





Your life.
Your beauty.

From chasing society's dreams to following your own:

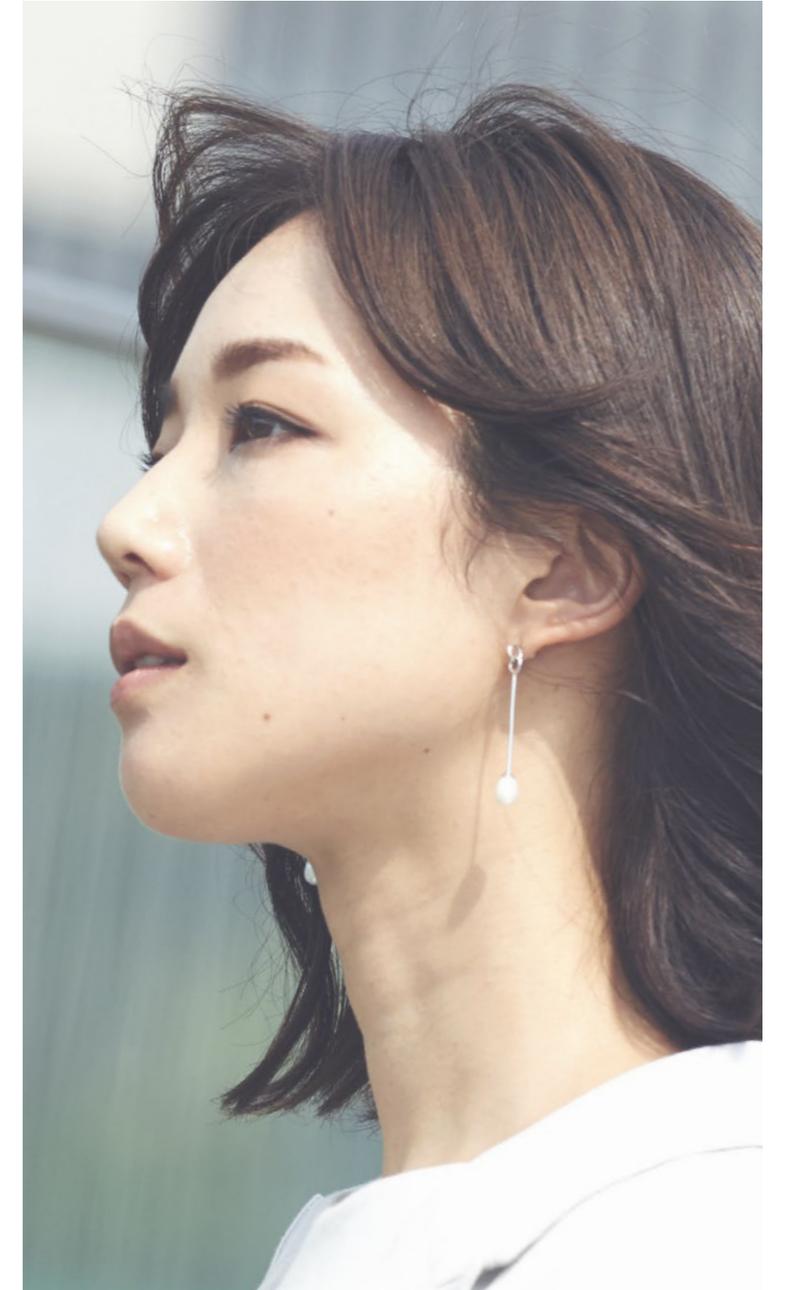
The times are changing.

We're here to help you find your beauty.

We're here to make your life shine.

Real

Live your true beauty.





Be true to yourself!
Easy to say, harder to do.
We believe everyone possesses
peerless beauty—a way of living
vibrantly entirely their own.

Creative

Discover your smile. Discover your beauty.





Helping someone uncover the beauty within requires trust –a relationship built little by little, month by month.

As a customer's connection with their own true beauty deepens, a stylist can help them discover new ways of revealing and expressing it.

Professional Hair Stylists:
Facing beauty, facing the soul.

Salons: Not just for hair. For the community.

They're places where stylists and clients meet to discuss possibilities, share trends, and find inspiration. They're spaces to chat, to learn, to smile, and to share our lives with one another.

Helping people enhance their lives through beauty:
Your stylist, your salon.



Your life, your beauty.
Starting today.

Little by little, we help you find your beauty,
your charm, and your smile. The dazzling
future you've been looking for starts here.





Your Beauty

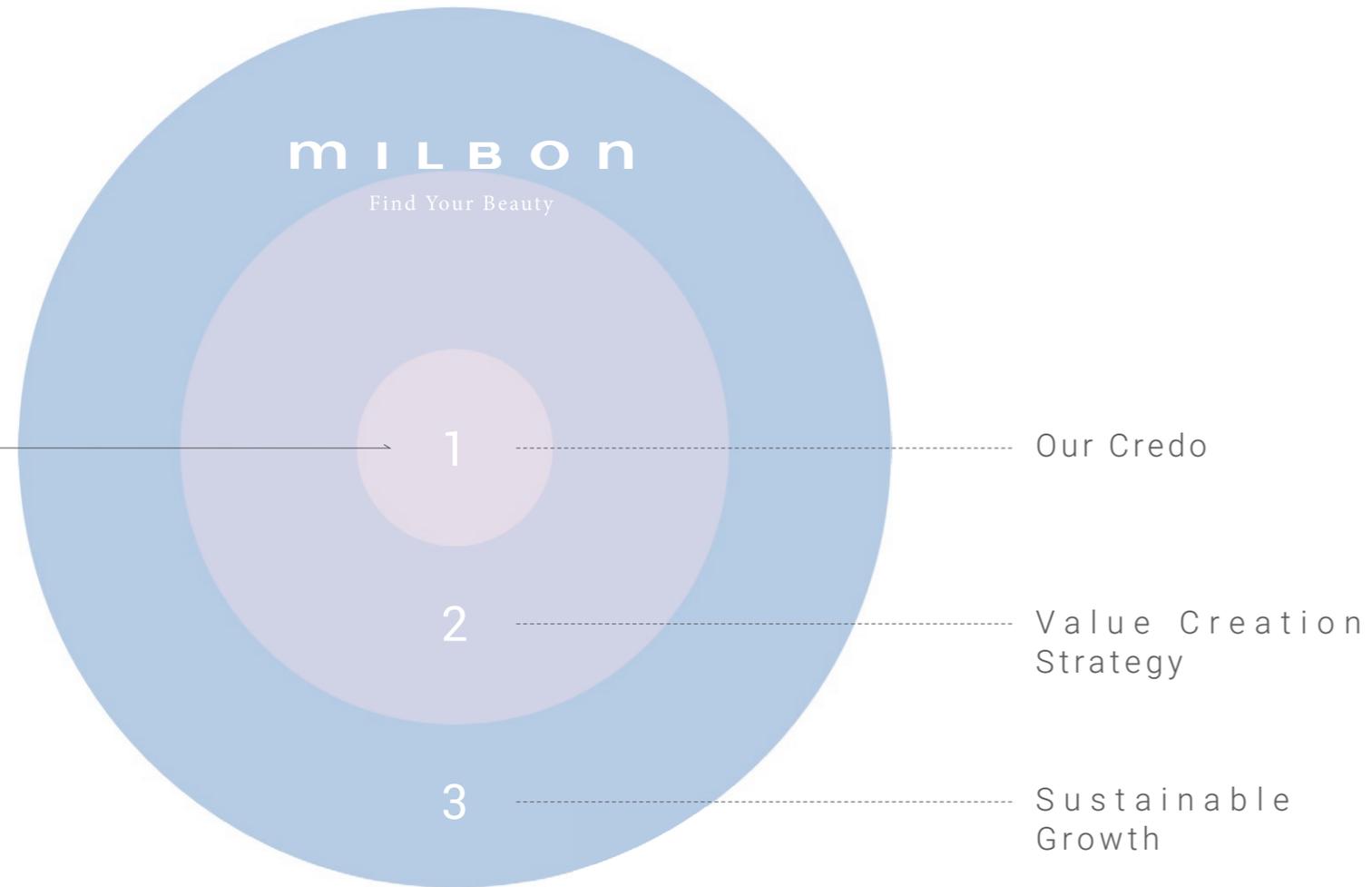
(Real × Creative)

Real: Discovering a unique way to live your beauty.

Creative: Uncovering the hidden beauty that only your stylist can see.

Our business is focused on building a beauty market that can forge these connections and help them thrive far into the future.

Milbon Integral Strategy



Milbon Integrated Report 2020

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Steadily, flexibly.

Value Creation Strategy



Co-Creating the Future

“For all people to live with individuality, enrichment and radiance.”

We believe that we can make a difference by inspiring beauty through hair stylists and their art.

In times of great change, we continue to create new values to enhance people’s beauty and contribute to business growth for salons by uncovering challenges from the perspectives of customers and society at large.

The field in which we can create this value is growing. In line with our long-term vision for 2033, we will strive to create greater social and economic value through our dedication and educational support toward local beauty industries across the globe to become the world’s No.1 professional hair care manufacturer.

We will strengthen our relationships of trust with all stakeholders to develop the beauty industry and global beauty culture, contribute to the realization of a sustainable society, and continue creating a prosperous future together.

Ryuji Sato
President and CEO



01 Message from the President

Becoming a Global Manufacturer of Professional-Use Hair Cosmetics That Creates New Beauty Value

First of all, I would like to express my sincere condolences to all those who have lost a loved one during the COVID-19 pandemic and extend my heartfelt sympathy to those who are battling the illness or recovering from it.

Supporting the evolution of salons as an industry leader

Since its foundation in 1960, Milbon has managed to achieve sustainable growth together with the beauty industry. However, as the social environment has changed dramatically, the industry now faces some major challenges.

The first of these is the impact of demographic change in Japan. As birthrates fall and the population ages, salon customers will generally rise in age, while it will become more difficult to recruit young staff.

The second challenge is related to labor issues. Amid the rising corporatization of salon management in recent years, society has increasingly scrutinized the management practices and working conditions of salons. In particular, the reform of work practices, including reductions in working hours and encouraging the use of paid holidays, has become an unavoidable topic.

The third challenge is the way in which salon business models and revenue models

are structured. Currently, the majority of a salon's sales and profit come from payment for technical procedures such as cuts and coloring. However, it will become harder to increase revenues through technical procedures alone, taking into account the conditions previously mentioned, including population decline, growing labor shortages, and the demand for shorter working hours.

In these circumstances, a promising future pillar of sales and profit growth for salon management will be the sale of Milbon's products.

Stylists can use their knowledge and insight to provide their customers with numerous suggestions and advice. By adding such expertise to high-quality, professional-use products, salons can realize retail operations with high added value and distinguish themselves from regular retailers. To support the growth of such retail operations, Milbon launched a B-to-B-to-C e-commerce website that connects salons with customers, in addition to physical sales channels.

To achieve sustainable development of the beauty industry, salon management needs to become more stable by improving productivity and diversifying revenue models. At the same time, it is important to further strengthen relationships of trust with customers by diversifying contact points to attract a larger number of "lifelong customers." Individual salons will need to transcend the current boundaries of

the industry to evolve into "communities of beauty and soul" that are a supportive presence in customers' lives. Milbon's mission as a leading manufacturer of professional-use haircare and hair coloring products is to support this salon evolution in a variety of ways.

Advancing diverse growth strategies globally and domestically that adopt the perspectives of customers and society

As a step toward realizing this future, in FY 2019, Milbon launched its 2019–2023 medium-term management plan with the theme of "Change the Stage!!" The key concept of this plan is to shift away from an industry perspective to adopt the perspectives of customers and society at large.

"Adopting the perspective of society" means looking squarely at what the essential role of salons in society should be, and our answer—as mentioned above—is "communities of beauty and soul." Furthermore, "adopting the perspective of customers" means that Milbon should adopt the perspective of not only the salons and stylists who are our direct clients but also the salon visitors who are their customers to consider what we can do and what we should pursue.

These perspectives have inspired many of

the measures we are implementing, such as our e-commerce business and digital transformation, our branding strategy, our entry into the cosmetics market, and the strengthening of our global business. For example, our professional-use e-commerce website is a B-to-B-to-C business that has truly been built from the perspective of customers and consumers. While Milbon operates the website and manages the ordering and delivery processes, we use a product distribution system in which customers order through salons registered on our website, contributing to sales growth for these salons. Salon customers also enjoy the convenience of being able to buy products when they need, so we expect the website to be effective in boosting the ratio of repeat customers.

We are also strengthening our cosmetic product sales through capital and business alliances with KOSÉ Corporation. In the 60 years since the Company's founding, we have developed as a company that supplies professional-use hair cosmetics to salons, but this alliance now enables us to offer our customers a more comprehensive approach to beauty. Additionally, because the cosmetics market is significantly larger than that for hair products, entry into this market should be an important driver of future growth for both Milbon and salons. For our global development, we will establish a business environment tailored to each market to

expand our presence. For example, we have developed new products that cater to the hair types and colors of European and North American customers, and we have started test marketing of them in the United States. To further accelerate product development, which responds to such specific regional needs, we plan to establish regional research facilities in our main overseas bases such as China and Thailand.

Developing motivated, responsible employees who respond swiftly to customers' needs

Our people are the most integral force for achieving the targets of our medium-term management plan. At Milbon, we have established three principles for behavior based on our conviction "to build a solid company that won't collapse": "to be in the field," "to pay attention," and "to be independent." "To be in the field" means to regularly visit salons and carry out work that brings us closer to stylists and their customers. "To pay attention" means listening sincerely to these salons and their customers. However, in reality, being attentive does not stop here. It is important to grasp the situation at the salon and understand the essence of a customer's voice beyond their words.



This essence will generate motivation and a sense of responsibility in employees that make them want to act. "To be independent," our third principle of behavior, means that each and every employee should possess this motivation and sense of responsibility and act based on their own ideas. Milbon delegates a lot of authority to our employees to enable them to act independently.

We welcome efforts by our employees to take on any sort of challenge, regardless of age or experience, as long as they follow Milbon's policy and act for the true benefit of salons and their customers.

We have thoroughly instilled these principles in all Group employees. I myself act according to the principles and visit around 400 salons each year, including 300 in Japan and 100 in 20 other countries around the world, and talk directly with stylists and their customers. This

is because I believe it is essential for me to have a good understanding of the actual concerns and needs of salons in order to formulate business strategies and decide whether to implement an initiative as part of management from a broader perspective.

We will continue to strengthen our education and training systems to develop human resources who not only act in accordance with our three principles of behavior but also have leadership ability, a global mindset, and a willingness to take on challenges.

Strengthening win-win relationships with stakeholders as a fellow member of global and regional society

Together with the new medium-term management plan, we formulated the Global Vision Roadmap, which is a management vision created from a longer-term perspective up to 2033. This represents our aim “to become the world’s No. 1 professional hair care manufacturer through our dedication and educational support toward local beauty industries across the globe.” To achieve our long-term vision, we must steadily execute each initiative of the medium-term management plan and create a chain of innovation from the perspectives of customers and society at large. At the same time, we must



fulfill our responsibilities as a global company by factoring achievement of the SDGs into our management, to further increase the sustainability of our corporate activities.

Although Milbon started its SDG promotion activities in 2019, we had actually been taking initiatives to help realize a sustainable society long before the UN adopted the SDGs in 2015. For example, since 2002, we have been using some of our salon education events to support Save the Children, an organization engaged in safeguarding the human rights of children around the world. Another initiative focused on human rights and diversity was our early implementation of policies to encourage the hiring of people with disabilities.

We also promote the environmental and safety aspects of our business through initiatives such as using environment- and people-friendly materials in our products and building

traceability systems for materials procurement. Furthermore, our efforts to help salons evolve into “communities of beauty and soul” that are essential to the lifestyles of people in their communities fits well with the aim of SDG 11: “make cities inclusive, safe, resilient, and sustainable.”

Naturally, Milbon cannot achieve the SDGs by acting alone. It is essential for us to coordinate and collaborate with salons in Japan and overseas as well as with other stakeholders such as distributors and materials suppliers. We will keep working to strengthen win-win relationships with all stakeholders as a fellow member of global and regional society.

Milbon will continue growing sustainably and raising its corporate value by contributing to achieving the SDGs and developing globally beauty industry from the perspectives of customers and society at large, as it works to realize its long-term vision.

New Concepts of Beauty for the “New Normal”

The spread of COVID-19 since early 2020 not only threatened people’s lives and health but also dramatically affected social activity and significantly impacted economies around the world. This resulted in the successive placing of restrictions on going out in countries where Milbon does business, including China, South Korea, and the United States. In Japan, many salons had to voluntarily close—particularly during April and May, when a national state of emergency was declared. Moreover, salons that remained open, with measures to prevent infection in place, saw a decrease in visitors because people chose to stay home. These factors had a major effect on the Company’s business.

While conditions continue to make it difficult for us to visit our customers, it is Milbon’s mission and one of our core values to be close to our customers no matter what the situation. While other industries may be focusing on working remotely, face-to-face contact is fundamental to the services a salon provides. Milbon believes that providing excellent service to our customers means being close to them by understanding what their problems are and what they hope to achieve, and then taking action to

realize it. Based on this approach, employees in each division used their creative ingenuity to follow up with salons and develop a range of activities to provide support, such as procuring and distributing masks and alcohol-based disinfectant.

In terms of business results, April and May saw considerable losses. However, in June, when many salons returned to full-scale operations, we saw a rebound in demand as people began to go out again, leading to results that surpassed the same period of the previous fiscal year. As for our overseas markets, it looks like it will take some time for North America to recover. In South Korea and China, however, which account for a large proportion of overseas sales, February and March were a struggle, but performance roughly returned to normal in April. Thereafter, we saw year-on-year growth of around 10% in May and 30% in June.

While these results suggest a steady recovery in the beauty markets in Japan and overseas, we now need to consider the current situation—in which we must live with the virus—as well as the post-pandemic period. Changes in lifestyles and the ways people work will lead to a “new normal” for society. This will definitely have a large effect on the beauty market, including on how work is carried out and how salons are managed. To date, Milbon has

always monitored developments in beauty markets and considered how they should change amid social transformation and trends. Accordingly, we have compiled a report titled *New Concepts of Beauty for the “New Normal,”* which reconsiders our scenarios taking into account changes caused by the pandemic, and it was presented to all employees.

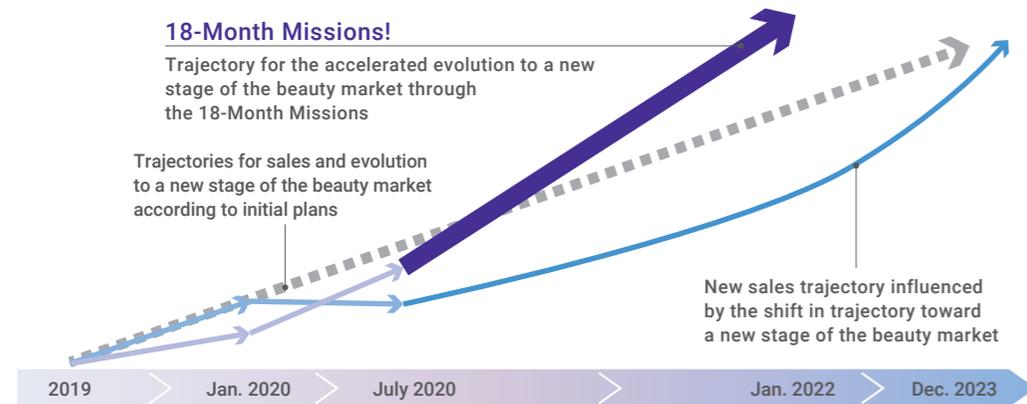
This report essentially outlines our projections of future beauty markets and our basic stance on our responses, but it does not contain directives for each division. We want the divisions to come up with specific measures by themselves, based on the projections, and put them into action.

Accelerating the business transformation to reach a new growth stage in 18 months

Our report contains explanations of what the pandemic has brought to various aspects of the beauty markets—such as sales, salon operations, retail channels, education, and productivity—as well as projections of how we think these will change.

I cannot go into all the details, but in terms of sales we think that salons will shift to developing “lifelong customers” who know the salon and who in turn are known by the salon. This

Accelerating our evolution to a new stage of the beauty market through "Change the Stage: 18-Month Missions!"



is because it will become increasingly difficult to capture walk-in customers to reduce the risk of infection and grasp the routes of infection. We also think effort will be made to shorten the overall time spent in salons as a means of avoiding extended periods of close contact.

In terms of retail channels, the online sale of salon-exclusive products will become a pillar of revenue and its importance as a means of connecting salons with their customers will surely increase. As for education, we should see seminars and education programs switching to digital methods at an accelerating pace.

In fact, a lot of these changes are not entirely new. As with remote working, a lot of

the processes were already underway, driven by factors such as structural changes in the social environment and technological innovation, and they have merely been accelerated by the pandemic. In fact, we have been undertaking business reforms under our medium-term management plan focused on these changes in the market environment with the theme of "Change the Stage!!" The challenge now is that the impact of the pandemic has increased the speed of such changes, which has forced us to revise drastically the timetable for reforms.

Under the heading of "Change the Stage: 18-Month Missions!," we have decided to carry out the business reforms that were planned

for implementation by the end of 2023 within an 18-month period from July 2020 to December 2021, so that we can move to a new stage of business that will put us back on a growth track. Based on this strategy, each division has started taking actions to achieve this by December 2021, by thoroughly considering specific measures including targets, schedules, and budgets.

We must acknowledge that the impact of the COVID-19 pandemic will make it difficult for us to achieve our quantitative targets for 2020. However, we are confident that we can achieve the targets of the medium-term management plan despite the current delays and realize medium- to long-term growth beyond that point, if we can complete the transition to a new stage of business by December 2021.

Milbon will continue working with stakeholders to create the future of the beauty industry by adopting the perspectives of customers and society at large, always remaining close to stylists, and providing products and services that are genuinely needed. I look forward to your continued support.

Ryuji Sato
President and CEO

2019–2023 Medium-Term Management Plan

Shift away from an industry perspective to adopt the perspectives of customers and society at large.

The business environment surrounding Milbon, which includes conditions in the Japanese beauty market and trends worldwide and in Japan, has entered a period of major change.

In this environment, Milbon formulated its 2019–2023 medium-term management plan, which focuses on measures to realize transformation in every stage ("Change the Stage!!"), with the aim of achieving sustainable growth in the years ahead.

Medium-Term Vision

Shift away from an industry perspective to adopt the perspectives of customers and society at large.

"Change the Stage!!"

—Continuously Creating a New Future—
Shift the focus and pursue the creation of a new beauty industry based on beauty culture emanating from Japan.

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.

Overview of the Global Vision Roadmap

Become a company that creates a chain of innovation from the perspective of society and customers.
Become a company that contributes to the SDGs by earning society's trust by sustainable growth and contributions to society.

	2019–2023 Medium-Term Management Plan Establish a No.1 Position in the Asian Market	2024–2028 Medium-Term Management Plan Full-Scale Growth in Europe and North America	2029–2033 Long-Term Vision Become a Global Main Player
Society			
Beauty Market	Japan	<ul style="list-style-type: none"> Aim for a 25% market share (total sales of 44.5 billion yen) Establish cosmetics business Consider establishing domestic subsidiaries Launch businesses for e-commerce and product sales through salons 	<ul style="list-style-type: none"> Aim for a 30% market share Consider a transition to a holding company structure Realize new collaborations with partners in different industries Realize collaborations with overseas brands
	Overseas	<ul style="list-style-type: none"> Achieve overseas sales of 8.5 billion yen, comprising 17.5% of total sales Plan to double sales staff at sales agencies (lay the foundation) Establish new overseas research centers and a production site 	<ul style="list-style-type: none"> 5 billion yen plan in China (local supply structure) Establish a presence in coloring markets in Europe and North America Expand into the Indian market
Proprietary Business Model	People-Centered Marketing System—Chain of Innovation	<ul style="list-style-type: none"> FP System (prepare unit-type sales offices) Evolve TAC Product Development System from a "to C" angle Promote employee specialization and diversity Establish a professional-use e-commerce website 	<ul style="list-style-type: none"> Prepare for global implementation of the FP System (operate small unit-type and matrix-type organizations) Evolve a global scale, regional-focused TAC product development system Move to the next stage of specialization with an FMS: FSE + FCE ratio of 1:2
Business Continuity	Strategic Incorporation of the 17 SDGs (ESG)	<ul style="list-style-type: none"> SDGs Promotion Committee: Continue to promote SDGs as its major role Contribute to the development of future leaders for the beauty industry through stylist education Reduce inventory write-off losses by extending products' quality guarantee periods Use AI and IoT to improve productivity and reduce CO₂ emissions Advance models for training and employing people with disabilities Improve employee productivity by implementing work style reforms and providing active roles for women Maintain governance by having an executive officer system and outside directors 	<ul style="list-style-type: none"> Procure materials responsibly Create business models that solve environmental and social issues Realize a 1:1 ratio of inside to outside directors Consider and implement the recycling of plastic materials
Milbon's Philosophy	Build a Solid Company That Won't Collapse	The Milbon Way—Engaging stylists in everything we do...	

02

Our Story

A History of Contributing to Increasing Salons' Revenues and Realizing Sustainable Growth

Milbon began in 1960 as a specialist manufacturer of professional-use hairstyling products, such as cold perming chemicals and shampoos. Since our foundation, we have been standing alongside salons and stylists and continued to develop with them under our management principle of "engaging stylists in everything we do."



1960 1969 1984 1987 2001 2004 2005 2009 2010 2011 2012 2013 2014 2015 2016 2017*1 2018*2 2019 2020 2021 2022 2023 (Target)

10-Year Consolidated Financial Summary and the Targets of New Medium-Term Management Plan

Net Sales (Billions of Yen)
Operating Income (Billions of Yen)

Sales growth for 24 consecutive years since listing and operating income growth for 10 consecutive years

Achieved final target one year early

Toward the new target...
New medium-term target 48.5

Starting the new medium-term plan one year ahead

2010-2014 Medium-Term Management Plan

2015-2019 Medium-Term Management Plan

2019-2023 New Medium-Term Management Plan

Notes: 1. FY 2017 was an irregular accounting period consisting of 12 months and 11 days. (The date for settlement of accounts had been December 20 until FY 2016, and it switched to December 31 from FY 2017.)
2. Because the Company adopted 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 the beginning of FY 2019, FY 2018 results have been restated in accordance with the new standards.

COLUMN

Our Founder's Dream "We will build a solid company that won't collapse"

Ichiro Konoike, the founder of Milbon, was driven by his belief that "a company must be sustainable and to achieve this, the company must be essential to society." This belief persists today as one of the Company's core values.



Building a Proprietary Business Model

Milbon built its own business model through the Field Person System and the TAC Product Development System. These continue to provide the foundations of our business model today.

1984 Start of Field Person System
The first Field Person training center opens in Miyakojima Ward, Osaka, and the first round of Field Person training begins.

1987 Start of TAC Product Development System
Milbon's original product development system that learns from successful hair stylists who are trusted by customers is introduced.

2001 Listing on the First Section of the Tokyo Stock Exchange
In 2000, Milbon is listed on the Second Section of the Tokyo Stock Exchange and then moved to the First Section of TSE the following year. This marks the start of 22 consecutive years of sales growth.

2005 Yumegaoka Plant Opens
Following growth in sales volumes, the Yumegaoka Plant is established in Iga City, Mie Prefecture.

Global Expansion

2004 MILBON USA Established
MILBON USA, Inc., a consolidated subsidiary, is established in New York.

TAC Product Development

1993 Launch of nigelle
The *nigelle* series for natural hair design creation is launched.

2007 Shanghai Subsidiary Established
Milbon Trading (Shanghai) Co., Ltd. is established in China.

2009 South Korea Subsidiary Established
Milbon Korea Co., Ltd. is established in South Korea.

2013 Thailand Factory Established
MILBON (THAILAND) CO., LTD. is established in Thailand and a new production factory is built.

Expansion into New Areas

2017 Establishment of KOSÉ Milbon Cosmetics Co., Ltd.
We entered the cosmetics industry through a joint venture with KOSÉ Corporation.

2019 Launch of IMPREA
A salon-exclusive cosmetics brand is jointly developed with KOSÉ Corporation.

2016 Launch of milbon
A global hair care brand is developed based on advanced hair analysis technology.

2010 Launch of Aujua
A hair care brand that caters for individual hair and scalp needs is launched.

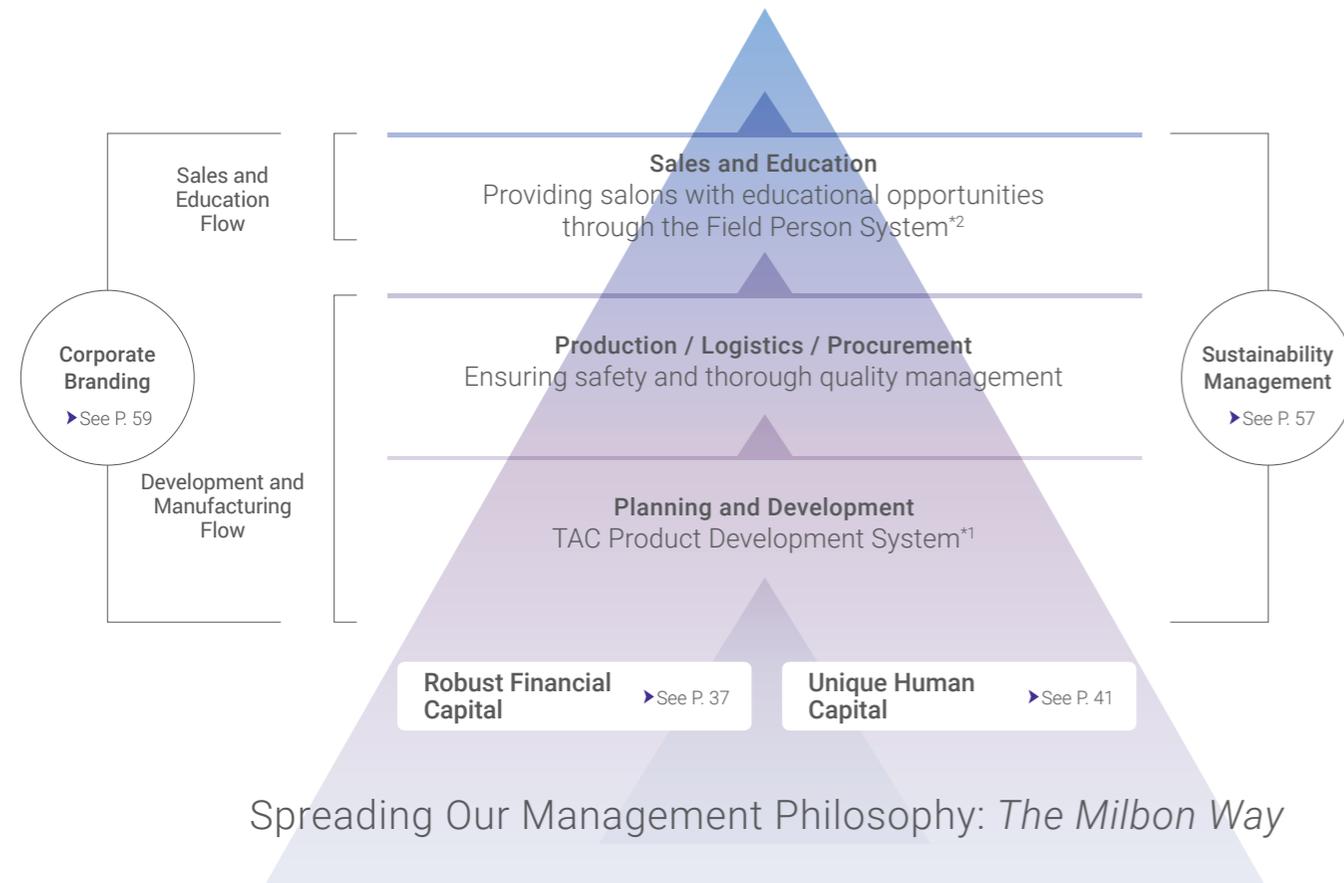
03

The Story of Our Value Creation

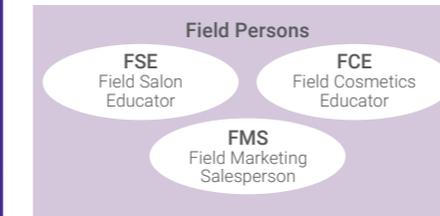
Demystifying Milbon's Value Creation Process

Working with Salons to Inspire the Beauty of Their Customers

To become the world's No.1 professional hair care manufacturer.



Unique Value in Sales and Education
Our original Support Triangle System*3 aims to solve each salon's issues



Cultivating Beauty Partners helps salons boost their appeal



▶ Sales and Education

Unique Value in Manufacturing
Strict quality control



OHSAS*4 certified safety management



Yumegaoka Plant (Mie Prefecture)

▶ Manufacturing

▶ Product Development

Unique Value in Product Development
TAC Product Development System – The Fusion of Science and Sensibility



Terminology

***1: TAC Product Development System**

The Target Authority Customer (TAC) Product Development System is a customer-oriented development system created by Milbon.

▶ See P. 45 for details.

***2: Field Person System**

A fieldwork system in which our field personnel (Field Persons) make proposals tailored to individual salons to help boost their revenues and profits. Furthermore, the system leads to increased product sales for Milbon.

▶ See P. 47 for details.

***3: Support Triangle System**

A system in which Field Persons are divided into three specialized roles to identify and solve the issues individual salons face.

▶ See P. 47 for details.

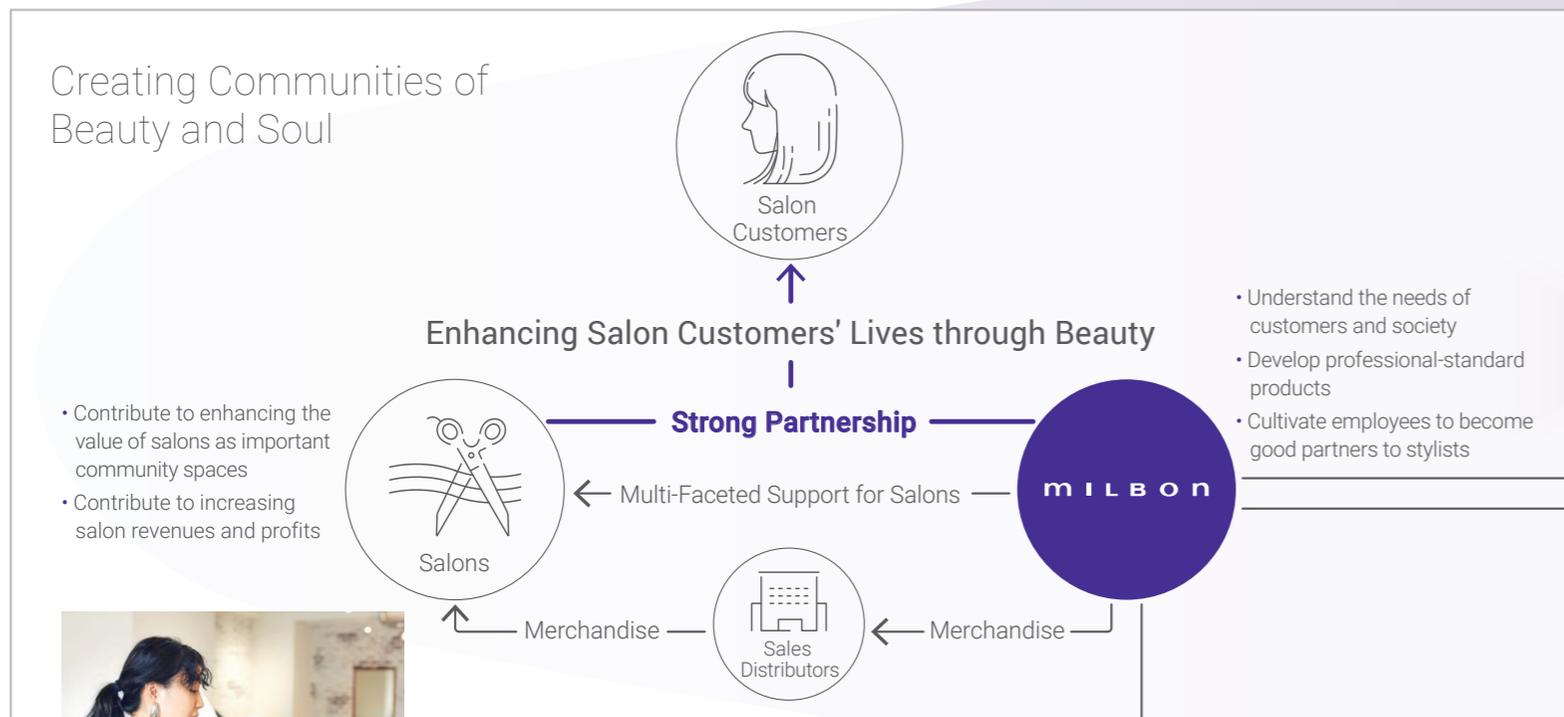
***4: OHSAS Certification**

OHSAS 18001 is an international standard for strategic risk management that protects worker's health, including mental health.

04

The Milbon Business Model

A Distinctive Business Model That Creates Value Together with Stakeholders



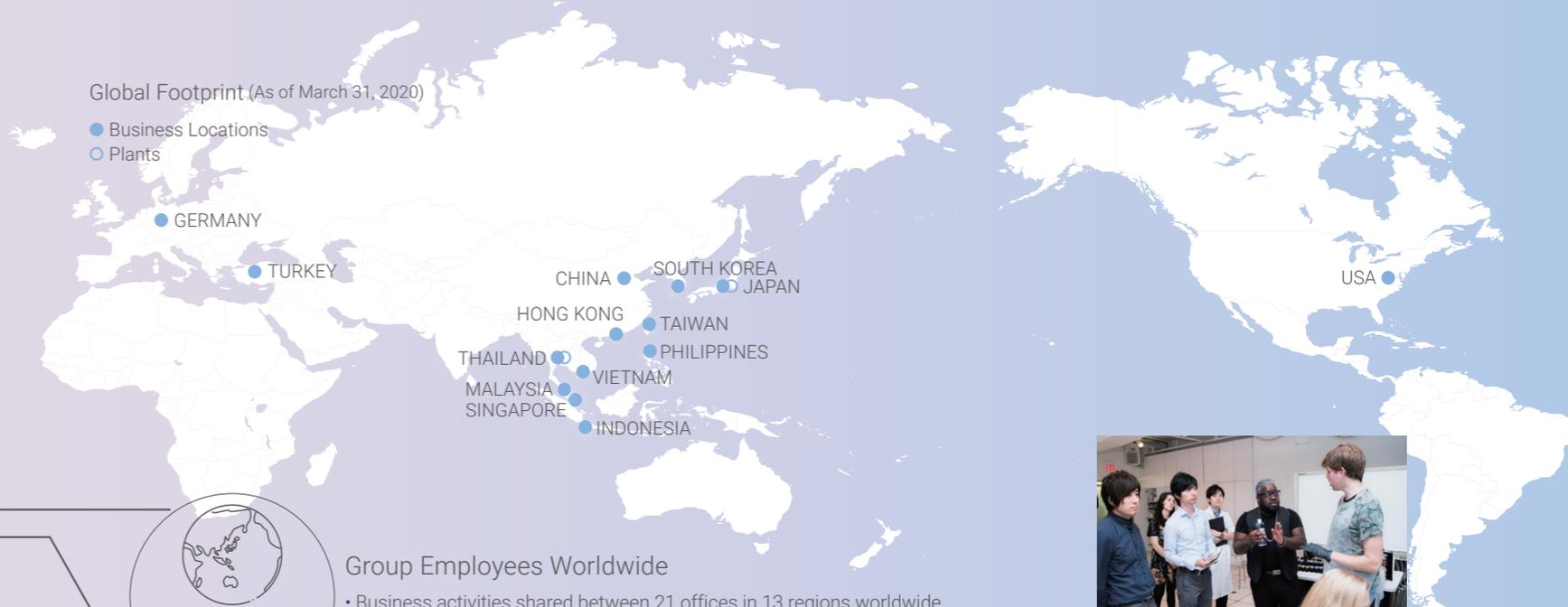
The Roles of Milbon Employees

- Possess a deep understanding of and empathy for the joys and difficulties experienced by stylists
- Learn how to provide salon marketing support and become a partner to stylists
- Conduct basic research in pursuit of leading edge products to remain a front runner in the hair and scalp field
- Develop products that blend science with a stylist's sensibility



Global Footprint (As of March 31, 2020)

- Business Locations
- Plants



Group Employees Worldwide

- Business activities shared between 21 offices in 13 regions worldwide
- Contribute to the global beauty industry through field activities focused on salon education



Disclosure of Business Results, Reporting and Dialogue concerning Growth Strategy

- Growth strategy that is disclosed and discussed
- Ongoing fair disclosure
- Corporate governance that matches the trust placed in us by shareholders



Financial and Non-Financial Highlights

Fiscal Year Ended December 31, 2019

Financial Capital



Sales Growth Ratio	Operating Margin	ROE
+7.0%	18.6%	13.1%
R&D Expenditure as a Percent of Net Sales	Equity Ratio	Dividend Payout Ratio (Consolidated)
4.23%	85.6%	40.6%

Human Capital



Number of Employees (Consolidated)	Turnover Rate	
910	2.0%	
% of Female Managers	% of Female Employees	% of Employees with Disabilities
12%	40%	2.67%
Education and Training Expenses per Employee	Milbon Corporate University Participants (Management Training)	
101,588yen	42	

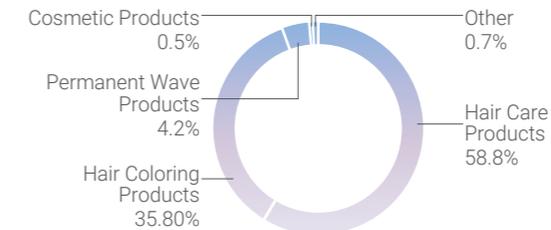
Social Capital



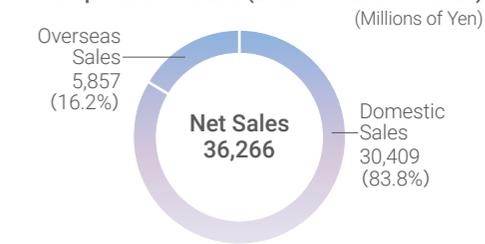
Number of Studios*	Stylist Seminar Participants (Annual)
25	27,936

*Training studios at sales offices in Japan and overseas are rented to stylists free of charge.

Sales by Segment



Composition of Sales (Domestic and Overseas)



11-Year Financial Summary

Years ended Dec. 31, 2009 to Dec. 31, 2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017 ¹⁾	2018 ²⁾	2019
Operating results (millions of yen)											
Net sales	19,189	19,749	20,526	21,887	23,829	25,226	27,377	29,134	33,456	33,882	36,266
Gross profit	12,214	13,002	13,620	14,833	16,174	17,281	18,681	20,100	22,797	22,189	23,711
Operating income	3,277	3,578	3,792	3,986	4,302	4,451	4,727	5,113	5,345	6,260	6,751
Ordinary income	3,103	3,327	3,545	3,735	4,059	4,218	4,427	4,733	4,997	5,811	6,231
Profit attributable to owners of parent	1,785	1,831	2,304	2,128	2,516	2,621	2,950	3,069	3,817	4,495	4,517
Net assets	16,653	17,699	19,059	20,367	22,149	24,104	26,212	27,706	31,103	33,151	35,882
Total assets	20,353	20,843	22,592	23,662	26,321	28,138	30,799	32,444	37,642	39,634	41,912
Cash flows from operating activities	3,079	2,433	3,157	2,977	3,511	2,766	3,895	3,355	4,346	6,487	4,486
Cash flows from investing activities	-1,680	-727	101	-1,506	-1,198	-1,236	-2,834	-4,366	-1,919	-1,202	-2,777
Cash flows from financing activities	-725	-688	-836	-910	-1,387	-1,052	-1,135	-1,262	-1,317	-1,639	-1,869
Depreciation	1,116	1,010	1,014	952	882	1,008	1,038	1,083	1,278	1,380	1,493
Capital expenditure	1,444	940	528	840	1,680	1,028	2,779	4,262	1,570	1,149	1,605
Per-share information (yen) ³⁾											
Earnings per share	53.96	55.36	69.68	64.35	63.69	80.03	90.10	93.73	116.58	137.31	137.99
Net assets per share	503.33	534.94	576.26	615.84	563.48	736.05	800.51	846.16	949.99	1,012.58	1,096.02
Dividend per share	20.83	22.73	26.67	27.50	28.33	34.00	37.00	39.00	46.00	54.00	56.00
Financial indicators (%)											
Equity ratio	81.8	84.9	84.4	86.1	84.1	85.7	85.1	85.4	82.6	83.6	85.6
Return on equity (ROE)	11.0	10.7	12.5	10.8	11.8	11.3	11.7	11.4	13.0	14.0	13.1
Return on assets (ROA)	8.9	8.9	10.6	9.2	10.1	9.6	10.0	9.7	10.9	11.6	11.1
Gross profit margin	63.7	65.8	66.4	67.8	67.9	68.5	68.2	69.0	68.1	65.5	65.4
Operating margin	17.1	18.1	18.5	18.2	18.1	17.6	17.3	17.6	16.0	18.5	18.6
Ordinary margin	16.2	16.8	17.3	17.1	17.0	16.7	16.2	16.2	14.9	17.2	17.2
Net profit margin	9.3	9.3	11.2	9.7	10.6	10.4	10.8	10.5	11.4	13.3	12.5
Dividend payout ratio (Consolidated)	38.6	41.1	38.3	42.7	37.1	42.5	39.3	41.6	39.5	39.3	40.6

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.

06

Financial Strategy

Realizing Sustainable Growth through an Original Business Model and Investment in Human Resources

A People-Orientated Approach in Focused Business Areas

One of Milbon's strengths is a sound financial standing that is resilient to fluctuations in the business climate. At present, we continue to practice debt-free management to keep financial risk low. Regarding the efficient use of shareholders' equity, in FY 2019 we recorded ROE of 13.1%, outperforming the average of just over 9% for listed companies in Japan, which shows our capital efficiency is relatively high. While our financial policy realizes debt-free management, it is neither our main goal nor financial policy. It is a result of our achievement of sustainable growth, including 24 consecutive fiscal years of sales increases since our listing in

1996, which enables us to secure cash for new investment in growth without resorting to loans.

The main factor behind this sustainable growth is our investment in human resources. Our business activities are focused on the areas of "professional stylists" and "beauty care," and by taking societal and customer perspectives, we have contributed to solving the issues facing salons and helping them to be successful. Through these efforts, we have also sustainably grown our own business. To further evolve this original business model, we continue to invest proactively in recruiting and developing exceptional people.

For example, we provide a nine-month training program to our new employees when they

join the Company. During this period, trainees do not participate in any business activities so they can focus exclusively on training. Also, when considering sales and profit targets for three or five years into the future, we use the amount to be spent on personnel, recruitment, and training during this period as the starting point for setting these targets. Our investment in human resource development is based on this people-orientated approach and is reflected in our spending on training and education for the previous fiscal year, which amounted to 101,588 yen per employee.

Taking Operations to the Next Level with Higher Awareness of Financial Indicators among Employees

Over almost a quarter of a century since listing, our market capitalization reached around 200 billion yen at one point, reflecting investors' rising expectations for the Company. In response, we must continue to realize growth in our business and corporate value, while also focusing on higher shareholder returns.

We have been focusing on net sales and operating income as the management indicators that best reflect the success of the Company's business activities and capabilities. In addition to these, we practice management that considers indicators directly linked to shareholder

returns, such as profit attributable to owners of parent and equity spread which indicates the difference between the cost of capital and ROE. Also, in April 2020, we introduced a stock compensation system for directors as a new framework in addition to a performance-based compensation system. We aim to incentivize directors to achieve sustainable growth in corporate value and to share values with shareholders.

Moreover, to realize further sustainable growth and increase corporate value, each individual employee in every business location, including sales, planning and development, and

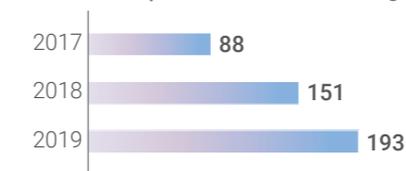
production divisions, needs to both focus on sales and maintain a clear awareness of costs, including promotional and production costs. To apply and accelerate this kind of initiative at a Companywide level, the Chief Financial Officer is providing financial training sessions in person to employees selected from among applicants. Over the last three years, approximately 200 employees have completed this training. As employees learn how to use the "indicators" as one of the criteria in making various judgments related to their work, we are taking our operations to the next level, including product planning,

development and production, problem-solving at salons, and management support by our Field Persons.

Sustainable Growth Beyond the COVID-19 Crisis

The impact of the COVID-19 pandemic has hit salons hard across Japan, reducing customer traffic and forcing some to voluntarily close. The same is also happening in beauty markets in Asia, Europe, and North America. As Milbon's customer salons are spread widely across Japan and overseas, its business will inevitably be impacted if this situation is prolonged. This may result in cases where we have to postpone investments, but we intend to thoroughly protect the employment of our people, who we consider as our greatest assets. A sound financial standing is one of the Company's strengths and that also makes us robust enough to protect our employees as we see out this emergency situation. We will continue to communicate thoroughly with our stakeholders to work toward sustainable growth as a company that is indispensable to society.

Total Participants in Financial Training Sessions



Education and Training Spending

101,588yen
(per employee)
2019

Data Reflecting Sustainable Growth

10-Year Average Equity Ratio

84.48%

10-Year Average ROE

11.94%

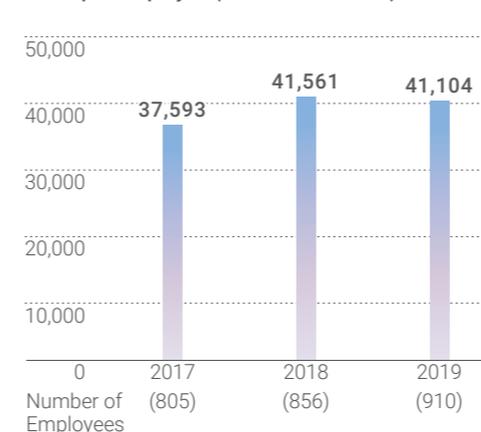
Consecutive Fiscal Years of Sales Growth

24 (since listing)

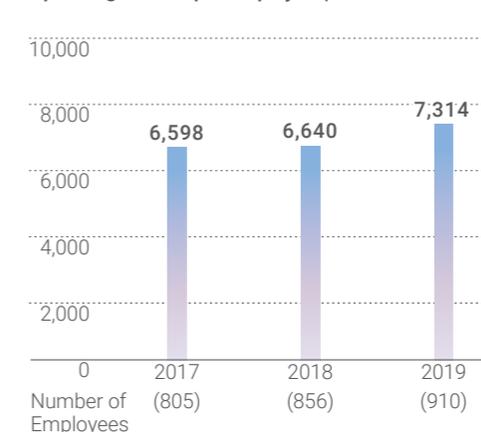
Fiscal Years with Dividend Increase

23/24

Sales per Employee (Thousands of Yen)



Operating Income per Employee (Thousands of Yen)



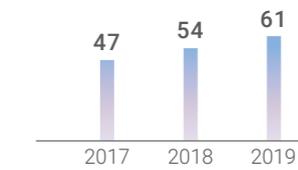
07

People of Milbon

Developing Hand-in-Hand with Stylists

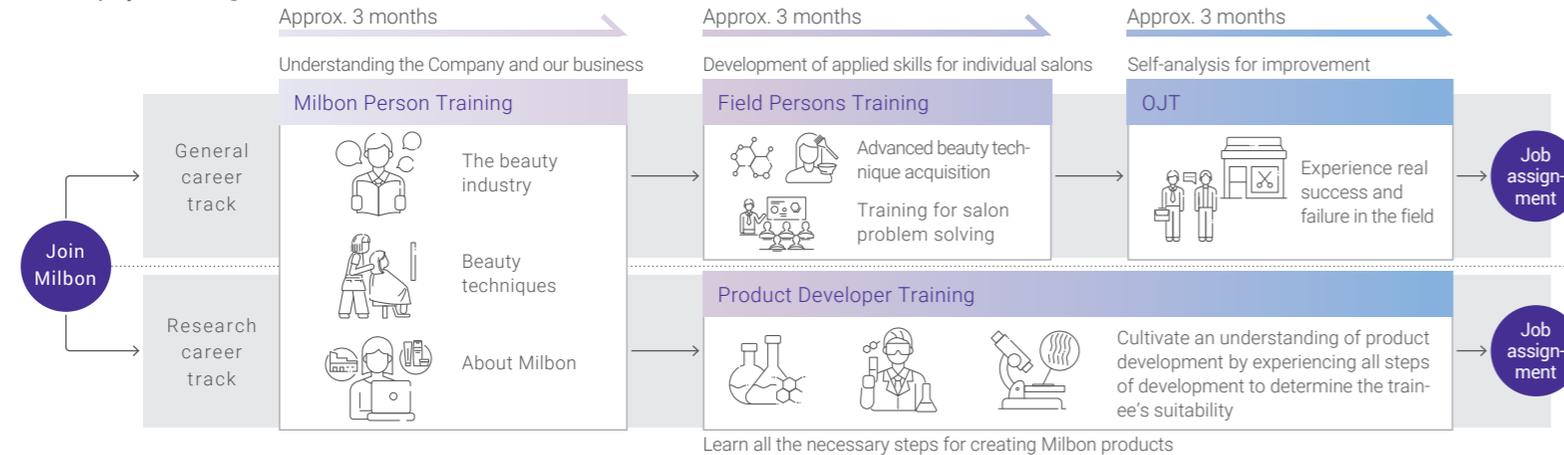
Number of New Employees

Proportion of New Graduates



Approx. 85%
2019

New Employee Training Flowchart



Milbon Person Training to Learn Our Philosophy and Salon Business

New Milbon employees undergo nine months of training, which includes on-the-job (OJT) training.

The first three months consist of Milbon Person Training, which is compulsory for both career tracks. This training aims to deepen employees' understanding of Milbon's core values and the salon-exclusive market in which we do business. Through this training, our employees foster the ability to think and act for themselves, which is a requirement for all employees, particularly those assigned to sales divisions.

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." This handbook ensures that the values are passed on to Milbon employees over the years.

In 2019, 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 4.13 out of 5. This result was extremely high compared to similar surveys carried out at other companies.



Milbon Person Training Overview

Understanding Milbon's Philosophy and Core Values

Using *The Milbon Way* as a guide, trainees learn the mindset required for Milbon employees and the Company's mission. A session regarding this is taught by President Sato himself.



Understanding a Stylist's Work by Acquiring Their Skills

Trainees 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.



Understanding Salon Management

Trainees deepen their understanding of salon management by familiarizing themselves with the challenges faced and support required by salons today to share the concerns of salon owners.



The Advantages Engendered by Milbon Person Training

By means of an in-depth, three-month training period, trainees gain an understanding of both *"The Milbon Way"* and salon work. This understanding enables them to take the initiative in developing ideas to help salons flourish and to implement these throughout the entire value chain, from production to sales.

As for our Field Persons, they acquire the knowledge and techniques necessary for not only proposing products but also for helping salons solve a wide range of issues, as our motto suggests, "Don't sell products, sell concepts."

The extent of challenges that salons face varies from customer analysis to staff development and human resource management. Milbon has a track record of producing employees who engage themselves with the different issues faced by each and every salon so that the Company and the salon can grow together. This is one of the main reasons why salons consider Milbon as the best partner in the industry.

Introduction to Our Brands

A Customer-Inspired Lineup for Realizing a Lifetime of Beauty



Premium Brands Premium brands with an emphasis on feminine values



A hair care brand developed specifically to beautify the hair of Japanese women, inspired by Japan's climate, culture, and the characteristics of Japanese hair



A global hair care and styling brand that realizes "360-degree Beautiful Hair," bringing out the intrinsic beauty of the individual



An organic hair care and color brand that responds to the desire to "be beautiful and live beautifully"

Professional-Use Brands Brands for professional use tailored to the needs of different generations



A leave-in* brand that realizes comfortable hair styles for any occasion
* Leave-in: A type of treatment that does not have to be rinsed out after application



A simple care* brand that helps women on the go realize striking and beautiful hair
* Simple care: Products that work effectively without the user having to change their hair care routine



A hair care and styling brand that sparks an awareness of beauty in women on the go, awaking their desire for beautiful hair

Technique-Focused Brands Brands exclusively for hair designers that are suitable for more advanced technique

ORDEVE

A professional hair coloring brand that keeps a woman's hair vibrant as she advances through different life stages



MYFORCE



A technical care* brand that complements a stylist's abilities and realizes higher quality hairstyles for women
* Technical care: Products that enhance the quality of professional hair color and perm techniques

Neo Liscio



A straight perm brand that targets heat damage. Inspired by protein science, it helps create easy-to-maintain base hairstyles

SOPHISTONE



A hair color brand for realizing sophisticated blond hairstyles with a full sheen. Suitable for a wide range of hair types (not sold in Japan)

Cosmetics Brand

IMPREA is a cosmetics brand designed to draw out each individual's true beauty, inspired by talented stylists' ability to transform the impression a customer gives off.



Skincare Technology Realized through Joint Development

KOSÉ's skincare research meets Milbon's hair care research. Healthy hair contains keratin, and this groundbreaking brand leverages both companies' strengths to enhance skin appeal by repairing keratin found in the skin's cornified layer.

R&D and Production

Creating Products for Diversified Needs through the Fusion of Science and Sensibility

TAC Product Development System

When developing products, rather than focusing solely on what we want to achieve as a manufacturer, we listen to the ideas and concerns of stylists to create the products they truly need. Milbon is a developer of beauty products and solutions, and the TAC* Product Development System is the basis for the unique process Milbon uses to create these new beauty care techniques and products.

To implement this system, we first locate hairstylists who have outstanding techniques or other ideas in a specific field, such as coloring or hair care. We call these people TAC hairstylists. They share their knowledge with us for scientific analysis to develop innovative products. Only products that meet the high expectations of these TACs receive our final approval for commercialization.

Our Central Research Institute plays an in-

strumental role in this process. By pursuing the fusion of science and sensibility, specialists at this institute transform the knowledge and expertise of TAC hairstylists into products, enabling the sophisticated techniques possessed by only the most talented stylists to be realized at every salon.



Basic Research

Milbon considers the provision of accurate information supported by science as one of our most important duties as an industry leader. The basic research we conduct not only covers the study of the physical properties and the structure of hair itself, but it also solves the issues and concerns of our end-users. This involves exploring such questions as, What kinds of phenomena occur within damaged hair? We also conduct more in-depth investigations into beauty techniques, such as the different finishes an individual styling product can produce depending on its application. Going forward, we will expand research into the area of “beauty as a sensibility” to discover scientific explanations to such questions as, What aspects of hair are universally considered beautiful?

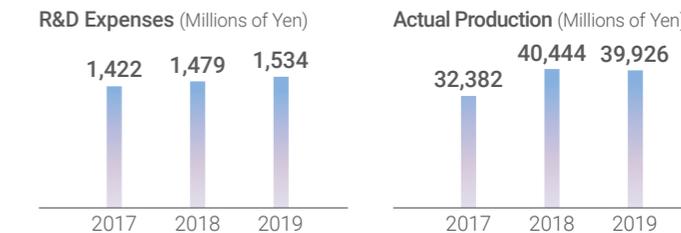


Central Research Institute

From B to B to C – TAC Product Development System



* TAC: Target Authority Customer (development system based on customer representation)
A TAC hair stylist is a stylist who is widely admired by our target customers.

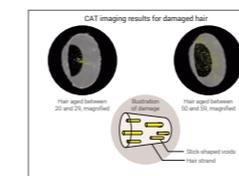


Research on Predicting Hair Condition Wins a Top Award at Cosmetic Science and Technology Congress

At the 30th Congress of the International Federation of Societies of Cosmetic Chemists held in September 2018, a Milbon researcher won the top award in the Poster category. Her research looked at the hair and scalps of 2,461 Japanese women, exploring the relationship between scalp color, hair shininess, and the amount of gray hair. In the future, we hope to use the results of this study to help salons provide scalp care based on scientific predictions of hair condition.



Main Research Topics



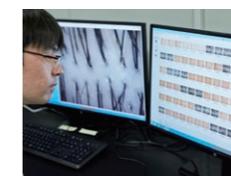
Visual Analytic Technology

We used SPring-8, the world's highest performance large-scale synchrotron radiation facility, to x-ray hair and discovered that Stick Shape Voids (SSV) cause various types of hair damage.



Scalp Flora Research

We were the first in the world to discover the relationship between the balance of flora found on the scalp and hair loss/graying.



Big Data Analysis

We have developed an original hair analysis technology based on the collection of hair and scalp data from around 3,000 women.

Production System

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). Domestic production operations are conducted at the Yumegaoka Plant in Iga City, Mie Prefecture, and overseas production takes place at the Thailand Factory. Strict quality controls realize uniform product quality at both production locations, ensuring a stable supply of reliable products to markets in Japan and overseas.

We also consistently work to enhance productivity by improving production systems, including implementing C3 activities* in which all employees get together and develop ideas to improve efficiency and reduce costs.

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

Production System Features



Multi-Product Variable Volume Production Line

We have realized both product and volume flexibility in production tailored to a variety of hair color needs through such methods as automation.



Sensual Assessment

Possessing the sensibilities of a stylist, our staff assesses the sensual aspects of a product, including feel, texture, and lather.



Environmentally Friendly Plants

We are reducing our environmental impact through such initiatives as installing bacterial wastewater cleaning systems and solar and wind power generation equipment at our plants.

Sales and Salon Education

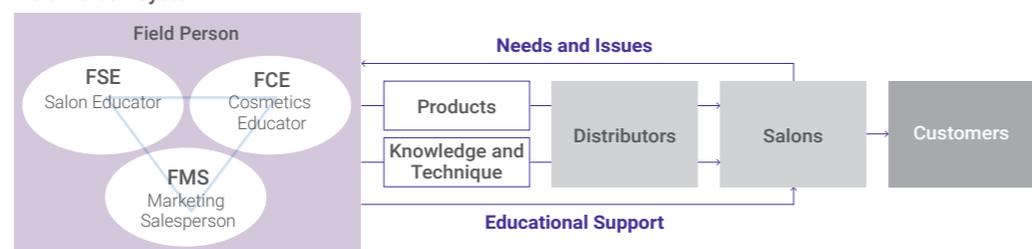
Enhancing the Appeal of Salons and Stylists



Identifying and Resolving Issues Facing Salons through the Field Person System

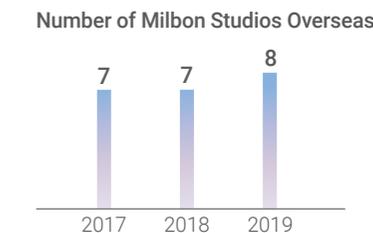
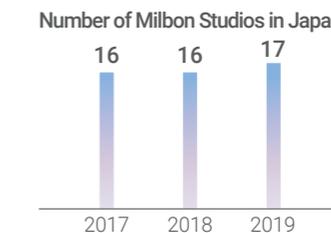
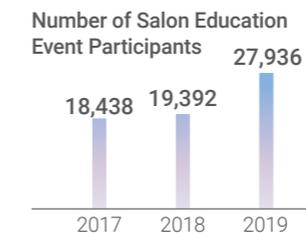
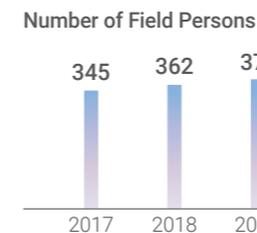
The Field Person System is our proprietary sales strategy reflecting our core motto of "Don't sell products, sell concepts." We believe that solving a salon's problems always benefits its customers. Rather than just selling products, we work to provide added value in the form of applications, ideas, and expertise that work in harmony with our products. We achieve this through our "Support Triangle," a tripartite collaboration between three types of Field Persons. Field Persons engage with the issues facing a specific salon, as well as the owner's thoughts, to provide support. This support ranges from holding training sessions for stylists to improve their skills, participating in salon meetings, proposing annual schedules and promotion plans,

Field Person System

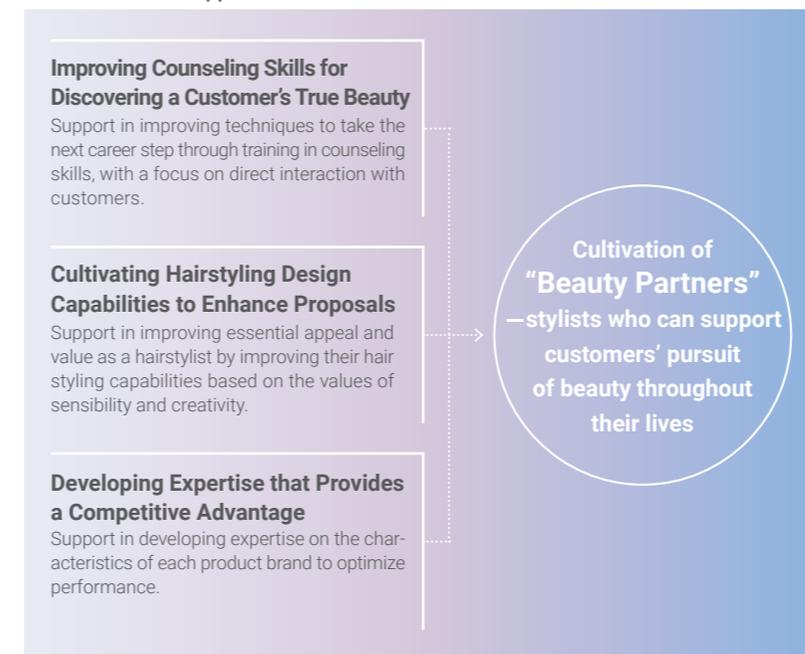


to creating salon management plans. Three Field Persons work together to ensure salons flourish: a Field Marketing Salesperson (FMS) who visits salons together with distributors to discover their specific issues; a Field Salon Educator (FSE) who provides training on cutting edge hair styling techniques; and a Field Cosmetics Educator (FCE) who provides training and expert

knowledge regarding facial cosmetics. Through our Field Persons, Milbon has developed a good rapport with salons by helping them solve not only problems regarding products but also concerns related to management and staff development.



Salon Education Support Structure for FY 2020



Supporting Growth by Staying One Step Ahead

The goal of Milbon's salon education efforts is to develop "Beauty Partners" who are always one step ahead in making proposals. In other words, they become lifetime partners who salon visitors can depend on to take care of not only their hair styling but also every other aspect of their beauty.

Becoming a Beauty Partner requires high levels of skill in three areas: counseling skills for discovering a customer's true beauty, hair-styling design capabilities to enhance proposals, and expertise that provides a competitive advantage. Milbon supports the education of stylists and salons by providing a training structure that includes educational programs to strengthen their abilities in each of these areas.

Educational Support for Salons



Milbon Color Academy (MCA): Cultivating Proposal Capability and Hair Coloring Techniques

Provides education about effective coloring techniques for stylists aiming to enhance their proposal capability.



DA-PHOTO WORKS: Cultivating Hair Design Capabilities

Allows stylists to express themselves through hair design captured in photographs. An event for design representation in the form of a contest.



Aujua Conference: Cultivating Expertise

An opportunity for stylists who qualify as "Aujua Sommeliers," Milbon's internal certification for hair-care specialists, to enhance each other by sharing knowledge and information.

In addition, we hold approximately 1,100 seminars each year.

The skills required for stylists constantly change with the times. Therefore, We always stays one step ahead by providing salons with venues and opportunities to learn from us so that we can grow together. We strongly believe this stance helps to support the continuous evolution of professional stylists.

Corporate Branding

Working with Salons to Produce Beauty Partners Trusted by Customers

The Milbon Brand

Milbon has been carrying out brand perception surveys for several years. The results have consistently shown that customers rate us highly in such areas as “trustworthiness” and “approachability.” In fact, these fit well with the values women look for in beauty salons. Since our founding, our approach has been to work “together with salons,” and rather than just showcasing our products, we have been pursuing the corporate

slogan of “Find Your Beauty.” This may be why we are known as the brand that has the closest relationship with beauty salons and professional stylists.

Our Relationship with Salons

The reason why salons continue to choose Milbon brands is because our Field Persons are successful in building steady relationships with salons through daily interactions. We sell exclusively to salons, and this is a value that we try to impress upon our customers. Because we have long adhered to this approach, we have developed a reputation of stability and trust-

worthiness; we think about our salons, distributors, and customers more than our competitors do. This has become the foundation that supports the Milbon brand.

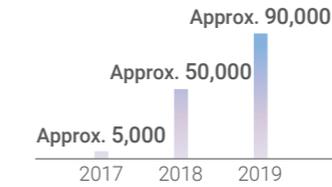
In addition, we hope to create the impression that we are progressive and innovative as we take on a new challenge in cosmetic products. We intend to expand our brand prudently yet boldly.

This year we launched an e-commerce website that is exclusively for use via salons. This is one of the measures that we are taking to work with salons to raise customer value in a way that fits the times.

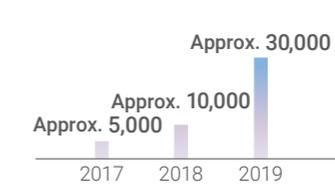
Our Vision and Implementation Measures

To date, we have concentrated on being customer-orientated and have worked to get to know our customers. Going forward, we think it is important to develop this one-way process into interactive communication. As one example, in recent years we have increasingly hosted events, such as small-scale, fan social events, but even there we never lose sight of our fundamental role as partners—working “together with salons.” Beauty salons that use Milbon products not only increase their own value, but also attract more customers. Salons that develop together with Milbon become salons that are chosen by

Twitter Followers



Instagram Followers



FYB MAGAZINE Page Views per Month



customers, and we hope that this relationship will increase the value of both partners.

Changing Times and Looking to the Future

We live in an era of information overload, where our customers’ needs are changing at a dizzying pace. In this environment—what has come to be known as “The Age of Personalization”—Will people accept this kind of uniform brand image?

We think that the concept of “together with salons” is key to answering this question. Salons are constantly faced with changing customer needs, and they have a long history of meeting these needs at every turn. No matter the

age, salons have always provided the value of personalization.

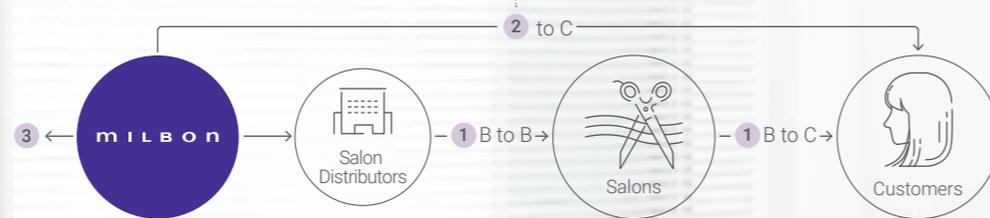
We will continue to work with salons—those “communities of beauty and soul” that have consistently met the needs of their customers—no matter how their lives change. We will ensure that the value of salons is not forgotten, but rather grows together with the times—and with us alongside.

This is the Milbon strategy, tried, tested, and perfected.



Shohei Takebuchi
Manager of Brand Strategy
Corporate Strategy
Development Department

Milbon's Corporate Branding



Branding that strengthens connections between salons and their customers

- ① Forge strong relationships with salons, creating connections to their customers
- ② Showcase the value of salons and salon-exclusive products to customers
- ③ Strengthen Milbon internally to create a platform for communication with salons and customers

Examples of Milbon Corporate Branding (under ② in the diagram on the left)



Key corporate visual



FYB MAGAZINE, a website providing customers with beauty care information



Events for general customers

Shaping the future.

Sustainable Growth

3

Feature: A Discussion on Milbon's SDG Contribution

Promoting SDG-conscious management driven by individuals

Since 2019, Milbon has been actively incorporating efforts to achieve the Sustainable Development Goals (SDGs) into our business activities.

Hidemitsu Sasaya, a consultant specializing in CSR and the SDGs, and Masahiro Murai, the Chairman of Milbon's SDGs Promotion Committee, shared their opinions regarding achievements in the first year of SDG-conscious management and the challenges to be faced going forward.

Masahiro Murai

Managing Director, Milbon Co., Ltd.
Chairman of the SDGs Promotion Committee

Profile Joined Milbon in 1992. He has served as a manager in the Company for many years, primarily in charge of administrative divisions. He is currently responsible for Corporate Administration Department, Corporate Strategy Development Department, Finance Department, and other areas as a managing director. Since February 2019, he has been promoting Companywide initiatives to achieve the SDGs as Chairman of the SDGs Promotion Committee.



Hidemitsu Sasaya

CSR/SDGs Consultant

Profile Joined Japan's Ministry of Agriculture and Forestry in 1977. He has served as deputy director-general for the Ministry of the Environment, deputy director-general of the Ministry for Agriculture, Forestry and Fisheries, and director-general of the Kanto Regional Forest Office before leaving the ministry in 2008. In the same year, he joined Ito En, Ltd. and served as a director, among other positions, until April 2019. He has been teaching as a visiting professor at The Graduate School of Information & Communication since April 2019. He leverages his experience serving in administrative bodies and of business management to provide corporations and local governments with consulting and advice regarding the theory and practice of sustainability.

——— **One year has passed since the SDG initiatives started. What kind of response have you seen so far?**

Murai: In 2019, the first year of action, we worked to raise awareness of SDGs at Milbon. We asked Professor Sasaya to cooperate in our initiatives through activities such as visiting every division and our board members, and holding study sessions and workshops for all employees, including part-timers, for approximately two months. We felt it was crucial that each individual employee fully understood our initiatives aimed at achieving the SDGs so that we can realize a Companywide effort. It cannot just be left to board members and the divisions responsible for certain areas. The responses we received from employees were more favorable than expected, and now many of them want to lead activities in their divisions. I also feel that the board members recognize now that SDG efforts need to be directed at an executive level.

Sasaya: I think that this ability to get all employees working together toward the same goal, from the very top down to the frontlines, is one of Milbon's greatest strengths. What has been the response from external stakeholders?

Murai: We have been sharing our SDG initiatives in dialogues with investors. They have asked us various questions and are showing interest in our progress. We are confident that

the market has a positive expectation about the results.

Sasaya: ESG investment is becoming increasingly prominent globally, and many investors have started using a company's contribution toward achieving the SDGs as an indicator when weighing up ESG considerations. SDG initiatives are already an important management issue for companies and one that has a direct impact on share price, so investors are most probably paying close attention.

——— **In 2019, in addition to raising awareness among employees, you created an ESG/SDG matrix and SDG value chain. How do you plan to utilize these?**

Murai: The ESG/SDG matrix shows how each of the 17 SDGs relates to each ESG topic, providing a visualization of the key issues we should be addressing. The content of the matrix was created based on advice from Professor Sasaya and we will use it and share it as a KPI.

The SDG value chain shows how each of the SDGs map onto Milbon's value chain in the sectors of procurement (selecting materials), planning and development, manufacturing and distribution, and sales and marketing. It also clarifies what we should be aiming for in each of these sectors to develop beauty markets and solve social issues. The matrix and the value

chain have been posted on the Company intranet so that all employees have access and can use them as a reference. At the end of 2019, we used them as a basis for setting specific SDG targets in each sector, including quantitative targets, and the president himself shared these with employees at the announcement of the Company's management plan. In 2020, we started working to achieve these targets.

Sasaya: The ESG/SDG matrix is an SDG-focused management tool that presents information in a structured and easy-to-understand way, making it effective for communicating ideas both within and outside a company. The process of creating this matrix provided an overview that facilitates integrated thinking. The method of mapping the SDGs onto the value chain is also an extremely effective way to prompt real action. This approach gives individual employees a concrete idea of specific targets they should be working toward within wide-ranging goals, increasing their sense of agency. By not only showing individual cases but also giving an overview of all activities being carried out across the Company, you can also appeal and be persuasive when explaining SDG activities to external stakeholders; why you are focusing on certain key issues and what you hope to achieve through SDGs promotion.

Murai: Exactly. These tools provide a visualization of the Company's activities in non-finan-

Feature: A Discussion on Milbon's SDG Contributions

cial areas. We plan to share them externally, while also using them to motivate and raise employees' understanding to accelerate efforts in each sector. We will also focus on using them in dialogues with stakeholders to provide information that is more complete and clear.

Sasaya: Who takes responsibility for each SDG?

Murai: Our approach is that all board members are responsible for working to achieve the SDGs. We have the SDGs Promotion Committee providing Companywide support, but rather than implementing top-down initiatives, we would like all employees to share our ideas and objectives concerning the SDGs so that each individual can show initiative and take action.

Sasaya: In addition to strong leadership, corporate culture is one of the biggest factors in whether a company's efforts will lead to success in achieving the SDGs. Companies that provide an environment where each individual is aware of the issues and can take action can achieve a lot more than organizations without



this awareness. Milbon is definitely the former. Milbon's corporate culture cannot be realized overnight, and I think it is an asset that reflects the Company's character.

— Finally, please share your outlook and any thoughts about upcoming challenges.

Sasaya: I think Milbon has made an extremely good start, but the top runners regarding the SDGs have already incorporated each of the 169 targets contained within the 17 goals into their efforts. I hope Milbon will get its Companywide approach moving forward quickly so it can also advance to the next stage.

Murai: I agree. As you point out, it is important to carry out activities that target specific social issues, and we intend to actively employ these targets.

Sasaya: I think that target 12.8, which involves contributing to "sustainable development and lifestyles," is an example of an area where Milbon can make a difference. You have already started taking action in this area, such as using sustainable palm oil in products and recycling containers, but I think you can also leverage the strength you offer through your network of client salons across Japan to raise awareness of sustainability among these salons and their customers as well as offer suggestions of what they can do. I think the essence of SDG-conscious



management is setting yourself ambitious challenges while also carefully controlling any risk factors.

Murai: We recognize that contributing to the development of the beauty industry is an essential factor for SDG-conscious management. For the industry to develop sustainably, we need to turn salons into special presences as "communities of beauty and soul" that really connect with people. Milbon will strive to support the evolution of the beauty industry all over the world through our business activities. I believe the promotion of SDG-conscious management will be a significant driver for realizing this.

Sasaya: The desire to be beautiful and live a fulfilling life is universal. As an issue-solving company that is concerned with both beauty and soul, I hope that Milbon will leverage its influence both inside and outside the Company to become global No. 1.

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



Check below for details regarding the ESG/SDG matrix:
<https://www.milbon.co.jp/company/sustainability/esg-sdgsmatrix.pdf/>

Milbon's SDG Value Chain (target year: 2030)

		Procurement (Selecting Materials)	Planning and Development	Manufacturing and Distribution	Sales and Marketing
Values to be Created		Responsible and Sustainable Procurement 	Beauty Solutions that Create Values Unique to Stylists 	Production Systems that are Conscious of Both Quality and Environment 	Beauty Industry Development
What We Should Pursue	Beauty Market Development	<ul style="list-style-type: none"> Procurement based on Milbon's original sustainability standards and organizational structures Disclosure of procurement standards Securement of stable procurement channels 	<ul style="list-style-type: none"> A development system that learns from the world's best stylists (Global TAC Product Development System) A lineup of products and services that are up to date and meet the various needs of stylists Quality standards attuned to the sensibilities of stylists Securement of Milbon's original techniques based on a patent and IP strategy Development of new techniques through open innovation Research structures that produce leading-edge technology Inspection technology that ensures high levels of safety 	<ul style="list-style-type: none"> Multi-product variable volume production systems in response to varied demands Quality controls that take into account the sensual aspects of products Use of recyclable production energy Energy-efficient production A stable supply network comprising global production and distribution systems 	<ul style="list-style-type: none"> Market policies tailored to each global region that consider social factors such as demographics Strategic support systems for salons (FP Support Triangle Systems) Provision of essential training programs for stylists through a variety of methods Advanced technique training provided by specialists Information sharing over broad areas in cooperation with distributors Expertise certification systems that enhance a stylist's value Coordinated services that address every aspect of beauty Network of salons that act as local hubs (Japan)
	Social Issues	<ul style="list-style-type: none"> Securing traceable major materials Using environmentally friendly containers Continuing efforts to reduce resource consumption 	<ul style="list-style-type: none"> Socially and environmentally aware development processes Development of original materials that pursues both sustainability and functionality Development of environmentally friendly containers 	<ul style="list-style-type: none"> Development of efficient and environmentally friendly manufacturing technologies Emissions standards that factor in recycling Proactive contribution to regional revitalization 	<ul style="list-style-type: none"> Sanitization of wastewater from factories Local awareness-raising aimed at realizing a sustainable society Proactive contribution to regional revitalization
Platform for Value Creation		<ul style="list-style-type: none"> Leadership from the Corporate Governance, Risk Management, and Compliance committees Personnel and organizational systems that are transparent and facilitate diversity Financial strategy that facilitates agile yet stable business development Respect for human rights in accordance with the Universal Declaration of Human Rights 			
		<ul style="list-style-type: none"> Open dialogue with stakeholders Spread management philosophy within the Company Development of human resources who understand the market and can create value accordingly (Field Person training, specialization systems) 			

To become the world's No. 1 professional hair care manufacturer

02 Sustainability

Each Employee Leading the Way to a Sustainable Society

Basic Approach

Following the management philosophy on which the company was founded, Milbon has developed a business focused on the beauty market. We believe that achieving sustainability in the beauty industry will lead to the realization of a sustainable society. Each and every employee, including members of our executive team, engages in these efforts by envisioning and taking action toward a sustainable society.

Basic Policy for Sustainability

Milbon is committed to realizing a sustainable society by creating a beauty industry that offers a richness of beauty and soul through hair stylists.

Structure for Promoting Sustainability

At Milbon, we expect each employee to play a leading role in advancing sustainability based on our Basic Policy for Sustainability, and we have established the SDGs Promotion Committee to provide Companywide support for



these efforts. Chaired by a board member, the committee works to incorporate sustainability into management strategy through the Board of Directors.

In-House Education

In 2019, study sessions on the SDGs were held for each tier of employees, including board members, managers, and domestic employees, with the aim of engaging each individual employee. We will also create opportunities for incoming employees to gain an understanding of the SDGs, and we will hold study sessions for subsidiaries and representative offices overseas through online videos by the end of 2020.

Sharing Sustainability Policy with Our Partners

Milbon cannot develop a sustainable beauty industry alone. In February 2020, we held a sus-

tainability policy presentation for the distributors and salons we work with to share our activities and to create a framework for realizing an industry-wide partnership.



President Sato giving a presentation on Milbon's efforts to achieve the SDGs

Sustainability Initiatives

• Sustainable Procurement

The consumption of palm oil is growing worldwide as it is increasingly used in food and cosmetics due to its excellent processing properties. However, large volume production is leading to

notable problems such as deforestation and the use of child labor.

As a manufacturer that uses palm oil, in 2019, Milbon became a member of Roundtable on Sustainable Palm Oil (RSPO), an organization that promotes the sustainable use of palm oil to help solve these problems.

Currently, a portion of our products use RSPO certified palm oil and we are working to expand its application across our entire product lineup.



Relevant SDGs



• Helping Children to Build a Future through Our Products

Milbon participates in "Kids Helping Kids," an initiative led by the Kids Earth Fund (KEF). This NPO supports children who suffer from the effects of war, poverty, and environmental contamination. As part of this initiative, we launched products presented in



Elujuda FO (left) and Elujuda MO (right) in the special packaging

Employment for People with Disabilities

Milbon actively supports the employment of people with disabilities to realize a society in which a diverse workforce can thrive.

Since 2005, we have been working with Iga Koi-ku-kai, a social welfare corporation, to offer people with disabilities an off-site work program at our Yumegaoka Plant in Mie Prefecture. As of May 2020, we have around 30 people working on our production lines through the program and in some cases, this has led to direct recruitment by the Company.

We participate in Iga City's efforts to provide employment opportunities to people with disabilities through an off-site work program, which is widely attracting attention as the "M.I.E Model," (also known as the Mie Inclusive Employment project). In February 2020, President Sato spoke at "The Forum of Off-Site Work Program, M.I.E Model" to showcase our experiences working with people with disabilities. On the second day of the Forum, we offered a site visit of our Yumegaoka Plant to the participants.



President Sato giving the keynote talk at The Forum of Off-Site Work Program, M.I.E Model



A tour of the Yumegaoka Plant during The Forum of Off-Site Work Program, M.I.E Model

Relevant SDGs



Relevant SDGs



special packaging that used these children's art for a limited time.

Milbon and KEF share a common spirit of positive energy for creation. We hope to create a better future for children around the world by combining our beauty products with KEF's support for children through art.

Participation in the UN 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, we contribute to creating a sustainable society by adhering to 10 principles related to human rights, labor, environment, and anti-corruption.



03

Corporate Governance

Sustainably Growing Corporate Value through Transparent, Fair, and Effective Management

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



Corporate Governance Framework (As of March 31, 2020)

Governance Structure	Company with a board of corporate auditors
Number of Directors	9*1 (including two outside directors)
Number of Corporate Auditors	3*2 (including two outside corporate auditors)
Term of Office for Directors	2 years
Executive Officer System	Adopted
Voluntary Advisory Committees to the Board of Directors	Nomination and Compensation Committees established
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

Directors and Corporate Auditors (As of March 31, 2020)

	Meeting Attendance (Board of Directors/Board of Auditors)	Reason for Appointment
Ryuji Sato President and CEO	15/15	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.
Noboru Shigemune Senior Managing Director In charge of FP Headquarters Dept., Educational Planning Dept., and International FP Headquarters Dept.	15/15	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.
Masahiro Murai Managing Director In charge of Corporate Administration Dept., Corporate Strategy Development Dept., Internal Audit Dept., Finance Dept., and Cosmetics Planning Dept.	15/15	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.
Teruo Murata Director General Manager of Production Headquarters Dept.	15/15	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.
Yasuhumi Takeda Director General Manager of Development Headquarters Dept.	15/15	Yasuhumi Takeda has abundant experience in and wide-ranging knowledge of product development and he has contributed to the Company's growth for years.
Mitsuru Oshio Director In charge of Business Development Dept.	15/15	Mitsuru Oshio served as a branch manager across Japan for many years and has abundant experience in and a broad insight into sales strategy.
Kazunobu Konoike Director Manager of Information System Dept. and in charge of CS Promotion Dept.	15/15	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.
Shoichiro Takahata Independent Outside Director Certified Public Accountant	13/15	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.
Taizo Hamaguchi Independent Outside Director Advisory Member at ITOCHU-SHOKUHIN Co., Ltd.	13/15	Taizo Hamaguchi has abundant experience as an executive of a major trading company and as an executive of a food products wholesaler.
Koji Murata Corporate Auditor	15/15 8/8	Koji Murata has spent many years engaged in corporate planning and internal auditing among other duties. As a result, he has extensive experience and a deep understanding of the beauty industry and Milbon's business model, as well as insight and expertise related to administration and auditing.
Keisuke Endo Independent Outside Corporate Auditor Lawyer	15/15 8/8	Keisuke Endo offers legal knowledge and experience as a qualified lawyer.
Yoshihiko Okuda Independent Outside Corporate Auditor Certified Public Tax Accountant	(New appointment)	Yoshihiko Okuda offers knowledge and experience of accounting and tax matters as a Certified Public Tax Accountant.



TAIZO HAMAGUCHI
Outside Director

KAZUNOBU KONOIKE
Director

TERUO MURATA
Director

RYUJI SATO
President and CEO

YASUHUMI TAKEDA
Director

KEISUKE ENDO
Outside Corporate Auditor

SHOICHIRO TAKAHATA
Outside Director

MITSURU OSHIO
Director

NOBORU SHIGEMUNE
Senior Managing Director

MASAHIRO MURAI
Managing Director

KOJI MURATA
Corporate Auditor

YOSHIHIKO OKUDA
Outside Corporate Auditor

Assessment of Board Effectiveness

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.

An assessment of the effectiveness of the Board in FY 2019 was carried out in February 2020. The method and results of the assessment are shown below.

Subjects: All directors (10) and corporate auditors (3) serving during FY 2019

Assessment Method: Questionnaire and individual interviews with each subject

Major Categories of Questions: Composition of the Board of Directors, composition of voluntary advisory committees, roles and responsibilities of directors, status of Board of Directors meetings operations, information provision and training for directors and auditors

Achievements and Challenges in FY 2019

Achievements

- Discussions and deliberations on various aspects have been conducted, which prompted the dynamic exchange of opinions regarding topics such as medium-to long-term management strategies and challenges, the needs of diverse stakeholders, and risk management.
- Organization and scheduling of agenda items to be proposed at Board of Directors meetings has been improved.

Challenges

- It was suggested that there is still room for improvement regarding the appropriate number of directors, criteria for agenda items, and the enhancement of director training.

Training for Board Members and Auditors

Training to enable board members and auditors to properly fulfill their role in implementing corporate governance is held at least once a year. In FY 2019, a study session on the SDGs was held, through which participants improved their knowledge of the key matters needed to make management decisions.

Cultivating Future Managers

Milbon considers succession planning for top management positions as one of its most important business strategies. In 2015, we

launched Milbon Corporate University (MCU), an in-house program for cultivating managerial talent for the next generation. MCU has carried out the two-year program successively with 42 participants divided into four groups. The Company plans to select a future CEO from candidates identified through the program. Board members also actively participate in the program and provide oversight, with directors giving lectures on their fields of expertise and responsibility.

Milbon Corporate University (MCU): Succession Plan for Top Management Positions

Aim: Provide growth opportunities for future management executives through sessions with current board members and other means, covering topics from continuing the Company's core values to fostering a forward-looking vision

Theme: Continuity and change

Points of Edification: Full understanding of core values, self-awareness, future-orientation, foresight, determination, and executive capabilities

Program Length: Two years (First four programs were carried out during the 2015–2019 medium-term management plan)



Director Compensation System

Before the decision of compensation amounts are made, the Board of Directors proposes its plan to a compensation committee comprised mainly of outside directors, and then receives advice.

The director compensation system has been modified effective April 2020 to improve its effectiveness as a healthy incentive to realize the Company's sustainable growth. It is comprised of fixed compensation, performance-based compensation, and stock compensation.

For independent, outside directors and auditors, the Company believes that compensation linked to business results is not appropriate, and therefore only provides fixed compensation.

Policy for Cross-Shareholdings

In principle, Milbon does not engage in shareholding for short-term trading. Also, while we hold stocks of companies other than affiliates that are expected to contribute to our business growth, our policy is to continue holding these

based on an annual comprehensive assessment to verify the benefits gained from the holding. If a holding is no longer considered beneficial, we will consider selling cross-shareholdings. In FY 2019, the Board of Directors carried out a comprehensive assessment of individual cross shareholdings, including their cost of capital.

New System for Director Compensation (Effective April 2020)

Directors	Fixed compensation	Performance-based compensation	Stock Compensation
Outside Directors Corporate Auditors Outside Corporate Auditors	Fixed compensation		

• 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 of transfer restricted shares of the Company to the value of 20% of monetary compensation.

Governance Enhancement Timeline

- 2015** Milbon starts MCU, an in-house program for cultivating future management
- 2016** Two outside directors appointed
Nomination and Compensation Committees established with outside directors as chairs
The first questionnaire survey conducted to assess and analyze the effectiveness of the Board of Directors with the results reviewed by the Board
- 2017** The Board starts assessing cross-shareholdings to determine the sale of some companies' shares
- 2019** Adopted an executive officer system
Conducted interviews with outside directors in addition to the questionnaire survey for the Board effectiveness assessment
- 2020** Revised director compensation scheme with a new framework more focused on the Company's financial performance. Introduced transfer restricted stock compensation scheme

Company Overview and Stock Information

(As of December 31, 2019)

Stock Information

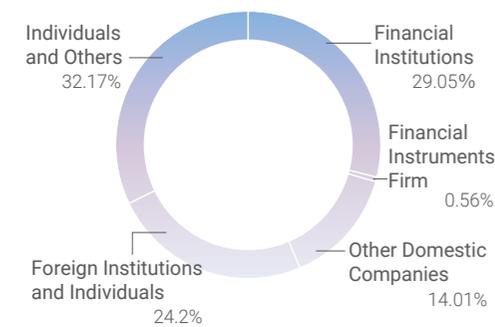
Stock listing	Tokyo Stock Exchange, First Section
Stock code	4919
Number of shares per unit	100
Total number of shares authorized	120,408,000
Number of shares outstanding	33,117,234
Number of shareholders	11,274

Principal Shareholders

Shareholder	Number of shares held	Shareholding ratio
Konoike Asset Management Company	1,920,000	5.86 %
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,868,400	5.71 %
Keiko Murai	1,483,624	4.53 %
Maiko Kitajima	1,482,424	4.53 %
SMBC Trust Bank Ltd. Designated Securities Trust	1,328,000	4.06 %
SSBTC CLIENT OMNIBUS ACCOUNT	1,128,725	3.45 %
Japan Trustee Services Bank, Ltd. (Trust Account)	991,200	3.03 %
MILBON Cooperating Companies Shareholding Association	959,156	2.93 %
Sumitomo Mitsui Trust Bank, Limited	934,400	2.85 %
Kazunobu Konoike	861,328	2.63 %

Note: Shareholding ratios have been calculated based on the total number of shares outstanding excluding treasury shares (378,250 shares).

Shareholding Ratio by Type of Shareholder



Share Price and Trading Volume



Company Overview

Trade Name	Milbon Co., Ltd.
Established	July 1960
Capital	2.0 billion yen
Number of Employees	Non-Consolidated: 723 Consolidated: 910
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, 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.
Representative Offices	Taiwan, Hong Kong, Turkey, Indonesia, Philippines, Europe

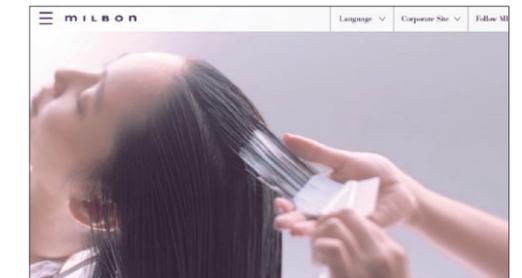
Website Information

Corporate Website

For further information about Milbon, please visit our website using the link below.



<http://www.milbon.com/en/>

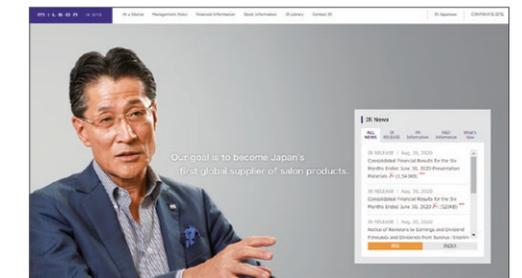


IR Website

Information for shareholders and investors is available, including materials related to financial results and video and audio broadcasts of financial results briefings.



<https://www.milbon.co.jp/english/ir/>

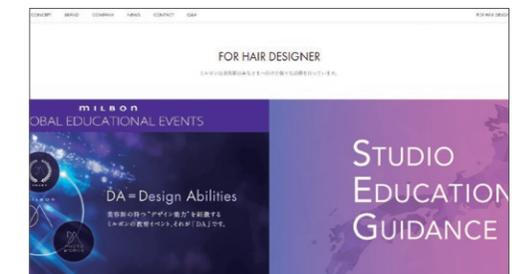


Website for Stylists (in Japanese only)

Milbon performs a wide range of activities for the benefit of beauty industry professionals.



<https://www.milbon.co.jp/beauty>





Find Your Beauty.

Getting to know yourself is a long and beautiful journey.

Editorial Policy

Milbon considers it important to provide stakeholders with regular explanations about both financial and non-financial information concerning the Company, including information related to the environment, society, and governance (ESG), as well as human resources. Our goal is to give a wide range of stakeholders a complete picture of the Company. To provide a deeper understanding of our management strategy and business activities, a particular focus has been put on the concepts that define the Company and how we interact with salons and stylists. With that focus in mind, we have divided our first integrated report into three sections: Our Credo, Value Creation Strategy, and Sustainable Growth.

We hope this report will help you to get to know us better and enrich interactions with our employees.

Note Concerning Forward-Looking Statements

Business result forecasts and other forward-looking statements set forth in this report are projections made using information that was available at the time of writing. They involve risks and uncertainties and do not represent a commitment from the Company that they will be achieved. Therefore, we recommend that investment decisions should not be made solely based on these statements. The Company's actual results are influenced by various material factors and actual results may differ significantly from forecasts. Factors that can influence actual results include, but are not limited to, the business environment around the Company's business areas, exchange rates including yen-US dollar rates, and the Japanese stock market.

Milbon Integrated Report 2020 "Your Beauty"

Models: JUN (JUN Style), Yuuka Nakashima (Hirata Office), Hima Mizukoshi (IPSILON)

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Stylist: Yoshiaki Komatsu

Hair&Makeup: Tomoe Nakayama

Produced by: Hirohide Ando (MILBON), Yoshinori Kimura (MILBON),

Chihiro Ikeyama (GREAT WORKS), Akira Endo (GREAT WORKS)

Creative Direction: Shinji Oota (Steve* inc.)

Art Direction: Toshinori Matsuura (Steve* inc.)

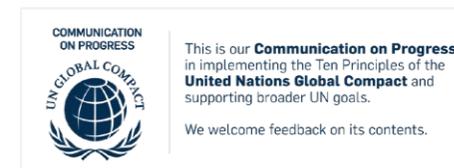
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