Milbon Co., Ltd.

FY2014 Third Quarter (9 months ended September 20, 2014)

Financial Results Presentation Materials





September 26, 2014

Copyright © 2014 Milbon. All rights reserved.

Table of Contents

P2 Consolidated Operating Results

P4-8 Consolidated Sales by Product Category

P9 Aujua

P10 Consolidated Balance Sheet (Chart)

P11 Consolidated Statement of Earnings

P12 Consolidated Trends in Capital Expenditures and Others

P13 Non-consolidated Trends in Market Related Data, Milbon Salon and FPs

P14-15 Outlook of Milbon Group

P16 Reference Materials

Copyright © 2014 Milbon. All rights reserved.

Consolidated Operating Results（FY2014 9 months）

Sales in overseas markets and hair care category have continuously taken the lead in the growth

(Unit: million yen)

	Amount		Increase /Decrease	Year-on-year Comparison (%)
	FY2013 9 months	FY2014 9 months		
Net sales	17,508	18,437	928	105.3
Gross profit	11,945	12,716	771	106.5
SG&A expenses	8,622	9,501	879	110.2
Operating income	3,322	3,215	-107	96.8
Ordinary income	3,131	3,042	-88	97.2
Net income	1,938	1,845	-92	95.2

Copyright © 2014 Milbon. All rights reserved.



Consolidated Sales by Product Category [Hair Care Product]

Sales increased steadily in overall, centering on aging care products

(FY2014 9 months)

(Unit: million yen)

FY2013 9 months	FY2014 9 months	Increase/Decrease	YOY Comparison (%)
9,086	10,436	1,349	114.9

- Since the beginning of the fiscal year, sales activities have been focused on supporting professional hair designers to uplift their ability to develop the hair care menu. These initiatives bring matured women's awareness of aging hair care, resulting in the sales increase of hair care mainly take home products.
- Among others, new products containing CMADK, the original ingredients of Milbon, make hair more manageable and have been receiving great reputation in the market. *Products contain CMADK are: DEESSE'S Elujuda Emulsion, PLARMIA Hairserum and Aujua Immurise Line.

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	156	26.0%



Jan 30 Debut

NIGELLE DRESSIA COLLECTION JELLY SERIES

Styling product expressing sparkle, shine, and wet sensation

(Unit: million yen)

Target	Results	Prog. rate
280	230	82.2%



Feb 27 Debut

Copyright © 2014 Milbon. All rights reserved.

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	866	240.6%



May 29 Debut

PLARMIA HAIRSERUM

Shampoo and treatment for damaged aging hair from coloring or perms, also make the hair more manageable

(Unit: million yen)

Target	Results	Prog. rate
340	156	45.9%



Aug 28 Debut

Copyright © 2014 Milbon. All rights reserved.

Consolidated Sales by Product Category [Hair Coloring Product]

Efforts are made on new additional color promotion, but unable to recover the first half sluggish sales

(FY2014 9 months)

(Unit: million yen)

FY2013 9 months	FY2014 9 months	Increase/Decrease	YOY Comparison (%)
7,018	6,654	-364	94.8

- New color lines to match Autumn/Winter 2014 trend, Ordeve Dolly Line and Ordeve beaute Couture Line, were launched. Sales of additional color line increased steadily through the sales activities to support hair designers to enhance their abilities to offer trend hair color to their customer. However, overall sales of the hair coloring product has not been recovered.

New Products

ORDEVE additional colors LUMIERE LINE

Express soft shine created with champagne beige

(Unit: million yen)

Target	Results	Prog. rate
510	417	81.9%



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	104	54.8%



Jan 30 Debut

Copyright © 2014 Milbon. All rights reserved.

Consolidated Sales by Product Category [Hair Coloring Product]

ORDEVE additional colors DOLLY LINE

Express clear and deep copper luster from within

(Unit: million yen)

Target	Results	Prog. rate
300	99	33.3%



Aug 28 Debut

ORDEVE beaute additional colors COUTURE LINE

Express clear and lustrous tea-like brown

(Unit: million yen)

Target	Results	Prog. rate
90	40	45.4%



Aug 28 Debut

Copyright © 2014 Milbon. All rights reserved.

Consolidated Sales by Product Category [Permanent Wave Product]

Core products make smooth progress, yet sales by category is on a downward trend

(FY2014 9 months)

(Unit: million yen)

FY2013 9 months	FY2014 9 months	Increase/Decrease	YOY Comparison (%)
1,224	1,167	-57	95.3

- Sales of core products, permanent wave and hair straightening LISCIO ATENGE, remain steady but was unable to recover the sales decline of the existing hair straightening products. As a result, overall category sales decreased.

Copyright © 2014 Milbon. All rights reserved.

Aujua [Results and Targets]

Aging care series continue to grow, following the 2nd quarter

Number of Aujua salons

FY2013 year-end	FY2014	Comparison with the 2013 year end
1,516 salons	1,902 salons	125.5%

Sales (FY2014 9 months)

(Unit: million yen)

FY2013	FY2014	YOY comparison
1,662	2,430	146.2%



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	540	154.7%



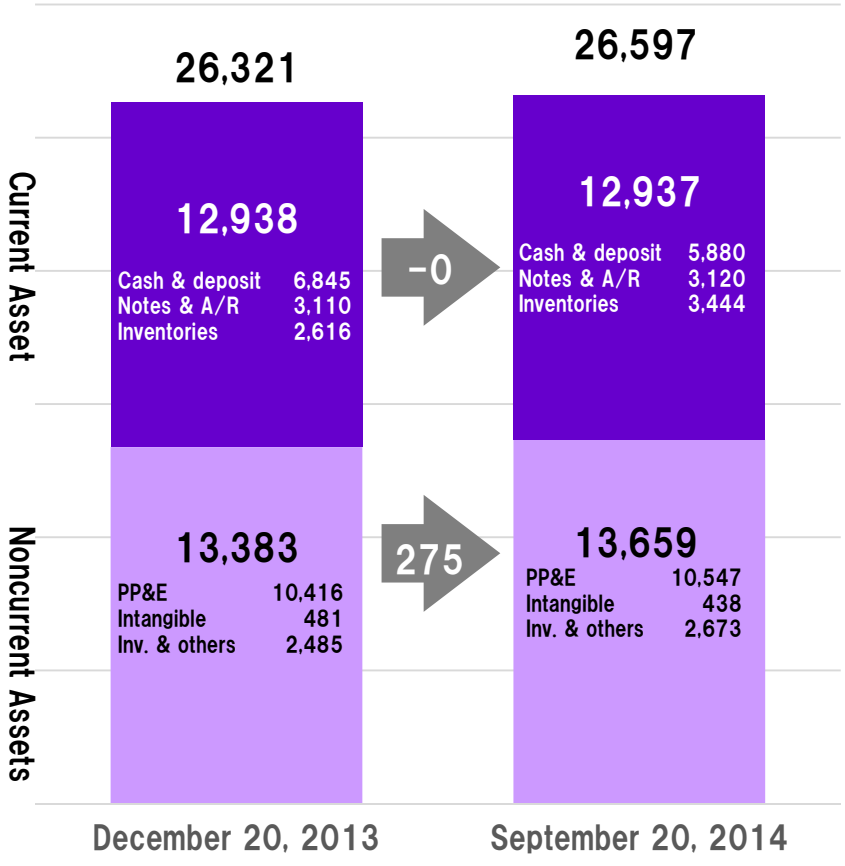
Jan 31 Debut

Copyright © 2014 Milbon. All rights reserved.

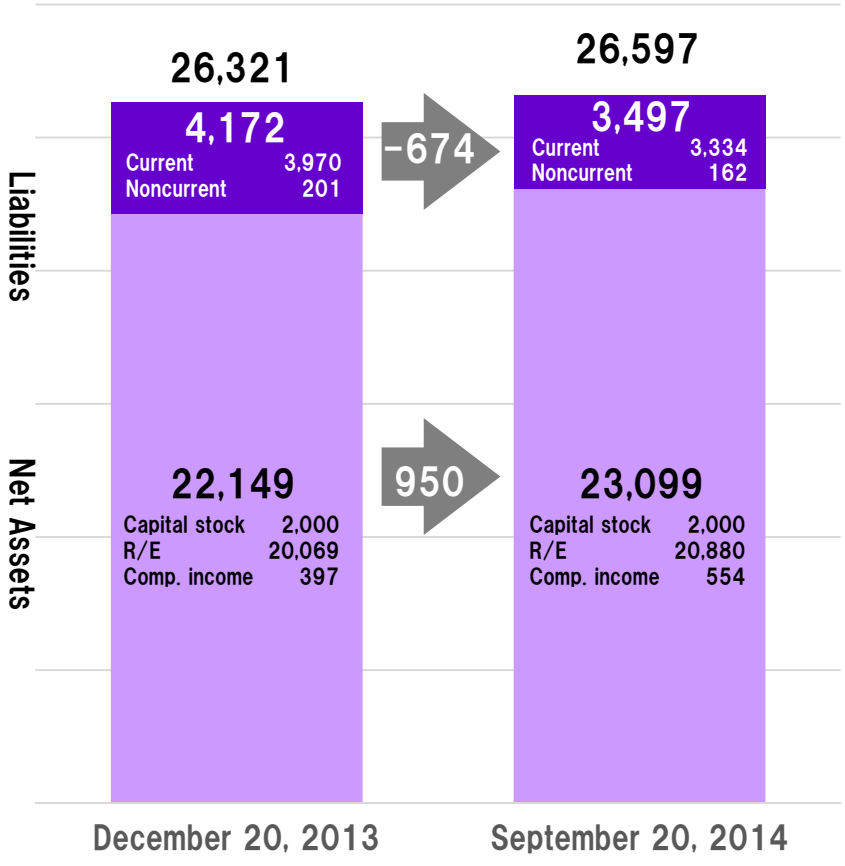
Consolidated Balance Sheet

(Unit: million yen)

Assets



Liabilities and Net Assets

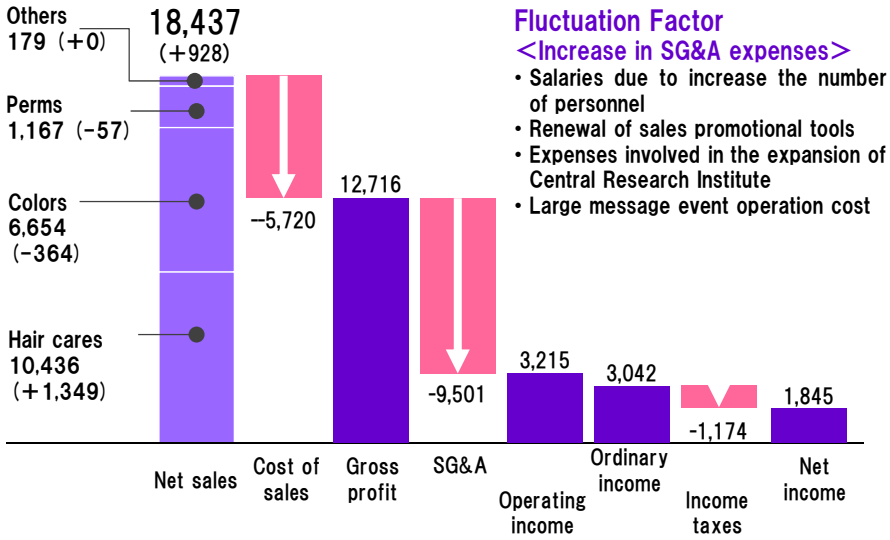


Copyright © 2014 Milbon. All rights reserved.

Consolidated Statement of Earnings (FY2014 9 months)

(Unit: million yen)

	Amount		Increase/ Decrease	YOY comparison (%)
	FY2013 9 months	FY2014 9 months		
Sales	17,508	18,437	928	105.3
Cost of sales	5,563	5,720	156	102.8
Gross profit	11,945	12,716	771	106.5
SG&A expenses	8,622	9,501	879	110.2
Operating income	3,322	3,215	-107	96.8
Ordinary income	3,131	3,042	-88	97.2
Net income	1,938	1,845	-92	95.2



Fluctuation Factor
<Increase in SG&A expenses>
- Salaries due to increase the number of personnel
- Renewal of sales promotional tools
- Expenses involved in the expansion of Central Research Institute
- Large message event operation cost

Breakdown of net sales by product category

	FY2013 9 months	FY2014 9 months	YOY change	YOY comparison (%)
Hair care products	9,086	10,436	1,349	114.9
Hair coloring product	7,018	6,654	-364	94.8
Permanent wave products	1,224	1,167	-57	95.3
Others	179	179	0	100.1

Copyright © 2014 Milbon. All rights reserved.

Trends in Capital Expenditures and Others

(Unit: million yen)

Category	FY2010	FY2011	FY2012	FY2013	FY2014 Jan.-Sep.	Plan for FY 2014
Total Expenditures	940	528	840	1,680	832	1,380
Depreciation and amortization	1,010	1,011	947	878	735	1,086
R&D expenses	838	870	873	969	940	1,169
R&D exp. to sales ratio	4.3%	4.3%	4.1%	4.2%	4.7%	4.8%

FY2014 9 months 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
- Construction fee for Manufacturing Technology Development Center expansion

Copyright © 2014 Milbon. All rights reserved.

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)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	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	38,128 (As of Apr 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

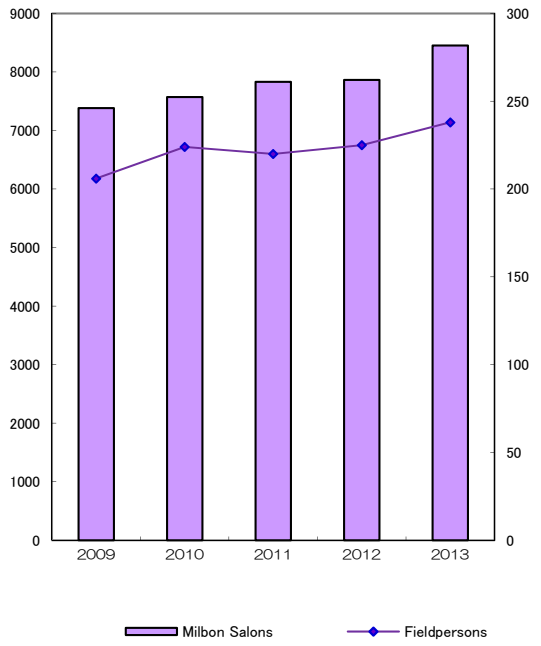
(Unit: salons)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 As of May 20
Tokyo Branch	2,657	2,784	2,872	2,848	3,015	2,944
Nagoya Branch	1,558	1,643	1,682	1,658	1,775	1,615
Osaka Branch	2,616	2,464	2,682	2,725	2,934	2,802
Fukuoka Branch	552	680	596	633	727	668
Total	7,383	7,571	7,832	7,864	8,451	8,029

Fieldperson trends

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

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Fieldpersons	206	224	220	225	238	25 FPs under training
Sales per person	91	92	97	100	103	



Copyright © 2014 Milbon. All rights reserved.

Outlook of Milbon Group (FY2014 9 months)

Overseas market mainly in Asia contributed to the sales increase of the Milbon Group

	Number of employees	Sales (million yen)		YOY comparison	Start operations	Forex rates	
	Number of FPs	FY2013 9 months	FY2014 9 months			FY2013	FY2014
JAPAN Milbon Co., Ltd.	521 227	16,192	16,562	102.3	1960	-	-
USA Milbon USA, Inc.	15 12	315	363	115.1	2004	1 $ = 90.67	101.73
CHINA Milbon Trading (Shanghai) Co., Ltd.	20 17	199	295	147.8	2009	1 yuan = 14.56	16.58
KOREA Milbon Korea Co., Ltd.	23 17	486	778	159.9	2009	1 won = 0.08	0.09
GLOBAL newly developing countries ※1	52 12	18	109	583.8	2013	-	-
Others ※2	3 3	295	330	112.0	-	-	-

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

Copyright © 2014 Milbon. All rights reserved.

Outlook of Milbon Group (FY2014 9 months)

JAPAN (Milbon Co., Ltd.)

Due to an aging population, lower birthrates and a decline in the total population, it is becoming difficult to expand the entire beauty products market. The hair care division, the core of aging care, is doing well, but competition in the hair dyes division is accelerating and as a whole, sales have increased only slightly. In such circumstances, Milbon Japan held an event called “Next Beauty: Power of Beauty” at Saitama Super Arena in July and sent messages to the younger generation—who will play an important role in the industry in the future—to have aspirations regarding the future of the beauty industry and to achieve development together.

USA (Milbon USA, Inc.)

Milbon USA started engaging in sales activities through a distributor in New Jersey, etc. and has proactively cooperated with the distributor’s sales team. As a result, the number of partner salons is steadily increasing. It is becoming difficult to increase the sales of the main product—straight perm solution—because competitors have entered the market. However, the second pillar—salon treatment—is selling well.

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

The distributor strategy was changed to multiple distributors in one province in Zhejiang, Jiangsu and Guangdong, and intensive support was provided mainly to newly contracted distributors. Milbon Shanghai earned the trust of the distributors’ sales team, which resulted in an increase in the number of partner salons. Milbon Shanghai also held a skills seminar with a Japanese famous hair designer and thereby strengthened its relationship with the top salons in the region, and it has helped Milbon Shanghai increase its sales.

KOREA (Milbon Korea Co., Ltd.)

Similar to Japan, Korea has issues with an aging population and lower birthrates, and the sales of the aging care series Plarmia that launched in May is steadily increasing. In June, Milbon Korea expanded its Seoul Office and also started operating a large studio in which seminars for 200 people can be held. It enables Milbon Korea to provide more diversified training supports for salons and such utilization is being accelerated.

GLOBAL newly developing countries

The number of partner salons is steadily increasing through joint activities with local distributors. In addition, the factory in Thailand has started shipping products to some areas of overseas markets, and a complete shipping system is being developed.

Reference Materials Hair Cosmetic Shipping Statistics

(Unit: million yen)

		Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.-Jul.	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	58,533	
	2014	6,631	9,145	11,710	9,269	8,441	9,474	8,770						63,440	108.4%
	Difference	119	2,647	2,087	1,034	-820	-28	-132						4,907	
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	15,849	
	2014	1,555	2,464	3,065	2,390	2,178	2,260	2,347						16,259	102.6%
	Difference	-554	727	1,016	316	-415	-332	-348						410	
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	11,718	
	2014	1,331	1,709	2,098	1,387	1,708	1,698	1,811						11,742	100.2%
	Difference	-13	175	522	-282	-123	-204	-51						24	
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	41,616	
	2014	4,834	5,776	7,656	6,461	4,416	6,989	5,759						41,891	100.7%
	Difference	141	1,025	283	564	-1,689	39	-88						275	
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	8,193	
	2014	879	1,032	1,384	1,297	1,113	1,159	1,265						8,129	99.2%
	Difference	-29	-78	223	-61	-52	-8	-59						-64	
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	7,611	
	2014	827	946	1,325	1,001	970	1,101	1,032						7,202	94.6%
	Difference	5	-100	235	-249	-214	3	-89						-409	
Styling lotions	2013	663	636	782	746	738	879	851	1,264	1,066	912	943	1,065	5,295	
	2014	714	789	1,133	1,049	915	1,591	1,191						7,382	139.4%
	Difference	51	153	351	303	177	712	340						2,087	
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	12,238	
	2014	1,274	1,710	2,398	1,670	1,829	1,935	1,797						12,613	103.1%
	Difference	138	387	340	-129	-125	-135	-101						375	
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	56,027	
	2014	6,434	7,436	11,613	7,090	6,714	7,523	8,124						54,934	98.0%
	Difference	162	-224	2,257	-1,753	-775	-219	-541						-1,093	
Other hair cosmetics	2013	843	818	1,050	1,163	946	1,235	1,237	1,016	1,022	953	1,027	1,138	7,292	
	2014	784	761	1,321	915	908	1,241	1,117						7,047	96.6%
	Difference	-59	-57	271	-248	-38	6	-120						-245	
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	224,372	
	2014	25,262	31,768	43,703	32,529	29,191	34,972	33,212						230,637	102.8%
	Difference	-40	4,656	7,585	-505	-4,076	-165	-1,190						6,265	

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

Copyright © 2014 Milbon. All rights reserved.

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.

Copyright © 2014 Milbon. All rights reserved.