

Milbon Co., Ltd.

FY2019 Second Quarter (January 1, 2019 – June 30, 2019) Financial Results Presentation Materials



July 31, 2019

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Find Your Beauty **MILBON**

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Milbon Group

Financial Results for FY2019 (60th Term) Second Quarter

Masahiro Murai, Executive Director

Consolidated Operating Results (FY2019 6 months)

Steady progress toward achieving full-year targets

(Unit: million yen)

	FY2018 6 months*	FY2019 6 months*	Increase/ Decrease	Increase/ Decrease ratio (%)
Net sales	16,247	17,242	995	6.1
Gross profit	10,823	11,496	672	6.2
SG&A expenses	7,847	8,406	558	7.1
Operating income	2,975	3,089	113	3.8
Ordinary income	2,746	2,824	78	2.8
Profit attributable to owners of parent	2,137	1,999	(137)	(6.4)

*The "Accounting Standard for Revenue Recognition," etc., has been adopted since the first quarter of FY2019. The results for the second quarter of FY2018 have also been reclassified based on the same standard.

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Consolidated Sales by Product Category [Hair Care Product]

While premium brands have continued to grow, professional brands are a challenge

FY2019 6 months

(Unit: million yen)

FY2018 6 months*	FY2019 6 months*	Increase/ Decrease	Increase/ Decrease ratio (%)
9,615	9,897	281	2.9

- The Aujua Eternal Stage Series Diorum Line released in March has contributed to the growth of Aujua, as we have been working to propose high unit price menus for salons.
- The acquisition of new salons led by distributors has continued to progress for the premium brand “milbon,” and growth has been achieved through an increase in new salons. We will continue to strengthen efforts aimed at increasing sales at existing salons.
- The new brand CRONNA, a professional brand product for adult women, was introduced in April. Although sufficient results have not been achieved yet, the challenges are becoming clear, and we will work to catch up during the second half.

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Consolidated Sales by Product Category [Hair Care Product]

New Products

FY2019 6 months

Aujua Eternal Stage Series Diorum Line

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

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

(Unit: million yen)

FY2019 target*	FY2019 6 months*	Progress rate (%)
800	339	42.4



March 8, 2019 Debut

CRONNA

With gentle and simple care, helps busy women experience beautiful hair.

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

(Unit: million yen)

FY2019 target*	FY2019 6 months*	Progress rate (%)
750	176	23.6



April 10, 2019 Debut

*Gross sales figures are on a non-consolidated basis

Find Your Beauty **MILBON**

A Premium Brand, Aujua

Aujua Eternal Stage Series Diorum Line, a new product, performed well

Number of salons

(Unit: salons)

FY2018*1	FY2019*1	Increase/ Decrease	Increase/ Decrease ratio (%)
3,271	3,480	209	6.4

Consolidated sales (FY2019 6 months)

(Unit: million yen)

FY2018 6 months*2	FY2019 6 months*2	Increase/ Decrease	Increase/ Decrease ratio (%)
2,886	3,265	378	13.1

Brand concept

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

What is Aujua

Hair care that supports beauty, now and into the future, by addressing each individual's hair and skin concerns and choosing the most appropriate item for that time. This is Aujua.

Product range

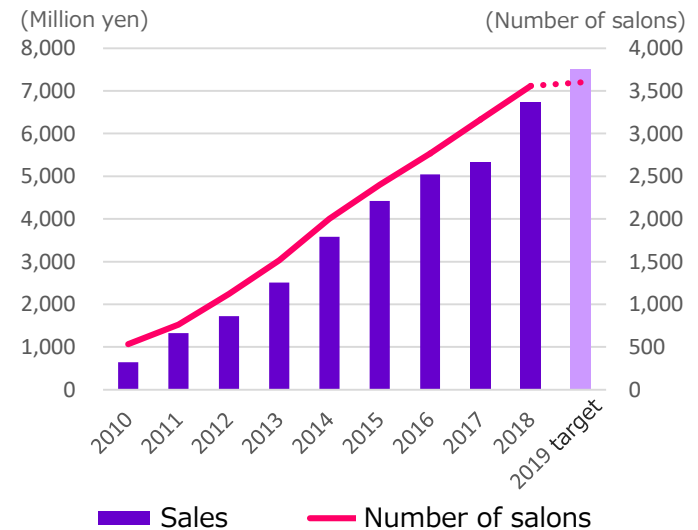
A wide-ranging line up that suits the hair texture of individual customers

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

Aujua



Trends in sales & number of salons



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

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

A Premium Brand, “milbon”

Growth with more salons both in Japan and overseas

Number of salons

FY2018*1	FY2019*1	Increase/ Decrease	Increase/ Decrease ratio (%)
5,571	7,040	1,469	26.4

Consolidated sales (FY2019 6 months)

FY2018 6 months*2	FY2019 6 months*2	Increase/ Decrease	Increase/ Decrease ratio (%)
948	1,173	225	23.8

Brand concept

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

Countries with salons

Japan, USA, Hong Kong, China, Thailand, Taiwan, Turkey, Malaysia, Vietnam, Indonesia, Singapore, and Germany

What is “milbon”?

We conducted an in-depth analysis of the inner structure of the hair of women from 20 countries around the world, using our proprietary CT scanning technology, and discovered a universal form of hair damage.

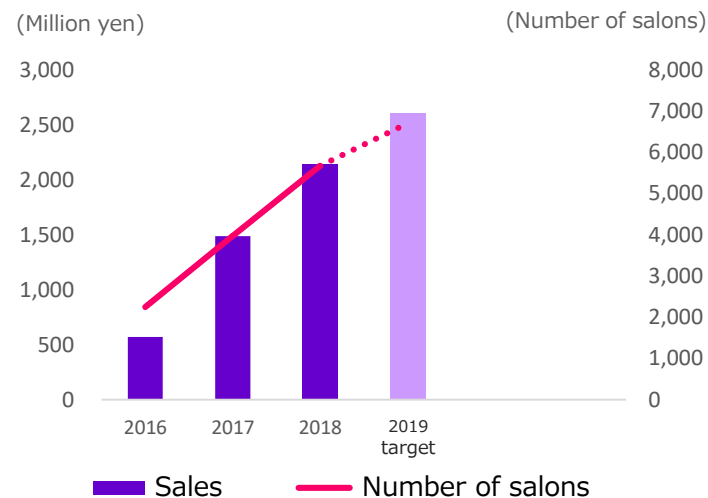
Accordingly, we developed a hair care line containing ingredients capable of repairing such damaged hair and increasing the density within each strand of hair.

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

MILBON



Trends in sales & number of salons



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

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

Find Your Beauty MILBON

Consolidated Sales by Product Category [Hair Coloring Product]

Ordeve Addicthy has grown and driven sales for the product category

FY2019 6 months

(Unit: million yen)

FY2018 6 months* ¹	FY2019 6 months* ¹	Increase/ Decrease	Increase/ Decrease ratio (%)
5,735	6,423	687	12.0

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

Core Product

Ordeve Addicthy

Erases red tinged brown with high saturation blue.

With clear and transparent color expression, it lets customers freely realize individual hair color designs.

(Unit: million yen)

FY2018 6 months* ²	FY2019 6 months* ²	Increase/ Decrease	Increase/ Decrease ratio (%)
1,310	1,886	576	44.0



FY2017 Debut

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Consolidated Sales by Product Category [Hair Coloring Product]

New Products

FY2019 6 months

Ordeve Ledress

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

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



ORDEVE
Ledress

March 7, 2019 Debut

FY2019 target*	FY2019 6 months*	Progress rate (%)
700	194	27.8

(Unit: million yen)

Ordeve Seedil

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



ORDEVE
Seedil

June 6, 2019 Debut

FY2019 target*	FY2019 6 months*	Progress rate (%)
800	119	15.0

(Unit: million yen)

*Gross sales figures are on a non-consolidated basis

Find Your Beauty **MILBON**

A Premium Organic Brand, Villa Lodola (1)

Villa Lodola Color continued to be strong and drove brand sales

Number of salons

(Unit: salons)

FY2018 year-end	FY2019 Q2-end	Increase/Decrease	Increase/Decrease ratio (%)
8,085	8,612	527	6.5

Consolidated sales (FY2019 6 months)

(Unit: million yen)

FY2018 6 months*	FY2019 6 months*	Increase/Decrease	Increase/Decrease ratio (%)
510	563	52	10.4

Brand concept

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

What is Villa Lodola?

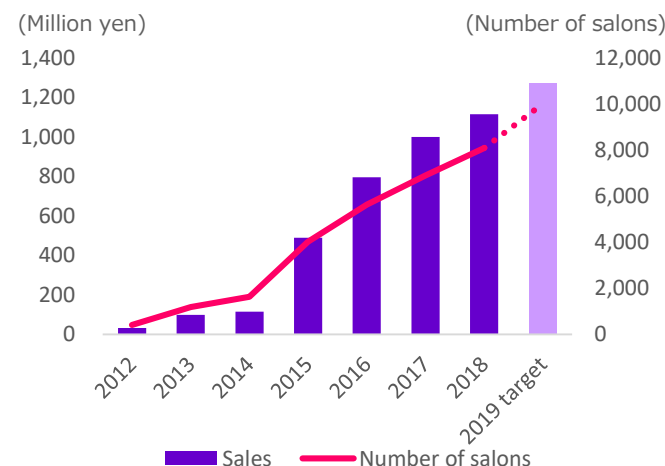
Based on the concept of "Beauty, the Organic Way," Villa Lodola is a true organic brand that thoroughly cares about the natural environment not only for the product itself but also in its container, production phase and promotional tools.

All of the products are certified by ICEA, an Italian authority. Villa Lodola supports organic choices, with hair care products nurtured in the soil of Italy, bringing out true beauty.

*Gross sales figures are on a non-consolidated basis



Trends in sales & number of salons



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.

Consolidated sales (FY2019 6 months) (Unit: million yen)

FY2018 6 months*	FY2019 6 months*	Increase/ Decrease	Increase/ Decrease ratio (%)
371	423	52	14.2



FY2015 Debut

*Gross sales figures are on a non-consolidated basis

Consolidated Statement of Earnings (FY2019 6 months)

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

	FY2018 6 months*	% to sales	FY2019 6 months*	% to sales
Net sales	16,247	100.0	17,242	100.0
Cost of sales	5,423	33.4	5,746	33.3
Gross profit	10,823	66.6	11,496	66.7
SG&A expenses	7,847	48.3	8,406	48.8
Operating income	2,975	18.3	3,089	17.9
Ordinary income	2,746	16.9	2,824	16.4
Profit attributable to owners of parent	2,137	13.2	1,999	11.6

<Breakdown of net sales by product category>

(Unit: million yen)

	FY2018 6 months*	FY2019 6 months*	% total sales	Increase/ Decrease	Increase/ Decrease ratio (%)
Hair care products	9,615	9,897	57.4	281	2.9
Hair coloring products	5,735	6,423	37.2	687	12.0
Permanent wave products	797	770	4.5	(26)	(3.4)
Cosmetic products	-	47	0.3	47	-
Others	98	103	0.6	5	5.1

<Major factors for the increase/decrease>

SG&A expenses

Personnel expenses (+283 million yen):
Increased due to increase in number of personnel and system changes (change from corporate housing to housing allowance system, etc.)

Profit attributable to owners of parent

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

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Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category		FY2015	FY2016	FY2017	FY2018	FY2019 Jan.-Jun.	FY2019 Plan
Capital expenditures		2,779	4,262	1,570	1,149	921	1,710
Depreciation and amortization		1,033	1,077	1,272	1,370	710	1,498
R&D exp.	Amount	1,214	1,232	1,422	1,479	746	1,535
	% to sales	4.4	4.2	4.3	4.2	4.3	4.2

FY2019 CAPEX Main Items (Plan)

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

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

Market trends (Japan)

	2013	2014	2015	2016	2017	2018	Remarks
Number of salons (salons)	234,089	237,525	240,299	243,360	247,578	—	Ministry of Health, Labour and Welfare, Report on Public Health Administration and Services
Number of hair dressers (people)	487,636	496,697	504,698	509,279	523,543	—	Number of beauty salon facilities / number of employees (year-end)
Number of beauty customers (thousand people)	38,468	37,847	37,395	37,023	36,643	36,202 (As of Feb. 1)	Statistics Bureau, Ministry of Internal Affairs and Communications: Population statistics as of October 1st of each year Population statistics for females aged 15 to 64

Fieldpersons trends (by country) (Number of FPs / As of January 1, the beginning of the fiscal year (As of December 21 for 2017 and before))

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

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

(As of June 30, 2019)

6 FPs joined in October 2018, and are currently in OJT on site
31 FPs joined in April 2019, and are currently in training
(The above 37 FPs are not included in the left chart.)

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

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

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Consolidated Net Sales and Operating Income in Japan and Overseas

■ Net Sales (FY2019 6 months)

(Unit: million yen)

	FY2018 6 months*		FY2019 6 months*		Increase/ Decrease	Increase/ Decrease ratio (%)
	Amount	% total	Amount	% total		
Domestic	13,632	83.9	14,383	83.4	751	5.5
Overseas	2,614	16.1	2,859	16.6	244	9.3
Total	16,247	100.0	17,242	100.0	995	6.1

■ Operating Income (FY2019 6 months)

(Unit: million yen)

	FY2018 6 months		FY2019 6 months		Increase/ Decrease	Increase/ Decrease ratio (%)	Operating income ratio (%)	
	Amount	% total	Amount	% total			FY2018 6 months	FY2019 6 months
Domestic	2,649	89.0	2,723	88.2	74	2.8	19.4	18.9
Overseas	326	11.0	365	11.8	39	11.9	12.5	12.8
Total	2,975	100.0	3,089	100.0	113	3.8	18.3	17.9

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Find Your Beauty **MILBON**

Outlook of Overseas Subsidiaries (1)

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

	Currencies (unit)	FY2018 (Jan.-Jun.)	FY2019 (Jan.-Jun.)	Increase/ Decrease ratio (%)	Forex rates FY2018 (yen)	Forex rates FY2019 (yen)
USA MILBON USA, INC.	US dollar (thousand)	2,821	2,869	1.7	1 dollar = 108.67	110.08
CHINA Milbon Trading (Shanghai) Co., Ltd.	Yuan (thousand)	41,351	46,826	13.2	1 yuan = 17.09	16.23
KOREA Milbon Korea Co., Ltd.	Won (million)	9,827	11,927	21.4	1 won = 0.0999	0.0959
THAILAND Milbon (Thailand) Co., Ltd.	Baht (thousand)	16,164	21,074	30.4	1 baht = 3.44	3.49
VIETNAM MILBON VIETNAM CO., LTD	Dong (million)	-	6,504	-	-	0.004783

USA MILBON USA, INC

In the direct sales category in Manhattan, results continued to be strong for Global Milbon, and market share grew for every salon that has introduced products, as they are not available on the Internet, a well-received fact. In the distributor category, distributors following Chinese salons in New York that we started transactions with in the second half of the previous fiscal year have started the Global Milbon business with Korean salons. A distributor in an area of California that struggled in the first quarter due to the impact of abnormal weather is making up for lost time by narrowing down areas and salons. We secured an increase in revenue through market expansion while making a transition from direct sales to a distributor system.

Outlook of Overseas Subsidiaries (2)

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

In the Chinese market, there was an economic slowdown coupled with a continued evolution of customer needs. Sales fell for salons that were not able to support such needs despite their large scale. In addition, in the upscale salon market, which has been dominated by leading foreign manufacturers, Chinese domestic manufacturers are beginning to enter the market, and it is becoming difficult for foreign manufacturers to increase sales in this market as they have done previously. Within this difficult environment, the market activities of both hair coloring products and hair care products were well received, and a double-digit increase in revenue of 13.2% was secured.

KOREA (Milbon Korea Co., Ltd.)

After our struggle with the continuous entry into the market of low-priced hair coloring products from competitors, salons steadily recovered ground due to our superiority in terms of product quality and education. Furthermore, the introduction of Ordeve Addicthy helped in the acquisition of new salons, and the hair coloring product category grew 17.2% year on year. For hair care products, growth was 30.1% year on year as a whole due to steady growth in sales of Aujua, as it began to develop a track record at large salons.

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

Performance was strong in the hair coloring product category as a result of activities to clarify the difference between Ordeve and Ordeve Addicthy, and the introduction of a new color for Ordeve. In the hair care product category, the number of salons grew steadily as a result of the Global Milbon line of repair products being highly regarded.

Outlook of Overseas Subsidiaries (3)

VIETNAM (MILBON VIETNAM CO., LTD)

Much of Vietnam's population is in the 20s and 30s age groups. The fashion colors Ordeve and Addicthy are highly regarded in the hair coloring product category, and market deployment is being promoted while the respective positions of these products is being clarified. In the hair care product category, LINKAGE-μ and DEESSE'S NEU are being leveraged to acquire new salons. In addition, Global Milbon is being deployed mainly to limited high-quality salons.

Milbon Group

Progress in FY2019 (60th Term)

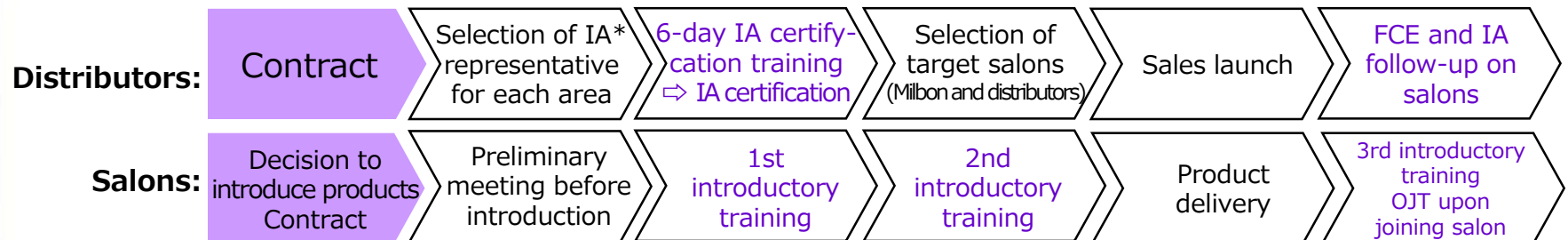
Ryuji Sato, President and CEO

FY2019 Outlook for Japan (1)

■ Current outlook

1. Impact of U.S.-China and Japan-South Korea friction and decline in consumer sentiment prior to a consumption tax increase
2. Work style reform, increasing awareness of productivity improvement
 - Night visits to salons ⇨ Studio training, shift to digital communication activities
3. Start of market activities for cosmetic products business

【Flow of activities】



- ✓ Separate contract for stores introducing EC sites
- ✓ Separately select an iMPREA leader in each salon, ensure widespread understanding of in-house principles, etc.

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

FY2019 Outlook for Japan (2)

■ Outlook by product and brand*

1. Hair care products
 - Premium brands performing favorably (+15.2%)
 - (1) Aujua (+13.1%)
 - (2) milbon (+23.8%)
 - Professional brands facing challenges (-5.9%)
2. Hair coloring products
 - Addicthy performing favorably (+44.0%)
3. Villa Lodola business
 - Villa Lodola Color performing favorably (+14.2%)
4. New cosmetic products business
 - Test marketing of IMPREA

*Figures in parentheses show year-on-year increase/decrease ratios calculated based on non-consolidated gross sales.

FY2019 Outlook for Japan (3)

■ Cosmetic products business

Two points that have emerged

- ① Lotion is selling well at salons, despite a common belief it is a difficult product.
⇒ The strong relationship between customers and hair dressers is an effective contribution.
- ② Actual sales results exceeded expected monthly net sales at salons that are making earnest efforts.



FY2019 Outlook for Japan (4)

■ For the full year

- Hair care products
 - Continuing growth of premium brands
 - Considering future plans for professional brands
- Hair coloring products
 - Penetration of Seedil
 - Continuing growth of Addicthy
 - Continuing growth of Villa Lodola Color
- Cosmetic products
 - Acquisition of salons (mid- to long-term foundation)
 - Creation of successful models
 - Need variations to respond to wishes of each salon
 - Efforts by all staff/by specific stylists
 - Increase productivity of receptionists
 - Simultaneous rollout at all salons/rollout at one salon at a time, etc.

FY2019 Outlook for Overseas (1)

【East Asia】

◆ Chinese market (+13.2%)*

- ① Change in organizational system (change in personnel including top management)
- ② Change in key person in charge of major distributors
- ③ Impact of China's E-Commerce Law on substitute purchase (Taobao) since January 2019
- ④ Carefully watch impact of U.S.-China trade friction

◆ South Korean market (+21.4%)*

- ① Second year of change in top management
- ② Carefully watch impact of boycott campaign resulting from Japan's regulations on exports to South Korea

*Figures in parentheses are year-on-year increase/decrease ratios calculated based on actual results on local currency basis.

FY2019 Outlook for Overseas (2)

【North America】

◆ U.S. market (+1.7%)*¹

- ① Smooth shift from direct sales to distributor system

Distributor ratio: FY18Q2 13.4% ⇒ FY19Q2 54.5% (+41.4%)

*Approximately 30% growth in volume

- ② Launch of SOPHISTONE in July (hair coloring product for the U.S. and Europe)

【Rollout schedule】

● Demi-color* ²	Jul. 2019	Direct sales areas (Manhattan)
	Jan. 2020	Distributor areas
● Permanent color* ³	Jul. 2020	Direct sales areas (Manhattan)
	Jan. 2021	Distributor areas

*1 Figures in parentheses are year-on-year increase/decrease ratios calculated based on actual results on a local currency basis.

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

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

FY2019 Outlook for Overseas (3)

◆ Progress in considering a production system in China

- Began to look into establishing a factory, including consulting on area and other matters

◆ Positioning of production bases

- Domestic plant: Yumegaoka Plant Mother plant
- Overseas factories: Thai Factory Overseas hub factory
 China Factory Domestic factory for China

⇒ We will continue to report on progress.

FY2019 Conclusion

【Progress of Initiatives for SDGs】

◆ In-house application

- Already holding study groups and workshops for all employees including officers
- ⇒ Formulating activity plan including numerical targets based on the roadmap
 - Identifying problems by mapping the value chain
 - Creating matrix to verify 17 SDGs and ESG issues (materiality)



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.