

# MILBON

2022

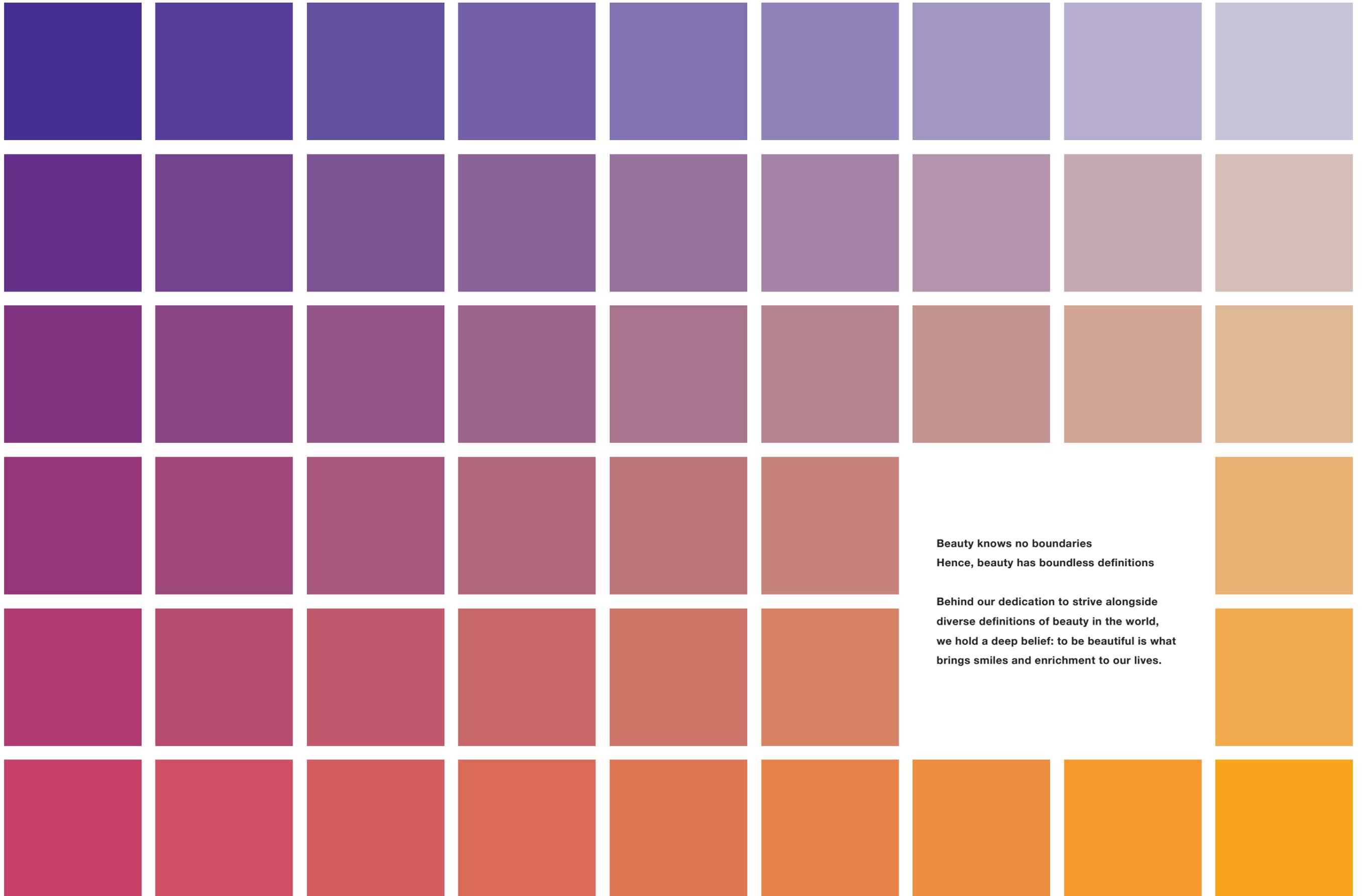
# Report

Integrated Report



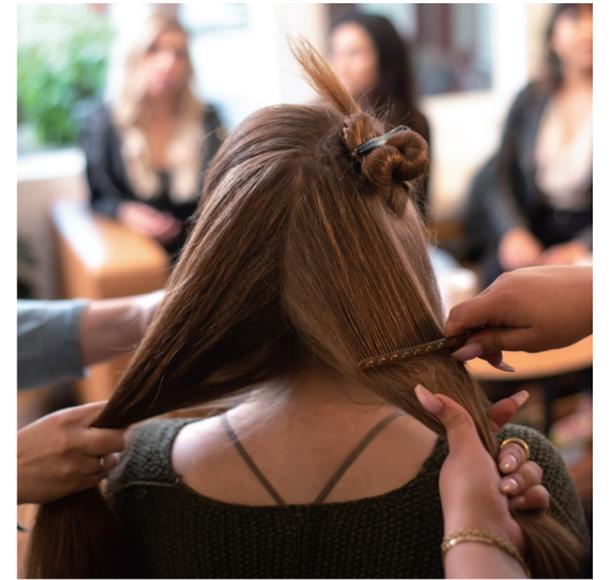
**Finding Beauty Across the Globe  
To Pioneer an Innovative Beauty  
Industry**

Decoding Milbon's present and future  
strategies as a global professional hair care  
manufacturer



**Beauty knows no boundaries  
Hence, beauty has boundless definitions**

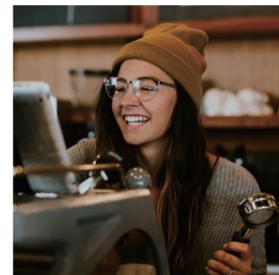
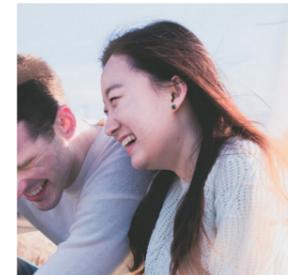
**Behind our dedication to strive alongside  
diverse definitions of beauty in the world,  
we hold a deep belief: to be beautiful is what  
brings smiles and enrichment to our lives.**



Beauty knows no boundaries, with places around the world for us to deliver beauty. One way of realizing this is through our dedication to work alongside salons and haircare professionals. To live our lives to the fullest, we deliver beauty from hair salons to people, cities, and the world.

Milbon is committed to making a difference by inspiring beauty through haircare professionals across the globe.

We believe that we can foster sustainable cities and communities through our dedication and contribution.





## Continuous Innovation for “Building a Solid Company that Won’t Collapse”

At the heart of Milbon, which has achieved sustainable growth since its founding, is the determination to “build a solid company that won’t collapse.” Greetings from Ryuji Sato, Representative Director, President and CEO, who announced a new medium-term five-year management plan in February 2022, with his vision to create the future of Milbon and the beauty industry.

## ■ Bringing beauty to society and people in accordance with Milbon-ism

Thank you for taking the time to read our integrated report. Milbon is a cosmetics manufacturer producing and selling salon-exclusive products for hair care, hair coloring, and more. We are committed to enriching people’s hearts and society as a whole through beauty alongside haircare professionals and hair salons across the globe.

Since our listing, we have achieved revenue growth in 24 fiscal years, excluding FY2020, when the pandemic began in Japan. In FY2021, we surpassed 40 billion yen in consolidated net sales for the first time, returning to a growth trajectory even during the

COVID-19 era.

This sustained growth is founded on a universal fact that underpins Milbon’s business model. At any time and in any age, people want to be beautiful. And it is to the hair salons that customers visit to fulfill that wish. That has remained unchanged, even during the pandemic.

Another major factor is that more than 1,000 employees of Milbon, who work closely with salons and stylists, carry out their duties with Milbon’s distinct vision and action guidelines, *The Milbon Way*, or Milbon-ism, firmly in their hearts.



## ■ Always challenging ourselves to reach where we want to be in the future

Since its founding, Milbon has upheld the belief of “creating a solid company that won’t collapse.” In order to achieve this, we must constantly respond to changes in the market and our customers. In other words, we must continuously innovate and move forward.

In February 2022, we announced our new medium-term management plan for five years through 2026. I will go into details about the strategies in the medium-term management plan later, but I would like to emphasize

that the strategies are formulated to realize Milbon’s unbounded potential not only for the next five years, but also for the next 10 years and beyond. We will continue to challenge, invest, and innovate toward future vision of Milbon, that is, where we want to see ourselves in the future. In doing so, we will continue to grow as a trusted leading company.

Today, more and more people discuss “sustainable society” across the globe, and I am confident that Milbon’s

presence will grow as we continue to achieve sustainable growth.

Ryuji Sato,  
Representative Director, President  
and CEO, Milbon Co., Ltd.

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### Production Policy for this Integrated Report

In preparing this integrated report, we referred to the “International Integrated Reporting Framework” proposed by the Value Reporting Foundation (VRF). Since 2022 is the year that marks the beginning of a new medium-term management plan, we have endeavored to compile not only a report on our initiatives in FY2021, but also to communicate to our stakeholders in an easy-to-understand manner the sources of our value creation, our management strategy, and our medium-to-long-term outlook for promoting sustainability.

The overall design is based on the themes of “global” and “borderless,” and expresses our company’s goal of becoming the “world’s No.1 global professional hair care manufacturer,” with a flat design in a square, monotone color scheme that is easy to read and understand.

This is the third integrated report we have published. For the first issue in FY2019, we have created an editorial policy that emphasizes employee understanding so that each and every employee can deepen communication with stakeholders through the integrated report. The second issue in FY2020, the year in which COVID-19 struck, took the form of a letter to the families of our employees to inform them about the current situation. In FY2021, the year of the third issue of the report, we will build on the production policies of previous years and produce the report with the aim of deepening understanding of our company among a wider range of stakeholders and providing a tool for more active communication with them.

We are still in the trial-and-error stage, so if you have any questions about the content, or if you notice anything that we have not done properly, we would be very grateful for your feedback.

### INDEX



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# ABOUT MILBON

## What we offer

An introduction to the values Milbon offers as a global professional haircare manufacturer striving to achieve a peaceful society by enriching cultures through collaboration with haircare professionals

## Sustainable business growth

Since our IPO in 1996, the Company has recorded revenue growth in every fiscal year except FY2020, which marked the outbreak of COVID-19 pandemic. Our strength and strategy to turn adversity into opportunity

## Booming beauty industry worldwide

Global deployment of sales, production, and development bases in 14 countries and regions, including Japan, to establish a system of local production for local consumption in each country

## Milbon's sales channel

Providing our products and services to salons and consumers in Japan and abroad by establishing partnership with local distributors

## Three reasons behind our continuous growth

Covers the following topics: fostering sustainable growth based on *The Milbon Way*, a handbook containing corporate mission and values that are shared among employees, our proprietary business model, and medium-term five-year management plan

## Value creation model

Value creation model based on *The Milbon Way* to achieve a peaceful and enriched society by inspiring beauty

Click on one of the above to jump to the appropriate page.

WHO WE ARE

What we offer

Milbon is a Japan-based global professional haircare manufacturer

■ Making a difference by inspiring beauty through haircare professionals across the globe

Under the corporate slogan of “Find Your Beauty,” our businesses revolve around the concept of living beautifully. At the heart of everything we do is the approach to living beautifully. Milbon is committed to making a difference by inspiring beauty through haircare professionals across the globe.

■ Continuously transforming through two perspectives

Our customers are not only haircare professionals and salons, but also all customers who visit salons. Against this backdrop, we strongly recognize that the sustainable development of salons, which is indispensable for the realization of an enriched society, requires that we listen sincerely to the voices of all these customers.

For this reason, we continue to pursue and provide beauty services that haircare professionals and customers truly see by taking two perspectives into account: the customer (haircare professional and salon) perspective, and the consumer and social per-

spective, both of which are based on the perspective of the customers who visit hair salons. We have consistently focused on haircare professionals and salons for more than half a century since our establishment in 1960, based on our belief that salons are essential to the cultivation of beauty and the realization of an enriched society.

The products we offer include professional-use products such as hair color dye and hair care products used by haircare professionals for their cus-

tomers, and consumer products that are available to purchase only at the salon. Through the manufacture and sale of these products, we have continued to support salons and meet the beauty needs of customers. We play a leading role in the domestic market for salon-exclusive hair cosmetics, and now that we are expanding globally, many salons both in Japan and abroad are carrying our products.

services that meet the changing needs of the times, including the launch of milbon:iD, an official online store where sales are credited to salons, and the online educational platform as well as virtual event spaces where haircare professional can connect and learn virtually. For example, we have independently introduced the Field Person System, a sales system designed to work closely with haircare professional and salons, and the TAC Product Development System, a system that develops products in cooperation with top-notch haircare professionals.

Although we are a manufacturer and seller of cosmetics, we are by no means a company that simply provides products. What we are offering is beauty, self-worth, spiritual enrichment, and life in full color. Furthermore, we believe that a bright and sustainable society can be achieved by those living their lives radiantly and vibrantly. Amidst the restrictions imposed as a result of the pandemic, we began a wide range of initiatives to make it easier for our customers to access what they need. In addition to improving customer convenience, we are continuing to develop and expand

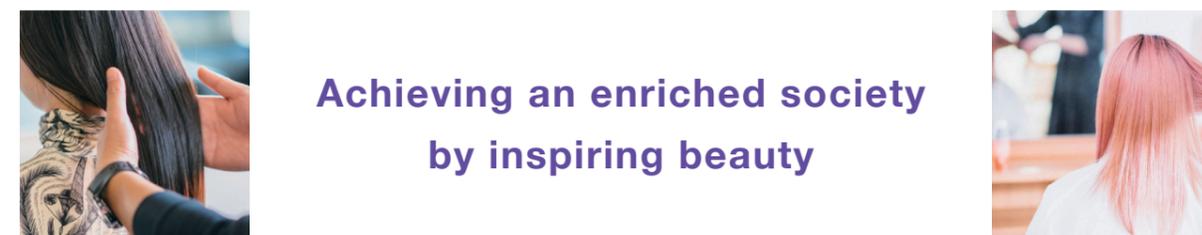
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Achieving an enriched society by inspiring beauty



美しさを拓く。Find Your Beauty

To live beautifully. It's how we approach the world. It's the one, single idea that drives us. Our hair frames our personal beauty how it's styled, how it feels, how it flows. It sets the stage for the inner self we radiate. Everyone's hair is unique, and everyone's beauty is, too. Our purpose is to help people find, embrace, and express their individuality to head out into each day confidently and gracefully, and to live vibrantly. For more than 60 years, professional stylists have been Milbon's partners: we learn from and inspire each other. What unites us is our passion for transforming everything we touch into something beautiful. Together, we constantly push the boundaries of the global haircare industry. Together, we help give people the confidence, sophistication, and grace with which they inspire the world.

To be beautiful

To live your life radiantly

People living beautifully and radiantly are capable of creating a peaceful and enriched society.

WHO WE ARE

Sustainable business growth

2008 Financial Crisis

Although domestic business was strong, the impact on our newly deployed Korean business was so great that the option of withdrawing from the market was raised. However, President Sato himself made an inspection tour of the region and decided to develop the business on his own, saying, "We absolutely have to do it." Korean business has now grown into an important pillar of our overseas business.

Great East Japan Earthquake

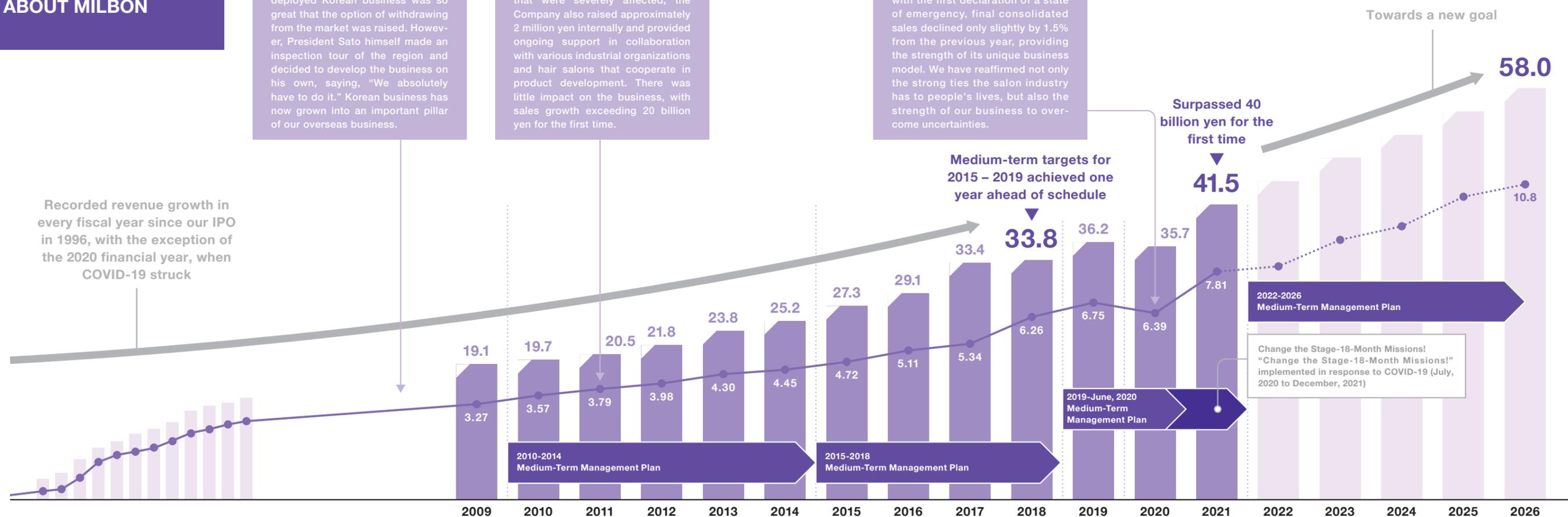
In addition to a total of 10 million yen donated to local governments that were severely affected, the Company also raised approximately 2 million yen internally and provided ongoing support in collaboration with various industrial organizations and hair salons that cooperate in product development. There was little impact on the business, with sales growth exceeding 20 billion yen for the first time.

COVID-19

Although the company faced unprecedented adversity, starting with the first declaration of a state of emergency, final consolidated sales declined only slightly by 1.5% from the previous year, providing the strength of its unique business model. We have reaffirmed not only the strong ties the salon industry has to people's lives, but also the strength of our business to overcome uncertainties.

Performance trends and targets in the new medium-term management plan

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



After the "slight decline" due to the COVID pandemic, the Company achieved record sales and operating income in FY 2021. With a track record that exceeds the growth curve planned before the pandemic, the Company once again proved its strength in turning adversity into opportunity following the 2008 Financial Crisis and the Great East Japan Earthquake.

Through difficulties, towards dramatic growth

We started out as a specialized manufacturer of professional hair cosmetics in 1960, and have consistently developed a unique strategy that focuses on the salon business domain. As a result, we have recorded revenue growth in every fiscal year since our IPO through to FY 2020, and we have continued to

grow sustainably in response to changes in society by flexibly responding to numerous adversities, including the recent COVID-19 pandemic.

The only decrease in revenue and profit was in FY2020, when the pandemic began in Japan. In April of the same year, when a state of emergency was declared for the first time, sales fell to 60% of the previous year's level, but

the subsequent recovery, proving the indispensability of beauty to people, allowed the final consolidated sales to remain slightly down at 98.5% of the previous year.

After overcoming these difficulties in FY2021, we were able to overcome the ongoing adversity of COVID-19 and achieve dramatic growth, with net sales surpassing 40 billion yen

for the first time at 41.5 billion yen and operating income exceeding 7 billion yen for the first time at 7.8 billion yen, both of which are significant record highs. The growth rate was a significant 114.7% compared to the record-high sales in FY2019, and the results exceeded the growth curve planned in the previous medium-term management plan announced before the outbreak of the COVID-19 pandemic.

Solid strength evident in our performance

Our robust attitude to grow by transforming the difficulties that stand in our way into opportunities is one of

our strengths, and this recovery was no coincidence. This is evident in past performances. Since the current president, Ryuji Sato, took up his post in 2008, the Company has faced unprecedented obstacles, including not only the current COVID-19 pandemic, but also the global financial crisis of 2008, and the Great East Japan Earthquake in 2011. But even during such times, growth did not stagnate.

This is due to the corporate philosophy of "building a solid company that won't collapse," which was set forth by Ichiro Konoike, the Company's founder, and has been passed down to all employees to this day. A "company that won't collapse" is a

company that responds to never-ending social changes and brings value to our society. If a company is useful to society, society will not let it collapse. Therefore, it is necessary not only to respond to natural disasters and other events fraught with uncertainty, but also to ensure that the demands of a rapidly developing and changing society will continue to be met in the future. We will further accelerate our global business development and growth by "going beyond" in three aspects of "beyond Japan," "beyond hair," and "beyond an industry-perspective."

WHO WE ARE

# Booming global beauty industry and Milbon's global expansion

Establishing a system of local production for local consumption by establishing sales, production, and development bases

Milbon's global vision

We aim to become the world's No. 1 professional haircare manufacturer through our dedication and educational support towards local beauty industry across the globe.

Responding to people's universal desires for beauty by dedicating to each culture

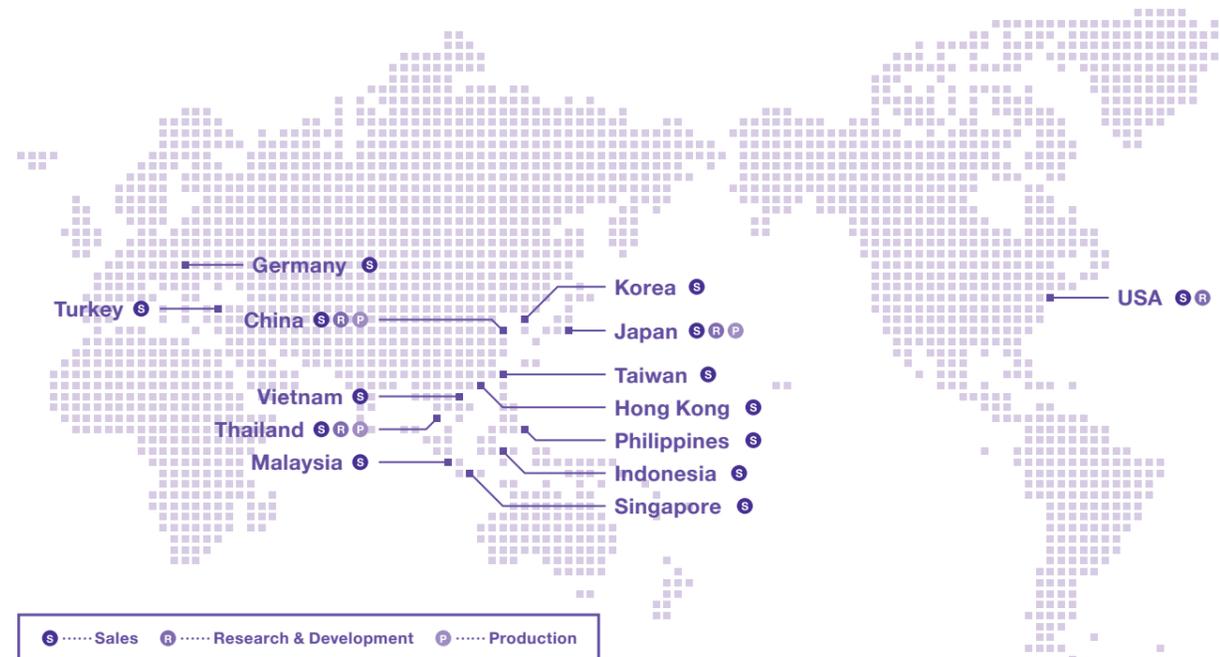
We began full-scale global expansion in 2010, and currently have sales, production, and development bases in 14 countries and regions, including Japan. Hair salons, which exist almost everywhere in the world, continue to function as an important and indispensable part of the local community. We are expanding our business in a

market that pursues beauty in strong partnerships with salons. The desire to be beautiful is constant and universal throughout the world and we are driving changes to fulfill this demand.

An important aspect of beauty is that culture is rooted deeply in the community. Therefore, even if the concept of "beauty" is the same worldwide, what is perceived as beautiful varies from person to person. This is why we are actively promoting local hiring in our

global expansion, and approximately 90% of our overseas employees were employed locally.

Our current overseas bases are mainly sales offices, but in the future we will further expand our development and production areas to each country and region. With this, we aim to promote global expansion rooted in the local culture in order to establish a system of local production and local consumption in each country and region.



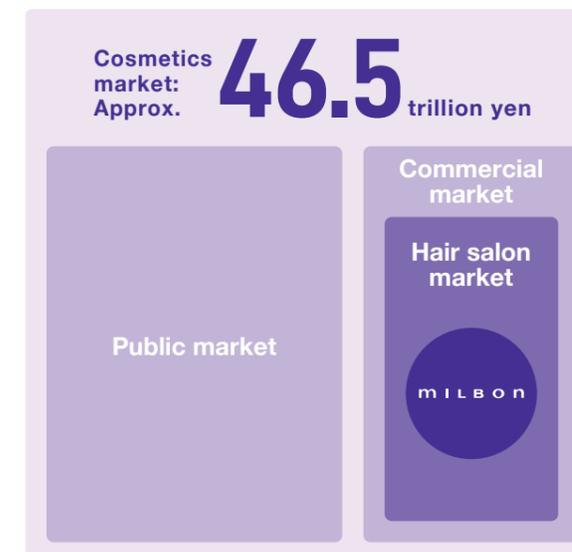
A part of the huge market controlled by Milbon

The cosmetics market is a huge market with a total global value of over approximately 46.5 trillion yen. This market can be roughly divided into the "public market" for general consumers and the "professional-use market" where products and services are provided through specialty stores. Milbon has narrowed down its business domain to the "hair salon market," which is part of the "professional-use market," and provides products and services solely via salons to haircare professionals and customers who visit salons.

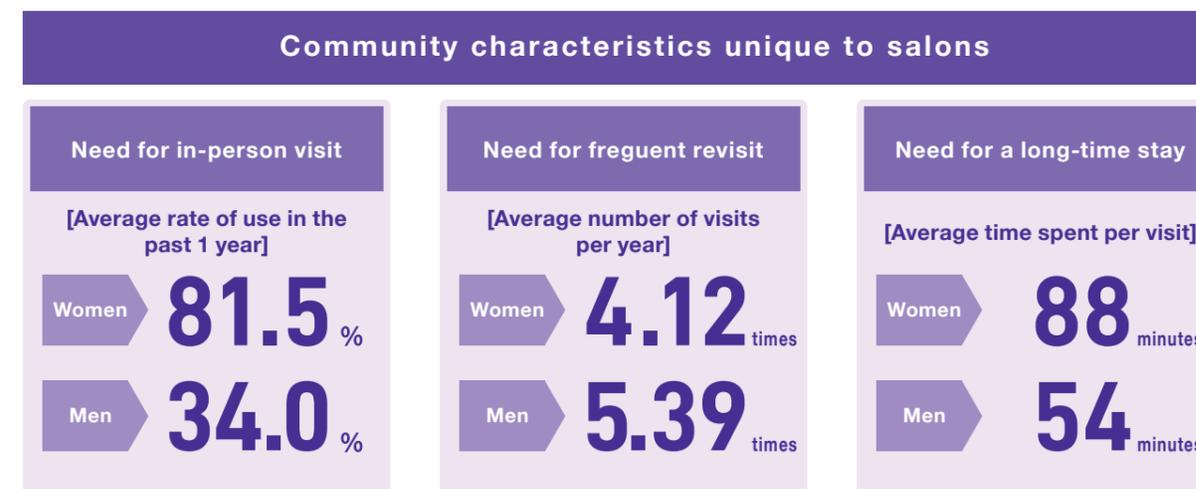
The core products and services offered are "hair cosmetics," which are the main service of salons. Milbon manufactures and sells both products for professional use, such as colorants used by haircare professionals on customers, and consumer products sold by salons in response to customer requests.

The domestic market remains the core of Milbon's operations, even as we continue to push forward with our global expansion. While accelerating development in overseas markets, which hold great potential for growth, it is essential to solidify the groundwork for the domestic market, which will serve as the foundation for such development.

\*Source: National Institute of Technology and Evaluation (NITE), "FY2020 Cosmetics Industry Trend Survey Report"



The unique value of hair salons that remain unchanged around the world



(Source: "Census of Beauty Industry, First Half of FY2021" (Hair Salons and Barber Shops), Recruit Co., Ltd.)

Hair salons: An industry that will not disappear in the future

The unique community-based characteristics of salons are behind our decision to focus our business domain on the hair salon market. Even now, with the COVID-19 pandemic, we have found great advantages and potential in salons. These are found in their very nature, in which they will always be "bricks-and-mortar" and

"community-based" places that will never change. No matter how much digitization progresses, services such as hair cutting and hair coloring can only be provided in person, which at the same time indicates that hair salons will continue to be an indispensable part of people's lives.

In fact, a survey conducted by Recruit Co., Ltd. of 13,200 men and women aged 15 - 69 among urban residents

with a population of 200,000 or more throughout Japan revealed that the above community-based characteristics are unique to salons. These advantages of in-person interactions and potential to reach local communities are values that salons possess and will remain the same regardless of the country or region. This clearly indicates the indispensability of hair salons in society.



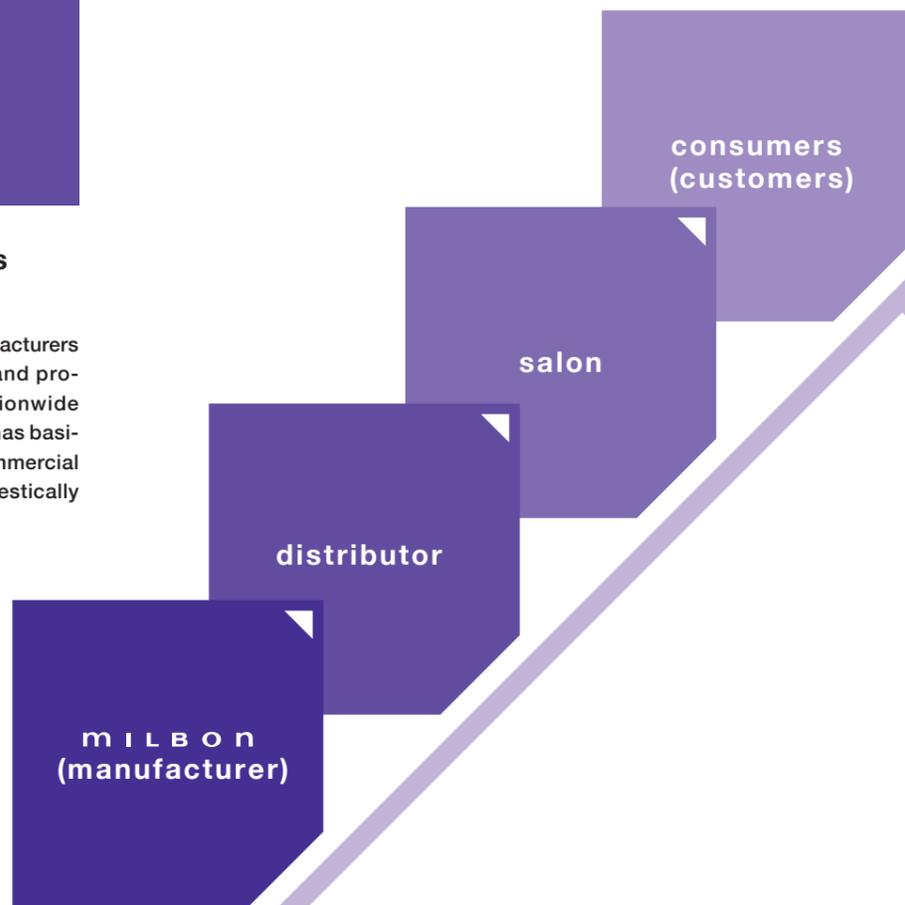
ABOUT MILBON

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Milbon's sales channel

Overview of Milbon's sales channel

In the hair salon market, manufacturers typically produce products and provide them to hair salons nationwide through distributors. Milbon has basically established a similar commercial distribution system both domestically and internationally.



Delivering beauty through strong bonds and trusting partnership with distributors and salons

In the hair salon market, where we operate, manufacturers produce products and provide them to salons nationwide through distributors. Hair salons handle a wide range of products, from professional hair coloring products and perming solutions for commercial use at the salon, to at-home products for customers who visit the salon.

This commercial flow is basically the same in the overseas markets in which we operate, and we are developing our business through cooperative relationships with local distributors. In some regions, we also provide products directly to salons, creating a flexible commercial distribution sys-

tem according to the actual situation in each country or region.

In addition, in order to remain close to customers who have found it difficult to visit salons due to COVID-19, and to support salons nationwide that have suffered a decline in sales as a result of the pandemic, our official online stores platform "milbon:iD", which had been in preparation for some time, was fully launched in June 2020. Customers can now purchase our products unbound by time or place.

However, even in this case, we have established a system whereby membership registration is only available to salons that use the service on a daily basis, and sales are recorded

to the distributors and salons, thus maintaining our "together with salons" stance. The number of registered stores and members at the end of FY 2021 had reached approximately 3,200 stores and approximately 170,000 members, far exceeding the initially planned target of 3,000 stores and 60,000 members. In addition, while maintaining commercial distribution, new possibilities are now blossoming.

As such, the hair salon market is a market that offers beauty and spiritual enrichment to customers through the hands of haircare professionals, and as a manufacturer in this market, we are dedicated to contributing to society.

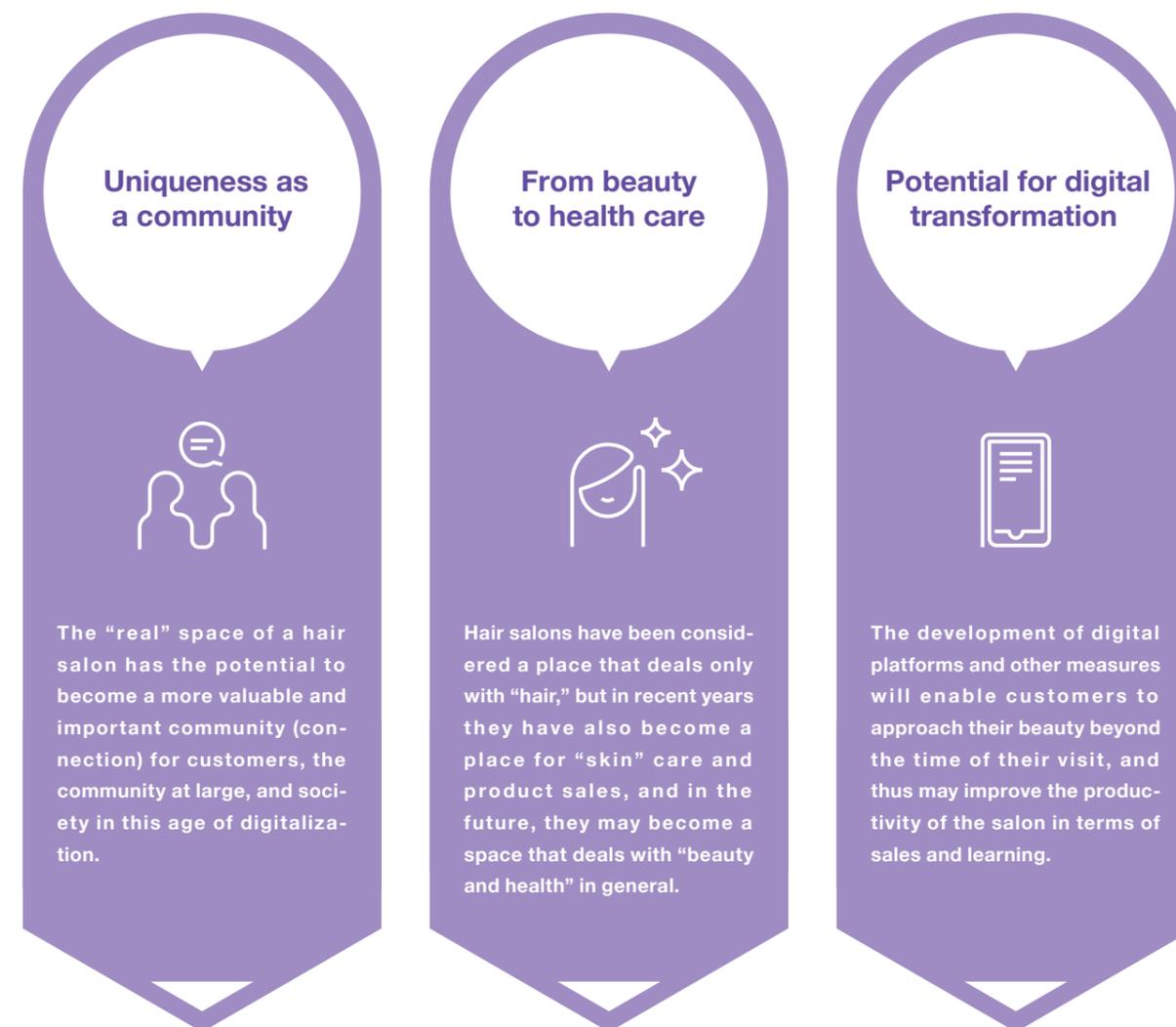
The strength and potential of the hair salon market

The hair salon market, which is our business domain, is a market that needs "real" interaction, including cutting and coloring treatment, no matter how much digitalization has progressed. In order to receive services

at a hair salon, it is basically necessary to visit the salon, and therefore communication between the haircare professional and the customer always occurs naturally. Given these characteristics, salons and the hair

salon market are a treasure trove of possibilities with great potential for development in the future.

Growth potential of the salon market



By taking advantage of the essential "real" communication characteristics of hair salons, not only will salons become local beauty platforms, but also by promoting digital transformation, we can hope for the further growth of the overall market.

WHO WE ARE

Three reasons behind our continuous growth

- 1 **The Milbon Way**
- 2 **Proprietary business model**
- 3 **Medium-term five-year management plan**

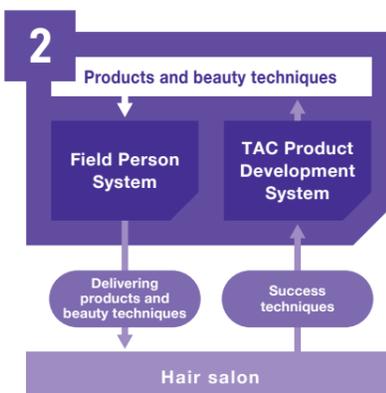
■ **Being passed down from generation to generation: "Milbon-ism"**  
*The Milbon Way* is a handbook containing the mission and the core values, including Milbon-ism, essential to being a Milbon employee. All of our employees carry a copy of *The Milbon Way*, which offers a summary of action guidelines, our Management Ideology, and our future vision-values that employees are expected to share. It was compiled by the current president, Ryuji Sato, 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. Through a long-term, there is a continuous education system that includes three-month Milbon Person Training, second- and fifth-year annual training, as well as follow-up training for promoted employees, all of which are passed on to all employees. The medium-term management plan, which is announced every five years, is also formulated based on *The Milbon Way*.



■ **Building a stronger bond and trusting partnership through services dedicated to increasing sales and profits of salons**  
 Based on its philosophy "Everything we do, we do for and with hair professionals," which remains unchanged since its founding, Milbon has been achieving continuous and consistent growth by focusing its business domain on hair salons and stylists. We have successfully established a number of unique services that contribute to

salons' increased sales and profit as a result of narrowing down our expertise to the professional hair salon market instead of the hair care cosmetics market or the cosmetics market as a whole. By having all employees embody the slogan, "Don't sell products, sell concepts," we have continued to earn the support and endorsement of salons with high ambitions for growth and top-class haircare professionals, building even stronger bond and trusting partnerships.



■ **Achieving clear goals every five years to realize our vision**  
 We announce a five-year medium-term management plan based on *The Milbon Way*. As a result, we have been able to steadily advance our five-year initiatives to realize our long-term vision, looking ahead to the latest social trends and social changes in five years, and have constantly achieved our goals. In the event that we achieve our goals in the middle of the five-year mid-term

period, we immediately start a new medium-term management plan, so we never allow growth to stagnate. In addition, the Company has the flexibility to immediately revise its plans to meet the urgent demands of society in the wake of the recent COVID-19 pandemic, and all employees are continuously taking actions with a constant eye on the medium- to long-term vision.



Three reasons behind our continuous growth  
**Proprietary business model**

For more than 60 years since our founding in 1960, we have continued to operate with a unique business model focused on hair cosmetics for salons. This business model is focused on specific business domains, and we are able to acquire a deep understanding of the beauty market

and a certain level of beauty techniques through extensive specialist training for all employees, from sales to research. As a result, we are able to continue grasping the needs of customers (salons), including potential ones, from the standpoint of haircare professional. These strengths

have led to diversified support for salons throughout the value chain. These strengths are the source of value that we truly need to provide: inspiring beauty of all the customers including those beyond haircare professional, and realizing a society with enrichment.



**Business model recognized by professional organizations**  
**Awarded the Porter Prize for the uniqueness of business strategy**

Our unique business model won the 20th Porter Prize for 2020, sponsored by the Department of International Corporate Strategy at Hitotsubashi Business School. Since our founding in 1960, we have consistently focused our business on haircare professionals and hair salons. Since our listing in 1996, we have maintained high profitability and recorded sales growth for 23 consecutive years through 2019.

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 technical manuals, and educational support is provided so that many haircare professional can provide the advanced services required by customers. The 'Field Person System' is a system of sales and education support for salons, in which Milbon employees in charge of sales and education provide various services to support the growth of salons.





ABOUT MILBON

## WHO WE ARE

# Three reasons behind our continuous growth

### 7 unique qualities

We offer a variety of unique services that are only possible because we specialize in salon-exclusive products. Here, we introduce our unique initiatives that support sustainable growth.



#### Field Person System

This is a unique sales system that contributes to salons by providing not only products but also value-added services such as beauty techniques associated with the products. We provide a wide range of support through the collaboration of three parties: Field Marketing Sales, who identify issues; Field Salon Educators, who specialize in educational support; and Field Cosmetics Educators, who specialize in cosmetics.



#### Milbon Person Training

This is a three-month training course for all new employees of all job types, covering a wide range of topics ranging from our history and philosophy to product knowledge and beauty techniques. Subsequently, sales employees undergo about three months of Field Person training and three months of on-the-job training, while researchers undergo about six months of developer training (a total of nine months of training), before being assigned to their respective departments. This allows all personnel to make immediate contributions to the company after completing the training.



#### Strong partnerships with salons

By building strong partnerships with salons through our Field Person System, we are able to jointly develop products with haircare professions, and build relationships as true partners. For example, each year we receive sales and other management data free of charge from more than 1,000 salons as part of our Management Index Survey.



#### TAC Product Development System

In Milbon's unique TAC system, we scientifically analyze the know-hows and expertise of highly regarded stylists, harnessing them to develop innovative products with the slogan "fusion of science and sensibility." Products developed from this system serve to standardize their advanced techniques, concepts, and ideologies across hairstylists.



#### Cutting-edge research system

For years, we have independently conducted research on hair and possess some of the leading research technologies for basic hair research in Japan. In addition, since 2012, Milbon engage in research on the molecular level using SPring-8, a large-scale synchrotron radiation facility, owned by the Institute of Physical and Chemical Research. There is no other manufacturer of salon-exclusive products that has established a similar research and development system of developing products backed by scientific evidence.



#### Stable production system

The Yumegaoka Factory has established a production system based on the Global Health Organization's (WHO) international standard "GMP." In addition to placing the highest priority on the safety and security of our employees, such as obtaining certification under ISO 45001 (Occupational Safety and Health Management System), we have established a system of "high-mix, variable-volume production" that allows us to flexibly change the volume of production without excess or shortage according to demand.



#### Promotion of DX with milbon: iD, a unique e-commerce platform based on BtoBtoC

This B to B to C online platform, which allows customers to purchase our products online without having to visit a physical salon, gained significant support amid the voluntary restraints on going outside due to the pandemic. Membership registration is available only at salons, and sales are credited to registered salons, creating benefits for both customers and salons.

### Medium-term five-year management plan

We cannot talk about our sustainable growth without the medium-term management plan, which is formulated and announced every five years.

To realize our long-term vision of realizing a spiritually rich society through

beauty, we have constantly thought about "what salons must do" and "what we should be," and have steadily promoted our medium-term management plan with an eye to the latest social trends and social changes in five years.

In this section, we look back at our medium-term management plan since 2010 and the results we have steadily accumulated.

### 2010 - 2014 Medium-Term Management Plan

Beyond Japan  
(Global operations)

#### Medium-term Vision

Focus on beauty technologies that lead to customer creation and create a market centered on Asia based in Japan

#### Medium-term Targets

Consolidated sales target: 25 billion yen  
Domestic sales: 22.4 billion yen  
Overseas sales: 2.6 billion yen  
Overseas sales ratio: 10.5% (consolidated basis)

#### Performance

As a result of aggressive overseas expansion, mainly in the Asian region, along with educational support activities for salons centered on hair care in the domestic market, which is experiencing a declining birthrate and aging population, the Company achieved the target of ¥25 billion in net sales and an overseas sales ratio of 10.4%, almost the same level as the target set in the medium-term management plan. Although the Great East Japan Earthquake occurred during this period, we recorded steady growth without being affected.

### 2015 - 2018 Medium-Term Management Plan

Beyond hair  
(Lifetime Beauty Care)

#### Medium-term Vision

We aim to become the leading manufacturer in Asia and top 5 in the world by competing on the global field of professional industry

#### Medium-term Targets

Consolidated sales target: 35 billion yen  
Domestic sales: 28.3 billion yen  
Overseas sales: 6.5 billion yen  
Overseas sales ratio: 18.6% (consolidated basis)

Target before application of Accounting Standard for Revenue Recognition

#### Performance

We invested aggressively in growth by expanding the Yumegaoka Factory, which is our core domestic plant; expanding the Central Research Laboratory; establishing new domestic bases, including Ginza; and establishing new overseas bases, including the Philippines, Korea (Tejon), China (Chengdu), and Germany. We worked to enhance our retail business, including full-fledged efforts in corporate branding and product branding, and the premium brand contributed significantly to our results. As a result, sales in Japan were particularly robust, and we achieved our FY2019 target of 35 billion yen in consolidated net sales in FY2018, one year ahead of schedule. Not only did we maintain our No. 1 share of the domestic market, but we also became No. 1 in Asia with an 11% share and No. 7 in the world with a 3% share. In response to this result, we decided to formulate a new medium-term management plan one year ahead of schedule.

### 2019 - 2020 Medium-Term Management Plan & 2020 - 2021 Change the Stage- 18-Month Missions!

Beyond an industry-  
perspective  
(Perspectives of society  
and customers)

#### Medium-term Vision

We aim to become the leading manufacturer in Asia and top 5 in the world by elevating the value of industry professionals in the eyes of consumers and society at large

#### Medium-term Targets

Consolidated sales target: 48.5 billion yen  
Domestic sales: 40 billion yen  
Overseas sales: 8.5 billion yen  
Overseas sales ratio: 17.5% (consolidated basis)  
FY 2023 target as of 2019

#### Performance

At first, we were developing our medium-term management plan for FY2019-2023, but we decided to shift our course to respond to changes in people's behavioral patterns and values that accompanied the pandemic. This was the "Change the Stage-18-Month Missions!" In order to accelerate the response to the need for DX adoption by salon management, which has rapidly surfaced, the Company has successively opened official online stores "milbon:iD," "Education iD," an online learning tool for haircare professional, and "Milbon Digital Arena," a virtual event space. In R&D, we expanded our first overseas R&D base in North America, and in China and Thailand we are now ready to begin operations. In production systems, we were able to expand our Thai factory and establish a plant in China at a faster pace than expected. In 2021, we recorded results that exceeded our original growth trajectory.

WHO WE ARE

Value creation model

Value Creation Process

Based on the management philosophy of “narrowing down” and “deciding what not to do,” our business domain has consistently been providing products and services to society through salons and haircare professionals since our foundation. With focused capital investment, a medium-term five-year management plan, and DX promotion as driving forces, we are creating continuous value and contributing to the spiritual richness of society through beauty.

VALUE

Realization of spiritual richness through beauty

Achieving a sustainable society through our collaboration with haircare professionals.



Fostering sustainable cities and communities through our dedication and contribution to fulfill a beautiful way of living.



### Main Management Resources

- Financial Capital**: Sound and stable financial position. Net assets: 40.19 billion yen. Equity ratio: 83.3%. \*Fiscal year ending December 31, 2021.
- Manufacturing Capital**: Production bases in Japan and overseas. Three bases in Japan (production of GMP-compliant cosmetics), Thailand and China. \*Fiscal year ending December 31, 2021.
- Human Capital**: The Milbon Way, specialized beauty experts. Number of consolidated employees: 1,038. Education and training expenses: 103,773 yen (per employee in FY2021). \*Fiscal year ending December 31, 2021.
- Intellectual Capital**: R&D that integrates sensibility and science. R&D expenses: 1.74 billion yen. Number of patent applications: 231 in Japan, 34 overseas. \*Fiscal year ending December 31, 2021.
- Social Capital**: Connection with society through beauty. Number of salons with which we regularly exchange information: 12,435. Number of milbon:iD (Milbon's official online store) registered users: 231,149. \*As of April, 2022.
- Natural Capital**: Efficient use of resources to meet sustainability commitments. Energy consumption: 2,249 KL. Water consumption: 47,219 m<sup>3</sup>. CO2 emissions: 4,129 t-CO2. \*FY2021 (only water consumption is based on actual results at our production factories).

INPUT

### Business Model and Growth Strategy

**FP System**: A system centered on educational support that contributes to salons by utilizing real and digital resources.

**TAC Product Development System**: We develop new products and new in-salon techniques through the learnings from successful stylists and their clients with our B2B2C approach.

**High-mix variable volume production system**: A production system that enables same-day shipment and flexible adaptation of production volumes according to demand.

### Strategy to Create Continuous Value

**Medium-Term Five-year Management Plan**  
Salon-based Social Innovation × Sustainability Commitment

**Promotion of DX**  
milbon:iD Education iD  
Digital Arena Field Activities DX

OUTPUT

### Most Recent Accomplishments and Goals

	FY2021	FY2026 Target
Net sales:	41.58 billion yen	58.0 billion yen
Operating income:	7.81 billion yen	10.8 billion yen
ROE	13.4%	13.9%
ROIC	12.9%	13.6%
Dividend payout ratio	43.3%	50.0%

### Social Value

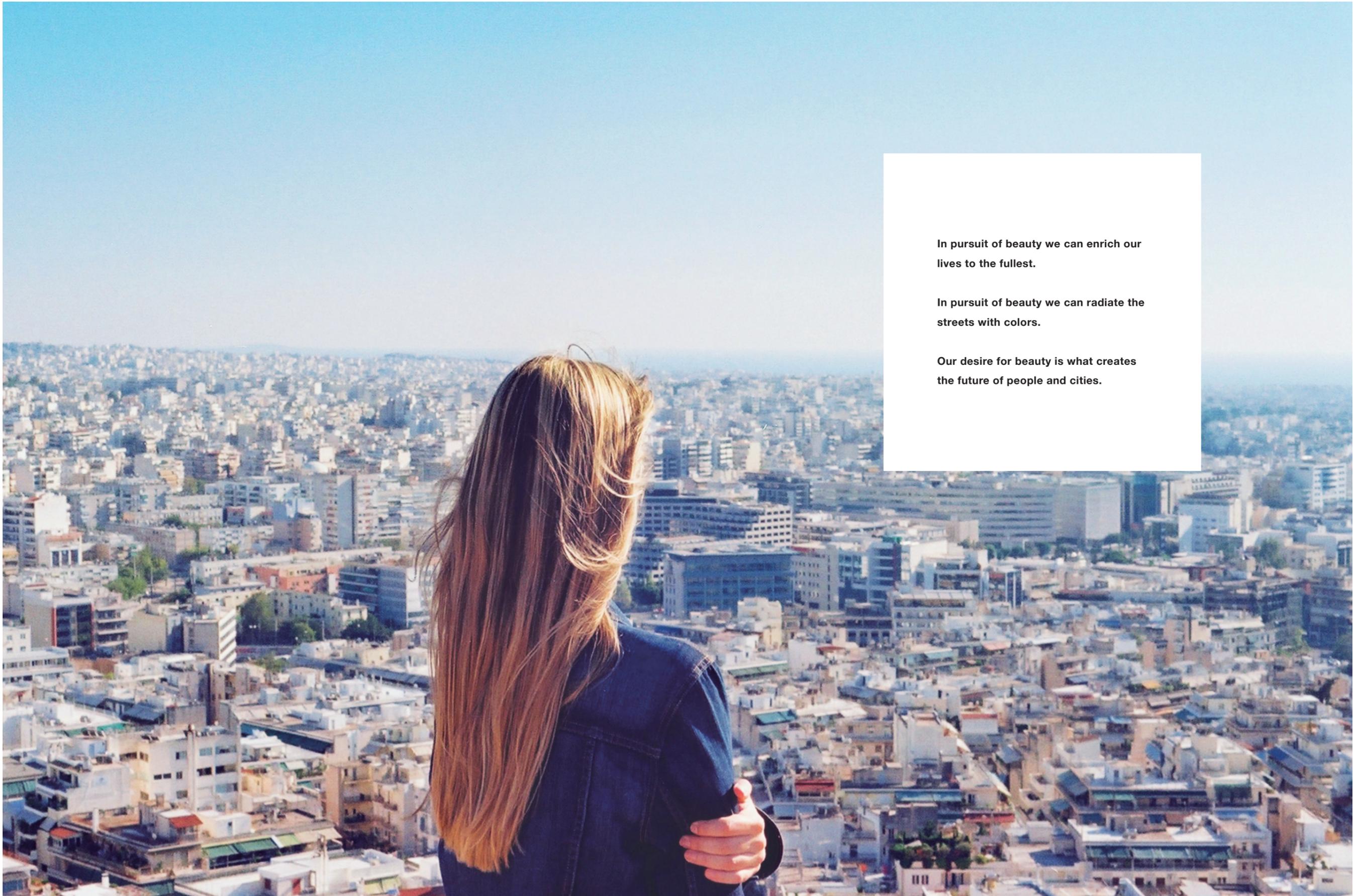
The Five Key Challenges for Achieving a Sustainable Society

1. Enrich people's hearts through beauty. Foundation for the Company's sustainable business growth.
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.

OUTCOME

Return of Management Resources

THE MILBON WAY / Founding philosophy of “creating a solid company that won't collapse”



**In pursuit of beauty we can enrich our lives to the fullest.**

**In pursuit of beauty we can radiate the streets with colors.**

**Our desire for beauty is what creates the future of people and cities.**

# STRATEGY

## -CEO INTERVIEW-

### Milbon's Strategy

#### Looking back at 2021

Consolidated sales exceeded 40 billion for the first time as a result of "Change the Stage 18-Month Missions!" in response to the COVID-19 pandemic

#### Social background to be considered and the new medium-term management plan

Transformation of the beauty industry we aim to drive in the new medium-term management plan, derived from rapid changes and risks at home and abroad, and challenges in the beauty industry

#### Overview and key strategies of the new medium-term management plan

"7 Regions" as a global strategy to establish a system of local production for local consumption. "Salon-based Social Innovation" as a domestic strategy to bring about the new form and function of salons in the name of "Beauty Platform"

#### Milbon's vision for 2026

Striving to become the leading hair care manufacturer in Asia and join the top five in the world with the slogan, "Stage for the Future" to pioneer the beauty industry

Click on one of the above to jump to the appropriate page.

## A New Medium-Term Five-Year Management Plan as a Growth Strategy to Navigate Through Uncertain Times

Ryuji Sato, President and CEO, will provide an overview of Milbon's medium-term five-year management plan announced in February 2022. In order to achieve sustainable growth even in times when it is difficult to foresee the future, Milbon will create the future of the beauty industry from a global perspective while transforming itself.

### ■ Entering a New Stage of Growth through DX

#### ■ Our missions in the 18 months of the pandemic

I would like to begin by reiterating that Milbon achieved consolidated sales of 41.5 billion yen in FY2021, surpassing the 40 billion yen mark for the first time, despite still being in the midst of the COVID-19 pandemic.

This outstanding performance is the result of the efforts of haircare professionals and distributors. I would also like to extend my gratitude to our consumers, shareholders, and all of our stakeholders, including our employees, without whom we would not have been able to achieve this success. I would like to take this opportunity to express my deepest appreciation.

If I were to give another reason for this success, it would be that in June 2020, in response to the unprecedented situation of the COVID-19 pandemic, we suspended the medium-term five-year management plan that had begun in 2018 and steered the company toward a growth strategy for a new era, entitled "Change the Stage 18-Month Missions."

This is an initiative to accelerate the speed of various changes and reforms that Milbon has been working on in a shorter period of 18 months in order to respond to the major changes across the world that have emerged one after another since the pandemic. The crux of the mission was to promote DX in various aspects of the business in one fell swoop.

Specifically, we launched "milbon:iD," an official online store that connects with each and every customer without changing the business flow; "Education iD," an online self-development platform for haircare professionals, unbound by time or place; the "Digital Arena," a virtual event space that connects haircare professionals around the world with the future of beauty; and the promotion of digital marketing, which had been lagging behind other industries.

■ The combination of Milbon's initiatives and shift in people's awareness yielded great results I would like to mention here that,

except for the "Digital Arena," we started all these projects before the onset of the COVID-19 pandemic.

In particular, the official online store platform "milbon:iD," an innovation for the beauty industry, is an evolution of what has been tried and tested since the days of home delivery services some 20 years ago. Since its launch in 2019, it is now beginning to attract attention in a way that is consistent with people's changing attitudes toward going out due to the pandemic. As for the "Education iD" and digital marketing, our efforts over the past 18 months have finally begun to produce tangible results in line with current trends.

The FY2021 was a year in which the foundations for DX were laid for our company. Due to the "Change the Stage—18-Month Missions," Milbon is now on the threshold of another growth stage for the post-COVID era.

### ■ In an Unknown Business Environment in the "New Normal" Age

■ In light of rapid changes at home and abroad and the many risks In February 2022, we announced our medium-term five-year management plan that will run to 2026 (hereinafter referred to as the "new medium-term management plan"). The main strategies will be described one by one on the next page, but in order to understand them, it is necessary to touch on how Milbon perceives today's society and the beauty industry.

The COVID-19 pandemic has transformed the way people behave and their sense of values, and the so-called "new normal" era has begun. The shift from material consumption to value-oriented consumption, the growing trend toward local consumption, and the increasing awareness of self-care are all changes that we cannot afford to ignore.

In addition, Japan's population is shrinking at an unthinkable rate. No one can stop the trends toward urban change, so-called "smart cities", and small commercial areas.

Looking at global trends from a more detached perspective, the tide is certainly turning.

The first point that can be raised is the reemergence of geopolitical risks. Conflicts due to social systems and ideologies, as well as the Taiwan Strait crisis, directly affect Milbon as a global company in a variety of ways. While Russia's invasion of Ukraine has not directly damaged us so far as we do not carry out business in the area, we assume that the conflict will affect us in regard to the procurement of materials and energy if it is prolonged.

Climate change and carbon neutrality are also important and pressing issues that can no longer be separated from all business activities around the world.

No one knows what will happen to the world in the future. However, one thing is certain: we are exposed to a business environment unlike any we have ever experienced before, and

all this takes place in a "new normal" world where the future is almost impossible to predict.

Even if we focus on the beauty industry in which Milbon operates, there are still many challenges lying ahead. They can be broadly categorized into structural and industry-specific challenges in the beauty industry.

Structural challenges relate precisely to the population decline and smaller commercial areas mentioned earlier. Industry-specific challenges are those related to productivity and labor issues for hair salons and hairstylists. Hair salons that have to rely on technical services have no choice but to increase the number of customers to improve sales. But there are always limits to this. In the case of hair salons, which is a world of artisans, the balance between education and working hours has always been a concern.

Hair salons and the beauty industry are now being forced to change the way they operate.

As described above, it must be said that challenges are piling up, whether we look at society as a whole or just focus on the beauty industry. But there is also a great deal of potential and opportunity there.

What kind of management strategy is needed to grow as a truly global company in this uncertain "new normal" era? Moreover, what approaches can be taken to transform the beauty industry, which faces both structural and industry-specific challenges?

Our new medium-term management plan divides the overall strategy into three parts: a global strategy, a strategy for the domestic beauty industry, and a sustainability initiative that is the premise for all business activities, with specific goals and initiatives for each.



CEO INTERVIEW

Overview and key strategies of the new medium-term management plan

Global Strategy: "Seven Regions"



Avoiding geopolitical risks while remaining close to each country and region

First, let me start with Milbon's global strategy.

At the root of how we define beauty is the notion that beauty is culture itself, rooted deeply in the local community. The concept of beauty is universal worldwide, but the definition of beauty varies from region to region, no matter how much globalization is talked about. On top of embracing our culture(s), each one of us is blessed with our own unique hair texture, skin tone, and more. Milbon is determined to explore and realize the unique beauty of each local community by staying close with our customers and through collaboration with salons.

With that in mind, the global strategy in our new medium-term management plan is to divide the overall global market, including Japan, into seven regions, and to promote local production for local consumption while giving

priority to local conditions.

Not only is it effective in contributing to the local beauty industry across the globe, but also a vital way to avoid as much of the geopolitical risks mentioned earlier. Even today, different countries and regions have different laws and trade regulations, and it is impossible to predict how these will change in the future climate. However, if we can establish a system of local production and consumption, we can minimize the risks that change brings.

In 2021, we completed our second overseas factory in China. Rather than to manufacture products for the domestic market in Japan, this factory is designed to achieve local production and consumption in the Chinese cultural sphere. Similarly, we are preparing to set up R&D and production sites in other regions in the future.

**Toward a long-term vision of expansion in each region**  
In addition, since Milbon's current posi-

tion differs in each region, as shown in the diagram above, we have established a vision of the long-term expansion of each region and key themes in the new medium-term management plan.

For example, in South Korea, where sales and recognition are already growing, we "aim to acquire the status of the true industry leader and make an IPO," and to achieve this, we need to develop executive personnel. In the Chinese cultural sphere, where the beauty market is expanding rapidly, we "aim to become the top overseas beauty product manufacturer" and will achieve accelerated growth by developing a production system.

Milbon is also moving to establish a foothold in India, Oceania, Latin America, and South America, where it has not been able to expand, using neighboring regions as bases.

With our global strategy of seven regions, Milbon aim to become the No.1 manufacturer in Asia and top 5 in the world by 2026.

Domestic Strategy: "Salon-based Social Innovation"



\*Five Key Challenges include: 1) Enrich people's hearts through beauty, 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. See P38-, SUSTAINABILITY & ESG for details.

To establish a new form and function of hair salons

The diagram above shows the overall picture of our strategy in Japan, so explaining how this diagram came to be will also serve as an overview of the domestic strategy.

"Salon-based Social Innovation," which is at the top and encompassing the entire diagram, is Milbon's salon reform initiatives that aims to transform the salons themselves, which are plagued by structural and industrial challenges.

As a measure to realize the reform, the "Beauty Platform Concept" occupies a wide left side. The concept is to develop hair salons into a beauty platform that brings affluence to local people through beauty, rather than just a place to visit for hair-styling.

The two strategies we have prepared for this concept are the "Smart Salon Strategy" and the "Lifetime Beauty Care Strategy" below. The Smart Salon Strategy is to collaborate with salons to create a new form and function of hair salons that combines real and digital services, and to deploy it throughout Japan. The beauty life care strategy is to cover not only hair care but also skin care and beauty health care, so that hair salons can be a place that accompanies customers throughout their lives to help them achieve their beauty.

The text in the light-colored frames at the bottom of the two strategies is a strategy that supports each strategy and clearly states the changes that need to be made within Milbon, such as the shift to DX and a review of the product development system.

Taking company-wide initiatives toward the realization of a sustainable society

Along with the Beauty Platform Plan, the "Sustainability Commitment" on the right-hand side is a pillar of measures for Salon-based Social Innovation. This means that Salon-based Social Innovation cannot be achieved without incorporating the company-wide initiatives toward realization of a sustainable society.

Under the Sustainability Commitment, there are five key challenges, and Milbon positions 1 "Enrich people's hearts through beauty," as the highest priority, and 2 through 5 as those that support this commitment. The arrow pointing to the left from the green area indicates that the realization of a sustainable society is what supports the Beauty Platform Plan.

CEO INTERVIEW

Overview and key strategies of the new medium-term management plan

■ Unleashing a New Form of Salon: “Smart Salon Strategy”



Overview of Expo 2025 Osaka, Kansai  
 Theme : Designing Future Society for Our Lives  
 Exhibition : Osaka Pavilion, REBORN Area  
 Period : April - October, 2025  
 Venue : Yumeshima, Osaka  
 No. of projected visitors : Approx. 28 million  
 Provided By : Japan Association for the 2025 World Exposition

■ Collaborating with salons to create a new era of beauty spots  
 The Smart Salon Strategy proposes the concept of the “Smart Salon,” a completely new salon space providing a full range of beauty services for an innovative customer experience through the fusion of digital and reality. We will expand Smart Salons across Japan in collaboration with partner salons that share the same aspiration.

We will execute this strategy in two phases. In phase 1 we will develop model salons in collaboration with our partner salons in iconic spots in commercial areas, where we will try out, verify and create new customer experiences.

In the subsequent Phase 2, smart salons will be launched in major cities throughout Japan. The target is to

open 500 to 1,000 salons in 100 cities, and Milbon’s knowledge-based product sales\* management method and education system will be rolled out at the same time.

The Smart Salon Strategy will create a new era of beauty spots with high productivity and customer satisfaction, and will present a new form and function of salons.

Smart Salon will be exhibited at Expo 2025 Osaka, Kansai, where many people will be able to experience the innovative model of salons, and will be widely communicated to society, customers, and people in Japan and abroad.

\*Knowledge-based product sales: A sales method where products are sold alongside valuable information founded in the knowledge and insights of hairstylists.

■ Beyond Hair: “Lifetime Beauty Care Strategy”

■ Expanding business fields with partners

While hair remains at the heart of Milbon, we continue to push boundaries to broaden the potential of salons with our determination to expand “beyond hair” into other fields related to beauty.

The first phase, which got underway in 2019, is the cosmetics business. “iMPREA,” the salon-exclusive cosmetics brand born from joint development with KOSÉ, leverages both companies’ strengths and pioneers a new culture of purchasing cosmetics at hair salons.

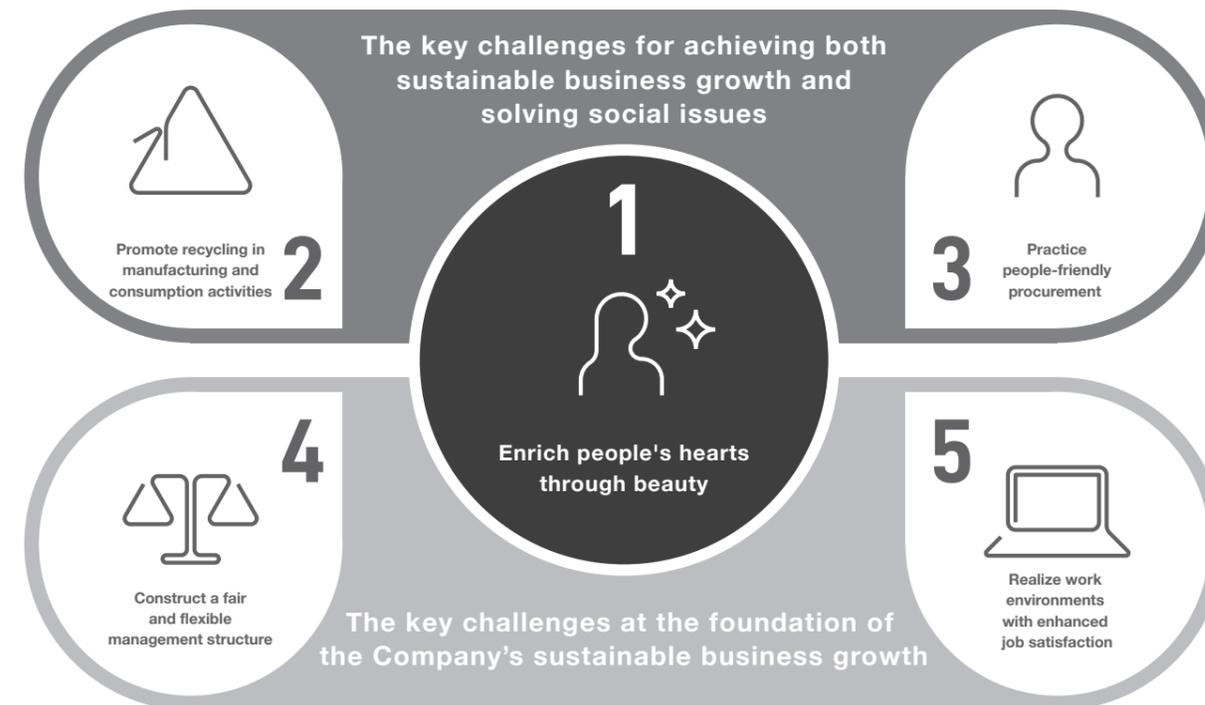
Next, we are preparing to enter the field of beauty health care. This is a health support business centered on

oral products that lead to beauty, and our first product is currently under development with Kao as our partner. We will provide services that address customers’ daily changes by utilizing our unique technologies and evidence, such as aging care and sebum RNA that monitors lifestyle habits and other factors.

These products sold through knowledge-based product sales are a measure to greatly improve the profit margin of salons, which rely on technical services for a large portion of their sales, and will still be an effective means of reforming the way hair salons are run.



■ Make Sustainability Company-Wide Responsibilities



■ Realizing a sustainable society by addressing the key challenges

First of all, as a premise, the concept of contributing to society through business activities is not new at all, as Milbon, where the belief that “If a company is useful to society, society will not let it collapse” has been handed down since the company was founded.

For example, in terms of what is now called “diversity and inclusion,” for over 15 years our own factory in Mie Prefecture has been working with local

organizations to support the independence of people with disabilities through its own initiatives. This eventually spread throughout the region and is now known as the “M.I.E. Model,” attracting attention from all over the country.

With this corporate spirit in place, and with the realization of a sustainable society being talked about everywhere, we have reiterated our basic policy of Sustainability Commitment in order to further clarify what we should do.

We are committed to achieving a sustainable society through our collaboration with haircare professionals. Based on this basic policy, we have identified five key challenges as presented above. Although there are initiatives necessary to realize a sustainable society in all directions, when we consider that Milbon should first focus on what we can do through its business activities, the top priority inevitably becomes “Enrich people’s hearts through beauty.” See the next chapter, “SUSTAINABILITY & ESG,”

for more information on our efforts to address these five key challenges of utmost importance.

■ A town where people can live vibrantly is a town where they can continue to live.

I would also like to emphasize once again that in our new medium-term management plan, we have positioned this Sustainability Commitment at the core of our strategy to achieve Salon-based Social Innovation (i.e., reforming the way hair salons are run).

Milbon is undertaking various initiatives to transform the salon into a “Beauty Platform” that serves as a community of beauty and soul in the local community. The “Beauty Platform” will play an important role in the development of a town where people can continue to live vibrantly. In other words, we recognize that this is an initiative that will also lead to the sustainability of each city and to SDG Goal 11, Sustainable cities and communities.

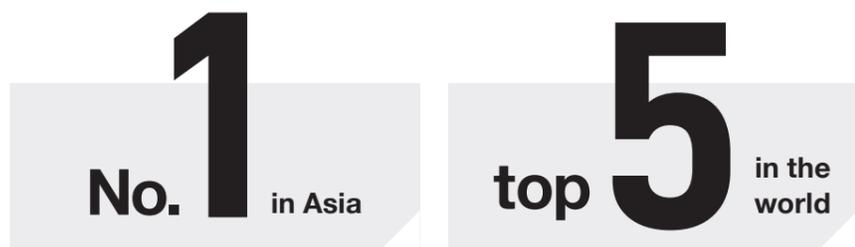


CEO INTERVIEW

Milbon's vision for 2026

Numerical Targets Beyond Achieving Sustainable Growth

We aim to become the leading global manufacturer that elevates the value of industry professionals in the eyes of consumers and society at large. Our vision is to become



Milbon creates the future of the beauty industry while achieving growth

Up to this point I have only presented a brief summary, but Milbon has already begun to move toward its ideal state in 2026 based on the strategies outlined in the new

medium-term management plan. The catchphrase accompanying the new medium-term management plan is "Stage for the Future." Milbon is now on the stage of creating the future of the beauty industry.

So, what is Milbon's situation at the end of its five-year run?

As stated above, our new medium-term management plan is to "become the leading manufacturer in Asia and top 5 in the world by elevating the value of industry professionals in the eyes of consumers and society at large."

Milbon is by no means setting this



simply as a goal to strive for. We believe that if all of our employees have a firm understanding of the strategies of our new medium-term management plan and carry out what they need to do in their respective positions with *The Milbon Way* in mind, we will surely be able to achieve our goals.

Milbon is also looking ahead to concrete figures beyond the imagined growth curve.

The Company has set a numerical target of 58 billion yen in consolidated sales (43.7 billion yen in domestic sales and 14.3 billion yen in overseas sales) for the coming 2026. The domestic market share is 19.2%, which will solidify our leading position. These are figures that Milbon, which has achieved its goals and sustained growth to date, can make a reality.

Medium-term five-year management plan for the future and beyond

In addition, with an overseas sales ratio of 24.7%, Milbon in five years' time will be a corporate entity that delivers value to people in a wider area of the world as a global company through measures applied in each of the seven regions.

Other financial numerical targets are also listed here, so please take a look at them. While keeping an eye on the overall balance, we will always invest proactively for growth. From a

corporate management perspective, it stands to reason that growth is only possible through continued investment, and Milbon's growth to date bears this out.

Of course, we are not only looking five years into the future. The new medium-term management plan I have explained so far is based on Milbon's global vision: "To become the world's No.1 professional hair care manufacturer through our dedication and educational support toward local beauty industries across the globe."

Behind the challenges and risks lie opportunities for growth

It is certain that it will become increasingly difficult to stay ahead of the times. It is expected that changes in people's values, fluctuating economic conditions, and social unrest will be constantly present. And these risks will likely continue to confront Milbon in various ways.

But behind the risks, there are always opportunities. When we look calmly at the reality of change, fluctuation, and instability, there will surely be new roles and opportunities for Milbon and the beauty industry.

As a group of consumers living in this era, Milbon will continue to grow as an organization of people who aspire to create the future of the beauty industry, turning risks into opportunities.

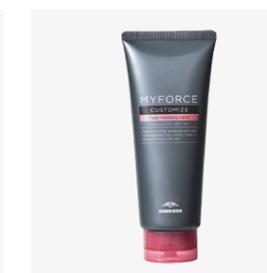
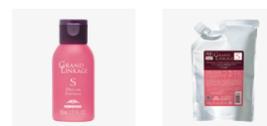
This is clearly stated in our medium-term management plan: "Milbon strive to achieve a sustainable com-



munity and society for people to live beautifully, through collaboration with salons."

Please look forward with great expectations to Milbon's sustainable growth and the future it will create.





### New Products

# SUSTAINABILITY & ESG

Milbon and Social Issues

## Milbon's sustainability overview

Toward the realization of a sustainable society by establishing KPIs for five key challenges centered on "beauty"

## Initiatives for the five key challenges

Current status and approaches to KPIs as described by employees responsible for promoting each of the five key challenges

## Sustainability highlights

Introducing our activities and initiatives related to sustainability from 2021 to 2022 in four categories: "Environment," "Society," "Governance," and "Education and Promotion."

## M.I.E. Model is widely attracting attention as a unique employment system for people with disabilities

A unique collaboration between the Yumegaoka Factory and a social welfare corporation, Iga Kouiku Kai, for more than 15 years. Efforts in the M.I.E Model (also known as the Mie Inclusive Employment project) are attracting nationwide attention.

Click on one of the above to jump to the appropriate page.

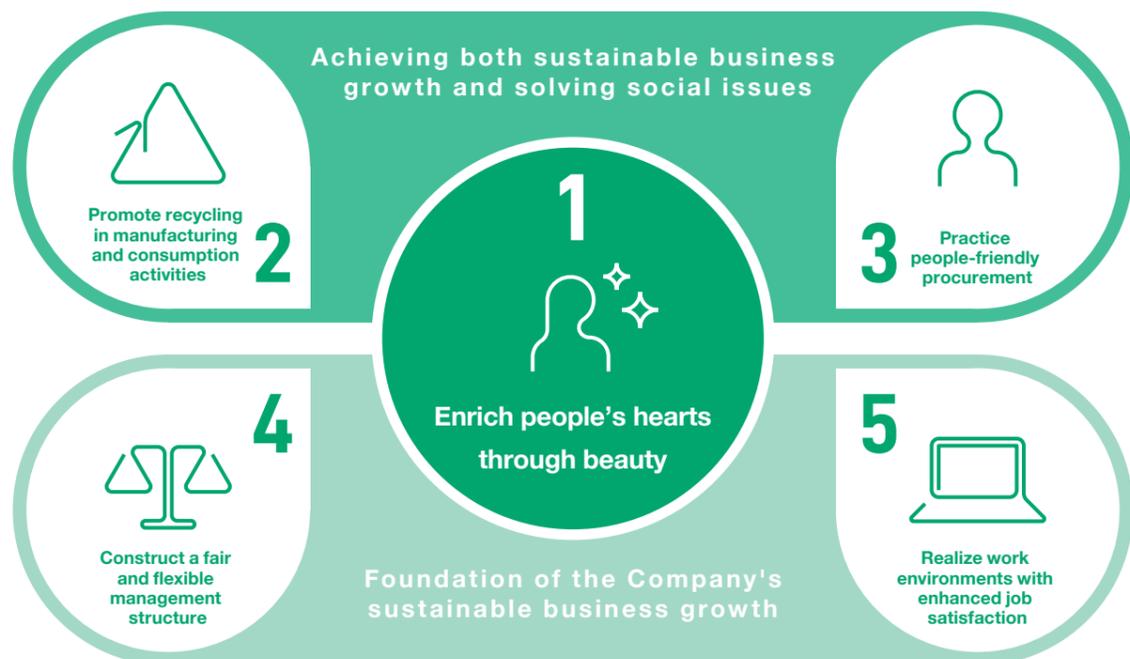
COMMITMENT

Milbon's sustainability overview

Bringing the world together in a spiritually rich and sustainable society

The five key challenges for achieving a sustainable society

Toward solving social problems, achieving sustainable business growth, and building an internal foundation



Developing sustainability as the core of our strategy

Milbon is committed to fostering a business, in keeping with our Basic Guideline for Sustainability, to fulfill our promises to all stakeholders and to provide lasting value in society. Based on this policy, we also endorse and sign the Global Compact proposed by the United Nations to demonstrate our willingness to work together with hair salons and haircare professionals to resolve social issues.

The UNGC is a voluntary initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies. As a signatory working to

resolve social issues alongside salons and hairstylists based on the Milbon Basic Guideline for Sustainability, we contribute to creating a sustainable society by adhering to 10 UNGC principles related to human rights, labor, environment, and anti-corruption.

To achieve sustainability, we have arranged a series of specific issues into an ESG/SDGs Matrix. We conduct annual reviews of the progress toward each goal and disclose the results of these to the public. Among these, we have re-evaluated issues listed that are highly relevant to our business activities and for which our stakeholders have high expectations. In this re-evaluation, we

selected five key challenges from three topics: solving social issues, achieving sustainable business growth, building an internal foundation. We have established KPIs for each and are taking priority action toward these.

In addition, in our medium-term management plan announced in February 2022, we have placed greater priority on our sustainability commitment more than ever and positioned it at the core of realizing our most important initiative, "Salon-based Social Innovation."

Accordingly, KPIs for each issue have been revised to more effective indicators, with specific numerical targets and timelines for realization.

KPIs revised in line with the medium-term management plan

Priority themes	KPI [Medium- to Long-term Theme]	2026 Target	2030 Target
<b>Co-creating value with stakeholders: "Creating Communities of Beauty and Soul" as the key issue in the beauty industry</b>			
<b>Issue 1: Enrich people's hearts through beauty</b> From cultivating stylists of true dedication to fostering sustainable cities and communities			
Establishment of knowledge-based product sales business utilizing both the "real" and the digital	Number of registered milbon:iD members	▶ 1 million milbon:iD members registered	—
	Number of cities where Milbon's "knowledge sales" method is deployed throughout Japan	▶ 100 major cities in Japan	—
Lifetime beauty partner training	Total number of annual users of studio, event, and educational videos	▶ 335,000	—
	Number of registered Education ID members	▶ 100,000	—
<b>The key challenges for achieving both sustainable business growth and solving social issues</b>			
<b>Issue 2: Promote recycling in manufacturing and consumption activities</b> Carbon neutrality as a response to the climate change crisis			
Establishment of a carbon-neutral production system	CO2 emissions reduction rate at Yumegaoka Factory	▶ 75% reduction (*compared to 2019) of CO2 emissions at Yumegaoka Factory	Achieve carbon neutrality
Sustainable container and packaging design	Reduction rate of petroleum-derived virgin plastic (*compared to 2020, per unit sales)	▶ 15% reduction in the use of petroleum-derived virgin plastic	30% reduction in the use of petroleum-derived virgin plastic
<b>Issue 3: Practice people-friendly procurement</b> Fair supply chain and responsible raw material procurement			
Sustainable palm oil procurement	RSPO certified palm oil adoption rate (MB +B&C)	▶ RSPO certified palm oil adoption rate (MB +B&C) 50%	RSPO certified palm oil adoption rate (MB +B&C) 100%
Respect for human rights in the supply chain	Number of human rights violations	▶ Zero human rights violations wherever possible	Zero human rights violations wherever possible through due diligence
<b>Foundation of the Company's sustainable business growth</b>			
<b>Issue 4: Construct a fair and flexible management structure</b> Fair and flexible management structure			
Promoting diversity among the Board of Directors	Appointment of outside directors Active promotion of female directors Secure diverse skills, including internationality	▶ Continuous appointment of outside directors with a consistent minimum ratio of one-third of total ▶ Continuous promotion of female directors ▶ Secure diverse skills, including internationality	—
Improving the Effectiveness of the Board of Directors	Selection of key issues and progress in improvement activities through third-party evaluation	▶ Continuous improvement activities for setting annual issues	—
<b>Issue 5: Realize work environment with enhanced job satisfaction</b> Establishment of a human resource system that facilitates diverse working styles			
Achieving systems and programs that encourage workers to keep working	Turnover rate of young employees (new graduates to 3rd year) Paid leave utilization rate Engagement Survey	▶ Turnover rate 9% ▶ 70% paid leave utilization rate ▶ System design in 2022, target setting in 2023	Turnover rate 6% 80% paid leave utilization rate

COMMITMENT

Initiatives for the five key challenges

Current status and approaches to KPIs as described by employees responsible for dealing with each of the five key challenges

1 Enrich people's hearts through beauty

Target 1: 1 million registered milbon:iD members

Establish an environment where stylists can closely serve their customers

milbon:iD was the first online stores platform in the industry to go fully operational in June 2020. It allows more salons to offer products, beauty information, and new communication to more customers, free from the stresses of region, time, and other factors through the fusion of the "real" and the digital.

By introducing milbon:iD in many salons, haircare professionals will be able to serve their customers (consumers) in their daily lives more closely than ever before, and as a result, hair salons will become a "community of beauty and spirit."

Toward the achievement of two top priorities

We are working with our distributors to spread milbon:iD to other areas so that it can be used by even more stylists and customers. As of the end of March 2022, 3,696 salons and approximately 210,000 customers had registered, and we aim to have 400,000 registered by the end of the year. While we are the first district in our efforts to promote sustainability, we will continue to be responsible for promoting milbon:iD, the first district in DX promotion.



FP Division, Ginza Sales Office, Tokyo Ginza Branch

Teruhiko Kai

Target 2: Lifetime Beauty Partner training

(training up to 335,000 people per year, 100,000 Education iD members)

To be able to continue haircare professionals as a lifelong occupation

Education iD is an online educational tool developed to help haircare professionals learn more effectively and efficiently for further growth. This not only promotes DX, which has obviously become an urgent necessity due to the Corona pandemic, but is also capable of demonstrating maximum educational effect even in the current situation where fundamental correction of the labor environment is required. The Beauty Sommelier System, which

fosters life-time beauty partners, is one of the most prominent types of content. This is already adopted by many haircare professionals as a "brick-and-mortar x digital" mechanism to learn knowledge and receive real tests on-line.

In this way, by further enhancing the educational environment for haircare professionals through the use of digital, and nurturing lifetime beauty partners who can continue to meet customers for their lifetime, the occupation of haircare professionals not only becomes a lifelong occupation, but also leads customers to remain beautiful



Educational Practice Group, Educational Planning Department

Masaki Nishikawa

and spiritually enriched for a long time. I believe that this will truly lead to the realization of spiritual richness through beauty.

With more appealing content

As of June 22, the number of registered users of Education iD is 16,238. In or-

der to create content that can be used by as many haircare professionals as possible, we anticipate launching video content and strengthening communications through bulletin board functions, as well as expanding the Beauty Sommelier System itself. The Beauty Sommelier Provide is also planned to

be rolled out in Korea and Taiwan within this fiscal year, and we will contribute to the spreading of spiritual richness beyond Japan.

2 Promote recycling in manufacturing and consumption activities

Target 1: Establishment of a carbon neutral production system by 2030

Toward a carbon neutral production system

In the midst of recent times of sustainability, the development of low-energy manufacturing methods at production factories has led to a high level of interest in energy and environmental initiatives. In order to reduce CO2 emissions at manufacturing factories in 26th, in 21st we began considering the use of renewable energy, and in April 22, we began using RE100 standards for all power used at manufacturing factories. In addition to the introduction of photovoltaic power generation, we have also switched some of our company cars to EV and hybrid cars, making significant progress toward

a 75% reduction in FY2014.

Looking ahead to Milbon's 100% carbon neutrality

If we accelerate these initiatives and establish a carbon neutral system for our production plants by 2030, I think we can also take on the challenge of carbon neutral for the entire milcarbon next. In addition, we believe that starting to identify and calculate Scope3 should also contribute to reducing emissions throughout the supply chain. To this end, we will first work in friendly competition with neighboring companies to create attractive plants that can lead the region as a leading carbon neutral company.



Formulation Technology Development, Technology Development Group, Production Engineering Department, Production Headquarters

Tetsuya Matsushita

Target 2: Reduce use of virgin plastic by 30% by 2030

On reducing petroleum-derived virgin platforms, centered on 4R

To reduce the use of virgin plastics derived from petroleum, we are working to achieve our goals through the so-called 4R methods of "reducing," "replacing," "reusing," and "recycling." In February 22, we began to reduce the amount of platters used in hair color caps by 54% compared to previous versions. We are also working to stop the use of aluminum and paper labels on pouch products to make them easier to recycle, and have decided to begin production under these specifications in 2023. In 2021, usage of such labels fell by 3.7% from the previous year, and we will accelerate this trend to achieve a 30% reduction by 2030. In

2021, usage of such labels fell by 3.7% from the previous year, and we will accelerate this trend to achieve a 30% reduction by 2030.

Becoming a society that also recycles cosmetics as a matter of course

It is our desire that reuse of cosmetic containers, such as beverage PET bottles and food trays, which are conventionally recycled, will become an ordinary world. At present, Kobe Plastic Next, which is cooperating with Kobe City, realizes the importance of initiatives in industry, government, and academia. Going forward, we will continue to realize a society that we should aim for while deepening



Package Design Development Office 1, Packaging Design Group, Product Development Department, Development Headquarters

Yosuke Nishikawa

cooperation not only with our own company but also with other companies and organizations.

COMMITMENT

Initiatives for the five key challenges

Current status and approaches to KPIs as described by employees responsible for dealing with each of the five key challenges

3 Practice people-friendly procurement

Target 1: 100% adoption rate of RSPO-certified palm oil

(new products and products with formulation changes)

With initiatives that accurately capture global trends

Although we have been aggressively promoting RSPO certification worldwide, I feel that the Japanese cosmetics industry is still one step behind schedule. We joined RSPO in 2019 to ensure that we are able to capture these international trends without delay, joined JaSPON in 2020, and made certain milbon products branded RSPO in the manner of Book & Claims (B&C) in 2021. We plan to acquire supply chain certification at our production plants in 22, and are making every effort together with our production divisions.

Take a step forward from the supply chain certification of production plants

Once we have acquired supply chain certification at our manufacturing plants, we will need to cooperate with our suppliers to establish a system for procuring RSPO certified raw materials. If we can create successful cases domestically, I think it will be possible to expand them to the Thai factory and the Chinese factory thereafter. Ultimately, we hope that the promotion of RSPO will provide an opportunity for people inside and outside the company to think about sustain-



International Pharmaceutical Affairs Office, Pharmaceutical Affairs Group, Research and Development Department, Development Headquarters

Atsushi Maeda

ability and society-wide throughout the supply chain.

Target 2: Zero human rights violations wherever possible through human rights due diligence

Updated human rights awareness with the development of human rights policies

For many companies, when considering the issue of human rights, I think that in the past the focus would have been narrowed down to incidents that have occurred within a company, or even among employees in Japan only. In modern times, however, human rights and business are regarded as being closely related and inseparable. This is an era in which we must take into account all kinds of human rights infringements

throughout the global value chain, such as the production and procurement of raw materials, manufacturing, sales, and disposal, beyond our previous scope of perception limited to intra-company and domestic realms. To demonstrate our will, the Milbon Group's Human Rights Policy was formulated and announced on April 1, 2022 with the approval of the Board of Directors.

Developing human rights due diligence

Currently, in order to further deepen



Sustainability Management, Corporate Strategy Development

Fumihiko Aoyagi

the understanding of employees and update their awareness of human rights, we are also conducting executive study meetings and disseminating information through in-house publications. Human rights due diligence must be promoted in accordance with the aforementioned human rights policy. We recognize that

the biggest challenge for the future is how to build this system. While cooperating with our suppliers to identify risks, we intend to expand a variety of initiatives, including the formulation of procurement policies and the establishment of external hotlines. In addition, we will create a supply chain

that resonates with all stakeholders, including customers who come to hair-care professionals and beauty salons.

4 Construct a fair and flexible management structure

Target 1: Continuous appointment of outside directors, amounting to at least one-third

Target 2: Continuous promotion of female directors and executive officers

Target 3: Ensure a diversity of skills, including internationalization

Fulfilling our mission as a company that chose the Prime Market

The company selected to list on the Prime Market in the market segment of the Tokyo Stock Exchange, which was reorganized in April, 2022. This was probably no surprise to many, regardless of their position within or outside the company, given that the company meets the criteria for listing on the Prime Market and has a proven track record of continuously working to improve corporate value and produce results.

On the other hand, choosing the Prime Market also means that a highly effective corporate governance system is required to be more stringent. As a division in charge of corporate communications with stakeholders, we have confirmed to the management team our readiness to strengthen our corporate governance system in order to ensure that the communications expected from the market are promoted, and we are continuing to work to this end.

Toward promoting governance through discussion and deliberation

In order to make management more aware of the importance of strengthening the governance system, we have been advancing discussions centered on the corporate governance code, which was revised in June 21. New elements

have been added in the revision code, such as the "Diversity of Core Human Resources" and the response to the "TCFD (Climate-Related Financial Disclosure Task Force)," and we support proactive discussions while holding workshops for executives.

There are new elements as described above. With regard to "at least one-third of outside directors" and "appointment of female directors and executive officers," both of which are KPIs, we are making steady progress. For example, two female executive officers were appointed in January 22 and two outside directors, including one woman, were added in March of the same year, bringing the total to five outside directors.

These efforts have led to further initiatives, and we have begun responding to the changing times with a sense of urgency. This includes setting targets for the number of females in management positions as part of promoting diversity of core human resources and selecting directors in charge of TCFD compliance.

Although these are not matters that employees are directly responsible for promoting, unlike the other four key challenges, we will continue to work toward the realization of a fair and flexible management structure from the standpoint of the Corporate Communications Group by ensuring



Corporate Communications Group, Corporate Administration

Yuko Takahashi



SR/ESG Promotion, Corporate Communications Group, Corporate Administration

Hirohide Ando

that the voices of our stakeholders are heard within the company.

COMMITMENT

Initiatives for the five key challenges

Current status and approaches to KPIs as described by employees responsible for dealing with each of the five key challenges

5 Realize work environments with enhanced job satisfaction

- Target 1: 6% turnover rate of young employees (new graduates and third-year employees)
- Target 2: 80% paid leave utilization rate
- Target 3: Engagement Survey System design in 2022, target setting in 2023

Having a sense of fulfillment and worth is important

The in-house group that provides human resource support is divided into Tokyo and Osaka, and we are working together in the east and the west to "realize a rewarding working environment." Until now, teams working to grow the paid leave acquisition rate have made it easier to obtain planned paid leave in two installments up to six days a year, and also conducted centralized management. Although the average number of acquisition days in 21 was 9.8 days (59.2%), further promotion is required for 80% in 2030.

For this reason, we are implementing measures such as providing more visibility by informing employees of their acquisition rates via e-mail at the beginning of each month during FY2022. I would also like to work to foster awareness so that we can fundamentally change the perception that "if we take the minimum number of days defined by law, that's fine." I feel that the time spent at work in one's life is so large that it is extremely important for each and every person. That's why I want to realize a work environment in which employees who want to continue working at Milbon can continue working while responding

to changes in diverse values.

Foster and pass on a common set of values

The average turnover rate of young employees over the past five years has been 12%, which is not an outstandingly high turnover rate. However, in order to achieve a low turnover rate of 9%, or even 6%, we feel that it is essential not only to design a program but also to collaborate with the hiring team and each workplace. We will also conduct surveys of young employees after joining the company, as well as periodic interviews, and will promote further initiatives while repeatedly hypothesizing and verifying.

At the same time, we are introducing an engagement survey as set forth in Target 3. Originally, we had set up related items in the compliance awareness survey, but we would like to contribute to improving job satisfaction while more appropriately grasping engagement and measuring the effectiveness of various personnel measures.

Each and every Milbon employee works with a sense of fulfillment and interacts with stakeholders, and hair-care professionals enrich the lives of the customers they serve so closely.



Human Resource Support, Human Resource Training and Development Group-Osaka, Corporate Administration Department

Nozomi Nagasaka



Human Resource, Human Resource Training and Development Group-Tokyo, Corporate Administration Department

Koji Tanaka

We believe that if the efforts of each and every one of us expand as shown in such a tree diagram, we can realize a better society.

2021 - 22 Sustainability Highlights

	Environment	Social	Governance	Sustainability education and promotion
2021				
Jan	Began installing FEMS at Yumegaoka Factory to visualize energy consumption			
Feb			Completed third-party evaluation and assessment of Board effectiveness in FY2021	
Mar		Recognized as "Certified Health & Productivity Management Outstanding Organizations"	Appointed a female outside director and achieved the Board consisting of one-third outside directors	Released the 2021 Milbon Sustainability promotional video in-house
Apr		Launched Education iD, an online learning tool for hairstylists		Published Vol. 1 of internal web magazine, Yomu Milbon 2021, with the aim to support voluntary employee actions toward sustainability
May	Installed new pure water equipment to reduce water consumption			Yomu Milbon is published bimonthly since the publication of Vol. 1 in 2021
Jun	Launched the milbon Premium Position Line (milbon Luxury Line in USA), RSPO-certified credit products	Launched Milbon Digital Arena		
Jul				
Aug	Began a series of lectures under "Beauty and Cosmetology" endowed by Kansai University			
Sep	2021: Participated in Kobe Plastic Next: Joining Forces to Recycle Refill Packs (plastic recycling)			
Oct				
Nov				
Dec	Began activities to acquire RSPO Supply Chain Certification within 2022		Published our Corporate Governance Report in accordance with the revisions made to Japan's Corporate Governance	
2022				
Jan	"Villa Lodola COLOR Interval Re:Care" won the Jury's Award at the Sustainable Cosmetics Award 2021, and Milbon Co., Ltd. won the International Award in the corporate category for its efforts to promote SDGs	Launched a joint project with Kao to establish beauty health care services at salons Released the 2021-2022 special brand film "Words I Encountered at the Salon"	Appointed two female executive officers for the first time	
Feb		Recorded 3,696 registered salons and 210,000 registered members of milbon:iD Made the decision to sponsor the Osaka Pavilion at the 2025 World Expo Osaka, Kansai Resolved to donate 100,000 euro to the Office of the United Nations High Commissioner for Refugees to provide humanitarian assistance to victims of the military conflict in Ukraine and neighboring regions.	Announced a new medium-term management plan Completed third-party evaluation and assessment of Board effectiveness in FY2022 with sustainability commitment at the core of our strategy	
Mar	Developed a system to predict the result of alternative methods to animal testing on eye irritation using the HSP method	Recognized as "2022 Certified Health and Productivity Management Organization"	Appointed a new female outside director	Published the year's first issue of our internal web magazine, Yomu Milbon 2022
Apr	Launched a new hair color line ENOG with smaller cap of hair color tubes to reduce the plastic usage	Recorded 13,326 registered users of Education iD	Appointed two new outside directors, bringing the total number of directors to five	
May	Adopted renewable energy at Yumegaoka Factory	Formulated and announced Milbon Group Human Rights Policy	Establishment of a new Management Committee led by executive officers to promote the separation of the Board of Directors from execution to management Conducted Human Rights Training for directors and executive officers.	
Jun		Set a target of 20% ratio of female in management positions by 2030 in order to secure diversity of core human resources		Published Vol. 3 of our internal web magazine, Yomu Milbon 2022

COMMITMENT

**M.I.E. Model widely attracting attention as a unique employment system for people with disabilities**

**Rewarding workplaces and fruitful jobs for all people**

Even before SDGs were widely advocated, Milbon has been valuing the creation of rewarding jobs that enhance employees' satisfaction. As part of this effort, for more than 15 years we have been accepting people with disabilities from the employment support facilities operated by Iga Kouiku Kai and entrusting them with part of our product manufacturing at the Yumegaoka Factory in Mie Prefecture. We had the honor to interview Ms. Okunishi, the representative of the organization, and talk in detail about the activities and the prospects for the future.

■ **For our employees, regardless of ability or disability, to be able to do work that contributes to profits**

My first encounter with Milbon dates back about 30 years ago. At the time, I had just opened a small workshop to support people with disabilities, and we took on the job of putting labels on cosmetic boxes for Milbon products. The turning point came around 2006, when the law was revised and momentum grew to support the independence and employment of people with disabilities. I asked Milbon to establish a special subsidiary company with the sole intention of creating a place for them to work. The reply I received was, "Making a special subsidiary would be different from what you truly want to do, isn't it?"

Special subsidiary companies were originally established to promote the employment of people with disabilities. However, we learned, at the time, that some special subsidiaries have the sole aim of achieving a certain employment rate for people with disabilities, with work often unrelated to the company's core business, such as shredding documents or cleaning facilities. Taking this situation into consideration, Milbon told us, "As long as they are working for us, we want them to do work that contributes to profits, regardless of their ability or disability."

Subsequent discussions resulted in the acceptance of people as part of the vocational training program for persons with disabilities. Currently, about 20 persons with disabilities are working at the Yumegaoka Factory. Efforts to employ people with disabilities through collaboration between companies and welfare corporations are rare, and this unique approach is now called the M.I.E Model, and has attracted attention nationwide.

■ **Fostering a workplace where all employees can determine their own lives proactively and independently**

People at our facility working for Milbon strongly feel that they are making contributions. Some even say, "I don't take time off because Milbon products cannot be manufactured if I don't come to work." We are truly grateful to Milbon for having people with disabilities who have completed their training at work outside the facilities successively switched to direct employment, and also for raising their salaries according to their abilities. Recently, we often hear the words "job satisfaction," "diversity and inclusion," and "SDGs" used in a variety of contexts, and I have witnessed Milbon's efforts to address these issues from a long time ago. In fact, it could be said that the SDGs are a perfect fit

for what Milbon has been valuing for some time. In the future, we will work with Milbon to promote initiatives that enable persons with disabilities to more proactively determine their own lives and expand their career possibilities. Rather than simply "doing work for the sake of working," I want people to spend money to create better lives and lead better lives. I will continue to strive to support employment without changing my point of origin.



**Ms. Toshie Okunishi**  
Representative of Iga Kouiku Kai, a social welfare corporation. She has been consistently involved in the welfare field for more than 30 years and further promotes the M.I.E. Model together with Milbon. In 2021, she was awarded the Blue Ribbon Medal, which is given to those who have contributed to the public interest.

POINT OF GOVERNANCE

Initiatives to strengthen corporate governance



Masahiro Murai

Managing Executive Director  
In charge of Corporate Administration, Internal Audit, Finance, and Sustainability Promotion

Endless reform of the management structure to realize our belief in “creating a solid company that won’t collapse”

We consider the strengthening of corporate governance (CG) as one of the important demands from society, which is indispensable to realizing our belief of “creating a solid company that won’t collapse.” As mentioned above, one of our key sustainability challenges also addresses the “construction of a fair and flexible management structure.” In this section, Masahiro Murai, Managing Executive Director, will explain our ongoing efforts to strengthen and enhance CG in our company.

Improving transparency, fairness, and efficiency

We aim to continuously improve our corporate value by enhancing the transparency, fairness, and efficiency of management. One of our key sustainability challenges is to “construct a fair and flexible management structure,” and we are promoting initiatives to achieve this goal. Adapting to best practices such as the Corporate Governance Code (hereinafter referred to as the “CG Code”) and gaining the support of society at large overlaps with our belief in “creating a

solid company that won’t collapse,” and is thus an essential part of our focus.

Clear awareness of CG as a specific keyword began within the company back in 2019, but I have to admit that at first we did not really have a clue that there were issues regarding the effectiveness of the Board of Directors. In fact, any matters that needed to be resolved were resolved without delay, and on the surface there seemed to be no problem. However, as we continued to discuss and deliberate on governance, we gained

the perspective that “continuing to pass resolutions without delay” may itself be a problem. Furthermore, it made us aware of issues such as whether the Board of Directors is fulfilling its role as a forum for discussing management strategies from diverse perspectives, and whether the requisite structure is in place to enable such discussions.

Board Meetings to be a place of not only “resolution,” but also “discussion”

Subsequently, in accordance with the

CG Code, we have been working to secure at least one-third of Outside Board Directors and promote female Board Directors and Executive Officers, and in the FY2021, Tsuneko Murata, our first female Board Director, was appointed as an Outside Board Director. Ms. Murata has actively commented on each agenda item drawing on her legal expertise, and this has led to changes such as a greater exchange of opinions between other Board Directors.

Furthermore, the addition of a new “deliberation agenda” to the Board of Directors, which previously consisted only of resolutions and reports, is another important step toward improving the effectiveness of the Board of Directors. Here, we mainly discuss responses to the revised CG Code, and as we prepare for the release of the CG Report containing the three urgent issues of (1) promoting enhanced sustainability, (2) addressing climate change, and (3) ensuring diversity, the role of “discussing” before “making resolutions” is being strengthened.

In addition, in order to make the Board of Directors more of a forum for management-related deliberations, a “Management Meeting” consisting of Executive Officers has been newly established to deliberate on business execution-level agenda items. At Management Meeting, the Executive Officers, who are the heads of each department, also gain a deep understanding of the matters to be resolved, and this helps to facilitate correct understanding and communication among each employee in the field.

We also hope that the practice of active discussion at management meetings will have a positive impact on the Board of Directors in the future when people are appointed from Executive Officers to Board Directors.

Promoting the active participation of women and strengthening risk management

In promoting the active participation of women, we have set a target of 20% women in management positions by 2030, and there is no doubt that the Board of Directors recognizes the importance of this. This is by no means an easy goal to achieve, but considering that more than half of new hires and more than 40% of



all employees are women, we believe that this ratio should naturally be reflected in the future.

Promoting these reforms has made us aware of some new issues, one of which is the need to strengthen risk management. We have a flexible system and culture to respond to unforeseen circumstances as evidenced by our responses to the 2008 financial crisis, the Great East Japan Earthquake, and the recent COVID-19 pandemic, but it would be true to say that we have never been sufficient in understanding and preparing for possible future risks in advance. Therefore, in addition to the newly established Management Meeting, a Risk Management Committee has been formed to establish a system to prepare for unforeseen situations in addition to our existing ability to respond without delay.

To gain support for Milbon’s unique way

We believe that the accurate and reliable functioning of CG is indispensable for the sustainable growth of a company. Therefore, while I am repeating myself, it is essential to keep moving in response to the CG code and other social changes.

On the other hand, however, we also believe that we should not simply accept such changes without fully understanding them, and that we should sometimes express a different intention based on an essential understanding of the situation within the company. In doing so, however, it is also important to properly explain the situation to all internal and external stakeholders to gain their understanding, and we recognize that we must continue to seek and express our company’s own way of doing things and strive to ensure that it is understood and supported.

CG is a means, not an end, and will never be completed in a few years, and will continue to change with current trends. Therefore, we must not only improve issues, but also continue to enhance and strengthen even those that once seemed complete through continuous trial and error. We will continue to establish a system that ensures that we can meet the expectations of society, and thus realize a “company that will not collapse.”

POINT OF GOVERNANCE  
Board of Directors



From the center of the left page  
Masahiro Murai, Managing Executive Director  
Kazunobu Konoike, Board of Director  
Shoichiro Takahata, Outside Board of Director  
Taizo Hamaguchi, Outside Board of Director  
Tsuneko Murata, Outside Board of Director  
Etsuhiro Takato, Outside Board of Director  
Chisa Hayakawa, Outside Board of Director

From the center of the right page  
Ryuji Sato, Representative Director, President & CEO  
Yasufumi Takeda, Board of Director  
Junji Morimoto, Board of Director  
Hidenori Sakashita, Board of Director  
Mitsuru Oshio, Standing Audit & Supervisory Board Member  
Keisuke Endo, Outside Audit & Supervisory Board Member  
Yoshihiko Okuda, Outside Audit & Supervisory Board Member

Areas of expectation for Board Directors and Audit & Supervisory Board Members (use of skills matrix)

In order to continuously improve the Board of Directors' required supervisory functions, we have created a matrix of the various skills possessed by Board Directors and Audit & Supervisory Board Members, and are using this matrix as a criterion for determining candidates.

	Name	Business	Management	Finance/ Accounting Legal/Risk	Global	ESG/SDGs	R&D	Production/ Logistics	Sales/ Marketing	IT/Digital	HR/Labor	Qualifications
Board Director	Ryuji Sato	●	●		●		●		●		●	
	Masahiro Murai		●	●		●					●	
	Yasufumi Takeda						●					
	Kazunobu Konoike	●			●			●		●		
	Junji Morimoto								●			
	Hidenori Sakashita	●			●				●	●		
	Taizo Hamaguchi (Outside)	●							●			
	Shoichiro Takahata (Outside)	●	●		●							Certified Public Accountant
	Tsuneko Murata (Outside)			●	●	●						
Etsuhiro Takato (Outside)	●			●	●							
Audit & Supervisory Board Member	Chisa Hayakawa (Outside)		●					●	●			Tax Accountant
	Mitsuru Oshio								●			
	Keisuke Endo (Outside)			●		●						Lawyer
	Yoshihiko Okuda (Outside)		●									Tax Accountant

Expertise and experience details

Corporate Management: Expertise in corporate management / Finance and Accounting: Expertise and experience in corporate finance and accounting / Legal and Risk: Expertise and experience in corporate legal affairs, risk management, BCP, etc. / Global: Overseas experience / ESG/SDGs: Expertise in general sustainability and ESG issues including environmental, social and governance issues / R&D: Expertise and experience in R&D and product development in the cosmetics industry / Production and Logistics: Expertise and experience in manufacturing, production and logistics management in Japan and abroad / Sales and Marketing: Expertise and experience in sales activities and market marketing / IT and Digital: Expertise and experience in IT utilization, DX promotion, and information security / HR and Labor: Expertise and experience in human resources development, HR strategy, and improving job satisfaction

Common standards for all Board Directors and Audit & Supervisory Board Members

Board Directors and Audit & Supervisory Board Members shall understand and take the initiative in practicing The Milbon Way, the action guideline for all employees of the Company, and thereby contribute to the development of a sustainable beauty market.

Skill Selection

The skills considered necessary for our Board of Directors were reviewed and selected by the same Board of Directors in October 2021, taking into account the opinions of each board member.

Skill Plotting Criteria for Each Board Director

The skill plot of each Board Director was determined based on the extent of work experience in the relevant skill area.

Corporate Governance Structure Quick Reference Table (as of March 31, 2022)	
Institutional Design Company	Company with an Audit & Supervisory Board system
Term of office of Board Directors	2 years
Adoption of Executive Officer system	Yes
Voluntary Committee of the Board of Directors	Established Nominations and Compensation Committees
Accounting Auditor	GYOSEI & CO.

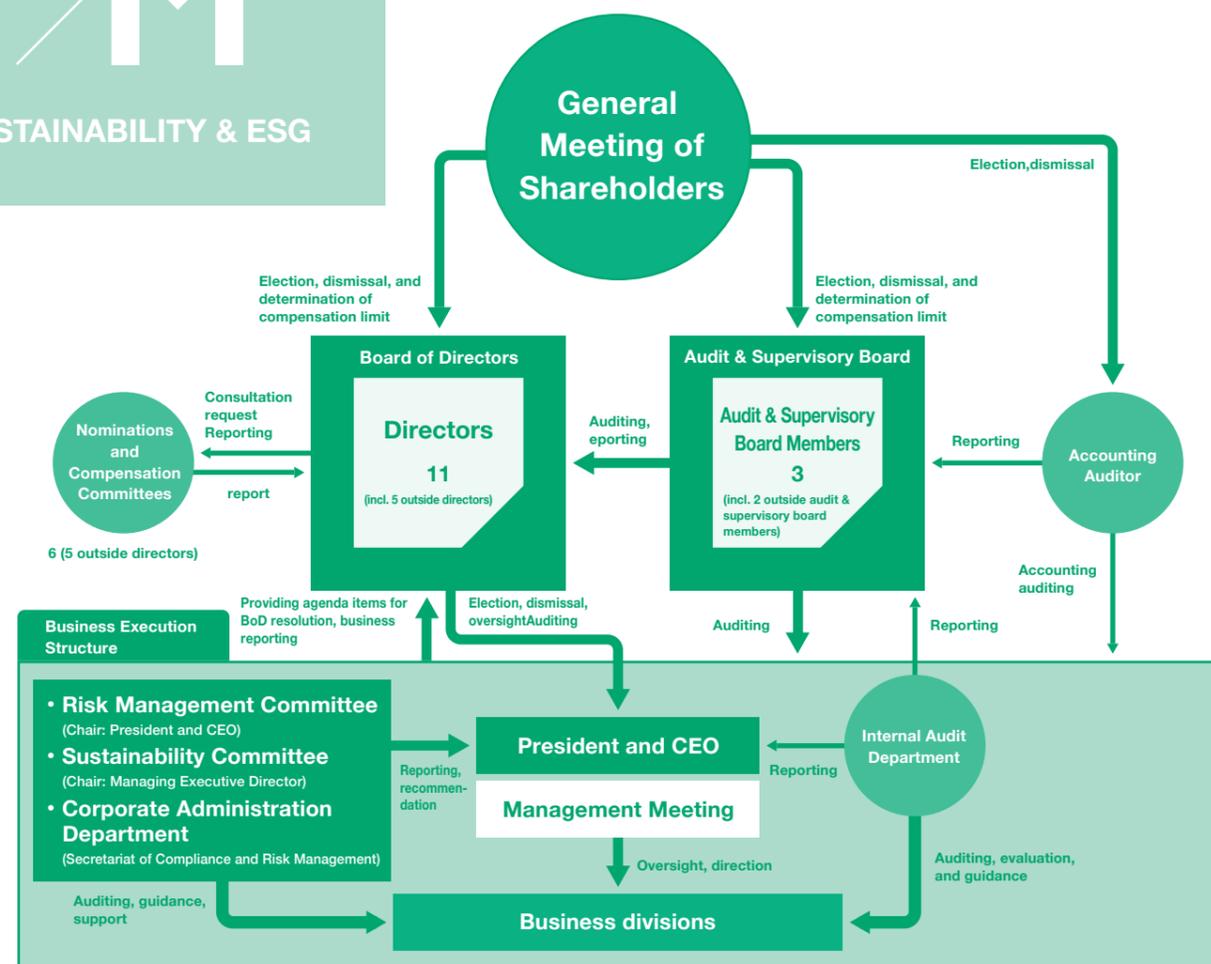
See Corporate Governance Report for details.

[https://www.milbon.com/ja/ir/uploads/docs/20220331\\_corporate-governance-code.pdf](https://www.milbon.com/ja/ir/uploads/docs/20220331_corporate-governance-code.pdf)

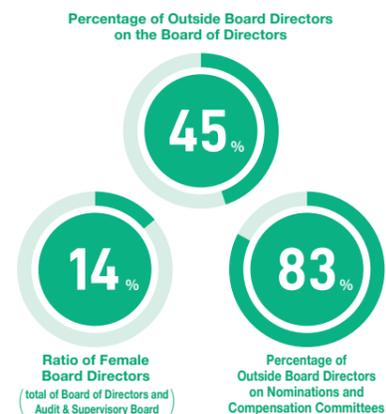
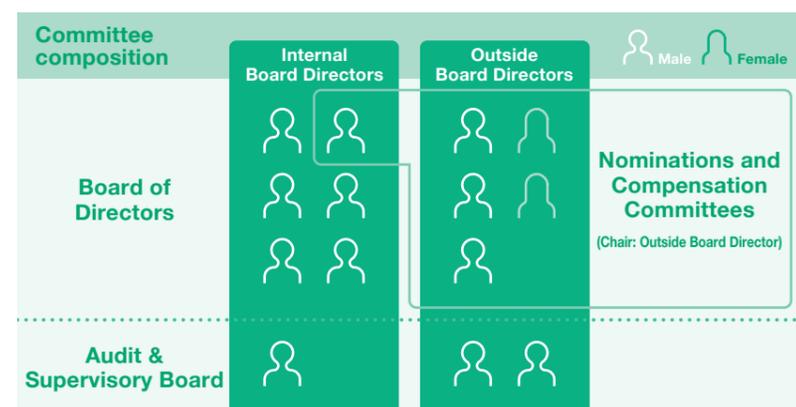


# POINT OF GOVERNANCE

## Assessment of Board of Directors Effectiveness



### Corporate Governance Structure



The Company's Board of Directors conducts an annual survey and analysis on the effectiveness of the Board of Directors, shares the results with the Board of Directors, and discusses measures for improvement, etc. Please refer to the Corporate Governance Report for a summary of the FY2022.

### Board Directors' Compensation System

#### (1) (i) Basic policy for Board Director compensation

- Compensation for Board Directors (excluding Outside Board Directors) shall consist of base compensation, performance-linked compensation, and stock-based compensation as an incentive to continuously increase corporate value, in order to encourage each Board Director to perform his/her duties with an awareness of business performance and sustainable improvement of corporate value.
- The Board of Directors consults the Nominations and Compensation Committees, which are comprised mainly of Outside Board Directors, on proposed compensation amounts, and determines individual compensation amounts after obtaining advice as necessary.
- Outside Board Directors and Audit & Supervisory Board Members shall receive only base compensation, as they are independent from the execution of business operations, and compensation linked to performance is not appropriate for them.

#### (2) Method of calculating compensation for Board Directors (excluding Outside Board Directors)

##### 1) Basic compensation

The amount of basic compensation is determined in accordance with the Board Director's position and paid in cash.

##### 2) Performance-linked compensation

In order to raise awareness of the need to improve the Company's performance in each fiscal year, performance-linked compensation is calculated by adding up the percentage of achievement of each performance indicator target multiplied by the weighting ratio, and then multiplying the performance-linked coefficient corresponding to the percentage of achievement of the target by the performance-linked standard amount corresponding to the position, and is paid in cash. The performance indicators, performance-linked coefficients and actual performance-linked compensation are as follows.  
<Performance indicator> Consolidated net sales: Weight 60% / Consolidated operating income: Weight 30% / Consolidated profit: Weight 10%

Performance-linked coefficient								
Target achievement	Over 120%	Over 115%, less than 120%	Over 110%, less than 115%	Over 105%, less than 110%	Over 100%, less than 105%	Over 95%, less than 100%	Over 90%, less than 95%	Less than 90%
Performance-linked coefficient	200%	175%	150%	125%	100%	80%	50%	0%

##### 3) Stock-based compensation

Stock-based compensation is granted once a year (around May) with a restriction on transfer until retirement of the Company's shares equivalent to the amount obtained by multiplying the base compensation plus the performance-linked compensation by 20%.

#### (3) Ratio of each type of compensation, etc.

The ratio of each type of compensation, etc. for Board Directors (excluding Outside Board Directors) is as follows

Basic compensation: Performance-linked compensation = 70% : 30% / Stock-based compensation = (Basic compensation + Performance-linked compensation) x 20%.

#### (4) Total amount and number of Board Directors' and Audit & Supervisory Board Members' compensation, etc. for the fiscal year ending December 31, 2021

	Number of persons	Total amount of compensation, etc. (thousand yen)	Fixed compensation	Performance-linked compensation	Total (monetary)	Restricted stock compensation	Total (stock)
Board Directors (including Outside Board Directors)	10 (3)	427,639 (27,522)	228,114 (27,522)	149,407 (—)	377,521	50,118 (—)	50,118
Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members)	4 (2)	50,679 (16,008)	50,679 (16,008)	—	—	—	—

\* 1. The amount of compensation paid to directors includes the amount of compensation paid to one Board Director who retired at the conclusion of the 61st Ordinary General Meeting of Shareholders held on March 30, 2021, during his/her term of office.  
2. The amount of compensation, etc. of Audit & Supervisory Board Members includes the amount of compensation, etc. during the term of office of one Audit & Supervisory Board Member who retired at the conclusion of the 61st Ordinary General Meeting of Shareholders held on March 30, 2021.  
3. The performance-linked compensation for the current fiscal year includes the performance-linked compensation for the 61st fiscal year (the previous fiscal year) and the performance-linked compensation for the 62nd fiscal year (the current fiscal year). This is due to a change in the timing of recording performance-linked compensation from the current fiscal year, as we believe that it is appropriate to record compensation linked to the performance of each fiscal year during the relevant period.

### Succession Plan

The Company considers succession planning for the CEO as one of its most important management strategies, and since 2015, the Company has been conducting its own succession planning program for the next CEO. Under this program, 42 candidates are divided into 4-year programs of 2 years each, starting in turn since 2015, to develop and select the next management executives. Members of the Board of Directors participate in this program as lecturers in their respective jurisdictions and areas of expertise, and the Board of Directors actively participates in and supervises this program.

This program was completed in 2019, and the selected candidates are currently in charge of business divisions, etc. We are in the process of further narrowing down the pool of candidates and formulating a training plan for the next stage of the program, and will continue to select the CEO.

### MILBON CORPORATE UNIVERSITY (MCU) (Next Management Leadership Development Program)

Objective: To provide growth opportunities for the next generation of executives through sessions with board members, etc., from passing on Milbon-ism to cultivating future visionary skills.

Topic: Succession and Conversion

Development topics: philosophy and ism penetration, self-awareness, future orientation, foresight, decisiveness, and execution

Period: 2 years per term (2015-2019  
Medium-term Management = 1st to 4th term)

2nd year  
Discussion of topics related to future vision, formation of organizational culture

1st year  
Mastery of 10 internal courses (History and ism, organizational personnel and human resource development, marketing, finance, leadership qualities and mission, etc.)

Final examination

Mock formulation of medium-term management plan

## POINT OF GOVERNANCE

## Messages from Newly-Appointed Board Directors

## Accomplishing high-quality business strategies to further develop new markets and global markets

## ■ Discussion from a “customer perspective” based on field experience

I believe that my past experience as a salesperson in the field allows me to discuss management strategies through a “customer perspective” by grasping market trends and shifts. A “solid company that won’t collapse,” which is the starting point of Milbon, implies a company that is indispensable to society. If a company is useful to society, society will not let it collapse. Keeping this firmly in my mind, we will continue to implement high-quality business strategies with the belief that our contribution to the development of beauty industry will also lead to the Company’s growth.

## ■ To become a company loved by people and salons around the world

We have been listening to the voices of the frontlines every day to contribute

## ■ A company with hope and a future through a series of new innovations

Since serving as General Manager of the Corporate Strategy Development Department, I have been working on medium-term management plans and new businesses from a Company-wide perspective. I am aware that I am expected to create the future from a more Company-wide perspective by assuming the position of Board Director. I believe that Milbon is what it is today as a result of continuous innovation over the 20 years since I joined the Company, and I will continue to commit to expanding the Company filled with hope and a brilliant future through a series of new innovations.

## ■ Creating new markets from a “consumer perspective”

We will create new markets from a “consumer perspective” without be-

to the increase in sales and profits of salons through the activities of our “FP positions,” which are sales positions. And now, in order to respond to those voices, we are working toward the realization of the “Beauty Platform Concept” from the consumer’s perspective and society’s perspective.

To achieve this, the “Smart Salon Strategy” and the “Lifetime Beauty Care Strategy,” two major strategies that integrate real and digital elements, are extremely important in that they will support a new form and function of salons. We can realize this goal by advancing the evolution and construction of a system of activities tailored and personalized for each salon.

We will steadily build a foundation to become the “world’s No. 1 professional hair care manufacturer” loved by people and supported by haircare professionals and salons all around the world.

ing confined by the boundaries of the beauty industry, by working closely with consumers in each region through salons. In addition, we will establish new markets by creating a new purchase experience using digital technology to increase the unit price of product purchases and the rate of repeated purchases, and by developing a service that allows consumers who have never purchased products at a hair salon to have an enjoyable shopping experience.

Our goal is to become “the world’s most sought-after company with the No. 1 support rate among haircare professionals” in the global market. We will strive to further enhance our corporate value by strengthening our market presence and by upgrading the business model we have cultivated to date while respecting the culture and customs of each country and region.



Junji Morimoto

Joined the Company in 1992. After serving as General Manager of Tokyo and Osaka Branch, he became Executive Officer (Deputy Director of FP Headquarters and General Manager of Tokyo Aoyama Branch) in 2019, Executive Officer (Director of FP Headquarters) in 2021, and Board Director (Director of FP Headquarters, and in charge of Global Sales and Marketing, Education Planning) in 2022.



Hidenori Sakashita

Joined the Company in 2001. After working in the Sales Section of Tokyo Branch, Product Planning Section of Marketing Department, and Corporate Planning Department, he became the President of MILBON USA, INC. He has served as the General Manager of the Corporate Strategy Development Department since 2018 and became Board Director (in charge of Corporate Strategy Development Department, ICT Strategies Department, and Cosmetics Business Planning Department) in 2022.

## POINT OF GOVERNANCE

## Messages from Newly-Appointed Outside Board Directors

Enhancing our social and economic value  
Strengthening Milbon’s presence in the stock market

## ■ Professional advice from an objective standpoint

As a member of society, a company is required to fulfill its social responsibilities, such as ensuring management transparency, clarity of business strategy, and legal compliance in its corporate activities. In recent years, management measures to enhance social value, such as from the perspective of SDGs, have become increasingly important, and I would like to contribute to the enhancement of both social and economic value by providing expert opinions and advice from my objective position as an Outside Director to ensure the implementation of such measures.

## ■ Making good use of overseas business experience for overseas strategies

I have worked for a food company for a long time and have been involved in

## ■ Recommendations from an institutional investor’s perspective

In addition to my professional knowledge as a securities analyst and tax accountant, I feel it is my responsibility to apply my institutional investor’s perspective gained from many years of dialogue with institutional investors and my experience as a finance and accounting manager to Milbon’s important decision-making and recommendations. In addition, I would like to fulfill my role as an Outside Director by actively discussing “diversity and inclusion,” something that has been strongly demanded by society in recent years.

## ■ Improving our reputation in the stock market

Since I first encountered Milbon during my time at a securities company, I was surprised at the high rate of encounters

overseas business and organizational management. I believe that such experience will be put to good use to realize consumers’ happiness through beauty and health, and to realize Milbon’s management challenge, which is the importance of overseas business in its growth strategy.

Milbon understands the importance of human resource development and the improvement of technical skills in order to realize the happiness of consumers through beauty and health. We are working to improve the skills and work environment of haircare professionals in salons who share the same aspirations as Milbon, and we are focusing on product development in collaboration with salons, backed by fundamental research on hair.

This is truly a leading company in the pursuit of beauty and health, and I will make every effort possible based on my past experience and my perspective as a third party.

with Milbon products in salons, which made me realize that Milbon products are trusted and supported by many hairstylists, from major chains to individual salons.

Milbon’s strengths lie in its capabilities to develop and create high-quality products and its strong relationships with salons. The company’s performance since going public has been remarkable, and I am confident that we can hope for sustainable growth in the future by further penetrating the domestic market and cultivating overseas markets.

However, I feel that these strengths and capabilities are not sufficiently evaluated by the stock market. I would like to make appropriate recommendations, including further enhancement of financial and non-financial information, to ensure that Milbon’s commendable strengths are properly assessed.



Etsuhiro Takato

(Advisor to Ajinomoto Co., Ltd.) After joining Ajinomoto Co., Inc., he served as President and Director of overseas subsidiaries in Indonesia, Brazil, Thailand, etc., President of ASEAN Regional Management Company, and Executive Officer & Senior Vice President, and Representative Director of Ajinomoto Co., Inc. and is currently an advisor to the company.



Chisa Hayakawa

She was in charge of public offering operations at Calbee, Inc. and two other companies. She later served as Executive Officer and General Manager of the Corporate Planning & Investor Relations Department and the Financial & Accounting Department before assuming her current position. She is a certified analyst with the Securities Analysts Association of Japan and a certified tax accountant.

# PERFORMANCE

Milbon's Performance Data

## Financial Highlights

Financial summary of operating results, per share information, and financial indicators for the 11-year period 2011 to 2021

## Non-Financial Highlights

Quantitative data over the triennium of 2019 to 2021 from the perspectives of "people and society," "environment," and "governance"

## Company Overview and Stock Information

Company overview and stock information, including principal stockholders, stockholding ratios by type of shareholder, share price and trading volume, etc.

## External Assessments and Participating Organizations, etc.

Collaboration with the international community through external assessments such as being recognized as a "2022 Certified Health & Productivity Management Outstanding Organizations" and signing the United Nations Global Compact

Click on one of the above to jump to the appropriate page.

## Financial Highlights

Financial summary of operating results, financial indicators, etc. for the 11-year period from 2011 to 2021

	2011	2012	2013	2014	2015	2016	2017*1	2018*2	2019	2020	2021
<b>Operating results (million yen)</b>											
Net Sales	20,526	21,887	23,829	25,226	27,377	29,134	33,456	33,882	36,266	35,725	41,582
Gross profit	13,620	14,833	16,174	17,281	18,681	20,100	22,797	22,189	23,711	23,385	27,498
Operating income	3,792	3,986	4,302	4,451	4,727	5,113	5,345	6,260	6,751	6,394	7,817
Ordinary income	3,545	3,735	4,059	4,218	4,427	4,733	4,997	5,811	6,231	5,791	7,158
Profit attributable to owners of parent	2,304	2,128	2,516	2,621	2,950	3,069	3,817	4,495	4,517	4,204	5,109
Net assets	19,059	20,367	22,149	24,104	26,212	27,706	31,103	33,151	35,882	36,308	40,197
Total assets	22,592	23,662	26,321	28,138	30,799	32,444	37,642	39,634	41,912	43,075	48,238
Cash flows from operating activities	3,157	2,977	3,511	2,766	3,895	3,355	4,346	6,487	4,486	6,548	6,636
Cash flows from investing activities	101	△1,506	△1,198	△1,236	△2,834	△4,366	△1,919	△1,202	△2,777	△161	△3,995
Cash flows from financing activities	△836	△910	△1,387	△1,052	△1,135	△1,262	△1,317	△1,639	△1,869	△3,416	△1,919
Depreciation	1,014	952	882	1,008	1,038	1,083	1,278	1,380	1,493	1,609	1,777
Capital expenditure	528	840	1,680	1,028	2,779	4,262	1,570	1,149	1,605	1,917	4,644
<b>Per-share information*3</b>											
Earnings per share	69.68	64.35	63.69	80.03	90.10	93.73	116.58	137.31	137.99	129.24	157.17
Net assets per share	576.26	615.84	563.48	736.05	800.51	846.16	949.99	1,012.58	1,096.02	1,117.10	1,236.41
Dividends per share	26.67	27.50	28.33	34.00	37.00	39.00	46.00	54.00	56.00	56.00	68.00
<b>Financial Indicators (%)</b>											
Equity ratio	84.4	86.1	84.1	85.7	85.1	85.4	82.6	83.6	85.6	84.3	83.3
Return on equity (ROE)	12.5	10.8	11.8	11.3	11.7	11.4	13.0	14.0	13.1	11.6	13.4
Return on assets (ROA)	10.6	9.2	10.1	9.6	10.0	9.7	10.9	11.6	11.1	9.9	11.2
Gross profit margin	66.4	67.8	67.9	68.5	68.2	69.0	68.1	65.5	65.4	65.5	66.1
Operating margin	18.5	18.2	18.1	17.6	17.3	17.6	16.0	18.5	18.6	17.9	18.8
Ordinary margin	17.3	17.1	17.0	16.7	16.2	16.2	14.9	17.2	17.2	16.2	17.2
Net profit margin	11.2	9.7	10.6	10.4	10.8	10.5	11.4	13.3	12.5	11.8	12.3
Dividend payout ratio (Consolidated)	38.3	42.7	37.1	42.5	39.3	41.6	39.5	39.3	40.6	43.3	43.3

\*1: FY2017 was irregularly closed, and the financial figures are for the 12 months and 11 days from December 21, 2016 to December 31, 2017. In addition, upon consolidation, the figures for overseas consolidated subsidiaries are based on the non-consolidated financial figures for the 15-month period from October 1, 2016 to December 31, 2017.

\*2: Effective from the beginning of FY2019, the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018) and the Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018) were adopted early, and FY2018 amounts were retrospectively applied.

\*3: Earnings per share and net assets per share have been retroactively adjusted for the three stock splits during the above period. The relevant stock splits are as follows (1) 1.1 for 1 stock split on December 21, 2010; (2) 1.2 for 1 stock split on December 21, 2013; and (3) 2 for 1 stock split on January 1, 2018."



PERFORMANCE

INFORMATION

Non-Financial Highlights

Quantitative data for 2019-21 from an ESG perspective

	FY 2019	FY 2020	FY 2021	Target Company
<b>Diversity &amp; Inclusion</b>				
Number of employees *Permanent employees	910	975	1,038	Milbon Group
Ratio of male/female employees (%) *Permanent employees	56.4%/43.6%	54.2%/45.8%	53.3%/46.7%	Milbon Group
Number of employees(Non-Consolidated) *Permanent employees	735	780	810	Milbon Co., Ltd.
Ratio of male/female employees (Non-Consolidated)(%) *Permanent employees	60.3%/39.7%	59.1%/40.9%	58.1%/41.9%	Milbon Co., Ltd.
Average length of service (years)	11.4	10.8	10.3	Milbon Co., Ltd.
Average age (years old)	35.3	35.3	35.2	Milbon Co., Ltd.
Number of hires *Permanent employees	62	63	62	Milbon Co., Ltd.
Ratio of male/female hires (%) *Permanent employees	38.7%/61.3%	36.5%/63.5%	35.5%/64.5%	Milbon Co., Ltd.
Employee turnover among new graduates within 3 years (%)	11%	14%	10%	Milbon Co., Ltd.
Ratio of new graduate/mid-career hires (%)	84.7%/15.3%	84.3%/15.7%	84.8%/15.2%	Milbon Co., Ltd.
Turnover rate for administrative and non-administrative employees (%)	0%/2.4%	3.0%/2.0%	0%/3.0%	Milbon Co., Ltd.
Turnover rate for total employees (%)	2.1%	2.0%	2.5%	Milbon Co., Ltd.
Ratio of female employees in administrative positions (%)	6.7%	9.5%	9.0%	Milbon Co., Ltd.
Ratio of non-Japanese employees in administrative positions (%)	5.6%	5.4%	5.4%	Milbon Co., Ltd.
Ratio of mid-career employees in administrative positions (%)	10.8%	11.1%	9.2%	Milbon Co., Ltd.
Annual working hours (average hours/employee)	2,177	2,116	2,152	Milbon Co., Ltd.
Official working hours (average hours/employee)	1,900	1,900	1,900	Milbon Co., Ltd.
Ratio of paid leave taken (%)	58.6%	59.4%	59.2%	Milbon Co., Ltd.
Proportion of employees who took childcare leave (male/female) (%)	0%/100%	12.5%/100%	19.3%/100%	Milbon Co., Ltd.
Return rate following childcare leave (male/female) (%)	-/100%	100%/100%	100%/100%	Milbon Co., Ltd.
Number of employees working shortened hours for childcare	20	23	23	Milbon Co., Ltd.
Number of employees taking paid leave for family care	158	153	145	Milbon Co., Ltd.
Number of employees working shortened hours for family care	0	0	0	Milbon Co., Ltd.
Ratio of employees with disabilities (%)	2.62%	2.34%	2.13%	Milbon Co., Ltd.
Number of employees with disabilities	18	20	20	Milbon Co., Ltd.
Number of rehired employees	5	8	6	Milbon Co., Ltd.
Number of occupational accidents <lost time injuries>	0	0	1	Milbon Co., Ltd.
Number of occupational accidents <fatal accidents>	0	0	0	Milbon Co., Ltd.
Ratio of employees participating in health checks (%)	97.6%	98.0%	99.6%	Milbon Co., Ltd.
Ratio of employees participating in stress checks (%)	95.0%	95.7%	93.4%	Milbon Co., Ltd.
Education and training expenses per employee (yen)	123,522	84,742	103,773	Milbon Co., Ltd.
Education and training hours per employee (hours)	91.3	103.8	86.1	Milbon Co., Ltd.
<b>Educational Support for Hairstylists</b>				
Number of educational support events and seminars held	1,100	523	893	Milbon Co., Ltd.
Number of participants in educational support events and seminars	27,936	8,862	18,236	Milbon Co., Ltd.
Number of registered users on education iD	-	-	8,786	Milbon Co., Ltd.
Number of registered users on Digital Arena	-	-	6,321	Milbon Co., Ltd.
<b>Donation activities (thousands of yen)</b>				
Save the Children Japan	1,804	1,118	1,043	Milbon Co., Ltd.
JHD&C (NPO)	123	99	117	Milbon Co., Ltd.
Ashinaga Foundation	876	696	813	Milbon Co., Ltd.
Kansai University (Educational Corporation)	1,500	1,500	1,500	Milbon Co., Ltd.
Iga Koikukai (Social Welfare Corporation)	49,471	-	-	Milbon Co., Ltd.
Japan Platform (Specified Nonprofit Corporation)	5,000	-	-	Milbon Co., Ltd.
KIDS EARTH FUND (NPO)	-	1,000	2,299	Milbon Co., Ltd.
Other donations including research and development grants	2,800	1,100	50	Milbon Co., Ltd.
Other	165	30	30	Milbon Co., Ltd.

People and society

FY 2019 FY 2020 FY 2021 Target Company

	FY 2019	FY 2020	FY 2021	Target Company
<b>Energy</b>				
CO2 emissions *Total emissions	4,399	3,912	4,129	Milbon Co., Ltd.
CO2 emissions* Within total emissions "Scope 1" (t-CO <sub>2</sub> )	1,248	1,205	1,300	Milbon Co., Ltd.
CO2 emissions* Within total emissions "Scope 2" (t-CO <sub>2</sub> )	3,151	2,707	2,829	Milbon Co., Ltd.
Electricity consumption - Total ('000 kWh)	6,442	6,190	6,518	Milbon Co., Ltd.
Electricity consumption - Purchased electricity ('000 kWh)	6,442	6,190	6,466	Milbon Co., Ltd.
Electricity consumption - In-house power generation ('000 kWh)	0	0	51.8	Milbon Co., Ltd.
Electricity consumption - Renewable energy ('000 kWh)	0	0	0	Milbon Co., Ltd.
Total energy consumption (KL: crude oil equivalent)	2,215	2,134	2,249	Milbon Co., Ltd.
Total energy consumption - Intensity (KL: million yen)	0.073	0.071	0.067	Milbon Co., Ltd.
City gas consumption (km <sup>3</sup> )	237	240	264	Milbon Co., Ltd.
Gasoline consumption (kL)	303.34	288.57	307.12	Milbon Co., Ltd.
Heavy oil consumption (kL)	0	0	0	Milbon Co., Ltd. Factory
Light oil consumption (kL)	0.972	0.425	0.069	Milbon Co., Ltd. Factory
Kerosene consumption (kL)	0	0	0	Milbon Co., Ltd. Factory
<b>Air emissions</b>				
NOx(t)	-	-	-	Milbon Co., Ltd. Factory
SOx(t)	0	0	0	Milbon Co., Ltd. Factory
<b>Waste</b>				
Waste volume (t)	400.6	408.1	523.0	Milbon Co., Ltd. Factory
<b>Water resources</b>				
Water intake (m <sup>3</sup> )	41,767	40,445	47,219	Milbon Co., Ltd. Factory
Water consumption (m <sup>3</sup> )	41,767	40,445	47,219	Milbon Co., Ltd. Factory
Water consumption - Intensity (m <sup>3</sup> /million yen)	1.374	1.354	1.404	Milbon Co., Ltd. Factory
Water discharge - Total (m <sup>3</sup> )	22,406	23,454	26,214	Milbon Co., Ltd. Factory
<b>Pollution load</b>				
BOD(t)	28.5	4.7	5.9	Milbon Co., Ltd. Factory
SS(t)	7.5	2.2	6.2	Milbon Co., Ltd. Factory
n-HEX(t)	5	1.9	1.4	Milbon Co., Ltd. Factory
<b>Plastic</b>				
Consumption (t)	-	940	1,054	Milbon Co., Ltd. Factory

Environment

FY 2019 FY 2020 FY 2021 Target Company

	FY 2019	FY 2020	FY 2021	Target Company
<b>Board of Directors</b>				
Number of Internal Board Directors	8	7	6	Milbon Co., Ltd.
Number of Outside Board Directors	2	2	3	Milbon Co., Ltd.
Ratio of Outside Board Directors (%)	20%	22%	33%	Milbon Co., Ltd.
Ratio of female Board Directors (%)	0%	0%	11%	Milbon Co., Ltd.
Number of Board of Directors meetings	15	13	14	Milbon Co., Ltd.
Attendance rate at Board of Directors meetings (%)	96%	99%	99%	Milbon Co., Ltd.
<b>Audit &amp; Supervisory Board</b>				
Number of Standing Audit & Supervisory Board Members	1	1	1	Milbon Co., Ltd.
Number of Outside Audit & Supervisory Board Members	2	2	2	Milbon Co., Ltd.
Number of Audit & Supervisory Board meetings	8	8	8	Milbon Co., Ltd.
Attendance rate at Audit & Supervisory Board meetings	100%	100%	100%	Milbon Co., Ltd.
<b>Nominations and Compensation Committees</b>				
Number of Nominations and Compensation Committee meetings	1	1	2	Milbon Co., Ltd.
Ratio of Outside Board Directors (%)	66%	66%	75%	Milbon Co., Ltd.
<b>Compliance</b>				
Number of whistleblowing reports	0	0	0	Milbon Co., Ltd.
Number of harassment reports	2	3	3	Milbon Co., Ltd.
Number of legal actions for corruption and bribery	0	0	0	Milbon Co., Ltd.
<b>Other compliance</b>				
Company-wide compliance awareness survey response rate (%)	95.9%	96.1%	93.6%	Milbon Group

Governance

### INFORMATION

## Company Overview and Stock Information

### As of December 31, 2021

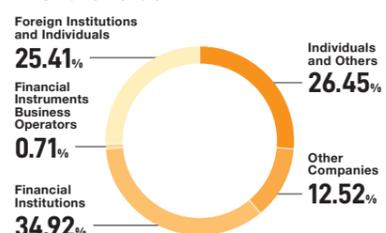
#### Company Overview

Trading Name : Milbon Co., Ltd.  
 Established : July 1960  
 Capital : 2.0 billion yen  
 Number of : Non-consolidated - 810  
 Employees Consolidated - 1,038  
 Head Office : Kyobashi Edogrand, 2-2-1 Kyobashi, Chuo-ku, Tokyo  
 Central : 2-3-35 Zengenji-cho, Miyakojima-ku, Research Institute Osaka-shi, Osaka  
 Branches : Saitama / Tokyo Aoyama / Tokyo Ginza / Nagoya / Osaka / Hiroshima / Fukuoka  
 Sales Offices : Sapporo / Sendai / Niigata / Jingumae / Yokohama / Kanazawa / Shizuoka / Kyoto / Kobe / Okayama / Matsuyama / Kumamoto  
 Factories : Yumegaoka Factory / Thailand Factory / China Factory  
 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.  
 Affiliated : Ltd.  
 Company : Kose Milbon Cosmetics Co., Ltd  
 Representative :  
 Offices : Taiwan / Hong Kong / Turkey / Indonesia Philippines / Germany\* Becoming a subsidiary in April 2022

#### Stock Information

Listed Stock Exchange: Prime Market, Tokyo Stock Exchange  
 Stock code: 4919  
 Total number of shares authorized: 120,408,000  
 Number of shares outstanding: 33,117,234  
 Number of shareholders: 13,411

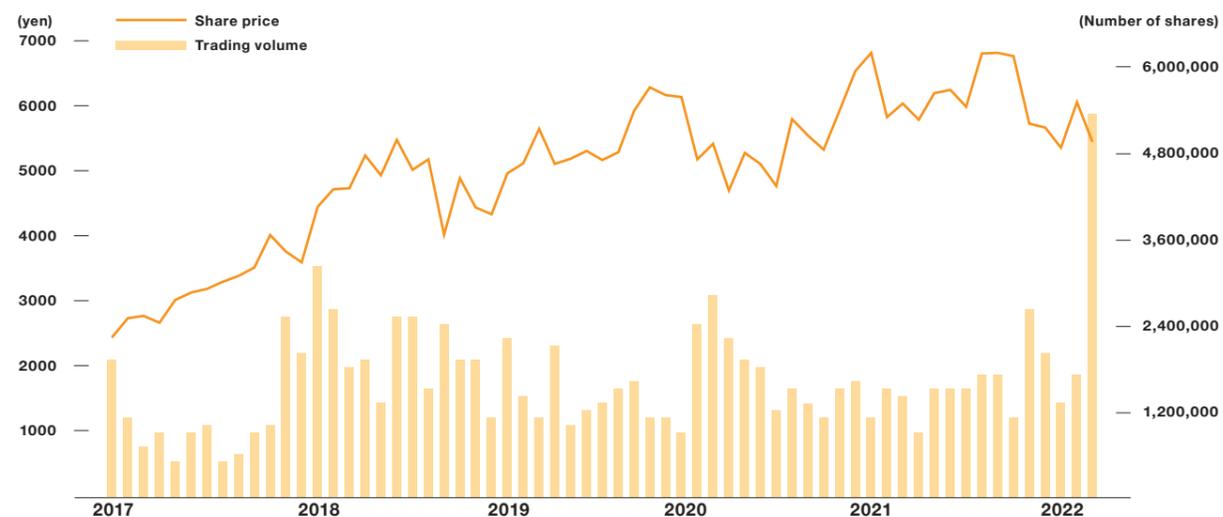
#### Shareholding Ratio by Type of Shareholder



#### Principal Shareholders (Top 10) Shareholder

Shareholder	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd.	4,120,000	12.67%
SSBTC CLIENT OMNIBUS ACCOUNT	2,389,347	7.35%
Konoike Asset Management Company	1,920,000	5.91%
Custody Bank of Japan, Ltd. (Trust account 9)	1,380,400	4.25%
Custody Bank of Japan, Ltd. (Trust account)	1,328,800	4.09%
SMBC Trust Bank Ltd. Designated Securities Trust	1,328,000	4.08%
MILBON Cooperating Companies Shareholding Association	991,456	3.05%
Sumitomo Mitsui Trust Bank, Limited	934,400	2.87%
Kazunobu Konoike	864,253	2.66%
J.P. MORGAN BANK LUXEMBOURG S.A. 384513	692,910	2.13%

#### Share Price and Trading Volume



### INFORMATION

## External Assessments and Participating Organizations, etc.

#### External Assessments

##### Our unique business model wins the Porter Prize

Milbon was awarded the Porter Prize 2020, a program sponsored by the School of International Corporate Strategy, Hitotsubashi University Business School. Since our establishment in 1960, we have been consistently focused on stylists and salons. Revenues have increased for 24 consecutive years since the Company's listing to 2019, and Milbon has been recognized for the uniqueness of its business strategy which supports this level of growth and maintains high profitability. Going forward, we will continue to use a

business model focused on stylists and salons and contribute to the realization of a rich society through beauty.

##### Recognized as an "Excellent Health Management Corporation 2022"

Milbon has been recognized as a "2022 Certified Health & Productivity Management Outstanding Organization" by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. In 2020, Milbon adopted the Milbon Health Declaration, which aims to create a workplace environment where each and every employee can continue to

work in good physical and mental health and achieve both "job satisfaction" and "purpose in life." We have also identified "realize work environments with enhanced job satisfaction" as one of the five topics that we place particular emphasis on in order to realize a sustainable society, and we are promoting the creation of an environment that encourages the health and engagement of our employees. We will continue to promote health management that leads to employee vitality and job satisfaction.

#### Cooperation with Society

##### Joined the United Nations Global Compact

Milbon endorsed the United Nations Global Compact (UNGC) proposed by the United Nations and signed it in May 2020. UNGC is a voluntary initiative in which companies and organizations participate in the creation of a global framework for sustainable growth by acting as good members of society through responsible leadership. Based on its own basic sustainability policy, Milbon supports the UNGC's 10 principles related to "human rights," "labor," "environment," and "anti-corruption" as a participating company that works with salons and haircare

professionals to solve social issues, thereby contributing to the realization of a sustainable society.

##### Recognized as a full member of the RSPO

In March 2022, Milbon was approved as a full member of the Roundtable on Sustainable Palm Oil (RSPO), which was established by related organizations including the World Wide Fund for Nature (WWF). Palm oil is a vegetable oil used worldwide for a wide variety of purposes, some of which include use as a raw material for cosmetics. On the other hand, environmental issues such as the destruction of tropical rainfor-

ests and human rights issues such as labor have been cited in connection with the development of these plantations. In February of the same year, Milbon announced its Mid-Term Five-Year Management Plan, setting a goal of 100% adoption of RSPO-certified palm oil by 2030, and the entire company is working to achieve this. In January 2020, we joined JaSPON (Japan Sustainable Palm Oil Network), a Japanese network for sustainable palm oil, to exchange information.

\* Check out our progress at [www.rspo.org](http://www.rspo.org)



#### Milbon Co., Ltd. 2022 Integrated Report

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**m i l b o n**

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