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**Milbon Co., Ltd.**

Q4 Financial Results Briefing for the Fiscal Year Ended December 2024

February 17, 2025

## Event Summary

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<b>[Company Name]</b>	Milbon Co., Ltd.
<b>[Company ID]</b>	4919-QCODE
<b>[Event Language]</b>	JPN
<b>[Event Type]</b>	Earnings Announcement
<b>[Event Name]</b>	Q4 Financial Results Briefing for the Fiscal Year Ended December 2024
<b>[Fiscal Period]</b>	FY2024 Annual
<b>[Date]</b>	February 17, 2025
<b>[Venue]</b>	Webcast
<b>[Number of Speakers]</b>	2
	Hidenori Sakashita                      President and CEO
	Masahiro Murai                            Managing Executive Director

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

# Presentation

## Key Points of Financial Results for FY2024

<b>FY24 Results</b>	<b>Domestic haircare products and business in South Korea continued to drive growth, resulting in increased sales and profits, exceeding our plan.</b>
<b>Regional Performance</b>	<ul style="list-style-type: none"><li>Haircare products, including Aujua, have driven the growth of our domestic business. Both our product quality and educational activities provided for salons are highly evaluated from the market. Although our hair coloring products still face challenges, the number of salons introducing our products, particularly Villa Lodola Color, has increased, ensuring positive year-on-year sales growth.</li><li>Strong performance in South Korea offset weak sales in China due to deteriorating market conditions. Additionally, the weaker yen boosted sales growth, resulting in overall overseas business results to aligning with our plan.</li></ul>
<b>Profit</b>	<ul style="list-style-type: none"><li>As announced in Q3, we recorded inventory write-downs primarily for hair dryers and fully utilized SG&amp;A expenses as planned. However, due to strong sales, the full-year operating income exceeded our plan.</li></ul>

**Murai:** I would now like to explain the key points of the financial results for FY2024.

Overall growth was driven by the domestic haircare and South Korean businesses, with both sales and income exceeding expectations.

Next, let's look at the regional results.

In Japan, Aujua led the growth in haircare and overall business. We received high evaluations from the hair salon market for both product strength and educational activities. While there are still challenges in hair coloring product sales, there is a positive trend in the number of salons adopting our products, particularly Villa Lodola Color.

In South Korea, we had a very strong performance, compensating for the continued difficulties in China. The weak yen also contributed to our overseas sales, helping them stay generally in line with plans.

As mentioned in the Q3 results, we recorded an inventory write-down of hair dryers and other assets in Q4. Although SG&A expenses were almost as planned, full-year operating income exceeded expectations.

## Consolidated Statement of Earnings

Consolidated net sales surpassed 50 billion yen for the first time. Both sales and profits exceeded the plan.

(Unit: million yen)	FY2023	% Total	FY2024	% Total	Gap	Gap (%)	FY2024 Plan	Vs. Plan (%)
Net Sales	47,762	100.0%	51,316	100.0%	3,553	7.4%	50,620	101.4%
Gross Profit	29,525	61.8%	32,597	63.5%	3,072	10.4%	32,400	100.6%
SG&A Expenses	24,000	50.2%	25,758	50.2%	1,757	7.3%	25,800	99.8%
Operating Income	5,525	11.6%	6,839	13.3%	1,314	23.8%	6,600	103.6%
Ordinary Income	5,586	11.7%	6,968	13.6%	1,381	24.7%	6,560	106.2%
Profit Attributable to Owners of Parent	4,001	8.4%	5,017	9.8%	1,015	25.4%	4,650	107.9%

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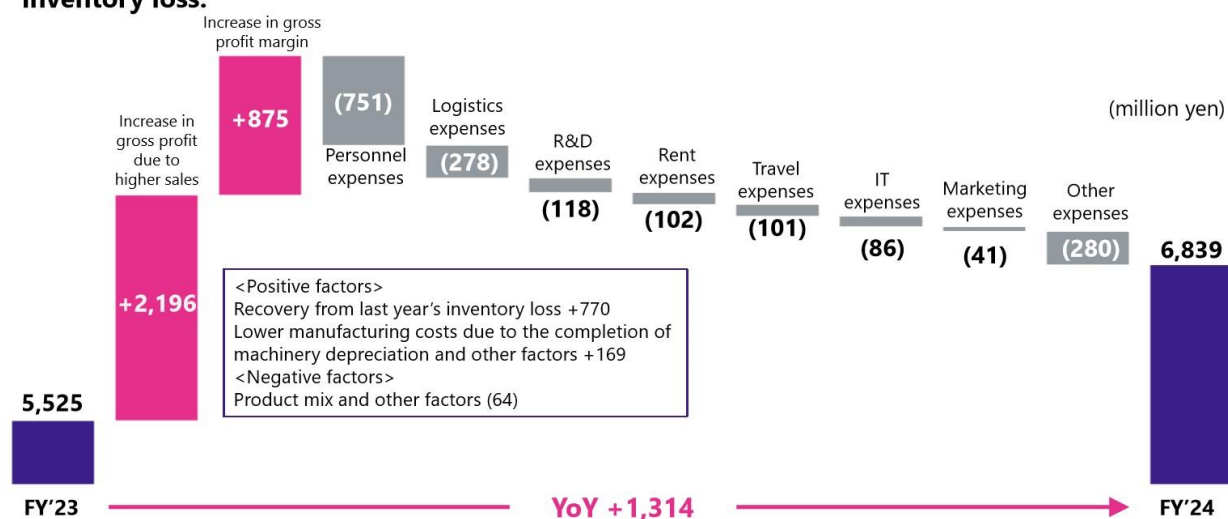
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I believe surpassing JPY 50 billion in consolidated net sales was a significant achievement. Both sales and profits exceeded the plan.

## Consolidated Operating Income - Factors Behind YoY Changes

Operating income increased significantly due to higher sales and the recovery from last year's inventory loss.



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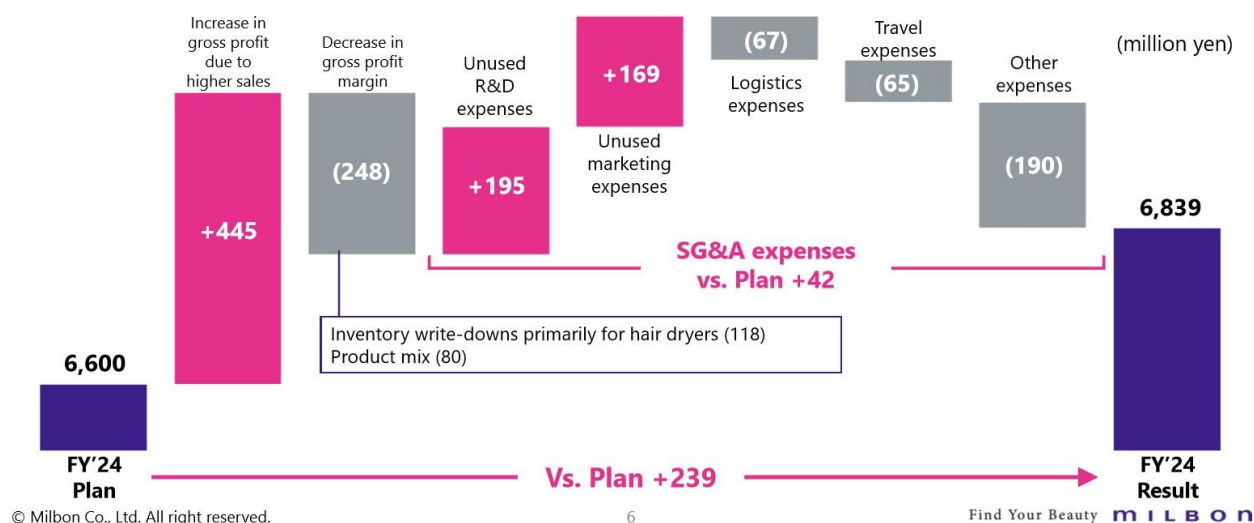
We are presenting the waterfall chart to illustrate the factors behind the year-on-year changes in consolidated operating income. The largest factor was the increase in gross profit due to higher sales.

A significant positive factor was the elimination of the large inventory write-down of hair dryers from the previous year, which greatly contributed to the increase in gross profit.

Although some expenses, such as personnel costs, were higher than the previous year, the results fully compensated for these expenses, leading to an increase of about JPY 1.3 billion.

## Consolidated Operating Income - Factors Behind Differences Compared to the Plan

We utilized the SG&A expenses that were unused in Q3, generally as planned. As previously announced, we recorded inventory write-downs. However, due to strong sales, operating income exceeded the plan.



This page shows the variance of operating income compared to the plan.

As mentioned earlier, the unused SG&A expenses from Q3 were generally utilized as planned. Despite recording an inventory write-down, strong sales enabled us to achieve operating income exceeding our plan.

## Net Sales and Operating Income by Region

Business in China was affected by the deteriorating macro-economic conditions, but overall results were in line with our plan. The weaker yen boosted overseas sales growth.

		FY2023	FY2024	Gap	Gap (%)	Actual gap Rate*1 (%)	FY2024 Plan	Exchange Rate FY2023	Exchange Rate FY2024
(Unit: million yen)									
Japan	Net Sales	36,502	<b>38,684</b>	2,182	6.0%	6.0%	38,620		
	Operating Income	4,231	<b>5,796</b>	1,565	37.0%	—	5,522		
	Margin (%)	11.6%	<b>15.0%</b>	—	—	—	14.3%		
Overseas	Net Sales	11,260	<b>12,631</b>	1,371	12.2%	7.2%	12,000		
	Operating Income	1,294	<b>1,043</b>	(250)	(19.4%)	—	1,077		
	Margin (%)	11.5%	<b>8.3%</b>	—	—	—	9.0%		
South Korea	Net Sales	4,715	<b>5,345</b>	629	13.4%	9.9%	4,784	KRW	KRW
	Operating Income	1,284	<b>1,239</b>	(45)	(3.5%)	—	1,068	0.1076 yen	0.111 yen
	Margin (%)	27.3%	<b>23.2%</b>	—	—	—	22.3%		
China	Net Sales	2,241	<b>2,328</b>	87	3.9%	(2.7%)	2,460	RMB	RMB
	Operating Income	68	<b>49</b>	(18)	(27.0%)	—	197	19.9 yen	21.26 yen
	Margin (%)	3.1%	<b>2.1%</b>	—	—	—	8.0%		
USA	Net Sales	1,624	<b>1,981</b>	356	21.9%	13.1%	1,811	USD	USD
	Operating Income	(89)	<b>(89)</b>	0	—	—	(106)	141.2 yen	152.24 yen
	Margin (%)	(5.5%)	<b>(4.5%)</b>	—	—	—	(5.9%)		
Other*2	Net Sales	2,678	<b>2,976</b>	298	11.1%	7.2%	2,945		
	Operating Income	30	<b>(157)</b>	(187)	—	—	(81)		
	Margin (%)	1.1%	<b>(5.3%)</b>	—	—	—	(2.8%)		

\*1 Figures are the rates of change in real terms on a local currency basis  
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\*2 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, Philippines, Singapore, and Germany  
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Now, I will explain our performance in each region.

First, in Japan, both sales and profits exceeded the plan.

Overseas sales were also favorable, increasing by 7.2% in real terms, excluding the effect of the weak yen.

However, in terms of profits, they fell slightly short of the plan due to several factors such as the slump in China. Overall sales and profits increased.

## Financial Results by Region: Japan

**Haircare products drove the growth, resulting in sales and profits surpassing our plan. Aujua, in particular, has received high praise from the hair salon market for both its product quality and the educational activities provided for hair stylists.**

### YoY Growth Rate of Sales by Product Category\*

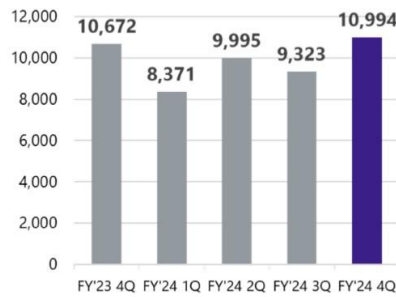
Haircare products like Aujua and Elujuda continued to perform well. We enhanced our sales and educational initiatives for salons regarding hair coloring, resulting in an increased number of salons using our products and securing positive year-on-year sales growth.

FY2024		
Change in Sales	4Q	4Q YTD
Haircare	+7.1%	+9.4%
Hair Coloring	(0.5%)	+0.2%
Cosmetics	+0.4%	+52.8%
% to Sales	4Q	4Q YTD
Haircare	67.3%	64.6%
Hair Coloring	28.9%	30.4%
Cosmetics	1.2%	2.1%

\* Based on shipment value  
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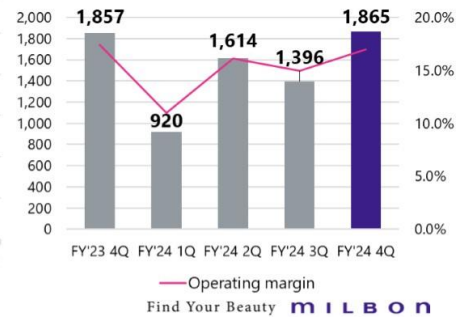
### Quarterly Net Sales (mil. yen)

Due to seasonal factors, Q4 sales were the highest of the fiscal year.



### Quarterly Operating Income (mil. yen)

Although we utilized deferred expenses, the level of operating income remained equal to last year due to seasonal sales factors.



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In Japan, as mentioned earlier, haircare products performed well, leading to increased sales and profits.

As shown in the sales by product category section, haircare products were up 9.4%. Although the situation for hair coloring remains challenging, we are starting to see gradual improvements, raising our expectations for the future.

Cosmetics have shown significant growth. Despite some remaining issues, the first half of the fiscal year saw a substantial increase in sales.

Both the quarterly sales and operating income increased in line with our plan, aligning with typical seasonal trends.

## Financial Results by Region: Japan / Progress of Key Strategies

Key Strategies		Progress up to 4Q	Results and Outlook																		
Promoting Smart Salon	milbon:iD		<table border="1"> <thead> <tr> <th></th> <th>FY'23</th> <th>FY'24</th> <th>FY'24 Plan</th> </tr> </thead> <tbody> <tr> <td>Members</td> <td>670,000</td> <td><b>881,000</b></td> <td>870,000</td> </tr> <tr> <td>Salons</td> <td>5,930</td> <td><b>6,566</b></td> <td>6,500</td> </tr> <tr> <td>EC Sales</td> <td>1,640 mil. yen</td> <td><b>1,970 mil. Yen</b></td> <td>1,950 mil. yen</td> </tr> </tbody> </table>				FY'23	FY'24	FY'24 Plan	Members	670,000	<b>881,000</b>	870,000	Salons	5,930	<b>6,566</b>	6,500	EC Sales	1,640 mil. yen	<b>1,970 mil. Yen</b>	1,950 mil. yen
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Smart Salon		<table border="1"> <thead> <tr> <th></th> <th>FY'23</th> <th>FY'24</th> <th>FY'24 Plan</th> </tr> </thead> <tbody> <tr> <td>Number of Smart Salons</td> <td>23</td> <td><b>62</b></td> <td>100</td> </tr> </tbody> </table> <p>From the second half of the year, we focused on supporting existing Smart Salons. As a result, we created success stories and identified issues to be addressed at these salons. In FY2025, we will prioritize resolving these issues and then aim to expand the number of salons.</p>				FY'23	FY'24	FY'24 Plan	Number of Smart Salons	23	<b>62</b>	100									
	FY'23	FY'24	FY'24 Plan																		
Number of Smart Salons	23	<b>62</b>	100																		
Recovery of hair coloring products sales through promotion of high value-added hair color			<ul style="list-style-type: none"> <li>The number of salons using Villa Lodola, our organic hair color brand, increased due to high praise for its ability to raise the price of in-salon hair color menus. In FY2025, we will increase our activities, such as launching new shades, to promote repeat business in user salons.</li> <li>To boost sales, we will enhance the branding of our hair coloring products and implement targeted initiatives for both salons and consumers.</li> </ul>																		

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Please turn to the next page. It summarizes the progress of key strategies in Japan. President Sakashita will provide a detailed explanation later.

Regarding milbon:iD, it exceeded the plan, with the number of salons reaching 6,566, surpassing expectations. Sales also exceeded projections.

For Smart Salon, we initially set a target of 100 salons. However, we shifted our focus to increasing the number of successful salons rather than just the total number. We are now progressing smoothly toward this goal.

In promoting high-value hair coloring, the number of salons using our products, such as Villa Lodola Color, has steadily increased. However, it may take some time for this to translate into further increased sales.



## Financial Results by Region: South Korea

The performance of each product category was robust, resulting in sales and profits exceeding the plan. We aim to solidify the growing support from young hair stylists by holding events and implementing educational activities in FY2025.

### YoY Growth Rate of Sales by Product Category\*

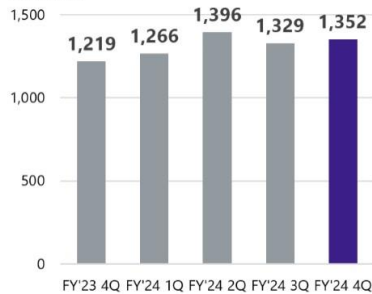
The growth rate of hair coloring for Q4 was in the double digits due to our promotional activities for salons, which included information on hair color trends. Haircare, with significant growth potential, has seen a steady increase in salons using our products.

	FY2024	
	4Q	4Q YTD
<b>Change in Sales</b>		
Haircare	+13.0%	+17.6%
Hair Coloring	+12.2%	+6.0%
Perm	+25.1%	+31.3%
<b>% to Sales</b>	<b>4Q</b>	<b>4Q YTD</b>
Haircare	23.2%	23.3%
Hair Coloring	70.9%	70.9%
Perm	5.1%	5.0%

\* Based on local currency  
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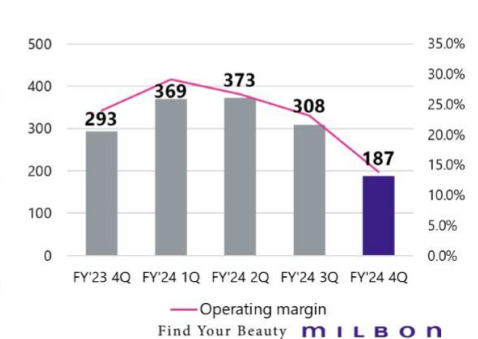
### Quarterly Net Sales (mil. yen)

Our support from young hair stylists based in the center of Seoul and our presence in the South Korean market increased through holding events and doing other activities.



### Quarterly Operating Income (mil. yen)

Marketing expenses increased in the second half of the year due to events aimed at attracting young hair stylists as fans.



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Next, let's look at South Korea.

Both sales and income have steadily increased, exceeding the plan.

As shown in the category section, haircare is performing the best, with a growth rate of 17.6%. Hair coloring faced some challenges for a while but is now recovering well, and we believe there is still room for further growth.

Quarterly sales have also been favorable. Although operating income may appear to have declined slightly in Q4, this was expected due to factors such as increased personnel and numerous educational events, so we are not concerned.



## Financial Results by Region: China

We focused on helping hair salons adapt their management styles to align with the significant changes in consumer behavior. Consequently, our financial performance is gradually recovering in the current, still uncertain market environment. We will continue our existing initiatives and aim to earn the trust of salons and boost our sales.

### YoY Growth Rate of Sales by Product Category\*

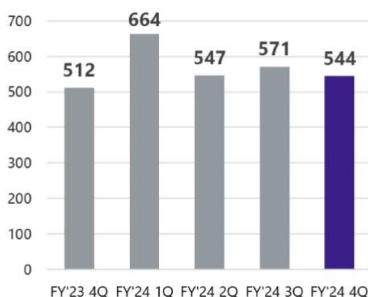
The number of salons using our haircare products increased due to the popularity of our promotional activities, which encourage salons to adjust their service menus to match changes in consumer behavior. Conversely, hair coloring products were initially affected by a decline in salon customer coloring frequency but recovered slightly from Q2 onwards due to improved sales promotions.

FY2024		
Change in Sales	4Q	4Q YTD
Haircare	+3.4%	+3.6%
Hair Coloring	(3.5%)	(12.7%)
% to Sales	4Q	4Q YTD
Haircare	62.8%	59.5%
Hair Coloring	30.0%	34.5%

\* Based on local currency  
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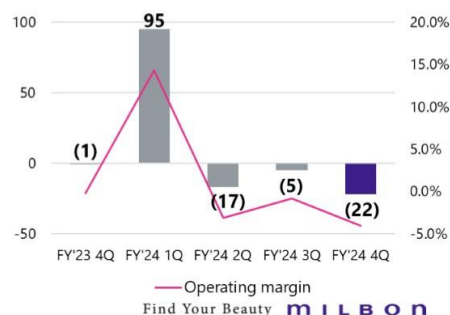
### Quarterly Net Sales (mil. yen)

Sales for FY24 Q4 increased by 2.0% quarter-on-quarter in local currency terms, indicating a moderate recovery.



### Quarterly Operating Income (mil. yen)

Operating losses continued due to insufficient sales levels.



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Next, let's look at the results in China.

The situation remains challenging, as the country itself is undoubtedly facing difficulties. However, we are steadily carrying out activities for each hair salon, and we are starting to see some positive results.

By product category, haircare performed well, achieving a 3.6% increase even in this difficult environment. Hair coloring had been in a major slump, but there were signs of gradual recovery in the second half, so we believe there are good prospects for the future.

## Financial Results by Region: USA

Haircare products drove our growth, meeting sales and profit targets. Amid gaining a strong reputation, we increased our personnel to better support distributors and salons. In FY2025, we aim to accelerate growth by enhancing field activities and launching products tailored to the USA market.

### YoY Growth Rate of Sales by Product Category\*

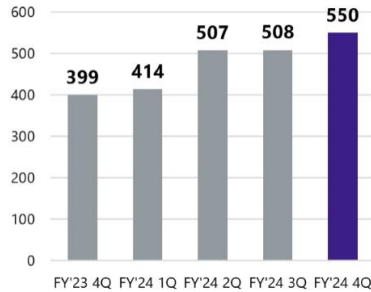
Haircare sales continued to steadily grow, receiving high praise for both product quality and educational activities for hairstylists. To address the issue of limited color options, we launched new tones for the Sophistone range in September and enhanced our educational activities, which is accelerating growth in hair coloring sales.

FY2024		
Change in Sales	4Q	4Q YTD
Haircare	+32.6%	+13.8%
Hair Coloring	+22.4%	+10.4%
% to Sales	4Q	4Q YTD
Haircare	86.5%	86.1%
Hair Coloring	9.0%	8.8%

\* Based on local currency  
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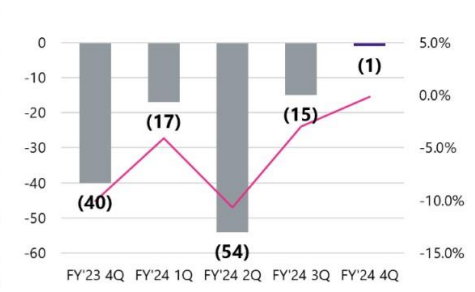
### Quarterly Net Sales (mil. yen)

Sales for Q4 last year were relatively lower than those of other quarters due to the temporary suspension of shipments caused by the changeover of distributors.



### Quarterly Operating Income (mil. yen)

Profit margins are improving as sales scale up. In FY2025, we will increase growth investments, such as expanding our workforce.



— Operating margin  
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Lastly. Let's look at the USA. We are seeing a very solid performance here.

By category, haircare was particularly strong, with a 13.8% increase. Sales of hair coloring also grew by 10.4%. Although we couldn't fully execute our planned activities, sales are growing fairly well.

In terms of quarterly sales, Q4 of 2024 appears to have grown more rapidly than Q4 of the previous year. This is partly due to the suspension of shipments in Q4 of 2023 when we switched distributors, which had a rebound effect.

Profits are still in deficit, but we are increasing the number of employees and will continue to do so in FY2025, leading to higher expenses. However, we believe this will drive sales expansion and eventually lead to profits, so we are not concerned about the current situation.

That concludes my report. Thank you very much.

**Sakashita:** Good morning, everyone. My name is Sakashita from Milbon. Thank you for taking the time out of your busy schedules to attend our financial results briefing today.

First of all, last year, as my first year as President, I communicated with everyone sincerely. Thank you for reviewing last year's full and interim financials, as well as participating in the one-on-one meetings. I am sure there have been some shortcomings, but I have been learning about management direction while considering your questions, suggestions, advice, and expectations.

In my role as President of Milbon, I have visited and met with customers at approximately 300 salons in Japan and overseas, listening to the issues occurring in hair salons and considering growth and management strategies that can achieve increased sales and profits for hair salons, and the role of Milbon.

I would like to explain our domestic and international initiatives for FY2025, followed by our medium-term management plan, which will end in 2026, and our long-term vision beyond that.

## FY2024 in Review

**Both sales and profits exceeded the plan, resulting in a year of steady growth both in Japan and overseas.**

### Japan

- Hair Care** Strong performance, led by take-home products, driving overall growth.
- Hair Coloring** Sales of grey coverage color products were steady, while sales of fashion colors struggled. However, we secured positive growth in hair coloring sales compared to the previous year.
- Cosmetics** Unique cosmetic proposals to consumers, offered by hair salons, have been realized in conjunction with hair coloring.

### Overseas

- South Korea** Each product category performed strongly. We strengthened our connections with dynamic hair salons owned by young stylists, increasing our market presence.
- China** Despite market growth stagnation due to declining consumer sentiment, we performed relatively well.
- USA** We maintained the #1 in-store share as a distributor in LA, a trend-setting area. For hair coloring products, we launched additional shades, enabling growth.
- Others** Business in Germany grew rapidly, while Malaysia led overall growth in ASEAN.

First, as explained by Mr. Murai, I believe that 2024 was a year of steady growth, with both sales and profits exceeding the plan.

Regarding the domestic market, as Mr. Murai mentioned earlier, we had a robust performance in the haircare category, which is central to our growth strategy. Both the new Aujua line, launched last year, and the new Elujuda items drove our overall haircare sales.

In the hair color market, which is greatly influenced by population size, we experienced slight negative growth in Japan in 2023. However, we were able to achieve positive growth in FY2024. Although the increase was slight, we believe that our high value-added hair color proposals centered on Villa Lodola were well accepted in a difficult market environment, leading to increased sales.

In the area of cosmetics, we have a marketing concept for hair and eyebrows, offering eyebrow products that link to hair color. These products performed well and contributed to the overall sales achievement.

Let's see our overseas performance.

First, our sales activity in South Korea has been steady. We feel that our presence in the market is increasing due to our connections with young, dynamic salons. We held a major event mainly for young hairstylists, further raising the level of attention and expectation for Milbon in the market.

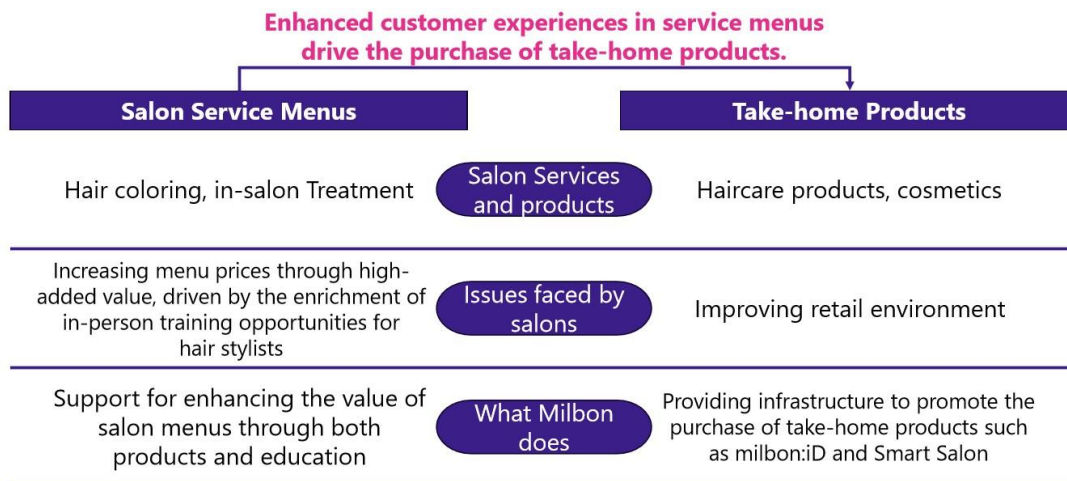
On the other hand, the Chinese market remains challenging. Despite a sense of stagnation in market growth due to changing consumer mindsets, we managed to maintain relatively stable sales. Although sales decreased slightly for the full year, they showed a slight increase in the second half. We are still facing difficulties, but we are adjusting our structure to the changing market.

In the USA, we are on a growth trajectory. By focusing our activities on the trend-influencing West Coast, especially Los Angeles, Milbon ranked first in in-store market share in a contracted distributor in California.

Our distributor strategy in the USA involves giving one distributor in each region exclusive sales rights. We are currently contracted with nine companies throughout the US, all of which are independent, with most being owner-operated. The LA market is special in the USA, so Milbon gaining the top share among LA distributors will positively impact and stimulate the other eight distributors. We are increasingly looking forward to the future.

## Issues in Hair Salon Management in Japan

**Due to inflation and the declining population, hair salon management is required to improve productivity and pricing power. In light of this situation, we help hair salons elevate the value and pricing of their services.**



Now, let me explain our initiatives for 2025. I will begin by discussing the management issues facing hair salons in Japan and the role of Milbon.

A key issue for many industries, sectors, and companies in Japan is the declining customer numbers due to a shrinking population and the need for management strategies to navigate inflation. I believe that the future growth of hair salons will hinge on value-added creation, pricing, and value pricing. This is true for Milbon as well as for hair salons.

The question is how hair salons can demonstrate their pricing power. As shown on the left side of the page, this involves salon service menus or technical menus, such as hair coloring and in-salon treatments. These menus can offer multiple pricing options based on value, such as basic, premium, and luxury.

Therefore, the challenge is to develop value-added menus, which involve beauty techniques. This brings up the need to enhance education for hairstylists.

Milbon's role is to create high value-added color menus, in-salon treatment menus, products to realize these menus, and provide educational support for beauty techniques. However, as mentioned earlier, this alone cannot be a growth strategy for hair salons in an era of declining customer numbers.

The main growth strategy is to extend consumption from the high value-added experiences provided by the salon service menus on the left side of the page to take-home product sales on the right side. Naturally, haircare products and cosmetics are key.

So, what are the issues that need to be addressed? It involves making it easier to sell or purchase these products. Product sales in hair salons often result in lost opportunities. Currently, only about 15% of salon customers purchase some kind of product, which is a relatively small number and indicates a stagnant situation. Therefore, improving the environment is crucial.

Milbon's role is to create an infrastructure for product sales and purchases. Developing and selling useful products is our core business, but it is not enough. We need to create an environment and mechanism that facilitates the provision of product information from hairstylists to customers or allows consumers to easily obtain product information themselves. We define infrastructure as an environment or mechanism that facilitates consumer purchases.

This infrastructure is the cornerstone of our haircare category's growth strategy, embodied by milbon:iD and the Smart Salon initiative.

## Our Initiatives in Japan – Hair Coloring Products

**We aim to be chosen by hair salons by proposing high-value-added and higher-priced coloring menus, and offering technical training for hair stylists, supporting the value of the menus.**



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I would now like to explain each of these initiatives, one for the salon service menus and the other for the take-home products. First, let's look at the salon service menus.

Proposal activities will be conducted from various hair color brands according to customer type. We will continue to offer value-added proposals for safety and security with our organic brand, Villa Lodola, and develop menus in line with South Korean beauty trends. We will support pricing capabilities for hair salons, from gaining product recognition to creating menus that consumers choose.



Regarding hairstylist education and support, work styles in hair salons have been rapidly changing in recent years. It is becoming increasingly difficult to conduct educational activities outside of business hours. Additionally, the number of hairstylists who work while raising children has greatly increased, which is a very positive trend for the future.

In this context, we aim to support salons in adding value by providing in-salon training by our Field Person during business hours, which will lead to improved pricing capabilities for salons.

This education structure is a unique aspect of Milbon, where we strive for in-salon training and an educational system. We have more than 120 educators, and including our sales personnel, we have a total of 300 field persons. Since we are the only company that can conduct educational activities with such resources, I believe this is a very important and effective strategy.

## Our Initiatives in Japan – Supporting the Professional Development of Hair Stylists

**We aim to strengthen the foundation for promoting take-home products by enhancing salon menu value and prices through educational support and professional development for hair stylists.**

### Overview of the Sommelier Training System

We provide an educational curriculum to stylists at salons using our products<sup>\*1</sup> via *education:ID*, a digital platform. Stylists who pass the exam in knowledge, techniques, and consultation, and meet sales targets, are certified as *Sommeliers*. We support their professional development by helping them obtain qualifications.



After obtaining certification as a Sommelier in three or more areas, stylists can pursue the *Beauty Sommelier Certification* by enhancing their consultation skills and achieving higher sales targets.



<sup>\*1</sup> Only stylists at salons using Aujua or Global Milbon are eligible to obtain the Haircare Sommelier certification. For the Cosmetics and Design Logic Sommelier, only stylists at salons using Imprea are eligible.  
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### Results of the Sommelier Training System

Salons employing Sommeliers see higher rates of customers choosing in-salon hair treatments and higher unit prices for take-home product purchases, leading to increased spending per customer.

As of December 31, 2024  
Users of education:ID: More than 50 Thousand  
Haircare Sommeliers (for Aujua): 3,800  
Beauty Sommeliers: 165

	The average performance of salons not using Aujua <sup>*2</sup>	The average performance of salons using Aujua and employing Sommeliers
Spending per Customer	¥8,967	¥9,839
In-salon treatment menu customer ratio	33.8%	41.2%
Take-home product sales ratio	6.8%	9.2%
Take-home product purchase ratio	14.0%	15.6%
Unit prices for take-home product purchases	¥4,352	¥5,897

<sup>19</sup> <sup>\*2</sup> According to our survey

The sommelier training system, a core component of hairstylist education, is another form of educational support that will be enhanced. While I won't detail the system here, you can find the description on the left side of the page. By completing and passing our program, participants will be certified as Beauty Sommeliers.

For reference, the table at the bottom right shows the performance of hair salons with and without Sommeliers. As you can see, salons with Sommeliers have a higher ratio of in-salon treatment menu customers and higher product sales.

## Our Initiatives in Japan – Take-home Products

In haircare, we will introduce high-value-added products featuring the latest research findings. For cosmetics, we will focus on coordinated proposals with hair color while enhancing Imprea to drive repeat purchases.

### High-value-added haircare products

- ✓ We developed *CMADK*<sup>\*1</sup>, a haircare ingredient with high adhesion and restorative effects on hair, and have applied it to our products since 2014.



- ✓ In 2024, leveraging our expertise in developing *CMADK*, we successfully created *MOIST-CMADK*, a new ingredient highly effective in hydrating hair.

### Aujua Aging Hair Care Series Altiell Line (Debut in February)



Haircare for damage caused by aging, bleaching, or hair coloring

<sup>\*1</sup> S-carboxymethyl alanyl disulfide keratin protein  
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### Steps to Successfully Promote Cosmetics in Hair Salons

#### Coordinated proposals with hair color

- ✓ We successfully proposed eyebrow products in conjunction with hair color.
- ✓ We aim to establish cosmetics proposals in hair salons by developing products from this perspective.
- ✓ In 2025, we will launch additional eyebrow shades and other products.



#### Driving repeat purchases through skincare products

- ✓ We will restructure Imprea's product mix to enhance ease of recommendation by hairstylists.
- ✓ We will secure repeat purchases of skincare products, focusing on our best-selling item, Lotion.
- ✓ In 2025, we will launch new versions of Lotion and other products.



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Now, let's move on to our initiatives for take-home products. Aujua is our flagship brand, and we have continued to pursue a high value-added haircare strategy. In February this year, we released a new series called the Altiell Line, designed to address complex issues such as aging, hair coloring, and bleaching. For hair salons, these products are intended to enhance the pricing power of in-salon treatment menus and boost sales of take-home products.

Aujua offers not only take-home products but also professional in-salon treatment products. The Altiell Line integrates these offerings, connecting the in-salon treatment menu and product sales into one cohesive line. Aujua has always operated this way, so this will involve reviewing the pricing of in-salon menus and creating an exciting experience that drives product sales. This is Milbon's classic approach.

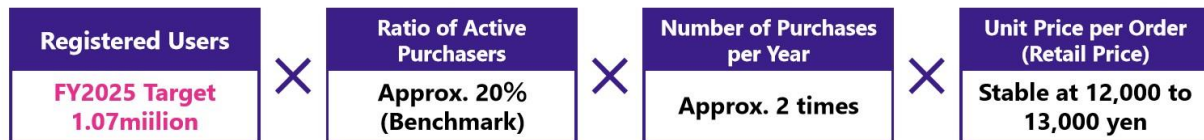
In cosmetics, we plan to add eyebrow products linked to hair color, which were successful last year, and eye makeup as part of our color-linked proposals. Additionally, we will launch a new lotion expected to generate repeat sales, providing solid support for increasing cosmetics sales.



## Our Initiatives in Japan – Promoting milbon:iD

We anticipate reaching our target of 1 million registered users one year ahead of schedule. We aim to boost sales of take-home products by promoting milbon:iD, an infrastructure platform designed to enhance purchasing convenience.

The Target of EC Sales\* in FY2025 2.3 billion yen (+330 million yen YoY) =



We aim to achieve continuous growth by supporting hairstylists in promoting milbon:iD to their customers.

\*Based on shipment value

We aim to improve and maintain numbers by strengthening our CRM system through integration with LINE, a messaging app, and through enhancing the purchasing experience through various activities, especially live commerce.

We aim to improve by launching high-value-added products.

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Supporting the sale of these products involves creating the necessary infrastructure, as previously mentioned. First, milbon:iD aims to register 1 million users by 2026. The number of registered users has been steadily increasing, and we expect to surpass the 1-million mark in 2025, a year ahead of schedule. Our target for 2025 is 1.07 million users.

By enhancing the convenience of the purchase experience on milbon:iD, we will support the growth for haircare products, referencing the ratio of active purchasers and number of purchases as KPIs.

## Our Initiatives in Japan – Enhancing the Convenience of Purchasing Take-home Products Through Smart Salon

As the number of salons expands, both success stories and challenges have emerged. To address this, we will first support all existing Smart Salons to ensure their success, and then aim to re-expand the number of salons.

### Success Stories in Smart Salons

#### Take-home product purchase ratio (Case study in one salon)

At the time of opening (beginning of FY2024) **17%**

At the end of FY2024 **25%**

※The average in Japan is approx. 15%\*1

#### Amount of take-home product\*2 purchases by salon

First year as Smart Salon (Compared to pre-Smart Salon period) **+18.6%** **1.4 times in two years**

First year as Smart Salon (Compared to first year) **+21.0%**

\*1 According to our survey

\*2 Premium Brands: Aujua・Global Milbon・Villa Lodola (Haircare)・Pjoli・Imprea・Lassical

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### Steps to a Successful Smart Salon

In 2025, we will focus on establishing successful patterns in existing Smart Salons by training Sommeliers and promoting milbon:iD, which should be addressed before introducing the Smart Salon system.



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As of the end of last year, 62 Smart Salons in 50 cities were in operation, which we started rolling out in full scale last year. Several salons have begun to see an increase in the percentage of customers purchasing take-home products. As I mentioned earlier, an average of 15% of customers who visit salons purchase these products.

We have several examples of salons that had 17% of customers purchasing products before the Smart Salon rollout, which has now increased to 25%. For your information, this salon is aiming for 35%, about double the 17% target. Some salons are aiming for 40%.

We've provided data showing how Milbon product purchases by Smart Salons have changed. First, let's look at the year before and the year after becoming a Smart Salon: purchases of Milbon products increased by 18.6% on average. For Smart Salons that have been part of the test marketing for two years, comparing the second year to the first year, there was a 21% increase. We have seen an increase of approximately 20% in both the first and second years.

Although the number of salons is still small and the project has just started, so the data may only be used as reference, we expect it will lead to an increase in sales per salon.

As we have been working on the Smart Salon initiative, the characteristics of salons likely to be successful have become clear. Salons that achieve early results with Smart Salon typically promote milbon:iD and have Sommeliers before the rollout. Starting Smart Salon by targeting salons with these two conditions is likely to lead to early results, and we would like to take these steps to create successful salons.

## Expo 2025, Osaka, Kansai, Japan

**We will showcase our vision of the future hair salon at our booth at the Osaka Healthcare Pavilion and strengthen basic research using the PHR data we acquire, aiming to apply this data to future products.**

### Booth Image and Experience Contents



Experience Contents\*1:

- Immersive Experience of Beauty Platform, Milbon's Vision for Future Hair Salons
- Product recommendations using PHR\*2 acquired by the Osaka Healthcare Pavilion

\*1 Visit our special Expo website for more details: <https://expo2025.milbon.com/en/>

\*2 PHR=Personal Health Record

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### Utilizing Data After the Expo

The opportunity to acquire a large amount of anonymously processed data with permission for commercial use in a single instance is invaluable. We aim to strengthen the data that forms the basis of our basic research, leading to the development of new products.



The data we currently possess



The data we can acquire at the end of the Expo

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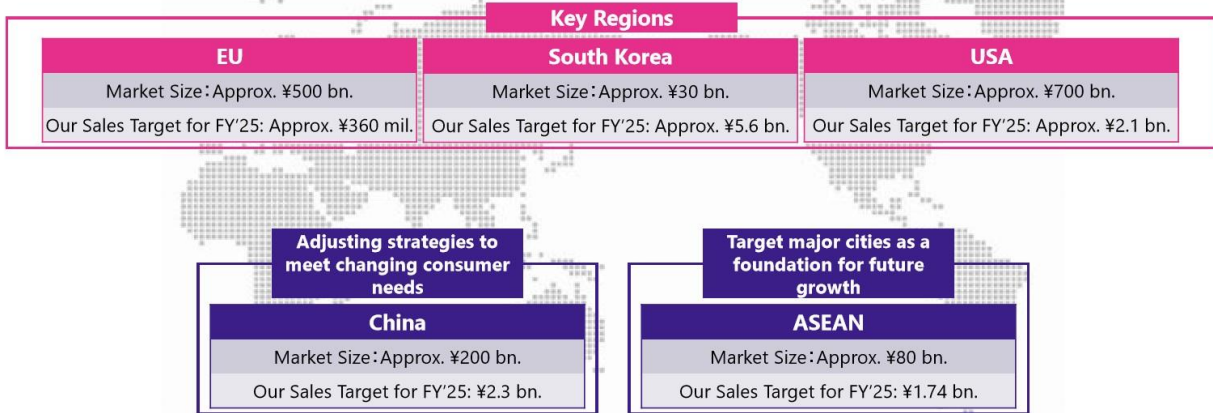
This year, Expo 2025 Osaka, Kansai, Japan will finally begin in mid-April. As you may know, we are a co-sponsor of the Osaka Healthcare Pavilion, a large building where we will have our booth. This booth will allow visitors to experience the Smart Salon proposed by Milbon and the hair salon of the future.

We are also providing technical support for the acquisition of personal healthcare records at this pavilion. We expect to acquire anonymized healthcare records for 100,000 people, though this is a conservative estimate, and the number could be higher. We aim to utilize this technology for basic research that will lead

to product development in the future.

## Key Overseas Regions

Our key regions are South Korea, the USA, and the EU. We will enhance our investments in these areas to boost market share in South Korea, where profitability and market share are high, and to accelerate sales growth and achieve profitability in the USA and the EU, where the market size is substantial.



\* Market sizes are based on our survey.

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I would now like to comment on our overseas strategy.

Our future focus regions are South Korea, the USA, and the EU. Expanding our market share in South Korea will lead to dominance in the Asian market. Additionally, the USA and the EU have large markets. At this stage, we aim to accelerate our growth by investing, particularly in the USA.

## Themes for Strengthening Investment in the USA

Our presence in the USA is growing, maintaining the #1 in-store share with a distributor based in LA, a trend-setting area. We will strengthen our branding initiatives and increase personnel to drive growth.

### Product Branding

A renowned hairstylist is involved in Global Milbon's branding activities for hairstylists worldwide, with a focus on the USA. Similar initiatives will be undertaken for hair coloring to enhance Milbon's support among hairstylists.



**Anh Co Tran**

Global Creative Director for Milbon  
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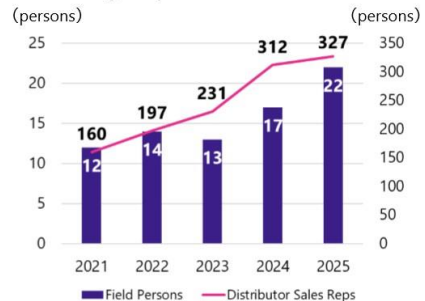
- ✓ **Share creative contents**  
→ Visualize the brand identity of Milbon
- ✓ **Hold educational seminars around the world**
- ✓ **Co-develop products with us**



**milbon & Monochromatic Collection**  
Debut in March

### Increasing Personnel

To achieve efficient growth across the USA, we have established a nationwide distributor sales network. As our sales channels expand, we have increased the number of local Field Persons to enhance follow-up with the growing number of distributor sales reps and salons using our products.



\*Number of persons at the end of the fiscal year for 2021-2024 and at the beginning of the fiscal year for 2025.

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Today, I would like to make a few comments about the US. One of the factors behind our recent growth in the USA is our presence in LA, as mentioned at the beginning of this presentation. We have signed an ambassador contract with an influential hairstylist in LA.

The person in the photo is Mr. Anh Co Tran. He has been the face of our product branding and educational activities, successfully increasing sales of our haircare products. This year, we will launch a styling brand developed in collaboration with Mr. Anh Co Tran worldwide.

For medium- to long-term growth, expanding in hair color remains essential. Therefore, we plan to sign a prominent colorist as an ambassador for hair coloring in the future.

At the same time, we must strengthen our sales system. We aim to increase the number of our Field Persons and sales representatives at our distributors, using these as KPIs.

### Enhancing Profitability – Why Milbon Can Implement a High-Value-Added Strategy

**Our business model and differentiating factors, based on specialization in the hair salon market, enable us to implement a high-value-added strategy.**

#### Business Model Focusing on Hair Salons

By positioning a professional hair stylist between us and the consumer, we ensure that the stylist's beauty techniques and expertise are delivered alongside the product, thereby enhancing its value.



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#### The Reason Hair Salons Choose Us

We have established strong relationships with salons through our foundational product education activities, hairstylist career training, and strategic management proposals.



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Now, I would like to explain how we can improve profitability.

First, as a basic premise, Milbon has been implementing a high value-added strategy for a long time, and we will improve profitability, continuing to do so.

I would like to explain the premise of Milbon's high value-added strategy and why we can implement it, as well as our business model.

First, our business model focuses on hair salons, allowing personalized proposals through in-person consultations with consumers by hairstylists.

Next, I would like to explain why Milbon is chosen by hairstylists. The first reason is our problem-solving sales approach to individual hair salons, with a focus on product education. The second reason is our emphasis on hairstylist career training, focusing on developing hairstylists rather than just products and techniques. Third, we announce the direction of hair salon management strategy as a Next Vision, a policy for hairstylists, every year.

By proposing these policies and concepts, Milbon is chosen, and products are sold. Our business model prioritizes value-added strategies.

## Enhancing Profitability – The Anticipated Effects of the Price Revision

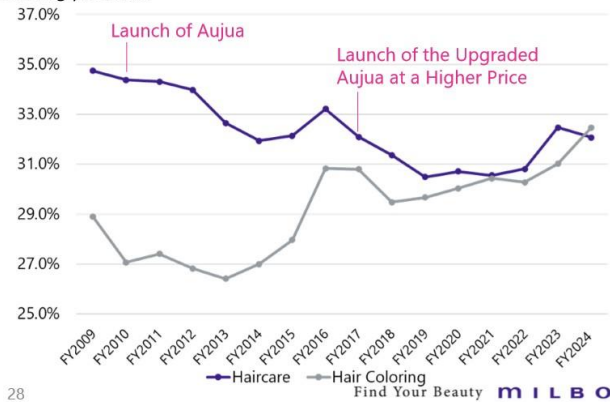
**We anticipate that the price revision will improve gross profit margin in the second half of the year and beyond. Moving forward, we will consider further price revisions alongside the introduction of high-value-added products to enhance the profitability of the haircare category.**

- Items for price revision**
  - Portion of the haircare take-home products
  - Sales scale of items for price revision**
  - Results for FY2024: Approx. 9 billion yen
  - Timing of price revision**
  - Middle of FY2025  
(Contribution to business performance is expected in the second half of the year)
  - Price revision range**
  - An average price increase of +10%
- ▼
- Contribution to business performance in FY2025
- Gross Profit Margin +0.35%
- Operating Profit +190 million yen

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### Non-consolidated Manufacturing Cost by Product Category

Through the continuous launch of high-value-added haircare products, the manufacturing cost of haircare products has become lower than that of hair coloring products.



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I will start from the right side of the page. Value-based pricing in haircare products has continued for many years. As a result, the manufacturing cost of haircare products has been gradually decreasing. Finally, in 2024, the manufacturing cost of haircare products became lower than that of hair coloring products. This initiative is crucial for ensuring our company's profitability.

On the left side of the page, in addition to value-based pricing for new products, we will also revise prices for existing products in mid-2025. Furthermore, we will strive to improve profitability by lowering the manufacturing cost ratio of haircare products.

Overseas, we have been adjusting prices as necessary, considering product value, inflation rates, and competitive prices. However, this is the first time we have raised prices for existing products in Japan. It is challenging to estimate the impact, but we assume that a 10% price increase will likely result in a 5% decrease in shipping volume, which we have factored into our guidance.

## Revision of the Medium-term Management Plan Targets (FY2022 to FY2026)

(Unit: million yen)	FY2024	FY2025 Target	Gap	Gap (%)	FY2026 Revised Target	Gap (%)	FY2026 Original Target
Net Sales	51,316	54,250	2,933	5.7%	58,000	—	58,000
Japan	38,684	40,850	2,165	5.6%	43,700	—	43,700
Overseas	12,631	13,400	768	6.1%	14,300	—	14,300
Gross Profit	32,597	35,000	2,402	7.4%	37,600	(1.5%)	38,160
Margin	63.5%	64.5%	—	—	64.8%	—	65.8%
SG&A Expenses	25,758	28,000	2,241	8.7%	29,200	+6.7%	27,360
Operating Income	6,839	7,000	160	2.3%	8,400	(22.2%)	10,800
Margin	13.3%	12.9%	—	—	14.5%	—	18.6%
Ordinary Income	6,968	7,000	31	0.5%	8,340	(22.8%)	10,810
Profit Attributable to Owners of Parent	5,017	5,200	182	3.6%	5,940	(22.6%)	7,670
ROE	10.6%	10.4%	—	—	11.3%	—	13.9%
ROIC	10.0%	9.7%	—	—	11.1%	—	13.6%

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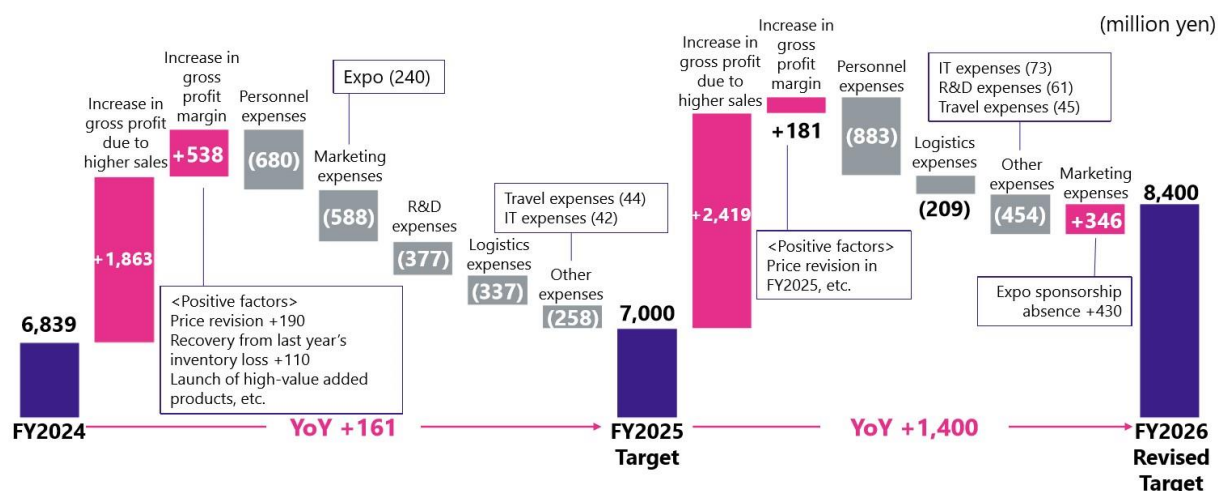
I would like to explain our guidance for FY2025 through these initiatives, as well as the revision of the medium-term management plan targeted for FY2026.

Our guidance for FY2025, highlighted on the left side of the page, is JPY 54.25 billion in consolidated net sales and JPY 7 billion in consolidated operating income. ROE is planned at 10.4%.

Looking to the right, we have announced our medium-term management plan for 2026. Net sales are projected to be JPY 58 billion, in line with our plan. However, due to the rapid changes in the cost structure post-COVID-19, we have revised our operating income target to JPY 8.4 billion.

## Factors Behind Consolidated Operating Income Changes (FY2024 to FY2026)

We anticipate an operating income of 8,400 million yen and an operating income margin of 14.5% for FY2026, driven by an improved gross profit margin through price revisions and the absence of one-time expenses such as Expo sponsorship in FY2025.



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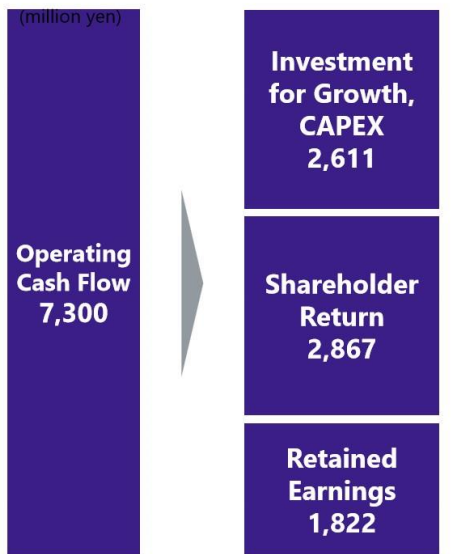
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Next, I would like to explain the two-year profit projection using the FY2024 results as a starting point.

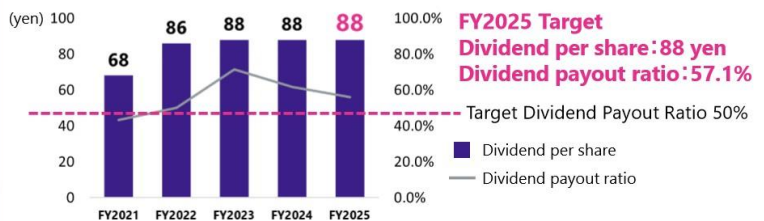
First, from FY2024 to FY2025, we expect an increase in gross profit due to higher sales and price revisions. As mentioned earlier, the Expo will be held this year, and the associated sponsorship and exhibition costs will increase SG&A expenses. We have also factored in higher R&D expenses related to the Innovation Center, with operating income set at JPY 7 billion.

For FY2026, we anticipate an increase in gross profit due to higher sales and the full-year effect of price revisions for existing products. We expect to achieve JPY 8.4 billion in operating income, including cost reductions such as the absence of Expo expenses.

## Financial Strategy – Capital Allocation in FY2025



- ✓ Office relocation and facility development
  - Human Resource Development Center (Odawara)
  - Relocation of the sales office
- ✓ Upgrade of manufacturing machinery
- ✓ Feature development of milbon:iD•Smart Salon
- ✓ IT infrastructure enhancement



Due to the upcoming investment for the expansion of the Yumegaoka Factory and the increase in production capacity to realize our Long-term Vision

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As for our financial strategy, we plan to use JPY 7.3 billion of operating cash flow, allocating JPY 2,611 million for growth investments and JPY 2,867 million for shareholder returns.

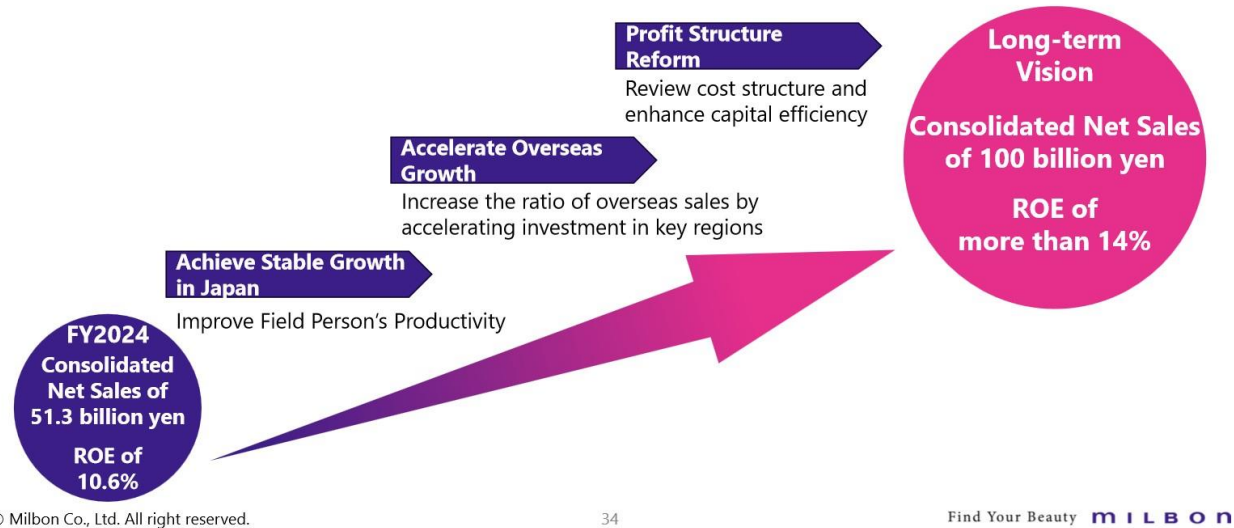
As part of our growth investment, the Training Center currently located in Osaka will be renamed the Human Resource Development Center and relocated to Odawara, where it will be expanded and begin operations in the fall of this year. We will also continue to invest in the infrastructure for milbon:iD and Smart Salon.

We plan to pay a dividend of JPY 88 per share for the full year, with a payout ratio of 57.1%, targeting a payout ratio of 50% and ensuring no reduction in dividend payments.



## Long-term Vision

We have set a new Long-term Vision of net sales of 100 billion yen and an ROE of 14% or more, to be achieved beyond FY2026.



Now, I would like to explain our Long-term Vision.

As for Milbon's direction for FY2026 and beyond, last year we surpassed JPY 50 billion in consolidated net sales, but this is just a milestone. Our next goal is to reach JPY 100 billion.

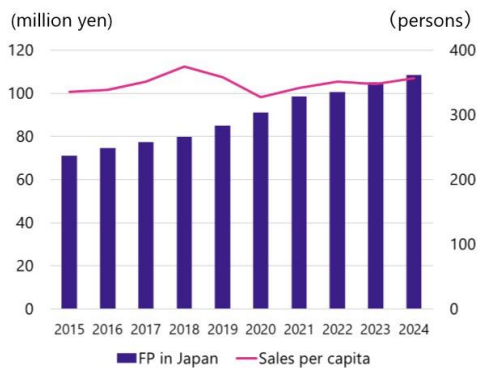
We aim to achieve an ROE of 14% or more by ensuring stable growth domestically, accelerating growth overseas, and improving capital efficiency while enhancing profitability.

## Long-term Vision – Achieve Stable Growth in Japan

**There is room for growth in sales per Field Person. We will focus on enhancing sales per salon and improving FP activity efficiency through the Smart Salon strategy and product range expansion.**

### Sales per Field Person (FP)

The recruitment and increase of Field Person have driven sales growth, but per capita sales have remained around 100 million yen.



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### Ideas for Increasing Sales per Field Person

#### < Increase Sales at Salons >

Increase the take-home products purchase ratio from 15% through milbon:iD and Smart Salon, and promoting cosmetic sales

#### < Improve FP Activity Efficiency >

- Visualize the causal relationship between the frequency and content of activities and sales through DX.
- Narrow down the number of salons for implementing activities

**Aim to improve sales per FP by 20% to 30% or more.**

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First, for stable growth in Japan, we will promote initiatives to increase sales per Field Person by improving sales per hair salon. To achieve this, we have to raise the ratio of customers who purchase take-home

products from 15% through milbon:iD and Smart Salon strategies, which will serve as the infrastructure for growth of haircare products.

We also aim to increase sales per Field Person and achieve stable growth in the domestic market, along with expanding in the cosmetics market.

## Long-term Vision – Accelerate Overseas Growth

**When consolidated net sales reach 100 billion yen, the overseas sales ratio is expected to account for 35% to 40% of total sales. While we anticipate continuous growth in Asia, we believe that the USA and European markets will drive our future growth. Therefore, we will strengthen our investment in these regions.**



### ✓ To Solidify Our Position as Number One in the Asian Market

We will secure the top market share in South Korea and leverage this position as a competitive advantage in the Asian market.

### ✓ Endeavors in the USA and European Market

Accelerate growth in the market of hair coloring products  
Establish and reinforce the sales network of distributors

■ Japan ■ Asia (ex. Japan) ■ USA, EU, and Middle East

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Next, I would like to explain the acceleration of overseas growth. There are two main points.

First, we aim to achieve the number one market share in South Korea to become the top player in Asia, excluding Japan. Japan is a large market in Asia, so if we included it, we would already be number one. Therefore, we define true number one in Asia as excluding Japan. Our goal is to become the leading manufacturer in both the Japanese and South Korean markets, enhancing our superiority in Asia to achieve true dominance in the region.

South Korean beauty trends are highly influential in Asia. During my visits to various countries, I have interviewed hairstylists, especially young ones, asking them who they follow on social media. I have noticed that South Korean beauty information often spreads to Taiwan and China. From there, it is translated into Chinese and reaches Southeast Asia, where there is a large population and many hair salons. This flow of information highlights South Korea as the upstream source of beauty trends in Asia. By securing the top position in the South Korean market, we aim to lead the Asian market.

The second point is our challenge in the European and US markets. In the USA, we will establish a robust education and brand development system to accelerate growth in the hair color market. Although the USA has not yet reached profitability, we expect to achieve this by FY2028 to FY2029. Our recent sales growth in the USA is due to switching from direct sales to a distributor route, which has provided better insights into growth requirements and methods. While this transition has delayed profitability, it is essential for our JPY 100 billion vision. Accelerating sales growth will generate solid profits and strengthen our global strategy.

In the EU, we plan to build a distributor network similar to the US model. In Germany and its surrounding areas, we will continue direct sales activities based on commission and contractual systems. However, for other countries, we will promote distributor contracts to build sales channels. We have already started

business with distributors in Greece and Norway and received inquiries from other countries. We will find partner agencies in each country, learning from successful patterns to build a business model in the EU.

Through these measures, we plan to raise the ratio of overseas sales to more than 35%.

## Long-term Vision – Profit Structure Reform

**We aim to achieve an ROE of 14% or more by improving margins through a review of our cost structure and by enhancing capital efficiency**

### Review of Cost Structure

#### <Increasing Gross Profit Margin>

- ✓ Launch high-value-added products with a focus on the haircare category
- ✓ Consider price revisions for existing products based on their value and the cost structure
- ✓ Reduction of manufacturing costs through the commonization of raw materials across products

#### <Controlling Logistics Costs>

- ✓ In Japan: reduce costs through consolidated deliveries and a review of our own delivery fee burdens
- ✓ Overseas: reduce costs by establishing a system to identify appropriate inventory levels in each country, improving planning accuracy, and reviewing manufacturing and distribution bases

### Enhancing Capital Efficiency

#### <Share Buyback>

- ✓ Consider share buybacks with the aim of achieving our target ROE

#### <Strategic Utilization of Debt>

- ✓ Explore the utilization of interest-bearing debt to address temporary increases in capital needs, such as large-scale investments

In terms of profit structure reform, we will continue our high-profit model in the haircare category, which leverages our strength in value-added proposals, price revisions for existing products, and the selection of raw materials by strengthening supply chain management. Additionally, we will review our logistics service levels to ensure that variable costs are well controlled, thereby increasing profitability.

To improve capital efficiency, we plan to utilize interest-bearing debt considering share buybacks and proceeding with large-scale investment projects.

## Financial Strategy – Long-term Capital Allocation Policy

- ✓ Prioritizing investment in growth, we will add a fundamental policy of progressive dividends to our existing target dividend payout ratio of 50% to enhance shareholder returns.
- ✓ We will allocate surplus funds to share buybacks with the aim of achieving a total payout ratio of 50% or more over the long term.
- ✓ Growth investments will primarily be funded through operating cash flow and cash on hand, but we will also consider the utilizing interest-bearing debt.

Source		Category of Investment	Main Use of Funds (up to FY2026)	Main Use of Funds (FY2027 and Beyond)
Operating Cash Flow	High Priority ↑ Low Priority	Investment for growth of existing businesses	<ul style="list-style-type: none"> <li>Human Resource Development Center in Odawara</li> <li>Expansion of Yumegaoka Factory</li> <li>Investment in R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>Investment to accelerate overseas growth</li> <li>Investment in DX</li> <li>Strengthening of the production and supply system</li> <li>Investment in R&amp;D, etc.</li> </ul>
		Investment for new business and overseas growth	<ul style="list-style-type: none"> <li>Investment in DX (milbon:iD and Smart Salon)</li> <li>Strengthening investment in the USA and EU</li> </ul>	
Cash on Hand		Shareholder return	Dividends (dividend payout ratio of 50%+ progressive dividends)	<ul style="list-style-type: none"> <li>Dividend (dividend payout ratio of 50%+ progressive dividends)</li> <li>Share buyback (total payout ratio 50% or more)</li> </ul>
+				
+				
Debt (to be utilized as needed)		Minimum required cash on hand	Secured for stable business operations	Secured for stable business operations

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As a long-term capital allocation policy, we will prioritize growth investments in existing, new, and overseas businesses. Next, as an aggressive shareholder return strategy, we will aim for a dividend payout ratio of 50% and use surplus funds for share buybacks to increase the total return ratio. The details are as shown.

Lastly, we are pleased to have surpassed the JPY 50 billion of sales in FY2024, but this is still just a milestone. We will solidify the foundation for stable domestic growth.

I would like to talk about three reasons why Milbon has been and continues to be chosen. As I mentioned earlier, there are certain steps to explain these three reasons. The first step is product and technical training for individual salons. The second step is to train hairstylists. The third step is to propose management strategies and policies.

Which step is Milbon taking at the moment? It varies from country to country and region to region, but the way forward is clear. We will continue to climb these steps by accumulating number one positions in specific areas. Beyond the JPY 100 billion milestone, we at Milbon aim to become the global number one professional manufacturer.

Thank you very much for taking the time out of your busy schedule today.

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