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**m i l b o n**

**Milbon Co., Ltd.**

Q3 Financial Results Briefing for the Fiscal Year Ending December 2022

November 11, 2022

## Event Summary

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<b>[Company Name]</b>	Milbon Co., Ltd.	
<b>[Company ID]</b>	4919-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q3 Financial Results Briefing for the Fiscal Year Ending December 2022	
<b>[Fiscal Period]</b>	FY2022 Q3	
<b>[Date]</b>	November 11, 2022	
<b>[Venue]</b>	Webcast	
<b>[Number of Speakers]</b>	1	
	Masahiro Murai	Managing Executive Director

## Presentation

**Murai:** Thank you for your attendance today. Allow me to start today's financial results presentation, covering the third quarter.

### Consolidated Operating Results (FY2022 9 months)

- ◆ In Japan, overall sales grew steadily amid the re-expansion of COVID-19 in July. The continued popularity of multi-tonal hair coloring led to strong sales of hair coloring products as well as hair care products, especially Premium Brands. Overseas, the overall sales grew significantly due to strong sales in South Korea, the U.S., and other areas, as well as the exchange rate benefits of a weaker yen, despite China being impacted by the economic damage and the COVID-19-related restrictions.
- ◆ In addition to the rising costs of raw materials, the posting of expenses for the China Factory and overseas R&D from the current fiscal year affected the operating margin.

(Unit: million yen)

	FY2021 9 months Reference*	% total	FY2022 9 months	% total	Increase/ Decrease	Increase/ Decrease ratio (%)
Net sales	29,184	100.0	32,407	100.0	3,223	11.0
Gross profit	19,236	65.9	21,357	65.9	2,120	11.0
SG&A expenses	14,012	48.0	15,694	48.4	1,682	12.0
Operating income	5,223	17.9	5,662	17.5	438	8.4
Ordinary income	5,227	17.9	6,042	18.6	814	15.6
Profit attributable to owners of parent	3,725	12.8	4,310	13.3	585	15.7

\* The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

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3

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Here are the consolidated operating results as of the end of the third quarter.

In Japan, hair coloring products and Premium Brands performed very well, despite the re-expansion of COVID-19 and other factors.

Overseas, in China, business was significantly affected by various regulations still in place, but regions such as South Korea, the US, and other regions performed well.

The effect of the weak yen also contributed to the overall growth of the overseas business.

In terms of profit, it was affected by the rise in raw materials costs, and in the current fiscal year, the operating income margin was somewhat affected by expenses related to the China Factory and overseas R&D expenses.

## Consolidated Sales by Product Category [Hair Care Products (1)]

### Consolidated Net Sales (FY2022 9 months)

(Unit: million yen)

FY2021 9 months Reference <sup>*1</sup>	FY2022 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
16,772	18,415	1,643	9.8

- Premium Brands grew by 13.4% YoY, due to the growing need for highly effective hair care both in Japan and overseas in response to the popularity of hair coloring. Aujua struggled with the new Climatic Care Series Exshield Line, launched in February. While there was an increase in new touchpoints, activities for existing salons were somewhat sluggish. Global Milbon continued to see significant growth both in Japan and overseas with strong sales of Premium Position, including the newly launched Enhancing Vivacity.
- The growing adoption by salons of the milbon:iD, the e-commerce platform for Premium Brands products, is also supporting the growth of Premium Brands. As of the end of 3Q, the number of salons registered for the milbon:iD is 4,566 (3,254 at the end of 2021) with about 363,000 registered members (169,000 at the end of 2021), and steady expansion with e-commerce sales of 730 million yen (+150.4% compared to the 3Q of 2021).
- Professional Brands grew steadily by 5.6% YoY due to the growth of GRANDLINKAGE, which is expanding overseas, and Elujuda, which has high brand recognition.

<sup>\*1</sup> The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

\* Sales growth by brand is based on consolidated gross sales.

Now, let's move on to the next page, which shows sales by product category.

As you can see, the hair care products showed a 9.8% increase in sales.

Hair coloring products were doing very well, so the need for hair care, such as protecting color-treated hair, has increased considerably.

Therefore, among the Premium Brands, Aujua's new product line has not been as successful as expected, but Global Milbon continues to do well, and I believe that its new product has also boosted the business performance.

As for the Premium Brands, milbon:iD is making progress. The number of registered stores has reached 4,566 salons, with 363,000 registered members.

As for the Professional Brands, they are performing well with a 5.6% increase.

## Consolidated Sales by Product Category [Hair Care Products (2)]

### New Products FY2022 9 months

#### Aujua Climatic Care Series Exshield Line

A new line of Climatic Care Series that removes particle pollution\*<sup>1</sup> and prevents it from sticking to hair, leading to a lustrous look.

(Unit: million yen)

FY2022 target	FY2022 9 months	Progress rate (%)
307	49	16.2



Debut on February 10, 2022

#### Global Milbon Premium Position Enhancing Vivacity

A new scalp care line of Premium Position that nurtures strong and beautiful hair by approaching hair loss factors.

(Unit: million yen)

FY2022 target	FY2022 9 months	Progress rate (%)
170	141	83.2



Debut on March 10, 2022

#### Global Milbon Reawaken Series

An anti-aging care series that improves dullness and dryness by targeting hair concerns caused by age-related changes.

(Unit: million yen)

FY2022 target	FY2022 9 months	Progress rate (%)
231	94	40.7



Debut on June 11, 2022

\*<sup>1</sup> Air pollution, such as PM2.5 and pollen, which is difficult to remove even with shampoo.  
\* Sales figures for each brand are based on shipment value.

The next page shows the status of new products.

As I mentioned earlier, the new Aujua products were very good in the previous fiscal year, but the results this year have not been as good as we hoped as we were not able to gain everyone's support for them.

Global Milbon's Enhancing Vivacity is doing well.

## A Premium Brand, Aujua

New products struggled, while the number of touchpoints increased.

### Number of Salons\*1

(Unit: salons)

FY2021*2	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
5,200	5,830	630	12.1

### Consolidated Gross Sales (FY2022 9 months)

(Unit: million yen)

FY2021 9 months	FY2022 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
6,432	6,838	406	6.3

### Brand Concept

A premium hair care brand born in consideration of Japan's social climate, culture, and characteristics of the hair of the Japanese people.

### What is Aujua?

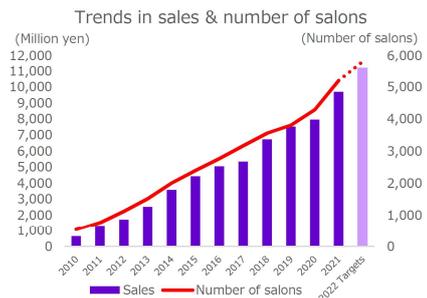
A wide range of product lineups offering personalized treatment for each individual's needs and hair type.

### Product Range

Aujua supports diverse perspectives on beauty, now and into the future, by addressing each individuals' hair and skin concerns and offering the most appropriate item for that time.

•5 series / 16 lines / 100 items

Eternal stage series  
Aging care series  
Hair care series  
Scalp care series  
Climatic care series



\* Figures in the graph are based on non-consolidated total sales through 2018 and on consolidated total sales since 2019.

\*1 Calculated based on the past year's shipment results for both Japan and overseas.

\*2 In the previous document, the number of the touchpoints at the end of FY2021 was listed as 4,946, but this has been corrected due to an error in the counting method.

\* Sales figures are based on shipment value.

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6

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We are looking at the overall Aujua results, and as you can see, the number of salons is increasing, but sales are growing rather slowly, partly because the new products are struggling.

## A Premium Brand, Global Milbon

Premium Position Enhancing Vivacity, the new line of scalp care, performed well.

### Number of Salons\*1

(Unit: salons)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
14,575	16,638	2,063	14.2

### Consolidated Gross Sales (FY2022 9 months)

(Unit: million yen)

FY2021 9 months	FY2022 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
2,778	3,627	848	30.5

### Brand Concept

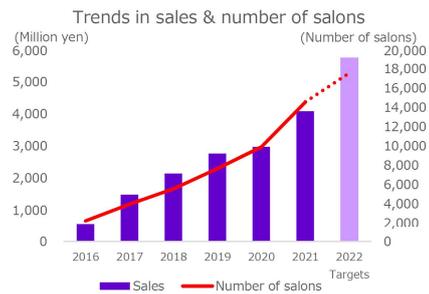
A system hair care brand that cultivates the "unique beauty" of each individual, achieving "360 Degree Beautiful Hair."

### Countries with Salons

The brand is available in the following countries and regions:  
Japan, USA, Hong Kong, China, Thailand, Taiwan, Turkey, Malaysia, Vietnam, Indonesia, the Philippines, Singapore, Germany, Korea, Canada

### What is "Global Milbon"?

Based on the hair research technology we have cultivated since our founding, we analyzed diverse hair characteristics from 20 countries. Our analysis broke down the factors for common hair damage phenomena derived from our research, leading to the establishment of a new hair care system. This line contains ingredients that penetrates the shaft with its high affinity to repair hair's inner porosity and to improve hair's overall integrity, from the inside out.



\* Figures in the graph are based on non-consolidated total sales through 2018 and on consolidated total sales since 2019.

\*1 Calculated based on the past year's shipment results for both Japan and overseas.  
\* Sales figures are based on shipment value.

Next page, Global Milbon.

As I mentioned earlier, new products are doing very well here. The number of salons here also grew strongly with a 14.2% increase, and sales also increased by 30.5%.

## Consolidated Sales by Product Category [Hair Coloring Products (1)]

### Consolidated Net Sales (FY2022 9 months)

(Unit: million yen)

FY2021 9 months Reference <sup>*1</sup>	FY2022 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
10,757	12,333	1,576	14.7

- In Japan, multi-tonal hair coloring using bleach continued to be popular. Sales of hair coloring products in Japan were up 11.9% YoY, due to the growth of our mainstay product Ordeve Addicthy, and the contribution of ENOG, the new product with a wide variety of color expressions.
- As for overseas, sales of hair coloring products were up 22.9% thanks to the robust sales in Korea, where hair coloring products are the mainstay.
- In the U.S., steady progress is being made in creating touchpoints for SOPHISTONE, a hair color brand for European and North American market.

<sup>\*1</sup> The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

<sup>\*2</sup> Ordeve, Ordeve Addicthy, and ENOG

\* Sales growth by brand is based on consolidated gross sales.

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8

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Then we have hair coloring products.

It continues to perform very well and grew by 14.7%.

In Japan, ORDEVE Addicthy continues to do well, and the new product ENOG is doing well. Domestic sales of hair coloring products increased 11.9%.

Sales of hair coloring products have been particularly strong overseas, especially in South Korea, where the hair coloring ratio is very high, and overall overseas sales of hair coloring products increased 22.9%.

Also, we are promoting SOPHISTONE in the US, and we are making good progress in creating touchpoints. Although the sales have not yet grown much, we believe that it has a promising future.

## Consolidated Sales by Product Category [Hair Coloring Products (2)]

### Core Product

#### FY2022 9 months

#### Ordeve Addichthy

Erases red-tinged brown with high saturation blue.

With clear and transparent color expression, it lets customers freely realize individual hair color designs.

(Unit: million yen)

FY2021 9 months	FY2022 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
4,496	5,246	750	16.7



Debut in FY2017

### New Products

#### FY2022 9 months

#### ENOG

A hair color brand that allows you to create unique hair colors with flexible color expressions as inspired by the concept of paints (Enogu in Japanese).

(Unit: million yen)

FY2022 target	FY2022 9 months	Progress rate (%)
500	416	83.4



Debut on June 11, 2022

\* Sales figures for each brand are based on shipment value.

ORDEVE Addichthy first debuted five years ago in FY2017, continued to perform well with a 16.7% increase.

The new product ENOG is progressing well.

## A Premium Organic Brand, Villa Lodola (1)

The number of touchpoints increased and the sales grew, especially of hair coloring products.

### Number of Salons

(Unit: salons)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
11,317	12,153	836	7.4

### Consolidated Gross Sales (FY2022 9 months)

(Unit: million yen)

FY2021 9 months	FY2022 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
877	964	86	9.9

### Brand Concept

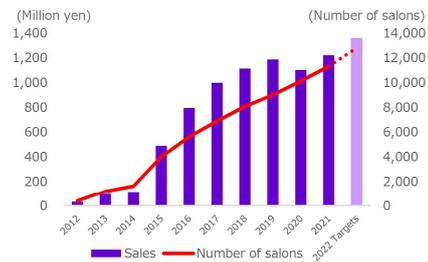
Organic brand that proposes lifestyles that fulfill the beauty of people and the environment

### What is Villa Lodola?

Based on the philosophy of "Beauty, the Organic Way", the brand is fully committed to the natural environment not only in its products, but also in its manufacturing process, packaging, and promotional tools. All products are certified by ICEA, an Italian organic certification organization. Organic hair care born in Italy, where nature's blessings bring beauty to hair and skin.



Trends in sales & number of salons



\* Figures in the graph are based on non-consolidated total sales through 2018 and on consolidated total sales since 2019.

\* Sales figures are based on shipment value.

The next page is Villa Lodola.

We believe that the number of salons and sales are also shifting in a stable manner.

## Consolidated Sales by Product Category [Hair Coloring Products (2)]

### Core Product FY2022 9 months

#### Villa Lodola Color

With 92% naturally derived ingredients, the product's formulation utilizes the power of plants. It enables consumers to experience the comfort of an organic product across all aspects of hair care, from application, to finish, and continued use.

(Unit: million yen)

FY2021 9 months	FY2022 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
668	737	69	10.4



Debut in FY2015

### New Products FY2022 9 months

#### Villa Lodola Color PALETTE

From beautiful texture and shine to vibrant tone, the new shades of Villa Lodola Color deliver values that are unique to 92% naturally derived ingredients.

(Unit: million yen)

FY2022 target	FY2022 9 months	Progress rate (%)
150	67	45.2



Debut on February 10, 2022

\* Sales figures for each brand are based on shipment value.

Villa Lodola COLOR shows a 10% increase, and we are introducing a new product called COLOR PALETTE, which has just begun. The progress rate is still 45.2%.

## Consolidated Sales by Product Category [Cosmetic Products (1)]

### Consolidated Net Sales (FY2022 9 months)

(Unit: million yen)

FY2021 9 months Reference*1	FY2022 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
416	391	(25)	(6.0)

- Sales declined YoY due to the continued impact of COVID-19, including limited referral activities through in-store touch-ups in salons, sluggish growth of new products, and promotion struggles.
- In September, the existing starter kits were reviewed and new ones with easy-to-introduce contents and prices were added. This led to an increase in new touchpoints, and sales increased YoY during the July-September period.

### New Products FY2022 9 months

#### iMPREA Tone UP CC Cushion Foundation

A cushion foundation infused with serum formula creates a veil that controls the reflection of light to give the skin a translucent appearance.

(Unit: million yen)

FY2022 target	FY2022 9 months	Progress rate (%)
50	28	57.1



Debut on March 10, 2022

\*1 The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

\* Sales figures for each brand are based on shipment value.

Then there is cosmetics, which I am sure you are all expecting in the future.

In a situation where it is still difficult to provide in-store touch-ups to customers, sales have not achieved the expected results, because new products for this fiscal year need some time before they are accepted.

It marked a negative 6% growth compared to the previous year. However, we have made various efforts for this area, such as making the starter kits easier to introduce, and these efforts are gradually beginning to show results. For the current fiscal year, we believe that it will manage to secure results like the previous year's level by the end of the full year.

## A Premium Brand, iMPREA

The number of touchpoints is expected to increase due to the launch of additional starter kits.

### Number of Salons\*1 (Unit: salons)

FY2021	FY2022	Increase/ Decrease	Increase/ Decrease ratio (%)
1,104	1,314	210	19.0

### Consolidated Gross Sales (FY2022 9 months) (Unit: million yen)

FY2021 9 months Reference*2	FY2022 9 months	Increase/ Decrease	Increase/ Decrease ratio (%)
416	391	(25)	(6.0)



### Brand Concept

The brand concept of iMPREA is "Revolutionize Your Aura with your Professional Stylist". We will provide new beauty value by leveraging Professional Stylists' ability to provide solutions, by utilizing their strengths.

### What is iMPREA?

iMPREA is a salon exclusive brand created through joint research by KOSÉ, which specializes in skin research, and Milbon, which specializes in hair research. We will improve the complexion by establishing a good balance of moisture in the "corner-layer keratin" on the surface of the skin, which holds the key to complexion.

### "Revolutionize Your Aura with your Professional Stylist"

This is a communication method that takes advantage of the unique strengths of hair salons, in which the hair stylist crafts your aura by approaching a total impression of both the hair and face. We deliver an aura change that is unique to you.

\*1 Calculated based on the past year's shipment results.

\*2 The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

\* Sales figures are based on shipment value.

The next page shows the status of iMPREA.

The number of salons increased by 19%, and sales decreased by -6%.

## Consolidated Statement of Earnings

<Consolidated Statement of Earnings> (Unit: million yen)					<Breakdown of Net Sales by Product Category> (Unit: million yen)					
	FY2021 9 months Reference*	% to sales	FY2022 9 months	% to sales		FY2021 9 months Reference*	FY2022 9 months	% to sales	Increase/ Decrease	Increase/ Decrease ratio (%)
Sales	29,184	100.0	32,407	100.0	Hair care products	16,772	18,415	56.8	1,643	9.8
Cost of sales	9,947	34.1	11,050	34.1	Hair coloring products	10,757	12,333	38.1	1,576	14.7
Gross profit	19,236	65.9	21,357	65.9	Permanent wave products	1,057	1,096	3.4	38	3.6
SG&A expenses	14,012	48.0	15,694	48.4	Cosmetic products	416	391	1.2	(25)	(6.0)
Operating income	5,223	17.9	5,662	17.5	Others	178	169	0.5	(9)	(5.1)
Ordinary income	5,227	17.9	6,042	18.6	<Major Factors for the Increase/Decrease>					
Profit attributable to owners of parent	3,725	12.8	4,310	13.3	<ul style="list-style-type: none"> <li>Gross profit ratio was on par with that of the previous year, as the higher-than-expected increase in raw material costs was offset by the effects of weaker yen and increased production, etc.</li> <li>SG&amp;A expenses increased due to personnel and R&amp;D expenses, etc. The SG&amp;A expenses ratio rose due to expenses for the China Factory and overseas R&amp;D incurred from this fiscal year.</li> <li>Ordinary income margin increased significantly due to foreign exchange gains from weaker yen.</li> </ul>					

\* The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

The next page is consolidated statement of earnings.

As I mentioned earlier, the cost of raw materials has increased more than expected. The effect of weaker yen was positive, and with the increased production effect added, gross profit was quite above last year's results until Q2, but it has now settled down to the level of the previous period. It is 65.9%, exactly the same ratio as in the previous period.

Now we'll look at SG&A expenses. The ratio has slightly grown.

Personnel expenses have increased due to a number of factors, such as increased staffing and salary increases.

The amount allocated to R&D expenses is also increasing.

In addition, since the China Factory has not yet begun full-scale manufacturing as of this fiscal year, the expenses for the factory and overseas R&D have increased compared to the previous fiscal year.

So, as a result, the operating income margin is 17.5% from 17.9% last year.

The ordinary income margin increased due to foreign exchange gains from weaker yen.

## Consolidated Trends in Capital Expenditures and R&D Expenses

(Unit: million yen)

Category	FY2018	FY2019	FY2020	FY2021	FY2022 Jan.- Sep.	FY2022 Plan	
Capital expenditures	1,149	1,605	1,917	4,644	2,858	5,080	
Depreciation and amortization	1,370	1,453	1,562	1,777	1,512	2,296	
R&D exp.	Amount	1,479	1,534	1,581	1,741	1,488	2,080*
	% to sales	4.2	4.2	4.4	4.2	4.6	4.7*

### FY2022 CAPEX Main Items (Plan)

<b>Sales Offices, Studios</b>	• Establishment and maintenance of business locations (Relocation of Kobe Sales Office, etc.)	<b>Digital</b>	• Digital Arena • education: iD • milbon: iD
<b>Production system</b>	• Yumegaoka Plant (Machinery and equipment circulation equipment investment, implementation) • Thai Plant machinery and equipment		• DX in field activities • Smart Salon (Digital marketing, etc.)
<b>Training</b>	• Training Center (Land)	<b>Others</b>	• Internal infrastructure, research equipment, etc.

\* In the financial results presentation released on February 10, 2022, the R&D expense target for 2022 was set at 1,874 million yen (4.3% of sales). However, the Group has revised the allocation of overseas R&D expenses, which had been recorded as other items, to R&D expenses.

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15

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The next page is consolidated trends in capital expenditures and R&D expenses.

We had JPY5 billion planned for capital investment for the current fiscal year, and it may seem that we have not made much progress as only less than JPY2.9 billion has been invested from January to September. In fact, we had planned to acquire land for a training center and we acquired it in the current term for JPY1.4 billion instead of the planned JPY2 billion. So, there was a gap in the amount, which we will not use this fiscal year.

In addition, there are some items that are behind schedule, such as digital-related systems, so we estimate that the total cost will probably be negative by about JPY1 billion against the plan for the current fiscal year.

## Trends in Fieldpersons (FPs), Market Related Data

### Fieldpersons Trends (by Country) (Number of FPs / Average number during the period)

	2021	2022
JAPAN	328.2	335.3
	102	-
USA	13.2	12.8
MILBON USA, INC.	68	-
CHINA	29.8	31.5
Milbon Trading (Shanghai) Co., Ltd.	72	-
KOREA	26.0	32.0
Milbon Korea Co., Ltd.	130	-
Others *1	36.0	36.3
	41	-

The number of the Fieldpersons counted is the average number during the period, not as of January 1, after changing the standard from FY2022 3Q. (The figures for 2021 were recalculated based on the new standard.)

Upper column: Number of FPs (persons)  
Lower column: Sales per FP (million yen)

(As of September 30, 2022)

27 FPs joined in April 2022, and are currently in OJT on site.

10 FPs are scheduled to join in October 2022.

(The above 37 FPs are not included in the left chart.)

### Market Related Data (Japan)

	FY2016	Remarks
Number of business establishments (households)	172,304	Bureau economy census of ministry statistics of public management
Number of workers	443,241	
Number of beauty customers (thousand people)	37,023	Statistics Bureau, Ministry of Internal Affairs and Communications: Population statistics as of October 1st of each year Population statistics for females aged 15 to 64

\* The data in the Report on Public Health Administration and Services by the Ministry of Health, Labour and Welfare, which was previously used for the number of salons and hairstylists in the "Market Trends", has been deemed to have a large difference from the actual situation. Accordingly, the number of establishments and employees are shown based on data from the Economic Census conducted by the Statistics Bureau of the Ministry of Internal Affairs and Communications starting from FY2020 Q2. Please note that the number of employees includes those who are not licensed beauticians.

\*1 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, the Philippines, Singapore, Germany and others

Now to trends in Fieldpersons & market related data.

As I mentioned at the last briefing, we have been considering various ways to present the results to convey productivity and other factors in a true manner.

In conclusion, we have decided to show the average number of employees at the end of each quarter, considering the fact that some employees come and go during the term, instead of showing the number of employees as of January 1 during the term.

We started with last year's results, and the figures for 2022 were previously as of January 1, but this time they are the average of the Q1, Q2, and Q3 figures. This is the reason why the numbers are shown after the decimal point.

And, as for Japan, this is the same as before, but we don't count them as personnel while they are on Fieldperson training.

As for South Korea, the first three months of the new employees will be a training period, so we have decided that the new employees will not be added to the staff count for the first three months for South Korea among overseas countries.

We believe that the personnel transition is very close to the actual situation.

## Consolidated Net Sales in Japan and Overseas

### FY2022 9 months

(Unit: million yen)

	FY2021 9 months Reference* <sup>1</sup>		FY2022 9 months		Increase/ Decrease	Increase/ Decrease ratio (%)	Changes in local currency base* <sup>2</sup> (%)
	Net sales	% to sales	Net sales	% to sales			
Consolidated net sales	29,184	100.0	32,407	100.0	3,223	11.0	9.0
JAPAN	23,388	80.1	25,062	77.3	1,673	7.2	7.2
Overseas	5,795	19.9	7,345	22.7	1,550	26.7	16.3
USA	662	2.3	882	2.7	219	33.2	12.4
CHINA	1,658	5.7	1,649	5.1	(9)	(0.6)	(13.8)
KOREA	2,497	8.6	3,150	9.7	652	26.1	20.0
Other* <sup>3</sup>	976	3.3	1,662	5.1	686	70.3	60.8

### [Reference] Exchange rate

(Unit: yen)

	FY2021 9 months	FY2022 9 months
USA (USD)	108.59	128.67
CHINA (CNY)	16.86	19.44
KOREA (KRW)	0.0962	0.1011

\*1 The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

\*2 Figures are the rates of change in real terms on a local currency basis.

\*3 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, the Philippines, Singapore, Germany and others

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17

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The next page is consolidated net sales in Japan and overseas.

As you see the numbers, again, there is actually quite a few positive effects from weaker yen.

As I mentioned at the beginning, South Korea is doing well and the US is also doing well.

The other regions also showed very high growth, with a 60.8% increase in local currency base. However, this is partly due to last year's lockdown after the COVID-19 pandemic, particularly in the Southeast Asia region. So, we have to take this fact into account, but in terms of the amount of increase, it has had the largest growth among the four categories we are presenting overseas.

## Consolidated Operating Income in Japan and Overseas

### FY2022 9 months

(Unit: million yen)

	FY2021 9 months Reference*1		FY2022 9 months		Increase/ Decrease	Increase/ Decrease ratio (%)
	Operating income	Operating income ratio(%)	Operating income	Operating income ratio(%)		
Consolidated operating income	5,223	17.9	5,662	17.5	438	8.4
JAPAN	4,405	18.8	4,587	18.3	181	4.1
Overseas	817	14.1	1,074	14.6	256	31.4
USA	(392)	(59.3)	(193)	(21.9)	199	-
CHINA	381	23.0	(1)	(0.1)	(383)	-
KOREA	887	35.5	1,092	34.7	204	23.1
Other*2	(58)	(6.0)	176	10.6	235	-

\*1 The figures for the previous year have been adjusted to deduct sales discounts from sales, which had been non-operating expenses.

\*2 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, the Philippines, Singapore, Germany and others

The next page is consolidated operating income in Japan and overseas.

As expected, business in China is still in a deficit due to the lockdown and other factors that continue to make the situation difficult. However, as I mentioned earlier, in China, there were expenses incurred this fiscal year, such as expenses for R&D and the China Factory, since the factory was not yet in operation.

As for the US, we continue to see a deficit, and we believe it will take a little more time to be in the black.

As for South Korea, business is very well, with an operating income margin of 34.7%, which is a very high level.

As you saw earlier, there was a time in South Korea when we were a little short of personnel, but we have been focusing on increasing the number of employees from this year, and we believe that the operating income margin will gradually settle, rather than have a high figure like this.

## Outlook of Overseas Subsidiaries (1)

### USA (Milbon USA)

- Although some sales in the 3Q were delayed to the 4Q, overall sales remained steady and grew by 12.5% YoY.
- Sales of Global Milbon remained strong. The Company rolled out Global Milbon Premium Position exclusively focusing on high-end salons in September. The number of touchpoints was 42, a better-than-expected start, thanks to SNS marketing emphasizing luxury branding and launch events for distributors.

### CHINA (Milbon China)

- The economic stagnation is affecting consumption habits as the zero-COVID policy continues to impose severe activity restrictions in a wide range of areas. High-priced salon customers have also begun to visit salons less frequently, and other trends have resulted in a 13.8% decline YoY in sales, and the Company continues to face difficult conditions.
- Global Milbon Premium Position, launched in July, has been well received for its product appeal. The Company intends to expand touchpoints by revising the terms of product introduction.
- China Factory started production of some hair care products. The locally manufactured Elujuda has been well received, and there are high expectations for future production at the China Factory.

Figures in the text are based on local currency.

The next page is the outlook of overseas subsidiaries.

First, the US. Perhaps some of you have already noticed that the sales growth in Q3 was a little smaller, because there were various logistics-related problems that caused shipments to stop.

Therefore, total sales will increase in Q4, so it is not necessarily a negative figure, but the results up to Q3 were affected by this.

In the area of hair care, Global Milbon continues to do well, and we have been developing a Premium Position since September. It says it uses a social networking site for luxury branding, and the effect has been positive, and we are off to a much better start than we expected. We hope to see more of them in the future.

Now, to China. Activity continues to be restricted by the zero-COVID policy in the country, which is beginning to affect the economy. It will need to be monitored.

In the salon industry, too, the impact is beginning to be felt, as visits to high-priced salons are becoming less frequent.

Amid this, we are making proposals to salons on how salons should manage their activities in the future, and although the figures do not yet show it at this point, we believe that sales will grow steadily after the zero-COVID policy is lifted.

The Global Milbon Premium Position in hair care is also very highly received, and we will be working on various ways to expand our salons in China.

Production of some hair care products began at the China Factory. We started production of Elujuda first, and we have high expectations for the future production at the China Factory, which will undoubtedly support future growth in the country.

## Outlook of Overseas Subsidiaries (2)

### KOREA (Milbon Korea)

- In addition to the sustained sales growth of mainstay hair coloring products, hair care products sales remained robust, with net sales growing by 20.0% YoY.
- In the hair coloring section, Ordeve Addicthy continues to meet the market need for hair coloring using bleach and is highly supported by young hair stylists.
- Customers seeking damage care have increased along with the rise in demand for hair color. The number of touchpoints for Aujua and Global Milbon has been expanding due to their highly effective results.
- The Korean version of the e-commerce platform was launched in August. Salons that have sympathized with a sustainable salon business model in South Korea, where the birthrate is declining and the population is aging, are beginning to register.

\* Figures in the text are based on local currency.

Next is South Korea.

Things are going very well here, and the first highlight is the steady growth of our mainstay hair coloring products.

Then there is high support for ORDEVE Addicthy that meets market need for hair coloring using bleach.

In the area of hair care for color damage, Aujua, Global Milbon, and others are also steadily expanding their salons.

Then, we started the South Korean version of e-commerce platform in August.

We believe that this is a very important initiative for building the future market. Although sales are still small, we believe that we can expect a lot in the future.

Now, I will finish my presentation.

[END]