Milbon Co., Ltd.

Q1 Financial Results Briefing for the Fiscal Year Ending December 2025

May 14, 2025

Event Summary

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[Venue]	Webcast
[Number of Speakers]	1 Masahiro Murai Managing Executive Director

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Presentation

Today's Message

FY2025 1Q YTD Results

Sales and profits declined due to reactionary effects and temporary factors. While the financial results have fallen short of our Q1 target, there has been a recovery trend in both domestic and overseas markets since March.

Net Sales by Region

- Despite the solid performance of hair care products, domestic sales declined due to the sluggish performance of hair coloring products and a reactionary decrease following strong sales of new cosmetic products launched last year.
- Strong performance in the United States. South Korea experienced a temporary setback, and China faced exceptionally higher net sales last year, leading to sales declines in both countries. However, we anticipate recovery from the second quarter onward.

Operating Income

- Operating income declined due to sales decline and increased SG&A expenses, falling short of our target mainly due to lower-than-expected net sales.

FY2025 Outlook

The full-year forecast remains unchanged. Given the steady progress in both domestic and overseas markets since March, we will closely monitor market trends and the impact of price revisions in the domestic market from Q2 onward.

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Murai: I would like to start with today's point.

The Q1 results show a decrease in both sales and income, largely due to one-time factors, as well as reactionary effects from last year.

Operating income has also been underachieving. However, it is encouraging to see a recovery trend both domestically and overseas from March onward.

First, the net sales by region.

In Japan, hair care products continued to perform steadily. However, sales of hair coloring products were somewhat sluggish, and sales of cosmetic products were down due to reactionary effects from last year's strong sales of new products.

As for overseas, sales in the US continue to do well. However, sales in South Korea and China declined due to a temporary setback and a reactionary decrease. We expect improvement from Q2 onward and will continue to monitor the situation closely.

Operating income declined due to the decline in sales, but also because SG&A expenses increased compared to the previous year. The decrease in sales was a major factor in our failure to achieve our target versus the previous year.

As for the forecast for the full year, we have decided to leave it unchanged at this stage, as I will explain later. Since March, there has been a recovery trend, and we intend to watch for a steady recovery trend both in Japan and overseas, so we have decided not to change our full-year forecast.

Consolidated Statement of Earnings

Sales and profits declined due to reactionary effects and temporary factors.
The shortfall in profits was mainly driven by sales not meeting our target.

(Unit: million yen)	FY2024 1Q YTD	% Total	FY2025 1Q YTD	% Total	Diff.	Diff. (%)	FY2025 1Q YTD Target	Vs. Target (%)
Net Sales	11,508	100.0%	**11,180**	**100.0%**	(327)	(2.8%)	12,030	92.9%
Gross Profit	7,246	63.0%	**7,057**	**63.1%**	(188)	(2.6%)	7,653	92.2%
SG&A Expenses	5,909	51.3%	**6,345**	**56.7%**	435	7.4%	6,567	96.6%
Operating Income	1,337	11.6%	**712**	**6.4%**	(624)	(46.7%)	1,086	65.6%
Ordinary Income	1,390	12.1%	**625**	**5.6%**	(765)	(55.0%)	1,097	57.0%
Profit Attributable to Owners of Parent	973	8.5%	**462**	**4.1%**	(510)	(52.5%)	792	58.4%

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This is the consolidated statement of earnings section.

Sales and profits declined. First, I will explain the factors that have led to a sales decline.

Factors Behind the Shortfall in Consolidated Net Sales

Domestic sales faced challenges due to market and internal factors, yet have improved since March. As we move forward, we will closely monitor the impact of the price revisions starting in May.
Overseas sales in January and February were impacted by temporary factors and reactionary declines, but also have improved since March.

	Status in January and February	Status From March Onwards
Domestic Sales Negative Variance: 730 mil. yen	**Market Factor** ・The decline in the frequency of salon visits, among other factors, negatively impacted our performance. **Internal Factors** ・Sales of new cosmetics products did not meet our target. ・Hair coloring sales were sluggish due to market stagnation and intensified price competition.	**Market Factor** ・Frequency of salon visits returned to normal levels. **Internal Factors** ・Hair care products have driven sales growth, offsetting the low sales in other categories. ・Sales of Villa Lodola Color have continued to grow steadily.
Overseas Sales Negative Variance: 120 mil. yen	**South Korea: Temporary Factor** ・The frequency of salon visits declined due to political turmoil in South Korea, and inventory adjustments were carried out by distributers ・Stronger yen and weaker won **Other: Reactionary Decline** ・In "Other" regions, a surge in demand ahead of price hike boosted sales in FY2024.	**South Korea: Temporary Factor** ・Inventory adjustments have been completed. While the outlook for political turmoil remains uncertain, the frequency of salon visits has been recovering. ・While the trend of a stronger yen and weaker won has continued, the yen has been depreciating recently. **Other: Reactionary Decline** ・The reactionary sales decline following the surge in demand was greater than anticipated. However, we expect it to normalize over the full year.

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We have inserted a page titled "factors behind the shortfall in consolidated net sales" on this page.

Although sales rarely fall below target so far, we felt an explanation was necessary in this case. We'd like to clarify especially the one-time factors and reactionary decline seen in January and February. First, in Japan, the underachievement was at JPY730 million. The market factor was a slowdown in the frequency of salon visits. The situation was particularly difficult around February.

As for our internal factors, sales of new cosmetics products unfortunately did not meet our target. While we did not expect to have as many sales as the last year since we had the high benchmark last year, we unfortunately still could not meet our target even with new products. Overall market growth in the hair coloring category has been sluggish. As product performance becomes more similar, competition among manufacturers intensifies, leading to stagnant sales.

In South Korea, which accounts for the largest share of our overseas sales, we believe performance was mainly affected by political turmoil around January, which appeared to discourage consumers from visiting salons. Additionally, our distributor performed inventory adjustments during the same period, which further impacted results.

Another contributing factor was the appreciation of the yen against the Korean won, which negatively affected our performance.

In the "Other" overseas regions, sales also declined year-on-year due to a reactionary drop following a surge in demand ahead of last year's price increase.

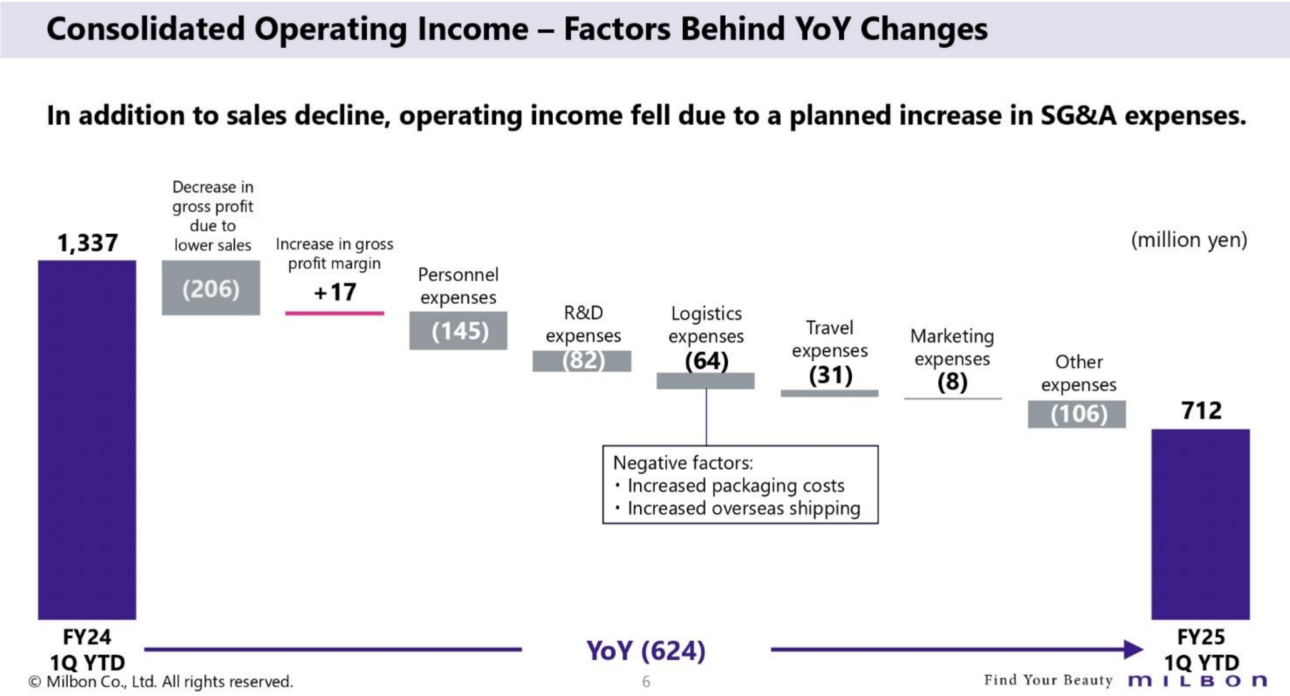
Since March, we have observed that the frequency of salon visits in Japan has largely returned to typical seasonal levels, indicating a recovery in market activity.

On the company side, our hair care product category continues to perform well, and we believe this growth will be sufficient to offset any potential slowdown in other categories. In the hair coloring category, Villa Lodola Color, which has received strong market recognition, is showing steady growth and is expected to contribute positively to overall performance.

Overseas, inventory adjustments by our distributor in South Korea appear to have been completed. While the outlook for political stability remains uncertain, the situation has remained stable thus far.

The trend of yen appreciation against the Korean won continues. However, future currency movements remain difficult to predict, and we appreciate your understanding regarding this uncertainty.

In “Other” regions, although the reactionary decline following last year’s pre-price-increase demand surge was greater than anticipated, we expect sales to normalize over the full fiscal year.



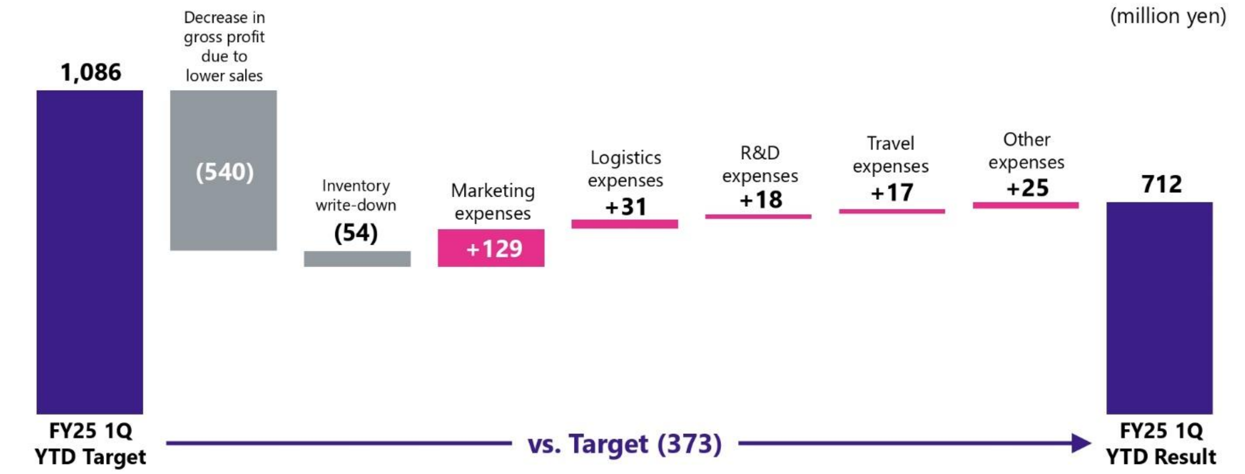
This page shows the waterfall chart to show the consolidated operating income compared to the same period of the previous year.

A decline in sales year-on-year was a primary negative factor.

In terms of SG&A expenses, as anticipated, personnel and other costs increased, which resulted in a decrease in operating income.

Consolidated Operating Income – Factors Behind Difference vs. Target

Operating income fell short of our target due to the decline in net sales, which were below our target. Although a portion of marketing expenses remained unspent, SG&A expenses were generally in line with the full-year budget.



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On this page are the factors behind the difference against target in consolidated operating income.

The primary reason was the shortfall in sales.

Regarding SG&A expenses, we have not significantly exceeded our planned spending. In fact, some budgeted funds remain unutilized at this stage. That said, we anticipate that these funds will likely be used over the course of the fiscal year in line with our overall plan.

I will provide further details on this point later in the presentation.

Net Sales and Operating Income by Region

Both net sales and operating income experienced declines across domestic and overseas markets. In South Korea, net sales were negatively impacted by the appreciation of the yen.

(Unit: million yen)		FY2024 1Q YTD	FY2025 1Q YTD	Diff.	Diff. (%)	Actual Diff. Rate[*1] (%)	FY2025 1Q YTD Target	Exchange Rate FY24 1Q	Exchange Rate FY25 1Q
Japan	Net Sales	8,371	**8,165**	(206)	(2.5%)	(2.5%)	8,897	－	－
	Operating Income	920	**566**	(353)	(38.4%)	－	901		
	Margin (%)	11.0%	**6.9%**	－	－	－	10.1%		
Overseas	Net Sales	3,136	**3,014**	(121)	(3.9%)	(1.6%)	3,132	－	－
	Operating Income	417	**145**	(271)	(65.0%)	－	184		
	Margin (%)	13.3%	**4.8%**	－	－	－	5.9%		
South Korea	Net Sales	1,266	**1,189**	(76)	(6.1%)	0.8%	1,336	KRW 0.1121 yen	KRW 0.1045 yen
	Operating Income	369	**250**	(118)	(32.2%)	－	342		
	Margin (%)	29.2%	**21.1%**	－	－	－	25.6%		
China	Net Sales	664	**637**	(26)	(4.0%)	(3.9%)	563	RMB 21.00 yen	RMB 20.98 yen
	Operating Income	95	**47**	(47)	(50.1%)	－	(7)		
	Margin (%)	14.3%	**7.5%**	－	－	－	(1.3%)		
USA	Net Sales	414	**495**	80	19.5%	18.4%	460	USD 149.88 yen	USD 151.21 yen
	Operating Income	(17)	**(59)**	(41)	－	－	(113)		
	Margin (%)	(4.2%)	**(11.9%)**	－	－	－	(24.6%)		
Other[*2]	Net Sales	791	**692**	(98)	(12.5%)	(13.9%)	771	－	－
	Operating Income	(30)	**(93)**	(62)	－	－	(37)		
	Margin (%)	(3.8%)	**(13.4%)**	－	－	－	(4.9%)		

*1 Figures are the rates of change in real terms on a local currency basis. *2 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, Philippines, Singapore, and EU

Here are the net sales and operating income for domestic and overseas.

Net sales in Japan declined by 2.5%. Overseas sales also declined by 3.9%.

Among the overseas regions, the United States continued to deliver solid results, reflecting the strength of our performance in that market.

Financial Results by Region: Japan

Solid hair care sales could not offset declines in hair coloring and cosmetics, resulting in overall decreases in sales and operating income. Net sales trend was sluggish in January and February, but has been improving since March. Consequently, the full-year target remains unchanged.

YoY Growth Rate of Sales by Product Category*

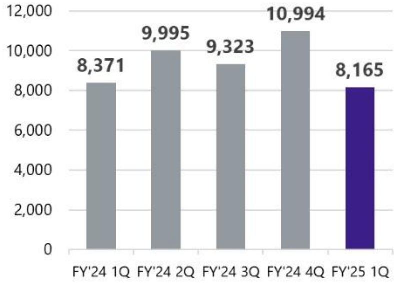
Hair care sales have remained solid since last year. While gray coverage hair colorants sales have been relatively stable, fashion colorants sales have been impacted by market slowdown and intense competition. Cosmetics sales declined due to a reactionary drop following the strong performance of new products launched last year.

	FY2025	
Change in Sales	**1Q**	**1Q YTD**
Hair Care	+6.6%	+6.6%
Hair Coloring	(7.9%)	(7.9%)
Cosmetics	(57.5%)	(57.5%)
% to Sales	**1Q**	**1Q YTD**
Hair Care	66.2%	66.2%
Hair Coloring	30.0%	30.0%
Cosmetics	1.8%	1.8%

*Based on shipment value

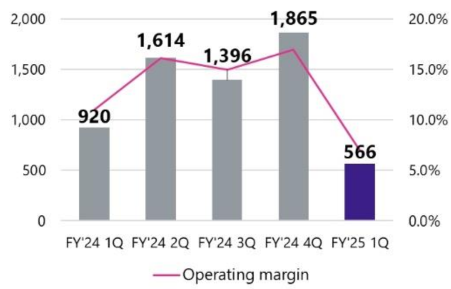
Quarterly Net Sales (mil. yen)

Due to seasonal factors, Q1 sales tend to be lower compared to other quarters.



Quarterly Operating Income (mil. yen)

Income declined due to lower sales. However, we anticipate improvement from the second quarter onward, following the price revision implemented in May.



Moving on to financial results by region, for Japan.

Hair care products continued to perform well; however, this was not sufficient to fully offset the declines in hair coloring and cosmetics. That said, sales have been stable since March, and we are maintaining our full-year forecast. Hair coloring remains a challenging area, but we are committed to implementing various measures to address this and improve performance going forward.

Then, in terms of income, as previously announced, we implemented price increases on a part of our existing hair care products starting May 1. While it is still too early to assess the full impact, we are confident that the price revision will have a positive effect on earnings. We will continue to monitor this closely.

Financial Results by Region: South Korea

Sales faced headwinds in the first quarter due to temporary setbacks, including declining consumer spending amid political turmoil and inventory adjustments related to a distributor's warehouse relocation. However, we anticipate improvement from the second quarter onward.

YoY Growth Rate of Sales by Product Category*

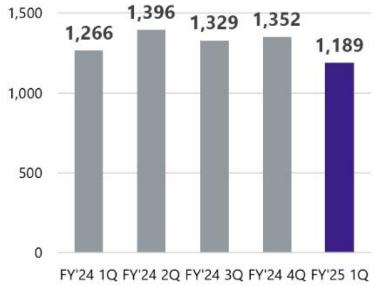
Although sales in our core hair coloring category declined, we anticipate increased demand due to the market exit of a major competitor. In the hair care category, growth was driven by Aujua and Global Milbon.

	FY2025	
Change in Sales	**1Q**	**1Q YTD**
Hair Care	+5.0%	+5.0%
Hair Coloring	(2.9%)	(2.9%)
Perm	+10.2%	+10.2%
% to Sales	**1Q**	**1Q YTD**
Hair Care	24.3%	24.3%
Hair Coloring	68.5%	68.5%
Perm	5.5%	5.5%

*Based on local currency

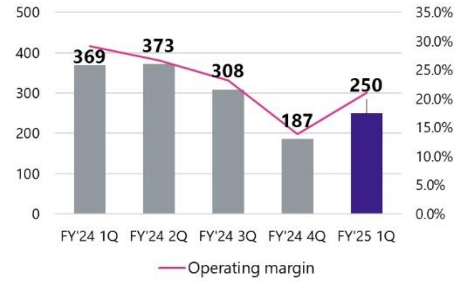
Quarterly Net Sales (mil. yen)

Sales declined in January on a yen basis due to political turmoil and inventory adjustments by a distributor. However, performance has been improving since February.



Quarterly Operating Income (mil. yen)

Income declined due to reduced sales and the hiring of additional Field Person .



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Moving on to financial results by region, for South Korea.

We believe the stagnation in consumer activity due to political uncertainty had a significant impact. Additionally, one of our major distributors performed a warehouse relocation, which led to inventory adjustments. While we do not view this as a particular issue, as we expect it to be largely resolved over the full year, it is true that the Q1 results were unfortunately weak.

As for operating income, the decline was due to lower sales and the increase of Field Person. However, this was part of our original plan, and we believe we are on track to meet our full-year targets.

Financial Results by Region: China

Both net sales and operating income remain stable and are progressing ahead of our target, despite a year-on-year decline due to the high benchmark set by the surge in salon visits in January last year preceding the Chinese Lunar New Year.

YoY Growth Rate of Sales by Product Category*

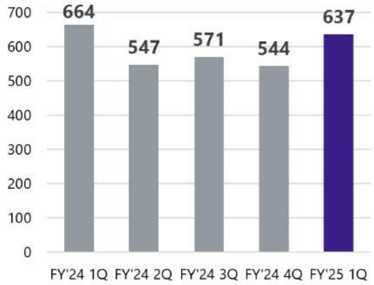
We support hair salons in offering services that cater to customers' needs for high-value added experiences. Despite overall sales decline due to the exceptionally higher net sales last year, hair care products sales were relatively stable.

	FY2025	
Change in Sales	**1Q**	**1Q YTD**
Hair Care	(0.6%)	(0.6%)
Hair Coloring	(7.0%)	(7.0%)
% to Sales	**1Q**	**1Q YTD**
Hair Care	57.8%	57.8%
Hair Coloring	36.3%	36.3%

*Based on local currency

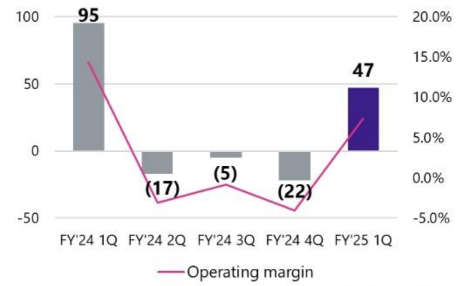
Quarterly Net Sales (mil. yen)

Sales declined in January due to a reactionary drop following the surge in salon visits in January last year preceding the Chinese Lunar New Year. However, performance has been stable since February.



Quarterly Operating Income (mil. yen)

With the recovery in sales levels, operating income has turned positive. We will strategically invest in marketing expenses to stimulate demand for hair coloring products, while carefully monitoring market trends.



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Moving on to this page, for China.

In January of last year, the Chinese Lunar New Year fell earlier than usual, which led to a sharp increase in salon visits ahead of the holiday and a significant boost in Q1 sales. As a result, the year-on-year comparison set a high benchmark, and this year’s sales did not reach the same level. That said, sales exceeded our internal targets, and we view the performance as solid.

With the recovery in sales levels, operating income also turned positive. However, some marketing-related expenses have yet to be deployed, so we expect to continue working toward achieving our full-year profit target.

Financial Results by Region: United States

While consumer sentiment in the US hair salon market has been worse, our hair care products have shown strong growth. Although the increase in headcount has led to a decrease in operating income compared to the previous year, both sales and income have exceeded our target.

YoY Growth Rate of Sales by Product Category*

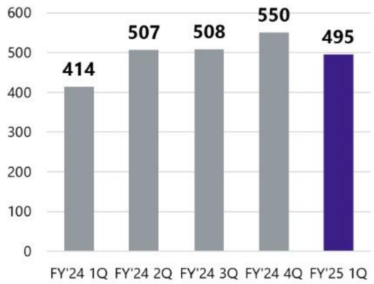
Hair care products continued to perform well, driving overall sales growth, with an increasing number of salons introducing Global Milbon. However, sales of hair coloring products declined due to a delay in educational activities, as efforts were focused on meeting the rising demand for hair care products.

	FY2025	
Change in Sales	**1Q**	**1Q YTD**
Hair Care	+22.9%	+22.9%
Hair Coloring	(7.2%)	(7.2%)
% to Sales	**1Q**	**1Q YTD**
Hair Care	86.8%	86.8%
Hair Coloring	8.3%	8.3%

*Based on local currency

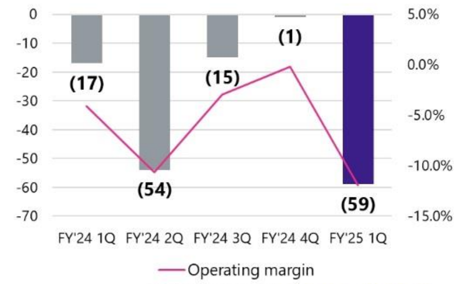
Quarterly Net Sales (mil. yen)

While consumer sentiment in the US hair salon market has been deteriorating due to tariff policies, our sales remain strong, particularly in the hair care category.



Quarterly Operating Income (mil. yen)

Operating income declined due to the increase of Field Person but remains ahead of our target.



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Moving on to the United States.

In the US hair salon market, there appears to be a slight decline in consumer sentiment.

While we have heard concerns from local staff regarding this trend, our performance in the region has remained solid. Sales continue to be strong, particularly in the hair care category led by Global Milbon. We believe this is supported by our marketing initiatives in collaboration with Mr. Anh Co Tran, the Global Creative Director for Milbon USA.

Although operating income has declined, this was mainly due to an increase in personnel, which was planned in advance. As such, we do not see this as a concern, and at this point, both sales and income are progressing steadily toward achieving our full-year targets.

The Impact of US Tariffs on Our Financial Results

The impact of additional US tariffs was not considered in our full-year target announced in February. The anticipated impact on our financial results as of May 13 is as follows:

Production Facility for Products Sold in the United States

Approximately 70% of our US sales come from products manufactured in Japan , with the remaining 30% produced in Thailand.

Impact on Results in FY2025: Negative Factor of Approx. 70 Million Yen in Operating Income

Assumption:
- 10% tariff rate from April 1 to December 31
- US sales are expected to meet the full-year target.
- Volume reductions due to weakened consumer sentiment caused by tariff policies are not considered.

Countermeasure: Considering Price Revisions

Monitor the tariff policy and hair salon market trends closely, and revise prices as needed.

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Regarding the impact of US tariffs on our business performance, the situation remains fluid and, to be honest, it is still difficult to predict how things will unfold.

The current assumption is based on a 10% tariff rate applied from April 1 through December 31. This estimate also assumes that US sales will align with our full-year forecast, and that any decline in consumer sentiment due to the tariffs is not reflected in volume reductions. Under these conditions, we currently estimate a negative impact on operating income of approximately JPY70 million.

However, there remains considerable uncertainty, and we will continue to monitor developments closely. In this context, we are also considering countermeasures such as price revisions.

That said, we recognize the challenge of implementing price increases in an environment where consumer sentiment is already weakening. We will carefully assess market conditions, including competitor actions, before making any decisions.

Outlook After Q2

The full-year target remains unchanged. We aim to achieve this target through various sales strategies and cost-reduction initiatives.

		Outlook After Q2
Net Sales	Japan	• We anticipate that the demand for our hair care products will remain strong and steady. • In the hair coloring products, gray coverage colorants, which are highly regarded for their product features, are anticipated to perform relatively well. We will leverage our official social media channels and salon booking services to enhance customer appointments.
	Overseas	• Although Q1 net sales experienced a decline due to exceptionally higher net sales last year and temporary factors, full-year sales are generally expected to progress in line with our target. • Our initial target did not consider US tariffs and the rapid appreciation of the yen, which we acknowledge as uncertain factors.
Operating Income		• Current raw material prices may negatively affect our profitability compared to our target, but we aim to offset this through cost-reduction initiatives. • As initially planned, we have increased the prices of hair care products in Japan for shipments starting May 1 to secure operating income. • We will review and optimize SG&A expenses to achieve our full-year operating income target.

Next, the outlook after Q2.

We are maintaining our full-year target. We believe it remains achievable, supported by the implementation of various sales initiatives and expected benefits from cost reduction efforts.

In terms of sales, we are not concerned about the domestic hair care category, which continues to perform steadily. The main challenge lies in the hair coloring category.

Gray coverage colorants are performing relatively well. However, fashion hair coloring remains a difficult area, as educational activities targeting salons alone have not been sufficient to drive growth. In response, we are now strengthening our outreach through official social media channels and salon booking platforms to encourage end-users to specifically request Milbon hair color.

We believe these initiatives will have a positive impact, and we will closely monitor their effectiveness going forward.

As for overseas markets, the decline in sales was mainly due to reactionary effects from last year's strong performance and other temporary factors. We expect full-year results to generally progress in line with our initial target.

While there are some uncertainties surrounding tariffs and exchange rates, we are fully aware of these risks and will work to achieve our targets by incorporating appropriate measures into our ongoing initiatives.

Now I will talk about operating income.

While current raw material prices may pose a slight downside risk compared to our initial target, we believe this can be sufficiently offset by ongoing cost reduction efforts at our factories.

In addition to that, we implemented a price revision for certain domestic hair care products, effective with shipments from May 1, in line with our original plan. This initiative is expected to contribute positively to operating income, and we will continue working to enhance profitability.

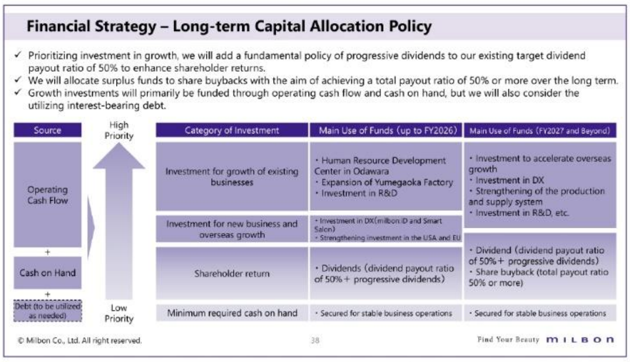
Regarding SG&A expenses, although we previously noted that some budgeted funds remain unspent, we are becoming increasingly aware that achieving our profit target will not be easy—even if sales reach planned levels—due to various risk factors. As a result, we are now reviewing overall expenditures. Therefore, we do not intend to use all of the remaining budget. We will allocate only the minimum necessary, while carefully monitoring the situation.

Taking these initiatives into account, we are maintaining our full-year target.

Review of Policy for Capital Allocation

We are considering further utilizing interest-bearing debt for the expansion of the Yumegaoka Factory, given the recent financial market conditions and improving capital efficiency. Consequently, we will revise our capital allocation from 2025 to 2026.

Capital Allocation Policy Announced in February*



*For more details, please refer to the Consolidated Financial Results for the Fiscal Year Ended December 31, 2024:
https://www.milbon.com/en/ir/uploads/docs/20241231en_65s4q_presentation_material.pdf

Review of Capital Allocation Policy

- We plan to invest approximately 10 billion yen in expanding the Yumegaoka Factory in Japan by 2026.
- Initially, we planned to fund the investment primarily with cash and deposits, supplemented by some debt. However, given recent financial market conditions and our goal to improve capital efficiency, we are now considering using more interest-bearing debt.

- **We will disclose our revised capital allocation plan for the current Medium-Term Management Plan once it is finalized.**

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Lastly, I would like to touch on our current considerations regarding our capital allocation policy.

In our full-year earnings briefing held in February, we shared our approach to "Management Approach with a Focus on Capital Costs and Stock Prices."

As we prepare for a major investment in our domestic factory by 2026, our initial stance in February was to fund this primarily through cash and deposits. At the same time, improving capital efficiency remains a key priority.

While we had anticipated that some borrowing would be necessary given the scale of the investment, our original plan was to rely mainly on internal cash and deposits. As shown in the bottom-left of the slide, we presented a capital allocation plan through 2026 based on that assumption.

However, as internal discussions have progressed, we are now actively considering a shift toward more effective use of interest-bearing debt as a funding strategy.

If this direction is finalized, it may lead to a revision of our capital allocation strategy through 2026.

While we are not in a position to disclose specific details at this stage, as they are still under consideration, I would like to note that we are currently reviewing potential changes to our capital allocation policy.

This concludes my explanation. Thank you very much.