

Overseas Strategy Presentation Q&A (Summary)

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Responses by:

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■ Profit Level

1. Could you provide the timeline for achieving profitability in the USA and the long-term profit levels for overseas business?

We are currently reviewing this internally and will provide an update when we can explain with certainty.

■ South Korea

2. What measures must be taken to achieve the top position in South Korea?

We estimate that there is a 1.5 times market share gap with the leading local company in South Korea. However, we believe we have a stronger share and momentum among young salons. To become number one, it is crucial to capture the perm market. Our current products are not compatible with the common methods for perms in South Korea, known as digital perms, so we are developing dedicated products. Although the sales ratio of perms in Japan is currently low, we have the expertise and will collaborate with local salons to introduce competitive products. The launch timing cannot be specified, but it will be from next year onwards.

3. What profit levels should be targeted when achieving the top position in South Korea?

In the past, we operated with a shortage of staff, but now that we have a full complement of staff, we consider our current profits in South Korea to be generally at an appropriate level. With a functioning sales network of distributors, we do not see the need to significantly increase our own sales staff.

■ USA

4. The difference in market size between the USA and South Korea, as stated on page 4 of the presentation materials, appears large compared to the difference in population. What do you consider to be the contributing factors?

We estimate that this is due to the higher unit costs of services and take-home products in salons in the USA.

5. Is there a possibility of establishing a production facility in the USA?

We are currently manufacturing in Thailand and Japan and shipping products to the USA. In the long-term, we have not ruled out any possibilities. We believe that the USA is a region with great growth potential, but there is also a large market in Central and South America. Considering that, we think we should consider establishing manufacturing facilities in the USA in the future.

■China

6. The profit margins in China have declined. How do you plan to recover them?

We plan to focus on two main areas. First, we'll work on boosting our top-line revenue through field activities targeting salons. Second, we aim to boost the utilization of our China Factory. Although the factory was initially built for hair color production, we plan to introduce a production system for haircare products. Additionally, with our R&D team located alongside the factory, we'll develop and manufacture products specifically for the local market.

■Other

7. What are the risk factors for your overseas business?

As we primarily sell products to salons through distributors, the takeover of distributors by competing manufacturers could pose a risk. However, in regions where we operate through subsidiaries, imports are still possible, so there is no risk of a sudden halt in business.

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