

# MILBON REPORT 2021

Integrated Report 2021  
Sustainability Report

Achieving sustainable growth as  
a company indispensable to society



MILBON

Find Your Beauty

## Our integrated report for FY 2021 consists of two parts: a Letter and a Sustainability Report.

For FY 2021, we are issuing two separate editions of our integrated report: the Letter and the Sustainability Report.

The Letter edition is drafted as a report for the families of Milbon employees.

The year 2020 was an unprecedented one, as society experienced a great upheaval due to the COVID-19 pandemic. We decided to draft the Letter edition to provide an easier-to-understand look at our situation in FY 2020 for our employees' families to address their concerns and worries. Therefore, while this is a report for all our stakeholders, we drafted the Letter in a compact, 16-page tabloid format to be approachable for those unfamiliar with integrated reports. The Letter edition focuses on highlights from the previous fiscal year, a message from the president, and information regarding our employees' work.

In the Sustainability Report, we focus on our strategies and initiatives for sustainable growth, as well as the five key challenges for sustainable growth that we established in FY 2020. It is available in PDF format in landscape orientation, enabling easy viewing on a desktop or laptop computer. This edition is not printed on paper for distribution. In FY 2021, our integrated report will consist of these two editions. While this style of reporting may seem different from business norms, we hope that it will provide a deeper understanding of the Company to all our stakeholders.

### The MILBON Report 2021 (Letter edition),

focusing on the highlights of FY 2020 designed specifically for employees' families



#### Disclosure Methods

**Online publication (PDF) and tabloid-size (406mm x 272mm) printed document**

- Main Content**
- Highlights of 2020
  - Messages to the families of our employees
  - Our response to COVID-19 and our employees' thoughts and actions
  - Medium- to Long-term growth strategy
  - Fundamental information re-familiarizing readers with Milbon

### The Milbon Report 2021 (Sustainability Report edition),

disclosing detailed information with a special focus on our sustainability strategy



#### Disclosure Methods

**Online PDF version**

- Main Content**
- Sustainability strategy
  - Financial and non-financial capital
  - Section overviews and sustainability initiatives

Contents

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Value Creation Process

## Key Sustainability Challenges and Six Financial and Non-financial Capital

In its efforts to achieve sustainability, Milbon has re-evaluated the issues from among the activity goals listed in its ESG/SDGs Matrix\* that are highly relevant to its business activities and for which its stakeholders have high expectations. In December 2020, Milbon selected five key challenges from three topics: solving social issues, achieving sustainable business growth, and building an internal foundation. In this edition, we will examine the Company's efforts to achieve sustainable value creation and outline the five key challenges to sustainability.

**Strengthening Financial and Non-financial Capital**

**Financial Capital**

▶ P06



**Manufacturing Capital**

▶ P09, 10, 11, 12



**Natural Capital**

▶ P10, 11, 12



**Intellectual Capital**

▶ P13, 14



**Human Capital**

▶ P12, 15, 16



**Social Capital**

▶ P10, 11, 13, 14, 17, 18



**Five Key Sustainability Challenges\***

**1 Realize spiritual richness through beauty**

Co-creating value with stakeholders:  
"Creating Communities of Beauty and Soul"



**Achieving both sustainable business growth and solving social issues**

**2 Promote recycling in manufacturing and consumption activities**



**3 Practice people-friendly procurement**



**Foundation of the Company's sustainable business growth**

**4 Construct a fair and flexible management structure**



**5 Realize work environments with enhanced job satisfaction**



## Milbon's Global Vision

To become the world's No. 1 professional hair care manufacturer through our dedication and educational support toward local beauty industries across the globe.

\* The five key challenges are chosen from those issues defined in Milbon's ESG/SDGs matrix and incorporated into its business operations. <https://www.milbon.co.jp/pdf/esg-sdgsmatrix.pdf> (in Japanese only)

## Achieving Sustainable Growth as a Company Indispensable to Society



A handwritten signature in black ink, appearing to read 'Ryuji Sato'.

**Ryuji Sato**  
President and CEO

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### From an industry perspective to the perspectives of customers and society at large

From last year onward, we began receiving many messages of concern regarding the effects of the COVID-19 pandemic on our business performance. We are happy to report that we were able to stem the impact of the pandemic in FY 2020, with consolidated net sales down only 1.5% and operating income down only 5.3% year on year.

We would never have been able to achieve this result without substantial efforts from our partner salons and distributors in their business operations, as well as the generous support from our shareholders and investors, and the customers who use Milbon products. I believe this is also the result of each employee paying close attention to the needs of our customers, thinking about what they can and should do for them, and taking action, all while activities were restricted due to the pandemic. As such, I would like to express my sincere gratitude to all our stakeholders.

The whole social environment has been undergoing some major changes with the declining birthrate, aging population, and more diversified lifestyles. Amid these changes, Milbon has, as its growth strategy since the 2010s, been working on business structural reforms with the three aspects: “beyond Japan,” “beyond hair,” and “beyond an industry-perspective.” The most important among these for

the Company and the beauty market to grow sustainably in the future is to go “beyond an industry-perspective,” shifting to the perspectives of customers and society at large.

Since its foundation, the Company has always stood in salons and hairstylists’ shoes. We have been providing products and services that propel business growth and develop the industry, and in turn, we have also continued to grow.

However, society today is rapidly changing with technological innovations in IoT and AI, and with products and services unbounded by industry limits being created on a daily basis. In such a world it is clear that neither salons nor Milbon can expect to grow if we stick with an industry-only perspective.

That is why it is important to think about things from the standpoint of an end user, that is, each consumer who comes to the salon. As such, we, together with salons and hairstylists, will think and act on what is expected of us, what we can do, and what we should do. I believe that continuing to provide products and technical services that respond to the needs of customers’ lives will lead to the sustainable development of the beauty market as a whole going forward.

And, of course, society is the backdrop to every consumer. That is why adopting a customer perspective leads to a social perspective. From a social perspective, we can

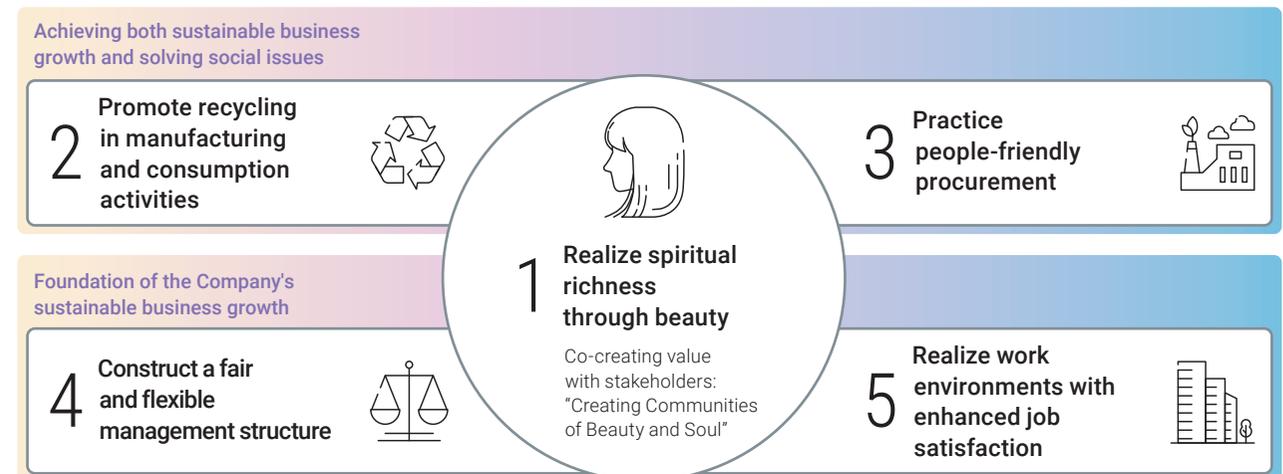
think about what we are able to do for the sustainable development of society as a whole. Rather than taking actions specifically to meet SDGs and ESG expectations, we will contribute to people and society in good faith through our business activities as any proper company should do. It is my responsibility as an owner of the Company to maintain this sense of ethics, which a company should hold without exception, as well as to permeate and thoroughly implement this change of perspective throughout the Group.

### Bringing spiritual richness to society through beauty

Milbon set out its five key sustainability challenges in 2020 (see diagram below). We recognize that all of these challenges are essential for us to achieve sustainable growth in the future. In particular, contributing to the “realization of spiritual richness through beauty” is unique to us and it is what we can achieve through our core business.

#### Five Key Sustainability Challenges

The five key challenges for solving social problems, achieving sustainable business growth, and building an internal foundation



\*The specific goals for each issue are available online. <https://www.milbon.co.jp/company/sustainability> (in Japanese only)

Becoming beautiful plays a significant role in enriching people’s lives. By expressing your individual way of life through hair design and makeup, it gives you confidence and thus nurtures spiritual richness, and this spiritual richness emanates to bring cultural richness to society and even brings peace. I believe bringing this about is our main role and the greatest benefit that the salons and Milbon bring to society.

For the beauty market to continue growing sustainably in times to come, salons must become “communities of beauty and soul:” places of support for people’s well-being, places essential to the lives of salon customers and the local community, lifetime partners to each individual customer. We will work to create a number of such communities in society. In achieving this, promoting digitalization is particularly important. Salons are businesses that serve customers in person. But in order to be more attentive to the customers’ needs, it is imperative to create an environment that can respond to the various needs and concerns of the customers. Digitalization can realize more frequent interaction with the customers, 24 hours a day, 365 days a year, not just when they visit the salon in person once or twice each month.

This is why we have been making preparations for digitalization for some time now. And in response to structural changes in the social environment propelled by the pan-

demic, we have formulated and drastically pushed forward our “18-Month Missions!” initiative. Our official online store “milbon:iD,” which has been in full swing since June 2020, is a bridge that connects salons with their customers especially when those customers cannot visit the salon. The service strengthens the relationship between people who love Milbon products, the salons they frequent, and the Company. As of May 2021, the number of salons signed up to “milbon:iD” has reached approximately 1,800, while the number of registered users is approximately 60,000.

Furthermore, Milbon launched two other digital platforms in April and June 2021. One is an educational support website, “education:iD,” which provides hairstylists with opportunities for self-development not hindered by time and place. The other is a virtual event space, “Milbon Digital



Arena,” where professional stylists from all over the world can come together. These digital services, which provide scores of videos and virtual content, allow hairstylists at different life stages or with different work styles to learn and develop without being restricted by time or location. By offering this digital education content, we further support those hairstylists who want to deepen their knowledge to better respond to their customers’ concerns and demands.

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### Towards a new medium-term management plan

Nobody knows when the COVID-19 pandemic will come to a complete end, but we are now, slowly but surely, improving our business foundation in order to achieve medium- to long-term growth based on the perspectives of customers and society at large. We will continue to write this story of further dramatic growth in the next medium-term management plan due to start in FY 2022. It will be based on the results of our “18-Month Missions!” initiative while we tackle the five key sustainability challenges established at the end of 2020 to contribute to a more sustainable society.

This report sets out the latest Company-wide and departmental efforts to achieve sustainable growth. Highlights of the previous year’s business activities are discussed in detail in our “Letter” edition.

## Building upon the Company's Strengths to Achieve Medium- to Long-Term Business Growth



**Masahiro Murai**

Executive Director  
Chairman of the SDGs  
Promotion Committee

### Promoting structural reforms based on our "18-Month Missions!"

To realize sustainable growth amidst accelerating changes to the fabric of society fomented by the COVID-19 pandemic, Milbon has been moving forward with the following four themes in mind: 1) enhancing resilience in an unstable business environment, 2) expanding digital activities, 3) evolving customer relationships, and 4) realizing social innovation.

All four areas are progressing without major setbacks. Our challenge in the future is to properly control selling, general and administrative expenses as a part of reducing fixed costs, one of the key measures for enhancing resilience in an unstable business environment. Efforts are underway to reduce fixed costs in both domestic and overseas logistics, including a review of the current system. For example, we have improved efficiency in the logistics system in the United States by consolidating the logistics bases. Previously split across two locations on the east and west coasts of the United States to accommodate goods directly shipped from Milbon, we have consolidated into one location in line with the transition toward a distributor model. Moreover, we believe there is still room for improvement in Japan, and we are currently working to make further adjustments in accordance with advice from experts in the field.

With regards to increasing digital activities, digital tools

have been actively deployed in a wide range of fields. These include enhanced training for new employees and in-house training through online training programs. Meetings have been held online both internally and externally and work has been done remotely owing to major restrictions on movement during the pandemic. In addition, our official online store "milbon:iD," which enables stylists and salon customers to connect with each other even when they are not present at the salon, began operations in June 2020. We also launched the education:iD and Milbon Digital Arena platforms in April and June 2021, respectively, to support stylists' education and fulfill the need to host educational events online.

We were able to implement a wide array of digital measures in such a short timeframe because we began focusing on the importance of future digitalization well before the pandemic. We recognize, however, that salon businesses require physical interaction, and they will not readily accept digitalization if it is pushed simply for the Company's sake. We will therefore continue to give due consideration to the conditions of salons and hairstylists, and together we will create a better business structure that optimally combines the physical with the digital. This co-creation with stakeholders will ensure that salons will evolve into "communities of beauty and soul," leading to successful social innovation.

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### Proactive growth investment for a new stage of growth

Revenues and profits declined in FY 2020 due to the pandemic, but consolidated net sales in FY 2021 are expected to increase by 6.9% to a record high of 38.2 billion yen. Operating income is also expected to rise by 0.4% to 6.42 billion yen due to our efforts at structural reform.

Capital expenditure was limited to approximately 1,900 million yen in FY 2020, however, in FY 2021 we plan to make a growth investment of 7,488 million yen to lay the foundation for medium- to long-term growth.

For example, we will further improve and enhance the various digital platforms mentioned above to make the systems more effective and convenient. In our overseas business, we will expand the Thailand factory and establish a new factory in China. Furthermore, following the establishment of Regional R&D in the United States, we will promote product development in each country by opening R&D bases adjacent to the factories in China and Thailand in FY 2022.

In Japan, in addition to establishing our Aoyama Sales Office, we are planning to acquire land in the Tokyo metropolitan area for our new Innovation Center. While the Central Research Institute is currently working

on basic research and product development in collaboration with overseas branch offices, the Innovation Center will promote more in-depth product research and development with more long-range goals in mind. We also plan to establish a new training center for our Field Persons. We have outgrown the current Osaka training center, and by moving to a new center equipped with the latest facilities, we expect to accelerate the growth of our human resources who will lead the next generation.

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### Reviewing of key indicators with the aim of shifting to a business focused on capital efficiency

In the medium-term management plan set to start in FY 2022, we are planning to formulate a financial strategy with return on invested capital (ROIC) as its key index. Following its listing, the Company has increased revenues and profits with a tendency to emphasize net sales and operating income as KPIs.

However, to achieve medium- to long-term growth while maintaining an appropriate growth investment strategy in this uncertain business environment, it is important to focus on capital efficiency, or how much profit is being generated from capital invested. We believe that the introduction of an ROIC ratio will further

enhance our pure earning power by creating a system in which every employee, from management to those at each business site, works to achieve specific goals.

Of course, for a company to achieve growth, it is essential to simultaneously create economic value and help build a sustainable society. Milbon began rolling out its Company-wide initiatives toward SDGs in FY 2019, creating the “ESG/SDGs Matrix” that shows the efforts being taken to achieve sustainability. In tandem with initiatives based on this “ESG/SDGs Matrix,” we selected five key sustainability challenges at the end of FY 2020 after reevaluating the issues that are highly relevant to our business and which our stakeholders are most concerned about.

We have set specific goals and have begun activities in collaboration with salons, distributors, and stakeholders, including our employees. We are also working to strengthen corporate governance as one of the five key challenges. As such, in FY 2021 we achieved our goals of appointing women directors and increasing the number of outside directors to one-third of the total number of directors.

Milbon will continue to improve its capabilities from both financial and non-financial perspectives to meet the expectations of its stakeholders. We look forward to your continued support.

# Sustainability Highlights 2020–2021

	Environment	Social	Governance	Education and Promotion of Sustainability
2020 Jan.				● <b>Jan. 2020:</b> Announced sustainability goals for each department
Feb.		● <b>Feb. 2020:</b> Made a keynote speech at the M.I.E Forum for hiring people with disabilities		
Mar.			<b>P.20</b> <b>Mar. 2020:</b> Introduced restricted stock compensation scheme	<b>P.21</b> <b>Mar. 2020:</b> Published the March issue of our internal newsletter, <i>Yomu Milbon</i>
Apr.				
May				● <b>May 2020:</b> Published the May issue of <i>Yomu Milbon</i>
June	<b>P.11</b> <b>June 2020:</b> Started low-energy manufacturing to reduce CO <sub>2</sub> emissions	<b>P.13</b> <b>June 2020:</b> Launched milbon:iD <b>P.25</b> Stated the Milbon Health Declaration (in-house)		● Signed the United Nations Global Compact
July				● <b>July 2020:</b> Published the July issue of <i>Yomu Milbon</i>
Aug.				
Sept.		● <b>Sept. 2020:</b> Funded an additional endowed course at Kansai University		● <b>Sept. 2020:</b> Published the September issue of <i>Yomu Milbon</i>
Oct.				● Began video distribution for overseas subsidiaries
Nov.				● <b>Nov. 2020:</b> Published the November issue of <i>Yomu Milbon</i>
Dec.	<b>P.10</b> <b>Dec. 2020:</b> Received the 33rd Hiroshi Itagaki Student Encouragement Award from The Japanese Society for Alternatives to Animal Experiments	<b>P.14</b> <b>Dec. 2020:</b> Released a special short film "On the Way Home from the Salon"		<b>P.02</b> <b>Dec. 2020:</b> Established the five key sustainability challenges
2021 Jan.	<b>P.12</b> <b>Jan. 2021:</b> Launched factory energy management systems (FEMS) in production plants to visualize power consumption			● <b>Mar. 2021:</b> Released the 2021 Milbon Sustainability promotional video in-house
Feb.			<b>P.20</b> <b>Feb. 2021:</b> Completed third-party evaluation and assessment of Board effectiveness	
Mar.		<b>P.25</b> <b>Mar. 2021:</b> Recognized as "Certified Health & Productivity Management Outstanding Organizations"	<b>P.20</b> <b>Mar. 2021:</b> Appointed a female outside director and achieved the Board consisting of one-third outside directors	
Apr.		<b>P.18</b> <b>Apr. 2021:</b> Launched education:iD		
May	<b>P.12</b> <b>May 2021:</b> Installed water purifying equipment to reduce CO <sub>2</sub> emissions			● <b>May 2021:</b> Published Vol. 1 of <i>Yomu Milbon 2021</i>
June	<b>P.10</b> <b>June 2021:</b> Launched RSPO-certified (RSPO Credit) "milbon" Luxury Line	<b>P.18</b> <b>June 2021:</b> Launched Milbon Digital Arena		

# Research and Development Systems Contributing to Society and the Beauty Market

## Evolving our basic research and TAC Product Development System in accordance with ever-changing markets

Milbon uses its proprietary TAC Product Development System to create new products. This system harnesses the expertise and beauty techniques of hairstylists who combine outstanding technique and thought leadership in a number of fields, including coloring and hair care. Milbon researchers scientifically analyze this knowledge to develop innovative products.

We start by listening to the salons to discover new plans and detect market changes that will lay the foundations for the future of the beauty market. At our institute, we combine stylists' successful techniques with science to transform the sensibilities of TAC hairstylists into concrete, appealing products. This process, which we call the fusion of science and sensibility, facilitates the application of sophisticated techniques possessed by only the most talented stylists at each salon.

By applying these development methods, we are able to quickly and flexibly respond to ever-changing markets and consistently provide products that satisfy hairstylists and the customers they serve.

## Evolving basic research and launching local R&D overseas, aiming for sustainable growth

Milbon also considers it an important duty to contribute to hairstylists and the beauty market by linking basic research results to the creation of new, appealing products. In our basic research, we leverage leading-edge technologies and joint research with external organizations. Going forward, we intend to continue linking this to our product development as we incorporate new technologies, such

as regenerative medicine. We have also gone beyond development of products for sale domestically in Japan, achieving a product lineup that better aligns with local needs. We have done this by setting up R&D branch offices in the interest of conducting research and development suited to these local needs, such as the various hair types, climates, cultural atmospheres, styling cultures and legal requirements that will vary between countries and regions.

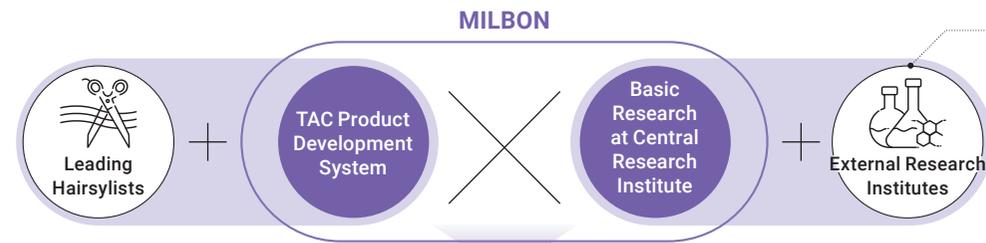
R&D Expenditure as a Percent of Net Sales



R&D Expenses (Millions of Yen)



### From B to B to C – TAC Product Development System



Creating products for stylists, revealing the beauty of their customers

Established R&D branch offices overseas,  
launching R&D tailored to each country/region

Regional R&D - North America

Regional R&D - China

Regional R&D - Thailand

### CASE

#### SPring-8

We conduct basic research on hair using SPring-8, the world's highest performance large-scale synchrotron radiation facility located in Harima Science Garden City, Hyogo Prefecture.



Source: RIKEN

\*A TAC (Target Authority Customer) hairstylist is a stylist who is widely admired by our target customers.

## Research and Development Systems Contributing to Society and the Beauty Market

### Launched society-oriented R&D with industry-academia collaboration

We are also advancing society-oriented initiatives in our development activities.

In the interest of utilizing sustainable resources, we joined the Roundtable on Sustainable Palm Oil (RSPO) in 2019, and as of FY 2021, a portion of our products on sale carry the organization's certification logo. We are also working to utilize more Forest Stewardship Council-certified paper in product information pamphlets and cosmetic boxes. The FSC certification logo indicates that a product is derived from forest wood that was appropriately managed. Our rate of adoption for new product cosmetic boxes was 10% in 2020, and is expected to be 56% in 2021. We intend to raise this rate further.

Furthermore, in collaboration with Kansai University, we are advancing research on alternative methods to animal testing.



RSPO Trademark Logo  
9-2994-19-100-00

There are a number of campaigns attempting to protect animals against animal testing active around the world. In the European Union, the testing of cosmetics and their raw materials on animals has been banned by law since 2009, and

sale of products for which animal testing was conducted has also been banned since 2013. The world is coming to follow the mindset of no animal testing in developing cosmetics.

In the interest of safety research for ensuring higher product safety without animal testing, we established the Milbon Advanced Beauty Science Laboratory at the Kansai University Center for Innovation & Creativity.

### Received the 33rd Hiroshi Itagaki Student Encouragement Award from the JSAAE recognition of collaborative research results

In November 2020, the results of collaborative research between our institute and Professor Hideki Yamamoto of the Faculty of Environmental and Urban Engineering at Kansai University received the Hiroshi Itagaki Student Encouragement Award at the 33rd Annual Meeting of The Japanese Society for Alternatives to Animal Experiments.

In addition, Kansai University established an endowed lecture series on Cosmetology and Cosmetics Engineering with the support of Milbon in 2019, and in 2020, it offered a new Cosmetology and Cosmetics course, giving broader-based lectures on beauty markets.

The Cosmetology and Cosmetics Engineering series was offered to graduate students to cultivate future researchers in beauty and cosmetics, but a number of undergraduate students also sent inquiries requesting permission to at-

### Adoption Rate of FSC-Certified Paper in New Product Cosmetic Boxes and Pamphlets (%)

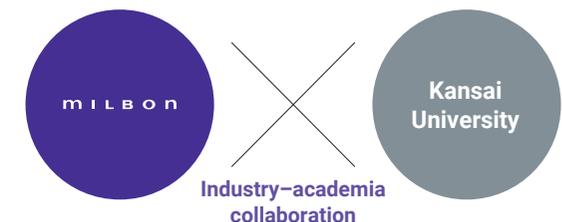


tend, showing a high interest in beauty and cosmetics. The Cosmetology and Cosmetics course was newly created, expanding the scope of the aforementioned engineering series. It aims to generate greater interest in the beauty market among more students and build a wider understanding, therefore broadening the scope of talent that can be active in the various roles of beauty markets in the future.

Through this sort of industry-academia collaboration, we will build a research and development system that contributes to beauty markets and society at large.



Established the Milbon Advanced Beauty Science Laboratory at the Kansai University Center for Innovation & Creativity



## Strengthening Productivity, Reducing Environmental Impact, and Ensuring Safety

### Factories conscious of quality, efficiency, the environment, and people

At the Milbon Yumegaoka Plant, we have established a manufacturing system that produces safe, reliable products based on Good Manufacturing Practices (GMP), an international standard for the manufacturing and quality control of pharmaceuticals enforced by the World Health Organization (WHO). We have achieved both high quality and high efficiency through actions like measuring the total amount of raw materials used, installing equipment such

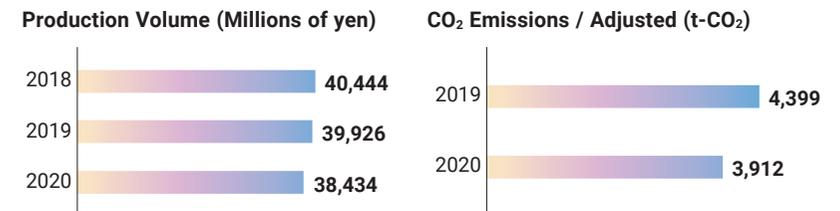
as barcode readers and inspection cameras on all production lines, and linking systems for automated warehouses, transport equipment, and manufacturing equipment. We also consistently work to enhance productivity by improving production systems, implementing C3 activities\* in which all employees get together and develop ideas to improve efficiency and reduce costs.

In addition, we have established a system making employee safety and security our top priority, recognized in its ISO 45001 certification for management systems of occupational health

and safety. Our off-site work support and intake program for persons with disabilities has attracted attention as part of Mie Prefecture’s M.I.E Model (also known as the Mie Inclusive Employment project).

Going forward, we will pursue greater evolutions in quality, enhance support for overseas plants, evolve online support technology, reduce waste disposal volumes, and improve space production efficiency. In addition, we plan to create smart factories that make full use of IoT over the medium to long term through the introduction and application of robotics technology.

\*C3 activities: C3 stands for Change, Challenge and Customer, and it refers to activities that aim to enhance productivity



### Features of the Yumegaoka Plant

#### Multi-product variable volume production / high efficiency

- Three types of automated warehouses and automatic transport equipment are linked with computers, systematizing on-site logistics from the arrival of raw materials to the shipment of products.
- Uniform-shape tanks holding from 100 kg to 4,000 kg form a system enabling flexible adaptation of production volumes according to demand.

#### Quality management

- As a GMP-compliant plant, we pay detailed attention to quality, including eliminating windows, installing clean rooms, and conducting zone-based management.

#### Environmental consciousness

- Our systems break down and purify factory wastewater using bacteria. We take actions in consideration of the environment by recovering and neutralizing ammonia gas generated in the production process as well as fully treating harmful gases.
- We are also actively engaged in energy-saving activities such as installing ecological equipment, including cold water thermal energy storage, solar power generation equipment, and wind power generation equipment.



### Striving to reduce energy consumption through low-energy manufacturing methods

At the Milbon Yumegaoka Plant, we are taking a holistic approach to reducing energy consumption. The Technology Development Group, which conducts research on production processes and develops new production technologies, has set an annual CO<sub>2</sub> reduction target of 5,500 kg and is proceeding with various initiatives to achieve this target. First, we have installed solar power generation systems at the Technology Development Center building as a measure to promote energy creation. The amount of power these systems generate is equivalent to approximately 40% of the building’s electricity consumption. For production technologies, we have been working to develop a low-energy manufacturing

## Strengthening Productivity, Reducing Environmental Impact, and Ensuring Safety

method reducing steam usage. We forecast an annual CO<sub>2</sub> emissions reduction of 2,000 kg by utilizing this method in producing some of our oxidants from April 2021. Combined with other low-energy manufacturing methods, we plan to reduce our annual CO<sub>2</sub> emissions by 2,500 kg. In the future, we will achieve further reductions by expanding the scope of products applicable to energy reduction, and beginning research on the use of boiler waste heat for power generation.

We have also installed new water purifying equipment at our manufacturing building. By conducting a review of our water purification methods and selecting equipment more suited to Milbon, we expect to reduce annual water usage by approximately 1,000 tons. We have installed a factory energy management system (FEMS) to visualize power consumption of each area of the plant. We are using this information to explore specific energy-saving measures and take action to reduce energy usage further.



Solar power generation system



FEMS



Water purifying equipment

### Expected Annual CO<sub>2</sub> Emissions Reductions from Low-Energy Manufacturing Methods

2,500 kg-CO<sub>2</sub>

### Expected Annual Water Consumption Reductions from Water Purifying Equipment

Approximately 1,000 tons

### Trials to reduce plastic use by altering container molding methods

In reducing waste volumes, our action policy is to improve sales forecast precision and extend quality assurance periods in order to reduce waste of raw materials, products, and resources. As part of this policy, we are working to reduce waste at the time a product is discontinued by making highly precise production volume and shipment plans with a view to discontinuation.

For the reduction of container and packaging materials, we are altering our container molding methods, conducting prototyping and studies that will lead to reduced plastic use while cutting costs. Currently, we are looking to implement these methods in containers for the Aujua brand. At the same time, we are conducting research on containers containing plant-derived cellulose nanofibers and verifying plastic reduction in the neck portion of refill pouches by changing the filling method. For products using aluminum pouch containers, we are working to replace the materials in our existing aluminum pouches for aluminum-metalized pouches.



Test prototype for reducing plastic in the neck portion of refill pouches

By unifying pouch materials and using a single material, we are taking action toward higher recycling rates.

### New hiring and cultivation of non-Japanese talent, updating equipment for safer operation

As part of our initiatives toward diversity and inclusion, we aim to create a work environment where everyone can work comfortably. For people with disabilities, we are working to maintain continuous employment at the statutory rate of 2.3% or higher, collaborating with local organizations, and using active participation in training and lectures to improve the skills of employees guiding and supporting their work. In addition, with the aim of creating an environment enabling positive and long-term employment for diverse human resources, we are working to hire new talent from outside Japan with great care to their cultivation, including drafting easy-to-understand manuals even for those less familiar with the Japanese language.

As for the labor environment, we have achieved mechanization in our Compounding (Weighing) Division that handles heavy goods, enabling safer operation for workers, and we have established a remote work environment at the Purchasing Division.



Thailand Factory

Furthermore, we are currently in the process of transferring technologies to overseas plants, and in May 2021, we formulated an action plan for technology promotion at our Thailand Factory.

# Promoting Digital Strategies Enabling Customer and Society-Oriented Value Creation

## Steady implementation of medium-term digital strategy

Based on its current Change the Stage—18-Month Missions! medium-term strategy formulated in 2019, Milbon is pushing digital transformation (DX) that will lead to business models with perspectives on customers and society. We launched the “milbon:iD” official online stores in 2020 as a customer touchpoint, and in April and June 2021, respectively, we launched an education support app “education:iD” and the “Milbon Digital Arena,” a virtual event space as hairstylist touchpoints. We are also enhancing our digital area marketing systems for individual salon market analysis. Our Field Activity DX, which will serve as sales tools for our employees and as internal touchpoints, is to launch in spring 2022, and we are steadily taking measures in preparation. Going forward, we intend to promote greater

creation of customer and social value by working toward DX in our business models, enabled through a fusion of customer experiences and data accumulated from each of these sources.

## milbon:iD—linking salons and customers

“milbon:iD” is an online store available exclusively to customers of salons dealing in Milbon products. While Milbon handles site operation, ordering, and delivery processes, we use a product distribution system similar to our usual sales model in which customers order through the salons they frequent, contributing to sales growth for these salons. Approximately 60% of those purchasing salon-exclusive products discontinue their purchases within one year for reasons like poor coordination of salon visits and product depletion, as well as difficulties purchasing heavier

Number of milbon:iD Registered Users (As of May 2021)

Salons	Number of Customers
1,757	59,405

products in-salon. Our “milbon:iD” service was launched with this issue in mind.

However, we are looking to use “milbon:iD” not to simply build an e-commerce platform, but to expand the business domain of salons. Among the service and retail industry, salons are a special kind of channel: they combine in-person services, assignment of a primary responsible staffer, and regular visits with a broad demographic target segment, regardless of gender or age.

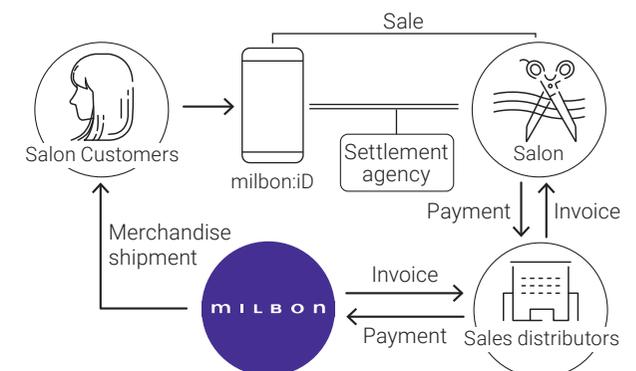
We believe that “milbon:iD” will maximally leverage the strengths of salons, becoming a key companion aiding their continued future growth.

We will work to make iD a link between salons and customers, enhancing our services and contributing to the Milbon mission, the “realization of spiritual richness through beauty.”

### The Milbon Digital Strategy



### The “milbon:iD” Mechanism



## Branding Activities to Bring Customers Closer

### Positioning of corporate branding in the B2B2C business model and value to be created

The nature of the B2B2C model with salon-exclusive products has led to a gap between end users and the manufacturer. Though we have made a great effort to understand end users through our strong relationships of trust with salons, we now think it is important to develop this one-way process into interactive communication. We are therefore taking on the challenge of new initiatives to better understand end users with the help of salons, under one of our mainstay brands, Aujua, which has just celebrated 10 years on the market.

Through small meetups, social media, and other channels connecting us with Aujua fans, so-called “Aujanistas,” we are able to elicit valuable feedback on our products. Among other things, such feedback deepens understanding that can be leveraged in R&D. Through such measures, we



Product website: <https://www.ujua.com/> (in Japanese only)

are building a co-creative relationship between the brand and our customers.

### Special short film: The value of a salon visit under the new normal

Since our founding, one of Milbon's most important values has been to “inspire beauty through hairstylists and salons.” Our belief remains unchanged even after the drastic shift in consumer lifestyles due to the pandemic. In fact, we believe that this pursuit should be even more resolute during these periods.

With this in mind, we posted a special short film, “On the Way Home from the Salon” on December 21, 2020 on our official social media accounts and on YouTube. This short film presents our desire to show support to people living true to themselves and to invite them back to the salon and enjoy the bliss of finding a hairstyle that truly suits them.

Two months since its release, the video has gained more than 2.7 million views. Viewers offered a variety of observations about this short film—“it reminded me of how exciting it is to go to a salon;” “being a hair stylist and bringing smiles on customers' faces is wonderful!” We believe that this short film helped people to recognize the value salons bring to society via beauty, and to recognize the value that we want to create in society.

Special Short Film  
“On the Way Home from the Salon”  
(As of Two Months after Release)

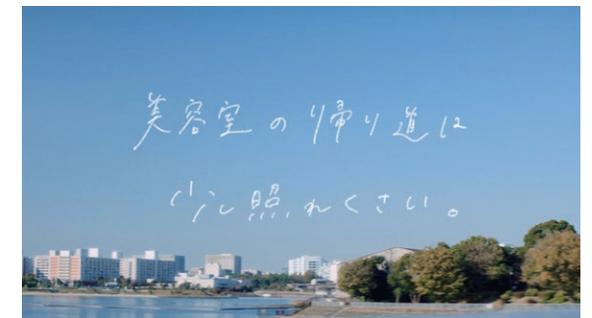
Total Views

2.7 million

### Special Short Film

In this special short film presented by Milbon, we offer a chance to share in the joy of meeting your new self after a haircut, even if you are feeling a little self-conscious about it, and to share in the new feelings felt after a salon visit.

▶ **Special website:** <https://milbon-brand.jp/>  
(in Japanese only)



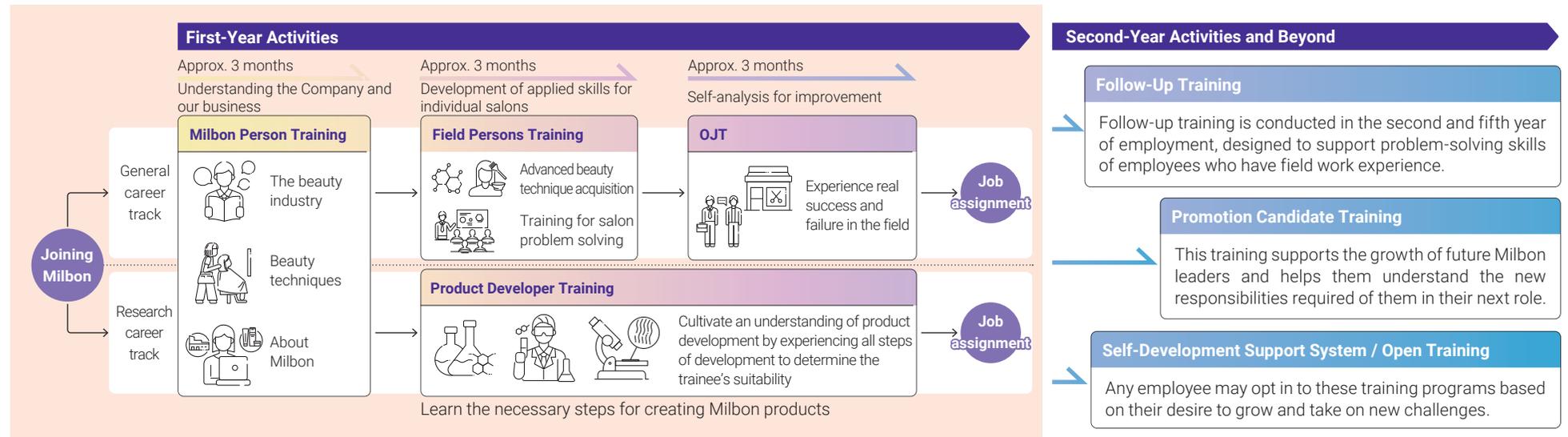
美容室は、新しい年に。

# Cultivating Employees Who Contribute to Society through Beauty

Number of New Employees



## Overview of Human Resource Development Structure



### Milbon Person Training Overview

Using *The Milbon Way* as a guide, trainees learn the Company's mission and the mindset required for Milbon employees. Trainees also learn everything they need to know to provide educational support to salons, from how to use Milbon products to the beauty techniques used by stylists at work. Proficiency is checked using an internal certification system.



### The Milbon Way

*The Milbon Way* is a handbook containing the core values that every employee is expected to share. It was compiled by the president himself in 2012 and has been revised in line with the times based on the theme of "continuity and change." All Milbon employees carry this important handbook.

In 2020, an employee awareness survey was carried out among all Milbon employees, including those based overseas. The assessment of employees' understanding and application to their work of *The Milbon Way* produced an average rating of 4.15 domestically and 4.20 overseas (out of 5). This result was extremely high compared to similar surveys carried out at other companies.



## Cultivating Employees Who Contribute to Society through Beauty

### Education and Training Expenses per Employee (2020)

# 76,186 yen

### Focusing on cultivation of people embodying *The Milbon Way*

In the people-driven beauty industry where customers are linked to hairstylists in a tangible way, we want to maximize the value that stylists offer. It is this Milbon belief that has led to the core, people-driven business models of the Field Person System and the TAC Product Development System, and our greatest focus is on cultivating people.

After an employee is hired, they undergo training for around nine months. For the first three months, they develop a strong understanding of *The Milbon Way*, and a thorough understanding of salon and hairstylist work. Over the next six months, they are split into two divisions—field persons and research—and hone their practical skills so that they can embody *The Milbon Way* in each department. Through this training, we work to foster the ability of all employees to think and act for themselves.

As for the embodiment of *The Milbon Way*, we have built an education system that offers consistent support over the long term. This includes follow-up training programs, including our second and fifth-year annual training programs that follow their new hire training, and promotion candidate training for those who are to be promoted. We have also created an environment where employees can grow according to their own skills with our self-development support system. Simultaneously, we offer Milbon-original

open training programs, establishing a mechanism where employees with the desire to take on new challenges can seek out growth.

We believe that emphasizing the motivation and growth of our employees will ultimately be the driver of corporate value, and that this is therefore an essential investment.

### Future goals: eliminating generational gaps and cultivating leaders

With the number of consolidated employees reaching 1,000, it is critical to improve our human resource development methods, steadily improving the capabilities of young employees especially as their numbers increase in the Group, and closing generational gaps.

Until now, while we have treasured the experience and unique qualities each employee has cultivated in their work, there is also the perspective that siloing of knowledge and skills has become an issue in our personnel development for young employees. Therefore, in many of our training programs, we are working to build transferable knowledge and skills for Milbon's employees to absorb. For our leadership, we will build an environment that clearly shows the goals to reach for and that can consistently cultivate leadership talent.

We also believe that it is important for each employee to gain experience in a variety of departments and cultivate

a bird's-eye perspective of the Company. This is so that we can achieve sustainable growth as a company and cultivate next-generation leaders. In parallel with the above-mentioned efforts to create transferable knowledge and skills, we are exploring the potential of fostering employees who can play an active role in various departments and being more active in job rotation.

### Launched local human resource development operations at overseas subsidiaries

The number of overseas Milbon subsidiaries, and their number of their employees, are growing as we advance with our full-scale global expansion. Therefore, the localization of new employee hiring and employee development will be an important topic going forward. As mentioned above, in our people-driven business model, we must build a system where training can utilize local resources to cultivate core Milbon values, most importantly *The Milbon Way*. We have begun to localize our new employee development systems starting with our distribution subsidiary in South Korea, and looking ahead, we aim to build systems equivalent to ours in Japan in as many countries and regions as possible.

# Contributing to Hairstylists' Growth and the Creation of Social Value

## Helping stylists form lifelong bonds with their customers

In its support for hairstylists and salons, Milbon provides a wide range of educational opportunities, including those in beauty techniques and knowledge as well as career development. The strengths of our educational support stems not only from the universally applicable content we offer, including fundamental beauty techniques, but also from our implementation of education programs designed to stay half a step ahead of the curve to cultivate best-selling hairstylists.

Our vision for this kind of best-selling hairstylist is rooted in being multi-talented. In recent years, against a backdrop of declin-

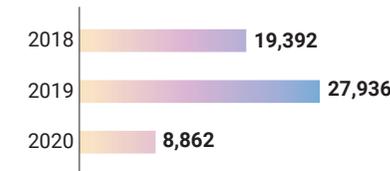
ing birthrates and an aging population, as well as the trend toward smaller market sizes for consumer activity, customers tend to have longer relationships with their salons, even working with one salon and hairstylist for their entire lives. In order to be attentive to the lifelong needs of their customers and their beauty these hairstylists must be multi-talented—able to assist in everything from hair care to skin care. They also need to continue to improve their skills, including handling the hair changes that come with age, and counseling customers to uncover their deeper concerns.

As a mechanism to develop these multi-talented human resources, we offer the "Beauty Sommelier Training System." This training supports stylists in building customer trust, thereby

increasing their repeat rates and "knowledge sales\*" rates, supporting better productivity. In this system, we certify those who have acquired specialized knowledge, techniques, and counseling capabilities via our Milbon curriculum as so-called "Sommeliers," specialists in each of four categories: hair care, cosmetics, hair coloring, and design. Those who have acquired "Sommelier" certification under three or more categories may undergo further training and be certified as a "Beauty Sommelier." We believe that these newly minted Beauty Sommeliers will become what we call "Beauty Partners" to their customers, building lifelong relationships and bringing spiritual richness to the world through beauty. Realizing this spiritual richness is our No. 1 key sustainability challenge.

\* "Knowledge sales" refer to product sales that utilize a stylist's expertise to provide technical information so as to better benefit the customer

Number of Participants for Salon Education-Related Events



Number of Registrants on Digital Arena and education:iD (as of June 2021)

12,234

### What is a Beauty Sommelier?

To cultivate hairstylists with the highest degree of customer satisfaction, we seek to develop the four elements listed below in our Beauty Sommeliers as customers' partners:

- 1 A partner not just for hair, but for all aspects of beauty
- 2 Can communicate on styling and image, possesses strong beauty creativity
- 3 Can understand motivations and underlying needs, and can offer proposals tailored to these needs
- 4 Fosters lifelong beauty from a customer perspective

### Advanced Learning Process to Earn Beauty Sommelier Certification



Courses for each of the four major categories are available in the order of Knowledge, Techniques, and Counseling. Course attendees are required to pass the certification tests for each of the courses to proceed to the next step.

## Contributing to Hairstylists' Growth and the Creation of Social Value

### Digitalization to expand self-development opportunities not hindered by time or place

Against the backdrop of work style reforms, the trend of long working hours for stylists has attracted significant attention. While acquiring knowledge and improving skills take time, Milbon has worked to make that learning time more efficient for hairstylists. We have taken steps to implement digital education tools as quickly as possible, even before the COVID-19 pandemic, to establish a system offering self-development unhindered by time or place. We already provide two digital education support tools to this end: Milbon Digital Arena, which offers hands-on education in a virtual space, and education:iD, which allows 24/7 access to digital learning content like educational videos and manages the user's skill improvement on a website. These digital programs were pre-launched in spring 2021 and have already attracted applications from 12,234 people.

In the future, we plan to further enhance our content. We also expect to expand overseas with our educational efforts in the digital space, and we expect to create opportunities for hairstylists to communicate with each other. This will lead to the formation of a new educational platform for hairstylists.

These efforts not only build toward Goal 4 (Quality education) and Goal 8 (Decent work and economic growth) of the SDGs in the beauty market overall, but they also

help salons become communities of beauty and soul in their local areas, which we believe will contribute to Goal 11 (Sustainable cities and communities).

### Milbon Digital Arena: a virtual education space

Milbon Digital Arena is a virtual space where users can experience a variety of educational services and events. They can participate as virtual avatars in a three-dimensional, computer-generated virtual event space connecting stylists around the world to the future of beauty.

At Milbon, we had previously focused on in-person events like seminars and contests, with some work toward utilizing digital technologies. However, the spread of COVID-19 led to a number of cancelled events in 2020, and given the unlikely near-term resolution of the pandemic, we immediately accelerated our shift to digital toward hosting events in the following year.

For Milbon Digital Arena in particular, we have created a three-dimensional space with a sense of realism to instill presence and excitement in participants. This follows our company policy of making ample investment and providing high-quality services. We have incorporated a number of functions into the Milbon Digital Arena. By enabling chat over voice and text, we have also devised ways to engender empathy via communication between participants and to accommodate users from Asia and all over the world via



At Milbon Digital Arena, hairstylists experience education and events as avatars in a virtual space.



four-language support.

### Visualizing stylist growth and management online: education:iD

The education:iD is an online service visualizing hairstylists' skill improvement. It assigns a user ID to each stylist and offers them access to online skill training courses and records of their learning history, as well as application and payment for in-person events on the website.

We launched the website in April 2021 with certification curricula for Hair Care and Hair Coloring Sommeliers. Going forward, we will enhance this content further and, over time, unify our existing seminar and event registration services on the education:iD platform. Currently, the platform only hosts free videos available, but we will expand this to include paid video content. Furthermore, we will promote overseas expansion, build platforms in a number of countries, and contribute to local beauty markets, beginning with our service targeting Asia for launch around 2022.



The education:iD uses a website to help hairstylists manage their own progress.

# Improving Effectiveness and Transparency

We consider enhancing corporate governance to be of the utmost importance for our management. We aim to sustainably grow our corporate value by increasing the transparency, fairness, and effectiveness of management.

For details, please visit the link below for our Corporate Governance Report.  
[https://www.milbon.co.jp/english/ir/management/management\\_04.html](https://www.milbon.co.jp/english/ir/management/management_04.html)



### Corporate Governance Framework (As of March 31, 2021)

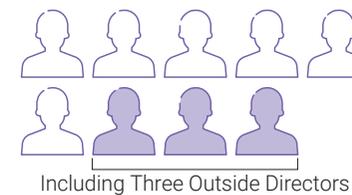
Governance Structure	Company with a board of corporate auditors
Term of Office for Directors	2 years
Executive Officer System	Adopted
Voluntary Advisory Committees Established	Nomination and Compensation Committees
Accounting Auditor	GYOSEI & CO.

\*1 Maximum number of directors stipulated in the Articles of Incorporation: 15

\*2 Maximum number of auditors stipulated in the Articles of Incorporation: 4

\*3 For details on how we are interpreting the corporate governance code, see the Company's website or Corporate Governance Report

### Number of Directors: 9\*1



### Number of Corporate Auditors: 3\*2



### Directors and Corporate Auditors (As of March 31, 2021)

		Meeting Attendance in FY 2020		Reason for Appointment
		Board of Directors	Board of Corporate Auditors	
President and CEO	Ryuji Sato	13/13		Ryuji Sato has wide-ranging experience in sales, product development, marketing, corporate planning, and other fields. Since his appointment as president and CEO in 2008, he has demonstrated strong leadership and contributed to the Company's growth.
Senior Executive Director	Noboru Shigemune	In charge of FP Global Sales and Educational Planning	13/13	Noboru Shigemune has held positions of responsibility in many different divisions, including marketing, corporate planning, accounting, and sales, giving him abundant experience of and insight into the operations of the entire company. He has contributed to the Company's growth as General Manager of the sales divisions.
Executive Director	Masahiro Murai	In charge of Corporate Administration, Corporate Strategy Development, Internal Audit, Finance, and Cosmetics Planning	13/13	Masahiro Murai has served as a manager in the Company for many years, primarily in charge of administrative divisions, and he has abundant experience and wide-ranging knowledge of all facets of administration. He is currently developing the Company's personnel framework and financial strategy.
Director	Teruo Murata	Director of Production Headquarters	13/13	Teruo Murata has served as a manager in Production Headquarters for many years and has significantly contributed to building up the Company's production platform. Currently, he is further enhancing production systems with an eye toward increases in the supply of products to domestic and overseas markets.
Director	Yasuhumi Takeda	Director of Development Headquarters and in charge of Business Development	13/13	Yasuhumi Takeda has abundant experience in and wide-ranging knowledge of product development and he has contributed to the Company's growth for years.
Director	Kazunobu Konoike	General Manager of Information System and in charge of CS Promotion	13/13	Kazunobu Konoike has a track record of developing overseas markets as president of the Company's first overseas subsidiary, as well as experience as Manager of Corporate Strategy Development Department.
Independent Outside Director	Shoichiro Takahata	Certified Public Accountant, President of the Management Strategy Research Institute	12/13	Shoichiro Takahata has built up knowledge of finance and accounting as a Certified Public Accountant and also has a broad perspective and abundant experience as the president of the Management Strategy Research Institute.
Independent Outside Director	Taizo Hamaguchi	Advisory Member of ITOCHU-SHOKUHIN Co., Ltd., Outside Director of EPARK, Inc.	13/13	Taizo Hamaguchi has abundant experience as an executive of a major trading company and as an executive of a food products wholesaler.
Independent Outside Director	Tsuneko Murata	External Director of Japan Finance Corporation Outside Director of Fujikura Ltd. Outside Director of Kakuyasu Group Co., Ltd.	(New appointment)	Tsuneko Murata has experience serving as legal department manager at Panasonic, as well as director and auditor of the Japan Pension Service. She possesses experience serving as outside director of two companies listed on the First Section of the Tokyo Stock Exchange, and has experience in the areas of legal affairs, management, and auditing.
Corporate Auditor	Mitsuru Oshio		13/13	(New appointment) Mitsuru Oshio has served as branch manager in a number of regions across Japan, as a director of the Company since 2012, as well as Manager of the Corporate Strategy Development Department. From these and other roles, he has abundant experience in and a broad insight into the Company's businesses and business models.
Independent Outside Corporate Auditor	Keisuke Endo	Lawyer	13/13	8/8 Keisuke Endo offers legal knowledge and experience as a qualified lawyer.
Independent Outside Corporate Auditor	Yoshihiko Okuda*	Certified Public Tax Accountant	10/10	4/4 Yoshihiko Okuda offers knowledge and experience of accounting and tax matters as a certified public tax accountant.

\*Information is as of the candidate taking office on March 26, 2020

## Improving Effectiveness and Transparency

### Milbon appoints its first female director, with outside directors one-third of all directors

We appointed Ms. Tsuneko Murata as our first female director (outside) in March 2021. With her appointment, we have increased the number of independent outside directors to three, now comprising one-third of the total number of directors. We hope that each of our outside directors will utilize their experience and achievements and take a neutral, objective standpoint in providing valuable opinions and enrich the Board of Directors. All three members have also been selected to join the Nominations and Compensation Committee, with the aim of further improving effectiveness and transparency in strengthening our corporate governance. Currently, there are eight male and one female directors. However, female executives have been selected for our unique program for cultivating future managers. We will continue to explore the topic of ensuring diversity.

### Improving objectivity and transparency through third-party Board effectiveness assessments

Once a year, we conduct an assessment and analysis of the Board of Directors' effectiveness. The results are shared at Board of Directors meetings and used as the basis for discussing improvement measures. The assessment of the Board of Directors' effectiveness for FY 2020, conducted from January to February 2021, was outsourced to an external organization, with all directors and corporate auditors asked to complete a questionnaire. Responses trended toward showing improvement in clarity of agenda item standards versus the previous year.

Going forward, we will continue striving to improve corporate governance by resolving the issues identified in this assessment, and further promote management aimed at the sustainable improvement of corporate value.

### Introduction of performance-based compensation system

In April 2020, we launched a new compensation system for directors (excluding outside directors), an update to our previous compensation system. The new system is comprised of not only fixed compensation but also stock compensation and performance-based compensation. This system was designed so that director compensation can function better as a sound incentive in the interest of sustainable corporate growth.

Directors	Fixed compensation	Performance-based compensation	Stock compensation
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- Fixed Compensation (Monetary Compensation)**  
 Fixed amount based on position.
- Performance-Based Compensation (Monetary Compensation)**  
 Set amount based on position and business performance multiplied by a performance coefficient (0–200%).  
 Performance coefficient: A variable, performance-based figure calculated with the weighting of the previous fiscal year's target achievement ratio of 60% for net sales, 30% for operating income, and 10% for profit attributable to owners of parent.
- Stock Compensation**  
 Grant Company shares to the value of 20% of monetary compensation.

### Tsuneko Murata

Message from the New Outside Director

**Profile:** An experienced manager, serving as legal department manager at Panasonic Corporation and as director and auditor of the Japan Pension Service. She has also served as outside director of two companies listed on the First Section of the Tokyo Stock Exchange and possesses a wide range of knowledge in the areas of legal affairs, management, and auditing.



### To contribute to the evolution and deepening of Milbon-style corporate governance

As of March 2021, I have taken a new role as outside director for Milbon. Revisions to Japan's Companies Act came into effect in 2021, with revisions also made to Japan's Corporate Governance Code. This has led to calls for reform in corporate governance in both form and substance. In FY 2018, Milbon introduced interviews with outside directors for Board effectiveness assessments. In FY 2020, the Company tasked an outside body with an objective assessment. I believe it is outstanding that Milbon is progressively taking such advanced initiatives. I myself have also seen the Board of Directors consistently discuss actions to take in response to issues that have been identified and show sincerity in working to improve its effectiveness. For myself, I will be proactive in contributing to a greater evolution and deepening of this Milbon-style corporate governance.

### Offer constructive opinions that lead to improved corporate value from an outside perspective

I believe the role of outside directors is to ensure that we convey needed opinions, even if management may find them difficult to hear. It is critical to be mindful to never fall into the paralysis of a "see no evil, speak no evil, hear no evil" mindset, and to express both aggressive and conservative opinions from perspectives on compliance and risk management. Even from my standpoint as an outside director, I believe it is also important to understand the situation in the field. I will listen attentively to local input and pay close attention to the actual conditions on the ground to offer constructive suggestions and advice.

I am committed to improving Milbon's corporate value as well as the soundness and transparency of its management so that the Company can grow sustainably. In doing so, I hope to create a pleasant workplace for its employees and earn the trust of all stakeholders, including shareholders, customers, salons, and business partners.

## Supporting Voluntary Employee Actions toward Sustainability

### Ongoing study sessions

We ensure that all employees are offered access to our study sessions on sustainability, launched in 2019. In 2019, we held study sessions for all employees in Japan. In January 2020, we held a study session at our Chinese subsidiary. While we had planned to also hold in-person sessions at other overseas locations, we switched to sessions using video and remote conferencing tools due to the spread of COVID-19. In addition, we provide study sessions for our new hires during their training so that they can utilize the benefits of these sessions in their post-assignment activities.



Sustainability study session held January 2020 (Shanghai)

### Supporting employee activities with our internal Yomu Milbon web magazine

We regularly publish our internal online newsletter, SDGs MAGAZINE—*Yomu Milbon*. It offers readers a look at our internal sustainability activities and gives clear explanations on sustainability-related environmental changes in society. This is part of our efforts to support voluntary employee actions toward sustainability. In the five issues published in FY 2020, we covered a wide range of topics, including breakdowns of internal sustainability cases, presentations of advanced cases in Japan and overseas, and changing trends among stakeholders. Employees have also voiced their suggestions for future topics, illustrating the importance of the publication. We have updated our topics for 2021 and continue publishing new content in our magazines.



Topics encourage all employees to take ownership of social issues.

### ESG/SDGs matrix

The ESG/SDG matrix shows how each of the 17 SDGs relates to each of Milbon's ESG topics, providing a visualization of the key issues we should be addressing. We have established specific targets for each key issue. Up-to-date information on progress toward these targets is available online since 2020.

Milbon's  
**ESG/SDGs  
matrix**  
(Produced under  
the direction of Hidemitsu Sasaya)

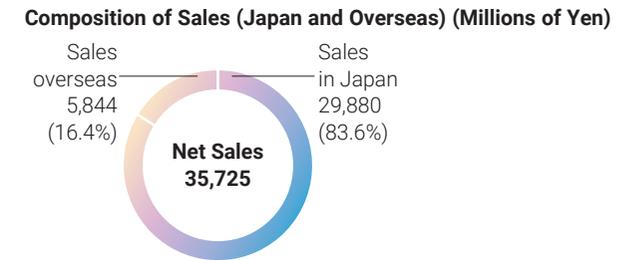
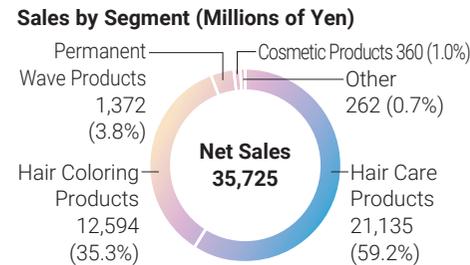


Hidemitsu  
Sasaya  
CSR/SDGs  
Consultant



Check below for details regarding the ESG/SDG matrix (in Japanese only):  
<https://www.milbon.co.jp/pdf/esg-sdgsmatrix.pdf>

## Financial Highlights



### 11-Year Financial Summary

	2010	2011	2012	2013	2014	2015	2016	2017*1	2018*2	2019	2020
<b>Operating results (millions of yen)</b>											
Net sales	19,749	20,526	21,887	23,829	25,226	27,377	29,134	33,456	33,882	36,266	<b>35,725</b>
Gross profit	13,002	13,620	14,833	16,174	17,281	18,681	20,100	22,797	22,189	23,711	<b>23,385</b>
Operating income	3,578	3,792	3,986	4,302	4,451	4,727	5,113	5,345	6,260	6,751	<b>6,394</b>
Ordinary income	3,327	3,545	3,735	4,059	4,218	4,427	4,733	4,997	5,811	6,231	<b>5,791</b>
Profit attributable to owners of parent	1,831	2,304	2,128	2,516	2,621	2,950	3,069	3,817	4,495	4,517	<b>4,204</b>
Net assets	17,699	19,059	20,367	22,149	24,104	26,212	27,706	31,103	33,151	35,882	<b>36,308</b>
Total assets	20,843	22,592	23,662	26,321	28,138	30,799	32,444	37,642	39,634	41,912	<b>43,075</b>
<b>Cash flows (millions of yen)</b>											
Cash flows from operating activities	2,433	3,157	2,977	3,511	2,766	3,895	3,355	4,346	6,487	4,486	<b>6,548</b>
Cash flows from investing activities	(727)	101	(1,506)	(1,198)	(1,236)	(2,834)	(4,366)	(1,919)	(1,202)	(2,777)	<b>(161)</b>
Cash flows from financing activities	(688)	(836)	(910)	(1,387)	(1,052)	(1,135)	(1,262)	(1,317)	(1,639)	(1,869)	<b>(3,416)</b>
Depreciation	1,010	1,014	952	882	1,008	1,038	1,083	1,278	1,380	1,493	<b>1,609</b>
Capital expenditure	940	528	840	1,680	1,028	2,779	4,262	1,570	1,149	1,605	<b>1,917</b>
<b>Per-share information (yen) *3</b>											
Earnings per share	55.36	69.68	64.35	63.69	80.03	90.10	93.73	116.58	137.31	137.99	<b>129.24</b>
Net assets per share	534.94	576.26	615.84	563.48	736.05	800.51	846.16	949.99	1,012.58	1,096.02	<b>1,117.10</b>
Dividend per share	22.73	26.67	27.50	28.33	34.00	37.00	39.00	46.00	54.00	56.00	<b>56.00</b>
<b>Financial indicators (%)</b>											
Equity ratio	84.9	84.4	86.1	84.1	85.7	85.1	85.4	82.6	83.6	85.6	<b>84.3</b>
Return on equity (ROE)	10.7	12.5	10.8	11.8	11.3	11.7	11.4	13.0	14.0	13.1	<b>11.6</b>
Return on assets (ROA)	8.9	10.6	9.2	10.1	9.6	10.0	9.7	10.9	11.6	11.1	<b>9.9</b>
Gross profit margin	65.8	66.4	67.8	67.9	68.5	68.2	69.0	68.1	65.5	65.4	<b>65.5</b>
Operating margin	18.1	18.5	18.2	18.1	17.6	17.3	17.6	16.0	18.5	18.6	<b>17.9</b>
Ordinary margin	16.8	17.3	17.1	17.0	16.7	16.2	16.2	14.9	17.2	17.2	<b>16.2</b>
Net profit margin	9.3	11.2	9.7	10.6	10.4	10.8	10.5	11.4	13.3	12.5	<b>11.8</b>
Dividend payout ratio (Consolidated)	41.1	38.3	42.7	37.1	42.5	39.3	41.6	39.5	39.3	40.6	<b>43.3</b>

Notes: 1. FY 2017 was an irregular accounting period consisting of 12 months and 11 days from December 21, 2016 to December 31, 2017. As for consolidated results, overseas subsidiaries used a 15-month accounting period from October 1, 2016 to December 31, 2017.

2. Because the Company implemented the early adoption of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) and the associated Implementation Guidance (ASBJ Guidance No. 30, March 30, 2018) from January 1, 2019, FY 2018 results have been restated in accordance with the new standards.

3. In per-share information (yen), information for earnings per share and net assets per share retroactively reflect three stock splits implemented during the 11-year period. The details of these stock splits are as follows:

1) A 1 for 1.1 split implemented on December 21, 2010. 2) A 1 for 1.2 split implemented on December 21, 2013. 3) A 1 for 2 split implemented on January 1, 2018.

## Non-Financial (Environmental/Social) Highlights

### Non-Financial Data

Environment	Unit	2019	2020
Energy consumption: Crude oil equivalent	KL	2,215	<b>2,134</b>
Energy: Intensity*1	kL/million yen	0.073	<b>0.071</b>
CO <sub>2</sub> emissions (adjusted)	t-CO <sub>2</sub>	4,399	<b>3,912</b>
CO <sub>2</sub> intensity*1	t-CO <sub>2</sub> /million yen	0.145	<b>0.131</b>
Electricity consumption	MWh	6,442	<b>6,190</b>
Electricity intensity*1	MWh/million yen	0.212	<b>0.207</b>
Water consumption	m <sup>3</sup>	41,767	<b>40,445</b>
Water consumption: Intensity*1	m <sup>3</sup> /million yen	1.374	<b>1.354</b>

Society	Unit	2019	2020
Number of employees (Consolidated)		910	<b>975</b>
Number of new employees		61	<b>62</b>
% of female employees	%	37.7	<b>39.6</b>
% of female managers	%	10.5	<b>11.9</b>
% of employees with disabilities	%	2.67	<b>2.44</b>
Turnover rate	%	2.00	<b>3.02</b>
Education and training expenses per employee*2	Yen	101,588	<b>76,186</b>
Number of beauty studios (Owned by Milbon)	Locations	25	<b>27</b>
Number of salon education event participants*3		27,936	<b>8,862</b>
Number of Twitter followers		Approx. 90,000	<b>Approx. 122,000</b>
Number of Instagram followers		Approx. 30,000	<b>Approx. 50,000</b>
Number of FYB magazine views*4	Page views per month	74,671	<b>72,497</b>

### About the Scope of Reporting

- Data is listed from FY 2019, aggregated in anticipation of publication of the 2020 integrated report.
- Energy consumption, CO<sub>2</sub> emissions, and electricity consumption figures aggregated from FY 2019 and onward are calculated as a total from all locations in Japan.
- Water consumption is calculated solely from plant usage.

We plan to enhance the data and scope of our reports going forward.

- \*1 Each intensity value is calculated based on domestic sales revenue.  
 \*2 Due to impact from the COVID-19 pandemic, education and training programs were postponed and limitations were placed on movements for these programs. Therefore, actual values including travel and transportation expenses were greatly decreased.  
 \*3 Due to impact from the COVID-19 pandemic, events were canceled or postponed. Therefore, actual values were greatly decreased. We are currently expanding online events.  
 \*4 The calculation method for this data has been changed since the previous fiscal year's integrated report. It has been changed from the number of page views during the month in which the integrated report was issued to the average monthly page views for the year.

# Company Overview and Stock Information

(As of December 31, 2020)

## Company Overview

Trade Name	Milbon Co., Ltd.
Established	July 1960
Capital	2.0 billion yen
Number of Employees	Non-consolidated: 765 Consolidated: 975
Head Office	Kyobashi Edogrand, 2-2-1 Kyobashi, Chuo-ku, Tokyo
Central Research Institute	2-3-35 Zengenji-cho, Miyakojima-ku, Osaka
Branches	Saitama, Tokyo Aoyama, Tokyo Ginza, Nagoya, Osaka, Hiroshima, Fukuoka
Sales Offices	Sapporo, Sendai, Niigata, Yokohama, Kanazawa, Shizuoka, Kyoto, Kobe, Okayama, Matsuyama, Kumamoto
Plants	Yumegaoka, Thailand
Subsidiaries	MILBON USA, INC./ Milbon Trading(Shanghai)Co., Ltd./ Milbon Korea Co., Ltd./ MILBON(THAILAND)Co., LTD./ MILBON MALAYSIA SDN. BHD./ MILBON VIETNAM CO., LTD./ MILBON SINGAPORE PTE. LTD./ Milbon (Zhejiang) Cosmetics Co., Ltd.
Representative Offices	Taiwan, Hong Kong, Turkey, Indonesia, Philippines, Europe

## Stock Information

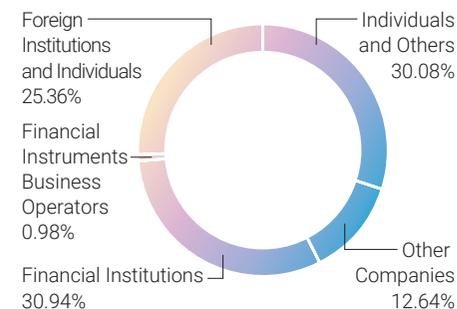
Stock listing	Tokyo Stock Exchange, First Section
Stock code	4919
Total number of shares authorized	120,408,000
Number of shares outstanding	33,117,234
Number of shareholders	11,242

## Principal Shareholders

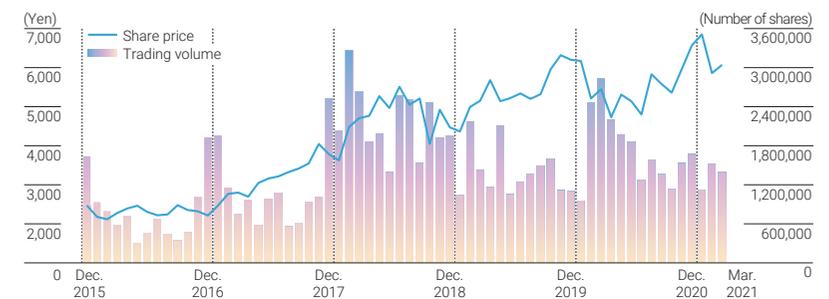
Shareholder	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,420,800	7.45 %
Konoike Asset Management Company	1,920,000	5.91 %
Keiko Murai	1,383,624	4.26 %
Maiko Kitajima	1,382,424	4.25 %
SMBC Trust Bank Ltd. Designated Securities Trust	1,328,000	4.09 %
Custody Bank of Japan, Ltd. (Trust Account)	1,239,800	3.81 %
SSBTC CLIENT OMNIBUS ACCOUNT	1,161,825	3.57 %
MILBON Cooperating Companies Shareholding	978,956	3.01 %
J.P. MORGAN BANK LUXEMBOURG S.A.384513	965,000	2.97 %
Sumitomo Mitsui Trust Bank, Limited	934,400	2.87 %

Note: Shareholding ratios have been calculated based on the total number of shares outstanding excluding treasury shares (614,837 shares).

## Shareholding Ratio by Type of Shareholder



## Share Price and Trading Volume



## Company Overview and Stock Information

### External Assessments

Our unique business model wins the Porter Prize  
Milbon was awarded the Porter Prize 2020, a program sponsored by the School of International Corporate Strategy, Hitotsubashi University Business School.

Since our establishment in 1960, we have been consistently focused on stylists and salons. Revenues have increased for 24 consecutive years since the Company's listing to 2019, and Milbon has been recognized for the uniqueness of its business strategy which supports this level of growth and maintains high profitability.

Going forward, we will continue to use a business model focused on stylists and salons and contribute to the realization of a rich society through beauty.



Ryuji Sato, President and CEO

Recognized as a "Certified Health & Productivity Management Outstanding Organization" for 2021  
Milbon has been certified as an excellent corporation under the Certified Health & Productivity Management Outstanding Organization Recognition Program for 2021 jointly implemented by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council). In 2020, we issued the Milbon Health Declaration, which seeks to create a work environment where each employee can enjoy long-term employment in good mental and physical health and find fulfillment in their work. Beyond our previous efforts in the interest of employee health, we have also taken actions amid the COVID-19 pandemic, including implementing systems to promote preventative measures and sharing information on health management. Going forward, we will continue to work toward health and productivity management encouraging vitality and motivation among our employees.



### Cooperation with the International Community

Joined the United Nations Global Compact  
In May 2020, Milbon joined the UN Global Compact (UNGC). The UNGC is a voluntary initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies. As a signatory working to resolve social issues alongside salons and hairstylists based on the Milbon Basic Policy for Sustainability, we contribute to creating a sustainable society by adhering to 10 UNGC principles related to human rights, labor, environment, and anti-corruption.

