Milbon Co., Ltd.

FY 2014 First Half (December 21, 2013 - June 20, 2014)

Financial Results Presentation Materials





June 26, 2014

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Consolidated Operating Results（FY 2014 First Half）

Sales of hair care product category and oversea subsidiaries have taken the lead in the growth

(Unit: million yen)

	Amount		Increase /Decrease	Year-on-year Comparison (%)
	FY 2013 First Half	FY 2014 First Half		
Net sales	11,433	12,173	739	106.5
Gross profit	7,816	8,436	620	107.9
SG&A expenses	5,620	6,292	672	112.0
Operating income	2,195	2,144	-51	97.7
Ordinary income	2,063	1,981	-82	96.0
Net income	1,271	1,190	-81	93.6

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Consolidated Sales by Product Category [Hair Care Product]

Sales of overall hair care category have steadily increased centering on the new products captured the needs in the market

(FY 2014 First Half)

(Unit: million yen)

2013 First Half	2014 First Half	Increase/Decrease	YOY Comparison (%)
5,906	6,865	958	116.2

- Although there was a slight change due to a last-minute surge in demand preceding the consumption tax hike and its reverse effect, sales of overall hair care category had steadily increased, as a result of the promotion intended for salon staffs to uplift their knowledge, techniques and communication skills towards concerns of matured women.
- New product Deesse's Elujuda Emulsion launched in May made a fairly good start. This product contains CMADK, the original ingredients of Milbon, and it makes hair more manageable and has been highly valued in the market.

New Products

PLARMIA DEEP ENERGEMENT

In-salon treatment to care aging phenomenon of the hair roots and tips

(Unit: million yen)

Target	Results	Prog. rate
600	119	19.9%



Jan 30 Debut

NIGELLE DRESSIA COLLECTION JELLY SERIES

Styling product expressing sparkle, shine, and wet sensation

(Unit: million yen)

Target	Results	Prog. rate
280	160	57.3%



Feb 27 Debut

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Consolidated Sales by Product Category [Hair Care Product]

DEESSE'S ELUJUDA EMULSION

Leave-in treatment leading to a soft, fluffy formulation for more moisture and manageable hair after drying

(Unit: million yen)

Target	Results	Prog. rate
360	483	134.4%



May 29 Debut

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Consolidated Sales by Product Category [Hair Care Product]

New color lines have been added to the core hair color range; however, sales of whole hair coloring category decreased compared to the same period last year

(FY 2014 First Half)

(Unit: million yen)

2013 First Half	2014 First Half	Increase/Decrease	YOY Comparison (%)
4,593	4,397	-196	95.7

- New color lines were added to the integral hair color range Ordeve and Ordeve beaute to match seasonal trend for Spring/Summer 2014. Ordeve Lumiere line has been well-received. However, market competition has been accelerated, resulting in the sales by the category fallen from the previous year.

New Products

ORDEVE additional colors LUMIERE LINE

Express soft shine created with champagne beige

(Unit: million yen)

Target	Results	Prog. rate
510	320	62.8%



Jan 30 Debut

ORDEVE beaute additional colors SILKY LINE

Express a subtle shine that creates a fresh femininity

(Unit: million yen)

Target	Results	Prog. rate
190	77	40.8%



Jan 30 Debut

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Consolidated Sales by Product Category [Permanent Wave Product]

Core product of hair straightening has been going well; however, sales by category is on a downward trend

(FY 2014 First Half)

(Unit: million yen)

2013 First Half	2014 First Half	Increase/Decrease	YOY Comparison (%)
822	797	-24	97.1

- LISCIO ATENGE, hair straightening product launched last year, has been penetrate the market and sales has steadily increased. Despite that, the sales was not able to cover a decline in other product's sales, resulting in a slight decrease of the sales by category.

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Aujua [Results and Targets]

Aujua has been growing well, centering on the new aging care series

Number of Aujua salons

FY 2013 year-end	FY 2014	Comparison with the 2013 year end
1,516 salons	1,787 salons	117.9%

Sales (FY 2014 First Half)

(Unit: million yen)

FY 2013	FY 2014	YOY comparison
1,004	1,552	154.5%



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 every individual's hair concerns by creating and evolving a hair care program just for one individual. That is Aujua.

Product range

A wide-ranging line-up that fits the hair texture of each customers

- 4 series
  - Aging care series
  - Hair care series
  - Scalp care series
  - Climatic care series
- 13 line ・85 items

What's new

Aging care series IMMURISE LINE

Enhances the strength and damage resistance of hair that has become brittle with aging from coloring and perming

(Unit: million yen)

Target	Results	Prog. rate
350	350	100.1%



Jan 31 Debut

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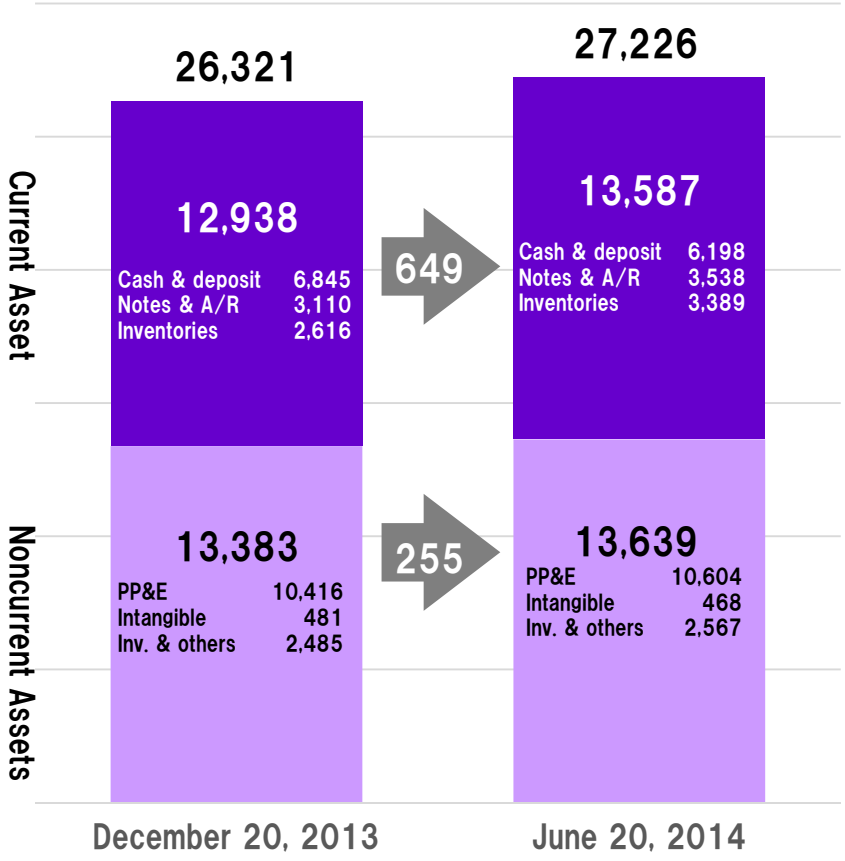
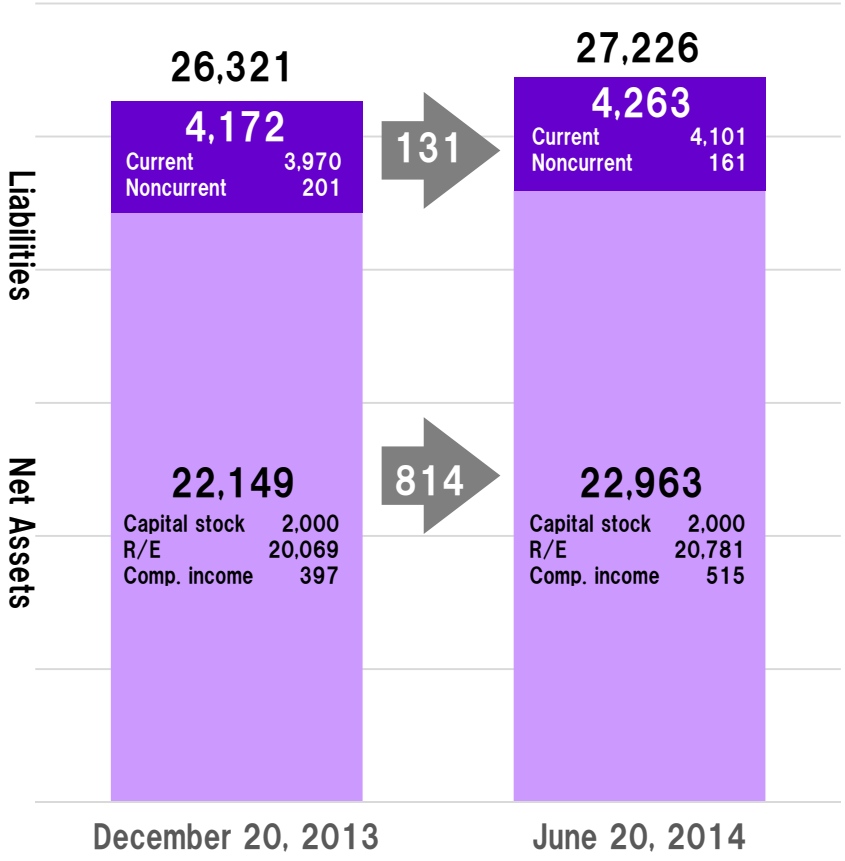
Consolidated Balance Sheet

(Unit: million yen)

Assets



Liabilities and Net Assets



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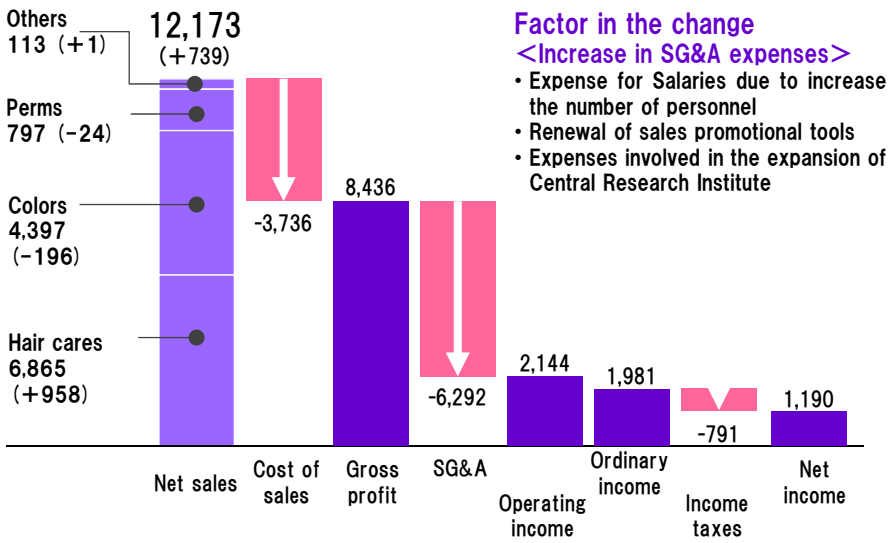
Consolidated Statement of Earnings (FY 2014 First Half)

(Unit: million yen)

	Amount		Increase /Decrease	YOY comparison (%)
	FY 2013	FY 2014		
Sales	11,433	12,173	739	106.5
Cost of sales	3,617	3,736	118	103.3
Gross profit	7,816	8,436	620	107.9
SG&A expenses	5,620	6,292	672	112.0
Operating income	2,195	2,144	-51	97.7
Ordinary income	2,063	1,981	-82	96.0
Net income	1,271	1,190	-81	93.6



Factor in the change
<Increase in SG&A expenses>
- Expense for Salaries due to increase the number of personnel
- Renewal of sales promotional tools
- Expenses involved in the expansion of Central Research Institute

Breakdown of net sales by product category

	FY 2013 First Half	FY 2014 First Half	YOY change	YOY comparison (%)
Hair care products	5,906	6,865	958	116.2
Hair coloring product	4,593	4,397	-196	95.7
Permanent wave products	822	797	-24	97.1
Others	111	113	1	101.6

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Trends in Capital Expenditures and Others

(Unit: million yen)

Category	FY2010	FY2011	FY2012	FY2013	FY2014 Jan.-Jun.	Plan for FY 2014
Total Expenditures	940	528	840	1,680	645	1,380
Depreciation and amortization	1,010	1,011	947	878	477	1,086
R&D expenses	838	870	873	969	575	1,169
R&D exp. to sales ratio	4.3%	4.3%	4.1%	4.2%	4.9%	4.8%

FY 2014 First Half　CAPEX Main Items

- Purchase of machinery and equipment for Thai Factory
- Payments of construction fee for the Central Research Institute expansion
- Purchase of laboratory equipment for expanded Central Research Institute
- Purchase of production equipment for Yumegaoka Plant

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Non-consolidated
Trends in Market Related Data, Milbon Salon and FPs

Market trends

(Unit: Number of Salons: Salons / Number of hair dresser: people / Number of beauty customer)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Remarks
Number of salons	223,645	223,286	228,429	231,134	—	—	Ministry of Health, Labor and Welfare Public Health Administration Report Number of beauty salon facilities/number of employees (year-end)
Number of hairdressers	453,371	456,872	471,161	479,509	—	—	
Beauty customer population	39,720	39,812	39,640	39,076	38,468	38,370 (As of Jan. 1)	Statistics Bureau, Ministry of Internal Affairs and Communications: population statistics as of October 1st each year Population statistics for females aged 15 to 64

Milbon salon trends

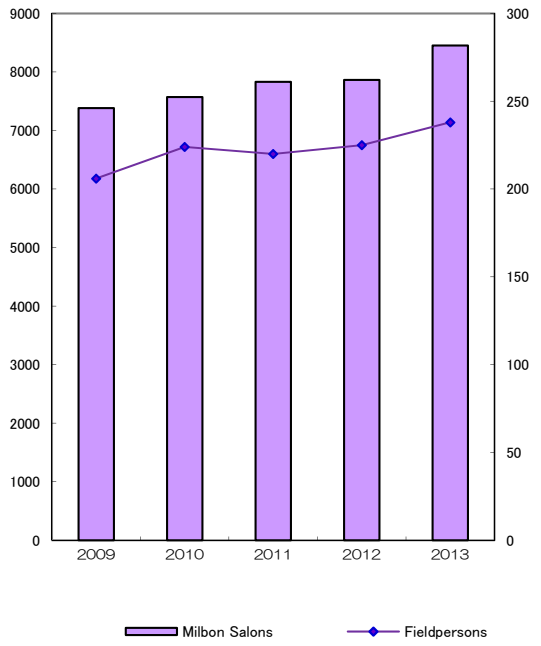
(Unit: salons)

	2009	2010	2011	2012	2013	2014 As of May 20
Tokyo Branch	2,657	2,784	2,872	2,848	3,015	2,942
Nagoya Branch	1,558	1,643	1,682	1,658	1,775	1,605
Osaka Branch	2,616	2,464	2,682	2,725	2,934	2,772
Fukuoka Branch	552	680	596	633	727	667
Total	7,383	7,571	7,832	7,864	8,451	7,986

Fieldperson trends

(Unit Fieldperson: person / Sales per person: million yen)

	2009	2010	2011	2012	2013	2014
Fieldpersons	206	224	220	225	238	26 FPs under training
Sales per person	91	92	97	100	103	



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Outlook of Milbon Group (FY 2014 First Half)

Oversea sales are steadily increasing, mainly in Asia

	Number of employees	Sales (million yen)		YOY comparison	Start operations	Forex rates	
	Number of FPs	FY 2013	FY 2014			FY 2013	FY 2014
JAPAN Milbon Co., Ltd.	529 228	10,632	10,959	103.1	1960	-	-
USA Milbon USA, Inc.	15 12	183	230	125.5	2004	1 $ = 86.57	101.50
CHINA Milbon Trading (Shanghai) Co., Ltd.	20 17	128	200	155.2	2009	1 yuan = 13.90	16.63
KOREA Milbon Korea Co., Ltd.	22 16	298	487	163.2	2009	1 won = 0.07	0.09
GLOBAL newly developing countries ※1	48 12	4	53	1126.7	2013	-	-
Others ※2	3 3	181	225	124.1	-	-	-

※1: Thailand, Vietnam, Malaysia, Turkey, Indonesia　※2: Taiwan, Hong-Kong, others

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Outlook of Milbon Group (FY 2014 First Half)

- **In Milbon USA, sales activities through distributor has been started in New Jersey and Pennsylvania State. Promoting the products that leads to increased sales in the salons, centering on the in-salon treatments that succeeded in Manhattan area, has been well received, resulting in the number of US salons increased.**

- **Milbon Shanghai changed distributor strategy from one distributor in one province to multiple distributor in one province. In Zhejiang, working with new distributor stimulates the market and number of partner salons has been increased. As a result of focusing on the training to the staff member at distributors, educational activities in all area have become active and expanding the business with top salons.**

- **In Milbon Korea, in addition to the successfully-continued educational activities, newly opened Busan Branch opened last September has been functioning efficiently, resulting in the number of new partner salons increased. Additional color for Ordeve, Spring/Summer trend color Perl Grege Line, has been received good reputation and contributed to the sales growth for the entire hair coloring product category.**

- **Newly Developing countries have started selling the products since last year. Working together with local distributors is moving on, and the number of partner salons have been steadily increased as well as the sales amount.**

Reference Materials Hair Cosmetic Shipping Statistics

(Unit: million yen)

		Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.-Apr.	YoY
Shampoos	2013	6,512	6,498	9,623	8,235	9,261	9,502	8,902	8,078	8,026	8,838	9,114	9,694	30,868	
	2014	6,631	9,145	11,710	9,269									36,755	119.1%
	Difference	119	2,647	2,087	1,034									5,887	
Rinses	2013	2,109	1,737	2,049	2,074	2,593	2,592	2,695	2,448	2,232	2,213	2,470	2,475	7,969	
	2014	1,555	2,464	3,065	2,390									9,474	118.9%
	Difference	-554	727	1,016	316									1,505	
Hair tonics	2013	1,344	1,534	1,576	1,669	1,831	1,902	1,862	1,745	1,711	1,923	1,832	2,032	6,123	
	2014	1,331	1,709	2,098	1,387									6,525	106.6%
	Difference	-13	175	522	-282									402	
Hair treatments	2013	4,693	4,751	7,373	5,897	6,105	6,950	5,847	5,671	6,695	6,583	6,930	7,544	22,714	
	2014	4,834	5,776	7,656	6,461									24,727	108.9%
	Difference	141	1,025	283	564									2,013	
Pomade, cheek, hair cream, perfume oils	2013	908	1,110	1,161	1,358	1,165	1,167	1,324	1,121	1,211	1,243	1,146	1,333	4,537	
	2014	879	1,032	1,384	1,297									4,592	101.2%
	Difference	-29	-78	223	-61									55	
Liquid/form hair conditioners	2013	822	1,046	1,090	1,250	1,184	1,098	1,121	936	912	1,080	1,088	1,284	4,208	
	2014	827	946	1,325	1,001									4,099	97.4%
	Difference	5	-100	235	-249									-109	
Styling lotions	2013	663	636	782	746	738	879	851	1,264	1,066	912	943	1,065	2,827	
	2014	714	789	1,133	1,049									3,685	130.4%
	Difference	51	153	351	303									858	
Hair sprays	2013	1,136	1,323	2,058	1,799	1,954	2,070	1,898	1,904	1,642	1,680	2,181	2,220	6,316	
	2014	1,274	1,710	2,398	1,670									7,052	111.7%
	Difference	138	387	340	-129									736	
Hair coloring products	2013	6,272	7,660	9,356	8,843	7,489	7,742	8,665	8,043	8,602	8,578	7,873	9,864	32,131	
	2014	6,434	7,436	11,613	7,090									32,573	101.4%
	Difference	162	-224	2,257	-1,753									442	
Other hair cosmetics	2013	843	818	1,050	1,163	946	1,235	1,237	1,016	1,022	953	1,027	1,138	3,874	
	2014	784	761	1,321	915									3,781	97.6%
	Difference	-59	-57	271	-248									-93	
Total hair cosmetic products	2013	25,302	27,112	36,118	33,034	33,267	35,137	34,402	32,227	33,120	34,003	34,604	38,650	121,566	
	2014	25,262	31,768	43,703	32,529									133,262	109.6%
	Difference	-40	4,656	7,585	-505									11,696	

Reference material: Monthly report on chemical industry statistics (Research and Statistics Department, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry)

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