

Milbon Co., Ltd.

FY2019 Third Quarter (January 1, 2019 – September 30, 2019) Financial Results Presentation Materials



October 28, 2019

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Find Your Beauty **MILBON**

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Consolidated Operating Results (FY2019 9 months)

- ◆ Sales saw a high rate of growth compared to the period through to Q2, partly due to the impact of rush demand ahead of the consumption-tax hike.
- ◆ Full-year targets are expected to be reached as planned.

(Unit: million yen)

	FY2018 9 months*	FY2019 9 months*	Increase/ Decrease	Increase/ Decrease ratio (%)
Net sales	24,444	26,651	2,207	9.0
Gross profit	16,293	17,609	1,315	8.1
SG&A expenses	11,606	12,433	827	7.1
Operating income	4,687	5,175	488	10.4
Ordinary income	4,393	4,804	411	9.4
Profit attributable to owners of parent	3,324	3,411	87	2.6

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

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Consolidated Sales by Product Category [Hair Care Product]

Premium brands have continued to grow

Consolidated Sales (FY2019 9 months)

(Unit: million yen)

FY2018 9 months*	FY2019 9 months*	Increase/ Decrease	Increase/ Decrease ratio (%)
14,246	15,313	1,066	7.5

- 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.
- A new brand, CRONNA, was introduced in April. We aim to increase the number of salons by shifting our deployment focus from the whole brand to each individual product.
- For Jemile Fran Hair Base Make Series, introduced in July, the line up of oil finishes that meet customer needs and the containers and price ranges that suit the target demographic are being positively received.

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Consolidated Sales by Product Category [Hair Care Product]

New Products

FY2019 9 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 9 months*	Progress rate (%)
800	528	66.0



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 9 months*	Progress rate (%)
750	257	34.4



April 10, 2019 Debut

*Gross sales figures are on a non-consolidated basis

Consolidated Sales by Product Category [Hair Care Product]

New Products

FY2019 9 months

Jemile Fran Hair Base Make Series

Utilizing only ingredients used in skin care, the special design of the styling product comfortably shapes the appearance of hair.

(Unit: million yen)		
FY2019 target*	FY2019 9 months*	Progress rate (%)
100	75	75.4



July 10, 2019 Debut

*Gross sales figures are on a non-consolidated basis

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A Premium Brand, Aujua

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

Number of salons

FY2018 *1	FY2019 *1	Increase/ Decrease	(Unit: salons) Increase/ Decrease ratio (%)
3,271	3,605	334	10.2

Consolidated Sales (FY2019 9 months)

FY2018 9 months*2	FY2019 9 months*2	Increase/ Decrease	(Unit: million yen) Increase/ Decrease ratio (%)
4,358	5,061	703	16.1

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

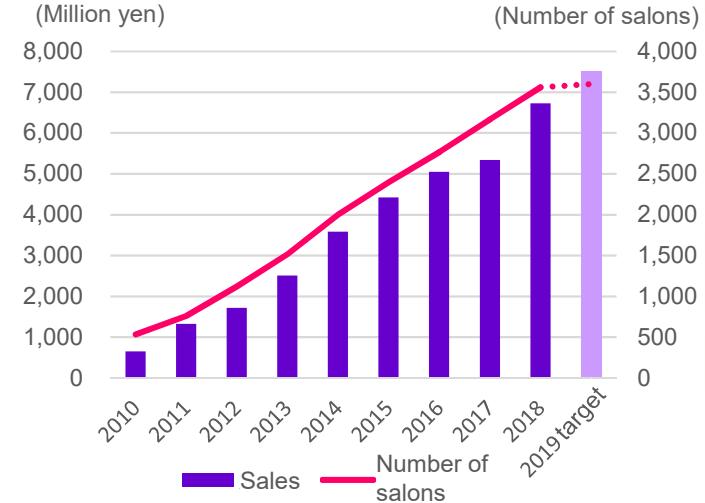
A wide-ranging line up that suits the hair texture of individual customers

- 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	(Unit: salons) Increase/ Decrease ratio (%)
5,571	7,397	1,826	32.8

Consolidated sales (FY2019 9 months)

FY2018 9 months ^{*2}	FY2019 9 months ^{*2}	Increase/ Decrease	(Unit: million yen) Increase/ Decrease ratio (%)
1,452	1,823	370	25.5

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

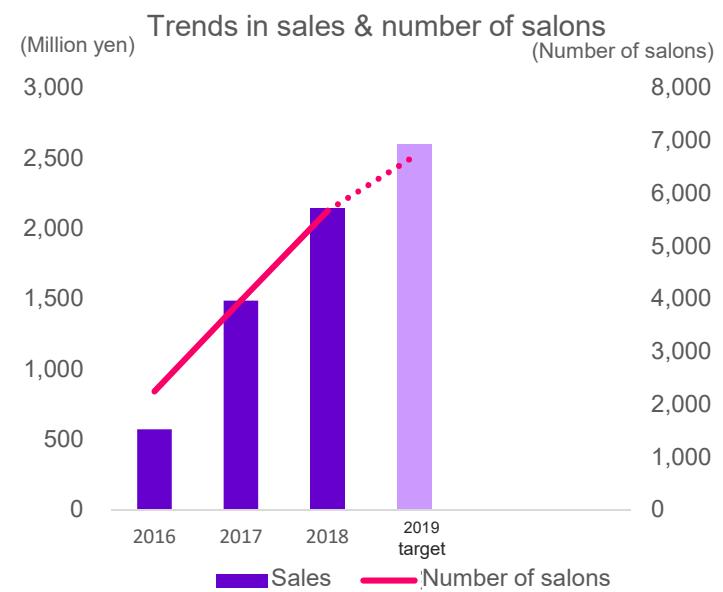
What is “milbon”?

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



*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.

Consolidated Sales by Product Category [Hair Coloring Product]

Ordeve Addicthy has grown and driven sales for the product category

FY2019 9 months		(Unit: million yen)	
FY2018 9 months ^{*1}	FY2019 9 months ^{*1}	Increase/ Decrease	Increase/ Decrease ratio (%)
8,853	9,889	1,036	11.7

- Sales for the fashion color Ordeve Addicthy have continued to grow. A clear segregation between each series, Ordeve Addicthy and Ordeve that is strong in brown color variations, has been emerging.
- In gray-hair coloring products, 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 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 9 months ^{*2}	FY2019 9 months ^{*2}	Increase/ Decrease	Increase/ Decrease ratio (%)
2,203	3,002	798	36.3



FY2017 Debut

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Consolidated Sales by Product Category [Hair Coloring Product]

New Products

FY2019 9 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.

(Unit: million yen)

FY2019 target*	FY2019 9 months*	Progress rate (%)
700	322	46.0



ORDEVE
Ledress

March 7, 2019 Debut

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.

(Unit: million yen)

FY2019 target*	FY2019 9 months*	Progress rate (%)
800	242	30.3



June 6, 2019 Debut

*Gross sales figures are on a non-consolidated basis

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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 Q3-end	Increase/ Decrease	Increase/ Decrease ratio (%)
8,085	8,835	750	9.3

Consolidated sales (FY2019 9 months)

(Unit: million yen)

FY2018 9 months*	FY2019 9 months*	Increase/ Decrease	Increase/ Decrease ratio (%)
787	879	91	11.6

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?

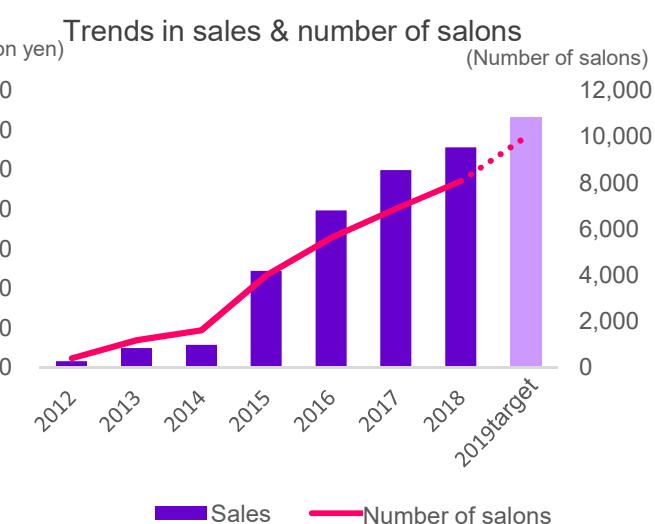
Based on the concept of "Beauty, the Organic Way," Villa Lodola is a true organic brand that thoroughly cares about the natural environment not only for the product itself but also in its container, production phase and promotional tools.

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

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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.



FY2015 Debut

Consolidated sales (FY2019 9 months)

(Unit: million yen)

FY2018 9 months*	FY2019 9 months*	Increase/ Decrease	Increase/ Decrease ratio (%)
568	655	87	15.3

*Gross sales figures are on a non-consolidated basis

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Consolidated Statement of Earnings (FY2019 9 months)

<Consolidated Statement of Earnings>				<Breakdown of net sales by product category>						
	FY2018 9 months*	% to sales	FY2019 9 months*	% to sales		FY2018 9months*	FY2019 9months*	% total sales	Increase/ Decrease	Increase/ Decrease ratio (%)
Net sales	24,444	100.0	26,651	100.0	Hair care products	14,246	15,313	57.5	1,066	7.5
Cost of sales	8,151	33.3	9,042	33.9	Hair coloring products	8,853	9,889	37.1	1,036	11.7
Gross profit	16,293	66.7	17,609	66.1	Permanent wave products	1,182	1,168	4.4	(14)	(1.2)
SG&A expenses	11,606	47.5	12,433	46.7	Cosmetic products	0	101	0.4	101	-
Operating income	4,687	19.2	5,175	19.4	Others	162	178	0.7	16	10.0
Ordinary income	4,393	18.0	4,804	18.0	<Major factors for the increase/decrease>					
Profit attributable to owners of parent	3,324	13.6	3,411	12.8	Cost of sales Cost of sales increased due to production volume adjustments resulting from enhanced inventory control.					

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Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category	FY2015	FY2016	FY2017	FY2018	FY2019 Jan.–Sep.	FY2019 Plan
Capital expenditures	2,779	4,262	1,570	1,149	1,198	1,710
Depreciation and amortization	1,033	1,077	1,272	1,370	1,073	1,498
R&D exp.	Amount	1,214	1,232	1,422	1,479	1,535
	% to sales	4.4	4.2	4.3	4.2	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	36,137 (As of Apr.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
	53	63	48	48	-
CHINA	18	18	19	22	21
	36	40	50	62	-
KOREA	19	20	23	25	30
	75	80	84	82	-
THAILAND	6	6	9	7	7
	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 September 30, 2019)

6 FPs joined in October 2018, and are assigned on site

31 FPs joined in April 2019, and are currently in OJT on site

10 FPs joined in October 2019, and are currently in training

(The above 47 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. [Find Your Beauty](#) 

Consolidated Net Sales and Operating Income in Japan and Overseas

■ Net Sales (FY2019 9 months)

(Unit: million yen)

	FY2018 9 months*		FY2019 9 months*		Increase/ Decrease	Increase/ Decrease ratio (%)
	Amount	% total	Amount	% total		
Domestic	20,511	83.9	22,336	83.8	1,824	8.9
Overseas	3,933	16.1	4,315	16.2	382	9.7
Total	24,444	100.0	26,651	100.0	2,207	9.0

■ Operating Income (FY2019 9 months)

(Unit: million yen)

	FY2018 9 months		FY2019 9 months		Increase/ Decrease	Increase/ Decrease ratio (%)	Operating income ratio (%)	
	Amount	% total	Amount	% total			FY2018 9 months	FY2019 9 months
Domestic	4,159	88.7	4,690	90.6	530	12.8	20.3	21.0
Overseas	527	11.3	485	9.4	(42)	(8.0)	13.4	11.2
Total	4,687	100.0	5,175	100.0	488	10.4	19.2	19.4

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Outlook of Overseas Subsidiaries (1)

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

	Currencies (unit)	FY2018 (Jan.–Sep.)	FY2019 (Jan.–Sep.)	Increase/ Decrease ratio(%)	Forex rates FY2018(yen)	Forex rates FY2019(yen)
USA MILBON USA, INC.	US dollar (thousand)	4,298	4,238	(1.4)	1 dollar = 109.61	109.13
CHINA Milbon Trading (Shanghai) Co., Ltd.	Yuan (thousand)	62,986	71,941	14.2	1 yuan = 16.86	15.90
KOREA Milbon Korea Co., Ltd.	Won (million)	15,217	18,473	21.4	1 won = 0.0998	0.0938
THAILAND Milbon (Thailand) Co., Ltd.	Baht (thousand)	25,633	32,699	27.6	1 baht = 3.42	3.50
VIETNAM MILBON VIETNAM CO., LTD	Dong (million)	-	12,916	-	1 dong = -	0.004747

USA (MILBON USA, INC.)

In the U.S. direct sales category in Manhattan, sales grew due to the acquisition of large store openings. In the Japanese direct sales category, sales were steady for Ordeve Addicty, introduced last year. In the distributor category, distributors in the north central area, with which we started transactions from the current fiscal year, performed very well, nearly tripling in volume. However, distributor sales in the northeast area fell significantly below the previous fiscal year's level, due to management issues within distributors. In addition, given the fact that distributors in the southwest area having first deliveries in the same period of the previous year, revenue decreased in the distributor category. As a result, the direct sales category could not compensate for decrease in revenue in the distributor category, and there was a slight year on year decrease overall. While we introduced SOPHISTONE, hair coloring products for the blonde range, we have yet to develop new salons and, going forward, will repeatedly hold venue seminars.

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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. It seems that sales fell for the manufacturers that were incapable of responding to such needs. Milbon maintained a high growth rate amid a harsh environment through attentive activities for salons. However, sales were somewhat sluggish at distributors from the time of founding, including those in Jiangsu, Zhejiang and Guangdong provinces. This is believed to be due to slightly insufficient activities for distributors and will be a challenge going forward.

KOREA (Milbon Korea Co., Ltd.)

The hair coloring product category was solid and grew 21.3% year on year due to our superiority in terms of product quality and education, such as Ordeve Addicthy, launched last year, steadily acquiring new salons. For hair care products, growth was 20.4% year on year as a whole, due in part to solid growth in salons newly introducing Aujua. Moreover, by establishing a second studio in Seoul, we will enhance our educational activities aimed at large salons, which we were unable to adequately respond to until now.

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, as well as color design seminars by outside instructors. In the hair care product category, the number of new salons grew as we were able to encourage continued activities by distributors through the introduction of new “milbon” products in March and May.

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, "milbon" is being deployed mainly to limited high-quality salons.

<Appendix> Hair Care Brand Positioning Map

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P r e m i u m B r a n d s

MILBON



Aujua



Villa Lodola
PROFESSIONAL

Targets

LINE generation
(born 1992-1996)

Hanako junior
generation
(born 1987-1991)

Baby boomer junior
generation
(born 1971-1976)

Hanako generation
(born 1956-1964)

jemile fran



CRONNA



PLARMIA



Elujuda



P r o f e s s i o n a l B r a n d s



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.