

MILBON REPORT

Integrated Report 2021
Letter

2021

Letter

Finding Your Beauty Together.

Sharing a message of how our employees
never lost sight of our mission in 2020,
and how Milbon is moving forward toward a new stage

OUR VISION

Milbon's future, set out by president
and CEO Ryuji Sato, to protect employee
safety and well-being

A growth strategy for overcoming
the COVID-19 pandemic

OUR STRENGTH

Our proprietary business model to
contribute to salons in everything we do

Milbon's strength in 2020:
minimizing a decrease in sales

MILBON
Find Your Beauty



Amid a global shortage of masks and disinfectants, we never abandoned hope, and we continued our search — and shared what we found with salons. We thought it was nothing more than our duty but we received many words of gratitude.

Working with salons to contribute to customers' beauty. A necessity in any time but made all the more obvious by the pandemic. We must never let the culture of beauty that burns so brightly be extinguished.

In a rapidly changing world, more is required of Milbon every minute. Milbon will never stop evolving. Along with developing even better products, we have also launched a new service.

いつでも、どこでも、
“欲しい”がかなう。
あなた専用のオンラインストア。



MILBON:iD
ミルボン公式オンラインストアーズ

対面カウンセリングを
利用できる、
オンラインストアです。

MILBON
CREATIVE STYLE
TEXTURE
SATIN TEXTURIZING CREAM
3
POWDER-INFUSED STYLING CREAM
CREATES SOFT TEXTURE
60g e 2.1 OZ. NET WT.

The year of 2020.
The world has changed dramatically with the outbreak of the COVID-19 pandemic. With our most sincere condolences for those who have passed, our thoughts are with everyone still fighting the disease and receiving medical treatment.

When we think also of those facing financial hardship due to various restrictions, a tremendous sadness breaks our hearts.

To get through these times of turmoil, Milbon makes these three promises:

1. Milbon shall ensure the well-being of its employees and their families under all circumstances.
2. Milbon shall never let the “Power of Beauty” perish.
3. Milbon shall continue to be a company that is essential to society.

Milbon makes products for hair salons. We would like to inform you of the initiatives we are and have been taking to fulfill these promises as a company engaged in the beauty industry.

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And now 2021.
A message we would like to share with you.

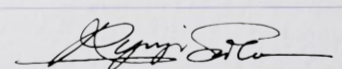
To all our employees' families,

I hope this letter finds you well.

At a time when we cannot meet or talk freely to one another in person, I understand that the families of our employees, whether they live together or apart, may be anxious and concerned about the work environment of their loved ones, and how the Company itself is faring. On behalf of our employees, this report is intended to assist you in gaining better insight into the Company in hopes of relieving your concerns. I hope in reading this report you will come to appreciate how last year the Company responded to the difficulties brought about by the COVID-19 pandemic, recognize how we managed to minimize its impact, and come to learn about the plans we have already begun to implement to achieve further growth.

These times of uncertainty and disruption will surely pass at some point. Believing that this day will come before long, I pray with all my heart that you stay fit and well.

Yours sincerely,



Ryuji Sato

President and CEO

MILBON
Find Your Beauty

Message from the CEO

Moving Forward with an Unwavering Commitment to Working Together with Salons and Stylists

President and CEO Ryuji Sato looks back on FY 2020 and talks about initiatives for the future.



Protecting our employees, physically and financially, at all costs

"Independent" employees help strengthen the bond with salons

I would first like to inform you that despite the impact of the pandemic, we were able to minimize the decrease in domestic sales for FY 2020. Our sales figures reached 98.3% (98.5% consolidated) of the previous year's amount.

Last year was a year full of difficulties, so I am confident that this figure is one to be proud of.

How were we able to produce such a result?

First, it is impossible to overstate the sheer effort our partner salons have made. Furthermore, Milbon's business model underpinned by beauty, a culture essential to people's way of life, has also assisted our efforts. But by far the biggest reason is that each and every employee has acted in accordance with *The Milbon Way*. They have "paid attention" to feedback from customers "in the field," and acted "independently" based on their sense of ownership.

In other words, Milbon was able to overcome 2020 by "being close" to our customers.

"Being close" means being there for our customers. While many examples of this idea appeared in different departments and fields, I would like to introduce one example of what it means to "be close."

I think it is still fresh in our minds just how serious the shortage of masks was when the coronavirus first surged in Japan. It was the same situation for us at Milbon, but our employees quickly began a hunt for masks.

No matter how much the world turns toward digitalization, salons will always remain a real, physical place. Stylists cannot work remotely. For our employees who must work closely with salons, there was also a limit to the work they can do remotely. Masks were absolutely necessary to protect both our customers and our employees.

After exploring every avenue and doing everything possible, our employees eventually stumbled across a channel whereby they could purchase a total of 500,000 masks from outside Japan. Not only did we distribute them to our employees, but we also sent them to our partner salons and sales distributors who were suffering from a lack of masks. We also sent out disinfectant alcohol sprays that we secured separately. We managed to send them out to 5,000 salons across Japan.

With the cost running into tens of millions of yen (including shipping), it was naturally the Company's decision, but there is no doubt that it was our employees who initially drove this initiative.

This act was repaid with the gratitude of many of the salons. We received messages of thanks by

letter and email almost daily, and consequently, we realized that our attitude of "being close" strengthened the bond with our customers.

Direct sales for a limited time only to Milbon fans

The year 2020 also brought with it something that gave us, as a manufacturer, great confidence. It was the direct inquiries we received from individual customers who use our products at home and informing us that they wanted to buy our products directly.

Since our sales model is based on selling through salons and sales distributors, we have not been selling directly to individuals. But this was a "state of emergency," and as we were receiving a great deal of inquiries, we decided to take the unusual step of selling directly to end-users, on a limited-time-only basis to protect our usual sales model.

As a result, we received over 600 orders. The products were slightly more expensive than usual for the customers because of shipping and payment fees but nevertheless there were many people who just could not go without Milbon's products.

It was a valuable opportunity for us to recognize how much we owe to those end-users, who could be termed Milbon fans.

**To do what is necessary for the future
irrespective of the current situation**

Although performance in Japan in 2020 dropped significantly during the months of April and May, beginning in June many customers who were unable to receive haircuts returned to the salons at a pace equivalent to end-of-year levels. This produced better sales results on a monthly basis than the previous year.

In July, we paid bonuses to our employees on par with previous years. Obviously, all employees knew about our situation in the first half of the year, but I was adamant that their bonuses remain equivalent to prior years. Our employees did not falter, and they gave their best during these difficult times. For this effort, the employees had to be rewarded.

I also wanted to reassure employees that if they focus on their mission in this Company, no matter the situation in the world, we will protect their standard

of living.

Protecting employees even during the pandemic is nothing less than my responsibility as an owner of the Company.

It was essential to carry on doing business so that we could continue to support our employees economically while also caring for their physical well-being, whether working remotely or in the office. And this support must also be fair among employees.

As a Company owner, FY 2020 required decisions I never imagined I would be forced to make, but I think it was the factors above that caused me the most concern.

What could I do to protect our employees both physically and economically without getting caught up in all the rumors flying around? While I continue to ponder this question, I am committed to implementing the best way forward. This is the very thing whereby I can "be close" to our employees.

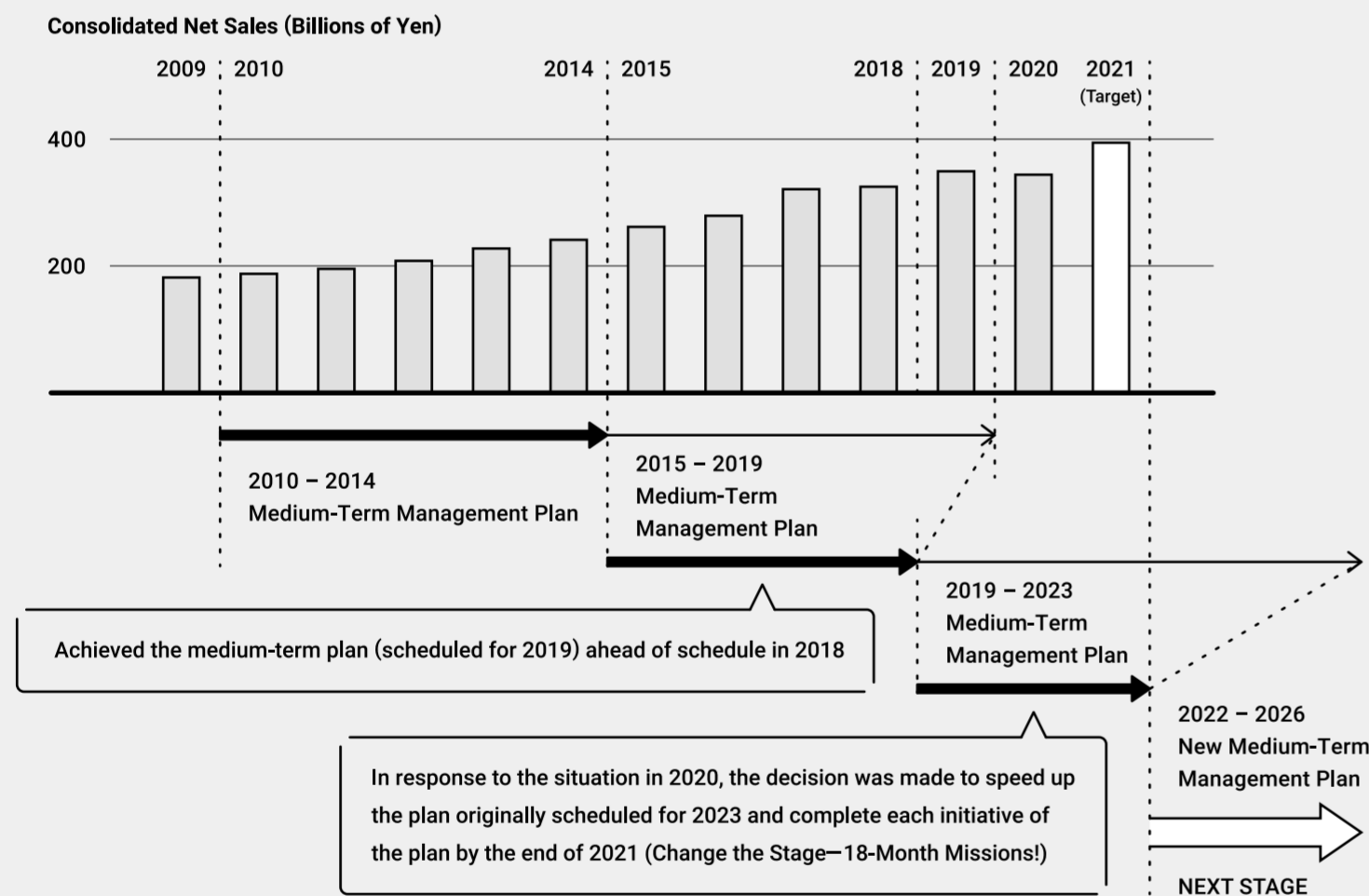
It is also my role to clarify what we should be

doing for the future, for the sake of our employees and the Company so that we do not get caught up in the here and now.

There's a growing mood that the era ahead of us will not be one of growth. However, if I think about our employees and the Company, I absolutely cannot agree with that. At the very least, that kind of company should not be hiring new people.

Only when a company grows will it generate new jobs and new positions. This creates a new space where employees can dare to dream, envisioning their own growth and taking on new challenges. Giving up on growth rapidly sends a company into stagnation, loss of vitality, and degradation. Society will very quickly realize that this kind of company is no longer essential. Our founder's principle of "building a solid company that won't collapse" continues to be at the very core of Milbon's management today. For us, and for our employees, continuous growth is absolutely critical.

Accelerate change to never stop growing



**Stepping up to a new growth stage
"going beyond" in three aspects**

Focusing on long-term growth, we have developed a medium-term management plan every five years since 2010. In addition to sales targets, the plan sets out the mission and goals our organization should be achieving.

In FY 2020, we were still halfway through our new medium-term management plan for the five years from 2019 to 2023, but due to the pandemic, we have decided to change the plan's time frame.

Just like with so many other industries, the pandemic suddenly brought various structural problems

in the beauty industry into sharp relief. And it also rapidly increased the drive toward digitalization. To overcome such changes, and to reach a new growth stage, we superseded the medium-term management plan initially scheduled to finish by FY 2023 with an 18-month plan, from July 2020 to December 2021, entitled "Change the Stage—18-Month Missions!"

Change the Stage focuses on accelerating some big transformations, and "going beyond" in three aspects.

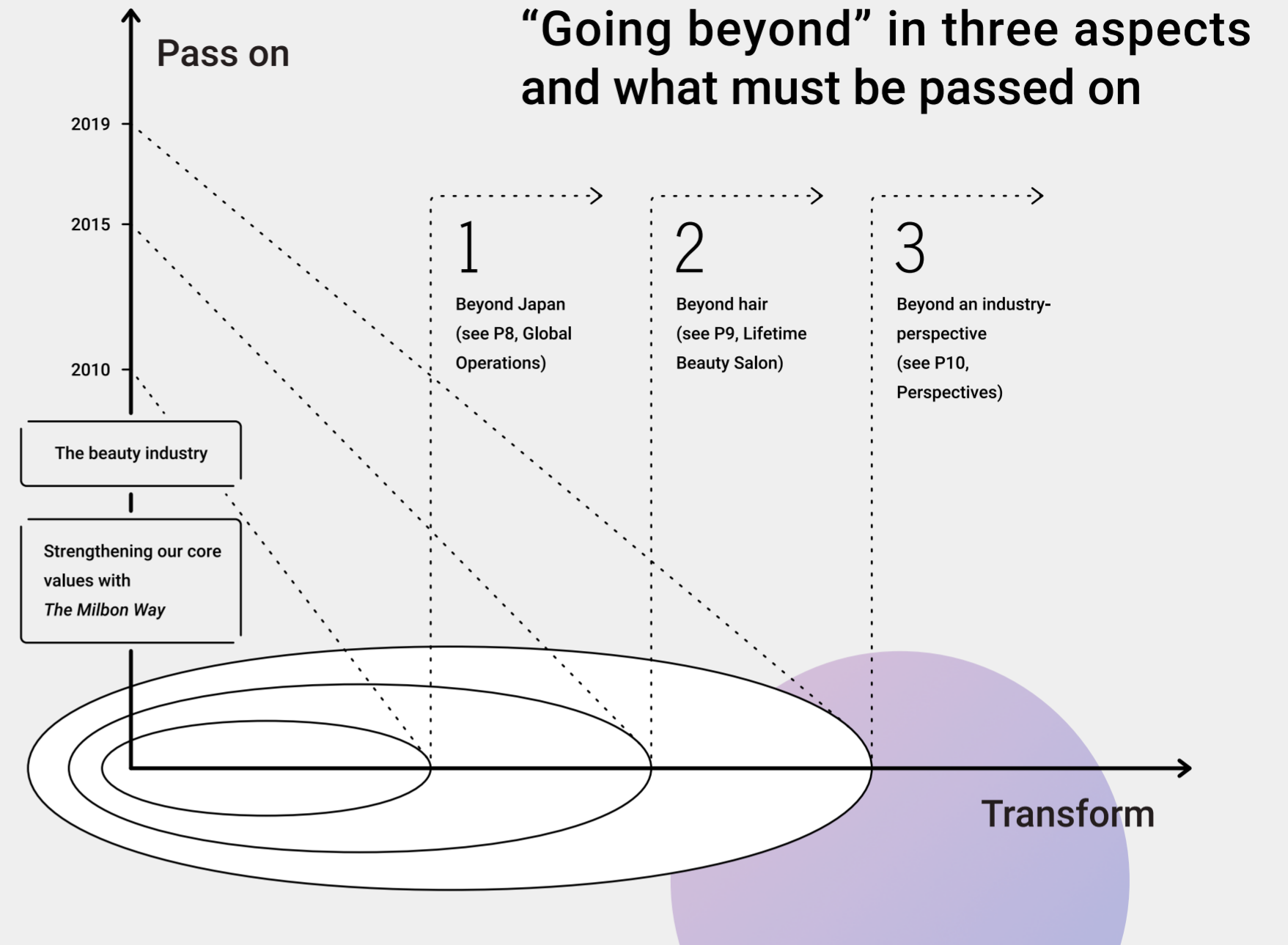
Firstly, we will proceed "beyond Japan."

In Japan, the beauty market is highly likely to shrink given the declining birthrate and smaller trading area. It is clearly impossible to achieve growth as a company in the Japanese market only.

Since we declared our ambition "to become the world's No.1 professional hair care manufacturer" as part of our Global Vision Roadmap released in 2010, we have steadily and strategically made strides toward achieving this goal. The Change the Stage—18-Month Missions! will help us reach this goal even quicker.

Secondly, we will expand "beyond hair."

While we started out as a company specializing in supplying professional-use hair cosmetics to salons, salons are in the process of moving away from simply cutting and styling people's hair. They are moving toward becoming a supportive presence for both the customer's beauty and mind, or as we say, "communities of beauty and soul." In addition to supporting this



change as a leading manufacturer, Milbon has continuously discovered growth opportunities for both the Company and its partner salons by developing and selling products that can respond to these changes.

We entered the cosmetics industry by launching the iMPREA brand in 2019 after establishing KOSÉ Milbon Cosmetics Co., Ltd. in 2017, a joint venture with KOSÉ Corporation. Going forward, we expect to both expand the product range of iMPREA and release products for uses other than haircare, all the while continuing our approach of "being close" to the salons.

Last but not least, we will move "beyond an industry-perspective." This starts from broadening our horizons away from the perspective of the beauty industry and adopting a genuine customer perspective. Direct customers for Milbon are the salons and stylists, but the end-users are the consumers served by these salons and stylists. We need to act by accounting for the consumers' point of view. Or, to put it another way, we need to "become closer" to our customers than ever before.

And, of course, society naturally forms the backdrop to the consumer. We have long been incorporating ideas to create both economic and social value into our management policies. Currently, we are working on ESG and the SDGs while accelerating our digitalization with milbon:iD, etc. to develop this approach even further. Each department is seeking to create mechanisms that contribute to a sustainable society suitable for this day and age while performing corporate activities that meet the needs of the times.

These three aspects mentioned are explained in more detail on the following pages. I would like to re-emphasize here that all three aspects are transformational themes that were already incorporated in the

medium-term management plan published before the pandemic. In other words, we are not changing our strategy as a result of the pandemic. Instead, we are only bringing forward the strategy timetable we had before to meet the rapid advance of structural changes.

**Overcoming difficulties
by being close**

I must also stress that transformation itself is not the only important thing. It is also of vital importance to pass on those ideas and processes that should remain stable.

One thing that must be passed on is *The Milbon Way*, the Company's principles upheld by all employees: being in the field, paying attention, and being

independent. Another is our business model of supporting our end customers' lives through beauty by creating "communities of beauty and soul" together with salons.

By upholding these core principles and expanding our fields by "going beyond" in those three aspects, Milbon will surely grow as a company. We will continue to grow for the sake of salons, end customers, and society at large. This growth will also benefit our employees and their families.

In order to achieve growth, I am now strongly aware that nothing is more important than our attitude of "being close." Using the lessons learned in overcoming the difficult times in 2020 by "being close," we will confidently and steadfastly move forward in a world still full of turmoil.

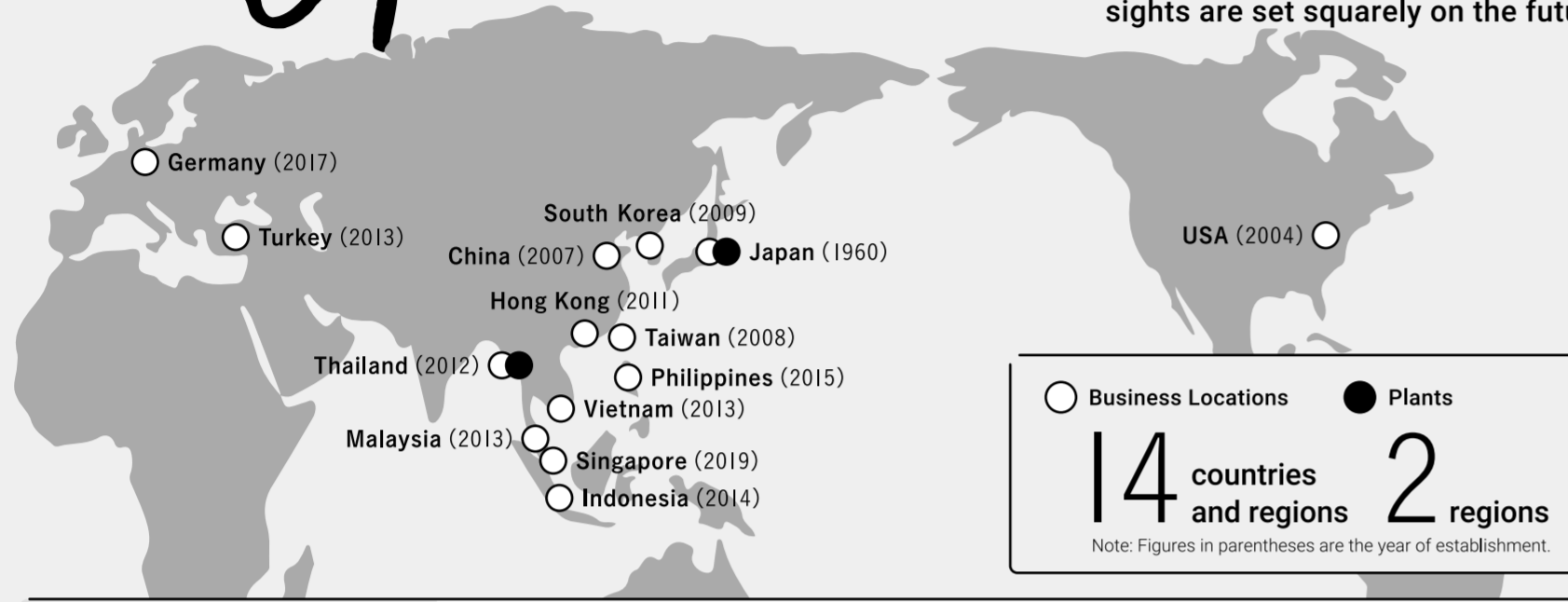
You should be confident of the future of Milbon. There are many great things to come.



Global Operations

Your Beauty. Your Country.

Going "beyond Japan," we aim to be No. 1 in all of Asia.
But No. 1 in Asia is not the end: our sights are set squarely on the future.



2020 - 2021 Progress

- Overseas sales of 5.85 billion yen, overseas sales ratio of 16.4%
- From 489 sales staff at sales agencies in 2018 to 700 in 2020
- Began construction of China Factory (scheduled for completion in 2021)
- Began sales of SOPHISTONE hair color exclusively for the European and North American markets
- Began R&D operations in North America



Providing services tailored to the needs of each country

In 2010, Milbon released its Global Vision Roadmap. Since declaring our ambition to become the world's No.1 professional hair care manufacturer, we continue to steadily increase sales and brand recognition in every country we operate in.

Our business model of being close to salons and our code of conduct based on *The Milbon Way* remain unchanged in all of our overseas offices.

However, lifestyle, ideas of beauty, hair type and color, etc. all differ depending on the country and region. Our duty is to provide the optimal services in each region to contribute to the development of salons to meet their customers' needs.

For this reason, we are establishing not only overseas sales offices but also regional production plants and R&D centers, putting in place a framework to better serve each country and region in developing and manufacturing products.

We maximize our strengths as a global company by sharing our techniques and expertise across countries. Education programs cultivated through decades of experience in Japan are provided to salons overseas and the newest trends in different corners of the world are incorporated into cross-national product development.

Full steam ahead during the pandemic led to improved results for some countries

Even during the pandemic, Milbon continued its progress in overseas markets, determined to continue its plans to establish a plant in China.

There were times when lockdowns were imposed

Wataru Shimada, CEO & Managing Director of Milbon Trading (Shanghai) Co., Ltd.

Contributing to China's growth as a beauty superpower

Milbon contributes to the growth of both the beauty industry and salons in China, where it is facing a burgeoning demand for everything surrounding beauty. Not only will the China Plant currently under construction secure a stable supply system for products into the rapidly expanding market, but it will also serve as an essential base of R&D and production in China, which is expected to have a huge impact on the global beauty industry in the near future.

in various cities, but the annual sales in China and South Korea for 2020 increased from the previous year. For overseas sales as a whole, we were able to keep figures roughly on par at 99.8%.

Milbon has already made a strategic move to become No. 1 in the Asian market. From there, we will proceed to go beyond the Japanese market to become one of the top three global companies in the industry.

Harumichi Okazaki, President of MILBON USA, INC.

Challenges and network in North America as assets for milbon

Milbon USA has its offices and studio on 5th Avenue in Manhattan, where it also serves some of the best salons. North America is the largest market for hair coloring in the world. The challenges taken on here will no doubt become great assets for the future of Milbon. We have been forced to make significant changes due to the pandemic, but we continue to stay in contact with our customers. We will all strive to do our best as one in these new times.

Lifetime Beauty Salon

Together with Salons and Their Customers

Amidst the diversification of needs and the changes in salons themselves, we aim to go "beyond hair" to become a manufacturer that supports lifelong beauty.

Diverse product development to meet the shift toward lifetime salon customers

While originally a company that supplied professional-use hair cosmetics, Milbon wholeheartedly began preparations to begin expanding to other markets to go "beyond hair" in 2015, when we revised our corporate statement to "Find Your Beauty." We entered the cosmetics industry by launching the IMPREA brand in 2019, after establishing KOSÉ Milbon Cosmetics Co., Ltd. in 2017, a joint venture with KOSÉ Corporation. Our novel products utilize our techniques and research into hair structure and we will continue to expand our line of products.

Given Japan's shrinking market—a result of a falling birthrate and aging population—salons must put down firm roots in each region and build a close relationship with the local people to make customers, customers for life. In other words, while continuing to be "communities of beauty and soul," salons need to shift toward the idea of becoming a "Lifetime Beauty Salon."

To do so, Milbon will go "beyond hair" to be a manufacturer that can provide a wide range of products to salons and their customers.

Premium Brands To complement the diverse values of "beauty"

Professional Brands To complement new trends, design changes and generational differences

Technique-Focused Brands To complement the specialized techniques of professional hair designers

Beyond Hair

IMPREA, the salon-exclusive cosmetics brand

KOSÉ × MILBON – Skincare Technology Realized through Joint Development

KOSÉ's skincare research meets Milbon's haircare research. Leveraging both companies' strengths to enhance skin's appeal, IMPREA targets the outer layer of the skin which, similar to hair, contains an abundance of keratin.

This groundbreaking cosmetic brand alters our customers' image—an effect only achievable at salons.

Becoming a Lifetime Beauty Salon

Hiroyuki Ogata, General Manager of Cosmetics Planning Department

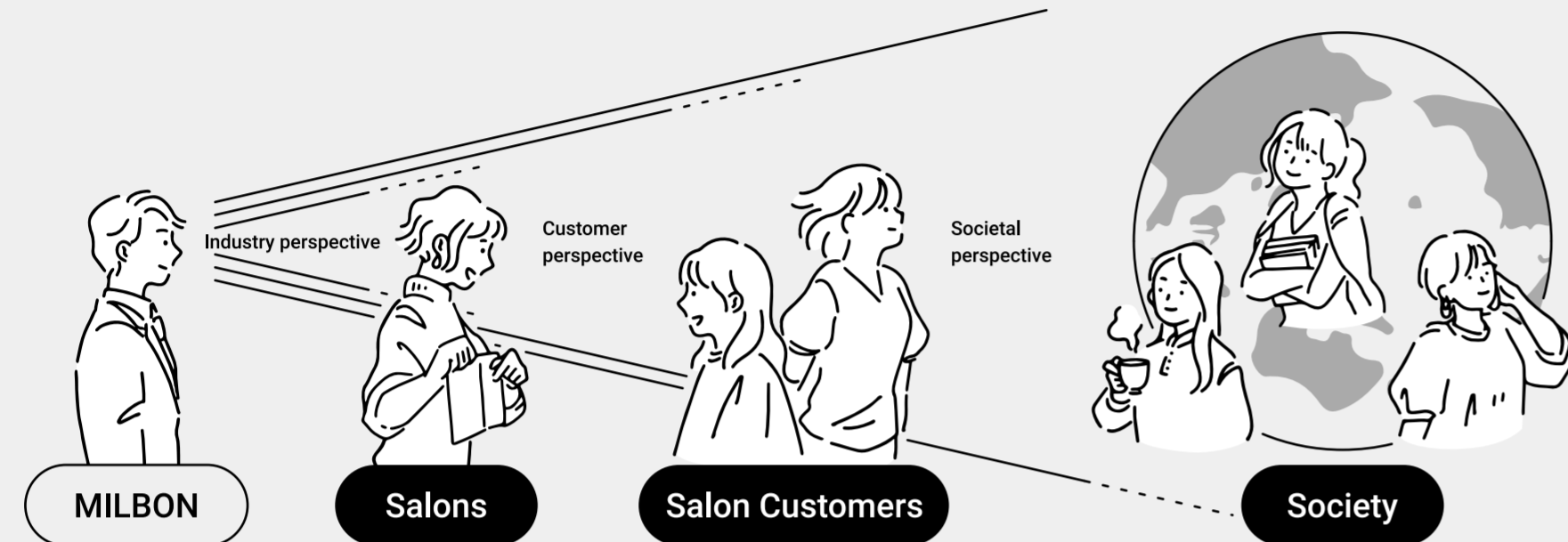
Cosmetics unique to salons that appeal to the senses

Many salons using IMPREA appear to be trying cosmetics for the first time in order to develop new fields for the future. To our mind, salons will become invaluable assets as physical spaces where customers can immerse themselves in beauty. If the salons can give advice, on skin care, while letting customers experience our products with all of their senses, then I think the cosmetics business will expand even further as a key component of a so called "Beauty Platform."

Perspectives

Beyond an Industry-Perspective

Expanding our field of view to society at large by going “beyond an industry-perspective,” to carve out key issues for sustainable growth.



Digitalization Strategy	
milbon:iD	An e-commerce service that allows salon customers to purchase Milbon products online—a novel way of connecting customers and salons.
education:iD	Supporting stylists' training and development anywhere and anytime through online courses.
MILBON DIGITAL ARENA	A virtual platform to connect salon professionals around the world to the future of the beauty industry.
Digital Area Marketing	Finding solutions to challenges by being attentive to the needs of the community and visualizing the market surrounding individual salons.

The Five Key Challenges for Sustainable Growth	
1	Realize spiritual richness through beauty (Co-creating value with stakeholders: "Creating Communities of Beauty and Soul")
2	Promote recycling in manufacturing and consumption activities
3	Practice people-friendly procurement
4	Construct a fair and flexible management structure
5	Realize work environments with enhanced job satisfaction

Carving out key challenges with a perspective on society

Because Milbon uses a salon-exclusive business model, salons and the beauty industry will always be of utmost importance. However, if we only pay attention to the same industry, we will be left behind in a rapidly changing world. The first step to keeping up with the times is to adopt a customer-oriented perspective, putting ourselves in the shoes of every salon customer.

Moreover, as salon customers are always embedded within society at large, it is also essential for us to take on a societal perspective and strive for sustainable growth. If we want to care about the end-users, we have to care about society.

Milbon has set out five key challenges in the chart above. In it, we share our views on the importance of both going “beyond an industry-perspective” and possessing a societal perspective with all employees. We believe this will lead to concrete actions from our employees.

At the center of this chart is the “realization of

spiritual richness through beauty.” The other four challenges are related to the Sustainable Development Goals (SDGs) set out by the United Nations.

To contribute to achieving the SDGs, we established an SDGs Promotion Committee in 2019 and have held study sessions to raise awareness of these challenges among employees.

Focus on social issues by turning again to *The Milbon Way*

Achieving sustainable growth in business and society is in line with the founder's belief that “a company essential to society is one that society will not let fail.” While turning again to that belief and after firmly focusing on the various social issues prevalent today, including environmental and human rights issues, we need to scrutinize the value chain—in development, procurement, manufacturing, logistics, and sales—to constantly reinvent Milbon's business model.

To that end, it is of utmost importance that employees ask themselves whether their actions are ethical from the perspective of society as a whole instead of

conforming to existing systems and values.

Achieving an unprecedented business model

By broadening our perspective, we can find possibilities for creating new value. But to make this happen, we also need a new business model. For example, our e-commerce website, “milbon:iD” is an unprecedented system that maintains the salon-exclusive model while improving convenience for the customer.

Going “beyond an industry-perspective” encourages us to seek unique ideas, which in turn will lead to sustainable growth for both the Company and society.

Our Goals

The Future We Envision

Here we highlight some of the feedback we have received from employees in different departments. Each person's goals create the Company's future.

Production Headquarters 30s

So that the world understands the value of Milbon products, our main plant, the Yumegaoka Plant builds systems to efficiently create high-quality products.

Internal Audit 50s

I will contribute to creating a sustainable structure that prevents any risk that may impede the growth of our business.

FP Headquarters 40s

My aim is to enhance the value of beauty and appeal of people in the area, with our imagination, sense, and ingenuity. To that end, I will continue to explore new possibilities for salons that draw on current trends while incorporating the culture and climate rooted in individual salon regions.

Corporate Strategy Development 40s

I will contribute to creating a culture and climate of cosmetics sales in salons.

Information & Communication System 40s

I will help further integrate and standardize the systems necessary to do business not only in Japan but around the world.

Production Headquarters 50s

I will establish a new framework for manufacturing to logistics for a market worth 50 billion yen.

Customer Satisfaction Promotion 50s

I will aim to enhance customer satisfaction by paying close attention to customers and spot any room for improvement for customer safety, security, and support.

Field Planning 20s

I will develop solution proposals that would evolve our field activities in order to link corporate policies with field activities.



Business Development 40s

I will cultivate a pleasant day-to-day life brought about organically, helping to achieve a beautiful world for both people and the environment.



International FP Sales 30s

I will continue to listen attentively, enhancing beauty in different countries and regions to create a more enriched social and living environment.

Development Headquarters 40s

I will learn about globally accepted standards and the wide variety of beauty cultures, making use of them in product development.

Development Headquarters 30s

I will develop products that correspond to the different lifestyle and cultures of beauty for people with non-Asian hair to expand the fields in which Milbon can make a difference. As a first step, I will contribute to making SOPHISTONE the most chosen hair coloring brand among professional stylists through collaboration with Milbon USA.

Education Planning 40s

I will share our solutions and case examples on human resources education with other industries and our offices overseas.

Finance 30s

I will keep the Company sustainable, building a solid financial base for sustainable growth.

Corporate Administration 20s

In order to become the world's No. 1 company in the industry, I will introduce screening systems that capture current trends to hire excellent human resources who will open up the future in the global field. I will cultivate leaders who will take Milbon into the future.

Cosmetics Business Planning 30s

Instead of just selling cosmetics, I will promote a wider use of iMPREA to enrich the minds of more salon customers by helping them achieve even more beautiful hair and skin.

FP Headquarters 30s

I will encourage salons to use our digital service “milbon:iD” to sell directly to their customers and to establish a new method for stylists to communicate with their customers.

Business Structure

**Find Your Beauty.
Find It at Salons.**

Our unique business model in which all Milbon employees share a common philosophy and unified sense of purpose, working together to create value.

All employees focus on crafting communities of beauty and soul

The different sections within Milbon and the kind of work employees perform within these sections is summarized in one diagram.

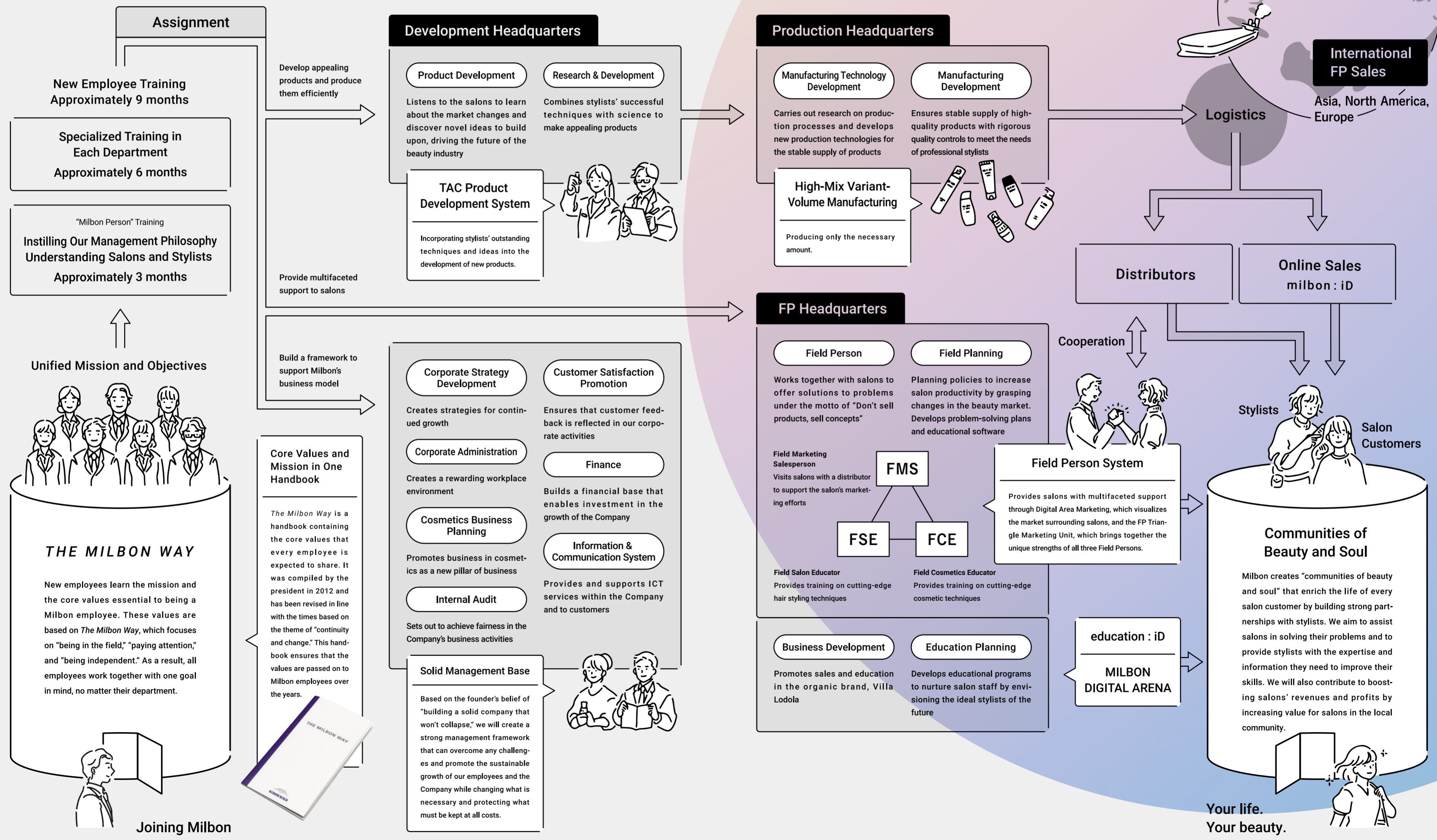
It starts on the far left when new employees join Milbon and receive its unique training. Employees are assigned to different sections after studying Milbon's core values, known as *The Milbon Way*, and obtaining

a deep understanding of the inner workings of salons and stylists. Every employee plays a vital role in our company, including product creation, salon support, and facilitating the smooth operation of the entire organization.

Although the content of their work differs depending on the section to which they belong, Milbon employees have a common purpose. On one hand, to enrich salon customers' lives through beauty by building strong partnerships with stylists to create "communities of beauty and soul" as shown on the far

right. On the other hand, to contribute to increasing salons' revenues and profits by enhancing value for salons in each region.

This unique business model is Milbon's greatest feature and strength.



Unified Mission and Objectives

THE MILBON WAY

New employees learn the mission and the core values essential to being a Milbon employee. These values are based on *The Milbon Way*, which focuses on "being in the field," "paying attention," and "being independent." As a result, all employees work together with one goal in mind, no matter their department.

Core Values and Mission in One Handbook

The Milbon Way is a handbook containing the core values that every employee is expected to share. It was compiled by the president 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.

Joining Milbon

Development Headquarters

Product Development
Listens to the salons to learn about the market changes and discover novel ideas to build upon, driving the future of the beauty industry

Research & Development
Combines stylists' successful techniques with science to make appealing products

TAC Product Development System
Incorporating stylists' outstanding techniques and ideas into the development of new products.

Production Headquarters

Manufacturing Technology Development
Carries out research on production processes and develops new production technologies for the stable supply of products

Manufacturing Development
Ensures stable supply of high-quality products with rigorous quality controls to meet the needs of professional stylists

High-Mix Variant-Volume Manufacturing
Producing only the necessary amount.

FP Headquarters

Field Person
Works together with salons to offer solutions to problems under the motto of "Don't sell products, sell concepts"

Field Planning
Planning policies to increase salon productivity by grasping changes in the beauty market. Develops problem-solving plans and educational software

Field Marketing Salesperson
Visits salons with a distributor to support the salons' marketing efforts

Field Salon Educator
Provides training on cutting-edge hair styling techniques

Field Cosmetics Educator
Provides training on cutting-edge cosmetic techniques

FMS
Field Marketing System

FSE
Field Salon Educator

FCE
Field Cosmetics Educator

Field Person System
Provides salons with multifaceted support through Digital Area Marketing, which visualizes the market surrounding salons, and the FP Triangle Marketing Unit, which brings together the unique strengths of all three Field Persons.

Business Development
Promotes sales and education in the organic brand, Villa Lodola

Education Planning
Develops educational programs to nurture salon staff by envisioning the ideal stylists of the future

Cooperation

Communities of Beauty and Soul

Milbon creates "communities of beauty and soul" that enrich the life of every salon customer by building strong partnerships with stylists. We aim to assist salons in solving their problems and to provide stylists with the expertise and information they need to improve their skills. We will also contribute to boosting salons' revenues and profits by increasing value for salons in the local community.

Your life.
Your beauty.

Results

Succeeding despite the Pandemic

Milbon's unique strength significantly limits the sales decline in 2020

Compared with FY 2019, sales figures were 98.3% in Japan, 99.8% overseas, and 98.5% on a consolidated basis. As such, it is no exaggeration to say that we performed exceptionally well in a tumultuous year.

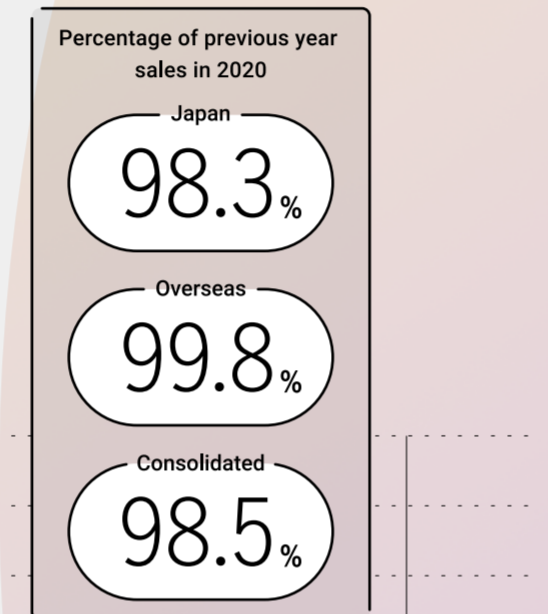
As the monthly year-on-year changes in sales graph shows below, overseas sales temporarily dipped below 70% as many cities went into lockdown following the rapid surge in COVID-19 cases in China in February. However, sales bounced back and exceeded the previous year in June. In China and

South Korea, even the full-year sales results exceeded that of the previous year.

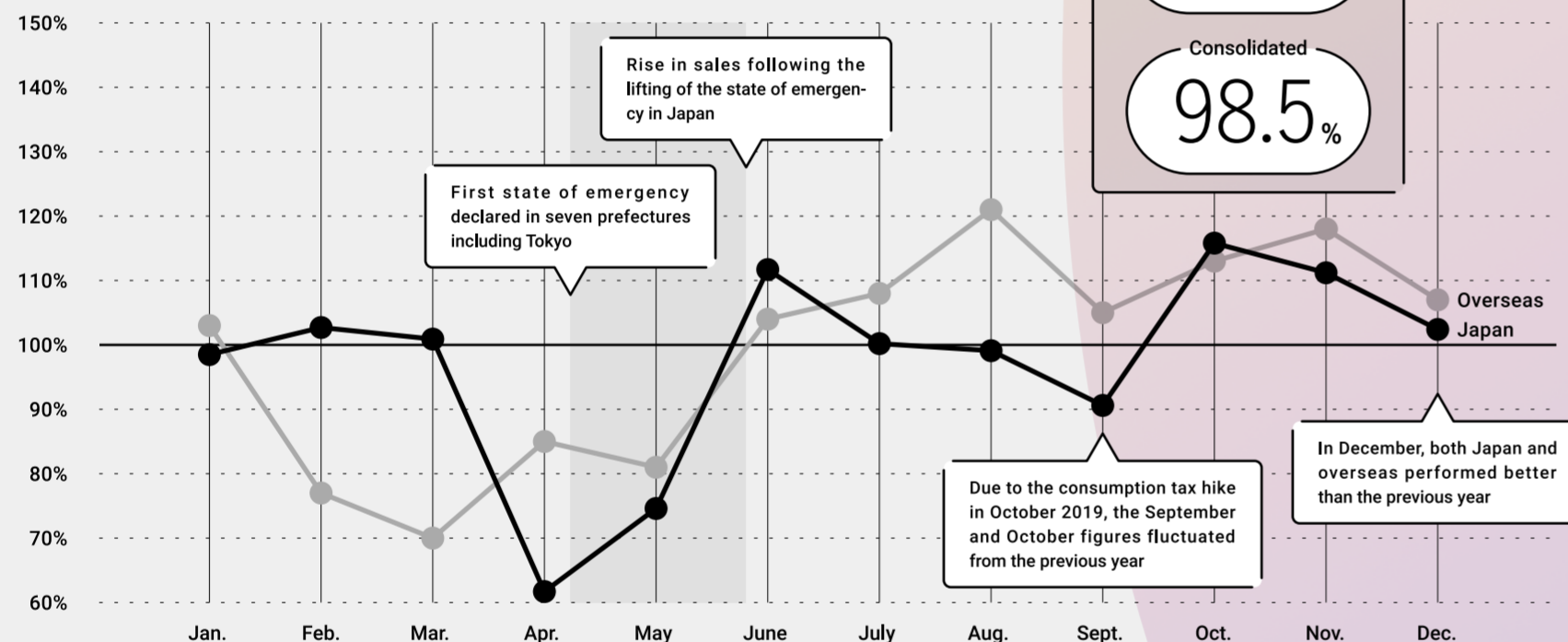
In Japan, the first state of emergency was declared in the beginning of April forcing many salons to close. This resulted in a large drop in April and May sales, but they rebounded in June. While accounting for the fluctuations in the number of COVID cases, annual sales nearly matched the previous year.

This is proof in the strength of Milbon's unique business model, which is geared toward supporting salons. It is also an indication that beauty has become an indispensable element of "culture" in people's lives.

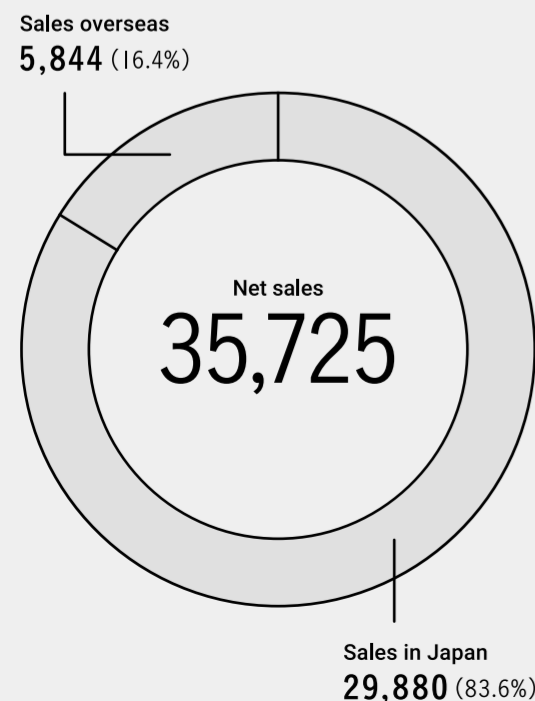
The results of 2020 are shown in various figures and graphs. Milbon's robust corporate strength enables it to weather economic fluctuations.



【 Monthly Year-on-Year Changes in Sales (Japan and Overseas)】



Composition of Sales (Japan and Overseas) (Millions of Yen)



Financial Indicators (%)



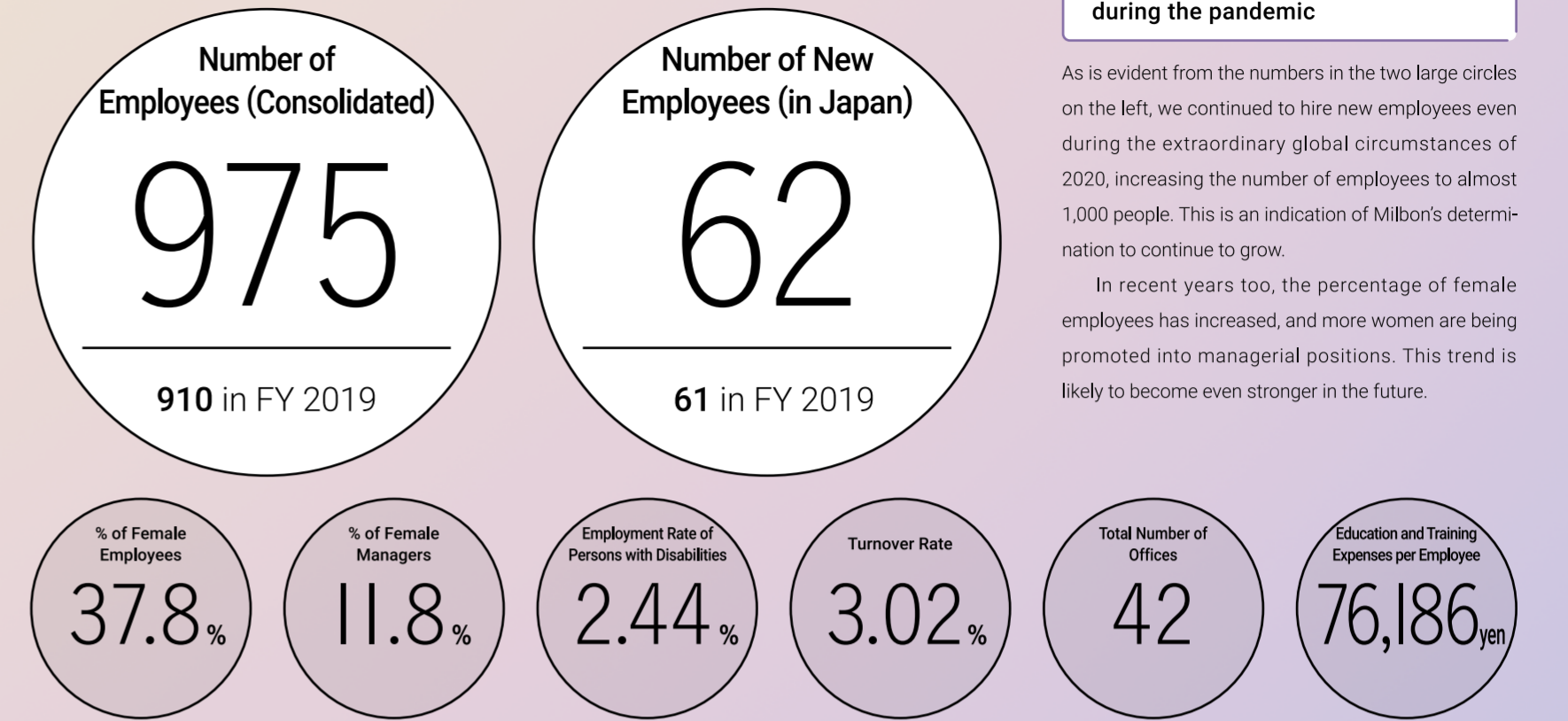
A financial base that protects employees even in extraordinary times

Consolidated sales for FY 2020 were 35.72 billion yen, of which 83.6% were in Japan and 16.4% overseas. Milbon is rapidly moving forward to grow "beyond Japan." We anticipate that both overseas sales and its corresponding ratio will increase going forward.

The figures in the four circles act as financial indicators showing that Milbon's management is sound and resilient enough to weather economic fluctuations. In particular, the high equity ratio and operating margin shows that, even in such times of emergency as with the COVID-19 pandemic, we have the corporate strength to protect the lives and livelihoods of our employees without reducing labor costs.

The global situation is still very much uncertain, but Milbon will continue to grow further on the back of its strong financial base.

Milbon's 2020 in Numbers



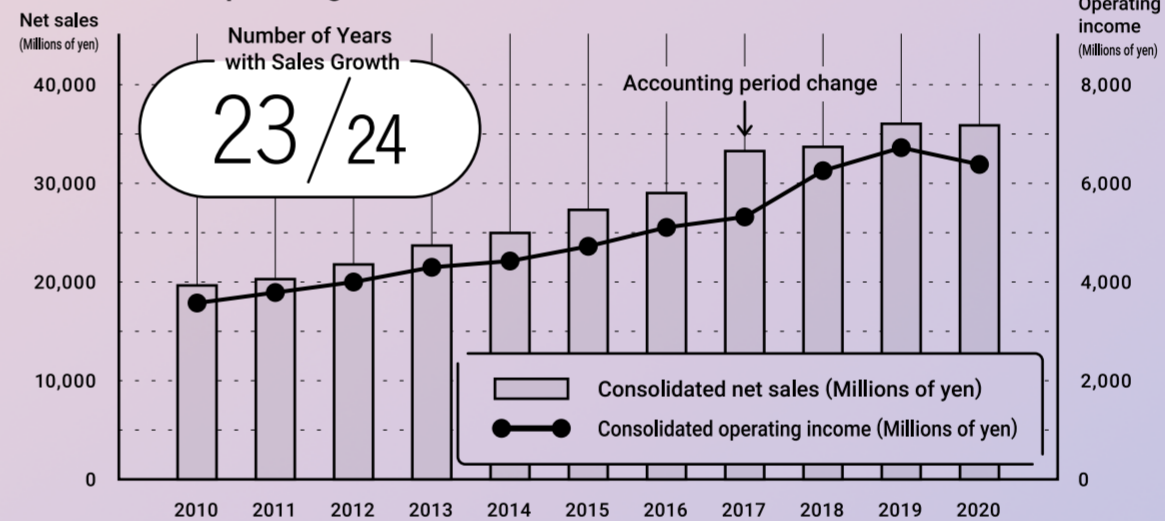
Stride along the path of growth even during the pandemic

As is evident from the numbers in the two large circles on the left, we continued to hire new employees even during the extraordinary global circumstances of 2020, increasing the number of employees to almost 1,000 people. This is an indication of Milbon's determination to continue to grow.

In recent years too, the percentage of female employees has increased, and more women are being promoted into managerial positions. This trend is likely to become even stronger in the future.

Milbon's Long-Term Growth as Seen in Three Graphs

● Sales and operating income since 2010 *1

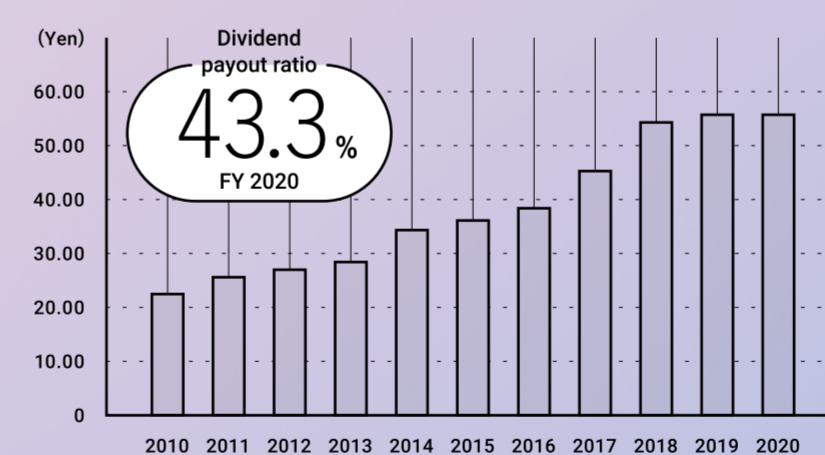


Three graphs showing our sustainable growth

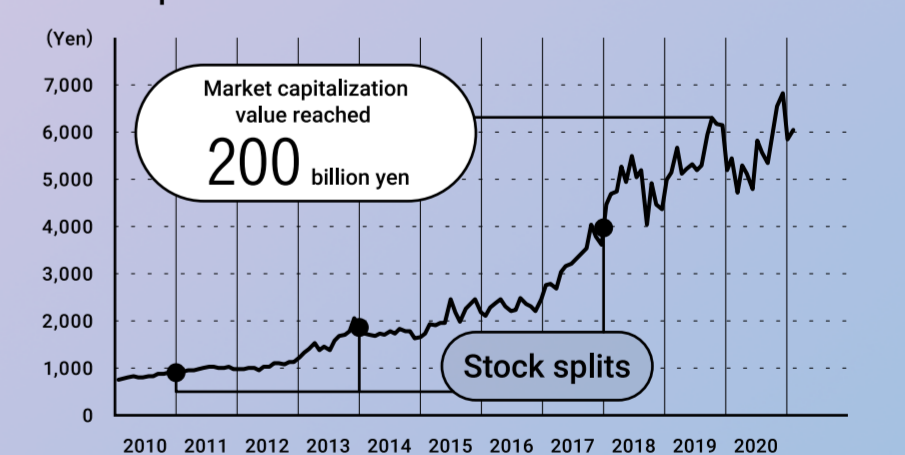
From the three graphs on the left, we can see that the Company has continuously increased its sales and operating income as well as its dividends to shareholders. As a result, the Company's share price is on a steady upward trend.

From the time shares were first listed in 2001 up until 2019 pre-COVID, the Company continued to grow in value and scale. Its revenues increased for 23 consecutive terms and at one point a market capitalization reached 200 billion yen. Milbon will continue along this growth trajectory well into the future.

● Dividends since 2010 *2



● Share price since 2010 *3



*1 Accounting period was changed in 2017 and early adoption of Accounting Standard for Revenue Recognition was implemented in 2018. *2 The figures have been restated in accordance with stock splits in 2010, 2013, and 2018. *3 The Company implemented stock splits of 1 for 1.1 on December 21, 2010, 1 for 1.2 on December 21, 2013, and 1 for 2 on January 1, 2018.



Milbon Wins Porter Prize Due to Its Continued High Profitability and Unique Business Model

Milbon won the Porter Prize in 2020 as external recognition for its unique business model. This award, derived from Professor Michael E. Porter of Harvard

University, a leading authority on management studies, recognizes companies that have achieved and maintained superior profitability by implementing unique strategies. The Selection Committee evaluated Milbon's top priority value as helping salons increase their revenue and profits. Milbon was also recognized for its efforts to incorporate leading-edge styling techniques into products and techni-

cal manuals, providing them to many salons. Winning the Porter Prize is another accomplishment for Milbon, giving added confidence to the Company.



MILBON

Find Your Beauty

Milbon Report 2021 – Sustainability Report

Entitled Milbon Report 2021—Letter, this integrated report to our stakeholders has been written in the style of an easy-to-understand letter for the benefit of our employees' families. This report highlights the Company's business activities, management strategy, and results during FY 2020. ESG-related information that could not be included in this report, such as our corporate governance, human resources, environmental initiatives and results are available online in the Milbon Report 2021—Sustainability Report.



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As of December 31, 2020

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



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We welcome feedback on its contents.



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