Milbon Co., Ltd.

FY2015 First Quarter (3 months ended March 20, 2015)

Financial Results Presentation Materials





March 27, 2015

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Consolidated Operating Results (FY 2015 3 months)

Sales in overseas markets and hair care category have led to overall sales increase

(Unit: million yen)

	Amount		Increase /Decrease	Year-on-year Comparison (%)
	FY2014 3 months	FY2015 3 months		
Net sales	5,798	6,083	284	104.9
Gross profit	4,026	4,282	255	106.3
SG&A expenses	3,082	3,284	202	106.6
Operating income	944	997	53	105.7
Ordinary income	849	980	130	115.3
Net income	500	635	134	126.9

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Consolidated Sales by Product Category [Hair Care Product]

Sales of aging care and CMADK products have been steadily growing

(FY2015 3 months)

(Unit: million yen)

FY2014 3 months	FY2015 3 months	Increase/Decrease	YOY Comparison (%)
3,099	3,537	437	114.1

- Activities were focused on enhancing hair designers' ability to respond to matured woman who seek true professional advice. Aging care related products that earned a good reputation last year and have continued to sell well.
- Products containing CMADK, Milbon's original ingredients, were well established in last year, and has continuously sold well.

New Products

PLARMIA REFINING SERIES

A new salon menu for simultaneously caring for both hair and scalp that has changed with age.

(Unit: million yen)

Target	Results	Achievement. rate
500	102	20.5%



Jan 29 Debut

DEESSE'S DAYCHARM UV MIST

A UV treatment mist that wraps the hair in a pleasant fragrance and protects hair color from sunlight.

(Unit: million yen)

Target	Results	Achievement. rate
180	68	38.0%



Feb 26 Debut

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Consolidated Sales by Product Category [Hair Coloring Product]

Although efforts were made on promoting new additional color, yet sales have been on a downward trend

(FY2015 3 months)

(Unit: million yen)

FY2014 3 months	FY2015 3 months	Increase/Decrease	YOY Comparison (%)
2,268	2,172	- 96	95.7

- New color line to match Spring/Summer 2015 trend was launched. Overall sales in hair coloring category have been gradually decreasing due to the accelerated market competition although activities were focused on supporting hair designers to enhance their abilities to create trend hair color to their customer.

New Products

ORDEVE additional color INNOCENT LINE

A soft sheen created by achromatic color express a color purity

(Unit: million yen)

Target	Results	Achievement. rate
500	182	36.6%



Jan 29 Debut

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Consolidated Sales by Product Category [Permanent Wave Product]

Hair straightening, core products have kept in good standing, yet sales by category have decreased

(FY2015 3 months)

(Unit: million yen)

FY2014	FY2015	Increase/Decrease	YOY Comparison (%)
379	331	- 47	87.5

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Aujua [Results and Targets]

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

Number of Aujua salons

FY2014 year-end	FY2015 Q1-end	Comparison with the 2014 year end
2,002 salons	2,127 salons	106.2%

Sales (FY2015 3 months)

(Unit: million yen)

FY2014 3 months	FY2015 3 months	YOY comparison
695	852	122.6%



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
- 14 line ・89 items

What's new

Aging care series OATHENAM 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
400	49	12.5%



Jan 30 Debut

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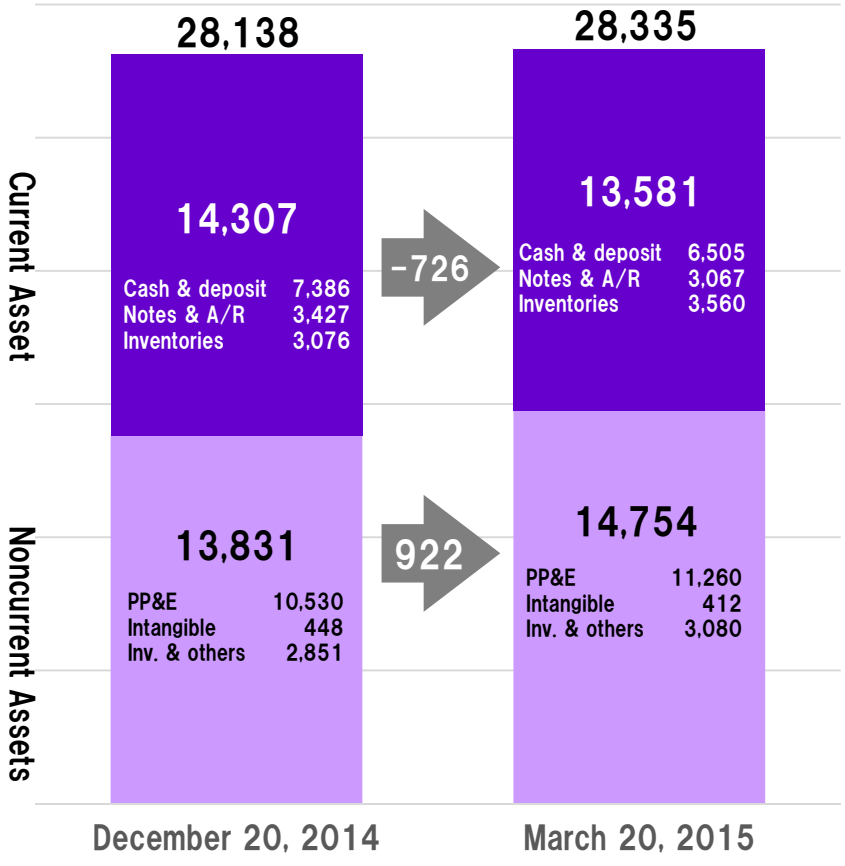
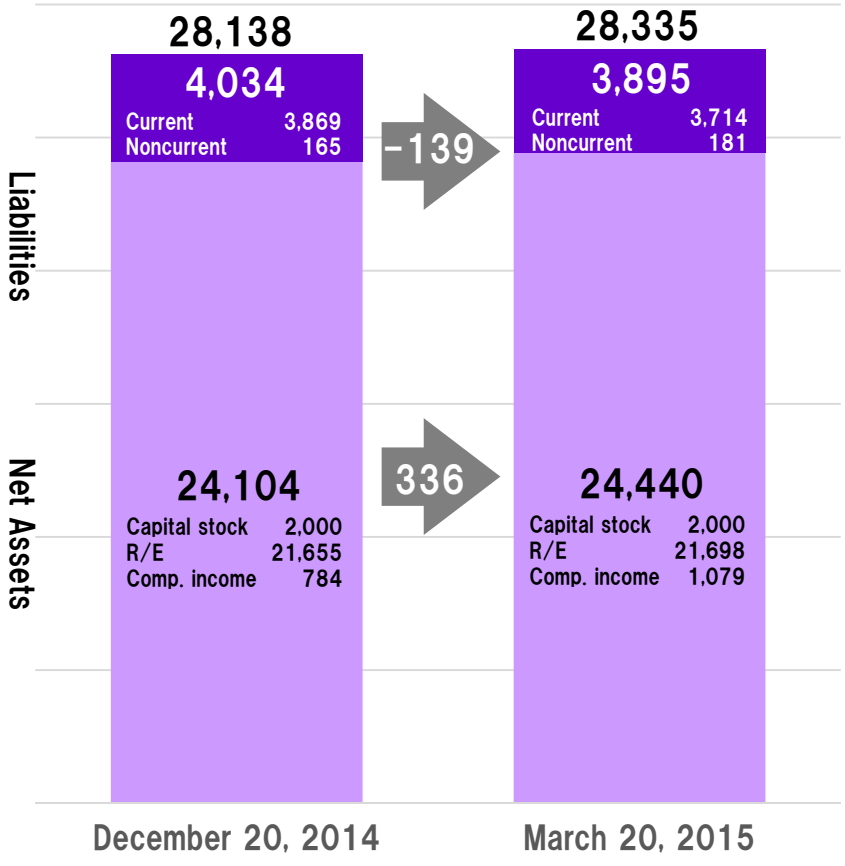
Consolidated Balance Sheet

(Unit: million yen)

Assets



Liabilities and Net Assets



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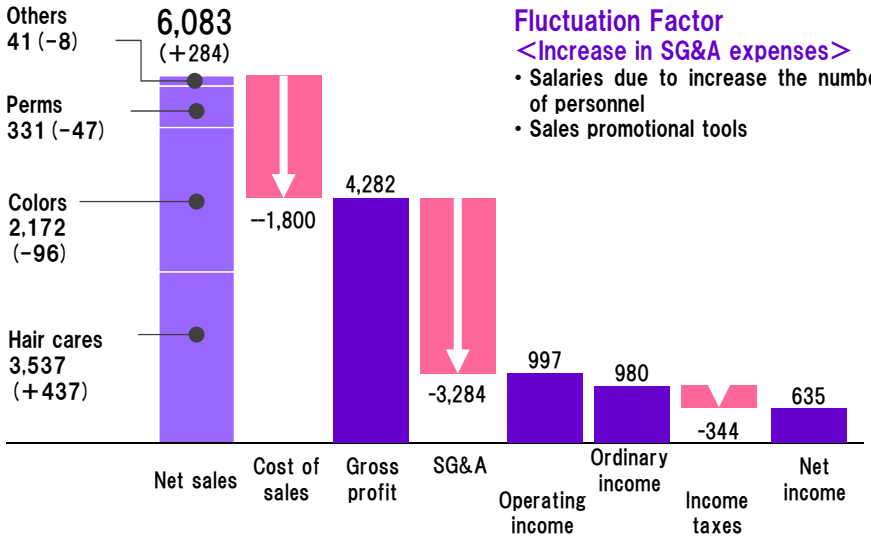
Consolidated Statement of Earnings (FY 2015 3 months)

(Unit: million yen)

	Amount		Increase/ Decrease	YOY comparison (%)
	FY2014 3 months	FY2015 3 months		
Sales	5,798	6,083	284	104.9
Cost of sales	1,771	1,800	29	101.7
Gross profit	4,026	4,282	255	106.3
SG&A expenses	3,082	3,284	202	106.6
Operating income	944	997	53	105.7
Ordinary income	849	980	130	115.3
Net income	500	635	134	126.9



Fluctuation Factor
<Increase in SG&A expenses>
- Salaries due to increase the number of personnel
- Sales promotional tools

Breakdown of net sales by product category

	FY2014 3 months	FY2015 3 months	YOY change	YOY comparison (%)
Hair care products	3,099	3,537	437	114.1
Hair coloring product	2,268	2,172	△ 96	95.7
Permanent wave products	379	331	△ 47	87.5
Others	50	41	△ 8	82.3

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Trends in Capital Expenditures and Others

(Unit: million yen)

Category	FY2011	FY2012	FY2013	FY2014	FY2015 Jan.-Mar.	Plan for FY2015
Total Expenditures	528	840	1,680	1,028	839	2,652
Depreciation and amortization	1,011	947	878	1,004	238	1,062
R&D expenses	870	873	969	1,168	277	1,211
R&D exp. to sales ratio	4.3%	4.1%	4.2%	4.8%	4.8%	4.7%

FY2015 3 months CAPEX Main Items

- Purchase of land adjacent to Yumegaoka Plant
- Initial expenditure for Tokyo Ginza Branch

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Trends in Market Related Data, Trends in FPs

Market trends (Japan)

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

	2009	2010	2011	2012	2013	2014	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	37,847	Statistics Bureau, Ministry of Internal Affairs and Communications: population statistics as of October 1st each year Population statistics for females aged 15 to 64

Fieldpersons trends (by country)

	2011	2012	2013	2014	2015 Q1
JAPAN Milbon Co., Ltd.	203	221	230	238	241
	95	92	95	95	—
USA MILBON USA, Inc.	9	10	12	12	12
	39	35	36	40	—
CHINA Milbon Trading (Shanghai) Co., Ltd.	11	15	16	17	19
	11	12	17	25	—
KOREA Milbon Korea Co., Ltd.	11	13	18	17	20
	30	34	39	64	—
THAI Milbon (Thailand) Co., Ltd.	–	–	3	6	6
			6	8	—
Others	4	3	8	11	13
	95	135	55	50	—

Upper column:
Number of FPs (unit: persons)

Lower column:
Sales per FP (unit: million yen)

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Outlook of Milbon Group (FY2015 3 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	FY2014 3 months	FY2015 3 months			FY2014	FY2015
JAPAN Milbon Co., Ltd.	531 241	5,203	5,276	101.4	1960	-	-
USA MILBON USA, Inc.	16 12	114	162	142.3	2004	1 $ = 100.25	114.23
CHINA Milbon Trading (Shanghai) Co., Ltd.	23 19	91	113	124.9	2009	1 yuan = 16.67	18.81
KOREA Milbon Korea Co., Ltd.	30 20	233	327	140.5	2009	1 won = 0.0936	0.1060
THAI Milbon (Thailand) Co., Ltd.	49 6	11	24	216.4	2013	1 baht = 3.16	3.49
Others *1	13 13	145	177	122.6	-	-	-

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

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Outlook of Milbon Group (FY2015 3 months)

JAPAN (Milbon Co., Ltd.)

While the hair color category has continued to see downward trend in sales due to an intensifying competition, our hair care category has showed steady growth with the rising demand for aging hair care products. We also have made a variety of preparations for advancing onto a new stage for growth, including acquiring land adjacent to Yumegaoka Plant, our main production site, in March and establishing a branch in Ginza, Tokyo's high-class shopping district.

USA (MILBON USA, INC.)

We now are ready to start distributor system in a total of seven East Coast states since our current distributor, started dealing with us last year, acquired another distributor, trading in other states. We have also been faring well in our development of new partner salons as the consequence of our focusing on product study sessions about Plarmia, a range we launched last August, while sales of in-salon treatment products have been steadily increasing. We increased our product prices in January 2015, which caused a rush of demand, resulting in sales far exceeding those forecast.

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

In addition to providing them with opportunities for training and suggestions, we invited renowned guest instructors from Japan to held beauty seminars for our distributors and top salons. These initiatives have been received favorably by not only top management but also by their senior and other staff members, and have led to solid business results, such as increased adoption of our products and number of new partner salons. Sales of hair color products have been going well, due to our matching color design suggestions, which specially target beauty-conscious people in their 20s and 30s. At the same time, demand for in-salon treatment products has also been growing as local consumers have been increasingly looking to improve their hair, resulting in steady sales of these products as well.

KOREA (Milbon Korea Co., Ltd.)

We held the first DA Korea in October, a new event for designer development, which attracted 110 entries and an audience of 1,300 people. The event was highly thought of by the participating designers. Against this backdrop, Elujuda Emulsion was released in November and has been receiving rave reviews that state it gives users a real feel how effective the CMADK ingredient is. This substantially contributed to first quarter sales.

Thailand (Milbon (Thailand) Co., Ltd.)

Our sales division started doing business with our first Thai distributor that deals exclusively in our products. As this makes it easier for us to reach medium-size salons, our partner salons have been increasing steadily. In addition, we released an Emulsion in the Elujuda range, which had already been doing well in Thailand's leave-in treatment market—which is quite a large market—and has been selling well.
The production division has been in full operation for a year now, becoming increasingly organized, and has been doing well also in terms of hiring as well as in other areas. The company has also commenced fully-fledged exports to a variety of countries, although import permits have still been in process in some countries.

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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.

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