (to be introduced in 2017)
- Opening of Okayama Sales Office
- Relocation of Fukuoka Branch
- Opening of Kumamoto Sales Office

Trends in Market Related Data, Trends in FPs

Market trends (Japan)

(Unit: Number of salons: salons / Number of hair dressers: people / Number of beauty customers: thousand people)

	2010	2011	2012	2013	2014	2015	Remarks
Number of salons	223,286	228,429	231,134	234,089	237,525	—	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	456,872	471,161	479,509	487,636	496,697	—	
Number of beauty customers	39,812	39,640	39,076	38,468	37,847	37,395	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)

	2012	2013	2014	2015	2016 Q1	
JAPAN Milbon Co., Ltd.	200	210	216	237	246	Upper column: Number of FPs (persons)
	102	104	104	100		
USA MILBON USA, INC.	10	12	12	12	9	Lower column: Sales per FP (million yen)
	35	36	40	53		
CHINA Milbon Trading (Shanghai) Co., Ltd.	13	16	17	18	18	* 27 FPs are expected to join in Apr. 2016 (not included in the left chart)
	14	17	25	36		
KOREA Milbon Korea Co., Ltd.	13	17	17	19	20	* Starting from the current fiscal year, sales per FP are calculated based on the number of FPs at the beginning of the fiscal year (adjusted retrospectively to 2012).
	34	41	64	75		
THAILAND Milbon (Thailand) Co., Ltd.	-	3	6	6	6	
		6	8	15		
Others	4	7	12	16	18	
	101	65	50	47		

Find Your Beauty **MILBON**

Outlook of Milbon Group (1)

East Asia, including Japan, continues to drive growth

	Number of employees	Sales (million yen)		YoY comparison (%)	Start operations	Forex rates	
	Number of FPs	FY2015 3 months	FY2016 3 months			FY2015	FY2016
Japan Milbon Co., Ltd.	557	5,276	5,739	108.8	1960	-	-
	246						
USA MILBON USA, INC.	14	162	147	90.5	2004	1 dollar = 114.23	121.46
	9						
CHINA Milbon Trading (Shanghai) Co., Ltd.	24	113	154	135.9	2009	1 yuan = 18.81	18.93
	18						
KOREA Milbon Korea Co., Ltd.	32	327	408	124.8	2009	1 won = 0.1060	0.1042
	20						
THAILAND Milbon (Thailand) Co., Ltd.	53	24	18	72.8	2013	1 baht = 3.49	3.37
	6						
Others*	19	177	240	135.2	-	-	-
	19						

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

Find Your Beauty **MILBON**

Outlook of Milbon Group (2)

JAPAN (Milbon Co., Ltd.)

New products targeting two generations of women in their 20s, “awakening to the notion of beauty,” and in their 50s, “embarking on a quest for beauty,” were launched and off to a steady start after being well-received by both generations. Efforts to establish the brand are also progressing smoothly, with the expansion of product line-ups for Jemile Fran, geared toward working women in their 20s, and Plarmia, an aging care brand.

Additionally, the two gray-hair coloring products, Ordeve Crystal and Villa Lodola Color, launched last year, were well-received by the market and contributed to an improvement in performance through their introduction to salons and repeat sales.

We are expanding our efforts for corporate branding. For example, we filled the Tokyo Metro’s Ginza Station with our transit advertising in February.

USA (MILBON USA, Inc.)

Sales overall declined compared with the same period of the previous fiscal year, when they rose due to last-minute demand ahead of a price hike. Meanwhile, the number of salons has been gradually increasing, thanks to the synergistic effects of Plarmia Refining (salon treatment) and Plarmia Hair Serum series (take-home products).

Seminars focused on techniques, including the workshops on blow drying and styling, were well-received. The blow-drying workshops, taught by stylists popular among overseas celebrities, received a special level of acclaim.

Outlook of Milbon Group (3)

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

The distributors empathetic to the Company's education-oriented activity policy are contributing to sales growth for top regional salons in each area, mainly in East China, South China and North China.

A tour of Japan was conducted mainly for owners of the major dealing salons in each region. More than one hundred participants developed a deeper trust in Milbon companies and its quality. They reinforced their relationships through observing events and tours of the Central Research Institute and plants in Japan.

In addition to existing salon treatments, the introduction of products that repair hair from the inside led to greater breadth in supporting different hair texture. Hair care products are expanding favorably, as a variety of customer needs can now be addressed. As for hair coloring products, the proposal of seasonal trend colors has appealed to the trending needs of women in their 20s and 30s with a high sense of beauty, resulting in an increase in Ordeve sales.

KOREA (Milbon Korea Co., Ltd.)

Sales of hair-coloring products grew significantly, thanks to the success of promotions for Ordeve's additional colors, such as the giveaway of an original apron and the "Trend Color Chart," which collected all the new colors added during the past three years.

Test marketing of Aujua, the system hair care brand, commenced from October. Trial sales were conducted at 10 selected salons, and studio lectures were done specially for employees who had been selected as Aujua leaders at each salon. Such thorough, individualized and onsite education activities successfully energized the salons and led to favorable repeat purchases. Solid know-how that will be required to firmly establish Aujua at the salons is being accumulated in preparation for the full launch from the next fiscal year, and expectations are high for future growth in the hair care market.

DA Korea was held for the second time. DA is an education-type event held for the purpose of nurturing hair designers. The event was a huge success, with attendance of approximately 1,500 hair designers. These events will continue to be held in the future as they are also expected to contribute to Milbon's branding strategy.

Outlook of Milbon Group (4)

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

[Sales division]

The consumption of valued-added services and products such as salon treatment and take-home products has declined due to the reaction against the increase in sales resulting from the commencement of business with a new distributor in November 2014, as well as a slump in general consumption reflecting uncertainty over Thailand's economic outlook.

"Bleach ON Color," a promotion using the new hair coloring lines launched in fall/winter of FY2016, continued to perform well and contributed in maintaining sales for the hair coloring segment overall. We are also making efforts to expand the market by repeatedly conducting digital permanent lectures using Atenje, a straightening permanent solution.

[Production division]

Production on both a monetary and volume basis has been strong. Particularly on a volume basis, production has exceeded the annual result of the previous year by more than 50% and is performing strongly. Shipments have also exceeded the plan by more than 20% due in part to the start of shipments to China. Personnel have been added in conjunction with the increase in production volume. The plant now has over 50 employees in total.

Improvements of the cost of sales ratio is also progressing steadily, as efforts are being made to procure raw materials locally and expenses are being reduced.



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.