Milbon Co., Ltd.
FY2017 Financial Results Presentation Materials



February 14, 2018

Find Your Beauty MILBON

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Fiscal Year 2017 (58th term) Operating Results

Masahiro Murai, Managing Director

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Due to the change in the accounting period, the fiscal year under review is the 12 months plus 11 days from December 21, 2016 to December 31, 2017. For the consolidated accounting, financial results for overseas consolidated subsidiaries are their respective individual results for the 15-month period from October 1, 2016 to December 31, 2017. For that reason, the financial results values used for comparison in these materials have been calculated based on the 12 months prior to the change in the accounting period.

Notation in these materials	Respective periods	Periods for subsidiaries
FY2017 (12 months)	December 21 to December 20 of the following year (12 months)	October 1 to September 30 of the following year (12 months)
FY2017 (Irregular accounting period)	December 21 to December 31 of the following year (12 months plus 11 days)	October 1 to December 31 of the following year (15 months)

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Consolidated Operating Results

Net sales and profit both grew steadily

(Unit: million yen)

	FY2016	FY2017 (12 months)*	Increase/ Decrease	Increase/ Decrease ratio (%)	FY2017 (Irregular accounting period)
Net sales	29,134	31,708	2,574	8.8	33,456
Gross profit	20,100	21,661	1,560	7.8	22,797
SG&A expenses	14,986	16,347	1,360	9.1	17,452
Operating income	5,113	5,313	199	3.9	5,345
Ordinary income	4,733	4,980	247	5.2	4,997
Profit attributable to owners of parent	3,069	3,785	715	23.3	3,817

* Values are adjusted for 12 months. (see page 3)

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Consolidated Sales by Product Category [Hair Care Product]

Premium brands grew steadily

(Unit: million yen)

FY2016	FY2017 (12 months)*	Increase/ Decrease	Increase/ Decrease ratio (%)	FY2017 (Irregular accounting period)
17,711	18,688	976	5.5	19,511

- In premium brands, the Aujua upgrade carried out in November received even higher ratings than expected. Steady progress of “milbon” in salons, including overseas, contributed to good results.
- Professional brands struggled somewhat due to difficulty in keeping them compartmentalized from premium brands. Sales strategies will need to be restructured in future.

* Values are adjusted for 12 months. (see page 3)

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Aujua

Product replacement progressed faster than expected due to upgrade

Number of Aujua salons

FY2016 year-end	FY2017 year-end	Increase/ Decrease ratio (%)
2,779 salons	3,166 salons	13.9

Sales

(Unit: million yen)

FY2016	FY2017 (12 months)*	Increase/ Decrease ratio (%)	FY2017 (Irregular accounting period)
5,043	5,339	5.9	5,539

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?

Hair care that supports beauty, now and into the future, by addressing each individual's hair and skin concerns and choosing the most appropriate item for that time.
This is Aujua.

Product range

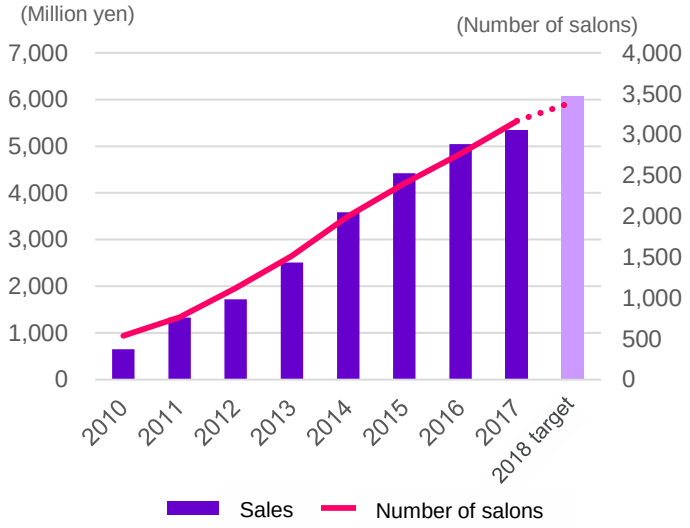
A wide-ranging line-up that suits the hair texture of individual customers

- **4 series**
  - **Aging care series**
  - **Hair care series**
  - **Scalp care series**
  - **Climatic care series**
- **13 lines •94 items**

Upgrade launched November 2017



Trends in sales & number of salons



* Values are adjusted for 12 months. (see page 3)

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A Premium Brand, “milbon”

Overseas rollout also progressed steadily

Brand concept

A system hair care brand that cultivates the “unique beauty” of each individual, with 360° shiny hair

What is “milbon”?

We conducted an in-depth analysis of the inner structure of the hair of women from 20 countries around the world, using our proprietary CT scanning technology, and discovered SSVs (Sticked-Shaped Voids). SSVs are hollow, tubular gaps that form in damaged hair. Accordingly, we developed a hair care line containing ingredients capable of repairing such hollowed out hair and increasing the density within each strand of hair. “milbon” is a system hair care product for developing shiny, beautiful hair from the core.

Number of salons

As of December 31, 2017・・・・・・3,966 salons

Sales

FY2017・・・・・・・・・・・・・・・・・・・・1,764 million yen

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360° BEAUTIFUL HAIR

June 2016 Debut

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Consolidated Sales by Product Category [Hair Coloring Product]

New products aimed at the young demographic were well received, driving sales of hair color products

(Unit: million yen)

FY2016	FY2017 (12 months)*1	Increase/Decrease	Increase/ Decrease ratio (%)	FY2017 (Irregular accounting period)
9,892	11,264	1,372	13.9	12,095

- We introduced a new brand, “ORDEVE Addicthy,” to respond to the desires of women who want to continue to display freedom in their hair color design. Sales significantly exceeded annual targets, thanks to a positive reception for its ability to easily express color by eliminating red tones.

New Product

ORDEVE Addicthy

Erases red-tinged brown with high saturation blue. With clear and transparent color expression, it lets customers freely realize individual hair color designs.

(Unit: million yen)

FY target	FY2017 (12 months)*1, 2	Achievements (%)	FY2017 (Full-year accounting period)
755	2,012	266.6%	2,070



Feb. 1 Debut

*1 Values are adjusted for 12 months. (see page 3)
*2 Figures are on a non-consolidated basis.

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A Premium Organic Brand, Villa Lodola (1)

Villa Lodola Color continues to be well-received and to drive brand sales

Number of Villa Lodola salons

FY2016 year-end	FY2017 year-end	Increase/ Decrease ratio (%)
5,632 salons	6,895 salons	22.4

Sales

(Unit: million yen)

FY2016	FY2017 (12 months)*	Increase/ Decrease ratio (%)	FY2017 (Irregular accounting period)
795	966	21.5	998

Brand concept

Nurtured in the soil of Italy, these *gifts from nature* bring out the authentic beauty of your hair and scalp.

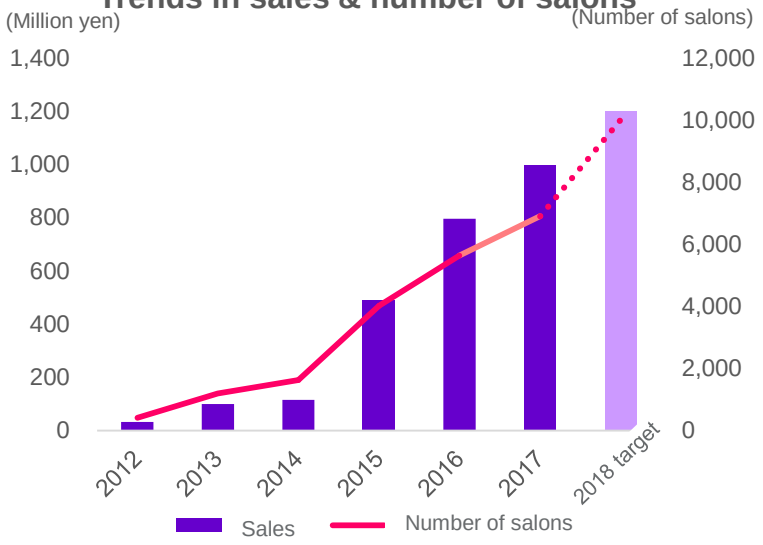
What is Villa Lodola?

Based on the concept of “Beauty, the Organic Way,” Villa Lodola is a true organic brand that thoroughly cares about the natural environment not only for the product itself but also in its container, production phase and promotional tools. All of the products are certified by ICEA, an Italian authority.

Villa Lodola supports organic choices, with hair care products nurtured in the soil of Italy, bringing out true beauty.



Trends in sales & number of salons



* Values are adjusted for 12 months. (see page 3)

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A Premium Organic Brand, Villa Lodola (2)

Core Product

Villa Lodola Color

With 92% natural ingredients, the product's formulation utilizes the power of plants. It brings comfort of an organic product across all aspects, including during application, the finish and continued use.



FY2015 Debut

(Unit: million yen)

FY2016	FY2017 (12 months)*1	Increase/ Decrease ratio (%)	FY2017 (Irregular accounting period)
518	679	31.0	704

*2 Previously, the rate of progress toward achieving FY targets was indicated, but from the third quarter of FY2017, year-on-year comparisons are shown.

*1 Values are adjusted for 12 months. (see page 3)
*2 Previously, the rate of progress toward achieving FY targets was indicated, but from the third quarter of FY2017, year-on-year comparisons are shown.

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Consolidated Statement of Earnings

(Unit: million yen)

	FY2016	FY2017 (12 months)*	Increase/ Decrease	Increase/ Decrease ratio (%)	FY2017 (Irregular accounting period)	
Sales	29,134	31,708	2,574	8.8	33,456	
Cost of sales	9,034	10,047	1,013	11.2	10,659	*1
Gross profit	20,100	21,661	1,560	7.8	22,797	
SG&A expenses	14,986	16,347	1,360	9.1	17,452	*2
Operating income	5,113	5,313	199	3.9	5,345	
Ordinary income	4,733	4,980	247	5.2	4,997	
Profit attributable to owners of parent	3,069	3,785	715	23.3	3,817	*3

<Major factors for the increase/decrease>

***1 Cost of sales:**
- **Increase in depreciation and amortization associated with start of operations at new Yumegaoka Plant**
- **Increase in provision for bonuses (manufacturing and labor expenses) due to change in bonus assessment standards associated with the change in the accounting period**

***2 SG&A expenses:**
- **Higher personnel expenses due to an increase in personnel and salary hikes**
- **Increase in R&D expenses due to structural enhancements**
- **Increase in provision for bonuses due to change in bonus assessment standards associated with the change in the accounting period**

***3 Profit attributable to owners of parent:**
- **Extraordinary income recorded due to the sale of a portion of cross-held shares**
- **Extraordinary loss recorded due to brand reorganization associated with upgrade of Aujua**

* Values are adjusted for 12 months. (see page 3)

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Consolidated Sales by Product Category, etc.

(Unit: million yen)

	FY2016	FY2017 (12 months)*	Increase/ Decrease	Increase/ Decrease ratio (%)	FY2017 (Irregular accounting period)
Hair care products	17,711	18,688	976	5.5	19,511
Hair coloring products	9,892	11,264	1,372	13.9	12,095
Permanent wave products	1,260	1,482	222	17.7	1,569
Others	270	273	2	1.0	279

*Supplemental Info. – Return to shareholders

<Dividends>

(Unit: yen)

	FY2015	FY2016	FY2017
End of 2Q	35	38	40
End of FY	39	40	52
Total	74	78	92

* Values are adjusted for 12 months. (see page 3)

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Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category		FY2013	FY2014	FY2015	FY2016	FY2017
Capital expenditures		1,680	1,028	2,779	4,262	1,570
Depreciation and amortization		878	1,004	1,033	1,077	1,272
R&D exp.	Amount	969	1,168	1,214	1,232	1,422
	% to sales	4.1%	4.6%	4.4%	4.2%	4.3%

FY2017 CAPEX Main Items

- Development expenses for sales management software
- Establishment of a new domestic base (Shizuoka Sales Office)
- Interior, equipment, etc., due to relocation of domestic bases (Yokohama sales Office)
  *Fukuoka Branch and Okayama Sales Office planned for FY2018

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Trends in Market Related Data, Trends in Fieldpersons (FPs)

Market trends (Japan)

	2012	2013	2014	2015	2016	2017	Remarks
Number of salons (salons)	231,134	234,089	237,525	240,299	243,360	—	Ministry of Health, Labour and Welfare, Report on Public Health Administration and Services Number of beauty salon facilities / number of employees (year-end)
Number of hair dressers (people)	479,509	487,636	496,697	504,698	509,279	—	
Number of beauty customers (thousand people)	39,076	38,468	37,847	37,395	37,023	36,734 (As of Aug. 1)	Statistics Bureau, Ministry of Internal Affairs and Communications: Population statistics as of October 1st of each year Population statistics for females aged 15 to 64

Fieldpersons trends (by country) (Number of FPs / As of the beginning of the fiscal year (December 21))

	2013	2014	2015	2016	2017 *1
JAPAN Milbon Co., Ltd.	210	216	237	249	258
	104	104	100	102	105
USA MILBON USA, INC.	12	12	12	9	12
	36	40	53	63	48
CHINA Milbon Trading (Shanghai) Co., Ltd	16	17	18	18	19
	17	25	36	40	50
KOREA Milbon Korea Co., Ltd.	17	17	19	20	23
	41	64	75	80	84
THAILAND Milbon (Thailand) Co., Ltd	3	6	6	6	9
	6	8	15	14	13
Others *2	7	12	16	19	24
	63	46	42	47	38

Upper column: Number of FPs (persons)
Lower column: Sales per FP (million yen)

13 FPs in training as of the end of FY2017
31 FPs expected to join in April 2018

(The above 44 FPs are not included in the left chart.)

*1 Values are adjusted for 12 months. (see page 3)
*2 Taiwan, Hong Kong, Vietnam, Malaysia, Turkey, Indonesia, the Philippines, Singapore, Germany and others

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Outlook of Milbon Group

East Asia region continues to drive growth

	Sales (million yen)		Increase/ Decrease ratio (%)	Start operations	Forex rates		Sales (million yen)	Forex rates
	FY2016	FY2017 (12 months)*1			FY2016	FY2017 (12 months)*1	FY2017 (Irregular accounting period)	FY2017 (Irregular accounting period)
Japan Milbon Co., Ltd	25,287	27,173	7.5	1960	-	-	27,974	-
USA MILBON USA, INC	571	579	1.5	2004	1 dollar = 111.81	111.31	735	1 dollar = 111.64
CHINA Milbon Trading (Shanghai) Co., Ltd.	737	959	30.0	2009	1 yuan = 16.97	16.37	1,208	1 yuan = 16.51
KOREA Milbon Korea Co., Ltd.	1,603	1,941	21.1	2009	1 won = 0.0969	0.0972	2,440	1 won = 0.0980
THAILAND Milbon (Thailand) Co., Ltd.	86	119	37.1	2013	1 baht = 3.18	3.21	154	1 baht = 3.25
Others *2	847	935	10.4	-	-	-	943	-

*1 Values are adjusted for 12 months. (see page 3)
*2 Taiwan, Hong Kong, Vietnam, Malaysia, Turkey, Indonesia, the Philippines, Singapore, Germany and others

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Outlook of Overseas Subsidiaries (1)

USA (MILBON USA, Inc.)

Sales did not grow as expected owing to a series of closures and consolidations of major salons due to soaring rents in Manhattan and other factors, and a hike in the distributor margin in the distributor category offsetting steady growth in outside sales.

By product, “milbon” grew significantly as a result of activities focused on hair care, styling and scalp care, but was not able to cover a decrease in sales in other categories.

With a view to the next fiscal year and beyond, we started considering distributors in Georgia, Texas and other areas and began preparing the sales and training system for hair colors scheduled for launch in 2019.

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

In the market environment, high unit-price trendy salons that offer personalized service are increasingly successful in attracting customers. Also, customer preferences are shifting toward services such as hair color design and salon treatment. Amid this trend, ORDEVE’s high-quality training activities and introduction of trendy colors have been well-received for allowing personalized service, and hair color products have grown significantly.

In hair care products, the first “milbon” launch was focused on 40 influential salons. Customer satisfaction has been extremely high, and we anticipate strong performance from future rollouts.

In addition, regular implementation of OJT has significantly raised awareness among locally hired manager-level employees. This in turn improved the quality of activities for distributors and salons, in a positive cycle that leads to results.

*Figures in the text on pages 16 and 17 are based on local currencies.

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Outlook of Overseas Subsidiaries (2)

KOREA (Milbon Korea Co., Ltd.)

Regionally based market activities were further strengthened through the opening of the Daejeon Branch, following the branches in Seoul and Pusan. These moves are producing results.

In hair color products, ORDEVE has grown considerably due to the continuing favorable reception for training on trends in connection with the launch of seasonal trend colors that cannot be imitated by other companies. In hair care products, Aujua has been growing steadily in its introduced salons.

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

[Sales division]

We are starting to see positive effects as a result of concentrating our market activities by focusing on a single distributor, which has also allowed us to share market information.

In hair color products, sales have grown steadily, partly due to the synergy effects of activities to introduce new color trends from ORDEVE and a launch focused on cold shades from Addicthy. The “milbon” products launched in the period under review have been highly rated for their finish texture and feel. We focused on target salons, and the need for two training sessions has been accepted, so performance looks promising going forward.

[Production division]

Production has expanded far more than planned, reflecting a steady growth in production of hair color products, the start of production for “milbon” for commercial use, and the start of shipments to China. The local procurement rate is also rising steadily. As a result, the manufacturing cost ratio has improved substantially.

With regard to the quality-control system, errors and inconsistencies are rare, managers and frontline personnel are both developing, and the employee turnover rate is less than 1%.

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Milbon Group

2015-2019 Medium-Term Management Plan & Progress

Initiatives for FY2018 (59th term)

Ryuji Sato, President & CEO

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2015-2019 Medium-Term Management Plan ~Progress at the end of FY2017~

* With regard to the progress of the Medium-Term Management Plan, in order to compare the values for the final year FY2019 with those for a similar 12-month period, we used the values for the 12 months prior to the change in the accounting period as the “FY2017 results (12 months).” (For details, please see page 3.) For the same reason, we used the target figures of the 12-month operating forecast prior to the revisions associated with the change in the accounting period.

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2015-2019 Medium-Term Management Plan

~Progress at the end of FY2017~

The net sales targets of the Medium-Term Management Plan are within reach, even though SG&A expenses piled up due to forward investment

(Unit: million yen)

	FY2017 target (12 months)*1		FY2017 results (12 months)*2		Achievements (%)	Growth rate from previous year (%)	FY2019 target (medium-term end)	
	Amount	% to sales	Amount	% to sales			Amount	% to sales
Net sales	31,000	100.0	31,708	100.0	2.3	8.8	35,000	100.0
Domestic	26,560	85.7	27,173	85.7	2.3	7.5	28,500	81.4
Overseas	4,440	14.3	4,535	14.3	2.2	17.9	6,500	18.6
Gross profit	21,040	67.9	21,661	68.3	3.0	7.8	24,500	70.0
SG&A	15,740	50.8	16,347	51.6	3.9	9.1	18,500	52.9
Operating income	5,300	17.1	5,313	16.8	0.3	3.9	6,000	17.1
Ordinary income	4,890	15.8	4,980	15.7	1.9	5.2	5,600	16.0
Profit attributable to owners of parent	3,450	11.1	3,785	11.9	9.7	23.3	3,850	11.0

*1 Values are for the 12 months prior to revision of the operating forecast.

*2 Values are adjusted for 12 months. (see page 3)

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2015-2019 Medium-Term Management Plan

~Progress in net sales by country~

Extremely favorable performance in Japan, China and Korea

(Unit: million yen)

	FY2017 target (12 months)*1	FY2017 results (12 months)*2	Achievements (%)	Growth rate from previous year (%)	FY2019 target (medium-term end)	Exchange rate	
						FY2017 actual	FY2019 estimate
JAPAN Milbon Co., Ltd.	26,560	27,173	2.3	7.5	28,500	-	-
USA MILBON USA, INC.	590	579	(1.9)	1.5	840	111.31	105.00
CHINA Milbon Trading (Shanghai) Co., Ltd.	881	959	8.9	30.0	1,350	16.37	17.00
KOREA Milbon Korea Co., Ltd.	1,811	1,941	7.2	21.1	2,500	0.0972	0.1000
THAILAND Milbon (Thailand) Co., Ltd.	105	119	13.4	37.1	250	3.21	3.20
Other areas*3	1,052	935	(11.1)	10.4	1,560	-	-
<Reference>							
East Asia*4 total	3,314	3,473	4.8	20.3	4,490	-	-
South-east Asia*5 total	478	471	(1.4)	22.7	1,020	-	-

*1 Values are for the 12 months prior to revision of the operating forecast.
*2 Values are adjusted for 12 months. (see page 3)

***3 Taiwan, Hong Kong, Vietnam, Malaysia, Turkey, Indonesia, the Philippines, Singapore, Germany and others**

***4 China, Korea, Taiwan and Hong Kong**
***5 Thailand, Vietnam, Malaysia, Indonesia, the Philippines, Singapore and others**

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2015-2019 Medium-Term Management Plan
~CAPEX FY2017~

Aggressive investment in cosmetic products business and overseas business

Use	FY2015-FY2017	FY2019
Investment in future growth	8,610 million yen	10,000 million yen
Main items	• Construction of new Yumegaoka Plant • Establishment and expansion of new domestic branches (Ginza, Sapporo, Kumamoto, Okayama, the Philippines, Yokohama, Shizuoka, Chengdu (China), Germany, Singapore and Daejeon (Korea)) • Expansion of Thai warehouse • Relocation of head office to Tokyo • New sales management software • Cosmetic products business	• Construction of new Yumegaoka Plant • Expansion of Thailand Plant • Establishment and expansion of new domestic branches (8 domestic locations including Ginza and Yokohama and several foreign locations including the Philippines) • M&A investment in the US and Europe • Cosmetic products business
Return to shareholders	3,990 million yen	7,000 million yen
	• Dividend payout ratio FY2015 41.1% FY2016 41.6% FY2017 39.5%	• Stable return to shareholders targeting a dividend payout ratio of 40%
Increase in R/E	- 1,210 million yen	3,000 million yen
Capital efficiency	ROE 13.0% *FY2017	ROE 12% or over *FY2019 target

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Initiatives for FY2018 (59th term)

* In order to compare FY2018 targets with a similar period, we used the “FY2017 results (12 months)” values before the change in the accounting period for comparison. (For details, please see page 3.)

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Background

- Demographic trends, declining birthrate and aging population
- Difficulties in attracting customers and recruitment
- Wave of labor and workstyle reforms

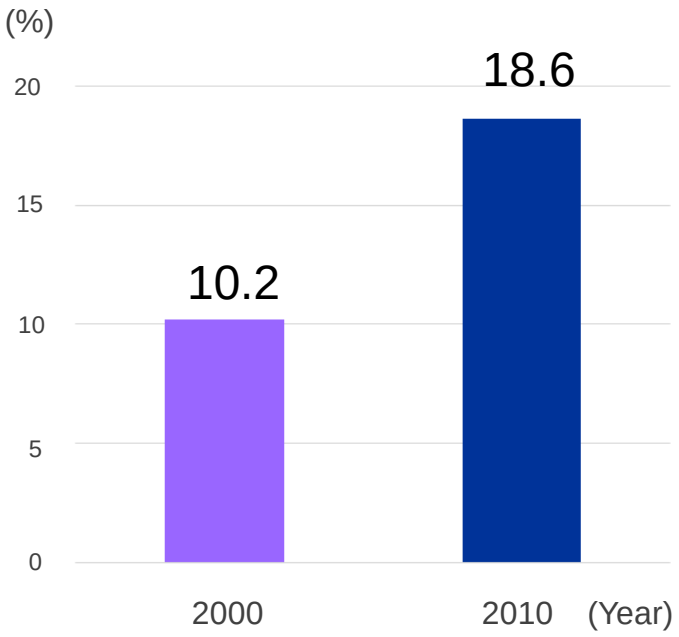
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■ Changes in salon environment

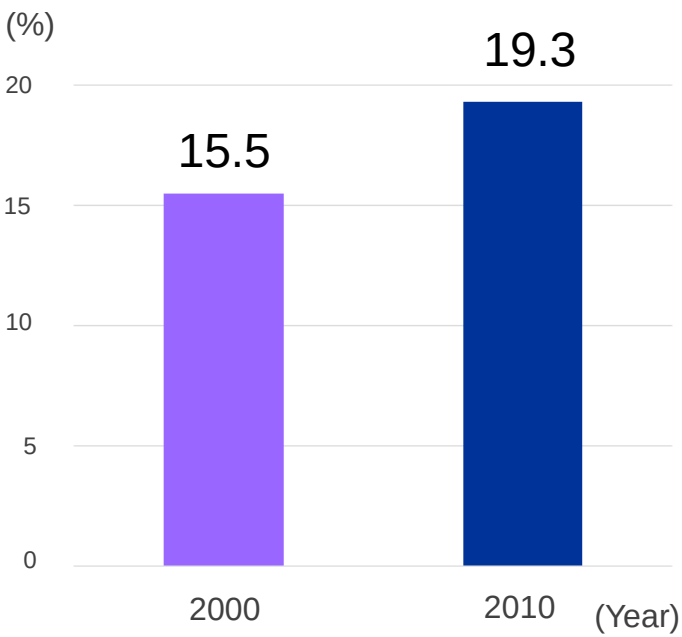
Polarization of average customer spend

Average customer spend at regular salons nationwide*

High-end salons (¥8,000 and above)



Low-end salons (under ¥4,000)



* “Fact-finding Survey on Economic Conditions in the Beauty Industry,” Ministry of Health, Labour and Welfare

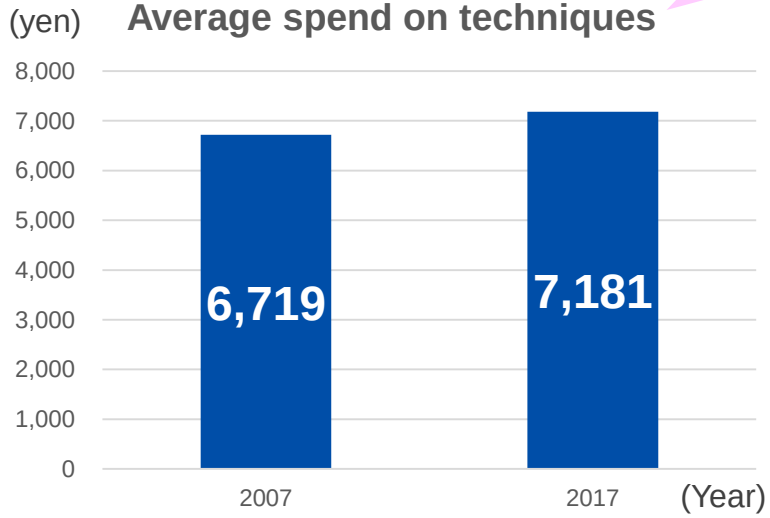
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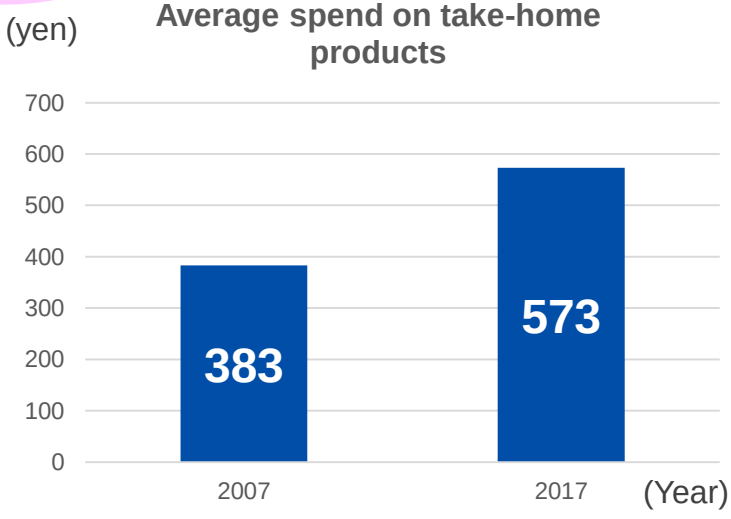
■ Breakdown of average customer spend

Average customer spend at Milbon introduced salons

+6%



+50%



Increase in both average spend on techniques and average spend on take-home products

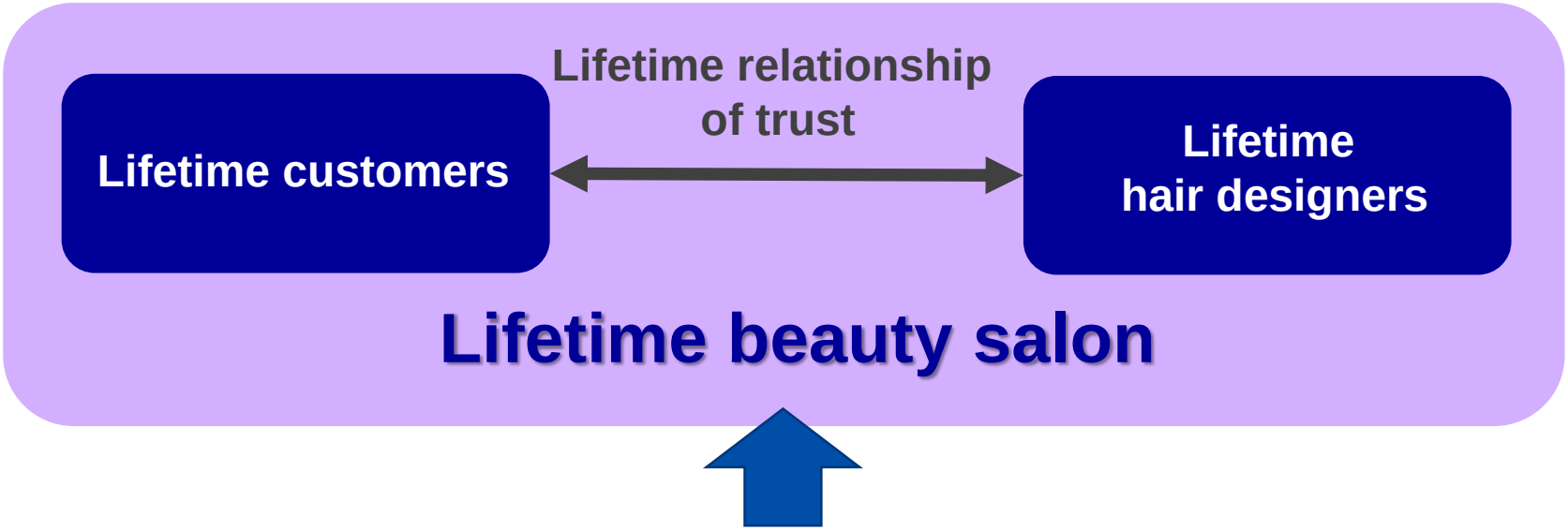
*Milbon management index survey

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Market Strategy

■ “Lifetime customers” are created by “Lifetime hair designers”



- ◆ Supporting the creation of lifetime beauty salons that nurture lifetime hair designers
  (Creating an organization built around people and education)
- ◆ Shifting salon take-home product business into full gear

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■ Changing times

Up to the 1980s	The era of selling techniques
1990s	The era of selling hairstyles
Now	The era of selling beauty

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■ Capturing lifetime customers

From anti-aging

To aging beauty

From aging beauty

To lifetime beauty

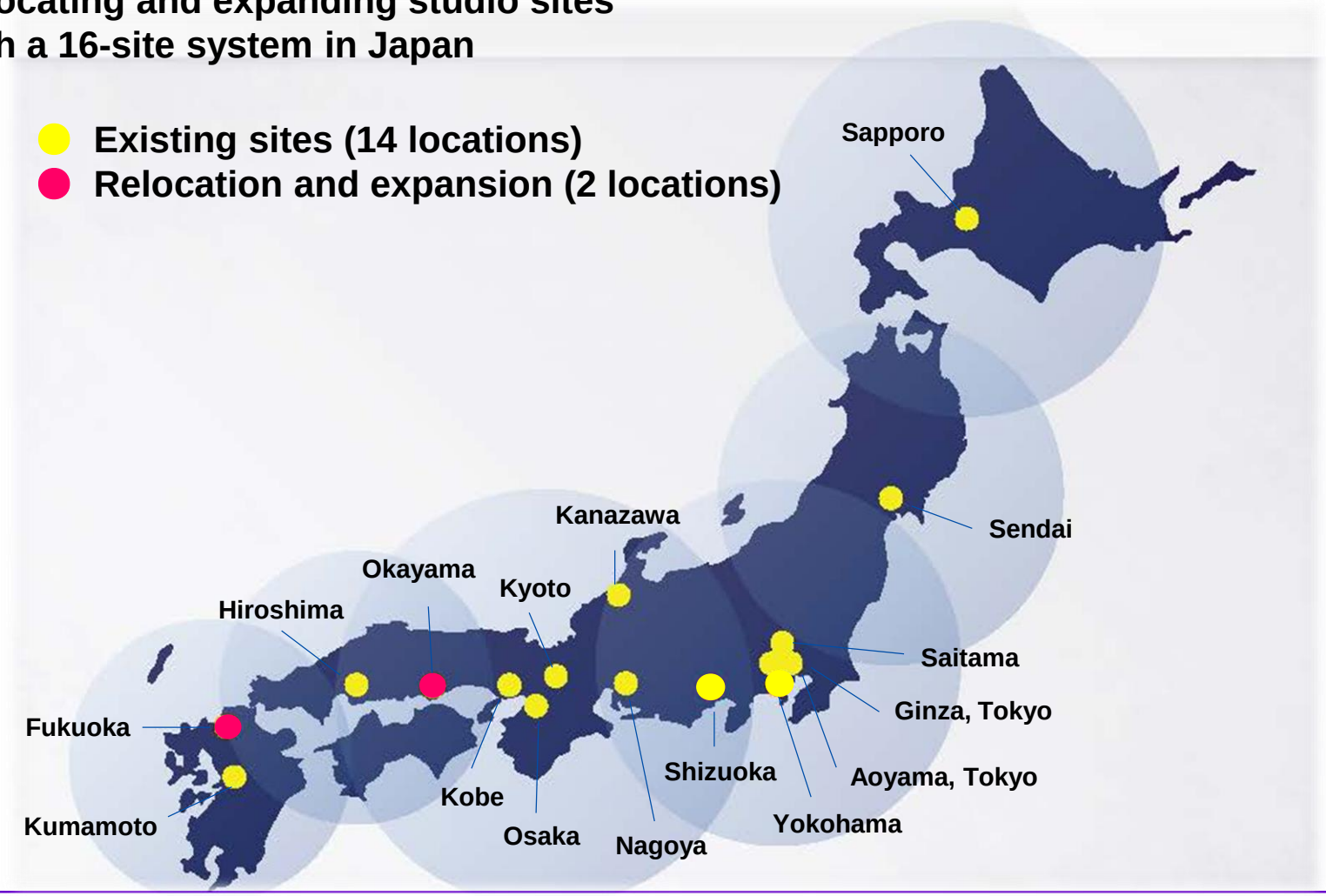
What is lifetime beauty?

Allowing a woman's beauty to continue shining throughout her life, with the help of a hair designer who looks at the customer's entire lifetime.

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Initiatives for FY2018 (1)

Relocating and expanding studio sites
With a 16-site system in Japan



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Initiatives for FY2018 (1)

■ Overseas markets

◆ Initiatives in countries overseas where results are emerging

(1) Thoroughly implementing the MILBON WAY (study groups including distributors as well as employees)

(2) Creating contact points for hair color products

Strengthen in all areas overseas

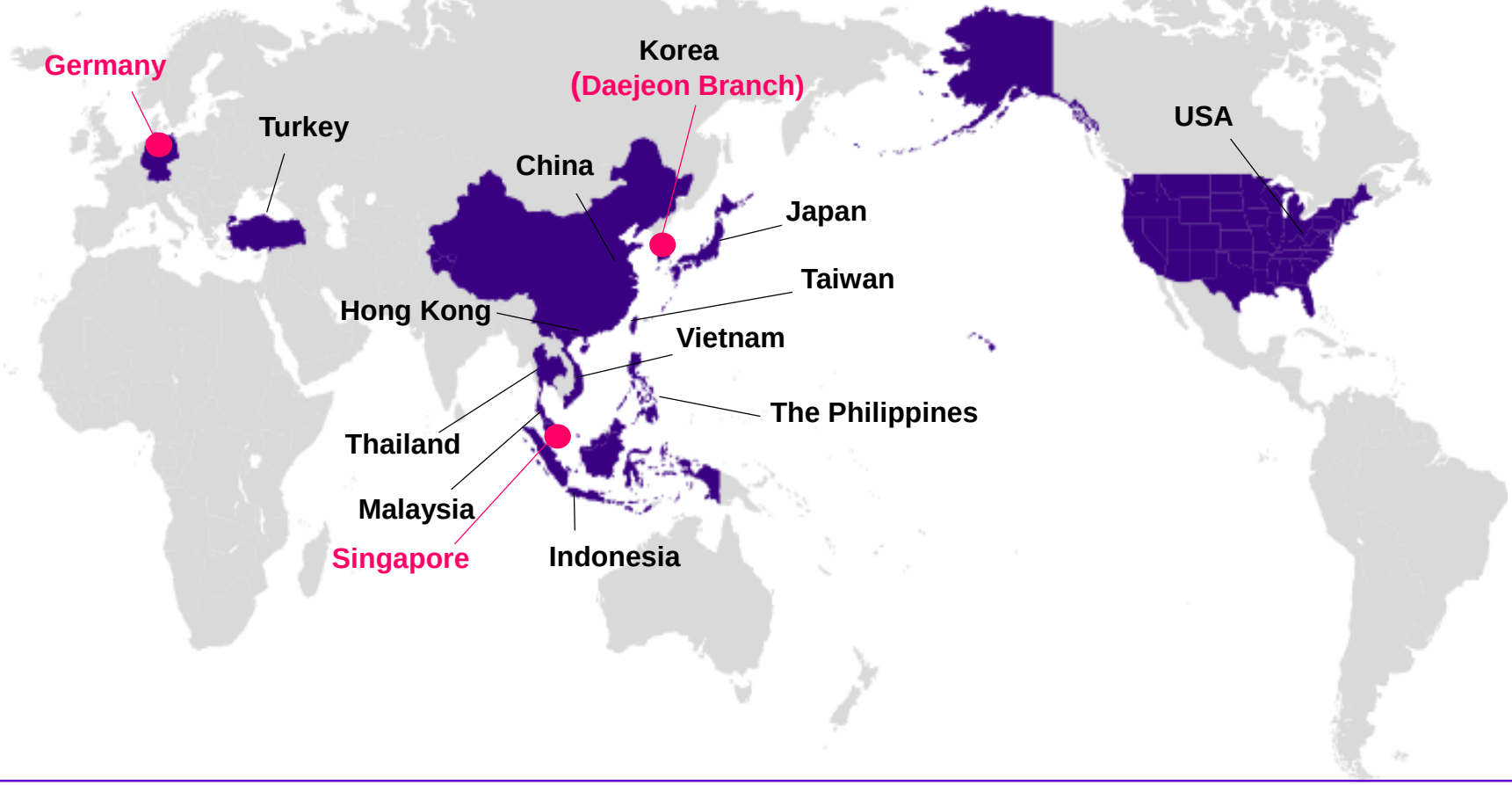
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Initiatives for FY2018 (1)

■ Overseas bases in 17 locations in 13 countries

● FY2017 establishment (3 location)



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Initiatives for FY2018 (2)

■ **Enhancing support for designer education**

- **DA (Designer's Ability)**
  Held in eight blocks in Japan and four countries overseas
- **Photo Revolution Grand Prix**







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Initiatives for FY2018 (3)

■ **Find Your Beauty Project…Supporting salons' customer attraction and recruitment**



⇦ **"Watashi Hiraku" ("Finding myself")**, a special movie
One woman's story of encountering her new self at a beauty salon
https://www.youtube.com/watch?v=HKrDtCCJmaU



Find Your Beauty Magazine ⇨
Online magazine offering beauty-related content
http://www.milbon.co.jp/fyb-magazine/report/article-31/

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Initiatives for FY2018 (4)

■ Corporate & Product Branding







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Initiatives for FY2018 (4)

■ Corporate & Product Branding

◆ Transit advertising

Tokyo: Yaesu area in Tokyo Station Feb. 12 – Feb. 18
Osaka: Hankyu Umeda Station Feb. 19 – Feb. 25



▲ **Tokyo Station, near Yaesu North Gate**

▼ **Tokyo Station, near Yaesu Central Gate**



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Initiatives for FY2018 (5)

■ Taking on the challenge of the cosmetic products business

KOSÉ MILBON COSMETICS

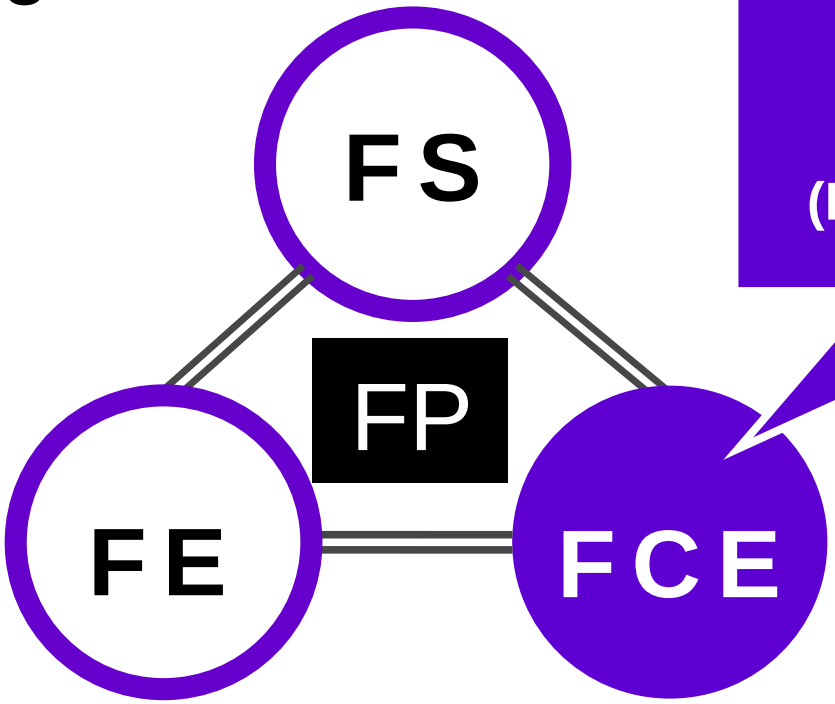
Progress to date

- ◆ January 2017 Announced capital and business alliance
- ◆ July 2017 Established KOSÉ Milbon Cosmetics Co., Ltd.
- ◆ Currently examining product planning, research and development, sales strategy, and training structure

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Initiatives for FY2018 (5)

■ Organization structure



Newly established

F C E

(Field Cosmetics Educator)

Autumn 2018
Training scheduled to start

Contributing to a new earnings structure for salons

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Initiatives for FY2018

■ Relocation of head office to Tokyo

(1) Expanding research and development
(2) Strengthening recruitment
(3) Cosmetic products business + overseas expansion







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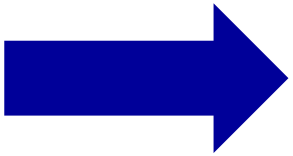
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Initiatives for FY2018

- **Workstyle reform**
- **Frontline initiatives**
  For FPs, for example

In the past…

Nighttime seminars at salons



Nighttime seminars at salons

+

Daytime salon visits

Use of studios

Online video training

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Initiatives for FY2018

Satisfied customers and salons are what give value to our existence

Every employee thinks and acts

The MILBON WAY:
Creating a “company that will not fail”

<Reforming awareness toward workstyles>

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Consolidated targets for FY2018

■ Consolidated Sales by Product Category

(Unit: million yen)

	FY2017 results (12 months)*1	FY2018 target	Increase/ Decrease	Increase/ Decrease ratio (%)
Hair care products	18,688	20,281	1,592	8.5
Hair coloring products	11,264	11,994	729	6.5
Permanent wave products	1,482	1,512	29	2.0
Others	273	213	(60)	(22.0)

■ Sales of technical brands *2

(Unit: million yen)

<Hair coloring products>	FY2017 results (12 months)*1	FY2018 target	Increase/ Decrease	Increase/ Decrease ratio (%)
ORDEVE	3,191	3,270	78	2.5
ORDEVE Addicthy	2,012	2,720	707	35.1
New gray-hair coloring products	-	500	500	-
<Permanent wave products>				
Neo Liscio	570	680	109	19.1

*1 Values are adjusted for 12 months. (see page 3)
*2 Figures are on a non-consolidated basis.

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Consolidated targets for FY2018

■ Sales and number of salons for premium brands

(Unit: million yen)

		FY2017 results (12 months)*	FY2018 target	Increase/ Decrease	Increase/ Decrease ratio (%)
Aujua	Sales	5,339	6,079	739	13.8
	Number of salons (salons)	3,166	3,400	234	7.4
“milbon”	Sales	1,635	2,221	586	35.9
	Number of salons Domestic (salons)	2,738	3,300	562	20.5
	Number of salons Overseas (salons)	1,228	1,995	767	62.5
Villa Lodola	Sales	966	1,200	233	24.1
	Number of salons (salons)	6,895	10,000	3,105	45.0

* Values are adjusted for 12 months. (see page 3)

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Consolidated targets for FY2018

Full-fledged start of initiatives for cosmetic products business

■ Statement of Earnings

(Unit: million yen)

	Amount	Amount		Increase/ Decrease *2	Increase/ Decrease ratio (%) *2
	FY2017 (Irregular accounting period)	FY2017 results (12 months)*1	FY2018 target		
Net sales	33,456	31,708	34,000	2,291	7.2
Domestic	27,974	27,173	28,620	1,446	5.3
Overseas	5,481	4,535	5,380	844	18.6
Gross profit	22,797	21,661	23,580	1,918	8.9
SG&A	17,452	16,347	17,840	1,492	9.1
Operating income	5,345	5,313	5,740	426	8.0
Ordinary income	4,997	4,980	5,270	289	5.8
Profit attributable to owners of parent	3,817	3,785	3,990	204	5.4

■ Capital expenditures and others

(Unit: million yen)

Classification		FY2017 results	FY2018 plan
Capital expenditures		1,570	1,668
Depreciation and amortization		1,272	1,376
R&D expenses	Amount	1,442	1,448
	% to sales	4.3%	4.3%

FY2018 CAPEX Main Items

- Compounding equipment for plant (4-ton vacuum tank)
- Relocation and expansion of Fukuoka Branch
- Relocation and expansion of Okayama Sales Office
- Renovation of Central Research Institute

*1 Values are adjusted for 12 months. (see page 3)

*2 Comparison with FY2017 results (12 months).

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Consolidated targets for FY2018

■ Return to shareholders

<Dividend forecast> **(Unit: yen)**

	FY2016	FY2017	FY2018 forecast*
End of 2Q	38	40	24
End of FY	40	52	24
Total	78	92	48

* Takes into consideration the impact of a stock split at a ratio of two for every one of the Company's shares, conducted on January 1, 2018.

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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.