



Milbon Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending December 2025

August 8, 2025

Event Summary

[Company Name]	Milbon Co., Ltd.	
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[Number of Speakers]	3	
	Hidenori Sakashita	President and CEO
	Masahiro Murai	Managing Executive Officer, and in charge of Finance, Corporate Communication, and Sustainability Promotion
	Shinichiro Hyogo	Executive Officer, General Manager of Corporate Communication Department, and in charge of Finance

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Presentation

Key Highlights of Financial Results for the First Half of FY2025

FY2025 1H Results	Although net sales returned to slightly positive growth in the first half, profit declined. The overseas business remained generally strong, while domestic sales fell short of the plan. <ul style="list-style-type: none">• In the domestic salon market, although beauty-related consumer spending has recently weakened, our hair care products have remained resilient. Hair coloring products showed signs of recovery in the second quarter compared to the first; however, sales still fell short of the plan.• Performance remained generally strong across overseas countries on a local currency basis. Although overseas results were negatively impacted by a stronger yen, South Korea showed signs of recovery, and the U.S. business achieved significant growth.• Operating profit declined due to inventory losses, foreign exchange effects, and higher SG&A expenses. It also fell short of the plan, mainly because of lower domestic sales and reduced gross profit caused by inventory losses.
Net Sales by Region	
Operating Income	
FY2025 Outlook	Based on domestic sales performance in the first half and the current business environment, we have revised our full-year earnings forecast downward, to incorporate all foreseeable risks.
Shareholder Return	In line with our progressive dividend policy, we have maintained the interim dividend as originally planned and kept the year-end dividend forecast unchanged. Additionally, to enhance capital efficiency and strengthen shareholder returns, we have resolved to repurchase up to ¥2 billion of our own shares.

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Murai: I would like to start by explaining the status of the financial results for H1 of FY2025. First, here are the consolidated results. The key points of the financial results for H1 of FY2025 are as shown here.

Net sales returned to a positive growth in H1 to date. Although net sales were down in Q1, we have turned them around to an increase. However, income declined. Overseas business was generally strong, but domestic sales fell short of the plan.

As for sales by region, while we think that the domestic salon market has been affected by a weakened consumer's beauty-related spending, our hair care products remained firm. In the meantime, although hair coloring products showed an improving trend in Q2 as well, they still fell short of the planned level.

Overseas, we can say that on a local currency basis, each country has generally been performing well. However, South Korea has been negatively affected by the strong yen. In contrast, the US has been growing very steadily and significantly.

Operating income decreased, unfortunately, due to inventory losses, foreign exchange effects, and an increase in SG&A expenses. The sales did not reach the plan, and the gross profit margin was not achieved due to inventory losses. As a result, operating income also did not reach the plan.

In light of these results, we have revised our full-year forecast downward. I will explain more later.

In terms of shareholder returns, we have a progressive dividend policy, so we will not reduce dividends. The interim dividend was decided at JPY40 per share as planned. In addition, we have decided to repurchase up to JPY2 billion of our own shares to improve capital efficiency and enhance shareholder returns.

Consolidated Statement of Earnings

Sales increased, but profits declined. Operating income fell short of the plan, mainly due to lower-than-expected domestic sales and inventory losses. Additionally, we recorded a valuation loss of approximately ¥760 million on investment securities, which contributed to a significant decline in net profit.

(Unit: million yen)	FY2024 2Q YTD	% Total	FY2025 2Q YTD	% Total	Diff.	Diff. (%)	FY2025 2Q YTD Target	Vs. Target (%)
Net Sales	24,526	100.0%	24,807	100.0%	281	1.1%	25,907	95.8%
Gross Profit	15,755	64.2%	15,502	62.5%	(253)	(1.6%)	16,664	93.0%
SG&A Expenses	12,577	51.3%	13,563	54.7%	986	7.8%	13,853	97.9%
Operating Income	3,178	13.0%	1,938	7.8%	(1,240)	(39.0%)	2,811	69.0%
Ordinary Income	3,324	13.6%	1,853	7.5%	(1,471)	(44.3%)	2,838	65.3%
Profit Attributable to Owners of Parent	2,280	9.3%	419	1.7%	(1,861)	(81.6%)	2,002	20.9%

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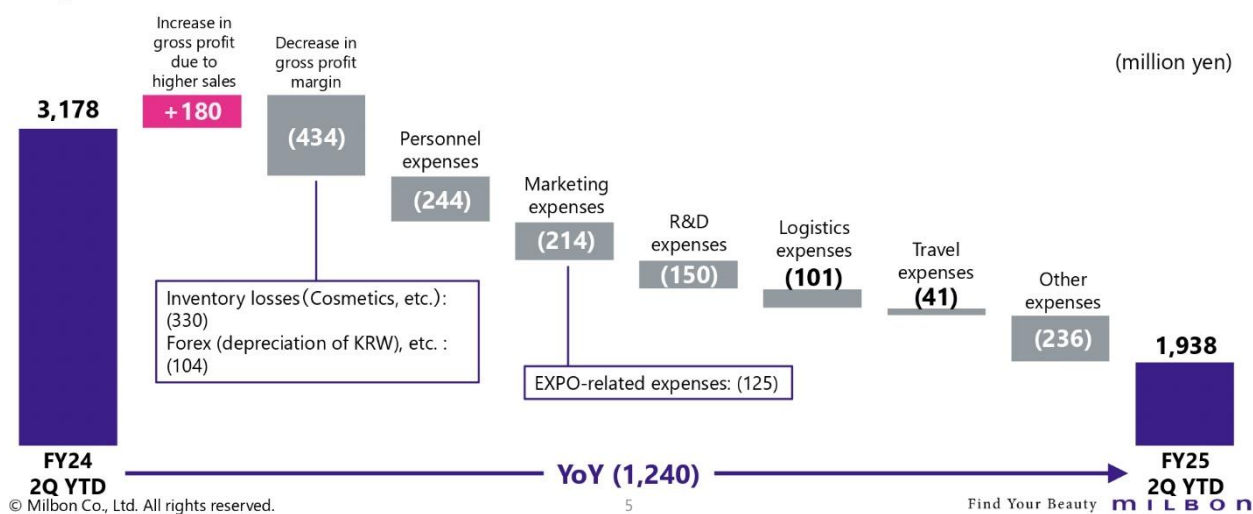
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The consolidated income statement is as shown here. In addition to what I mentioned earlier, we recorded a valuation loss of JPY760 million on investment securities. So, a significant decrease was posted in profit attributable to owners of parent.

Consolidated Operating Income – Factors Behind YoY Changes

Net sales returned to slightly positive growth in the first half, but operating profit declined due to lower gross profit resulting from inventory losses and foreign exchange effects, as well as higher SG&A expenses. Profitability improvements from price increases on domestic hair care products are expected to begin in the second half.



I will now explain the factors behind the YoY change in consolidated operating income.

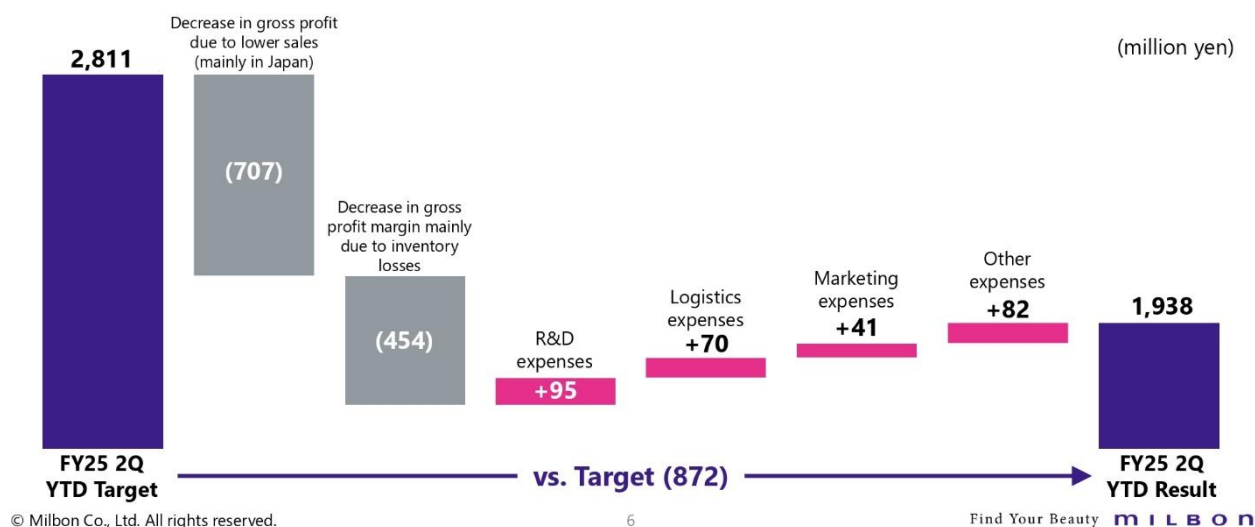
Although net sales returned to a positive growth in H1, operating income decreased due to lower gross profit caused by inventory losses and foreign exchange effects, and higher SG&A expenses.

We have raised the prices of hair care products in Japan, which is expected to take effect in H2.

This year, the costs for the Expo have also been incurred.

Consolidated Operating Income – Factors Behind Difference vs. Target

Gross profit fell short of the plan, mainly due to lower sales and inventory losses. Although we implemented additional measures to reduce SG&A expenses, they were not sufficient to fully offset the impact, and operating profit also fell below the plan.



The next page shows the factors behind differences from the target.

A significant negative impact on the target was from lower sales against the plan. Then, another significant impact was from the decline in gross margin mainly due to inventory losses.

As for SG&A expenses, we are working to reduce costs, but the amount has not yet reached a significant level. Accordingly, the result at the end of Q2 turned out to be like this.

Net Sales and Operating Income by Region

Domestic sales increased, but operating income declined due to lower gross profit from inventory losses and higher SG&A expenses. Overseas, particularly in South Korea, results were impacted by yen appreciation, although local currency sales remained strong.

(Unit: million yen)		FY2024 2Q YTD	FY2025 2Q YTD	Diff.	Diff. (%)	Actual Diff. Rate*1 (%)	FY2025 2Q YTD Target	Exchange Rate FY24 2Q	Exchange Rate FY25 2Q
Japan	Net Sales	18,367	18,483	116	0.6%	0.6%	19,500		
	Operating Income	2,534	1,640	(894)	(35.3%)	—	2,357	—	—
	Margin (%)	13.8%	8.9%	—	—	—	12.1%		
Overseas	Net Sales	6,159	6,323	164	2.7%	8.2%	6,406		
	Operating Income	643	297	(345)	(53.7%)	—	454	—	—
	Margin (%)	10.5%	4.7%	—	—	—	7.1%		
South Korea	Net Sales	2,662	2,577	(85)	(3.2%)	5.5%	2,707	KRW	KRW
	Operating Income	743	587	(155)	(21.0%)	—	691	0.1132 yen	0.1038 yen
	Margin (%)	27.9%	22.8%	—	—	—	25.5%		
China	Net Sales	1,211	1,193	(18)	(1.5%)	3.6%	1,133	RMB	RMB
	Operating Income	77	76	(1)	(2.4%)	—	14	21.51 yen	20.45 yen
	Margin (%)	6.4%	6.4%	—	—	—	1.2%		
United States	Net Sales	922	1,150	228	24.8%	30.4%	1,018	USD	USD
	Operating Income	(71)	(216)	(144)	—	—	(195)	154.06 yen	147.44 yen
	Margin (%)	(7.8%)	(18.8%)	—	—	—	(19.2%)		
Other*2	Net Sales	1,362	1,402	39	2.9%	2.6%	1,546		
	Operating Income	(105)	(148)	(43)	—	—	(55)	—	—
	Margin (%)	(7.7%)	(10.6%)	—	—	—	(3.6%)		

*1 Figures are the rates of change in real terms on a local currency basis.
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*2 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, Philippines, Singapore, and EU
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Next, I will explain our performance by region.

As for the results by region, including net sales and operating income in Japan and overseas, domestic sales increased, but gross profit decreased and SG&A expenses increased, resulting in a decrease in operating income. Overseas, the appreciation of the yen has a negative impact, particularly in South Korea, but on a local currency basis, sales were generally in line with the plan.

The actual difference rate shows a 5.5% increase in South Korea, but a minus 3.2% when including the impact of the exchange rate. In China, sales increased by 3.6% on a local currency basis, but including the impact of the exchange rate, they showed negative 1.5%.

Financial Results by Region: Japan

Sales returned to slightly positive growth in the first half, but profit declined due to lower gross profit from inventory losses and higher SG&A expenses.

YoY Growth Rate of Sales by Product Category*

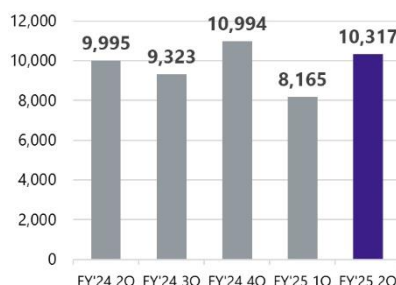
Hair care sales remained firm. We implemented price increases on May 1. Hair coloring showed signs of recovery, driven by the relatively solid performance of Villa Lodola Color, which was well received for its product quality. Cosmetics sales declined due to a reactionary drop following strong new product launches last year.

FY2025		
Change in Sales	2Q	2Q YTD
Hair Care	+6.8%	+6.7%
Hair Coloring	(1.8%)	(4.7%)
Cosmetics	(15.2%)	(42.9%)
% to Sales	2Q	2Q YTD
Hair Care	67.0%	66.7%
Hair Coloring	28.4%	29.1%
Cosmetics	1.5%	1.6%

*Based on shipment value
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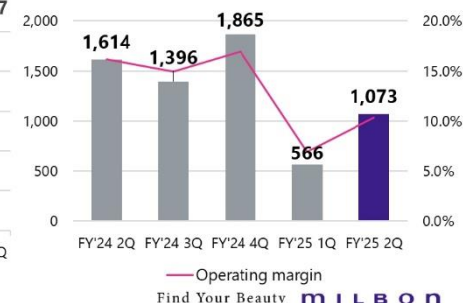
Quarterly Net Sales (mil. yen)

Q2 sales improved from Q1, but fell short of the plan due to continued weakness in hair coloring and cosmetics.



Quarterly Operating Income (mil. yen)

Q2 operating income improved from Q1 due to a recovery in sales, but declined year-on-year, as inventory losses and higher SG&A expenses outweighed cost-reduction initiatives.



Next, let's look at the situation by region, starting with Japan. Although we achieved an increase in net sales, profit was still in a difficult situation.

Looking at the domestic situation by category, our hair care products were performing relatively well, but hair coloring products were in the negative. In Q2, it was minus 1.8%, for a cumulative total of minus 4.7%. In short, Q1 saw a much more negative figure, so we can say that things have been gradually improving despite the harsh market environment.

We are also making various efforts to reduce SG&A expenses, but operating income has been still declining.

Financial Results by Region: South Korea

Temporary negative factors, such as political instability in Q1, have been resolved. While results were affected by yen appreciation and won depreciation, performance in local currency terms has progressed in line with the plan.

YoY Growth Rate of Sales by Product Category*

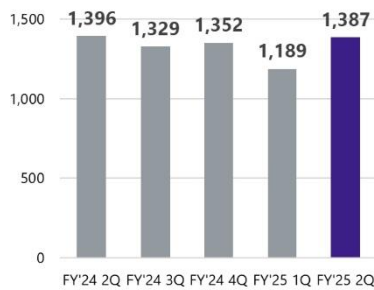
Sales increased across all categories, supported by a recovering market environment. Hair coloring benefited from increased demand following a competitor's exit from the market.

FY2025		
Change in Sales	2Q	2Q YTD
Hair Care	+14.2%	+9.7%
Hair Coloring	+6.2%	+1.9%
Perm	+10.2%	+10.2%
% to Sales	2Q	2Q YTD
Hair Care	23.8%	24.1%
Hair Coloring	68.9%	68.7%
Perm	4.9%	5.1%

*Based on local currency
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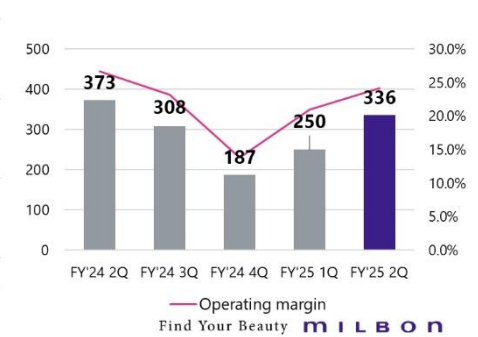
Quarterly Net Sales (mil. yen)

Sales in Q1 were affected by political instability, but recovered in Q2. Despite a year-on-year decline in yen terms due to currency effects, sales increased on a local currency terms.



Quarterly Operating Income (mil. yen)

Operating income has been recovering alongside sales but declined year-on-year due to higher SG&A expenses and currency effects.



Next is South Korea. In Q1, there were some temporary negative factors due to political instability and other factors, but these have largely been resolved. In the meantime, the appreciation of the yen against the won has an impact, resulting in decreased sales in yen terms. In terms of local currency, the results have been generally in line with the plan.

By category, the situation was already very well for Q2. Hair care sales were up 14.2%, and hair coloring sales were up 6.2%. Hair coloring sales was negative in Q1, but turned positive and have continued to increase.

Profits have been relatively steady among our foreign subsidiaries. Operating profit margin was more than 20%.

Financial Results by Region: China

Despite a sluggish market recovery, our salon support activities, an area of strength, were well received, resulting in net sales and operating income exceeding the plan.

YoY Growth Rate of Sales by Product Category*

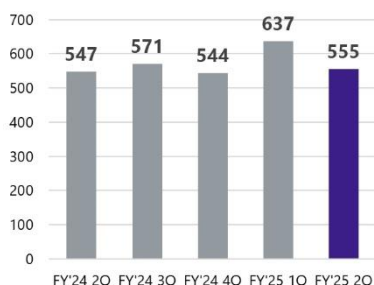
With last year's market downturn, starting in Q2, setting a low comparison base, sales grew by double digits across categories. Our product quality and salon support activities were well received, leading to a steady increase in the number of salons adopting Global Milbon.

FY2025		
Change in Sales	2Q	2Q YTD
Hair Care	+10.8%	+4.7%
Hair Coloring	+18.1%	+3.2%
% to Sales	2Q	2Q YTD
Hair Care	60.7%	59.2%
Hair Coloring	34.5%	35.4%

*Based on local currency
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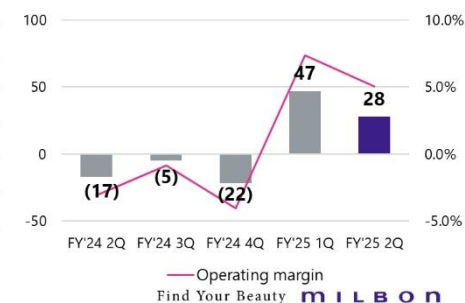
Quarterly Net Sales (mil. yen)

Q2 sales declined compared to Q1, when salon visits surged ahead of the Lunar New Year, but still exceeded the plan.



Quarterly Operating Income (mil. yen)

Operating income exceeded the plan due to cost control initiatives. Going forward, we plan to invest in marketing expenses to stimulate demand for hair coloring, while closely monitoring market trends.



Then, this is the results in China. Although the recovery of the hair salon market still seems to be slow, our salon support activities, which is our forte, have been well received, and both sales and profits have exceeded the plan.

The categorical section shows a very good result for Q2. After all, both hair care products and hair coloring products have a very high growth rate. This is very encouraging.

Operating income also exceeded the plan, but we plan to invest in sales promotion expenses in Q3 and Q4, so I believe that the final results will be generally in line with the plan.

Financial Results by Region: United States

Amid a challenging salon market, sales grew strongly, driven by the high reputation of our products and collaboration with distributors. Operating loss was almost contained within the planned range, despite up-front investments in marketing, personnel, and the impact of tariffs.

YoY Growth Rate of Sales by Product Category*

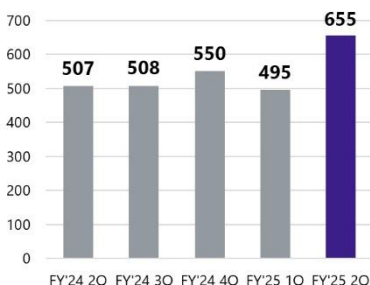
Sales increased across categories, with hair care showing strong growth driven by the high reputation of new products tailored to the U.S. salon and consumer needs. We also benefited from a competitor's shift from salon-based sales to direct-to-consumer channels.

FY2025		
Change in Sales	2Q	2Q YTD
Hair Care	+41.2%	+32.8%
Hair Coloring	+37.3%	+14.7%
% to Sales	2Q	2Q YTD
Hair Care	86.1%	86.4%
Hair Coloring	8.7%	8.5%

*Based on local currency
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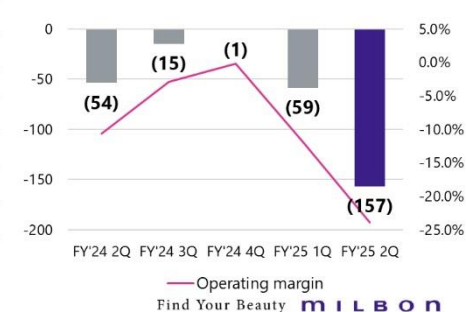
Quarterly Net Sales (mil. yen)

While consumer sentiment in the U.S. hair salon market has been deteriorating, our sales remain strong, particularly in the hair care category.



Quarterly Operating Income (mil. yen)

Operating income was slightly below the plan due to intensified marketing efforts, increased field personnel, and the impact of tariffs. We plan to implement price increases starting in September to improve profitability.



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Next is the US. Although the market environment is difficult here, sales have been growing strongly due to the high evaluation of our products and collaborative activities with distributors.

Looking at sales by category, hair care products and hair coloring products showed very high growth in Q2, which is very encouraging.

However, there have been upfront investments in marketing and personnel increase. In addition, there has been the impact of tariffs, and the results shows a decrease in profits. However, profits have been secured almost as planned.

On the other hand, the negative figure of profits has expanded. This is due to upfront investments in marketing and personnel increase and the impact of tariffs.

Nevertheless, the fact that sales have been growing very steadily is a major positive factor.

Revision of Full-Year Earnings Forecast

Based on our first-half results and the current market environment, we have revised the full-year earnings forecast downward, incorporating all currently foreseeable risks.

(Unit: million yen)	FY2025 Initial Target	FY2025 Revised Target	Diff.	Diff. (%)	
Net Sales	54,250	52,300	(1,950)	(3.6%)	Domestic sales target revised downward; overseas target unchanged.
Japan	40,850	38,900	(1,950)	(4.8%)	
Overseas	13,400	13,400	—	—	
Gross Profit	35,000	32,926	(2,074)	(5.9%)	Incorporating inventory losses through 1H, U.S. tariffs, and all currently foreseeable risks, including further inventory losses and forex fluctuations.
Margin	64.5%	63.0%	—	—	
SG&A Expenses	28,000	27,626	(374)	(1.3%)	Reductions in R&D, marketing, and other costs, including variable expenses.
Operating Income	7,000	5,300	(1,700)	(24.3%)	
Margin	12.9%	10.1%	—	—	
Ordinary Income	7,000	5,180	(1,820)	(26.0%)	Foreign exchange loss
Profit Attributable to Owners of Parent	5,200	3,000	(2,200)	(42.3%)	Loss on valuation of investment securities

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Next, I would like to explain the revision of the earnings forecast.

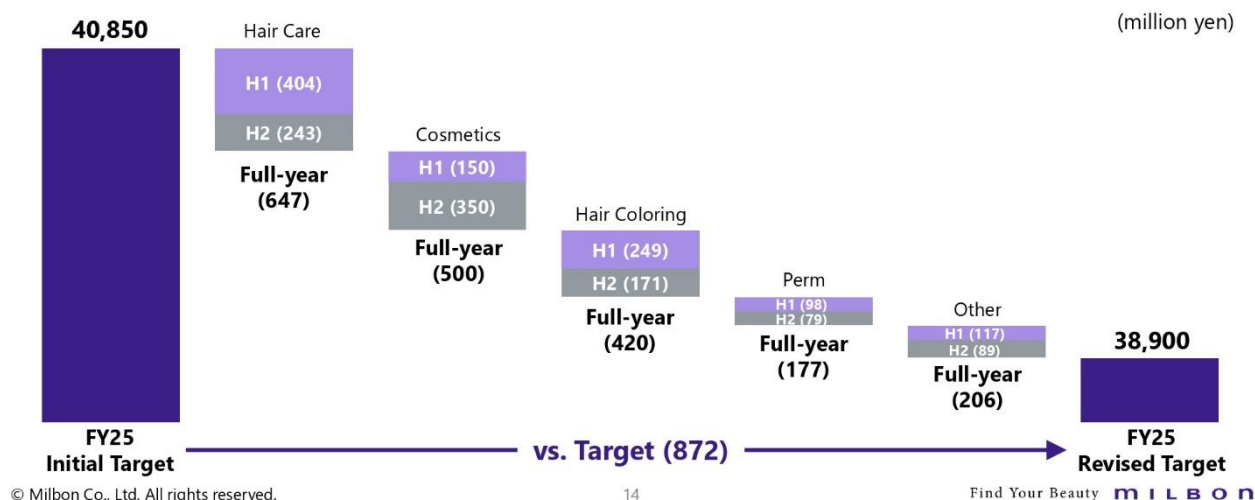
This is mainly due to the fact that it is quite difficult to achieve the domestic sales plan under the current circumstances. Based on performance trends through H1 and incorporating currently foreseeable additional risks, we have revised our full-year forecast downward.

These additional risks—outlined on the right—include inventory valuation losses and foreign exchange impacts, which are inherently difficult to predict with precision.

We now expect a gross profit margin of 63%, operating income of ¥5.3 billion, and an operating margin of 10.1%. As mentioned earlier, due to a valuation loss on investment securities, profit attributable to owners of parent is expected to fall significantly short of the initial plan.

Revision of Full-Year Earnings Forecast: Factors Behind the Adjustment to Domestic Sales Targets

In addition to falling short of our initial first-half sales target, we have revised our domestic sales forecast for the second half downward, as the impact of our initiatives is expected to take time to materialize.



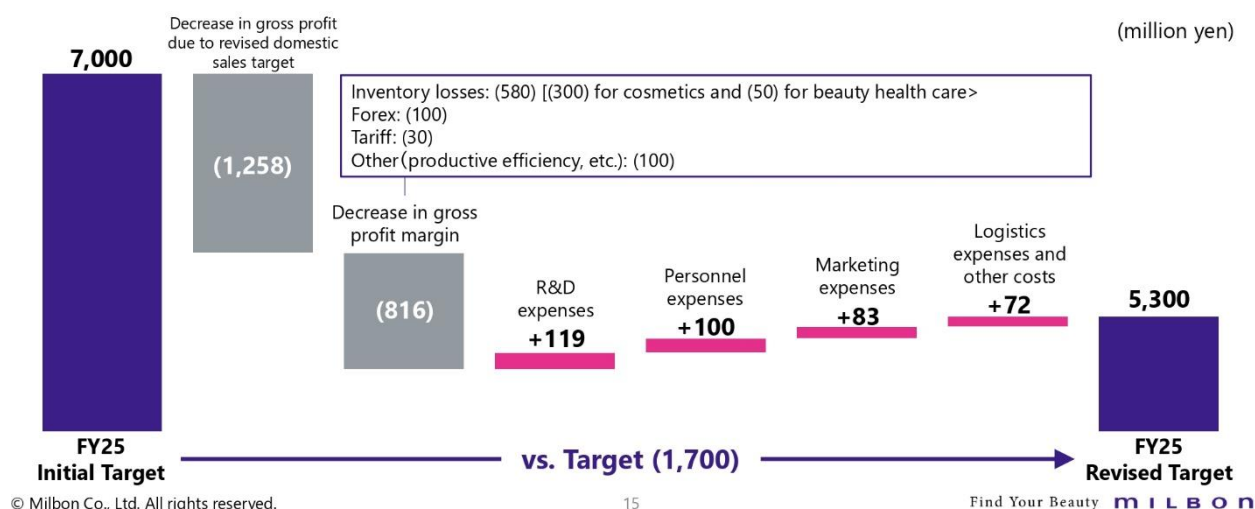
I mentioned earlier that we have revised our domestic sales forecast, and here are the contents of the revision.

The sales in the previous plan were JPY40.85 billion. That has been revised to JPY38.9 billion. In hair care products, H1 sales fell short by over JPY400 million, but we aim to reduce the shortfall to JPY240 million in H2.

As for cosmetics, on the contrary, H1 sales fell short by JPY150 million, and the shortfall is expected to widen further. However, this reflects our strategic shift in focus toward hair care and hair coloring products to drive sales. The decline in hair coloring sales is expected to moderate in H2 compared to the decline in H1.

Revision of Full-Year Earnings Forecast: Factors Behind the Adjustment to Consolidated Operating Income

We have revised the forecast downward due to lower-than-expected sales and inventory losses. In terms of SG&A expenses, we implement additional cost-reduction measures as shown below.

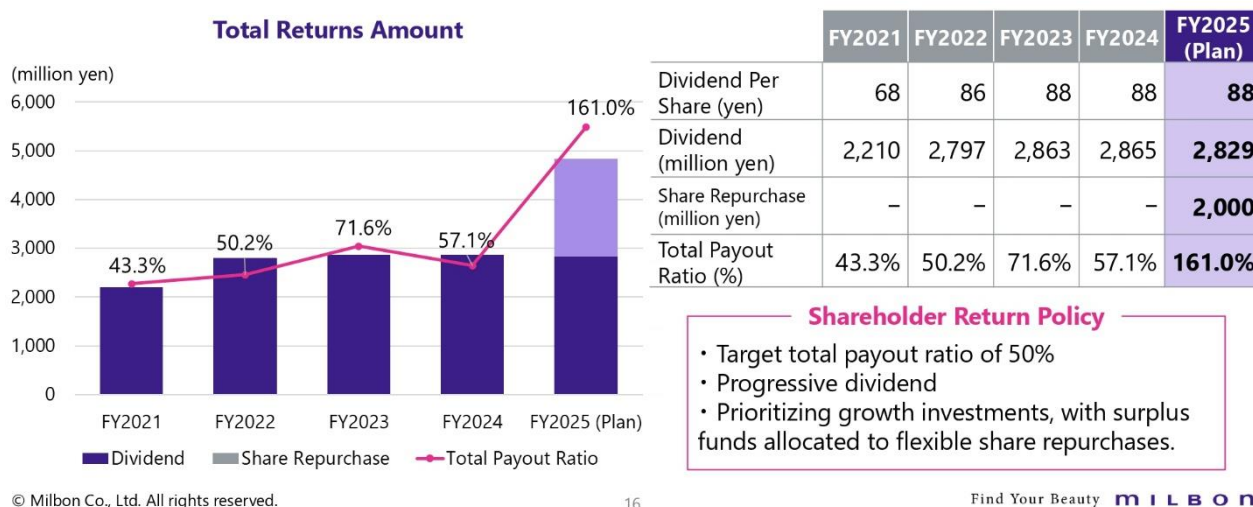


Next, this page shows factors behind the adjustment to operating income. The decrease in gross profit due to the decline in sales is a significant factor. Then there is a decline in gross profit margin.

As for SG&A expenses, we have been working to reduce them.

Shareholder Return: Dividend and Share Repurchase

In line with our progressive dividend policy, the interim dividend was set at ¥40 as planned, and the year-end forecast of ¥48 remains unchanged. Additionally, a share repurchase of up to ¥2 billion was resolved to improve capital efficiency and enhance shareholder returns.



For the first time in our history, we will repurchase our own shares as part of our shareholder return policy. As mentioned earlier, in line with our progressive dividend policy, we will not reduce the interim dividend of JPY40 and will maintain the year-end dividend forecast of JPY48. In addition, we have resolved to repurchase shares of up to JPY2 billion to improve capital efficiency and enhance shareholder returns.

Historically, shareholder returns were limited to dividends. This year, in addition to dividend payments, we will conduct share buybacks, resulting in a projected total payout ratio of 161.0%.

As outlined below in our shareholder return policy, we will strengthen shareholder returns going forward—not only through stable dividends, but also through flexible share buybacks.

Revisions to Capital Allocation Policy Through 2026

- ✓ Growth investments, including the planned expansion of the Yumegaoka Factory by 2026, will be mainly funded through interest-bearing debt to enhance capital efficiency.
- ✓ While shareholder returns were previously limited to dividends, we will consider flexible share repurchases through 2026, based on financial performance, share price trends, and cash on hand.
- ✓ To achieve the 11.3% ROE target by 2026, the final year of the current mid-term plan, we will improve both financial performance and capital efficiency.
- ✓ Details of the capital allocation policy for 2027 and beyond will be announced with the next mid-term plan.



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We have revised our capital allocation policy through FY2026. The original policy was announced alongside our FY2024 full-year results, and the most significant change relates to shareholder returns.

Previously, we stated that share buybacks would be considered as part of our shareholder return policy beginning in FY2027. However, we have already announced buybacks during the current medium-term management plan period. We will continue to consider share buybacks flexibly next fiscal year, while closely monitoring market conditions.

One of the drivers behind this policy change is the planned expansion of the Yumegaoka Factory. While the details are still under consideration, we have traditionally funded such growth investments primarily with internal cash reserves. Going forward, we intend to utilize interest-bearing debt to finance these investments. As a result, our revised policy is to actively return remaining funds to shareholders through dividends and share buybacks.

That is all from me. Then, Mr. Sakashita will explain the progress of the Milbon Group in 2025. Thank you very much.

Sakashita: I am Sakashita. Thank you very much for taking time out of your busy schedule to join us today.

I will now present the progress of the Milbon Group in FY2025.

Our Strategic Direction and Current Challenges

To become the world's No.1 professional haircare manufacturer, we're building stable growth in Japan, aiming for the top spot in Asia, and accelerating expansion in the U.S. and Europe. Overseas business is strong, while premiumization remains a challenge in Japan.



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Let me now share the current status of our business, including strategic direction and key challenges.

To become the world's leading professional haircare manufacturer, we aim to first achieve stable growth in Japan, where we already hold the top market share. In Asia, while we have already secured leading positions in certain countries and regions, we are working toward becoming number one in each market—particularly in East and Southeast Asia, where our business continues to expand.

As part of this strategy, we are prioritizing efforts to gain the top position in South Korea, which has emerged as a trendsetter in Asia. Although we currently rank second in this market, achieving the number one position in both South Korea and Japan is expected to generate ripple effects in China and Taiwan. These trends are often translated into Chinese by young hairstylists on social media, further spreading to Malaysia, Singapore, and Indonesia. We view South Korea as a key source of trend dissemination and will continue to focus our efforts there.

Turning to the European and U.S. markets, these regions offer significant growth potential due to their large market size and the role of salons as essential infrastructure for consumers—even in suburban areas. While competition is intense and cultural differences present challenges, we are beginning to see strong growth by leveraging our strengths, and our presence is steadily increasing. We intend to turn our U.S. and European businesses profitable by leveraging our strengths and expanding our presence in these markets.

As reported earlier by Murai, our overseas business—including Asia—is progressing steadily in line with plans on a local currency basis. While performance may vary by region, we remain aiming to achieve our full-year overseas sales targets.

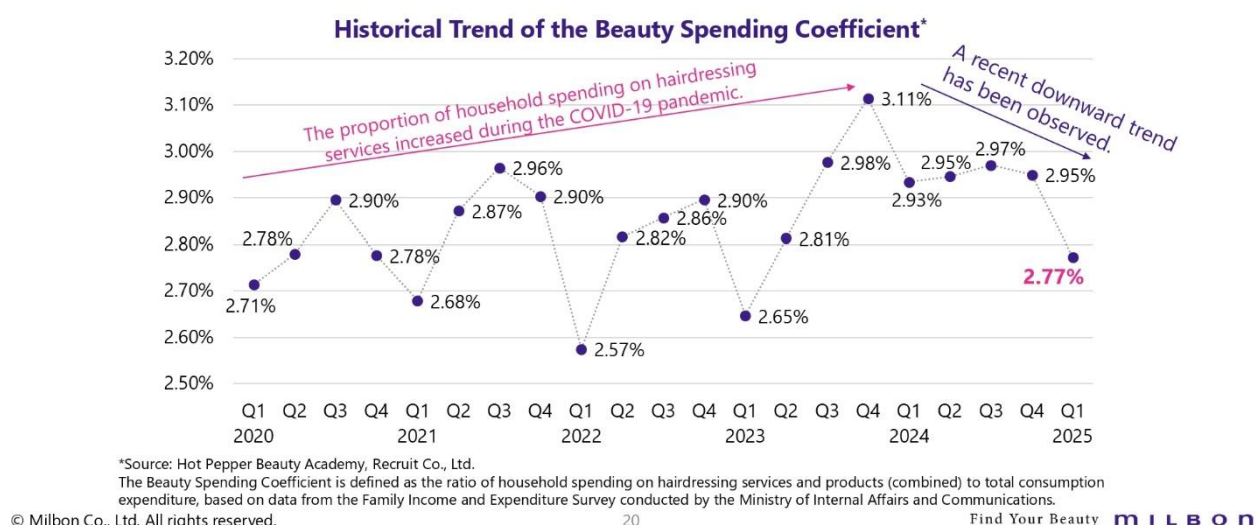
On the other hand, in the Japanese market, we experienced a slight decline in Q1 sales—already reported three months ago—due to weak performance in hair coloring products, a gap in new cosmetics launches, and other temporary factors. This created a significant gap from our initial plan. However, a recovery in Q2 enabled us to turn first-half results into year-on-year growth in net sales.

In the hair care category, sales were firm, especially for take-home products, and the decline in hair coloring sales was less. Nevertheless, challenges remain in product positioning, and structural measures are still needed.

In cosmetics, the category is broad and includes many products. Through our experience in salons, we have gained insights into the cosmetics business, and going forward, we plan to focus on products aligned with our winning strategy.

Market Environment in Japan

Household spending on hairdressing services has historically been high, but is now showing a downward trend. Amid rising prices, consumers are becoming more cost-conscious, which may be making it more challenging to implement price increases.



I will now explain the market environment in Japan, followed by the situation by category and our future direction.

Let me begin by explaining the domestic market environment.

This chart shows quarterly trends in the beauty spending coefficient, based on household survey data published by the Ministry of Internal Affairs and Communications. In short, it reflects the percentage of household consumption allocated to hairdressing services over time.

Looking at the far left, we see data from 2020 during the COVID-19 pandemic. From that point through 2023, spending on hairdressing services gradually increased. While not directly visible in the chart, many will recall that mask-wearing was common during this period, which contributed to a trend of prioritizing hair-related beauty spending.

In 2024, the trend began to level off. More recently, due to a sharp rise in food prices, beauty-related spending has entered a downward trend. As shown on the far right, in the Q1 of FY2025, beauty spending has been subdued. While Q2 may show a slight recovery from Q1, no significant rebound has been observed.

Hair Care Products in Japan

Despite a challenging market environment, hair care sales increased by 6.7% year-on-year in the first half. We aim to further grow sales, particularly for Aujua, through educational initiatives targeted at hair salons.

Aujua

FY25H1 Gross Sales in Japan +2.4% YoY

Supported by milbon:iD, take-home product sales have remained stable, showing resilience to fluctuations in salon visit frequency. The rollout of the new Altiell Line, launched in February, has been delayed at salons. To accelerate adoption, we aim to reassert the product's value through educational initiatives led by Field Person.



*Based on shipment value
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Elujuda

FY25H1 Gross Sales in Japan +26.2% YoY

The new Elujuda Extra Repair, launched in April, drove overall brand growth and delivered results above plan. In May, we raised prices across the brand, which is expected to help improve the gross profit margin in the second half.



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Next, let me explain the performance of our hair care products in the domestic market. Despite a challenging market environment, hair care sales increased by 6.7% year-on-year.

On the left is our flagship brand, Aujua. In-salon hair treatments, which are closely tied to salon visit frequency, have faced headwinds under current market conditions. Additionally, the recent decline in the hair bleaching trend has impacted the performance of Aujua's specialized product line for bleached hair.

On a positive note, our e-commerce business—unaffected by salon visit frequency—has delivered solid results for take-home products through the milbon:iD platform.

In February, Aujua launched a new product line, Altiell. While the product has received high evaluations, it was introduced in the premium price segment, and its adoption by salons has been delayed due to the time required to communicate its value through educational initiatives. As a result, there remains a gap in new product contribution compared to the previous year. Going forward, we aim to accelerate salon adoption by promoting high unit price menus that enhance salon profitability.

On the right is our professional brand Elujuda. The launch of Extra Repair in April has significantly outperformed expectations and driven overall brand growth. Furthermore, a price revision across the entire Elujuda lineup was implemented in May, and we expect this to contribute to improved profitability in H2.

Hair Coloring Markets in Japan

Hair coloring product usage is declining, likely due to reduced beauty spending. We are also seeing an impact from the growing polarization in salon needs for hair coloring.



Next, let us examine the current state of the hair coloring market in Japan. We believe the overall market for hair coloring products is experiencing a downward trend, driven by a decline in beauty-related spending and a waning demand for bleach-based coloring, as mentioned earlier.

Amid these conditions, the salon hair coloring market has become increasingly polarized, and our products are positioned between the two extremes. As a result, we are facing challenges in gaining traction within this market.

On this slide, you will see three circles. The pink circle on the far left represents the market for low-priced products, which help salons reduce operational costs. In contrast, the pink circle on the far right illustrates a market segment characterized by highly distinctive products or concepts with strong consumer recognition. Salons adopting these products are able to establish a premium standard for their services, which in turn allows them to secure higher profit margins.

Our core hair coloring products fall between these two segments. In other words, they do not fully align with the specific needs of either market, which has limited their growth potential.

However, some of our brands—such as Villa Lodola Color, our organic hair care line—are positioned within the right-hand segment. These brands are showing steady growth. For instance, Villa Lodola Color has achieved year-on-year growth exceeding 10%. Nevertheless, it has not yet reached a scale sufficient to drive the overall performance of our hair coloring business.

Our Approach to Hair Coloring in Japan

By developing new, highly differentiated products and enhancing consumer brand recognition—with salon education as a key foundation, we aim to help raise in-salon color menu prices and, consequently, contribute to increased sales and profit for salons.



Against this backdrop, we aim to advance hair coloring marketing in Japan by focusing on three key pillars that define our future direction.

First, at the top of the triangle, is the development and launch of new, distinctive products. By introducing in-salon coloring menus with innovative features not found in existing offerings—either ours or competitors’—we intend to strongly support salons in establishing premium pricing for their hair coloring services.

Second, shown at the bottom left, is the enhancement of consumer brand recognition. Similar to hair care products, we will build a hair coloring brand that can withstand industry-wide price competition by increasing awareness and preference among end consumers.

Third, at the bottom right, is our commitment to education and technical support. Hair coloring products are professional-use items, and their performance depends heavily on correct application. Leveraging our extensive network of educators in the domestic market, we will continue to provide robust on-site support to hairstylists, helping elevate the emotional and experiential value of salon visits.

By strengthening these three pillars, we aim to enhance the perceived value of hair coloring in salons, raise the unit price of coloring menus, and contribute to increased revenue and profitability for hairstylists.

While this initiative calls for the introduction of new products, as mentioned in the first pillar, we also believe it represents a formula for success that can be applied to nurturing our existing hair coloring lines. Through the promotion of this initiative during the current fiscal year, we aim to mitigate the downward trend in hair coloring sales.

This Year's Hair Coloring Initiatives in Japan

We will launch additional items under our distinctive and successful gray coverage color brand, while also enhancing consumer brand recognition to strengthen our position as a preferred choice.

Development of New, Distinctive Products

In 2025, we will launch additional items from brands that are currently enjoying strong market popularity.

Launching in July
Ordeve Crystal
High Bright New Shades
and Items



Launching in September
Villa Lodola Color
Clear Veil



We will continue developing and introducing high value-added products that help raise the unit price of color menu services at salons.

Enhancing Consumer Brand Recognition

By sharing our expertise in attracting customers through a salon reservation platform, and using our hair coloring products as part of the salon menu, we aim to accelerate product adoption and enhance brand recognition.



As of the end of June 2025, **10,628 salons** featured the **Addicthy Color menu** on the salon reservation platform (an increase of 549 salons since the initiative began in April)

Sales of the featured color shades promoted through this initiative are steadily increasing. We aim to enhance consumer awareness to revitalize existing products and leverage that momentum for upcoming product launches.

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So, how do we intend to curb the downward trend in hair coloring sales?

Among our many hair coloring brands, we will introduce new products from two existing lines that offer strong differentiation. On the left, we launched Ordeve Crystal High Bright in July—a product that bridges the gap between fashion coloring and gray coverage coloring. In September, we will introduce a new line under Villa Lodola Color, our organic hair coloring brand that continues to grow at a double-digit rate.

These two brands, each offering unique value, are expected to contribute to raising the unit price of in-salon coloring menus. We will continue to develop and launch products aligned with this proven formula for success.

Next, I would like to touch on our efforts to enhance consumer recognition—one of the three strategic pillars mentioned earlier. We are currently conducting a pilot initiative in collaboration with a salon reservation platform. Through this tie-up, customers can book hair coloring services by specifying our flagship product, Ordeve Addicthy. In parallel, we are actively sharing images of hairstyles colored with Addicthy across social media and other digital channels.

This initiative began in June and has already started to show promising results. In the most recent month, sales of several items within the Addicthy brand have surpassed the levels recorded in the same period last year. As we continue to advance this initiative, we will also strengthen on-site hair coloring education at salons, further reinforcing our three-pillar branding strategy.

Cosmetics Products in Japan

We aim to improve sales efficiency by streamlining our lineup and focusing on high-potential products.



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Next, let us turn to our cosmetics business. We will streamline our product lineup and concentrate on items with high growth potential. Current challenges include the dispersion of marketing efforts due to an extensive lineup, and weak repeat purchases in the makeup category. However, there are also encouraging signs.

One positive factor lies in lotions, which have been a core product since the inception of our cosmetics business. These items show strong potential for repeat purchases. Additionally, our concept of harmonizing hair color with facial makeup is a unique proposal that only hairstylists can offer. This concept has been well received and is highly persuasive as a value-added proposition.

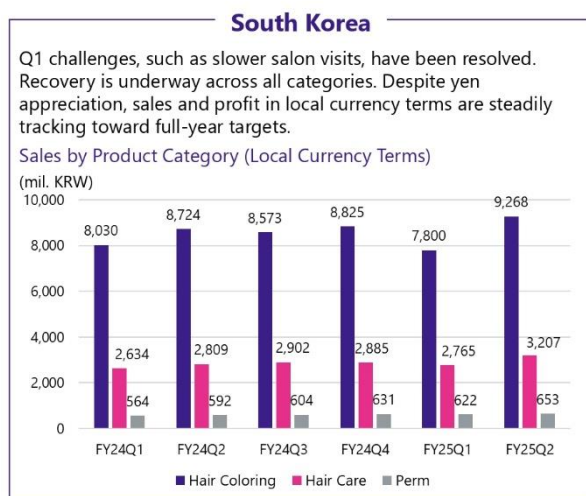
Looking ahead, the Imprea brand will focus on the lotion category. We added a new lotion item earlier this year, and it is already growing at a pace exceeding our initial expectations.

On the right, our makeup brand IM will concentrate on items that align with the concept of coordinating with hair color. Through this approach, we aim to unlock new opportunities for hairstylists in the cosmetics domain.

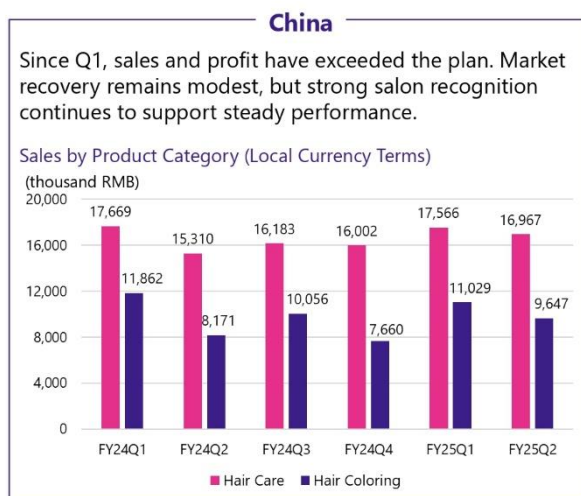
The key strategy is to improve operational efficiency by narrowing the product lineup. We will also promote sales planning that emphasizes insights and intuition from our sales force, helping to minimize the gap between production and sales plans and avoid excess inventory and waste loss.

Overseas Business: South Korea and China

Recovery has been underway since Q1 in South Korea and China, progressing as planned under favorable conditions.



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Now, let us move on to the overseas market.

First, both South Korea and China have recovered from Q1 and performed well in line with our plans for H1. In South Korea, both sales and profits are progressing steadily toward initial plan achievement. Although the strong yen has had an impact, both hair coloring and hair care products continue to grow.

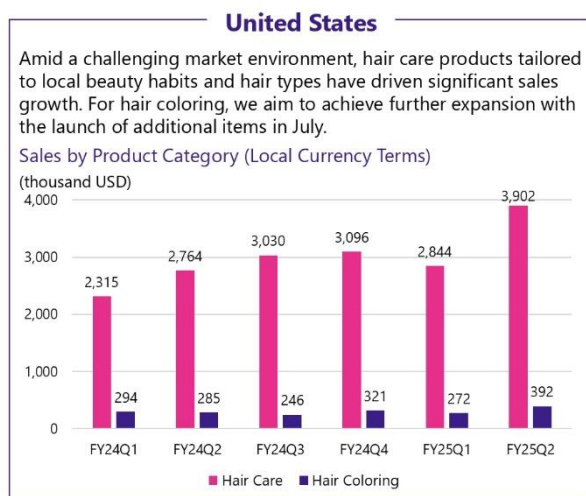
In terms of market dynamics, the South Korean market is increasingly concentrating in Seoul. Within this environment, we have gained strong support from young hairstylists in central Seoul, and we expect continued growth in both hair coloring and hair care categories.

On the right, in the Chinese market, both sales and profits have exceeded our plan. However, it is still difficult to say that the market itself is recovering. That said, our salon-focused initiatives have been well received, and we are making steady progress toward achieving our targets.

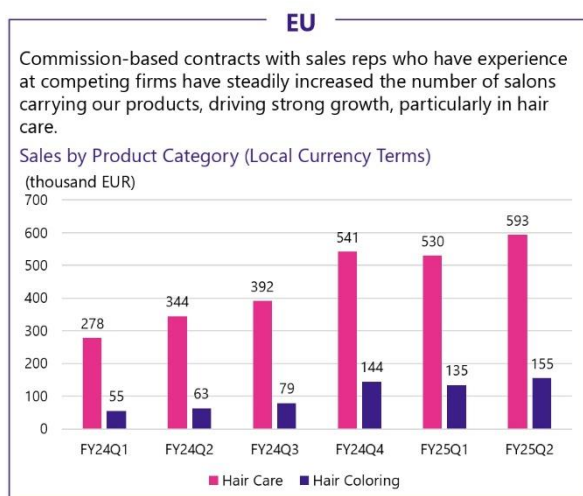
What kinds of activities are being recognized? In the Chinese market, we are focused on enhancing the perceived value of hairstylists from the consumer's perspective. To support this, we continue initiatives such as educating hairstylists on how to communicate their styling expertise through social media, helping them deliver greater value to their clients, and guiding them in setting fair and transparent pricing. Despite the challenging market environment, these efforts have contributed to increased sales, which we believe demonstrates Milbon's strength in the Chinese market.

Overseas Business: The U.S. and Europe

Sales are growing strongly, especially in hair care, driven by product quality and sales execution. We aim to further strengthen our presence in the U.S. and Europe.



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Next, let us turn to the European and US markets. In both regions, our product strength and sales execution have been well recognized, and we are seeing strong growth—particularly in the hair care category.

As I mentioned at the beginning of today's presentation, the European and US markets are large and culturally diverse, with hair types and consumer preferences that differ significantly from those in Asia. As an Asian company, this presents a considerable challenge for us. Naturally, many are watching closely to see whether Milbon—despite its strong performance in Asia—can successfully expand and grow in these distinctly different markets.

Following the strong performance in Q1, we maintained a high growth rate in Q2. We have developed and introduced products tailored to the needs of the European and US markets. Support from local hairstylists and consumers continues to grow, and our exclusive salon-only product strategy has helped strengthen collaborative relationships with local distributors.

In the US, sales increased by 30% year-over-year in H1 on a local currency terms. In the EU, sales rose by 88% in local currency terms. Besides the EU, where our sales are still relatively small in scale, Milbon has been selected in the US—a large and highly attractive market—despite its competitive landscape and cultural differences from Asia. Our presence is steadily growing in this challenging environment.

The trend-setting region in the US is the West Coast, particularly Los Angeles. Last year, Milbon achieved the number one in-store market share among the LA-based distributor. Continued growth and increased presence in LA will directly contribute to strengthening our position across the broader US market.

Furthermore, while the impact may not yet be fully visible, LA's growing influence is expected to shape trends in both the South Korean and Japanese markets. Our initiatives in each country are becoming increasingly interconnected, forming a network that will accelerate our global growth strategy.

That concludes the overview of our overseas markets.

Outlook for Medium-Term Management Plan (Through 2026)

FY2026 plan remain unchanged, despite reflecting a gap from the FY2025 revised target, mainly due to domestic sales and inventory losses. Looking ahead, we will focus on improving profitability and capital efficiency to achieve FY2026 targets, prioritizing the achievement of an ROE of 11.3%.

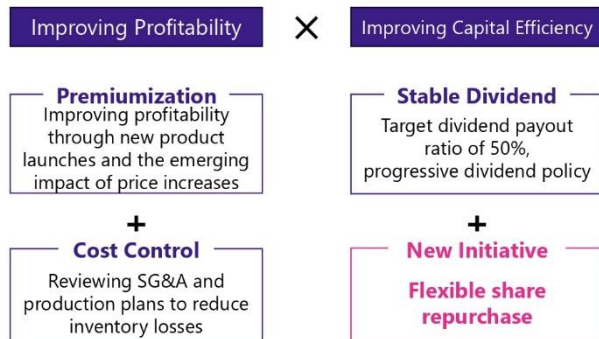
(Unit: million yen)	FY2025 Revised Target	FY2026 Plan*	Diff.	Diff. (%)
Net Sales	52,300	58,000	5,700	10.9%
Japan	38,900	43,700	4,800	12.3%
Overseas	13,400	14,300	900	6.7%
Gross Profit	32,926	37,600	4,674	14.2%
Margin	63.0%	64.8%	—	—
Operating Income	5,300	8,400	3,100	58.5%
Margin	10.1%	14.5%	—	—
Ordinary Income	5,180	8,340	3,160	61.0%
Profit Attributable to Owners of Parent	3,000	5,940	2,940	98.0%
ROE	6.3%	11.3%	—	—
ROIC	7.7%	11.1%	—	—

* Announced in February 2025

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Achieving 11.3% of ROE



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Next, I would like to explain the outlook for our medium-term management plan.

The announced targets for net sales and operating income for FY2026, as part of the medium-term plan, show a wider gap compared to the revised FY2025 figures shared earlier. This is primarily due to the gap in domestic sales projections and the impact of inventory losses.

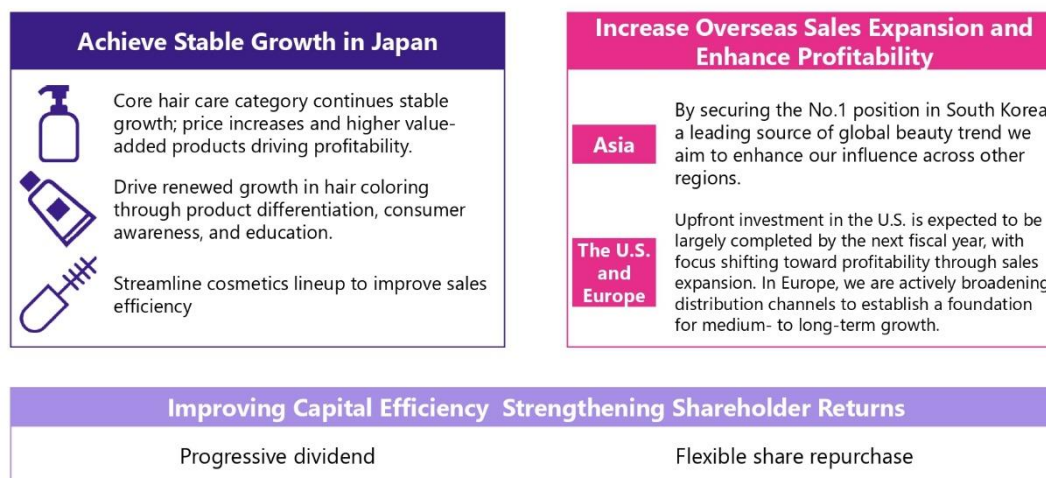
We plan to disclose the specific sales and operating income figures for FY2026 at the end of the current fiscal year and we will continue working toward bridging the gap between FY2025 and FY2026. In parallel, we aim to achieve our stated ROE target of 11.3% by improving profitability and capital efficiency.

In terms of profitability, we expect improvement through the introduction of high unit price products, price revisions for existing items, a thorough review of SG&A expenses, and tighter control over inventory losses by refining our production planning. Additionally, we will not incur Expo-related expenses next year, which will further contribute to profitability. On top of this, we anticipate incremental gains from stable growth in the domestic market.

To improve capital efficiency, we will continue to pay stable dividends. Today, we also announced a ¥2 billion share buyback. We intend to continue repurchasing shares flexibly, with consideration for the share price. Through these efforts, we aim to achieve an ROE of 11.3%.

Closing Summary

Overseas business is progressing steadily. In Japan, we aim to expand sales and improve profitability as part of our commitment to sustainable global growth.



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In closing, I would like to summarize three key points for this fiscal year.

For the stable growth in Japan, we will strive to achieve stable growth in our mainstay hair care business and improve profitability through price increases. In the area of hair coloring, we will take on the challenge of renewed growth in the coloring market through our three pillars. For cosmetics, we will streamline our product lineup to improve sales efficiency.

In our overseas growth strategy, we aim to become the leading company across all Asian markets, with a particular focus on achieving the number one position in South Korea. In the US, we are gradually entering the monetization phase while continuing to accelerate sales growth. In the EU, while the market remains largely untapped, we will prioritize strengthening existing sales channels and also pursue expansion into new ones.

As part of our efforts to improve capital efficiency and enhance shareholder returns, we will promote flexible share repurchases with an awareness of the share price, and aim to share the results of these efforts with our stakeholders.

While some of our new initiatives have faced challenges and led to losses in a difficult market environment, we are learning from these experiences and addressing the issues that have become clear. We are committed to exceeding your expectations through continuous improvement.

Dialogue with the capital market has helped us accelerate measures to improve capital efficiency. The share buyback announced today reflects the intent of our management team. The domestic market remains tough, and salons and hairstylists are also facing significant challenges. In an era of population decline, fewer customers, and rising inflationary costs, salon management is becoming increasingly difficult.

However, where there are challenges, there are also seeds of growth. Beauty is a business where value can be translated into price. Even in a shrinking population, we can enhance value. Milbon's management and employees will work together to create value, translate it into fair pricing, and help solve the business challenges faced by salons—while continuing to grow ourselves.

We hope you will look forward to our strategies for recovery in the domestic market and growth in overseas markets. Thank you very much for taking the time to join us today. We hope that you will look forward to our future strategies for recovery in the domestic market and growth in overseas markets. Thank you very much for taking time out of your busy schedule today.

Moderator: Thank you very much. Before we move on to the question-and-answer session, Mr. Shinichiro Hyogo, who assumed his new position in April as Executive Officer, General Manager of Corporate Communication Department, and in charge of Finance, will address a few words.

Hyogo: My name is Hyogo, and I have been the Executive Officer of Finance and Corporate Communication since April. In this role, I am committed to fostering stronger dialogue and engagement with all of our stakeholders, including members of the capital markets and the media. While I am fully aware that there are still many challenges ahead for our company, I will do my utmost—however modest my contribution may be—to help drive meaningful improvement.

I sincerely welcome your candid feedback, including critical opinions and suggestions, and I look forward to working together to build a better future for Milbon.

Thank you very much.

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