

Milbon Co., Ltd.

**FY2020 Third Quarter (January 1, 2020 – September 30, 2020)
Financial Results Presentation Materials**



November 13, 2020

Table of Contents

P2	Consolidated Operating Results
P3	Consolidated Net Sales by Product Category
P14	Consolidated Statement of Earnings
P15	Consolidated Trends in Capital Expenditures and R&D Expenses
P16	Trends in FPs, Market Related Data
P17	Consolidated Net Sales in Japan and Overseas
P18	Consolidated Operating Income in Japan and Overseas
P19	Outlook of Overseas Subsidiaries
P21	Appendix

Consolidated Operating Results (FY2020 9 months)

- ◆ Although it affected by the last-minute surge in demand prior to the consumption tax hike in the previous fiscal year and activity restrictions in the COVID-19 crisis, the domestic sales has almost recovered to the level of the revised plan.
- ◆ In overseas market, the East Asian region has recovered to the situation before the COVID-19, and in South Korea in particular, it has been positive compared to the previous fiscal year, and on a consolidated basis, it is in line with the revised plan.

(Unit: million yen)

	FY2019 9 months	% total	FY2020 9 months	% total	Increase/ Decrease	Increase/ Decrease ratio (%)
Net sales	26,651	100.0	25,214	100.0	(1,437)	(5.4)
Gross profit	17,609	66.1	16,665	66.1	(943)	(5.4)
SG&A expenses	12,433	46.7	12,358	49.0	(75)	(0.6)
Operating income	5,175	19.4	4,307	17.1	(868)	(16.8)
Ordinary income	4,804	18.0	3,842	15.2	(961)	(20.0)
Profit attributable to owners of parent	3,411	12.8	2,740	10.9	(671)	(19.7)

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

Consolidated Net Sales (FY2020 9 months)

(Unit: million yen)

FY2019 9 months	FY2020 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
15,313	14,654	(658)	(4.3)

- Premium brands remained strong. Aujua remained positive compared to the previous fiscal year due to stable repeat demand, despite the inability to roll out new products sufficiently due to activity limitations and the impact of a decrease in customers visiting stores in central Tokyo.
- Global Milbon is making progress in creating new contact points both domestically and internationally. Domestically, the company has been boosted by heightened salon's awareness of product sales in the aftermath of the COVID-19 crisis and the launch of the e-commerce website milbon:iD.
- For professional brands, Cronna brand was positive compared to the previous year in Q3 (July to September) due in part to the impact of new products, but sales of Elujuda and Jemile fran were negative due to factors such as the timing of new product launches coinciding with voluntary restraints and activity limitations.
- Launched Door, a new brand for social media natives for professional product lines. The company is taking on the challenge of new sales promotions, such as video streaming and easier delivery of samples, but the effect is not yet apparent.

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

New Products FY2020 9 months

Aujua Scalpcare Series Fortice Line

A scalp care series that approaches Ageing Bacteria present on the scalp to curb complex aging damage of the hair and scalp.

(Unit: million yen)

FY2020 target*	FY2020 9 months*	Progress rate (%)
-	251	-



February 7, 2020 Debut

Cronna Ice Spa Shampoo Orange

A carbonated foam shampoo below the freezing point that continues to cool while eliminating the summer-specific worries of smell and stickiness of the scalp.

(Unit: million yen)

FY2020 target*	FY2020 9 months*	Progress rate (%)
-	137	-



March 10, 2020 Debut

* From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

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

New Products FY2020 9 months

Door

A new hair styling brand that meets the desire of the social media native (Gen Z) to express themselves freely that they want at that time.

(Unit: million yen)

FY2020 target*2	FY2020 9 months*2	Progress rate (%)
-	68	-



September 10, 2020 Debut

*1 Today's young people have grown up in an environment surrounded by smartphones, PCs, and other devices since their birth.

*2 From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

A Premium Brand, Aujua

Demand remains strong and stable under the COVID-19 circumstances

Number of salons

(Unit: salons)

FY2019 *1	FY2020 *1	Increase/Decrease	Increase/Decrease ratio (%)
3,698	4,006	308	8.3

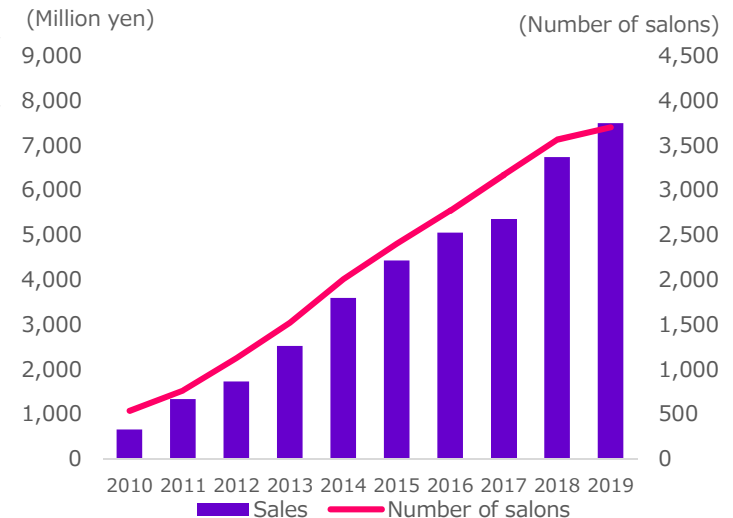
Consolidated gross sales (FY2020 9 months)

(Unit: million yen)

FY2019 9 months *2	FY2020 9 months *2	Increase/Decrease	Increase/Decrease ratio (%)
5,085	5,113	28	0.6



Trends in sales & number of salons



* Graphs are based on individual figures.

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
- 14 lines
- 89 items

*1 Calculated based on the past year's shipment results for both Japan and overseas.

*2 From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

A Premium Brand, Global Milbon

Growth in number of contact points in both domestic and overseas markets

Number of salons

(Unit: salons)

FY2019 *1	FY2020 *1	Increase/Decrease	Increase/Decrease ratio (%)
7,674	10,326	2,652	34.6

Consolidated gross sales (FY2020 9 months)

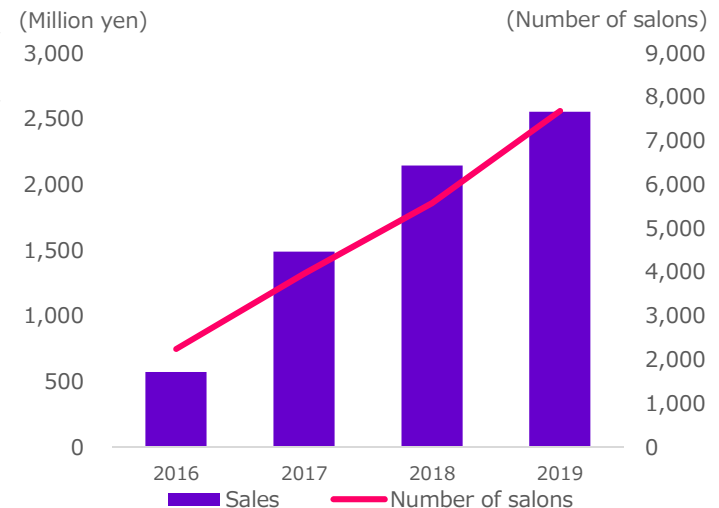
(Unit: million yen)

FY2019 9 months *2	FY2020 9 months *2	Increase/Decrease	Increase/Decrease ratio (%)
1,939	1,965	25	1.3

MILBON



Trends in sales & number of salons



* Graphs are based on individual figures.

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, the Philippines, Singapore, Germany, Korea

What is "Global 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.

"Global Milbon" is a system hair care product for developing shiny, beautiful hair from the core.

*1 Calculated based on the past year's shipment results for both Japan and overseas.

*2 From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

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

Consolidated Net Sales (FY2020 9 months)

(Unit: million yen)

FY2019 9 months	FY2020 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
9,889	9,148	(741)	(7.5)

- In the third quarter (July to September), overseas sales were positive compared to the previous year, and domestic sales returned to almost the same level as last year. Consolidated sales turned positive compared to the previous year.
- The popularity of highly designed hair color products using breach agents is strong, and the recovery of fashion color is rapid. Cumulative sales of Addicthy exceeded those of last year.
- Domestically, gray color is returning as salons resume, but it continues to struggle due to competition from other companies and a decrease in activity.
- Overseas, South Korea continues to perform well, and the cumulative total is growing positively compared to the previous year.

Consolidated Net Sales by Product Category [Hair Coloring Product (2)]

Core Product FY2020 9 months

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)

FY2019 9 months *	FY2020 9 months *	Increase/ Decrease	Increase/ Decrease ratio (%)
3,080	3,285	205	6.7



FY2017 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 9 months *	FY2020 9 months *	Increase/ Decrease	Increase/ Decrease ratio (%)
242	412	170	-



June 6, 2019 Debut

* From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

A Premium Organic Brand, Villa Lodola (1)

Impacted by restriction activities and a decrease in the number of salon customers in central Tokyo

Number of salons

(Unit: salons)

FY2019	FY2020	Increase/Decrease	Increase/Decrease ratio (%)
9,015	9,621	606	6.7

Consolidated gross sales (FY2020 9 months)

(Unit: million yen)

FY2019 9 months *	FY2020 9 months *	Increase/Decrease	Increase/Decrease ratio (%)
879	790	(89)	(10.2)



Brand concept

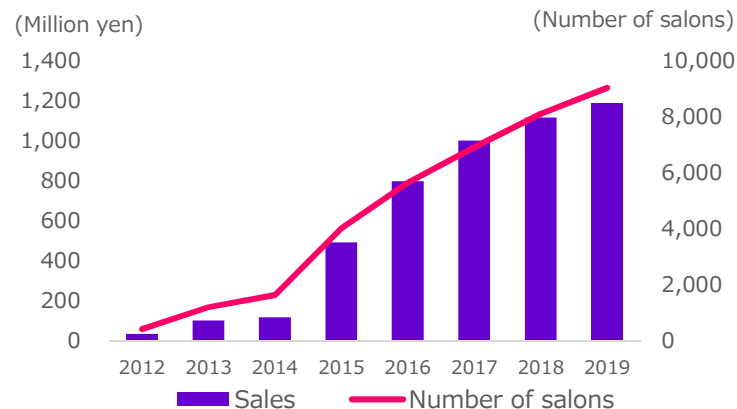
Nurtured in the soil of Italy, these gifts from nature bring out the authentic beauty of your hair and scalp.

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



* Graphs are based on individual figures.

* From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

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 gross sales (FY2020 9 months) (Unit: million yen)

FY2019 9 months *	FY2020 9 months *	Increase/ Decrease	Increase/ Decrease ratio (%)
655	593	(62)	(9.5)



FY2015 Debut

* From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

Consolidated Net Sales by Product Category [Cosmetic Products]

Consolidated Net Sales (FY2020 9 months)

(Unit: million yen)

FY2019 9 months	FY2020 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
101	223	121	-

- As a result of the coronavirus pandemic, there were some areas in which large-scale events could not be held, so we reconstructed our proposal activities on a small scale and worked to create an opportunity to touch and test our products. In areas where large-scale events have not yet been held, many salons have become interested in Imprea.
- As of the end of September, the number of contracted salons exceeded the annual target of 500. In addition to aiming to expand the number of contact points, the Company will tackle the challenges that have newly been identified.

New Products

Imprea Whitening Laser Shot

A whitening solution that directly approaches the origin of spots, like targeted by a laser. It suppresses the formation of melanin and prevents spots and freckles. (Unit: million yen)

FY2020 target*	FY2020 9 months*	Progress rate (%)
-	39	-



February 7, 2020 Debut

* From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

A Premium Brand, Imprea

Revitalization of activities after self-restraint period

Number of salons

(Unit: salons)

FY2019 *1	FY2020 *1	Increase/ Decrease	Increase/ Decrease ratio (%)
200	447	247	123.5

Consolidated gross sales (FY2020 9 months)

(Unit: million yen)

FY2019 9 months *2	FY2020 9 months *2	Increase/ Decrease	Increase/ Decrease ratio (%)
101	223	121	-



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, which is one of the strengths of them.

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 between the "corner-layer keratin" on the surface of the skin, which holds the key to complexion.

"Revolutionize Your Aura with your Professional Stylist"

Through communication that takes advantage of strength as a beautician, we propose impressions that comprehensively capture hair and face through beauticians, and deliver "Change Your Impression" to customers.

*1 Calculated based on the past year's shipment results.

*2 From the first quarter of FY2020, consolidated gross sales figures are used. Figures for the first quarter of FY2019 have also been retroactively applied.

Consolidated Statement of Earnings (FY2020 9 months)

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

	FY2019 9 months	% to sales	FY2020 9 months	% to sales
Sales	26,651	100.0	25,214	100.0
Cost of sales	9,042	33.9	8,548	33.9
Gross profit	17,609	66.1	16,665	66.1
SG&A expenses	12,433	46.7	12,358	49.0
Operating income	5,175	19.4	4,307	17.1
Ordinary income	4,804	18.0	3,842	15.2
Profit attributable to owners of parent	3,411	12.8	2,740	10.9

<Breakdown of net sales by product category> (Unit: million yen)

	FY2019 9 months	FY2020 9 months	% to sales	Increase/ Decrease	Increase/ Decrease ratio (%)
Hair care products	15,313	14,654	58.1	(658)	(4.3)
Hair coloring products	9,889	9,148	36.3	(741)	(7.5)
Permanent wave products	1,168	1,036	4.1	(131)	(11.2)
Cosmetic products	101	223	0.9	121	119.4
Others	178	150	0.6	(28)	(16.0)

<Major factors for the increase/decrease>

Net sales -1,437 million yen (-5.4%)
 SG&A -75 million yen (-0.6%)

In SG&A expenses, travel expenses and market development expenses declined significantly due to the impact of the covid-19 crisis, but it was unable to compensate for the increase in personnel expenses (increase in new hiring and base salary raise)

Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category		FY2016	FY2017	FY2018	FY2019	FY2020 Jan.-Sep.	FY2020 Plan
Capital expenditures		4,262	1,570	1,149	1,605	1,068	1,958
Depreciation and amortization		1,077	1,272	1,370	1,453	1,152	1,632
R&D exp.	Amount	1,232	1,422	1,479	1,534	1,163	1,796
	% to sales	4.2	4.3	4.2	4.2	4.6	4.6

FY2020 CAPEX Main Items (Plan)

- Establishment of sales office in Niigata
- Plant equipment: compounding and filling (vacuum emulsification, etc.)
- Establishment of Aoyama Sales Office 2
- Acquisition of land for construction of the new training center
- Part of expenditure for establishment of a plant in China

Trends in Fieldpersons (FPs), Market Related Data

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))

	2016	2017 * ¹	2018	2019	2020
JAPAN	249	258	269	279	297
	102	105	111	108	-
USA MILBON USA, INC.	9	12	13	13	17
	63	48	48	50	-
CHINA Milbon Trading (Shanghai) Co., Ltd.	18	19	22	21	30
	40	50	62	70	-
KOREA Milbon Korea Co., Ltd.	20	23	25	30	32
	80	84	82	77	-
Others * ²	25	33	33	35	38
	37	31	37	39	-

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

(As of September 30, 2020)
10 FPs joined in October 2019, and are assigned on site
40 FPs joined in April 2020, and are currently in training
0 FPs joined in October 2019 no recruitment activities in autumn

(The above 50 FPs are not included in the left chart.)

Market Related Data (Japan)

	FY2016	Remarks
Number of business establishments (households)	172,304	Bureau economy census of ministry statistics of public management
Number of workers	443,241	
Number of beauty customers (thousand people)	37,023	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

* Data in the Ministry of Health, Labour and Welfare's Ministry of Health, Labour and Welfare administrative report, which had been used for the number of salons and beauticians in the "Market Trends," until FY2020 Q1 was judged to differ greatly from the actual situation. Accordingly, the number of business establishments and number of workers are shown in the data from the Economy Census of the Statistics Bureau of the Ministry of Internal Affairs and Communications. The number of workers includes workers other than those with a beautician license.

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

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

Consolidated Net Sales in Japan and Overseas

FY2020 9 months

(Unit: million yen)

	FY2019 9 months		FY2020 9 months		Increase/ Decrease	Increase/ Decrease ratio (%)	Changes in Local currency base * ¹ (%)
	Net Sales	% to sales	Net Sales	% to sales			
Consolidated Net Sales	26,651	100.0	25,214	100.0	(1,437)	(5.4)	(4.8)
JAPAN	22,336	83.8	21,102	83.7	(1,233)	(5.5)	(5.5)
Overseas	4,315	16.2	4,111	16.3	(204)	(4.7)	(1.4)
USA	462	1.7	334	1.3	(127)	(27.7)	(26.6)
CHINA	1,144	4.3	1,107	4.4	(36)	(3.2)	0.4
KOREA	1,731	6.5	1,832	7.3	100	5.8	11.5
Other * ²	977	3.7	836	3.3	(140)	(14.4)	(14.1)

*1 Figures are the rates of change in real terms on a local currency basis. Current exchange rates of 107.55 yen to the U.S. dollar, 15.34 yen to the Chinese yuan, and 0.0890 yen to the Korean won

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

Consolidated Operating Income in Japan and Overseas

FY2020 9 months

(Unit: million yen)

	FY2019 9 months		FY2020 9 months		Increase/ Decrease	Increase/ Decrease ratio (%)
	Operating Income	Operating income ratio(%)	Operating Income	Operating income ratio(%)		
Consolidated Operating Income	5,175	19.4	4,307	17.1	(868)	(16.8)
JAPAN	4,690	21.0	4,087	19.4	(603)	(12.9)
Overseas	485	11.2	219	5.3	(265)	(54.7)
USA	(182)	(39.5)	(215)	(64.3)	(32)	-
CHINA	287	25.2	214	19.3	(73)	(25.6)
KOREA	538	31.1	439	24.0	(99)	(18.5)
Other *	(158)	(16.3)	(218)	(26.1)	(59)	-

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

Outlook of Overseas Subsidiaries (1)

Figures in the text are based on local currency.

USA (MILBON USA)

- The damage to covid-19 crisis was so great that economic activity resumed around June, although the situation varied from state to state and area to area.
- Sales were strong in July as customers surged into salons due to the resumption of salon operations. Since then, activities have continued under the impact of admission restrictions and re-lockdowns.
- By category, the creation of a contact point for the hair coloring product Sophistone was strong. While the company targeted 300 salon contracts a year, it had more than 400 salons as of the end of September, exceeding expectations. Continued support activities such as online seminars and product explanations are being utilized during lockdowns.
- Sales of hair care products grew through the "Salon Interactive" system, which delivers products from distributors to salon customers through salons.

CHINA (Milbon China)

- The cumulative total has returned to the level of the previous year. Clarified the 18-month mission and shared it with employees and distributors. It proposes how to grow in coexisting with coronavirus and implements educational activities associated with it, leading to a trust relationship with salons.
- Styling products continued to grow from Q2. (Cumulative total +16.7%) It is becoming popular because of the use of millbon styling products in seminars sponsored by many top hair designers.
- Hair coloring products were also positive compared to the previous quarter (July to September). Benefits included a review of basic color knowledge and workshops to improve technology during Q2.

Outlook of Overseas Subsidiaries (2)

Figures in the text are based on local currency.

KOREA (Milbon Korea)

- Mainstay hair coloring products remained strong. Addicthy, which was launched in May, has been selling well, and the number of new contact points has increased, and sales have been steady even in the Corona crisis.
- Sales of hair care products also grew at both new contact points and sales. The introduction of Aujua has also progressed to salons that had been postponed in Corona.
- Global Milbon launched in July. The Company has been holding workshops for distributor sales since before the launch, which has steadily acquired the number of salons and also contributed to the increase in sales of existing products.
- The third branch is scheduled to be opened in November.

<Appendix> Hair Care Brand Positioning Map





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.