



Milbon Co., Ltd.

Q3 Financial Results Briefing for the Fiscal Year Ending December 2024

November 15, 2024

Event Summary

[Company Name]	Milbon Co., Ltd.	
[Company ID]	4919-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending December 2024	
[Fiscal Period]	FY2024 Q3	
[Date]	November 15, 2024	
[Venue]	Webcast	
[Number of Speakers]	1	
	Masahiro Murai	Managing Executive Officer

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Presentation

Today's Message

FY24 3Q YTD Results

Regional Performance

Profit

Both sales and profit increased. Domestic haircare products and business in South Korea continued to drive growth from the first half of the year.

- Haircare products, including Aujua, have driven the growth of our domestic business. Although hair coloring products still face challenges, the number of salons introducing our products, particularly Villa Lodola Color, has increased. We will continue to strengthen our sales and educational initiatives for hair coloring in order to get back on track and continue to grow.
- Strong performance in South Korea offset weak sales in China due to deteriorating market conditions. Additionally, the weaker yen boosted sales growth, keeping overall overseas business results on track.
- The gross profit margin for the 9 months of FY24 was 64.0%, aligning with our full-year forecast. While the impact of soaring raw material costs has eased, the adverse effect of the product mix on profit persists.
- Operating profit increased significantly YoY due to higher sales and recovery from last year's inventory loss of hair dryers.

FY24 Outlook

Both sales and profit are expected to meet our initial plan. We are maintaining our full-year forecast due to potential inventory loss in the fourth quarter.

Murai: Now, I would like to begin by explaining our consolidated financial results at the end of Q3.

Here we have today's message.

At the end of Q3, both sales and income increased. Growth was driven by domestic haircare products, which continued to do very well from H1, and by South Korea.

In terms of performance by region, in Japan, haircare products, which accounts for 60% of sales, performed very well. This means that growth was strong for haircare for both new and existing products. However, there are still issues to be addressed in the domestic hair coloring market. The number of salons using our products has gradually begun to increase through our sales and educational activities, and we expect to see more results in the future.

As for overseas, South Korea is performing particularly well. The situation is that this is driving growth across the whole overseas market. However, in China, salon customers are more budget-minded. The market continues to be a difficult environment. We are currently actively engaged in promoting activities for salons to respond to such changes. Although we are in a difficult situation, we are working with an eye toward future growth. I think that these results will come out, and since sales have remained relatively flat around Q3, I believe that we can expect good results near future.

In any case, business overseas is going well. Due in part to the positive impact of the yen's depreciation, please understand that total overseas sales have remained steady for the term and against the initial plan.

Regarding the outlook for the full year, we expect to achieve both sales and profit according to our initial plan. Although there may be some write-downs in Q4, we expect full-year results to compensate for this, and as a result, we believe we will be able to achieve the planned results.

Consolidated Statement of Earnings

Sales are progressing at a pace slightly above what was planned. Profit exceeded the plan due to higher sales and deferred SG&A expenses.

(Unit: million yen)	FY2023 3Q YTD	% Total	FY2024 3Q YTD	% Total	Gap	Gap (%)	FY2024 3Q YTD Plan	Vs. Plan (%)
Net Sales	34,150	100.0%	36,993	100.0%	2,843	8.3%	36,354	101.8%
Gross Profit	21,023	61.6%	23,659	64.0%	2,635	12.5%	23,343	101.4%
SG&A Expenses	17,607	51.6%	18,805	50.8%	1,197	6.8%	19,052	98.7%
Operating Income	3,416	10.0%	4,854	13.1%	1,437	42.1%	4,291	113.1%
Ordinary Income	3,502	10.3%	4,881	13.2%	1,378	39.3%	4,247	114.9%
Profit Attributable to Owners of Parent	2,489	7.3%	3,393	9.2%	904	36.3%	3,039	111.7%

© Milbon Co., Ltd. All right reserved.

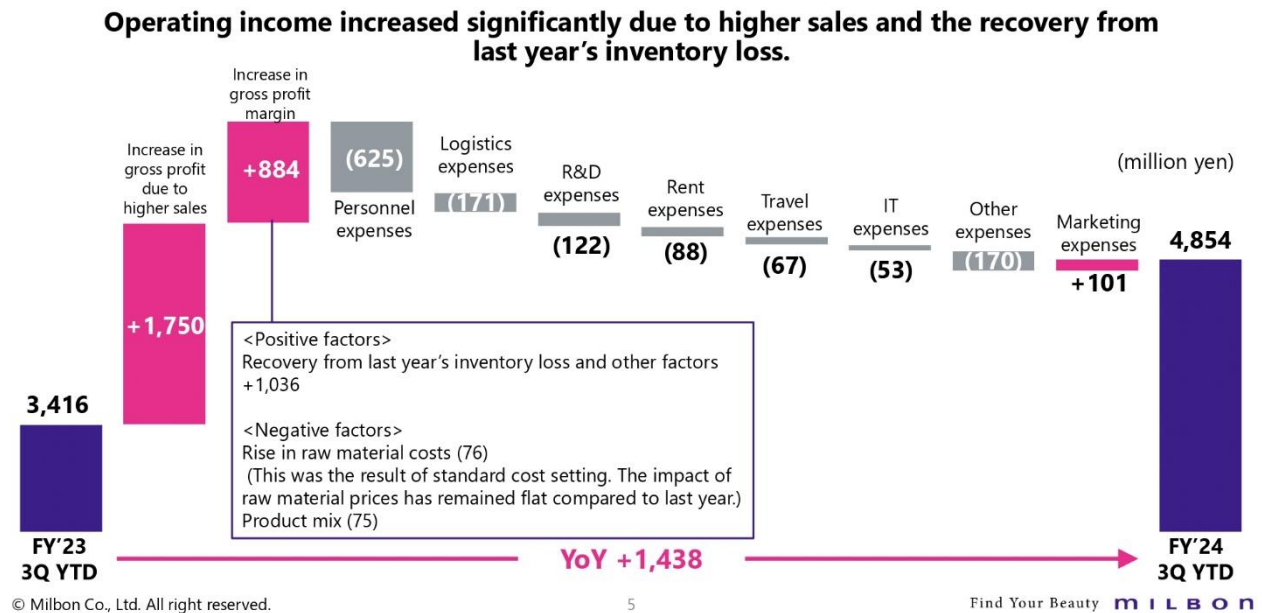
4

Find Your Beauty **MILBON**

Sales were JPY36.99 billion, an increase of 8.3%. Operating profit was JPY4.85 billion, an increase of 42.1%.

Sales exceeded the plan by 1.8%, and operating profit increased by 13%. This growth is attributed to higher sales and deferred expenses. We anticipate utilizing SG&A expenses as planned towards the end of the fiscal year. Although our operating income has been progressing above the plan, deferred expenses will bring it in line with our original projections, allowing us to achieve our goals as planned.

Consolidated Operating Income - Factors Behind YoY Changes

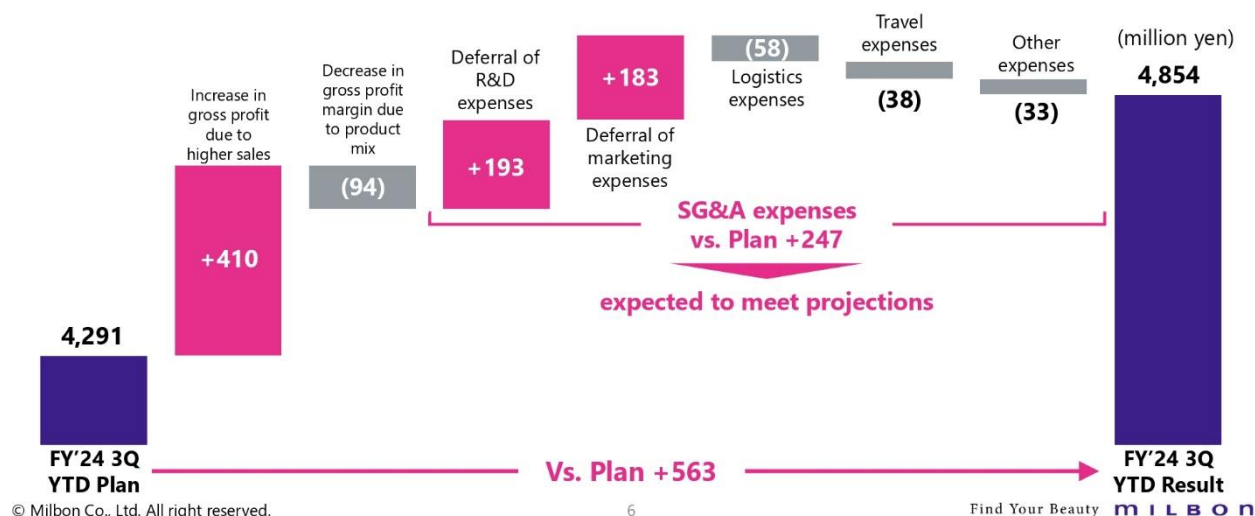


Then I show you the waterfall chart of operating income compared to the same period last year. The increase in gross profit due to higher sales is the biggest positive factor. As I mentioned earlier, there is also a significant increase in reaction to the write-offs that occurred last year. As for expenses, we have increased personnel expenses due to base pay hikes, etc.

The total is 1,438 million yen plus compared to last year, which is where we have landed so far.

Consolidated Operating Income - Factors Behind Differences Compared to the Plan

Operating profit exceeded the plan due to favorable sales. However, full-year operating profit is expected to align with our initial plan as SG&A expenses are projected to be as planned.



Compared to the plan, the increase in gross profit due to this increase in sales is significant. However, there is a slight negative impact of product mix since hair coloring products are not going as planned.

Compared to the plan, the increase in gross profit due to higher sales is significant. However, there is a slight negative impact from the product mix, as hair coloring products are not performing as expected. As mentioned earlier, we have not used approximately 250 million yen in SG&A expenses, but we anticipate utilizing this amount in the fourth quarter. Therefore, while we have exceeded the plan by 563 million yen so far, we expect to be roughly in line with the plan for the full year.

Net Sales and Operating Income by Region

**Both domestic and overseas sales and profits progressed in line with the plan.
The weaker yen boosted overseas sales growth.**

(Unit: million yen)		FY2023 3Q YTD	FY2024 3Q YTD	Gap	Gap (%)	Actual gap Rate* ¹ (%)	FY2024 3Q YTD Plan	Exchange Rate FY23 3Q	Exchange Rate FY24 3Q
Japan	Net Sales	25,829	27,690	1,860	7.2%	7.2%	27,425		
	Operating Income	2,373	3,931	1,557	65.6%	—	3,375	—	—
	Margin (%)	9.2%	14.2%	—	—	—	12.3%		
Overseas	Net Sales	8,320	9,303	982	11.8%	5.8%	8,928		
	Operating Income	1,042	922	(119)	(11.5%)	—	915	—	—
	Margin (%)	12.5%	9.9%	—	—	—	10.3%		
South Korea	Net Sales	3,495	3,992	496	14.2%	8.7%	3,563	KRW	KRW
	Operating Income	991	1,051	60	6.1%	—	868	0.1064 yen	0.1118 yen
	Margin (%)	28.4%	26.3%	—	—	—	24.4%		
China	Net Sales	1,729	1,783	54	3.2%	(4.1%)	1,883	RMB	RMB
	Operating Income	69	72	3	4.8%	—	179	19.73 yen	21.22 yen
	Margin (%)	4.0%	4.1%	—	—	—	9.5%		
USA	Net Sales	1,225	1,430	205	16.8%	7.5%	1,408	USD	USD
	Operating Income	(48)	(87)	(39)	—	—	(63)	139.55 yen	151.59 yen
	Margin (%)	(4.0%)	(6.1%)	—	—	—	(4.5%)		
Other* ²	Net Sales	1,870	2,096	225	12.1%	8.2%	2,072		
	Operating Income	30	(113)	(144)	—	—	(68)	—	—
	Margin (%)	1.6%	(5.4%)	—	—	—	(3.3%)		

*1 Figures are the rates of change in real terms on a local currency basis
© Milbon Co., Ltd. All right reserved.

*2 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, Philippines, Singapore, and Germany
Find Your Beauty **MILBON**

Sales in Japan and overseas.

As you can see, the domestic sales were 27.69 billion yen, an increase of 7.2%. In contrast, overseas sales were 9.3 billion yen, up 11.8%. In local currency terms, excluding the impact of the yen's depreciation, the result was a 5.8% increase.

As for profits, domestic business is going well. Overseas profits decreased, but this was in line with our initial forecast, and we believe that we are currently on track with the plan.

Financial Results by Region: Japan

Overall performance has remained strong since the first half of the year. The robust growth in haircare products has compensated for the slower sales of hair coloring products.

YoY Growth Rate of Sales by Product Category*

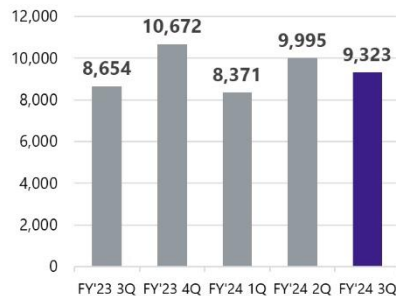
Following the first half of the year, haircare products like Aujua and Elujuda continued to perform well. We enhanced our sales and educational initiatives for salons regarding hair coloring, resulting in an increased number of salons using our products.

FY2024		
Change in Sales	3Q	3Q YTD
Haircare	+13.4%	+10.5%
Hair Coloring	+1.1%	+0.5%
Cosmetics	(2.5%)	+71.4%
% to Sales	3Q	3Q YTD
Haircare	64.3%	63.5%
Hair Coloring	31.5%	31.1%
Cosmetics	1.5%	2.4%

* Based on shipment value
© Milbon Co., Ltd. All right reserved.

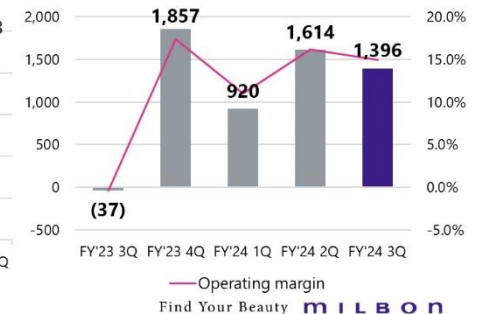
Quarterly Net Sales (mil. yen)

Domestic sales tend to be higher in the second and fourth quarter due to seasonal factors.



Quarterly Operating Income (mil. yen)

Domestic operating income for FY'24 3Q increased significantly against FY'23 3Q, not only due to increased sales but also due to the recovery from the inventory loss of the hair dryer Elmista recorded last year.






9

Now, I will explain the results by region. First, in Japan.

One thing is that haircare is doing very well, such as Aujua and Elujuda. Hair coloring had been struggling until the previous fiscal year, but we are beginning to see some positive factors.

As I mentioned earlier, it is a positive factor that the number of salons using Villa Lodola COLOR and other products is on the increase, and we will continue to implement various measures to achieve growth in hair color.

Financial Results by Region: Japan / Progress of Key Strategies

Key Strategies		Progress up to 3Q	Results and Outlook			
Promoting Smart Salon	milbon:iD			FY'23	FY'24 3Q YTD	FY'24 Plan
			Members	670,000	820,000	870,000
			Salons	5,930	6,455	6,500
			EC Sales	1,640 mil. yen	1,360 mil. Yen	1,950 mil. yen
	Smart Salon			FY'23	FY'24 3Q YTD	FY'24 Plan
			Number of Smart Salons	23	56	100
			We continue to make our existing Smart Salons successful and aim to increase their number at a steady pace.			
	Recovery of hair coloring products sales through promotion of high value-added hair color		<ul style="list-style-type: none"> The number of salons using our products, especially Villa Lodola, our organic hair color brand, is increasing due to intensified sales and educational activities related to hair coloring products. To boost sales, we will enhance the branding of our hair coloring products and implement targeted initiatives for both salons and consumers. 			

I would like to explain a little bit about our business in Japan and the progress of points for this fiscal year.

The first part is the promotion of Smart Salons. Of these, progress on milbon:iD is going very well.

And the second is the progress of Smart Salon's brick-and-mortar store development. Although it may be difficult to reach the goal of one hundred salons that I mentioned at the full-year briefing, on the other hand, successful salons are beginning to emerge.

We would like to expand the success stories of these salons. Rather than increasing the number of salons, we will focus on increasing the number of successful salons and aim for steady expansion.

As for hair color, it is still slightly below the growth trajectory. However, the number of salons using Villa Lodola and other products is increasing, which is a very positive development.

Additionally, we are introducing hair color branding for salon customers for the first time. For example, on Hot Pepper Beauty, the salon booking site, we will feature menus with brand names like Ordeve Addicthy to increase customer recognition. While other manufacturers have already been doing this, Milbon has not participated in such activities until now, and we anticipate future growth in this area.

It is also common practice that gross profit margins for hair color are high, whereas those for haircare are low, which may raise concerns about the worsening product mix. In haircare products, the costs of Aujua and the new products launched this year are also very low. We are considering raising the prices of high-cost products, which is planned for the first half of next year. I believe we can gradually improve the product mix by addressing the disparity in profit margins between hair color and haircare products.

Financial Results by Region: South Korea

Overall performance has remained strong since the first half of the year, driven by steady growth in our mainstay hair coloring products and robust sales of haircare products, indicating that future growth is expected.

YoY Growth Rate of Sales by Product Category*

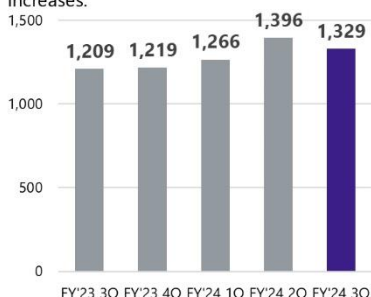
Hair coloring product growth is recovering through trend-focused sales activities and new product launches. Haircare, with significant growth potential, has seen a steady increase in salons using our products.

FY2024		
Change in Sales	3Q	3Q YTD
Haircare	+23.6%	+19.3%
Hair Coloring	+6.2%	+4.0%
Perm	+30.1%	+33.6%
% to Sales	3Q	3Q YTD
Haircare	23.8%	23.4%
Hair Coloring	70.3%	70.9%
Perm	4.9%	4.9%

* Based on local currency
© Milbon Co., Ltd. All right reserved.

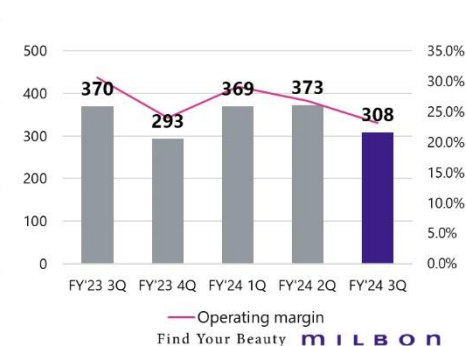
Quarterly Net Sales (mil. yen)

In addition to the steady growth of hair coloring products, haircare and perm products are driving consistent sales increases.



Quarterly Operating Income (mil. yen)

Marketing expenses increased in the third quarter due to events aimed at attracting young hair stylists as fans.



The second by region is South Korea.

As mentioned earlier, haircare is growing at a high rate, which is a robust performance.

Although its share in South Korea's sales is still low, perms are performing very well and growing significantly. In the South Korean market, perms have a much higher importance than in Japan, indicating room for further growth. However, Milbon has not yet fully capitalized on perms. We plan to explore various product measures and activities for salons to ensure long-term growth.

Operating profit for the third quarter decreased compared to the previous year due to the costs of holding events for young hair stylists. Now that our recruitment efforts are starting to bear fruit, we expect to incur expenses as we increase staff. However, we prioritize growth over expense concerns, so we are not worried about this area.

Financial Results by Region: China

Despite the challenging market environment, including declining consumer confidence, our strong support for salons in adapting their operations to meet these changes has been very well received.

YoY Growth Rate of Sales by Product Category*

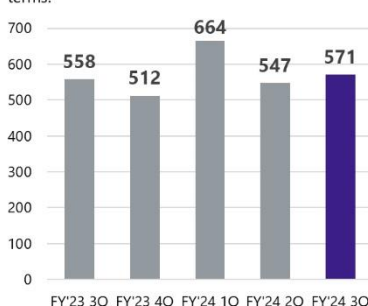
The number of salons using our haircare products increased due to the popularity of our service plans tailored to match changes in consumer behavior. Conversely, hair coloring products were initially affected by a decline in salon customer coloring frequency but recovered slightly from Q2 onwards due to strengthened sales promotions.

	FY2024	
Change in Sales	3Q	3Q YTD
Haircare	+8.3%	+3.7%
Hair Coloring	(9.1%)	(14.8%)
% to Sales	3Q	3Q YTD
Haircare	58.4%	58.5%
Hair Coloring	36.3%	35.8%

* Based on local currency
© Milbon Co., Ltd. All right reserved.

Quarterly Net Sales (mil. yen)

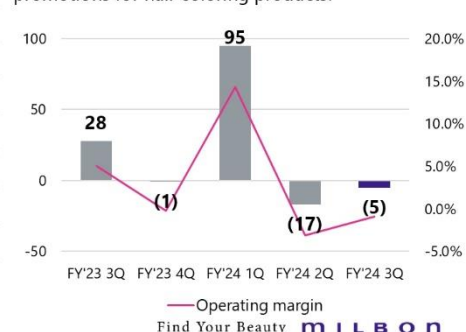
Sales of FY'24 3Q remained flat compared to FY'23 3Q in local currency terms. However, due to the effect of foreign exchange, sales increased in yen terms.



12

Quarterly Operating Income (mil. yen)

Losses narrowed from the second to the third quarter but persisted due to intensified sales promotions for hair coloring products.



Find Your Beauty MILBON

China is facing a challenging situation.

In this difficult market environment, we are assisting salons in reforming their management practices. The salon market differs from general cosmetics, as people will always need haircuts and visit salons regularly. However, salon customers have become more savings-oriented, so we need to consider what benefits we can offer to encourage them to return. Additionally, there is potential to introduce new menu items that might attract customers.

We are beginning to implement these strategies now. While achieving remarkable results immediately may be difficult, I am confident that these efforts will have a positive long-term impact.

Although we are somewhat concerned about the Chinese market environment, we believe there is still ample room for growth.

Financial Results by Region: USA

Haircare product sales grew steadily. Although issues remain with hair coloring products, which is our focus area this year, we aim to steadily increase the number of salons that use our products through educational initiatives.

YoY Growth Rate of Sales by Product Category*

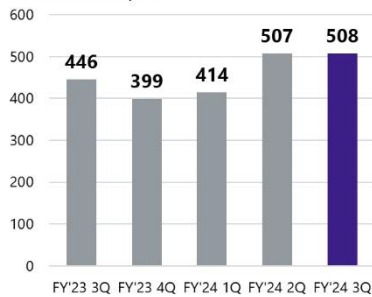
Haircare sales continued to steadily grow. In September, we launched new tones for the Sophistone range to address the lack of color options. In the fourth quarter, we will boost our educational activities to encourage retention and increase repeat business in salons.

FY2024		
Change in Sales	3Q	3Q YTD
Haircare	+12.7%	+7.9%
Hair Coloring	+3.2%	+6.3%
% to Sales	3Q	3Q YTD
Haircare	87.8%	85.9%
Hair Coloring	7.1%	8.7%

* Based on local currency
© Milbon Co., Ltd. All right reserved.

Quarterly Net Sales (mil. yen)

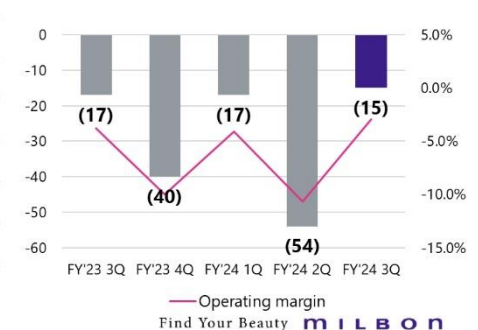
Following our participation in a beauty trade fair in June, our strong haircare sales allowed us to achieve the top in-store share for one month with our largest distributor in LA. Our relationship with them continues to deepen.



13

Quarterly Operating Income (mil. yen)

Marketing expenses increased in the second quarter due to participation in a trade fair.



Find Your Beauty MILBON

Next, we have USA.

Haircare is experiencing significant growth, particularly for Global Milbon.













However, hair coloring, which we expected to grow this year, has not seen much progress yet. Hair color remains a crucial product in American salons, and we are working to expand this category.

The reason this year's hair coloring plan is likely unachievable is that we intended to have influential stylists join our team to create and share both digital and offline content. Unfortunately, we were unable to secure a contract this year, and it will be postponed until the next fiscal year. Despite this, our growth without such activities is promising, and we are steadily educating our distributor's sales representatives.

Additionally, we have a contract with a distributor in California, where we have achieved the top in-store share. This leading position appears to be sustained, making this area very promising. California is a highly influential region in the United States, and success here is expected to have a significant ripple effect on other areas, offering much to look forward to.

Full-year Outlook by Region

Domestic sales are expected to slightly exceed our plan due to strong haircare sales. Overseas sales should meet expectations as strong performance in South Korea and the weaker yen offset slower sales in China.

Region	Vs. Initial Plan	
Japan		<ul style="list-style-type: none">  Haircare (strong sales of new products and an increased number of salons using Aujua)  Hair coloring (the market competition has intensified)
South Korea		<ul style="list-style-type: none">  Haircare (increased number of salons using Global Milbon and Aujua)  The weaker yen
China		<ul style="list-style-type: none">  Deteriorating market environment (lower frequency of customer visits to salons)  The weaker yen
USA		<ul style="list-style-type: none">  The weaker yen  Hair coloring (marketing initiatives with an influential hairstylist postponed to next year)

Here is a forecast for full-year sales.

Haircare is performing well in Japan, although there are issues with hair coloring. We are not too worried, as we believe the plan can still be exceeded.

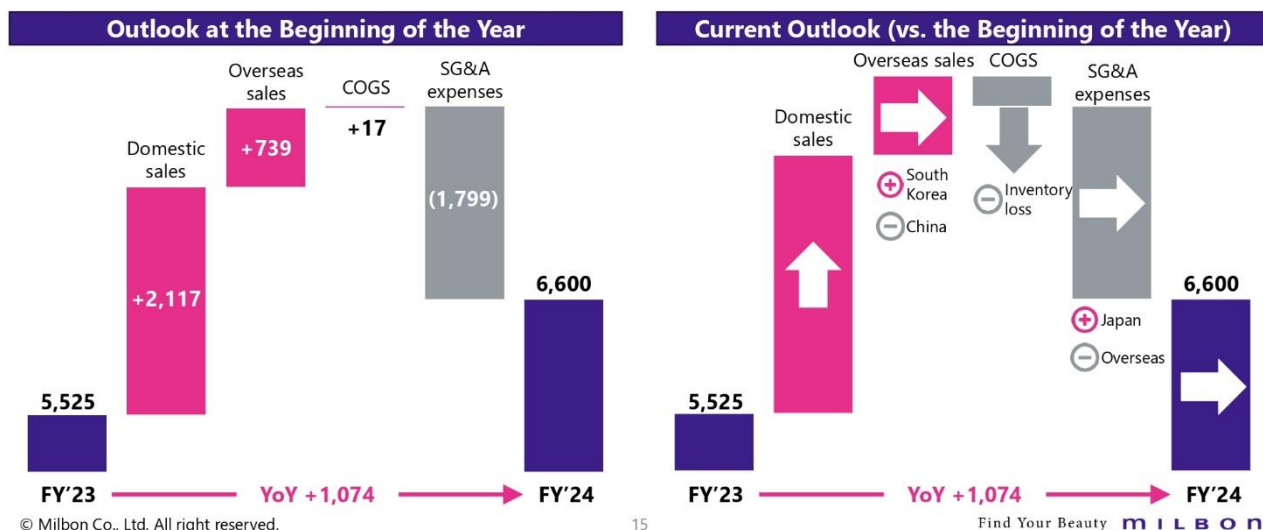
In South Korea, haircare products are doing well, and we have high expectations for the future. The positive impact of the weak yen should also contribute to better-than-planned results.

In China, it is difficult to achieve the plan due to the challenging market conditions. Although there might be some positive effect from the weak yen, it is inevitable that we will not reach the planned level. However, the robust performance in South Korea is expected to more than compensate for this shortfall.

In the U.S., while the weak yen is a positive factor, hair coloring sales are not meeting expectations. We anticipate improvement in the future, but for this year, sales in the U.S. will likely be in line with the plan. Overall, we believe we will achieve our sales targets as planned.

Full-year Outlook for Operating Income

The full-year forecast remains unchanged. Despite an anticipated upswing in sales, operating income is expected to be in line with the plan due to potential inventory loss.



Lastly, I would like to discuss operating profit.

As shown in the waterfall chart, domestic sales are likely to exceed the forecast made at the beginning of the fiscal year. For overseas sales, we expect to meet the plan almost exactly.

Regarding SG&A expenses, we may retain some, but we plan to spend them as originally intended. Additionally, there is likely to be a slight decrease in the COGS due to inventory write-downs, which we believe will be more than offset by the increase in domestic sales. Therefore, we expect to achieve our targets as planned.

That is all from me. Thank you.

Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2024 SCRIPTS Asia K.K. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.