Milbon Co., Ltd.

FY2015 Third Quarter (December 21, 2014 - September 20, 2015)

Financial Results Presentation Materials





September 30, 2015

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Consolidated Operating Results (FY 2015 9 months)

Growth in hair coloring category in addition to stable in hair-care and overseas market led to overall sales increase

(Unit: million yen)

	Amount		Increase /Decrease	Year-on-year Comparison (%)
	FY2014 9 months	FY2015 9 months		
Net sales	18,437	19,978	1,541	108.4
Gross profit	12,716	13,943	1,226	109.6
SG&A expenses	9,501	10,156	655	106.9
Operating income	3,215	3,787	571	117.8
Ordinary income	3,042	3,594	551	118.1
Net income	1,845	2,331	485	126.3

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

Aging care and leave-in items containing CMADK have been steadily growing

(FY2015 9 months)

(Unit: million yen)

FY2014 9 months	FY2015 9 months	Increase/Decrease	YOY Comparison (%)
10,436	11,618	1,181	111.3

- Activities were focused on enhancing hair designers' ability to respond to matured women who seek true professional advice, as well as to younger women in their mid-20s, who are becoming more conscious of how others see them.
- Products containing CMADK, Milbon's original hair keratin restoring ingredients, and aging care products have been continuously sold well.

  * Products containing CMADK includes: DEESSE'S Elujuda Emulsion, Aujua Immurise Line series, Jemile Fran, etc.

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)

FY target	Results	Prog. rate
500	150	30.1%



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)

FY target	Results	Prog. rate
180	98	54.9%



Feb 26 Debut

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

New Products

Jemile Fran Shampoo & Treatment

A new hair care brand for working women in their 20. Enlightening young women to hair care, timed to changes in their sense of beauty. Lock moisture into the hair, improve cuticle and make hair tangle-free and bouncy.

(Unit: million yen)

FY target	Results	Prog. rate
400	373	93.3%

Apr 21 Debut



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

New color line approach and brand new gray color launch led to a rise in sales

(FY2015 9 months)

(Unit: million yen)

FY2014 9 months	FY2015 9 months	Increase/Decrease	YOY Comparison (%)
6,654	7,129	475	107.1

- New color lines to much Spring/Summer 2015 and Autumn/Fall 2015 trends were launched. New lines that can display natural cool colors are well received, and activities to support hair designers to offer trend hair color to salon customer have proactively continued.
- Brand new hair color range Ordeve Crystal was launched in May. This new product made it possible to dye hair peppered with gray evenly for a clear color from the roots to the tips, and earned a good reputation.

New Products

ORDEVE additional color INNOCENT LINE

A soft sheen created by achromatic color express a color purity

(Unit: million yen)

FY target	Results	Prog. rate
500	509	101.9%



Jan 29 Debut

ORDEVE CRYSTAL

A hybrid color for matured women who want to continue enjoying the color, tone and texture with beautiful finish from the roots to the tips.

(Unit: million yen)

FY target	Results	Prog. rate
740	625	84.6%



May 28 Debut

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

New Products

ORDEVE additional color HEALTHY LINE

Display the unadorned beauty of hair through smooth, cool beige hues

(Unit: million yen)

FY target	Results	Prog. rate
220	128	58.2%



Sep 1 Debut

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Consolidated Sales by Product Category [Permanent Wave Product]

Sales in overseas are in good shape, yet overall sales have been downward trend

(FY2015 9 months)

(Unit: million yen)

FY2014 9 months	FY2015 First Half	Increase/Decrease	YOY Comparison (%)
1,167	1,076	- 90	92.2

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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 Q3-end	Comparison with the 2014 year end
2,002 salons	2,399 salons	119.8%

Sales (FY2015 9 months)

(Unit: million yen)

FY2014 9 months	FY2015 9 months	YOY comparison
2,430	2,998	123.4%

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
- 90 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)

FY target	Results	Prog. rate
400	127	31.8



Jan 30 Debut

Aging care series IMMURISE Jell Stemrizer

A beauty jelly primer rich in CMADK that brings greater strength and beauty to the hair

(Unit: million yen)

FY target	Results	Prog. rate
100	34	34.4



Apr 1 Debut

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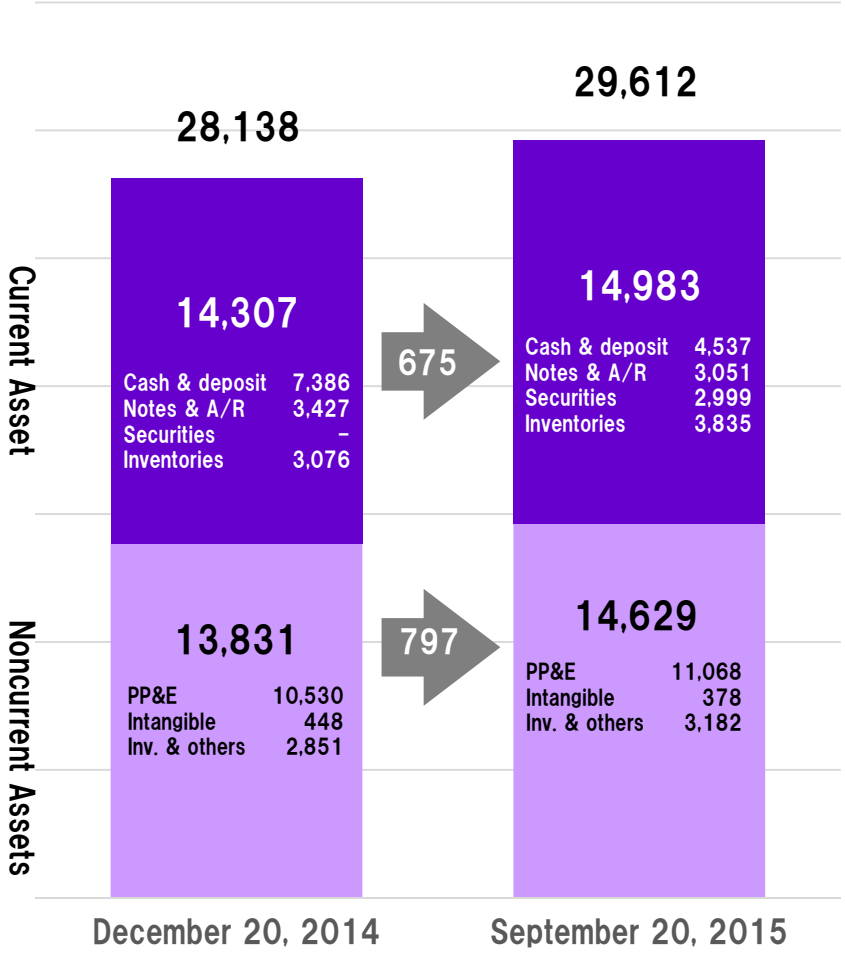
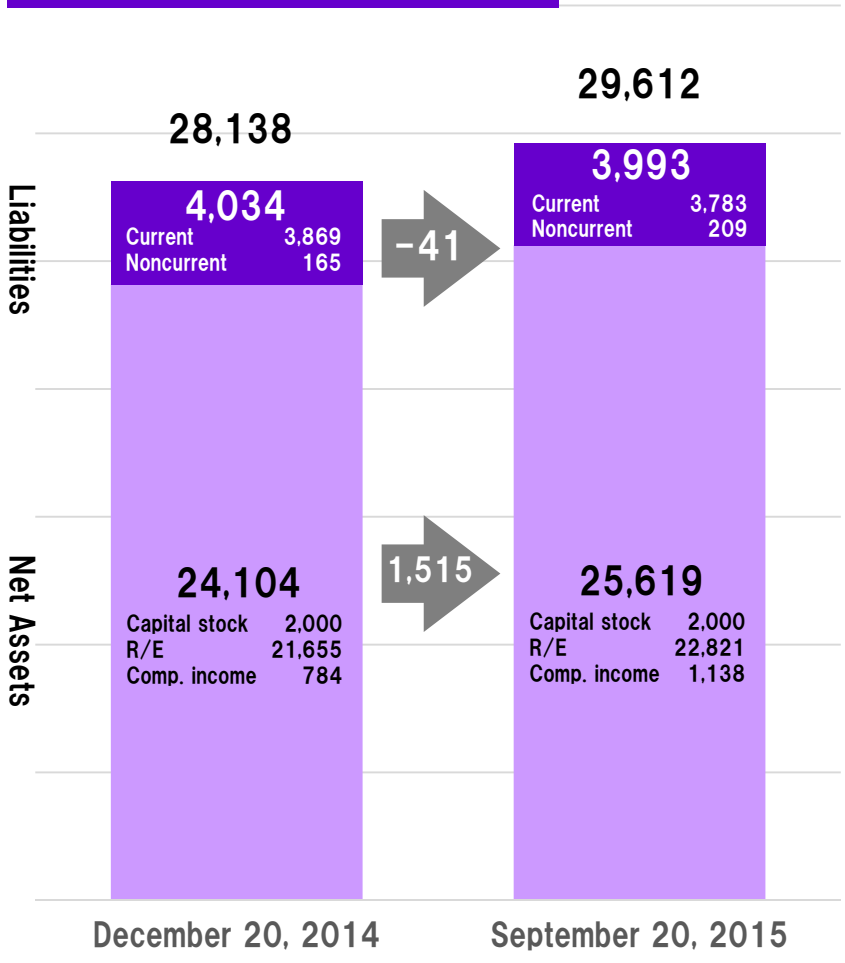
Consolidated Balance Sheet

(Unit: million yen)

Assets



Liabilities and Net Assets



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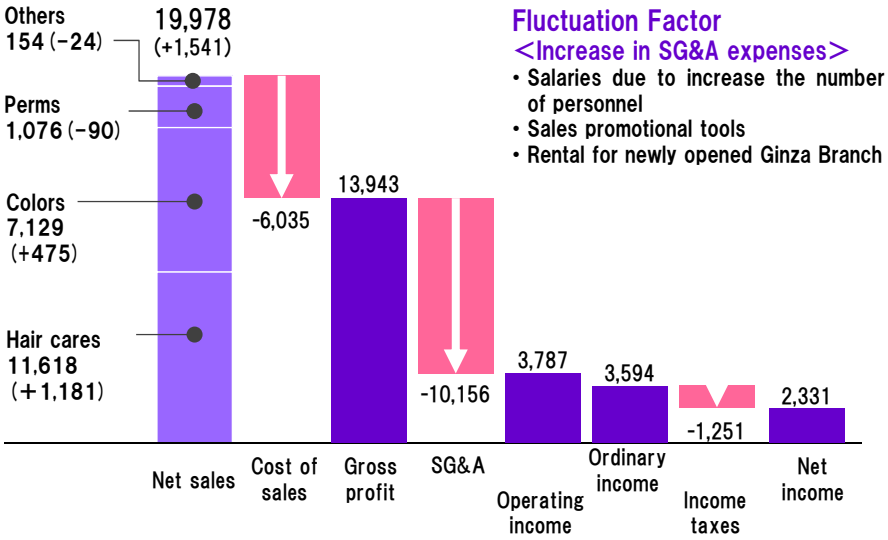
Consolidated Statement of Earnings (FY 2015 9 months)

(Unit: million yen)

	Amount		Increase/ Decrease	YOY comparison (%)
	FY2014 9 months	FY2015 9 months		
Sales	18,437	19,978	1,541	108.4
Cost of sales	5,720	6,035	314	105.5
Gross profit	12,716	13,943	1,226	109.6
SG&A expenses	9,501	10,156	655	106.9
Operating income	3,215	3,787	571	117.8
Ordinary income	3,042	3,594	551	118.1
Net income	1,845	2,331	485	126.3



Fluctuation Factor
<Increase in SG&A expenses>
- Salaries due to increase the number of personnel
- Sales promotional tools
- Rental for newly opened Ginza Branch

Breakdown of net sales by product category

	FY2014 9 months	FY2015 9 months	Ratio (%)	YOY change	YOY comparison (%)
Hair care products	10,436	11,618	58.1	1,181	111.3
Hair coloring product	6,654	7,129	35.7	475	107.1
Permanent wave products	1,167	1,076	5.4	- 90	92.2
Others	179	154	0.8	- 24	86.1

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Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category		FY2010	FY2012	FY2013	FY2014	FY2015 Jan.-Sep.	Plan for FY2015
Capital expenditures		528	840	1,680	1,028	1,215	2,652
Depreciation and amortization		1,011	947	878	1,004	760	1,062
R&D exp.	Amount	870	873	969	1,168	890	1,211
	R&D exp to sales ratio	4.2%	4.0%	4.1%	4.6%	4.5%	4.5%

- R&D expense to sales ratios are calculated based on consolidated figures, starting this quarter end, also retrospectively adjusted.

FY2015 9 months CAPEX Main Items

- Purchase of land adjacent to Yumegaoka Plant
- Initial expenditure for Tokyo Ginza Branch
- Relocation of Sapporo Sales Office
- Warehouse expansion of Thai Factory

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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)

	2010	2011	2012	2013	2014	2015	Remarks
Number of salons	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	456,872	471,161	479,509	487 636	—	—	
Beauty customer population	39,812	39,640	39,076	38,468	37,847	37,555 (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

Fieldpersons trends (by country)

	2011	2012	2013	2014	2015 Q3
JAPAN Milbon Co., Ltd.	203	221	230	238	240
	95	92	95	95	—
USA MILBON USA, Inc.	9	10	12	12	10
	39	35	36	40	—
CHINA Milbon Trading (Shanghai) Co., Ltd.	11	15	16	17	17
	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	14
	95	135	55	50	—

Upper row:
Number of FPs (unit: persons)

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

*29 FPs are under training (as of Sep. 20, 2015)
(not included in the left chart)

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Outlook of Milbon Group (FY2015 9 months)

Sales in all areas centering on East Asia including Japan are steadily growing

	Number of employees	Sales (million yen)		YOY comparison	Start operations	Forex rates	
	Number of FPs	FY2014 9 months	FY2015 9 months			FY2014	FY2015
JAPAN Milbon Co., Ltd.	580 240	16,562	17,455	105.4	1960	-	-
USA MILBON USA, Inc.	14 10	363	472	129.9	2004	1 $ = 101.73	118.29
CHINA Milbon Trading (Shanghai) Co., Ltd.	23 17	295	460	155.7	2009	1 yuan = 16.58	19.32
KOREA Milbon Korea Co., Ltd.	31 20	778	1,046	134.4	2009	1 won = 0.09627	0.1083
THAI Milbon (Thailand) Co., Ltd.	47 6	33	66	200.7	2013	1 baht = 3.15	3.60
Others *1	14 14	403	477	118.4	-	-	-

*1: Taiwan, Hong-Kong, Vietnam, Malaysia, Turkey, Indonesia, Philippine and others

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Outlook of Milbon Group (FY2015 9 months)*

JAPAN (Milbon Co., Ltd.)

In the increasingly competitive environment for the hair coloring products category, the new hair coloring products launched in the first half of the term, Ordeve Crystal and Villa Lodola Color, are highly thought of in the market. Additional colors for the existing hair color range Ordeve also had good sales results and the decreasing sales of the hair coloring products category have started to increase. In addition to the products that meet the needs of older generations, Milbon Japan launched a new hair care brand Jemile Fran shampoo & treatment for the younger generation in their 20s who have just started their careers. The market appreciates this supporting activity that provides this generation at the timing of changing their awareness of beauty with professional hair design and hair care values that may lead to lifetime customers.

USA (Milbon USA, Inc.)

Sales activities through a distributor have expanded to seven states on the East Coast and are firmly taking hold. The number of partner salons is steadily increasing. With respect to Plarmia Hair Serum launched in February, Milbon USA touted Milbon's exclusive technology that replenishes the broken protein in damaged hair. The product was accepted in the US market, where many customers care about damage caused by hair color, and had great sales results. More customers than the company had expected replaced the existing products with Plarmia Hair Serum, and therefore there wasn't a big increase in sales. However, the overall sales results for Milbon USA were good.

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

Milbon Shanghai holds seminars for distributors. The distributors' proactive training activities for salons strengthen their relationship with strong salons in the region. In the new areas Sichuan (Chengdu City) and Chongqing, the number of customers is steadily increasing and expected to increase further in the next term. For salons, Milbon Shanghai holds manager seminars focusing on the promotion of repeat customers and educational seminars with an external lecturer who is successful in Japan or China. It contributes to improving customer satisfaction. In addition, a hair care technician qualification system has been introduced. Improving stylists' counseling skills and product knowledge contributes to an increase in the sales of hair care products and in-salon treatments.

KOREA (Milbon Korea Co., Ltd.)

In April, Milbon Korea implemented a campaign celebrating the first anniversary of Plarmia. In May, Plarmia Hair Serum series, hair care products for aging hair, was launched. It enabled Plarmia to provide both scalp treatment and hair treatment and improved the comprehensive strength of the Plarmia brand. The total sales of Plarmia as of June were good, resulting in a 35% increase in sales compared with the same period of the previous year. Due to the breakout of MERS from the beginning to the end of June, the number of customers coming to salons decreased significantly. Although salons remained opened, some had virtually no business and the overall economy in South Korea slowed down. In such a difficult situation, Milbon Korea continued its activities focusing on hair color training. As a result, the sales of hair coloring products increased by 26% compared with the same period of the previous year.

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

[Sales division] Consumption decreased in May after Songkran (Thai New Year), but hair color sales, which were the main products and accounted for a high percentage of sales, continued to be robust, resulting in a 38% increase. In addition, the Plarmia brand, for which new items have been launched periodically since last year, has started to gain popularity in the market.
[Production division] Overall shipments were delayed due to issues related to an import permit in the country of destination. The permit was obtained for all products shipped to Taiwan, and Milbon Thailand will start shipping from the 4th quarter. For increases in production volume going forward, Milbon Thailand replaced the preparation tank to raise production capacity.

***The values in the text above are based on local currencies.**

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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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