Milbon Co., Ltd.

FY2014 Financial Results Presentation Materials





January 21, 2015

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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

P18-37 2015-2019 Medium-term management plan

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Consolidated Operating Results

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

(Unit: million yen)

	Amount		Increase /Decrease	Year-on-year Comparison (%)
	FY2013	FY2014		
Net sales	23,829	25,226	1,396	105.9
Gross profit	16,174	17,281	1,106	106.8
SG&A expenses	11,872	12,830	957	108.1
Operating income	4,302	4,451	148	103.4
Ordinary income	4,059	4,218	159	103.9
Net income	2,516	2,621	104	104.2

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Consolidated Sales by Product Category [Hair Care Product]

Sales increased steadily in overall, centering on aging care products

(Unit: million yen)

FY2013	FY2014	Increase/Decrease	YOY Comparison (%)
12,616	14,597	1,981	115.7

- 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, and the sales of hair care category increased, 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	Achievement. rate
600	200	33.5%



Jan 30 Debut

NIGELLE DRESSIA COLLECTION JELLY SERIES

Styling product expressing sparkle, shine, and wet sensation

(Unit: million yen)

Target	Results	Achievement. rate
280	300	107.2%



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	Achievement. rate
360	1,267	352.1%



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	Achievement. rate
340	408	120.2%



Aug 28 Debut

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Consolidated Sales by Product Category [Hair Coloring Product]

Although efforts were made on promoting new additional color, sales declined due to the accelerated competitive market

(Unit: million yen)

FY2013	FY2014	Increase/Decrease	YOY Comparison (%)
9,288	8,817	-470	94.9

- New color lines to match seasonal trend were launched in 2014 for each spring/summer and autumn/winter. For the hair coloring category, market competition was accelerated and sales was on a downward trend. Under such circumstances, sales activities were focused on supporting hair designers to enhance their abilities to offer trend hair color to their customer; however, overall sales of the category was decreased.

New Products

ORDEVE additional colors LUMIERE LINE

Express soft shine created with champagne beige

(Unit: million yen)

Target	Results	Achievement. rate
510	460	90.3%



Jan 30 Debut

ORDEVE beaute additional colors SILKY LINE

Express a subtle shine that creates a fresh femininity

(Unit: million yen)

Target	Results	Achievement. rate
190	120	63.3%



Jan 30 Debut

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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	Achievement. rate
300	170	56.9%



Aug 28 Debut

ORDEVE beaute additional colors COUTURE LINE

Express clear and lustrous tea-like brown

(Unit: million yen)

Target	Results	Achievement. rate
90	69	77.1%



Aug 28 Debut

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Consolidated Sales by Product Category [Permanent Wave Product]

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

(Unit: million yen)

FY2013	FY2014	Increase/Decrease	YOY Comparison (%)
1,623	1,520	-103	93.7

- 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.

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Aujua [Results and Targets]

Aging care series continued to grow, expanding number of salons and sales

Number of Aujua salons

FY2013 year-end	FY2014	Comparison with the 2013 year end
1,516 salons	2,002 salons	132.1%

Sales

(Unit: million yen)

FY2013	FY2014	YOY comparison
2,504	3,582	143.0%



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	Achievement. rate
350	787	225.0%



Jan 31 Debut

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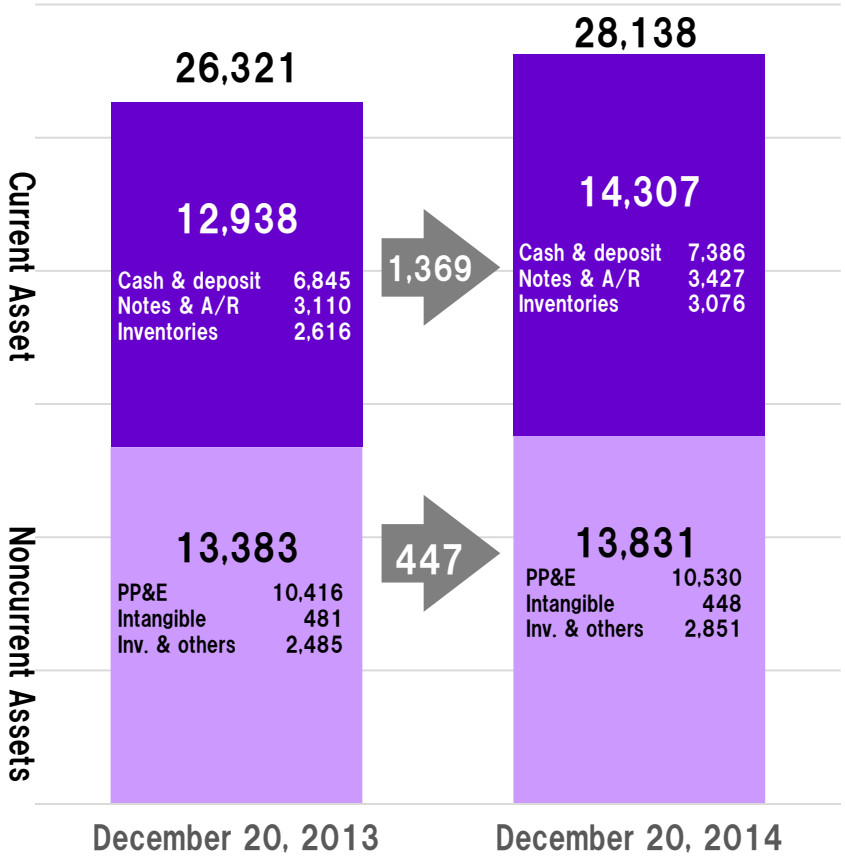
Consolidated Balance Sheet

(Unit: million yen)

Assets



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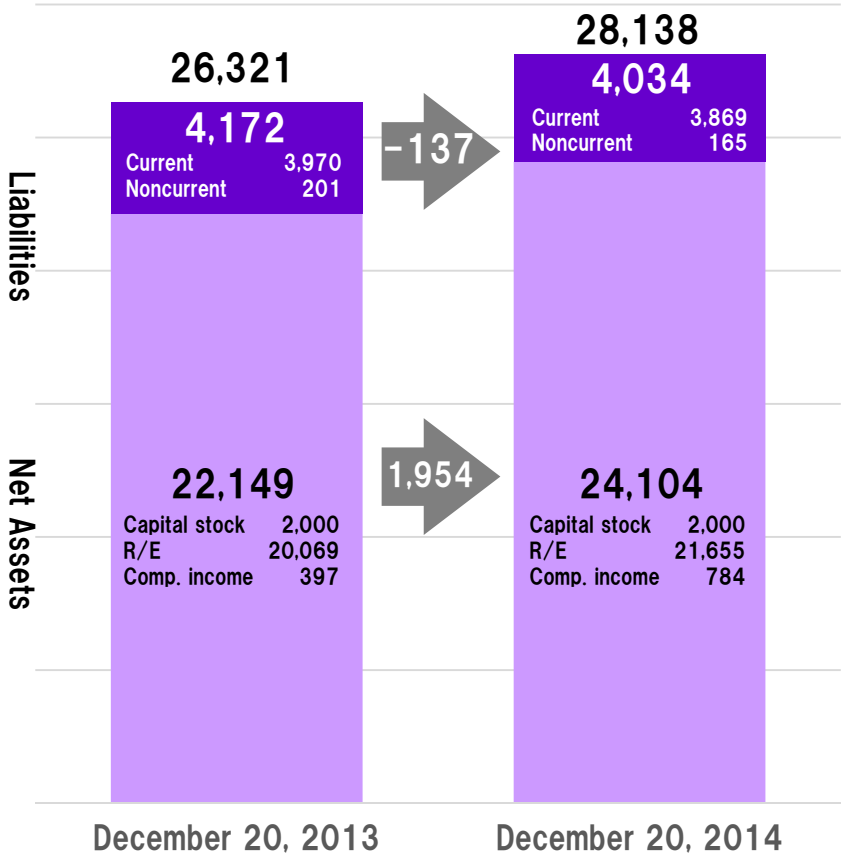

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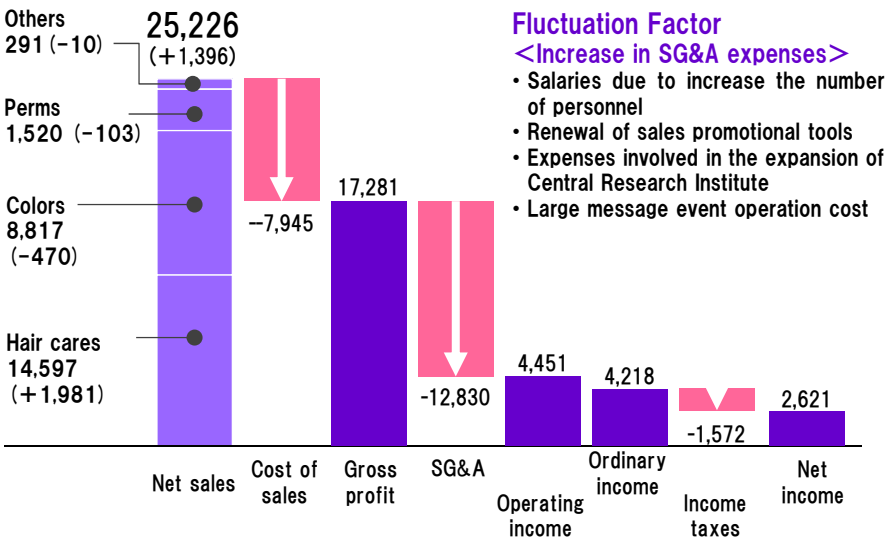
Consolidated Statement of Earnings

(Unit: million yen)

	Amount		Increase/ Decrease	YOY comparison (%)
	FY2013	FY2014		
Sales	23,829	25,226	1,396	105.9
Cost of sales	7,654	7,945	290	103.8
Gross profit	16,174	17,281	1,106	106.8
SG&A expenses	11,872	12,830	957	108.1
Operating income	4,302	4,451	148	103.4
Ordinary income	4,059	4,218	159	103.9
Net income	2,516	2,621	104	104.2



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	FY2014	YOY change	YOY comparison (%)
Hair care products	12,616	14,597	1,981	115.7
Hair coloring product	9,288	8,817	-470	94.9
Permanent wave products	1,623	1,520	-103	93.7
Others	301	291	-10	96.5

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Trends in Capital Expenditures and Others

(Unit: million yen)

Category	FY2010	FY2011	FY2012	FY2013	FY2014	Plan for FY2015
Total Expenditures	940	528	840	1,680	1,028	2,652
Depreciation and amortization	1,010	1,011	947	878	1,004	1,062
R&D expenses	838	870	873	969	1,168	1,211
R&D exp. to sales ratio	4.3%	4.3%	4.1%	4.2%	4.8%	4.7%

FY2014 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 domestic plant
- Construction fee for Manufacturing Technology Development Center expansion

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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)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Remarks
Number of salons	223,645	223,286	228,429	231,134	234 089	—	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	487 636	—	
Beauty customer population	39,720	39,812	39,640	39,076	38,468	38,009 (As of Jul. 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

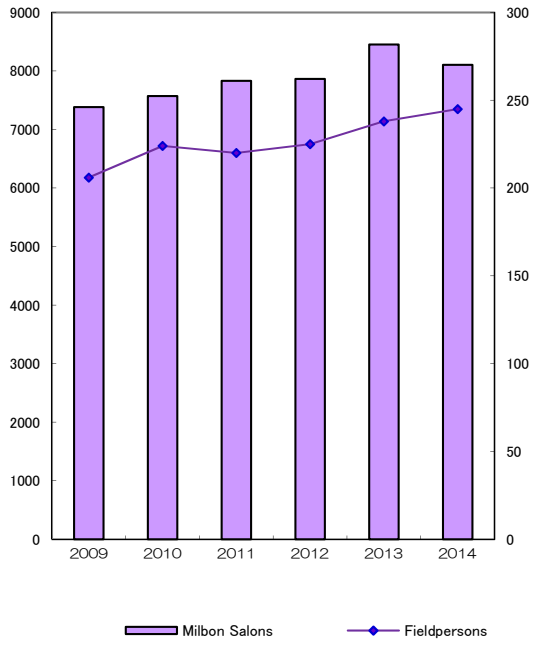
(Unit: salons)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 As of Nov. 20
Tokyo Branch	2,657	2,784	2,872	2,848	3,015	2,975
Nagoya Branch	1,558	1,643	1,682	1,658	1,775	1,617
Osaka Branch	2,616	2,464	2,682	2,725	2,934	2,814
Fukuoka Branch	552	680	596	633	727	699
Total	7,383	7,571	7,832	7,864	8,451	8,105

Fieldperson trends

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

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Fieldpersons	206	224	220	225	238	245	28 FPs will join the company
Sales per person	91	92	97	100	103	104	



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Outlook of Milbon Group

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	FY2014			FY2013	FY2014
JAPAN Milbon Co., Ltd.	529 238	21,946	22,612	103.0	1960	-	-
USA MILBON USA, Inc.	16 12	435	482	110.6	2004	1 $ = 92.81	102.30
CHINA Milbon Trading (Shanghai) Co., Ltd.	21 17	281	430	152.9	2009	1 yuan = 14.88	16.73
KOREA Milbon Korea Co., Ltd.	27 17	703	1,099	156.3	2009	1 won = 0.0825	0.0973
GLOBAL newly developing countries *1	57 17	38	153	394.6	2013	-	-
Others *2	3 3	422	447	105.8	-	-	-

*1: Thailand, Vietnam, Malaysia, Turkey and Indonesia

*2: Taiwan, Hong-Kong and others

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Outlook of Milbon Group

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. Competition in the hair coloring category is accelerating but the hair care category, the core for aging care, is doing well, and as a whole, sales have increased. 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 steadily increased, and switching the business model to a distributor based system has been going well. 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 and contributed to the sales increase in hair care category.

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

The distributor strategy was changed to multiple distributors in one province in Zheijang, and intensive support was provided mainly to newly contracted distributors. Milbon Shanghai earned the trust of the distributor’s sales team, which resulted in an increase in the number of partner salons and high operating results. 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 helped Milbon Shanghai increased 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 sold well at a far above the target. (Achievement rate 213%). In June, Milbon Korea expanded its Seoul Office and also started operating a large studio in which seminars for 200 people can be held. Busan Office has been in operation for one year and efficiently delivering the good result through the community-based educational activities.

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.

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Milbon Group
Medium-term management plan
2015-2019

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Review of 2009-2014 medium-term management plan

Achieved sales target and overseas sales ratio
Operating income unable to reach to the target due to up-front investment and cost of strengthened manpower

(Unit: million yen)

	FY2009		FY2014 Target *		FY2014 Actual		Increase	Growth rate (%)
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)		
Sales	19,189	100.0	25,000	100.0	25,226	100.0	6,037	131.5
Domestic	18,273	95.2	22,400	89.6	22,612	89.6	4,339	123.7
Overseas	916	4.8	2,600	10.4	2,613	10.4	1,697	285.2
Gross profit	12,214	63.7	16,369	65.5	17,281	68.5	5,066	141.5
SG&A exp.	8,937	46.6	11,491	46.0	12,830	50.9	3,893	143.6
Operating income	3,277	17.1	4,877	19.5	4,451	17.6	1,173	135.8
Ordinary income	3,103	16.2	4,559	18.2	4,218	16.7	1,115	135.9
Net income	1,785	9.3	2,754	11.0	2,621	10.4	835	146.8

*Target figures announced in June 2010

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Review of 2009-2014 medium-term management plan

1) Accelerating global expansion

2) Development of hair care system

3) Enforcement of sales activity strategy

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2015-2019 medium-term management plan
～Market and corporate environment～

Domestic market environment

1. Growing impact of demographics in the uncertain economic environment
2. Management strategy to stay out of price competition
   - salon's business growth and area expansion
3. Developing long-term relationships
   - take-home product business

Overseas market environment

Developing the corporate and product branding help accelerating the market entry in the international marketplace.

Corporate internal environment

Create a better environment to embrace diversity in country, community, generation and gender -> share a strong sense of purpose and direction with communication tool: The MILBON WAY.

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2015-2019 medium-term management plan
～New Brand Statement～

We believe that beautiful hair brings out
an individual's true beauty.

This is something that is felt from the inside
and radiates outward.

Milbon works closely with salon professionals to
together deliver beautiful hair,
inspire grace and confidence in the world.

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2015-2019 medium-term management plan
～New Brand Slogan～

Find Your Beauty

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2015-2019 medium-term management plan
～Global market environment～

1. Unstable political and economic environment continued

2. Multipolarization and diversification

3. Developed country and developing country are becoming borderless

4. Globalization, Digitalization and localization will be further developed

5. Economy becomes a moderate deflation trend

6. Demographics - key factor of the beauty business

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2015-2019 medium-term management plan
～Domestic market environment～

◆Domestic market in beauty industry

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2015-2019 medium-term management plan
～Medium- to long-term vision～

Global vision

Milbon aims to be the global No.1, first as a Japanese professional Manufacturer, by cultivating global field ideas through education and contributing to development of local beauty industries.

Medium-term vision

Milbon aims to be No. 1 in Asia and enter the top five in the world in the hair care products professional use market.

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2015-2019 medium-term management plan
～Sales and profit target～

Sales target at the end of medium-term (FY2019)

Consolidated sales 35,000 million JPY ＊138.7%

Domestic	28,500 million JPY	＊126.0%
Overseas	6,500 million JPY	＊248.8%

Overseas sales ratio 18.6%

Consolidated operating income 7,000 million JPY ＊157.3%

＊Compared to 2014 actual

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2015-2019 medium-term management plan
～Point (1)～

Create the foundation of the business growth 10 years over

1. Global organization structure

2. Global product strategy

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2015-2019 medium-term management plan
～Point (2)～

3. Development of human resources

4. Global market development

5. Global financial strategy

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2015-2019 medium-term management plan
～Medium-term financial target (1)～

Aiming to enter the top five in the world through market development and financial strategy 10 years over

(Unit: million yen)

	FY2014		New med-term target FY2019		Increase	Growth rate
	Amount	Ratio (%)	Amount	Ratio (%)		
Net sales	25,226	100.0	35,000	100.0	9,773	138.7
Domestic	22,612	89.6	28,500	81.4	5,887	126.0
Overseas	2,613	10.4	6,500	18.6	3,886	248.7
Gross profit	17,281	68.5	24,500	70.0	7,218	141.8
SG&A	12,830	50.9	17,500	50.0	4,669	136.4
Operating income	4,451	17.6	7,000	20.0	2,548	157.3
Ordinary income	4,218	16.7	6,630	18.9	2,411	157.1
Net income	2,621	10.4	4,130	11.8	1,508	157.6

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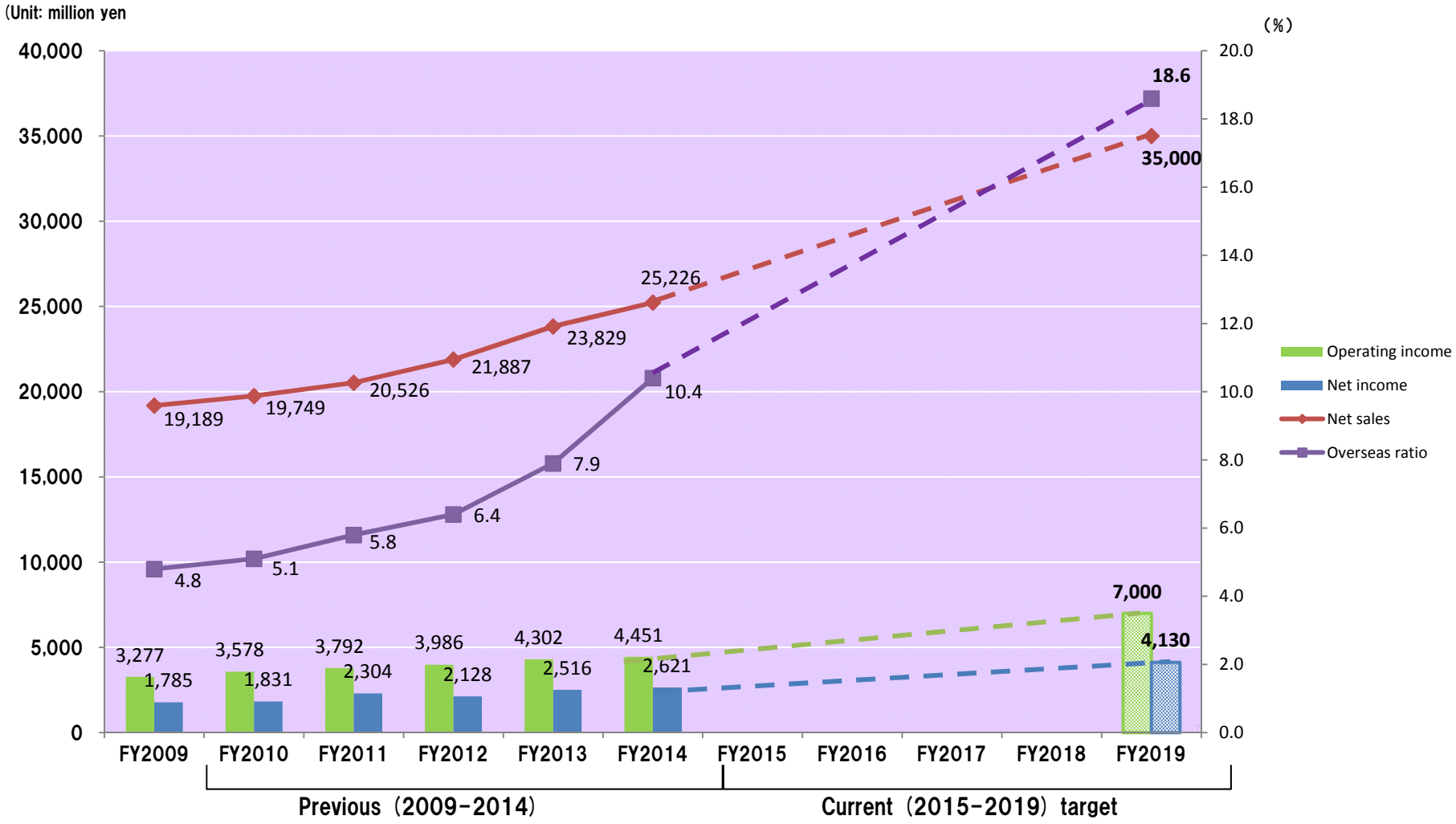
2015-2019 medium-term management plan
～Medium-term financial target (2)～



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2015-2019 medium-term management plan
～Medium-term financial target (3)～

Aiming to enter the top five in the world through market development and financial strategy 10 years over

Free cash　　Over 20,000 million JPY

Use	Previous (FY2010-FY2014)	Current (FY2015-2019)
Investment in future growth	5,000 million yen	1,000 million yen
Main items	• Enhance facilities of domestic production • Expansion of Tokyo Office • Expansion of Central Research Institute • Establishment of new branches (Kyoto, Beijing, Busan, etc.)	• Construction of new Yumegaoka Plant • Expansion of Thai Factory • Establishment of new domestic branches (Ginza, Yokohama, etc 8 domestic locations, Philippines, etc. foreign location) • M&A investment in US and Europe • Business in cosmetics
Return to shareholders	4,400 million yen	7,000 million yen
	•Dividend payout ratio　40.6%　*average in 5 yrs	•Dividend payout ratio is targeted at 40%
Increase in R/E	5,700 million yen	3,000 million yen
Capital efficiency	ROE11.3%　*FY2014 actual	ROE12% or over　*FY2019 target

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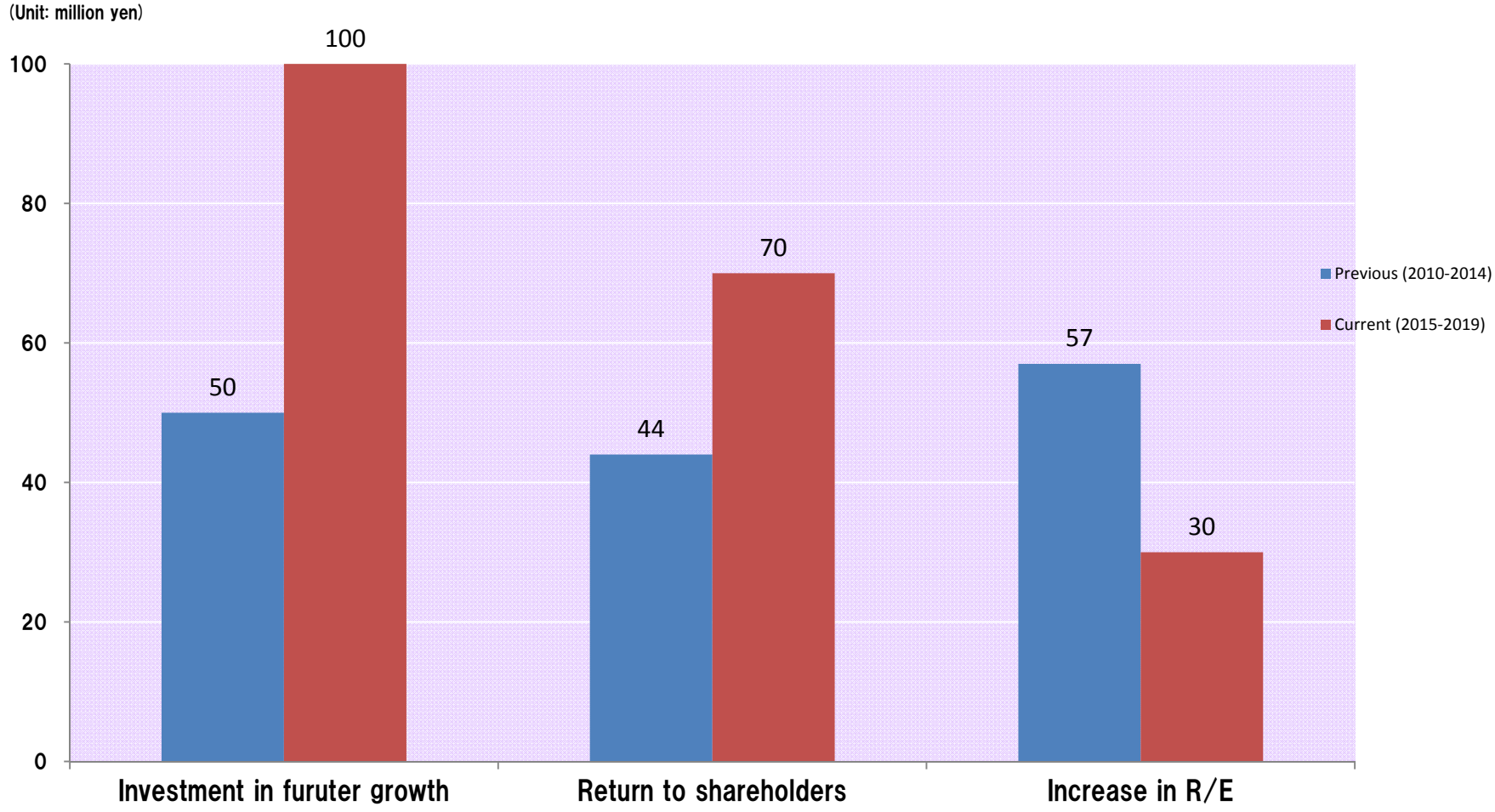
2015-2019 medium-term management plan
～Medium-term financial target (4)～



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2015-2019 medium-term management plan
～Sales target by country (1)～

Moving into the black in each country, moving forward to the next step

	Net sales (million yen)		Growth ratio (%)	Exchange rate	
	FY2014 Actual	FY2019 Target		FY2014	FY2019
Japan Milbon Co., Ltd.	22,612	28,500	126.0	-	-
United States MILBON USA,INC	482	840	174.2	1$ = 102.30	105.0
China Milbon Trading (Shanghai) Co., Ltd.	430	1,350	313.4	1yuan= 16.73	17.00
Korea Milbon Korea Co., Ltd.	1,099	2,500	227.3	1won= 0.0973	0.1000
Thailand MILBON (THAILAND) CO., LTD.	48	250	516.1	1 baht= 3.16	3.2
Other areas *1	600	1,810	301.3	-	-
East Asia *2 TTL	1,947	4,490	230.6	-	-
Southeast Asia *3 TTL	180	1,020	563.6	-	-

*1 Taiwan, Hong-kong, Vietnam, Malaysia, Turkey, Indonesia, Others

*2 China, Korea, Taiwan, Hong-kong
*3 Thailand, Vietnam, Malaysia, Indonesia, others

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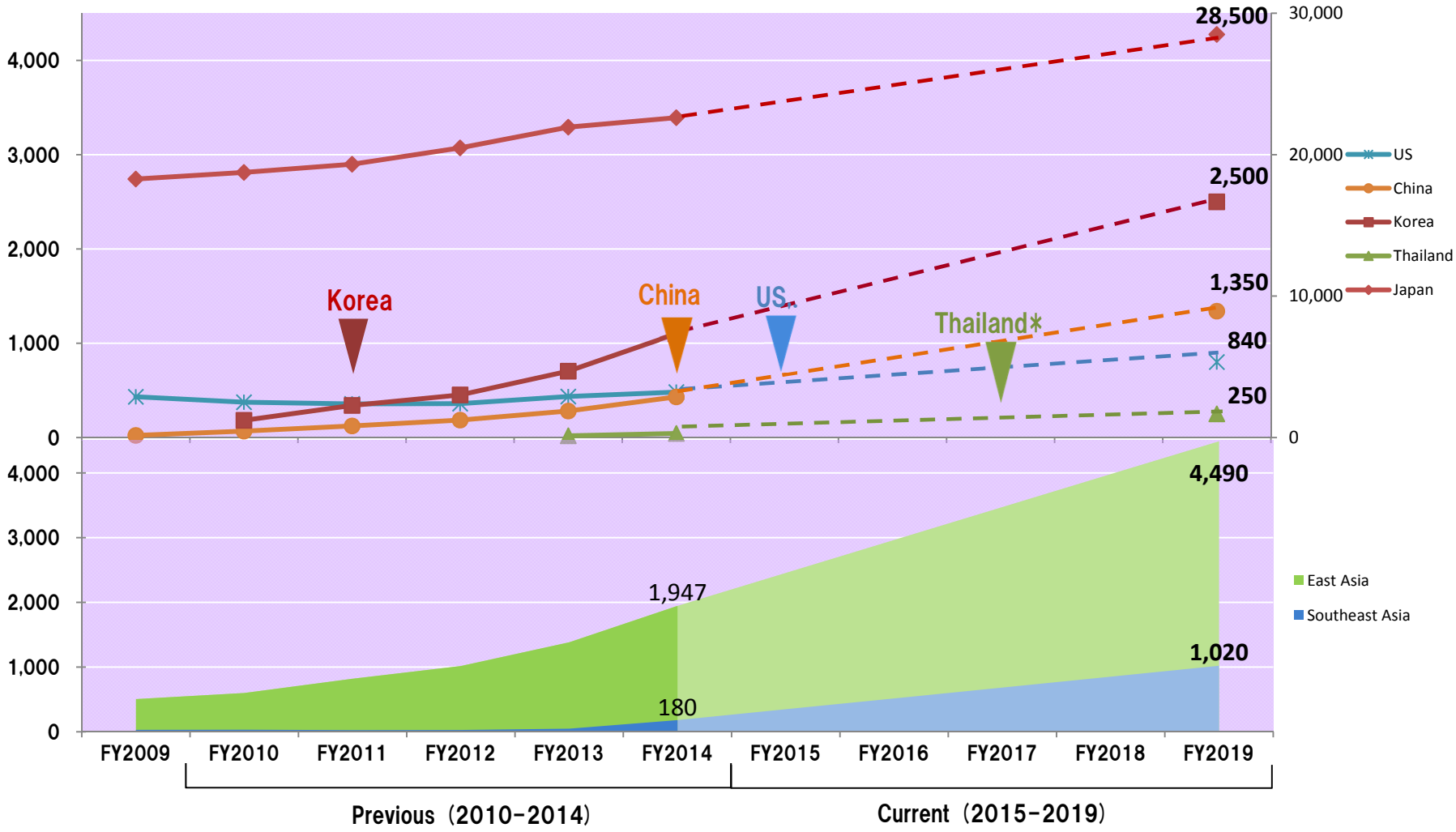
2015-2019 medium-term management plan
～Sales target by country (2)～

(Unit: Million, Overseas)　▼:Point turning to the black　(Unit: Million yen, Japan



* Trends of Milbon Thailand shows Sales amount of Sales Dept. for consolidated FS (Export sales of Production Dept. is inter-company transaction and eliminated from the consolidation process.)

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2015-2019 medium-term management plan
～Main point in FY2015～

From Age Beauty to Aging Beauty

◆Domestic market policy

◆Point of specific measures

1. Market expansion of gray hair color

2. Market expansion centering on Aujua

3. New field activity system

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2015-2019 medium-term management plan
～Consolidated sales target by country ～

(Unit: million yen)

	Amount		Increase	Growth rate (%)
	FY2014	2015 Target		
Net sales	25,226	26,900	1,673	106.6
Domestic	22,612	23,687	1,074	104.8
Overseas	2,613	3,213	599	122.9
Gross profit	17,281	18,155	873	105.1
SG&A	12,830	13,494	663	105.2
Operating income	4,451	4,661	209	104.7
Ordinary income	4,218	4,364	150	103.6
Net income	2,621	2,630	8	100.3

Sales by category

	2014	2015 Target	Increase	Growth rate (%)
Hair care products	14,597	15,730	1,132	107.8
Hair coloring products	8,817	9,210	392	104.5
Permanent wave products	1,520	1,590	69	104.6
Others	291	370	78	127.1

Capital expenditures, and others

Classification	FY2014	2015 Target
CAPEX	1,028	2,652
Depreciation & amortization	1,001	1,062
R&D expenses	1,168	1,211
R&D ratio (%)	4.8	4.7

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