



m i l b o n

The hairstylists' hands were red, swollen, and cracked.

This sight shocked the young man as he helped his older brother at the hair salon, in the late 1940s.

He was moved by the hairstylists' efforts to help people realize their beauty, but couldn't forget their terribly damaged hands.

“For hairstylists”

Along with respect, there was a pure and genuine feeling of longingness to help hairstylists that naturally welled up in this young man's heart.

This became the cornerstone for Milbon.





Even to this day, over half a century later, this aspiration of our founder, Ichiro Konoike, is passed down as our immutable cornerstone.

This is based on the eternal, unchanging hope of people everywhere to be beautiful.

As a manufacturer of salon-exclusive products, we will continue to work closely with hair salons with this universal aim in mind.

Amid rapid social changes, we will continue to open up the possibilities of salons worldwide to find your beauty.

From our founding, into the future.
Our cornerstone for the future of beauty.

“Returning to Our Core Values and Creating the Future” to Make an Industry Out of Beauty with Hair Salons

Hidenori Sakashita, President & CEO, Milbon Co., Ltd.

Since our founding in 1960, Milbon has achieved sustained growth by helping people live beautifully through hair salons. Our endeavors to achieve beauty began with the aspiration of our founder Ichiro Konoike, “Everything we do, we do for and with hair professionals,” now a core value of the company. In January 2024, the baton was passed to Hidenori Sakashita, our third President & CEO. As we approach the halfway mark in our five-year 2022-26 Medium-Term Management Plan, we present the following message from President & CEO Sakashita.

Maintaining Our Core Values with Unique Strategies to Continue Our Endeavors into the Future

Milbon’s Unchanging Mission

In January 2024, I, Hidenori Sakashita, was appointed as President & CEO of Milbon. Firstly, I sincerely thank you for taking the time to read our Integrated Report and wish to share my thoughts here in the form of an opening message.

During my seven years and three months as President of MILBON USA, INC., from 2010, I strived to build the foundation of our global business. After returning to Japan, as General Manager of Corporate Strategy Development Department, I was responsible for devising our medium-term management plan for the creation of a new beauty industry, and was involved in new projects, such as our DX strategy. Now, as President & CEO, I intend to use these experiences to further advance the beauty industry, striving to “Realize enriched spirit and society through beauty.” I will preserve the aspiration of our founder Ichiro Konoike and our core value, “Everything we do, we do for and with hair professionals.” The unchanging mission of myself and our company is to enrich the lives of hair professionals and hair salon clientele, and therefore we will continue to pursue steady growth in the Milbon Way.

Maximizing the Value of the Hair Salon Setting

As Japan-based global professional haircare manufacturer, Milbon focuses on the manufacture and sale of salon-exclusive hair cosmetics, with the corporate slogan “Find Your Beauty.” Since our founding in 1960, we have contributed to the realization of a more enriched society by continuing to inspire beauty in people’s lives around the world through hair salons, with a



core value based on the aspiration of our founder Ichiro Konoike, “Everything we do, we do for and with hair professionals.” Presently, we are market-leaders in Japan as a manufacturer of salon-exclusive products, and since our IPO in 1996, we have increased our revenue every fiscal year, except for FY2020 due to the impact of the COVID-19 pandemic. Furthermore, our global business, which we launched in earnest in 2010, has established bases in 14 countries and regions including Japan, successively expanding our market share and gaining trust.

As a manufacturer of salon-exclusive products, we have refined our business focus within beauty to the professional-use market, and within that, to the hair salon market. At a glance, deliberately narrowing our market focus may appear inefficient, but doing this has enabled us to make concentrated investment of various resources into business that leads to greater sales and profit for hair salons. In this way, we have achieved unique value creation and secured a clear presence.

I would like to take a moment here to rethink the hair salon setting. As long as people’s hair continues to grow, they will continue to regularly visit hair salons to cut, color, or care for their hair. And no matter how efficient procedures become, they will still require a certain amount of time. In other words, hair salons will be a part of people’s lives as places that they visit regularly, where they spend an extended time, and engage in in-person communication. Compared to anywhere else, hair salons are a rare and special setting. All hairstylists can be considered the ultimate personalized beauty partner for their customers.

Milbon believes in this value possessed by hair salons, and expects it to be enhanced further as digitalization accelerates. Furthermore, because the hair salon setting has these unique features, there is still great undiscovered potential. By “going beyond” in three aspects of “beyond Japan,” “beyond hair,” and “beyond an industry-perspective,” Milbon maximizes this value, aiming to further transform hair salons into an essential Beauty Platform indispensable to helping people live enriched lives.

The Source and Belief of Unique Value Creation to Realize Our Mission

In addition to our core value “Everything we do, we do for and with hair professionals,” we hold a belief in “building a solid company that won’t collapse.” Our founder Ichiro Konoike swore to this belief after he witnessed people close to him suffer dramatic corporate bankruptcies, prior to our company’s establishment. This belief that a company must be sustainable may be perceived as a conservative stance, but this belief is rather based on the idea that a company

that is useful to society will not be crushed. It expresses our attitude of facing the challenge to continue making small innovations in response to changes in the world.

In order to realize these two core values, we have set common decision-making standards that all employees must face and return to this one point: “greater sales and profit for hair salons.” Furthermore, as one of the specific methods to achieve this, we have established a strong business model, namely, the Field Person (FP) System, our unique sales and training support system in which we work closely with each individual hair salon to help address challenges. The other is the TAC Product Development System, whereby we scientifically analyze beauty techniques based on the sensitivities of top stylists to develop products. We thereby continue to create unique value, starting from two user perspectives: the perspective of the hairstylist and hair salon, and the perspective of society and customers.

However, these systems do not work in isolation. The reason why we have been able to continue to implement this strong business model is deeply related to *The Milbon Way*, a handbook clearly summarizing the Vision, and Action Guidelines, of our company that was compiled under the direction of current Chairperson Ryuji Sato while he was President. It includes a description of “Milbon-ism” that employees should put into practice: “To be in the field, to pay attention, to be independent,” and we strive to ensure its thorough implementation company-wide. In other words, the ideas and decision-making standards I explained above are not mere slogans, but are thoroughly put into practice by having all employees share our company’s aspirations and our essential purpose, and by holding a common axis and action guidelines to which we head toward. It is precisely thanks to this that our company today has earned the overwhelming trust of hair salons and is achieving sustained growth.

As I mentioned, since our IPO, while our single-year growth ratio and operating income has fluctuated, apart from FY2020, which was impacted by the COVID-19 pandemic, we have continuously increased our sales every fiscal year. In such circumstances, as the new President & CEO, I am aware that, rather than attempting to push my own individuality, I should accurately grasp the changes in society, in the times, and in our clientele, and maintain our continuous innovation from the user perspective. For our company, having realized continuous growth, the most important matter is that Milbon and all its employees continue implementing *the Milbon Way*, and I will devote all my energy to leading the way.

Progress, Achievements, and Challenges to Address in FY2023

Record Net Sales but Challenges with Operating Income

Milbon formulates medium-term management plans every five years towards “Realizing enriched spirit and society through beauty.” We are now at the turn of the 2022-26 Medium-Term Management Plan, under the theme “Stage for the Future,” and are implementing two strategies: Seven Regions, to build a system of local production for local consumption in the beauty domain, tailored to the specific beauty of each region. As hair salons currently face structural issues, including a declining population and productivity-related industrial problems, the second strategy we are executing is Salon-based Social Innovation, to transform salons into an essential Beauty Platform to help people live enriched lives. Furthermore, in our current 2022-26 Medium-Term Management Plan, we have set Milbon’s vision for FY2026, “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,” in order to achieve our Global Vision, “To become the world’s No. 1 professional haircare manufacturer.”

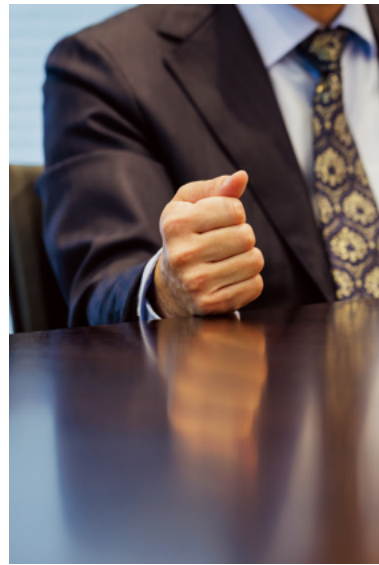
Additionally, in consideration on recent events, the environment surrounding companies and consumers continues to change rapidly and dramatically, including growing uncertainty accompanying geopolitical risks, acceleration of digital utilization and of DX, along with Japanese population decrease due to aging and the declining birthrate.

Amid such circumstances, in FY2023, we entered the so-called “post-COVID” era, experiencing a rebound in demand following the COVID-19 pandemic of FY2021-22. While the flow of people recovered quickly, the former consumption trend of nest egg demand with a high priority on hairstyling was transformed into a trend that focused on outings, including travel and dining out.

Despite this, in FY2023, Milbon achieved satisfactory revenue growth from haircare, and set a new record for consolidated net sales of 47.7 billion yen. Our revised plan, announced November 10, 2023, was not achieved by 0.1% due to lower-than-expected growth in hair color sales. But when we consider that 47.7 billion yen was the consolidated net sales target for FY2023 as initially forecast when the current me-

dium-term management plan was formulated, we are on course to achieving our FY2026 consolidated net sales target.

Meanwhile, operating income fell 26.8% year-on-year to 5.5 billion yen, resulting in the operating income ratio, which we had maintained in the 16-18% range, falling to a disappointing 11.6%. Such results are due to multiple factors, including sharp increases in the cost of raw materials, increased SG&A expenses accompanying revitalized sales activities post-COVID, and other increased costs, such as higher personnel costs due to the raising of base wages to boost our returns to employees. Another factor was a write-down due to lower-than-expected sales of Milbon’s first endeavor in the field of beauty equipment, the ELMISTA hairdryer. We have already taken measures such as reducing raw materials costs since FY2023, and from FY2024 ✓



onwards, we will continue to implement measures aimed at improving our operating income ratio and ROE.

First Step Taken toward the Future in the Japanese Market

Although FY2023 saw us post poor operating results, we achieved significant progress in each of the strategies of the current medium-term management plan.

In our Japanese-market strategy of Salon-based Social Innovation, we implemented our Smart Salon Strategy, which provides an innovative customer experience through the fusion of digital and reality, along with our Lifetime Beauty Care Strategy, which expands the business scope into other fields to realize one-stop beauty at hair salons. I am proud to say that this has been a year of beginnings for the future

of transforming the significance of hair salons beyond just hair, to being beauty infrastructure, and to thereby make an industry out of beauty.

An especially major development was the Smart Salon Strategy launched nationwide through collaboration with hair salons that endorsed the Strategy. Despite positioning the first year as test marketing, we achieved a solid response, including expansion to 23 salons in 19 cities. We aim to expand Smart Salons to 500 shops in 100 cities across Japan by 2026, and around the time we achieve this target, they will have become known among general consumers, and will start to function as indispensable beauty infrastructure in each region.

In addition, milbon:iD, our official online store that forms the basis of Smart Salons and a new communication tool between customers and hair salons, continues to enjoy an increase in registered users, from 448,000 in FY2022 to 670,000 people, and we are gradually expanding support, aiming to reach one million users in 2026.

Furthermore, for our Lifetime Beauty Care Strategy, while it remains centered on hair color and hair care, it proved an important year in opening up new potential for hair salons, with the release of products including cosmetics for skin and eyebrow care, Milbon’s first endeavor in the field of beauty equipment, the ELMISTA hairdryer, and ALANOUS beauty supplement.

Although cosmetics sales remained level from the previous fiscal year, close analysis of individual products revealed trends in what hairstylists found easy to offer to their clients, or that customers were more likely to have recommended to them by their hairstylist, providing a clear path to new value proposition from FY2024. We still cannot speak of many success cases in beauty supplements, but over time, we will continue to accumulate successful examples for hairstylists of how best to recommend to clients, and how support should be provided to hairstylists, to carve out the path to greater expansion. Regarding Milbon’s first endeavor in the field of beauty equipment, the ELMISTA hairdryer, there are many factors that we should reflect upon deeply, including the accuracy of advance planning and setting of sales flow lines. But on the other hand, I have no doubt that it was a challenge we needed to undertake to pioneer future potential for hair salons and to achieve further growth for the Japanese hair salon market. I will do my best to ensure that these lessons become the cornerstone of Milbon for future success.

Strong Foundation of Mutual Support Starting to Function in the Global Market

With our comprehensive global strategy, Seven Regions, we have divided the 14 countries and regions globally where we have a presence (including Japan) into seven regions, and are building region-specific R&D, production, and sales systems. The R&D and production bases in Japan, China, and Thailand have already begun full-scale operation, as has the North American R&D base. In addition to aligning ourselves to the beauty of each country and region, we have prepared for geopolitical risks, and arranged systems to flexibly handle legal and trade regulations. For example, in FY2023, our China Factory gained approval to sell over 200 hair coloring products, the most of any domestic manufacturer.

Amid this, in FY2023, we achieved a new record high for overseas net sales, up 13.7% from the previous year to 11.2 billion yen, and are on track toward achieving the goal of 14.3 billion yen in FY2026, the final year of the current medium-term management plan.

Among the main countries and regions where we have a presence, the Chinese market is facing tough times, including a decline in the consumption mindset amid a post-COVID economic slump. While other companies in the industry struggled across the board, we still managed to achieve 3.8% growth year-on-year on a local-currency base. Although we did not achieve our plans for the Chinese market alone, we increased our market share to fourth place, and I believe we were able to demonstrate our strong position.

The decline in sales in the Chinese market was compensated by strong sales in other overseas markets, whereby we were able to achieve our overall overseas business plan set at the beginning of the year. In the South Korean market in particular, we further solidified our position in second place for market share, including 13.9% year-on-year growth in hair color, thanks to the firm support base we have in that segment. In North America, our America-wide network of distributors has begun full-scale operation, and hair color, which accounts for 80% of net sales, achieved double-digit growth of 15.7% year-on-year. Contrary to South Korea, gains in confidence are beginning to drive the growth of hair color. Additionally, in the ASEAN market, the relationships we have built up with distributors in each country and region over the past 10 years have become very strong, and although the market size of each is small, we have managed to build a firm foundation for future sales growth.

In this way, I consider FY2023 to have been the foundation for a firm growth trajectory

where we support each other globally began to function, without being influenced by economic trends of individual countries or regions.

Confronting the Challenges We Face and Depicting the Future

Evolving into a Company that is Resilient in Times of Inflation

In FY2023, we certainly saw many positive results and progress in Japan and overseas, but we must also face the fact that our operating income has been in an unprecedentedly difficult situation.. Naturally, remediation of our operating income is one of our Five Key Challenges. In these circumstances, I believe I must endeavor to help Milbon evolve into a company that is resilient in times of inflation.

But what does it mean to be an inflation-✓



resilient company? If a company is to simply respond to inflation, it could just raise product prices proportionally to the rate of cost increases. But such a customer-hostile approach is sure to turn the company into one that customers stop choosing to support. Certainly, appropriate pricing is one option for dealing with soaring costs, but at Milbon, we believe that the basic premise for price adjustments should be to create and offer products and services with greater added value.

On that point, our company has achieved growth by continuing to offer products and services with high added-value. Rather, it is companies like ours that should be strong in times of inflation. In fact, we have already been practicing value-based pricing, calculating prices based on the perceived value by the customer. But we have not adjusted the prices of existing products, and this has been one factor that brought about a drop in our operating income ratio. Therefore,

in the future, we will maintain and improve value-based pricing based on the premise of creating high added-value for new products, while also turning our attention to revising the prices of existing products to address current circumstances, to drive improvement of our operating income ratio.

Also, in response to the sharp rise in logistics costs, we have strengthened our milbon:iD e-commerce business to reduce the amount of increase. In addition, regarding individualized shipping for hair salons to which we have shipped same-day, we are considering revising this to an appropriate service level, with their understanding. Furthermore, with reduced margins caused by rising labor costs, we are endeavoring to make value proposals with greater added value of products and services, and by combining multiple products. Also, we are striving for improvement by lifting labor productivity per worker through the use of digital tools. ✓

The Key to Growth in the Japanese Market in FY2024

The evolution of the company into one that is resilient in times of inflation is a top priority, and in the Japanese market in FY2024, we will promote high-value hair color, and measures to boost unit purchase prices through knowledge-based product sales (a sales method in which product sales are accompanied by the provision of technical information by hair stylists with expertise). In Japan in the near future, employed people who have supported growth in the beauty market are expected to peak in number, and hair salons will reach its limit in securing sales, which is dependent on the number of users. Meanwhile, the percentage of hair salon users who seek color or other hair treatments, and knowledge-based product sale unit purchase prices, have all been increasing for the past 10 years. Because of this, I believe that popularizing a range of new techniques and boosting

knowledge-based product sales prices is the key for the future.

In terms of the promotion of high-value hair color, we have begun to redefine in-salon hair coloring through a total color linked proposal, combining hair and eyebrow coloring, in a way that only hair salons can offer. Through these activities, net sales in the eyebrow mascara category for FY2024 broke through the 0.1 billion yen mark on day one, compared with the 0.3 billion yen net sales target we set. Progress has exceeded expectations due to the uncovering of latent needs and by creating a chain of impressions connected with hair. Also, in FY2023, we transitioned from an eight-member sales structure in our Organic Brand Department to 350-member field person (FP) system and are working to expand success knowhow. Through this, we aim to boost high-value hair color and hair care proposals for our

ing into a truly global company. Although the different countries and regions are currently at different stages, we are making progress toward holding the top market share in each region. In order to advance toward our goal to become number one globally, we must first open the door to being number one in Asia (excluding Japan): the leading market with a mostly black-hair culture, like that of Japan. With this aim, we can broadly divide the market into East Asia and ASEAN. Thereafter, we must subdivide this further into individual countries and regions in order to drive our initiatives.

Based on our past experience in global expansion, we know that our unique business model, where we work closely with hair salons, also works overseas. At the foundation are distributors and hair salons. In addition, because it is necessary to build up trust with each individual hairstylist, it definitely

Building a Social and Corporate Foundation to Support Sustained Growth

Sustainability Promotion is a Challenge Directly Related to Management

From the perspective of sustainability, the sharp rise in energy prices is a challenge worldwide. We are accelerating an energy shift from fossil fuels to renewable energy to resolve the challenge of securing stable energy in the future. Meanwhile, there are also concerns that activation of bioenergy and sunlight as part of decarbonization measures may negatively impact biodiversity. Consequently, to resolve both issues, we are accelerating the construction of a value chain to circulate and use resources, and a circular economy. Companies that fail to respond will likely be exposed to significant impact on their operating costs. In other words, we are entering an era when sustainability initiatives are directly tied to the resolution of economic issues.

We position our Sustainability Commitment at the core of our strategy, and are working across our business to resolve important challenges for our company and the beauty industry. Details are provided in the section [Sustainability & ESG](#), from page 46. In 2023, we gained a degree of positive recognition for these initiatives, including selection for inclusion in the FTSE Blossom Japan Sector Relative Index and the MSCI Japan Empowering Women (WIN) Select Index. In addition, Yumegaoka Factory, which is Milbon's core production facility in Japan, earned a Gold rating from EcoVadis.

A major prerequisite for Milbon to continue to contribute to society through the power of beauty is that Milbon and society itself be sustainable. The aspiration of our founder Ichiro Konoike of building "a solid company that won't collapse" truly reflects the modern concept of sustainability. In this way, we can say that sustainability has always been a guiding principle for Milbon. As a global manufacturer, Milbon will continue to earnestly address various social and environmental issues to contribute to the realization of a sustainable society for all people. We will address this throughout the entire supply chain, from the procurement of raw materials, to production, sales, and post-consumption.

Promoting Human Capital Management Tied to Business Strategy

In conducting human capital management,

the core of our business model and the source of our added value is truly our people, starting with our FPs. As for our foundation, "We will build a solid company that won't collapse," we are strongly conscious of their importance. We, of course, actively return profits to our employees, beginning with nine months of training upon joining the company. Our education and training expenses per capita are well above the average level. In addition, we have set "Realizing work environments with enhanced job satisfaction" as one of the most important challenges we must address, and we continue to enhance our systems and foster our corporate culture. Also, from FY2024, we will establish a Human Resources Development Committee, which I will chair, and we are moving to further enhance and strengthen our human capital management.

In this age of respect for diversity, in order to be able to offer diverse value to our customers, we ourselves must become diverse. To achieve this, it is important to shift our human resources strategy from the conventional job-based, company-driven strategy from a corporate perspective to a skill-based, self-directed career development from a human resource perspective. As the values of our customers and workers diversify, we are promoting human resource portfolio management from a human resources perspective, based on our management strategy.

Looking to Transition to a Monitoring-Style Board of Directors

In addition, I am conscious that it is of course essential to strengthen and improve the efficiency of corporate governance, which is an important basis of corporate activities. We have set "Construct a fair and flexible management structure" as one of our key challenges for realizing continuous growth in the medium- to long-term. As part of this, we have conducted the securing of diverse skills and external expertise, together with the active appointment of women, to promote diversity and improve its effectiveness.

In FY2023, we split the Nomination and Compensation Committee, establishing separate offices for each. In addition, by clarifying the decision-making authority of the Board of Directors and Management Meeting, we endeavored to enhance the awareness of management participation among Executive Officers. Also, from FY2024, we began training for Executive Officers, and are starting to see higher quality discussions as a result. Going forward, we will build the Management Meeting into a structure able to debate management at a deeper level, and we aim to transition to a moni-

toring style, in which Board of Directors can monitor the overall business execution.

Aligning Ourselves with the Universal Wish for Beauty

Depicting the Future of Hair Salons at All Times

As the head of Milbon, naturally it is my job to depict our future. But in our company's Medium-Term Management Plan and medium- to long-term vision, our focus is always on the future of hair salons. Milbon's future is tied to this, and our company first experiences growth when hair salons grow, and when we create a world where people everywhere can live a beautiful life.

To achieve this, in addition to the sources of our sustainable growth to date, namely our comprehensive, hands-on approach, business model that produces a virtuous cycle, and our five-year Medium-Term Management Plan, I am naturally conscious that we must quantify the future for each business, and of our responsibility to the stock market. By doing so, I hope to make even stronger strides toward the future of beauty that we envision, with the sympathy and conviction of all of our stakeholders.

To be "Authentically Milbon": when I was appointed president of Milbon, I naturally took these words to heart as I focused on our future. We at Milbon comprehensively and unflinchingly align ourselves with hairstylists and hair salons to deliver beauty to society. Although continuous and flexible innovation is indispensable amid the rapid changes in society, this remains an unchanging focal point for Milbon. If we can persist with this, I believe the rest comes down to just continuing to be "authentically Milbon." There is a limit to what I am able to do alone, but together with over 1,100 employees holding the same resolution, the potential of our company, and the potential of hair salons, will surely continue expanding limitlessly.

Our stated goal "To become the world's No. 1" is just one checkpoint for Milbon. What is most important is to comprehensively align ourselves with hair salons and hairstylists in each country and region, whereby we can gain the number one approval rating from every hair salon and each individual hairstylist. This has not changed since the day that our founder Ichiro Konoike first decided he wanted to help the hairstylist he saw in front of him. Through continuing to practice this, I believe that, in due course, we will realize our goal "To become the world's No. 1."

Living One's Own Beautiful Life.

This universal desire that exists throughout the world will never change. We at Milbon inherit the aspiration of our founding core values, and going forward, we will continue to work with hair salons to create a future where people can live their own fulfilling and vibrant lives.

I therefore humbly ask for your continued support, as we continue our efforts to meet the expectations of all stakeholders.



Hidenori Sakashita

President & CEO
Milbon Co., Ltd.

already highly appraised organic brand, Villa Lodola, for which we hold big hopes.

In addition, to increase knowledge-based product sales prices, we are popularizing and expanding deployment of milbon:iD and Smart Salons. With these, we will uncover latent needs, by fusing the techniques of hairstylists, with the power of the five senses of experience, and the might of EC's convenience. These measures are able to contribute to future enhancement of the productivity of hair salons. They also should be able to answer the need to come across new products and information in physical stores, which is expected by the "digital native" generation, who are the main drivers of consumption.

Next We Must Open the Door to Being No. 1 in Asia

Now is the time when Milbon is transform-

takes time. But by taking that time, we gain understanding of the sincerity of Milbon's aspiration, "Help for hairstylists." Thereafter, it will create a firm basis for future growth in the same way as Japan.

Amid this, we are already witnessing the transition from the investment phase to the monetization phase in our overseas business. Going forward, I believe that the overseas business will have an even more significant impact on our growth. I consider a truly global company to enjoy solid growth, where a gain in one market can compensate for a deficiency in another. As with the Chinese market recently, depending on the time, or the country or region, the economic situation can change in unexpected ways. For this reason, by making Milbon available everywhere, we can evolve into a company that is able to achieve sustained growth globally as a whole.

Editorial Policy

In producing this integrated report, we refer to the International Integrated Reporting Framework proposed by the Value Reporting Foundation (VRF).

FY2024 is the turning point in the five-year medium-term management plan announced in 2022. We also appointed a new President & CEO, Hidenori Sakashita, in January 2024. In FY2023, we began to see concrete results of our initiatives in Japan and overseas, including a Seven Regions Strategy that contributes to growth of the beauty industry in each country and region through local production and consumption, and Salon-based Social Innovation, which aims to reform the nature of hair salons. This report primarily details progress and results achieved in FY2023, and we have strived to communicate clearly to stakeholders about the status of our sustainability activities, the strengthening of our governance structure, and other initiatives that contribute to the sustained enhancement of corporate value.

As was the case in 2022 and 2023, the report’s overall design follows themes that are global and borderless. We also pursued design and expression appropriate for Milbon to represent an additional theme of “Returning to our starting point and creating the future” to accompany our change of president. We hope to gain your understanding and appreciation of our aspiration to provide “Help for hairstylists,” which is the foundation of our operations, the nature of our corporate activities, our unique business strategies, and the social value we create.

This marks Milbon’s fifth integrated report. From our third report, released in 2022, we have shifted our editorial policy, which had emphasized employee understanding to facilitate their communication with stakeholders, to instead provide a wider range of stakeholders with a deeper appreciation of Milbon. We did not consult just internal sources, but also obtained the cooperation of investors and other external parties, to provide a more objective perspective in an effort to gain your understanding of our corporate activities and the future we must aim for. We welcome any questions or feedback you may have about this report.

Department in Charge: Corporate Communications Department

Click to jump to the relevant page

P 04 Top Message

President & CEO Message

P 12 About MILBON

About Milbon

- [Our Activities](#)
- [Milbon’s History of Growth](#)
- [Milbon’s Value Creation Processes](#)
- [Milbon’s Sustainable Growth](#)
[—Three Interlinked Value-Creating Sources for Sustainable Growth](#)
- [Milbon from the Investor’s Perspective](#)
[—Interview with Yasunori Nakagami, CEO of Misaki Capital Inc.](#)
- [Milbon Brands and Services](#)

P 30 Focus

Milbon’s Strategic Focus

- [2022–2026 Overview of Medium-Term Management Plan](#)
- [Global Market Strategy Planning and Progress](#)
- [Domestic Market Strategy Planning and Progress](#)
- [R&D Strategy Planning and Progress](#)
- [Production Strategy Planning and Progress](#)
- [Financial Strategy Planning and Progress](#)
- [Initiatives for Human Capital Management](#)

P 46 Sustainability & ESG

Addressing Social Challenges and
Strengthening the Management Structure

- [Overview and Progress of Sustainability Promotion](#)
- [2023–2024 Sustainability Highlights](#)
- [Message from the Chairperson and Efforts for the Succession System](#)
- [Initiatives to Strengthen Corporate Governance](#)
- [Board of Directors, Governance Promotion Framework, etc.](#)
- [Discussion between the Managing Executive Director and New Outside Board Members](#)

P 70 Performance

Milbon’s Performance Data & External Assessments

- [Financial Highlights](#)
- [Non-Financial Highlights](#)
- [External Assessments and Cooperation with Society](#)
- [Company Overview and Stock Information](#)
- [Information Links](#)



Click to jump to the relevant page

About MILBON

P 14

[Our Activities](#)

P 16

[Milbon's History of Growth](#)

P 18

[Milbon's Value Creation Processes](#)

P 20

[Milbon's Sustainable Growth](#)
—Three Interlinked Value-Creating Sources for Sustainable Growth

P 24

[Milbon from the Investor's Perspective](#)
—Interview with Yasunori Nakagami, CEO of Misaki Capital Inc.



P 26

[Milbon Brands and Services](#)

Our Activities

Realizing a spiritually enriching society through beauty



Milbon's fundamentals since foundation



Everything we do, we do for and with hair professionals.



Continuous innovation to "build a solid company that won't collapse"

Management philosophy

Milbon works with the hair professionals to inspire beautiful living worldwide.

Beautiful living and beautiful hair enrich the spirit. An enriched spirit fosters the culture. A society that values culture brings peace to society. This is the philosophy behind Milbon's contributions to the beauty market and, by extension, to the world.

Corporate Slogan

Find Your Beauty

Code of conduct

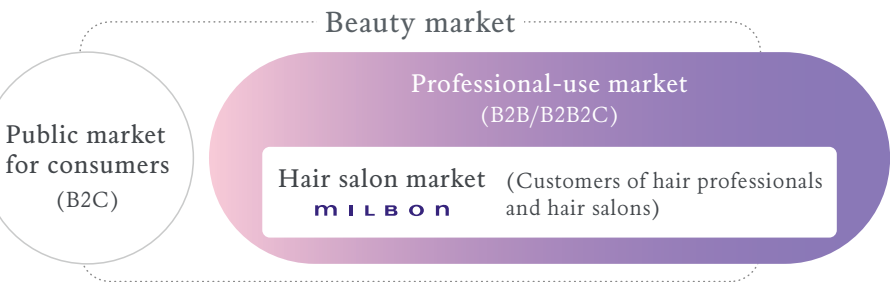
The Milbon Way
Milbon Ethics and Code of Conduct



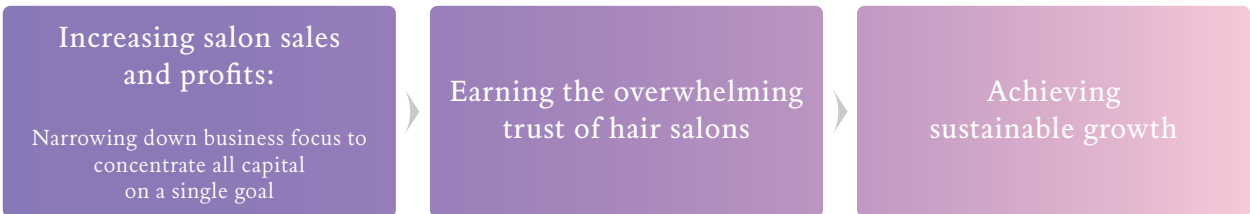
Global vision

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

Our Business Domains



Central Business Strategies



We stand by the Eternal Desire to be Beautiful

Milbon is a global professional haircare manufacturer based in Japan working with the haircare industry worldwide to inspire beautiful living by people everywhere under the corporate slogan, "Find Your Beauty." Our aim is to enrich society as a whole.

Ever since our founding in 1960, we have consistently limited our market to focus on haircare professionals and salons through the central strategy of increasing salon sales and profits. This drive is based on the firm belief that hair salons are essential for enriching society and realizing individual beauty, and in keeping with the philosophy that "Everything we do, we do for and with hair professionals."

This approach has enabled us to focus all capital, including human capital on a shared goal to which every employee can always return, and this has earned us solid trust from hair salons, leading to sustainable growth.

Having become the leader in Japan's sa-

lon-exclusive hair cosmetics market, we have recently been expanding into non-hair cosmetics and other domains, rather than just haircare products, while actively implementing out a DX strategy. The aim is to maximize the potential of in-person spaces in hair salons.

With a full-scale global expansion from 2010, we have steadily grown our businesses, with our sales, production, and R&D bases extending to 14 countries and regions, including Japan, and with hair salons around the world becoming vital partners of ours.









Our customers are not only those haircare professionals and salons, but also all people who visit salons as well. That is why, under the Milbon-ism (to be in the field, to pay attention, and to be independent), we are thoroughly committed to adopt two customer viewpoints, a haircare professional and salon perspective on the provider side, and a society and consumer perspective on the user side. Putting this into

practice, we have developed a unique framework for ongoing provision and enhancement of beauty services that are truly needed.

Though we are a manufacturer and seller of hair cosmetics, we are by no means a company that simply provides products, as embodied in our motto of "Don't sell products, sell concepts." We support beautiful living, craft individuality, enrich people's spirits, and brighten their lives.

Going forward, we will continue our untiring efforts to work with hair professionals to inspire beautiful living worldwide, as we fulfill our vision of becoming the first Japan-based world's No. 1 professional haircare manufacturer. And even in the future beyond that, we will continue pursuing sustainable growth, while standing by the eternal desire for beauty, to shape a world where people can live beautifully enriched lives.

Products

 Hair coloring products (professional use, knowledge-based)	 Haircare products (knowledge-based, professional use)	 Permanent wave products (professional use)	 Organic haircare brands (professional use, knowledge-based)
 Styling products (knowledge-based)	 Cosmetic products (knowledge-based)	 Beauty supplement (knowledge-based)	 Beauty equipment (knowledge-based)

*Knowledge-based product sales: A sales method in which product sales are accompanied by valuable information based on the knowledge and insights of professional hairstylists.

Services



milbon:iD (Milbon's official online stores)

Smart Salon®

Seminars and events

Milbon's History of Growth

Establishing a Strong Business Model

1960



Yutaka Beauty Chemicals Co., Ltd. (currently Milbon) established

In July 1960, Yutaka Beauty Chemicals Co., Ltd. (currently Milbon) was established and started manufacturing and selling cosmetics products (cold wave perming solutions, shampoos, etc.) for haircare professionals dedicated to beautiful living. In January 1965, the company merged with two other companies and changed its name to "Milbon," a name chosen for its beauty and catchiness for future global expansion.

1984



Training Center opened for new employee training

Started a Field Person (FP) Strategy, truly personalized for haircare professionals

The Field Man Strategy was launched as a unique sales and education support system for hair salons. As a sales strategy in an age of product saturation, Milbon shifted to activities that offer personalized solutions to stylists and salons under the slogan, "Don't sell products, sell concepts." Currently known as the Field Person (FP) System, it is contributing to greater sales and profits for hair salons.

1987



TAC Product Development System introduced for joint development with leading haircare professionals

TAC Product Development is Milbon's unique product development system for developing products and concepts in collaboration with leading haircare professionals who are admired by our target customers. In a fusion of sensitivity and science, the system will incorporate the technical skills and aspirations of leading hairstylists into products and services to reach a broader audience.

1993



Nigelle styling products, a brand for creating natural-looking hairstyles, launched

In response to the growing needs to easily reproduce hairstyles designed by hair stylists at home, a new styling product, Nigelle, was launched. We have won the overwhelming trust of our customers by establishing a system offering consistent support from the time of in-salon treatment to hair maintenance at home. Nigelle was released in Taiwan as well, making it Milbon's first product marketed outside Japan.

1997

Central Research Institute established

1998



Liscio hair straightening products, based on hair ironing technology, launched

Liscio hair straightening products were launched to provide a hair ironing treatment in answer to an increasing desire for straight hair. By establishing a technical system that provides simple and stable results, Liscio has contributed younger hairstylists to become immediate assets to the team, and it helped attract more customers while increasing customer retention rates. Known as "Japanese Hair Straightening," Liscio was a major hit in the United States as well.

2001

Company listed on First Section of the Tokyo Stock Exchange (TSE)

Beyond Japan

2004



MILBON USA, INC. established as Milbon's first overseas subsidiary

With the Liscio hair straightener having gained popularity primarily in New York, MILBON USA, INC. was established in New York City, as Milbon's first overseas subsidiary, due to North America being a central focus of the global beauty culture.

2005

Yumegaoka Factory established

2007



Ordeve, a new foiling-optimized, comprehensive hair color line, launched

As the mainstay of salon management shifts from perming to coloring, Ordeve was developed as a new comprehensive hair color line optimized to foiling. The aim was to offer high quality hair colorings only possible through the advanced technical skills of haircare professionals. With Field Persons passing on the technical system to hairstylists, Ordeve played an instrumental role in market development as it gained popularity, embodying the very transformation of the industry to coloring.

2010



Aujua, a premium haircare brand addressing a wide range of hair concerns, launched

Haircare concerns grew as hair coloring reached a broader audience. To address wide ranges of hair concerns, Aujua was developed as a premium haircare brand offering personalized treatment, born from in-depth research on everything from the texture and shine of black hair unique to the Japanese to the climate and culture of Japan. Aujua has grown to become our flagship brand, with annual sales topping 11 billion yen in 2023.

2012



Villa Lodola, an organic haircare brand, launched

As more people place importance on living in harmony with nature, the Villa Lodola organic hair care brand was launched in Japan after all ingredients were certified by ICEA—Europe's representative organization for organic certification.

Since its establishment in 1960, Milbon has maintained a policy of continuous innovation while capturing the trends and demands of a rapidly changing society. To this end, we adopt two customer viewpoints—a haircare professional and salon perspective, and a society and consumer perspective—under the philosophy that "Everything we do, we do for and with hair professionals." This section presents the history of innovation at Milbon, from our founding to the present, together with our trajectory toward sustainable growth.

2013



MILBON (THAILAND) CO., LTD. established as Milbon's first overseas production factory

A full-scale global expansion from 2010 led to Milbon establishing its first overseas production factory in Rayong Province, Kingdom of Thailand, in 2013. Together with the Yumegaoka Factory in Japan and the China Factory, established in 2021, the Thailand Factory has become an important link in our global production system, promoting the local production for local consumption of beauty, a system that stands for the beauty of different cultures in different countries and regions. Milbon is developing trust through a "Made by Milbon" philosophy rather than "Made in Japan".

2016



Launched "milbon," a premium haircare brand, through analysis of diverse hair characteristics around the world

The Company's namesake brand, milbon, was launched as a premium haircare brand for "360 Degree Beautiful Hair" to bring Milbon's haircare quality to the rest of the world. Using hair research technology cultivated since our founding, we analyzed a wide variety of hair in 20 countries. From the research, we identified common hair damage phenomena and established a unique haircare system.

Beyond Hair and beyond an Industry-Perspective

2017



Capital and business alliance with KOSÉ Corporation announced to develop salon-exclusive cosmetics

Milbon signed a capital and business alliance agreement with KOSÉ Corporation to develop cosmetics sold exclusively for salons and to strengthen competitiveness. With the shared goal of improving the competitiveness of Japanese beauty companies competing on the global stage, the two companies established Kosé Milbon Cosmetics Co., Ltd. Starting with the iMPREA salon-exclusive premium cosmetics brand launched in April 2019, the alliance is continuing to create a wide range of new cosmetics products.

2019



Head Office relocated from Osaka to Tokyo

Sophistone, Milbon's first hair color brand for Europe and North America, launched

Sophistone was launched as Milbon's first hair color brand for Europe and North America. Development was based on rigorous research of the values, techniques, and hair colorant characteristics of Europe and North America's hair color cultures. As Milbon's first full-scale brand developed exclusively for regions other than Japan, it has received high praise from local stylists for its reminiscent evocation of Japanese meticulousness and attention to detail, bringing new value to hair coloring in Europe and North America.

2020



milbon:iD (Milbon's official online stores) began full operation

milbon:iD (Milbon's official online stores) began full operation to help hair salons connect with their customers. Even when people had to avoid public places during the COVID-19 pandemic, milbon:iD offered a mechanism for keeping traditional sales channels open, not only allowing customers to purchase Milbon products from the safety of their own homes, but also accruing the sales to the relevant distributor and hair salon. The stores have contributed to improved customer convenience and ensured revenue for the hair salons. As of the end of 2023, there were 670,000 registered milbon:iD members.

2021

The education:iD, an online learning service for haircare professionals, launched

2023



Smart Salon® launched as a new beauty experience in collaboration with hair salons

Smart Salon were launched in collaboration with participating hair salons as a new hair salon experience that fuses physical and digital worlds. As of the end of 2023, there were 23 Smart Salons in 19 cities around Japan. Offering a range of beauty experiences utilizing digital and other elements within the salons, the Smart Salons have delivered a boost to in-salon sales of knowledge-based products. The aim is to open Smart Salons in 100 Japanese cities by 2026.

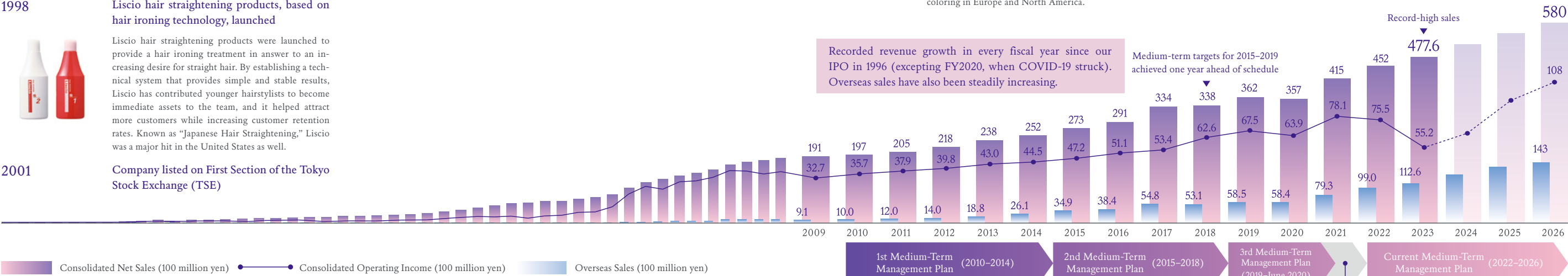
ELMISTA, a hairdryer jointly developed with Living Appliances and Solutions Company of Panasonic Corporation, launched

ALANOUS, Milbon's first health supplement brand, launched

ALANOUS was announced as Milbon's first supplement brand and part of its expansion beyond the haircare business. It was launched as a result of around 20 years of continuous applied research into using 5-ALA, sometimes referred to as the source of life energy, as a beauty supplement. With the main components of 5-ALA able to maintain skin moisture, we have launched two product lineups; foods with functional claims and health foods.

Innovation Center opened to conduct medium-to long-term research utilizing cutting-edge technologies

The Innovation Center was opened in Haneda Innovation City, a large-scale complex in the Haneda area, as Milbon's new research facility for developing products and services from a longer-term perspective. As a place to help realize the Beauty Platform Plan, to conduct long-term research, and to drive joint research with highly unique government, academic, and private-sector partners, the Innovation Center is engaged in research that sows the seeds for future projects and businesses.



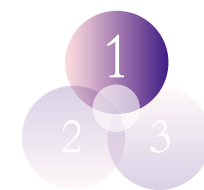
Medium-Term Management Plan "Change the Stage—18-Month Missions!" implemented in response to COVID-19 (July 2020 to December 2021)

Milbon's Sustainable Growth

—Three Interlinked Value-Creating Sources for Sustainable Growth

Interlinked value-creating sources with thoroughness as a common thread

Ever since our foundation in 1960, we at Milbon have achieved sustainable growth by maintaining continuous innovation, which ensures greater sales and profits for hair salons, based on the firm belief that hair salons are essential for realizing individual beauty and a spiritually enriching society. This section explains in detail how three interlinked value-creating sources realize this sustainable growth.



Source 1 Our Philosophy

The Milbon Way



The fundamentals of disseminating and implementing Milbon-isms

The Milbon Way handbook summarizes the Milbon-isms, management philosophy, and management strategies that Milbon employees should embrace. It was created in 2012 by current chairman Ryuji Sato under the theme of Continuity and Change, and it has been continually revised in tune with the changing times. It is a set of important guidelines to which every employee should always return. *The Milbon Way* ensures dissemination mainly of the philosophy to be inherited at the heart of our business strategy—Everything we do, we do for and with hair professionals—through ongoing education and training programs, provided both in Japan and overseas, from the moment our employees join the company and continuing throughout their careers. It is becoming entrenched as part of our corporate culture, with all employees routinely carrying it and putting its contents into practice. With employees maintaining high levels of understanding and resonance according to our employee awareness surveys, it serves as a source of innovation creation in all business activities.

POINT 1. Philosophy and belief handed down from foundation

Following are the Milbon philosophy and belief established by our founder, Ichiro Konoike, that have been handed down to every employee to the present day: one is the philosophy that “Everything we do, we do for and with hair professionals” (always providing close support to hair salons); and the other is the belief that “We will build a solid company that won't collapse” (a sustainable company that continues to be of service to the world). To realize these, we have consistently narrowed our market focus to hair salons and are continuously innovating in tune with changes in society.

POINT 2. Action guidelines: “Be in the field” “Pay attention” “Be independent”

Milbon-isms that all employees should embrace are “to be in the field, to pay attention, and to be independent.” Our employees are required to have call for the thorough practice of this triple action guideline. This hands-on approach is another cherished belief that has been handed down from our founder, Ichiro Konoike, and we are still fostering this culture to this day. Whether employed in sales, product development, or in a managerial position, everyone must spend time in the field, listen attentively to the voices of customers and haircare professionals with the ears, eyes, and heart, and learn to think and act independently.

Milbon-isms

Philosophies, beliefs and aspirations

Philosophies: • Everything we do, we do for and with hair professionals

Beliefs: • Continuous innovation to “build a solid company that won't collapse”
“Create requirements for growth rather than just trying to grow”

Aspirations: • “Create a company that is highly valued in the world in which we live”
• “Realize Happiness and job satisfaction for employees and their families”
• “A company that is of service to the world is a company that the world will not allow to collapse”

Corporate philosophy

Focus: • Narrowing down focus means to discard some things

- Business domains: Narrow down to hair professionals and salons
- Beauty services: Narrow down to cosmetics, etc. centered on hair
 - 1. Clearly define what not to do, rather than what to do
 - 2. Fully investigate one thing at a time
 - 3. Refine essential and universal values not affected by times and trends
 - 4. Always question norms in the industry

POINT 3. Thorough and ongoing education and training

We continue to invest heavily in our human capital, including spending at least 2% of labor costs on employee education and training every year. We focus on new employee training in particular, with the first nine months at Milbon spent as a training-only period since 1984. In addition to basic beauty techniques, employees learn a wide range of skills, including broad knowledge of the beauty industry, management analysis, and planning. Since his time as president and CEO, current chairman Ryuji Sato has provided instruction on *The Milbon Way* himself to strengthen its dissemination. Such efforts continue in all subsequent training as well, including the annual training provided in the second and fifth years of employment, and workshops regularly held in each business location in Japan and overseas.

Overview of Education and Training



Overview of Milbon Person Training

1 Understanding Milbon-ism and Philosophy

Based on *The Milbon Way*, learn the mindset that you should have as a Milbon employee and the company's mission.

2 Understanding the work of hair professionals by acquiring beauty techniques

Understand not only how to use your company's products, but also the techniques used by hair professionals in salons, and acquire the skills and knowledge to provide educational support to hair salons.

3 Understanding hair salon management

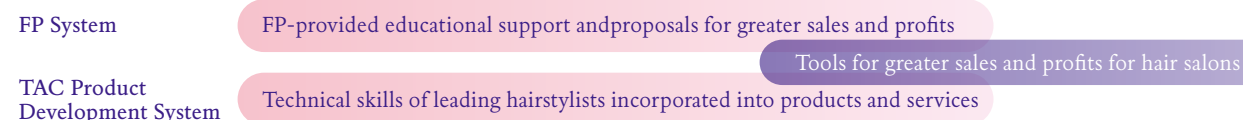
Deepen your understanding of the management of hair salons so that you can be attentive to the concerns of hair salon owners, what they are currently struggling with, and what kind of support they need.

Building a system in which each and every employee thinks and embodies initiatives that lead to “increased sales and profits of hair salons” on their own through understanding *The Milbon Way* and the work of hair salons.

Source 2 Our Approach Unique Business Models

Creating high added value and earning the overwhelming trust of hair salons

Our unique business models, consistently focused on hair salons and hair professionals, embody the corporate philosophy disseminated through *The Milbon Way*. We are earning the overwhelming trust of hair salons by creating and providing high added value that ensures greater sales and profits for hair salons that no other company can imitate. We achieve this through two strategies; the Field Person (FP) System that provides a sales and educational support system closely tailored to hair salons under the slogan “Don’t sell products, sell concepts,” and the Target Authority Customer (TAC) Product Development System that standardizes and incorporates the sensibilities and technical skills of leading hairstylists into products and services.



Unique competitive strategy only possible with salon-exclusive products, and a solid cycle of trust with hair salons

POINT 1. Field Person (FP) System, closely tailored to hair salons

Under the slogan “Don’t sell products, sell concepts,” we provide value-added services such as beauty techniques associated with our products. We also operate our FP System, a unique sales and educational support system that contributes to greater sales and profits for hair salons through problem-solving and educational support for hair salons. There are three types of Field Persons divided by expertise and role. As employees who are well acquainted in beauty, our FPs visit salons on a regular basis to provide training, attend in-salon meetings, plan sales promotions, and thereby building a strong relationship of trust by addressing the challenges and aspirations of individual salons.

Types of Field Persons

Field Marketing Salesperson (FMS)

Visits salons with distributor salespersons to support the salons in areas of sales and management, using information provided by the distributors, while helping to solve a range of problems

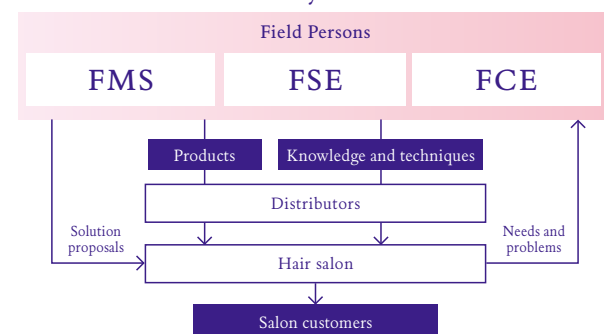
Field Salon Educator (FSE)

Provides educational support that includes advanced beauty techniques and human resource development, while contributing to solving problems faced by hair salons and hair professionals

Field Cosmetics Educator (FCE)

Provides specialized education and development support related to cosmetics, including skincare cosmetics for hair salons

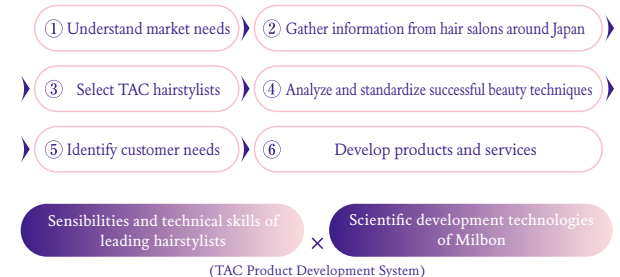
Field Person System Structure



POINT 2. TAC Product Development System, focused on customer viewpoint

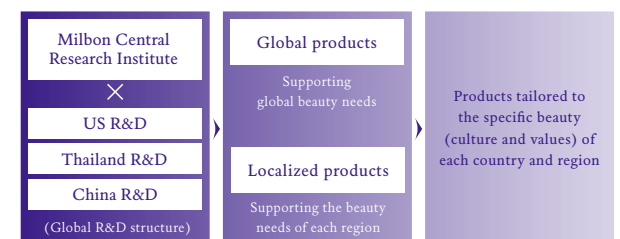
In a fusion of sensitivity and science, we also operate our TAC Product Development System as a B2B2C initiative with two customer viewpoints (hair professional perspectives and consumer perspectives). It is a unique product development system that standardizes and incorporates the sensibilities and technical skills of leading hairstylists into products and services in collaboration with hair professionals. Behind this system is a wealth of knowledge, among the highest in Japan, about basic and fundamental research into hair and scalp, which has led to the creation of unique added value. In cooperation with our overseas R&D bases, we are also currently working to develop products that support global beauty needs and localized products that support local beauty needs of each country and region. We are creating a structure that will allow us to operate the TAC Product Development System overseas as well.

TAC Product Development System Flowchart



Standardization as products and services to bring beauty to a broader audience

Product development in cooperation with global R&D bases



Source 3 Our Vision Five-year Medium-Term Management Plan

Achieving targets through annual actions with a focus on medium- to long-term visions

In line with *The Milbon Way*, we have established our ideal and desired visions of the beauty market. To realize these visions, we have formulated and executed medium-term management plans with a five-year commitment since FY2010, replacing the rolling medium-term management plans we followed previously, with a focus on the latest trends in society and social changes expected over the following decade. These plans enable every employee to continue taking actions while remaining focused on the vision, which leads to continuous innovation and sustainable growth.

Five-year medium-term management plans to date



Respond flexibly to changing behavioral patterns and values as a result of the COVID-19 pandemic

POINT 1. Annual market strategies and business plans linked to medium-term management plans

From our five-year medium-term management plans, we formulate annual market strategies and annual business plans as specific single-year initiatives. We then provide briefings on these initiatives to management personnel to ensure full implementation within each department. In addition to these internal briefings, we also provide salon partners and distributors with annual briefings on market strategies for realizing the annual plans. The aim is to create a structure that ensures the achievement of our goals by constantly capturing any gaps that exist between our vision and the current state.

POINT 2. Research and planning from micro and macro perspectives

We formulate plans and strategies from both micro and macro perspectives. Embodying the Milbon-ism of “to be in the field, to pay attention, and to be independent,” the president personally visits salons in many countries and regions and conducts surveys on market trends to understand these micro perspectives. By combining this with global trends, including general economic trends, as well as medium- to long-term trends, it is possible to formulate plans and strategies with a sense of reality and conviction.

Ideal and desired visions of the beauty market over the following decade

Five-year medium-term management plan

Annual market strategies and business plans

Briefings to management personnel and separate briefings to salon partners and distributors

Improvement and execution with a constant focus on gaps between the vision and the current state

Micro perspectives

Embodying Milbon-isms, the president personally visits salons in many countries and regions and conducts surveys on market trends, challenges, and needs

Macro perspectives

Always gathering information on and understanding global trends, including general economic trends, as well as long-term trends, as a regular habit

Formulating plans and strategies with a sense of reality and conviction



Milbon wins the Porter Prize for a unique competitive strategy that maintains high profitability

Our unique competitive strategy has been highly rated, winning the Porter Prize 2020, a program sponsored by the School of International Corporate Strategy, Hitotsubashi University Business School. We received the award in recognition of our consistent focus on stylists and salons since our establishment in 1960, and the uniqueness of a business strategy that has achieved sustainable growth while maintaining high profitability, including increased revenues for 23 consecutive years (as of the time of the award) since our listing in 1996.

Milbon from the Investor’s Perspective

—Interview with Yasunori Nakagami,

CEO of Misaki Capital Inc.

Chief Executive Officer, Misaki Capital Inc.
Research fellow at RIETI

Milbon has achieved continued high profitability and sustainable growth up to the present in the hair salon market through construction and execution of unique business models and competitive strategies. Yasunori Nakagami, Chief Executive Officer at Misaki Capital, a company that pursues “three benefits,” aiming to realize benefits (returns) for investors through increasing corporate value (benefit for companies), thus contributing to enhancing benefits for society, explains below Milbon’s unique nature, future potential, and more.

Milbon: A Company with a Unique “Barrier” and High “Fundamental Value”

At Misaki Capital, we do not believe in short-termism, rather, we believe the original role of shareholders is to contribute to the increase of corporate value from a long-term perspective. In order to achieve this, we work alongside the management and employees at companies we invest in, aiming to maximize benefits for that company, based on our first philosophy: Misaki Capital is “Constructivist.” We should be able to realize a capital market in its ideal form, to bring wealth to everyone, when management, employees, and shareholders unite as one to raise corporate value. To this end, Misaki Capital invests in just over 10 companies, carefully selected from the approximately 4,000 listed companies in Japan, forming multi-members teams that engage with each company.

In an investment business that has a fiduciary responsibility for client assets, selection of a company that acts as a gateway is of utmost importance, as misreading this can expose clients to risk. Selection of gateways for investment is even more decisive and critical in the case of Misaki Capital, because of how far we narrow our investment targets. In this context, an important criteria for determining whether a company’s stock is worth holding for the long term

include whether the candidate for investment has built a unique “barrier” against the market and whether we believe that we can expect growth from the current share price relative to the “fundamental value” of the company.

A “barrier” refers to a strong and unique business model a company has built that can repel its rivals. A market where reasonable profits can be expected will see the appearance of strong rivals accordingly. To undertake long-term investment in these conditions, it is critical that the current earnings can be maintained in the future and, in addition, that a company will still achieve steady growth going forward. For this reason, Misaki Capital is not interested in companies temporarily making high profits: an important criterion is whether the company is protected with a “barrier.” In this aspect, Milbon has continued its excellent business performance over a long period, which can be seen as evidence of its high “barrier.” Most recently, in FY2023, issues including soaring raw material costs worldwide and the struggle with new businesses led to disappointing results, such as significant declines in profitability and capital productivity, but we do not believe there was any decrease in the actual fundamental value of Milbon.

When thinking about the fundamental value of a company, we must be aware that its “price” and “value” are different things.

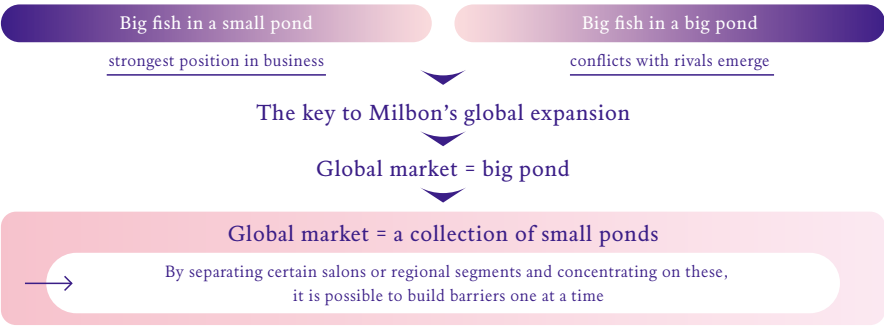
A company’s “price,” in other words its share price, fluctuates by few percent each day, and this fluctuation is even greater over an entire year. But if we ask whether that “price” accurately represents the fundamental value of a company, this is surely not always the case. Nobody knows the “true price” of a company, that is, its fundamental value. Nevertheless, as an investment business, we are responsible for estimating the fundamental value of companies and to ascertain whether its price is appropriate in relation to this. Here, I want to focus on “barriers.” This is because excess profit protected by a “barrier” is the source of “value.”

Creation of the FP System: A Great Decision in Japanese Management History

Misaki Capital thoroughly investigates how “barriers” are shaped. In our investigation of Milbon, I was particularly impressed by the transition made by the company’s founder Ichiro Konoike in 1984 to the Field Person (FP) System, Milbon’s unique sales and education support system, based on the concept “Don’t sell products, sell concepts.”

At the time, the Japanese beauty market was dominated by foreign manufacturers. It was amid such conditions that Konoike tried to gain the trust of hair salons through low-profile, meticulous action that was beyond the capabilities of foreign companies. The same is true today, where the deciding factor in business is based on human relations. I believe that building a fan-base through low-key efforts to visit every salon is an inefficient but an extremely rational strategy.

In 1983, Milbon had roughly 100 employees and its ordinary income was around 77 million yen. But in order to execute his



strategy, in 1984, Konoike employed 20 new graduates at once and invested approximately 50 million yen in training, an unthinkable level of investment in human capital. This resulted in sharp declines in ordinary income to 24 million yen and an ordinary income ratio of 1.1% for FY1984. However, through this switch to the FP System two years later, in FY1986, the company began to see a significant upturn in results, which became the start for Milbon’s high “barrier” that continues to this day.

I believe there are only two ways a company can obtain such a “barrier.” One would be to spend a jaw-dropping amount of money, the other would be to take a staggering risk. If it was a “barrier” that could be easily replicated, it could no longer be called a “barrier.” Konoike truly spent a jaw-dropping amount of money and took a staggering risk, succeeding in building this sturdy “barrier.” I feel that this transition story was a great decision in Japanese management history.

So why and how does this barrier function? At Misaki Capital, we believe that one reason lies in “switching costs,” the financial and psychological costs that are incurred when a salon changes over to different products and services. For example, suppose a person in charge of purchasing at a hair salon is deciding whether to switch or continue with a product, and feels a certain product is better than Milbon’s product. But that is where the trust for Milbon accumulated through the FP System comes to mind. Consequently, although it is very possible that they may not choose the Milbon product every time, if this becomes a recurring choice, it poses a risk for the hair salon of losing their business with Milbon and thus the support from FPs. This creates a situation where Milbon products continue to secure a place.

Now, with new services such as milbon:iD, the official online store, and Smart Salon, I believe the barrier will become even higher. To explain further, creation of a barrier is not something that is achieved simply through decisions of the management. Of equal or even greater importance is the organizational strength to fully implement management decisions, and I believe that Milbon also has such strength.

The Key is Creating a “Pond” on the Global Stage

Generally, rather being the big fish in a big pond, where conflicts emerge in the management world, the strongest position is to be a big fish in a small pond, where one can swim freely and comfortably. In the Japanese market, Milbon has truly been able to make itself the big fish in a small pond. However, it is still conceivable that even a “barrier” has a lifespan, and that it may hit its growth limit , in a small pond. Consequently, for Milbon to continue to achieve sustainable growth, the key will be to further develop this wonderful barrier.

The small pond in which Milbon has achieved growth to date, the Japanese market, is experiencing population decline, and this should result in an equivalent fall in the number of users of hair salons. We expect the milbon:iD and Smart Salon strategies being advanced by Milbon to function as future growth drivers.

Also, in order to maximize the rare value offered by the hair salon setting of “in-person, periodic, extended time,” the company is expanding into other fields aside from just hair, and in the future, we must also pay attention to these concrete results. Hair-related products are a great fit as a sales flow line, being directly linked to techniques of hairstylists, which is the greatest value of hair salons. But with non-hair products, the challenge is to depict physical and psychological flow lines for both hairstylists and customers. This challenge, which encompasses both issues and possibilities, will force management to face many decisions whether to continue, end, or adjust course.

Furthermore, our biggest expectation is on the overseas business as a driver for future growth, and I sense great potential there. Of course, culture and hair qualities vary by country and region, and while it is necessary to adapt flexibly in response to those differences, we can imagine that there are management concerns that hair salons have in common. Consequently, Milbon’s FP System should be able to help solve these challenges. If Milbon is able to build trust and use the TAC Product Development System to create products that are tailored to hair qualities and other factors, Milbon should be able to

build sufficient barriers globally.

Presently, Milbon enjoys a competitive edge and is achieving steady market share growth in East Asia, with its shared culture of Asian hair. It is also expanding its business in the United States. In these circumstances, I believe that it is better to build sturdy barriers one at a time by concentrating on certain countries in East Asia, or certain customers or regional segments in the United States, rather than adopting an even approach across the board. In overseas business, a big pond should not be seen as such, rather, it is essential to look at where to create a small pond within the big pond. I feel that this is well-suited to the Milbon business model. Through focused investment, a temporary fall in profit margin may occur in efforts to win the trust of salons, but once a barrier has been built, it will not easily fall. Milbon has already proved this in the Japanese market.

In Future, Our Hope in Milbon is in “Management” rather than “Operation”

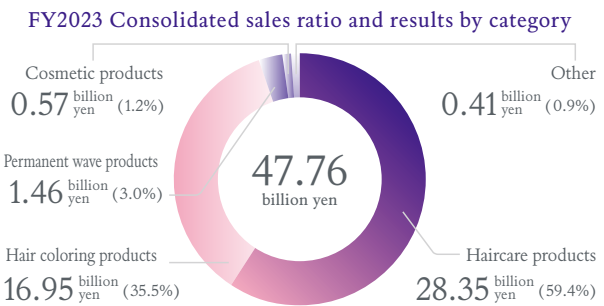
Finally, as an investor, we do not want the company we invest in to fail. But at the same time, it is certain that there is no growth when one is fearing failure. It is true that some investors prioritize short-term profit, but Misaki Capital believes the most important job of a corporate manager is to produce sustainable profit, for the good of society, stakeholders, and, in the case of Milbon, especially for hair salons. Although it is a wonderful thing to continue producing profit by operation of a strategy that has succeeded once, this success has an expiry date. What is truly required of a company is management, and this is accompanied by risk. We hope for true management through continuous innovation by Milbon, a company that pledges to “Build a solid company that won’t collapse,” by continuing to take risks without fear of failure, and seeing through such risk-taking to completion based on this philosophy.



Our Brands

Shaping new value in response to expectations and desires for beauty

Milbon provides products focusing on professional hair cosmetics used in hair salons and hair cosmetics used at home by customers of hair salons, the value of which is maximized through counseling and techniques of hairstylists who are beauty professionals. Now, we have developed our range beyond just products related to hair. We are expanding into new fields, and now offer salon-exclusive cosmetics and products in the beauty healthcare field, in order to develop hair salons into a Beauty Platform that is indispensable for people's enriched lives. Here, we introduce each of our main brands.



Premium Brands: To complement the diverse values of “beauty”

Aujua (Hair Care)



Japanese women are becoming more beauty conscious and more beautiful every year. Consequently, they also have diverse concerns about hair, not limited to one per person. And these change with changes in season and style, and as people get older. Aujua was born from the idea of providing a custom-made hair care program for individuals with various hair concerns.

“milbon” (Hair Care)



Through nano-level analysis of hair, we discovered Stick-Shaped Voids (SSVs), a common damage phenomenon in people around the world. Products under the milbon brand contain “SSVR-Silk*,” increasing density in the cortex and repairing these voids, restoring hair to its original beauty from the inside out. With this, we offer an innovative hair care solution linking professionally-applied salon treatments to at-home care.

*Isostearoyl Hydrolyzed Silk: Hair repairing ingredient

Villa Lodola (Hair Care/Hair Color)



An organic hair care brand. All products are certified organic by ICEA, a leading European organic certification organization. Using nature's great power for beautiful hair. We are offering new options through Villa Lodola.

PJOLI (Hair Care)



Contains botanical and organic ingredients with hair repair properties, with particular attention to the feel and finish. The fragrance is a combination of essential oils: at times relaxing, and at times inspiring. The use of ingredients that return to nature and recycled packaging makes for more eco-friendly products. PJOLI allows each person to shine authentically.

iMPREA (Cosmetics)



A salon exclusive brand created through joint research with KOSÉ. Hair salons are the only place that can identify each person's individuality and provide their own beauty. iMPREA is an unprecedented brand that delivers a personalized impression to customers through “Impression Production™” a communication method leveraging the strengths of hair salons.

ELMISTA (Beauty Equipment)



A product that combines the beauty appliance technologies of industry leader Panasonic and Milbon's expertise in hair science. ELMISTA is a new next-generation hair dryer developed in collaboration by the two companies that replenishes each strand of hair from the root to the tip with hair serums while it dries hair to a silk-smooth finish. Hair drying time is transformed into hair care time that gives hair a smooth and shiny finish.

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

Elujuda (Hair Care)



Manageability of hair is the foundation for achieving the desired hairstyle. The Elujuda brand elevates the quality of hair design by providing comfortable texture that lasts the whole day, with hair as manageable as a salon finish, no matter your age.

GRAND LINKAGE (Hair Care)



The finish after in-salon coloring will stay beautiful and longer. Grand Linkage delivers beautiful, shinier hair to people of all ages.

Nigelle (Styling)



Exquisite piecey texture, movement, and texture as expressed by hair professionals continues to evolve for people who enjoy trends that are always half a step ahead. Nigelle styling brand provides styling tools born from such styling techniques.

im (Cosmetics)



A salon exclusive brand created through joint research with KOSÉ. “im” brand fulfills the wish for alluring makeup while updating your personal style.

ALANOUS (Health Care)



5-ALA is a substance used for greening deserts. This substance which has existed on Earth for 3.6 billion years, is also called the “source of life.” Milbon, which specializes in the science of beauty, conducted some 20 years of basic research into 5-ALA, leading to the creation of ALANOUS. These beauty supplements help you feel fresh and healthy from the inside out every day.

MILBON
Our Brands

*Follow the link for details of each brand and lineup:
<https://www.milbon.com/en/brand/>

Technical Brands: To complement the specialized techniques of professional hairstylists

ORDEVE SERIES (Hair Color)



There are as many visions of the ideal hairstyle as there are humans on Earth. ORDEVE is a made-to-order hair color line tailored to the unique hair types and expectations of our customers, achieving a refined, exquisite expression of hair texture. Cherishing the experiences of those who enjoy hair coloring, we strive to bring radiance to their lives.

ENOG (Hair Color)



A hair color brand that allows you to create colors you have always been looking for. A color that nobody has ever seen before. Your own color, made by you.

Neo Liscio (Perm)



Neo Liscio is a line of hair straightening solutions designed to allow customers to achieve natural looking, smooth hair that can be freely styled. It addresses hair concerns caused by aging while offering mature, straight styles. Straight hair that allows beautiful hair design for people of all ages.

Our Services

Fusing physical and digital worlds to maximize the value of hair salons

Milbon creates and offers various services fusing the physical and digital to maximize the hair salon setting for the further development of hair salons. We use various formats, including seminars, events, and online platforms, to help to nurture lifelong hairstylists who align themselves with consumers' beauty throughout their lives. Our physical and digital educational support covers topics from beauty techniques and knowledge to career development. Below, we introduce these services provided by Milbon.

Smart Salon™

Smart Salons will create a new concept of hair salon settings to seamlessly connect hairstylists and customers by fusing physical and digital worlds

FY2023 Results

Test-marketing rolled out to 23 salons in 19 cities in Japan



The new value experience realized by Smart Salons™

KAORIUM—letting your nose be the guide



AI-based expression and diagnosis of your fragrance preferences selected from bottles lined up in the device, to provide product recommendation. KAORIUM engenders a more enjoyable purchasing experience and guarantees encounters with novel products, with fragrance as a starting point.

*KAORIUM, developed by SCENTMATIC Inc. (CEO: Toshiharu Kurisu, Head office: Tokyo, Japan), is an AI-based system providing a fused experience of scents and words, that can convert various scents into "sensory words" and simultaneously select a scent from the words. *KAORIUM is a registered trademark of SCENTMATIC Inc.

Smart Salon Viewer

—investigate and discover



Tablet-based system that allows customers to discover information about shampoos, treatments and cosmetics used by hairstylists. People can also enjoy hair coloring and makeup simulations, fragrance analysis and other content which we are constantly expanding so that customers never tire of it, to raise the value of time spent in hair salons.

Smart Salon™ is an interactive salon that creates an unprecedented connection between hair salons and consumers, enabling a new hair salon experience by fusing physical and digital worlds. From FY2023, we began a business roll out in collaboration with salons that support the project, and despite being in the test marketing phase, it has expanded to 23 salons in 19 cities across Japan. In conjunction with Milbon's official online store, milbon:iD, we are already seeing cases of improvements in knowledge-based product sales.

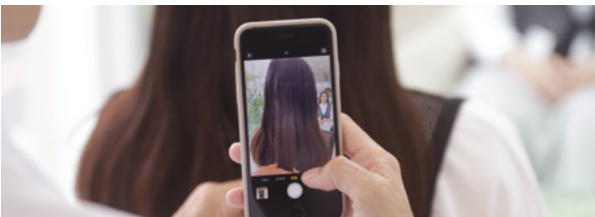
DAGASHI—search and sample



Sample-sized products arranged like candies in a penny candy store. It enables you to casually try products recommended by your hairstylists or items of your interest at special trial prices.

STYLESTOCK

—suggestions from haircare professionals for you

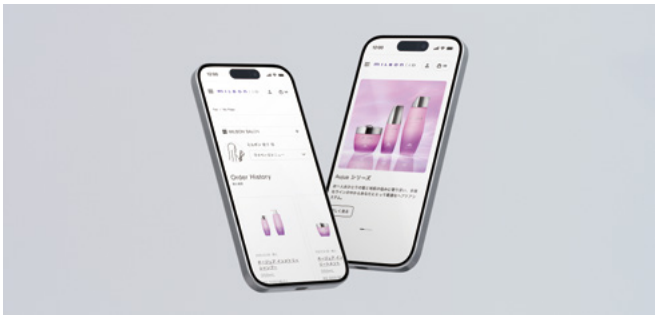


This new milbon:iD service delivers information on shampoos, cosmetics, styling techniques, and other recommendations from hairstylists direct to the customer's smartphone.

milbon:iD E-commerce platform where hair salons and customers can purchase salon products online

FY2023 Results

670,000 registered users and 5,480 registered salons



Milbon's official online store, milbon:iD, is an e-commerce platform service to support improved productivity of hair salons by allowing customers who visit salons to purchase products online. The creation of more purchase opportunities contributes to greater sales and profit for hair salons.

Also, since it began full operation in June 2020, it has rapidly gained support as a communication tool fusing physical and digital worlds. Furthermore, through coordination with Smart Salons®, launched in FY2023, we are endeavoring to further expand its functions and improve convenience.

education:iD An online education platform for hairstylists where they can visualize their own progress

FY2023 Results

40,000 registered users



education:iD is an online education platform that uses the digital world to provide hairstylists with opportunities for self-development without being hindered by time or place. It facilitates online seminars to deliver knowledge and technical information. In this way, we support improved learning effectiveness, efficiency, convenience, and working environment for hairstylists, helping them upgrade their skills in an individualized format.

Video learning materials

Over 300 videos including instruction by leading hairstylists and curriculum-based learning that users can watch on demand.

Applying for seminars and events

It is possible to apply for in-person and online seminars and events.

Product and education information page LINKS

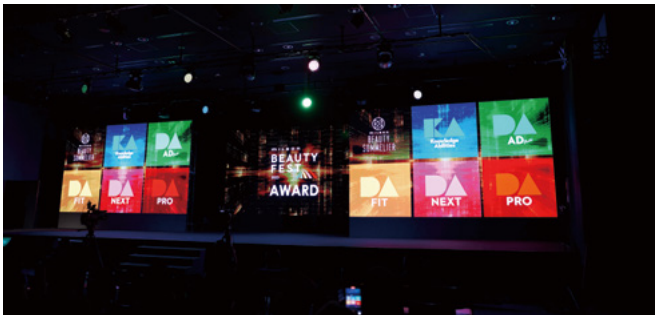
Product PR sheets and manuals, POP and other materials can be downloaded anytime. It is also possible to view product-related educational videos.

Seminars & Events

Providing a wide range of educational opportunities and educational events linking hair salons around the world

FY2023 Results

Total number of annual users of our studios, events, and educational videos 271,000 people



In addition to providing in-person opportunities in the form of educational seminars and events using studios, Milbon is enhancing its online seminars linked to education:iD. Seminars and events cover technical, including trend design courses, and learning the latest product information. In addition, they cover communication to promote the purchase of knowledge-based products, and points to offer higher added-value aimed at boosting salon service unit prices. Furthermore, it facilitates our Beauty Sommelier Training System to nurture beauty specialists. In addition, those who register for seminars and events will be able to view related video curricula in education:iD, effectively combining the real and digital aspects to provide educational opportunities tailored to the needs of each hairstylist. These education support activities are available not only in Japan but worldwide.

* Follow the link for seminar and event details: <https://www.milbon.com/en/company/seminar/>



Click to jump to the relevant page

Focus

Milbon's Strategic Focus

P 32	2022-2026 Overview of Medium-Term Management Plan
P 34	Global Market Strategy Planning and Progress
P 36	Domestic Market Strategy Planning and Progress
P 38	R&D Strategy Planning and Progress
P 40	Production Strategy Planning and Progress
P 42	Financial Strategy Planning and Progress
P 44	Initiatives for Human Capital Management

2022–26 Overview of Medium-Term Management Plan

Becoming a truly global company, leading in Asia and top 5 in the world

Realize Enriched Spirit and Society through Beauty

Milbon establishes a medium-term management plan every five years to help realize “Enriching the sprit and society through beauty.” Through these plans, it has achieved sustainable growth. Most recently, the 2022–26 Medium-Term Management Plan named “Stage for the Future,” we have outlined our goal 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.

Our current medium-term management plan is roughly divided into a global strategy and a domestic strategy. In the global market we execute our global strategy, called Seven Regions, aiming to build a system of local production for local consumption in the beauty domain, tailored to the individual beauty and culture of each country and region. In the domestic market we execute our domestic market strategy, called Salon-based Social Innovation, aiming to develop hair salons, which are facing structural issues such as a population decline and industrial issues such as productivity, into an essential Beauty Platform to help people live fulfilling lives. Details of progress made in each strategy are described individually from page 34.

Realize Enriched Spirit and Society through Beauty



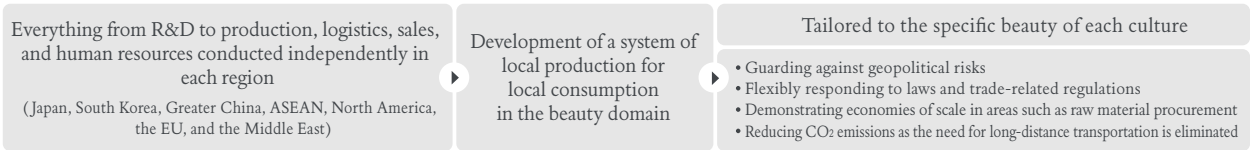
Outline of global strategy, the Seven Regions

Our comprehensive global strategy, Seven Regions, recognizes that the value of beauty varies with the specific culture of each country and region. With this in mind, we have established Seven Regions from the 14 countries and regions in which we already have a presence (Japan, South Korea, Greater China, ASEAN, North America, the EU, and the Middle East), and we are promoting a local production for local consumption system in the beauty domain, tailored to the individual beauty of each region.

To realize this system, we are developing and considering sales, R&D, and production bases within each region so that everything from R&D to production, logistics, and sales can be conducted independently in each region. This will not only create beauty products tailored to the specific beauty of each country and region, which varies according to culture, but will guard against geopolitical risks and enable a flexible response to laws and trade-related regulations. It will also make it possible to demonstrate economies of scale in areas such as raw material procurement. From the perspective of sustainability as well, this system will also reduce CO₂ emissions as the need for long-distance transportation is eliminated.

Our aim is to develop trust in the Made by Milbon philosophy in every country and region by developing global products based on common beauty needs around the world and localized products based on the needs of each region, and coupling those products with our unique sales and education support system.

Beauty: The culture and values specific to each country and region ➤ Divide the world into regions for deploying measure



Outline of domestic market strategy, the Salon-based Social Innovation

Hair salons today are facing significant, structural issues, including a decreasing population and productivity-related industrial problems. To meet these problems, we have developed the Salon-based Social Innovation, our domestic market strategy, to transform hair salons into an essential beauty platform to help people live enriched lives.

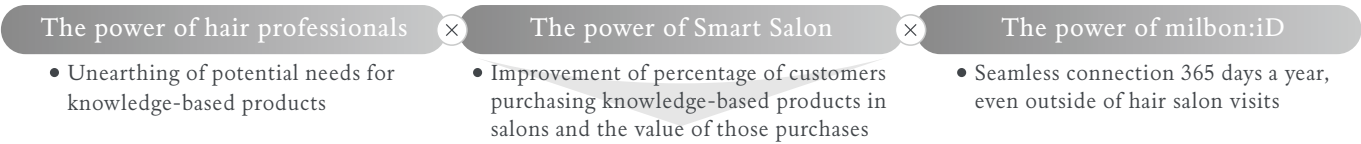
To achieve this aim of reforming the format of hair salons, and together with our Sustainability Commitment, we are promoting two specific strategies: the Smart Salon Strategy, a salon-driven strategy to connect with consumers by fusing physical and digital worlds; and the Lifetime Beauty Care Strategy, a strategy to expand from a hair-centered business domain to cosmetics and beauty health care.



*For the Five Key Challenges of the Sustainability Commitment, please see [Sustainability & ESG](#) on page 46.

Smart Salon Strategy

The Smart Salon Strategy is a strategy implemented in collaboration with participating hair salons for the nationwide expansion of Smart Salons, which offer a range of digital-based value experiences in physical salons. The strategy builds on the foundation of milbon:iD (Milbon's official online stores), which has rapidly gained support as a new communication tool for customers and salons. While many customers have been attracted to knowledge-based products, which are the mainstay of sales along with the technical services at hair salons, our research has shown that there has been a certain level of anxiety about their price, suitability, and availability in salons. By unearthing these potential needs through the technical skills of haircare professionals, the experience provided by Smart Salon, and the convenience of milbon:iD, the percentage of customers purchasing knowledge-based products in salons and the value of those purchases can be improved. This will also help create a sustainable growth model that does not rely solely on customer numbers or technical service sales even as the population shrinks.



Lifetime Beauty Care Strategy

The Lifetime Beauty Care Strategy is a strategy to expand from a hair-centered business domain to skin care and other cosmetics, and beauty health care. The aim is to maximize the value of the rare community characteristics offered by hair salons. That is, places to visit regularly, spend an extended period time, and enjoy face-to-face communication. Together with the Smart Salon Strategy, the Lifetime Beauty Care Strategy is expected to further improve productivity for hair salons, where technical services have accounted for a large proportion of sales in the past. It will also help deliver a lifetime of salon-based beauty care for customers. We are actively cooperating with other companies, that have their own unique technologies, to develop and sell innovative products and services like this. And even though these products and services will take time to penetrate and solidify, we will continue creating new ways of existing for hair salons to achieve sustainable growth for both Milbon and the salons, and to further enrich lifetime beauty care for customers.

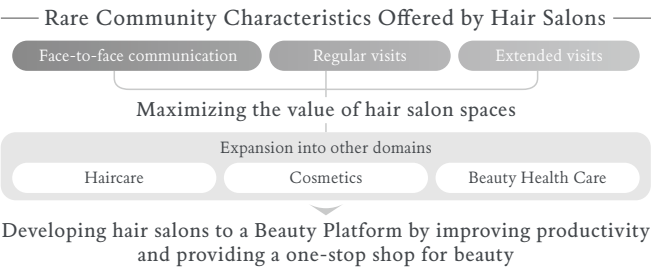


Exhibit at the 2025 Osaka-Kansai Expo

Under the theme “Beauty salons of the future where you can live beautifully in your own way,” our company plans to exhibit in the Osaka Pavilion RE-BORN area at the 2025 Osaka-Kansai Expo to spread a new idea of a hair salon to the world.



Provided by: Osaka Pavilion (public corporation)

Sustainability Commitment

In addition to positioning our Sustainability Commitment at the core of our Salon-based Social Innovation strategy, we have selected, and are actively prioritizing, Five Key Challenges with high relevance to our business activities and for which our stakeholders have high expectations (see [Sustainability & ESG](#) from page 46 for details). Together with our various strategies, we will contribute to the realization of a spiritually enriching and sustainable society through hair salons by working across our businesses to address key sustainability challenges within our company and the beauty industry.

Operating results and targets for the 2022–26 Medium-Term Management Plan

The table on the right details the most recent operating results and management targets for the 2022–26 Medium-Term Management Plan. Although we set a new record for consolidated net sales of 47.7 billion yen in FY2023, the result was 0.1% below the revised target we announced on November 10, 2023. However, 47.7 billion yen was also the consolidated net sales target for FY2023 as initially forecasted when the current medium-term management plan was formulated, so we are generally on course to achieving our target.

Meanwhile, operating income for FY2023 fell 26.8% year-on-year to 5.5 billion yen, resulting in the operating margin falling to 11.6% from the initial 16–18% range. These results were due to higher-than-expected expenses including sharp increases in the cost of raw materials and higher personnel costs due to the raising of base wages to enhance returns to employees. We are currently implementing measures to improve our operating margin and considering other measures as well. Taking these circumstances into account, we are revising our targets from the medium-term management plan announced in FY2022, and will make further announcements after close examination.

	FY2022 results	FY2023 results	FY2024 target	FY2026 target
Consolidated net sales	45.23 billion yen	47.76 billion yen	50.62 billion yen	58.00 billion yen
└ Domestic	35.33 billion yen	36.50 billion yen	38.62 billion yen	43.70 billion yen
└ Overseas	9.90 billion yen	11.26 billion yen	12.00 billion yen	14.30 billion yen
Gross profit	29.50 billion yen	29.52 billion yen	32.40 billion yen	38.16 billion yen
Operating income	7.55 billion yen	5.52 billion yen	6.60 billion yen	10.80 billion yen
Operating margin	16.7 %	11.6 %	13.0 %	18.6 %
ROE	13.2 %	8.9 %	—	13.9 %
ROIC	12.5 %	8.6 %	—	13.6 %
Dividend payout ratio	50.2 %	71.6 %	61.6 %	50.0 %

Global Market Strategy Planning and Progress

Tailoring to diverse beauty by building of a system of local production for local consumption in the beauty domain

Harumichi Okazaki

Board Director, Director of International FP Sales and Marketing,
Director of FP Sales and Marketing, in charge of Education Planning

Overseas consolidated net sales exceeds 10 billion yen for the first time

With a full-scale global expansion from 2010, Milbon currently has a presence extending to 14 countries and regions, including Japan, as it works to fulfill its global vision of becoming the world's No. 1 professional haircare manufacturer. Overseas consolidated net sales for FY2023 reached 11.26 billion yen, representing a 13.7% year-on-year increase, exceeding the 10 billion yen mark for the first time and delivering an overseas sales ratio of 23.6%. Although this was 0.8% below the overseas sales target of 11.35 billion yen that we revised upward in the revised plan announced on November 10, 2023, it was still 0.8% higher than the 11.17 billion yen in our original plan. Our unique business model of maintaining close ties with hair salons has received high praise in the global market as well, and we will build on that trust to continue to steadily expand our market share going forward.

Under the 2022–26 Medium-Term Management Plan, we are promoting our comprehensive global strategy, Seven Regions, in recognition of the 14 countries and regions in which we already have a presence (Japan, South Korea, Greater China, ASEAN, North America, the EU, and the Middle East). We are building a system of local production for local consumption in the beauty domain, tailored to the specific beauty, which is the culture and values, of each country and region. Our vision for FY2026, the final year of the 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. Right now, we are on an extremely steady growth trajectory toward achieving our overseas consolidated net

sales target of 14.3 billion yen.

To realize this system of local production for local consumption in the beauty domain, we are developing R&D, production, and sales bases within each region so that everything from production to sales can be conducted independently in each region. So far, we have opened R&D bases in North America, Thailand, and China, and production bases in Thailand and China. We believe that a system of local production for local consumption in the beauty domain will offer a range of benefits. It will not only create beauty products tailored to the specific beauty of each country and region, which varies according to culture, but also guard against geopolitical risks, enable a flexible response to laws and trade-related regulations, and make it possible to demonstrate economies of scale in areas such as raw material procurement.

Steadily expanding market share in each region

While our overall overseas business performance in FY2023 is explained above, we also achieved significant results and progress in each individual region.

In the Greater China region, for example, we have already become a market leader in both Taiwan and Hong Kong and our business continues to grow. In the Chinese market, the situation has been difficult, with issues such as falling consumer sentiment in a post-COVID economic downturn. Even in such a business environment, we achieved 12.0% higher revenue in our haircare business, which helped us increase net sales by 3.8% year-on-year demonstrating the strong relationships we have steadily built up with each and every salon. Estimated market share also improved to fourth place from eighth place in 2019, and we are

targeting growth of 9.2% in FY2024 by increasing the number of Milbon hair coloring fans among hair salons. We are doing this through development of in-salon hair coloring menu proposals and educational initiatives aimed at increasing the number of people using hair salons. Our China Factory obtained approval to sell 200-plus hair colorings in FY2023, which is a record number even among local manufacturers, and we will shift to full production from FY2024, so we will be fully prepared for the coming recovery of consumption.

In the South Korean region, which is currently an important pillar of our overseas business and the source of a global beauty trend, the sales of gray color products has been strong, spurred by an aging population. Accounting for 70% of our sales, revenue from our hair coloring products has increased by 4.3%. On the foundation of this support for our hair coloring products, hair care has achieved double-digit growth, recording net sales of 4.71 billion yen and year-on-year growth of 7.4%. In addition, we held a large-scale educational event DA-LINK for 100 Generation MZ haircare professionals with a strong influence in the industry. We had more than 1,500 online participants, leaving a significant impact on our penetration into hair professional salons, and further strengthening our position as the second highest market share provider. With plans to further increase our appeal through distributor sales in FY2024, we are forecasting a growth of 9.1% year-on-year.

In the North America region, we are operating an extensive distributor network that covers all 50 US states, where we have achieved double-digit growth for our haircare business, which accounts for 80% of sales there. Contrary to South Korea, it has been support for haircare products that has resulted in hair coloring achieving revenue growth of 18.8% year-on-year, and growth in

net sales to 1.62 billion yen, in the North America region. Launched in 2019 as a hair color brand for Europe and North America, Sophistone has been particularly popular. In FY2024, we aim to grow by 12.4% by accelerating growth of this brand through collaborations with influencers with a strong impact in the beauty market. In addition, since we are starting to see our deficits shrinking as logistics costs decline as well, we are hoping to achieve profitability from FY2025 while taking into account the balance with the enhancement of our sales structure and other factors.

The above three regions currently account for over 70% of our overseas net sales, but there are increasing expectations for growth of the ASEAN region going forward and we will also drive revenue growth in the EU region. We are forecasting considerable growth in the ASEAN region, with a year-on-year target of 10.0% growth for FY2024. To achieve this, in addition to more active collaborations with distributors to further expand market share, we will also transition to a new manufacturing structure that includes knowledge-based products, through expansion and improvement of the Thailand Factory. For the first time in the EU region, we achieved our sales target in FY2023, and to achieve further growth of 14.7% in FY2024, we plan to employ an additional two local representatives. Currently in the Middle East region, we are gathering information on local distributors for whom our corporate philosophy resonates, and we are conducting market surveys, so we are almost at the stage where we can start moving.

Contributing to further development of hair salons with a common global focus

While our target for overseas consolidated net

sales in FY2024 was 12 billion yen, representing year-on-year growth of 6.6%, we are currently forecasting operating income of 1.07 billion yen, or a year-on-year reduction of 16.7%, due to factors including enhanced hair coloring sales activities in North America, and office expansion and increased staff in South Korea. At the same time, we are finally starting to transition our overseas business from the investment phase to the profit phase, so in many respects, we are now reaching a turning point where we can become a truly global company.

As part of this change, we started to formulate a common global policy for our overseas businesses in FY2024, which is in addition to our unique Field Person System, one of our company strengths, and our TAC Product Development System and other R&D capabilities. In formulating this policy, members of International Operations from the Head Office in Japan contact and actively visit each country to gather information, while also reflecting on common global trends identified from the styles and aspirations of “smart hair professionals,” who are cutting-edge haircare professionals with communication abilities and advanced technical skills. This has enabled us to visualize a year's worth of educational activities and to promote evidence-based activities.

As concrete measures for FY2024, we are adopting online-to-offline (O2O) communication in our education support program, and holding DA-LINK events, a large educational event that has had a major impact in South Korea, in a total of five regions (South Korea, China, Taiwan, Malaysia, and Thailand). Through such activities, we aim to develop smart hair professionals with the communication abilities and technical skills demanded by consumers in the coming era, and make approaches to those cutting-edge salons that are setting trends.

In structural terms, we hire locally at our overseas bases to ensure the people working there have the specific cultural knowledge and competence to provide close support to the local hair salons. Going one step further, as consumer values become more diverse, the greater the importance of ensuring diversity at Head Office in Japan, as the people responsible for steering our global business. To remain necessary for society in a world of diverse values, we need to consciously accelerate the Milbon Group's rate of human resource globalization.

Aiming for an evenly balanced domestic and overseas sales ratio

In the future, with continuous growth of our overseas business, we expect the composition of domestic and overseas sales in our consolidated net sales figures to be vastly different from what it is at present. In other words, we expect to have built a robust business foundation where, rather than one region affecting overall business performance, we have a mutually supportive global structure that maintains sustainable growth. It is highly likely that, as early as 20 years from now, our domestic and overseas sales will account for equal shares of consolidated net sales.

Going forward, we will continue tailoring our efforts to the individual beauty of each country and region, and we will create a structure that enables mutually sustainable growth for each country and region, with a focus on our Seven Regions global strategy. We believe that this will help us achieve further expansion of our global business, and consequently create a peaceful world where people can live a beautiful life, so we will continue working toward this goal.

FY2026 Overseas Consolidated Target

Sales target	14.30 billion yen
└ United States	1.85 billion yen
└ China	4.74 billion yen
└ South Korea	5.20 billion yen
└ Other	2.51 billion yen

	FY2022 results	FY2023 results	FY2024 target
Overseas consolidated net sales	9.90 billion yen	11.26 billion yen	12.0 billion yen
└ United States	1.32 billion yen	1.62 billion yen	1.81 billion yen
└ China	2.11 billion yen	2.24 billion yen	2.46 billion yen
└ South Korea	4.15 billion yen	4.71 billion yen	4.78 billion yen
└ Other ^{*1}	2.30 billion yen	2.67 billion yen	2.94 billion yen
Overseas operating income	1.35 billion yen	1.29 billion yen	1.07 billion yen
Overseas operating margin	13.7 %	11.5 %	9.0 %

^{*1}1. Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, Philippines, Germany, etc.

Japan	South Korea	Greater China	ASEAN	North America	EU	Middle East
Achieved new record for net sales, while operating margin remains a challenge	Strengthened No.2 market share by holding large educational events, etc.	Achieved No.4 market share in China, increasing revenues even during an economic downturn	Actively participated in collaborations with distributors to expand market share	Aiming for profitability from FY2025, with hair coloring products driven by hair care	Achieved sales target for the first time, with plans to employ additional local representatives for further growth	Aiming for full-scale entry by gathering information on local distributors and conducting market surveys

Domestic Market Strategy Planning and Progress

Ongoing implementation of the Salon-based Social Innovation strategy, and enhancement of hair coloring services

Akiko Nishioka

Executive Officer, Deputy Director of FP Sales and Marketing and General Manager of Tokyo Aoyama Branch



New record of 36.5 billion yen for domestic net sales

Milbon is currently the market leader in Japan's salon-exclusive hair cosmetics market. As of the end of December 2023, we had 870 non-consolidated employees working across a wide domestic network of 8 branches and 11 sales offices. This keeps us close to the more than 200,000 hair salons in Japan and has helped us achieve sustainable growth.

In FY2023, the domestic market entered the post COVID era, and although the flow of people recovered quickly, there was a shift in consumption trends from the nest egg demand from people staying in home, and prioritizing hairstyling in 2021-22, to a trend that focused on outings, including travel and dining out. Despite these difficult market conditions, we achieved strong sales of haircare products that led to a new record of 36.5 billion yen for domestic net sales alone, increasing 3.3% year-on-year. Although we fell short of the initial plan, the result was still 0.1% higher than the revised target we announced on November 10, 2023. The results for operating income, on the other hand, were poor, falling 31.7% year-on-year to 4.23 billion yen due to multiple factors, including sharp increases in the cost of raw materials, increased SG&A expenses accompanying revitalized sales activities post-COVID, and personnel costs that were higher than anticipated due to higher base wages and more mid-career hirings than planned.

The challenge of increasing sales of knowledge-based products and expanding into new domains

As I already said, FY2023 was a year of achievements and challenges for us. We also achieved some important progress and achievements in our domestic market strategy, Salon-based Social Innovation, under the 2022–26 Medium-Term Management Plan.

With the population decreasing rapidly in Japan due to aging and a declining birth-rate, many hair salons are seeing the population within their local areas shrinking. In such an environment, hair salons will not only face difficulty maintaining the same level of sales as in the past from their customer numbers and technical services, but also concerns about staff shortages are beginning to be voiced. This is why we are promoting the Salon-based Social Innovation domestic market strategy to transform hair salons into an essential Beauty Platform, a community of beauty and spirit that is indispensable for people to live enriched lives, by increasing sales of knowledge-based products and expanding into new domains.

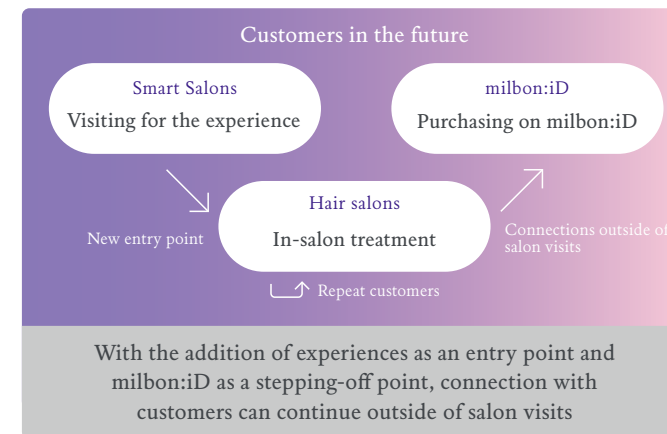
Salon-based Social Innovation comprises the Smart Salon Strategy and Lifetime Beauty Care Strategy. Under the Smart Salon Strategy, we have already launched Smart Salons in collaboration with participating hair salons to provide new beauty experiences fusing physical and digital

worlds. With FY2023 positioned as a test marketing phase, we initially expected to start with about 10 salons, but we ended up opening 23 salons in 19 cities nationwide.

We are already receiving reports from the front lines about many positive changes not seen previously in conventional salons, including new experiences bringing customers into the salons, increased sales of knowledge-based products, and income streams that are not dependent on the labor of haircare professionals. In addition to requests from salon owners to open multiple sites, we are even getting inquiries from regional salons currently facing declining populations and other challenges. In fact, Smart Salons that have already opened, receives requests for inspection visits on a monthly basis.

In addition, milbon:iD, which are Milbon's official online stores on which Smart Salons are built, has continued to grow in popularity since its full launch in 2020. The number of registered members of milbon:iD have grown from 448,000 in FY2022 to 670,000 in FY2023, putting us on track to reaching the target of 1,000,000 members in FY2026. Going forward, milbon:iD will not only be a stepping-off point for customers after their Smart Salon experience, but it is expected to also help expand the concept of what a customer is. For example, hair salons that have struggled gaining and maintaining customers in the past, will be able to develop relationships in both physical and digital worlds. For us as well, milbon:iD has grown to become a new B2B2C

Smart Salons and milbon:iD, expanding the concept of what a customer is



Redefining in-salon hair coloring

Combining hairstylist techniques and cosmetics



Total hair and eyebrow coloring package that combines Milbon hair coloring and eyebrow care in a way that only hair salons can

communication tool that enables us to send information directly to customers.

Under the Lifetime Beauty Care Strategy, we have taken on the challenge of maximizing the potential of hair salon spaces by not only maintaining our focus on hair, but also releasing products in other categories, such as skin care, eyebrow care, and other cosmetics, as our first beauty equipment and supplement offerings.

FY2023 net sales of cosmetics remained almost unchanged from FY2022 at 570 million yen. However, with results that included 40 million yen in sales of “im” makeup fixer mist, a new brand launched in July 2023, which was twice the original target of 20 million yen, it feels as if a new culture of selling and purchasing cosmetics in hair salons, which we have been steadily building up, is starting to take hold.

On the other hand, the ELMISTA hair dryer that we launched as our first endeavor in the field of beauty equipment performed very poorly, with the posting of a revaluation loss due to a downward revision for sales. After analysis and reflection, we believe the main factors affecting this outcome were inaccurate planning, such as setting targets in advance, and unsuitable setting of sales flow lines in the salons. However, the dryers rated extremely well among customers who actually bought them, so we believe that this has been a necessary challenge for us as well in achieving future development and growth for salons going forward. We will therefore continue to reflect on progress, confront our challenges, learn from our successes, and maintain our research trajectory.

Linking hair care and cosmetics by promoting high-value hair coloring

With these achievements and lessons in FY2023, we realize that, while our haircare products are gaining solid support, we need to urgently rebuild our hair color offerings in particular because of slowing growth. Haircare

products are a core part of our revenue mix, so we see hair coloring as an important starting point that leads to other products such as subsequent hair care and cosmetics. For this reason, we have started implementing a high-value hair color push strategy in FY2024 to enhance and grow our hair coloring business. In addition to this strategy being indispensable to encourage customers to choose beauty over the many other options available to them, including demand for going out, it will also help improve our declining operating margin.

The first pillar of our high-value hair color push strategy is to redefine the concept of in-salon hair-coloring, by combining hair and eyebrow coloring into a total hair and eyebrow coloring package that only hair salons can provide. In a survey of consumers, 66% of people responded that they wanted to change their makeup after in-salon hair coloring treatment, with about 60% of those people actually changing their eyebrow products straight away. When we started efforts to link hair and eyebrows, we achieved greater success than expected, selling more than 100 million yen of eyebrow products on the first day of launch against an initial target of 300 million yen for the entire first year. Disseminating new values through linked proposals with hair as the starting point will achieve important breakthroughs for us in future product strategies in other domains as well.

The second pillar of our high-value hair color push strategy was the FY2023 transition from an eight-member sales structure in our Organic Brand Department to a 350-member Field Person (FP) System, together with efforts to expand success know-how. Our aim was to enhance our high-value coloring service offerings through Villa Lodola, an organic brand that is receiving strong praise and is already used in approximately 9,700 salons in Japan. A number of those hair salons using Villa Lodola are offering treatments several thousand yen more expensive than normal hair colorings, and this

is the type of proven success know-how that we will continue to expand. Although we have just begun implementing these two high-value hair color push strategies, the customer response so far has been excellent, so the results have been very encouraging.

We have also started pushing our Smart Salons to increase sales of knowledge-based products with the targets of reaching about 100 Smart Salons in FY2024, and 500 Smart Salons in 100 cities in FY2026. At the same time, we have set ourselves the target of reaching 870,000 registered members of milbon:iD in FY2024 by implementing measures to raise its appeal. The new milbon:iD functions include STYLESTOCK, where members have personalized pages with information on products and styling techniques used in their treatments, and a salon-driven live shopping feature streamlining content to milbon:iD members. Through these initiatives, we aim to achieve the target of 38.62 billion yen for domestic net sales alone in FY2024, a 5.8% increase from FY2023.

Salons to offer a lifetime of beauty in the age of 100-year life spans

We believe that local community spaces will inevitably become more important going forward as the population ages and depopulation progresses. Naturally, in the age of 100-year life spans, we will not only need a healthy body to live healthy lives, but a healthy mind will also be indispensable. In such a world, hair salons will become places offering a lifetime of beauty and maintaining close ties with their customers for much longer than at present. The Beauty Platform that we envision will see the format of hair salons continuing to reform and grow through dedication to beautiful living. We will therefore continue working with distributors and hair salons through social innovation that helps people live spiritually enriching lives even as the population shrinks.

	FY2022 results	FY2023 results	FY2024 target	FY2026 target
Domestic net sales	35.33 billion yen	36.50 billion yen	38.62 billion yen	43.70 billion yen
Domestic operating income	6.19 billion yen	4.23 billion yen	5.52 billion yen	8.20 billion yen
Domestic operating margin	17.5 %	11.6 %	14.3 %	18.8 %

R&D Strategy Planning and Progress

Taking on the challenge of new domains and driving down the manufacturing cost ratio

Masaya Tanaka

Executive Officer, Research and Development Director

Developing the R&D foundation through ongoing investment in R&D

Under the slogan “fusion of sensitivity and science,” we are continuing to develop products that leave a lasting impression on its customers by fusing the outstanding sensible beauty techniques of hair professionals with our own scientific research and development capabilities. Our mission in terms of R&D is to create and provide markets and customers with new value as the source of the future and sustainable growth for hair salons and for us. To this end, we continue to invest fully and continuously, allocating at least 4.0% of consolidated net sales to R&D expenses. This amounted to 2.33 billion yen in FY2023 and 2.64 billion yen in FY2024.

We have defined our medium- to long-term vision for R&D as establishing a product development structure that can quickly respond to the increasing rate of change of market needs. We have also established five priority policies, and are implementing relevant measures, in our R&D Vision 2026, which is associated with our 2022–26 Medium-Term Management Plan. The five priority policies are: (1) Establish fundamental technologies for creating sustainable social and economic value; (2) Build a product development structure that supports our global market strategy; (3) Build a new research foundation for expanding into the Lifetime Beauty Care domain; (4) Enhance the speed and accuracy of development through an evolved TAC Product Development System; and (5) Create an organizational structure and develop human resources to ensure ongoing stable supply of products to the market.

We take pride in two of our greatest strengths in R&D; a unique product development system based on thorough customer validation in collaboration with hair professionals, and Japan’s leading basic hair

and scalp research capabilities. As part of our unique product development system, we are developing the unique TAC Product Development System, standardizing and incorporating the technical skills and other expertise of top-class hairstylists into products and services. In addition to taking effects, benefits, and safety into account, the system also focuses on the senses, meaning the feel and smell of products when used by hair professionals and customers. The foundation of our customer-oriented value creation is that not only sales staff but R&D staff actively spend time in the field, and we have received high praise and surprise comments from overseas hair salons as well.

We also attach great importance on basic research, as evidenced by the fact that one-fifth of our 100 or so R&D staff, or around 20 people, are engaged in basic research. As such, we currently have the highest level of hair and scalp knowledge in Japan. We utilize the SPring-8 large-scale synchrotron radiation facility to observe hair and cells down to the nano level, as well as conduct joint research with universities, and the accumulation of knowledge through these efforts has led to the creation of products with unique value based on solid evidence. Furthermore, we have started developing a foundation for further value creation, including assigning people in charge of research from skin and nutritional perspectives as part of efforts to

promote and accelerate our expansion into cosmetics and other domains.

Significant progress in shifting from research structures to development structures in overseas markets

As for progress and achievements of R&D in FY2023, we continued to focus on basic research to strengthen the haircare field. Also, in order to further ensure customer input, we are improving the accuracy of development from the customer’s perspective by doubling the frequency and participants in customer surveys and monitoring surveys conducted at every stage, from planning to production. In addition to cosmetics, we launched ELMISTA hair dryers as our first beauty equipment offering, and ALANOUS as our first beauty supplements, as efforts in new domains other than hair. Despite various issues and reflections, we will certainly be able to use the knowledge we acquired during the R&D process in future challenges and for future successes.

As per our comprehensive global strategy, Seven Regions, we are building a system of local production for local consumption in the beauty domain. Centered on the Japanese Central Research Institute, and in collaboration with R&D bases in North America, Thailand, and China, we are de-

veloping global products based on global beauty needs and localized products based on the different needs of each country and region. In addition to full-scale product development with local hair professionals in North America, we have also started sending evaluators who play an important role in R&D from Japan to North America. We are developing these human resources in China in preparation for recruiting them in Thailand, in order to achieve this goal. Together, we have made significant progress in shifting from research structures to development structures globally as well.

One of the changes that has occurred in this post-COVID era is that our Japanese R&D staff are now more actively visiting overseas R&D bases, distributors, and hair salons. This has enabled visiting Japanese R&D staff to personally gather information on needs and trends of local markets and customers, and laws and regulations, which they could previously only obtain from local representatives. The result has been a massive improvement in the quality of information obtained.

Another change was in basic research, where we conducted new research into hair growth using human iPS cells in a joint research

a 9.6% reduction in petroleum-derived virgin plastic use per unit of sales compared to 2020 levels by encouraging reuse of bottles through the adoption of bottles with pumps and providing refill pouches for new products.

Reducing the manufacturing cost ratio and promoting IP strategy across the organization

After implementing the above initiatives, we plan to launch new products in 21 categories in FY2024, with a sales target of 3.2 billion yen for these new products, or 6.42% of overall sales. To improve the operating margins, which has been a company-wide issue since FY2023, we will set separate target ratios for the cost of raw and processed materials used in new products as part of efforts to reduce the manufacturing cost ratio. Through this initiative, we expect the overall manufacturing cost ratio to steadily decline as existing products are replaced by new products.

We are also developing products with even greater added value in the hair coloring and hair care categories, which account for a large proportion of our sales. In new product areas, we

learn about intellectual property. As a result, we had 275 registered patents (241 in Japan and 34 overseas) as of December 31, 2023. Going forward, we will work to raise awareness across the entire company while reconfirming that outcomes from the R&D division not only lead to value for customers, but to ongoing R&D and improved corporate value as well.

Updating R&D to respond to social and customer changes

The beauty market has undergone considerable changes over recent years. The spread of social media and other changes accelerated the product lifecycle, producing a flood of information and products and ensuring customers are already equipped with lots of information and options. In such an environment, in order for customers to continue choosing Milbon products, we recognize the importance of communicating the value and concepts of products to hair professionals, and reorganizing and delivering that information to customers as well.

At the same time, our sales composition has changed dramatically, from a time when the focus was on professional-use products to the



Haneda Innovation Center, Tokyo (opened December 2023)

New base for developing products and services from a longer-term perspective

- Pursuit of unique areas split off from existing products
- A base for fostering partnerships with other companies and collaborations with industry, academia and government
- Utilization of leading research technologies

Conducting highly confidential research to produce the seeds of new businesses in the future

division established within the Graduate School of Medicine, Osaka Metropolitan University, and discovered a component that promotes hair growth in human hair follicle tissue. This research was presented at the 33rd International Federation of Societies of Cosmetic Chemists (IFSCC) Congress in Barcelona 2023, and was selected in the top ten in the applied research oral presentation category. We plan to sequentially apply this component to new products to be launched in FY2024.

We also made important progress in terms of facilities in December 2023, with the opening of an innovation center at Haneda, Tokyo, as a new base for development of products and services, with a long-term perspective. We expect that the center will be used to pursue areas split off from existing product development research. We also plan to conduct highly confidential research into the future seeds of business there through cooperation with other companies, collaborations with industry, government, and academia, and utilization of cutting-edge research technologies.

In terms of sustainability initiatives, we are working to reduce the amount of petroleum-derived virgin plastic we use to help achieve a recycling-oriented society. In FY2023, we achieved

will promote the creation of new value while addressing various challenges we faced in FY2023.

In global markets, on the other hand, we will deepen our understanding of local beauty needs and markets and enhance our compliance with laws and regulations in each country. On top of that, we will expand our range of products and services for Sophistone, the hair color brand for Europe and North America that is growing in popularity in North America. We will also focus our efforts on developing unique products for the Chinese market, and products that meets the needs of the ASEAN market in Thailand.

Together with these initiatives, we will continue to implement an intellectual property strategy that is rapidly growing in importance. Our dedicated intellectual property department will strictly protect and appropriately manage our intellectual property in line with our mission to protect Milbon and Milbon’s products. By FY2023, in order to respond to the diversifying R&D activities in intellectual property operations as well, we have been working to further improve accuracy and efficiency by conducting AI patent searches and utilizing patent mapping software, as well as reestablishing strategies such as creating opportunities for our R&D staff to

current focus on knowledge-based products, which now account for 60% of our overall sales. In addition to customer value that can be enjoyed in the hair salon space, it is becoming much more important to create value, from the perspectives of society and consumers, that can be enjoyed in one’s daily life. We therefore realize the increasing necessity of updating the way we do R&D to respond to these changes.

For Milbon, R&D is the source of value creation and of our future. More than anything, I am proud of our R&D staff who we entrust with that future. In addition to their amazing level of expertise, I am proud that they approach their work every day with the shared goal of developing products that leave a lasting impression on our customers, regardless of the work they do or their position in the company. And that they are not doing it for the company or for self-fulfillment but most of all, for our customers. Our R&D staff are always out in the field, face-to-face with the people they are developing products for. Going forward, we will continue these efforts to tackle and identify the unknown, and to incorporate it as value into our products, maintaining dedication toward beautiful and happy living.

R&D slogan Fusion of sensitivity and science			
Techniques based on the outstanding sensitivities of hair professionals	×	Scientific research and development capabilities of Milbon <ul style="list-style-type: none">↳ Comprehensive, hands-on approach of R&D staff↳ Japan's leading basic research capabilities in the field of hair	
› Creation of products with unique value based on solid evidence			
Performance indicators	FY2022 result	FY2023 result	FY2024 plan
R&D expenses (value)	2.07 billion yen	2.33 billion yen	2.64 billion yen
↳ Sales ratio	4.6%	4.9%	5.2%

Production Strategy Planning and Progress

Further cooperation to establish a global production system and control the cost of raw materials

Kazunobu Konoike

Board Director, Director of Production, and in charge of Research and Development and Organic Brand

Adoption of a structure with oversight of the entire supply chain and unique production methods

The mission of Milbon's Production Headquarters is to ensure stable supply of the products needed, when they are needed. In line with the approach we have taken since the company was founded, that close coordination throughout the entire supply chain is essential, our business structure has oversight across the supply chain as a whole, covering not just production, but planning, procurement, and logistics as well. Under this structure, we have adopted two methods of production—"build-to-stock" and "high-mix, variable-volume production"—that function as unique strengths of the company. Together, they enable our factories to produce and supply a wide variety of products without excesses or shortages. Of these, high-mix, variable-volume production is a unique method for us as a salon-exclusive product manufacturer. It enables us to flexibly produce and supply a wide variety of products, tailored to the diverse and extensive range of customer needs, according to market needs and changes in demand. We are also fostering a culture of continuous improvement in operations through our C3 activities (standing for Change, Challenge, and Customer), in which all employees participate to improve operations.

This production strategy has continued to evolve as our business model has transformed. For example, our Yumegaoka Factory, currently our core production factory, was originally established to enhance our hair coloring business, but we built and expanded an exclusive production line for haircare products there when we started promoting hair care. Subsequently, we started operation at our Thailand

Factory in 2013 and our China Factory in 2022 as we implemented a full-scale global expansion. In other words, instead of just expanding and streamlining production functions, our production system has transitioned in response to customer needs and company-wide strategies.

Promoting procurement strategy and information gathering that leverages global expansion

To ensure stable supply of products in the global market, as part of our effort to build a system of local production for local consumption in the beauty domain, we are currently enhancing our global production system centered on the Yumegaoka Factory in Japan, through cooperation between our factories in Thailand and China. We are also developing trust by transitioning from our philosophy of "Made in Japan" to "Made by Milbon."

While our Thailand Factory only produced professional-use products in the past, it has begun transitioning to production and supply of knowledge-based products for 2025. In the future, it will become a global production and logistics base, supplying around 70% of its total production to the ASEAN market and other global markets.

Our China Factory, on the other hand, is our production base dedicated to the Chinese market, and is collaborating with our R&D base in China to provide a stable supply of products that comply with strict local laws and regulations. After starting to manufacture a portion of our haircare products in FY2022, we obtained approval to sell 200-plus hair colorings in FY2023, which is a record number even among local manufacturers in China, and we are finally ready to shift into full production in FY2024.

As this global production system is devel-

oped, the Yumegaoka Factory, our core factory within the Milbon Group, will become a base focused on the Japanese domestic market, while also playing the role as a mother factory for exporting our inherited customer-oriented approach and accumulated technologies to the overseas market. We previously obtained ISO 45001 certification, for management systems of occupational health and safety, to ensure employee safety, but as part of this initiative, we also obtained ISO 22716 certification in FY2023. Our aim was to again obtain an external institution's verification of appropriate management for our production system based on Good Manufacturing Practices (GMP), the international standard related to the cosmetics manufacturing and quality management protocols we had previously established. We will continue to maintain and develop suitable systems as a model for global factories going forward.

Our global production system is starting to deliver benefits as we expand into more countries. In response to the global price hikes of raw materials, each of our three factories have been procuring raw materials through separate trading companies even though some of the actual raw material manufacturers were the same. We have now started to develop a structure for price negotiations and procurement amongst the three factories together, rather than each factory operating independently. Furthermore, in terms of information gathering, we are already starting to more quickly and accurately gather information on raw material prices, alternative raw materials, and legal regulations. Going forward, we will continue to enhance such cooperation to enable our global production system to not only ensure stable production and supply of products, but to bring a range of other benefits, including global information gathering.

High-mix, variable-volume production: A system of production that meets market needs and varying demand

Hair salon market

Vast variety of products to meet the diverse needs of customers, and demand varies according to the product

Japan Factory	Changing from domestic and overseas production, to focus on domestic production and becoming a mother factory exporting techniques, etc. to the world
×	
Thailand Factory	Changing from professional-use products, to a global supply base to ASEAN and other markets by starting to manufacture knowledge-based products
×	
China Factory	Changing from hair care and hair coloring production, to a production base dedicated to the Chinese market

Three factories cooperating to strengthen a system of local production for local consumption in the beauty domain

Developing trust by transitioning from a "Made in Japan" philosophy to "Made by Milbon"

Producing solid results by controlling raw material costs and reducing environmental impact

Meanwhile, we are also continuing to pursue further quality improvements, and implement various reforms to realize the smart factory concept of automation and efficiency, at our Yumegaoka Factory in Japan.

In FY2023, we introduced a high-speed line into the hair coloring production process to double production capacity to around 200 units per minute. In addition to this, we built lines in unused space within the factory while enhancing our hair care offerings, which enabled us to finally approach maximum productivity per area of land at the Yumegaoka Factory. We have also started automation focusing on indirect operations such as quality management, cleaning, and in-factory distribution, and we will continue to implement ongoing reform to improve productivity.

Our efforts to procure raw materials and control the manufacturing cost ratio have traditionally included conducting risk assessments for each raw material, securing second and third sources, formulating long-term procurement plans, and securing inventories according to risk levels. However, with recent sudden rises in the price of raw materials, from FY2022 onward, our Production Division started to work with the Research & Development Department from the initial development stage of new products, to review systems for proposals and other operations related to raw material selection and procurement. The division has also been enhancing cooperation with suppliers by holding information exchange events for raw material manufacturers, trading companies, partner companies, and others. Through such initiatives, we were able to reduce raw material costs by several hundred million yen in FY2023.

Our factories are also actively promoting sus-

Public market

Limited range of products

Effects of a global production system operated with cooperation between three factories

- 1 Stable product supplies around the world
▶ Foundation for trust
- 2 Economies of scale in raw material procurement
▶ Cost control
- 3 Enhanced information gathering for raw materials and legal regulations
▶ Preparing for risks

On the other hand, we are implementing future-focused initiatives for our global logistics system. They include the establishment of a specialized trade warehouse in Japan (Maishima, Osaka), reductions in lead times for processing trade and shipping preparations, systemization of trade flows, and establishment of a logistics warehouse in the EU (already completed despite not yet having fully entered that market).

To enable these logistics functions to operate efficiently, it is essential that we improve the accuracy of our demand planning-based production plans. Therefore, since FY2022, we have been shifting to a system where FP Sales and Marketing, which is in charge of sales, and Production Headquarters work closely together to develop plans. This is an important initiative that contributes to preventing deterioration of manufacturing costs due to adjusting production, as well as to curbing waste.

In this way, while overseeing the supply chain from manufacturing planning to logistics, Production Headquarters is in charge of the stable supply of products to customers and helping maximize profits by controlling manufacturing cost ratio. But for this to happen, it is even more important to cooperate further with all internal divisions, including R&D Headquarters which is in charge of product development, as well as with our overseas bases.

Even in this reform process, ensuring product safety and security is an absolute benchmark that will never change for us because we value customer viewpoints more than anything. This is because the role of Production Headquarters is not just to secure customer trust in Milbon, but to also ensure trusting relationships between the hair salons that use our products and their customers. With this firmly in mind, we will continue to encourage a trust relationship between hair professionals and customers around the world and a beautiful way of life through "Made by Milbon."

Toward addressing logistics issues

One issue we are facing in the domestic market is a logistics issue known as the "2024 Problem," which is a social issue that we are currently addressing by restructuring our domestic logistics network. While the direct impact of a shortage of drivers will not become apparent for some time yet, increased logistics costs are inevitable if the situation does not change, so we are considering a response that includes reviewing appropriate delivery service levels.

Financial Strategy Planning and Progress

Maintaining a solid financial foundation and steady growth by capturing changes in the profit structure

Masaaki Kato

General Manager, Finance Department



Solving problems over one-year and five-year spans

At Milbon, the financial philosophy of maintaining an equity ratio of at least 70% is the foundation for realizing its belief in “building a solid company that won’t collapse.” We established this financial indicator based on research that found companies with an equity ratio between 60% and 80% have the highest profit growth potential, and with the belief that it will support the optimal balance between preparing for unexpected events and investing for growth.

However, we do not believe that everything will be fine if we just maintain a high equity ratio. Rather, it is essential that our financial philosophy does not hinder growth. At the end of the day, the main purpose of this indicator is to create a junction that cannot be ignored, assuming we can maintain our historically high equity ratio and continue to grow with our current business model. For example, in the event of overseas mergers and acquisitions, and other activities requiring reasonable levels of capital going forward, we want to allow for the possibility of management decisions for growth that are not shackled to a financial philosophy.

The most important strength of our financial strategy is our debt-free management, which we have maintained since 2009. Our balance sheet might give the impression of being static, but it is backed by a strong business model and strategy that have resulted in performance and a solid financial structure with a continuous average growth rate of 7% per year in the hair salon market. At the same time, we are developing a healthy cycle of adequate funds on hand for next growth investments

and continuous increases in dividends.

We also establish profit, investment, and capital plans based on our five-year medium-term management plans, and formulate annual market policies, and management and financial plans, to identify any gaps between relevant targets and actual performance. Moreover, we have structures for ongoing problem-solving over one-year and five-year spans, with the structures themselves being essential for us to achieve sustainable growth. By constantly reviewing and improving our plans, we are building a system that ensure we meet our targets.

Key medium-term themes and contributing factors to address in meeting financial targets

We have established implementation of stakeholder capitalism and creation of long-term corporate value as the basic policy of our 2022–2026 Medium-Term Management Plan. We have also established the three key themes of creating growth investments and a strong company through emphasis on investment efficiency, achieving sustainable growth through optimization of profit sharing, and building a financial base that can withstand unexpected events through financial management. In this way, we aim to improve long-term value for the company based on people (Human Capital), things (Manufacturing Capital), and finances (Financial Capital).

We have established five specific financial targets: (1) net sales CAGR of 7.3%, (2) wage increases proportional to increases in labor productivity; (3) ROIC of at least 13.6% and ROE of at least 13.9%; (4) cash position of

at least 18.3 billion yen (equivalent to six months of fixed expenses), and (5) dividend payout ratio of 50% and dividend on equity ratio (DOE) of 6–7%. We are actively using ROIC and ROE at present as our most important indicators, while also focusing on investment efficiency; health and growth of the balance sheet, including profit and loss statement; and visualization of department-level initiative outcomes.

Although consolidated net sales are generally on track for achieving these financial targets for FY2026, the final year of the medium-term management plan, we did face the challenge of a significant drop in operating margin during FY2023. In addition to temporary factors, the underlying cause of the fall in operating income was increased costs, such as rapid increases in the cost of raw materials that were not fully expected when formulating the medium-term management plan. This is why we have started to implement measures with the understanding that, in addition to growth in sales, we need to focus mostly on the three financial indicators of gross profit margin, logistics costs, and labor productivity to ensure steady growth that captures changes in the profit structure.

Addressing gross profit margin, logistics costs, and labor productivity to improve profitability

Firstly, to improve gross profit margin, we are strengthening our strategic purchasing capabilities through a collaboration between the Research & Development Department and Production Headquarters from the raw material selection stage. We have also established new raw material cost ratios for new products from FY2024. New products account for around 10% of sales each year. Going forward, we will see gradual improvements in the cost ratio each year as these new products replace the existing ones, and through a coordinated

Financial indicators	FY2022 results	FY2023 results	FY2026 target
Cash position	12.26 billion yen	11.29 billion yen	18.3 billion yen
Equity ratio	83.38%	86.0%	85.5%
ROE	13.2%	8.9%	13.9%
ROIC	12.5%	8.6%	13.6%
Dividend payout ratio	50.2%	71.6%	50.0%
Investment amount	4.09 billion yen	3.15 billion yen	5-year total: 23.0 billion yen (under review)

procurement strategy between our three factories around the world, we aim to achieve our manufacturing cost ratio target for FY2026 through ongoing reductions in raw material costs.

To achieve this target, we need to revise and strengthen our sales price strategy through an appropriate pricing method that responds to the cost-push inflation we are currently experiencing. We therefore plan to fully promote value-based pricing to create even higher added value in new products, and to revise our pricing for existing products from FY2025.

Secondly, in response to rising logistics costs, while we are working internally to improve these costs, we will also consult and cooperate with salon partners in the future to develop ideal and appropriate service levels through which we will be able to appropriately control the logistics costs.

Finally, we consider labor productivity to be an extremely important indicator for ensuring profits. Going forward, we expect continuing demand for annual wage increases of at least 3% and increases in base pay. However, rather than controlling labor costs, we believe that the ideal is to return increased profits achieved through labor productivity gains, to workers through appropriate wage levels. We therefore believe that, while developing our profit structure through the milbon:iD and Smart Salon strategies, it is important to raise not only the labor productivity of the Sales Division, which directly generates sales, but also the labor productivity per employee of all group employees, including those in indirect divisions. Although not specifically considered

and managed in the past, we also aim to work with the Human Resources Division to establish an appropriate recruitment plan, including mid-career hires, in line with our strategies and financial indicators. In this way, we strive to achieve our per capita labor productivity target.

We also believe that in driving these reforms, we have to review, and adjust our mindset on profit and loss management. We currently have a presence in 14 countries and regions, including Japan, which we have divided into our Seven Regions. Although we manage and disclose profit and loss results separately for each region, we recognize that in the future we will also need to clarify whether each of the regions is in the investment phase or the profit phase, while making decisions on which of the Seven Regions, or specific countries and regions, to increase investment in. In terms of overseas business, our International Operations, overseas subsidiaries, and Finance Department have been holding planning council meetings from FY2024, where they make in-depth forecasts, formulate plans, and manage progress of investments, profit and loss management, and plans for specific countries and regions within each of the Seven Regions.

In the domestic market, there are concerns about the market shrinking as the population declines, so we consider our Smart Salon Strategy and Lifetime Beauty Care Strategy, as the two major strategies under our Beauty Platform Plan, to be our key to growth. Hence, we recognize the need for promotion of the Smart Salon Strategy, contribute to the profit of milbon:iD, the foundation of the Smart Salon Strategy, and both strengthening and promoting profit and loss management in the Lifetime Beauty Care Strategy. We are therefore building a structure to visualize the profit structure, strengthen profit and loss management of the future outlook, and ensure that all employees, as well as management, are aware of the relationship between strategy and finance in order to carry out our initiatives.

Improving structures through investment control and building a proactive management structure

As part of our investment strategy through FY2026, which is related to our key theme of creating growth investments and a strong company through emphasis on investment efficiency, we are making steady progress with major in-

vestments in future creation through the Human Resources Development Center and Innovation Center. We are also working to revise our initial plans in light of the current decline in profit levels. While steadily investing in the market, including sewing the seeds for growth through milbon:iD and Smart Salon, we are reviewing non-urgent investments for the next medium-term management plan.

In terms of our key theme of achieving sustainable growth through optimization of profit sharing, we increased the target dividend payout ratio to 50% from 40% in our previous medium-term management plan, while considering our equity balance and cash position. Against the outlook of a future profit improvement, we determined that we could sufficiently maintain our initial financial commitment even with the fall in profit levels in FY2023, and we paid an actual dividend payout ratio of 71.6%. We also established a base unit price for returning profits to our employees, but as previously mentioned, we will continue to research ways of sharing profits appropriately to improve wages in proportion to the increase in labor productivity.

In addition, for our key theme of building a financial base that can withstand unexpected events through financial management, we will continue to improve our structure by closely examining the status of our returns on investment while striving to achieve appropriate cash balances going forward. Our aim here is to secure an investment foundation for long-term growth, and build a robust financial foundation that anticipates unexpected events, in line with our financial philosophy.

Furthermore, in collaboration with the Investor Relations Division, we aim to disclose measures to realize management that is conscious of the cost of capital and stock prices, as required by the capital market, along with the outlook for improving the medium-term profit structure.

Milbon has always been rated highly for its ability to envision a future and make that future a reality. As explained above, for our financial plans, we developed a problem-solving structure that identifies gaps between targets and performance over one-year and five-year spans based on our five-year medium-term management plans. Nevertheless, the capital market has expressed concern about future quantifications. For this reason, we have started a project to promote appropriate proactive management. Our Corporate Strategy Department, Finance Department, and Investor Relations Division will collaborate in the future to connect company-wide management strategies and financial targets, and promote appropriate disclosures while reflecting opinions of the capital market. In this way, we aim to strengthen trust with all stakeholders and improve long-term corporate value.

Financial philosophy: Maintain an equity ratio of at least 70%

Assuming sustainable growth using the current business model

Using funds on hand to prepare for unexpected events and invest in growth

Basic policy of the 2022–26 Medium-Term Management Plan — Implementation of stakeholder capitalism and creation of long-term corporate value

Key themes

- 1 Creating growth investments and a strong company through emphasis on investment efficiency
- 2 Achieving sustainable growth through optimization of profit sharing
- 3 Building a financial base that can withstand unexpected events through financial management

Financial targets

- 1 Net sales CAGR of 7.3%
- 2 Improved per capita labor productivity for all Group employees, and wage increases in proportion to labor productivity
- 3 ROIC of at least 13.6% and ROE of at least 14.9%
- 4 Cash position of at least 18.3 billion yen (equivalent to six months of fixed expenses)
- 5 Dividend payout ratio of 50% and dividend on equity ratio (DOE) of 6–7%

Initiatives for Human Capital Management

A Corporate Culture that Values People is the Very Basis of Value Creation and Growth

Junji Morimoto

Board Director in charge of Corporate Administration, Internal Audit, and Quality Assurance

Bringing happiness to our employees and their families and providing job satisfaction

Along with Milbon's philosophy "Everything we do, we do for and with hair professionals" is its founding core value, namely, its commitment to "building a solid company that won't collapse." This was the firm belief in sustainability that our founder Ichiro Konoike swore to uphold after witnessing the tragedies of people close to him suffering corporate bankruptcies, prior to our company's establishment, and it embodies his strong commitment to "bring happiness to our employees and their families and provide job satisfaction."

Realization of this belief requires tireless innovation based on the idea that "if a company is useful to society, society will not let it collapse." As systems that embody our willingness to take on this challenge, we have built two unique business models: the FP System, a sales and education support system in which we closely tailored to each individual hair salon, and the TAC Product Development System, by which we develop beauty services and products that exceed the expectations of our target customers by learning from successful hair professionals and hair salons in the field as well as from their end users. These business models were shaped and evolved into a strength in the mid-1980s, when our workforce was only about one-tenth of what it is today, by investing in human capital—something that was almost unthinkable at the time given our profits and investment performance.

Through this experience, we have learned firsthand that the growth of people is key to growth of the company, which is precisely why we have consistently pursued contributions to society and sustainable growth since our founding through our enduring commit-



ment to management that values people and to value creation that starts with people.

We regard the development of workplace environments where each and every employee can enjoy good physical and mental health, achieving job satisfaction and a sense of purpose in life, as an important foundation for realizing such value creation. In this regard, we have been improving various systems, promoting awareness and conducting other activities to enhance those systems that support the balance between family and work and to nurture a corporate culture that encourages the appropriate use of such systems. To demonstrate our commitment as a Group, we have included "realizing work environments with enhanced job satisfaction" as one of the Five Key Challenges under our Sustainability Commitment, and we have been actively engaged in promoting activities based on the KPIs of junior employee turnover rate, paid leave utilization rate, and engagement survey indicators. In recognition of this, we have been selected as a Certified Health & Productivity Management Outstanding Organization for four consecutive years since FY2021 under a program run by Japan's Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi.

Systemization of human resources strategies linked to management strategies

While investing in human capital has been part of our corporate culture since our founding, human resources strategies had not been clearly linked to our medium- to long-term business strategies. For this reason, at the start of our 2022-2026 Medium-term Management Plan, we visualized the gap between the current situation and our medium- to long-term vision and proceeded to systematize human resources strategies linked to our management strategies in order to gain a more in-depth understanding of the importance of human capital management and to link it to the medium- to long-term improvement of our corporate value.

Thus, our human resources strategies were formulated in a way to bring about our 2022-2026 Medium-term Management Plan, and under our basic policy of "fostering a corporate culture that enables every employee to continue to work with a spirit of independence and a feeling of satisfaction, supporting Milbon's sustainable growth," we defined five key human resources strategy themes: (1) Next-generation leadership development, (2) Fostering greater motivation, (3) Promoting omnidirectional dialogue, (4) DE&I promotion, and (5) Strengthening people and organization to improve the value provided. By continuing to create new added value to be a source of sustainable growth, we aim to strengthen the cycle of continuing to contribute to greater sales and profits for hair salons.

Strengthening the cycle of value creation by promoting the key themes

In the area of next-generation leadership development, in FY2015, Milbon launched its own next management leadership development program, Milbon Corporate University (MCU), in

Theme	KPI	2022 results	2023 results	2024 target	2025 target	2026 target	2030 target
1) Next-generation leadership development	Next-generation leadership development			Development of future management leadership development program	Implementation of future management leadership development program		
	Junior employee turnover rate (Average turnover rate for junior employees (new graduates to third year) over the past 3 years)	10.0%	10.8%			9.0%	6.0%
2) Fostering greater motivation	Paid leave utilization rate	64.0%	67.8%			70.0%	80.0%
	Engagement survey	Implementation of engagement survey	Continuation of engagement survey and implementation of goal setting, etc.			A state where the three important indicator areas are functioning as strengths	
3) Promoting omnidirectional dialogue	Smoother internal communication			Establishment of new internal communication content and implementation of Field Person discussions	Implementation of Milbon Person discussions		
4) DE&I promotion	Ratio of female managers	10.0%	10.9%				20.0%

preparation for transition to a succession structure in FY2024. Of the 42 people who participated in the program during the four and a half years through to 2019, three have become board directors and seven have become executive officers. Now that the transition to the new structure is complete, we are restructuring our succession plan for the next 10 and 20 years, and prior to the start of the next MCU, we have started the idea of launching MCU-Prep, a program for young leader candidates, in FY2025. Furthermore, in conjunction with launching an executive officer training program with the cooperation of institutional investors in FY2024, we also established a new Human Resources Development Committee, chaired by the President & CEO. We also have systems for ongoing discussion of issues and measures related to people and organization, and moving forward, we are continuing reforms to realize a corporate entity where leaders are born naturally and continually.

Next, in the area of fostering greater motivation, in FY2022, we introduced an engagement survey for all Group employees which includes a compliance awareness survey, and have since been reporting to management, engaging in reporting to and dialogue with various departments, and creating and implementing action plans. Our overall engagement score remains high compared to other companies, and our engagement rating is AA, which is the second highest of 11 levels of ranking. We are not content to rest on our laurels, but rather have defined the three areas of Philosophy Strategy, External Adaptation, and Transformation Activities as key indicators for continuous innovation that embodies a solid company that won't collapse. As a goal for FY2026, the final year of our 2022-2026 Medium-term Management Plan, we aim to achieve high levels of both "expectation" and "satisfaction" in these three areas, demonstrating that they are areas of strength. Furthermore, to promote diverse work styles, we will actively foster greater motivation and create environments that encourage employees to keep working, including the development and promotion of a system that enables specialized positions to be established for each department and job type, raising the retirement age to 65, introducing a super flextime system, and adding productivity items to the evaluation system. In addition, we will promote the operation of a skill-based human resource portfolio from the perspective of human resources that emphasizes self-directed career development.

Over the past 10 years, the number of employees has increased by about 70% on a consolidated basis. As departments and the organizational hierarchy expand and employees with diverse attributes

increase, there are concerns about the risk of diluted relationships. Given this, we believe that "promoting omnidirectional dialogue" is also a theme that needs to be strengthened. We will continue to strengthen and conduct meetings at the company-wide level and organizational level for sharing *The Milbon Way*, and in FY2024, not only will we create new internal communication content designed to promote mutual understanding between employees and management, but we will also create opportunities for the new President & CEO, Hidenori Sakashita, to engage in dialogue with all departments (through Field Person/Milbon Person discussions).

Furthermore, in an era in which diversity is respected, we ourselves must become a diverse company in order to provide diverse value to customers. We see promoting DE&I as an essential part of this evolution. In FY2023, we launched our new company-wide DE&I Promotion Project. Initial activities have been focused on the active involvement and career continuity of our female Field Persons (FPs), who account for a large number and percentage of our workforce and who are pivotal to our future business growth. In December 2023, a workshop was conducted for our senior management, and in FY2024, we will consider specific measures, through which we aim to achieve our 20% target of female managers. Moving forward, we will expand the scope of our activities to include not only female FPs, but also women in other occupations.

"Strengthening people and organization to improve the value provided" is a particularly important theme for Milbon as it contributes directly to greater sales and profits for hair salons. Since our foundation, we have invested generously in employee education and training, allocating more than 2% of personnel expenses every year and providing nine months' worth of training for new employees across the 40 years

since 1984. In 2025, we plan to open a Human Resources Development Center in Odawara, Kanagawa Prefecture, and we will use this as an opportunity to further develop human resources and build an organization capable of providing higher added value than ever before. Furthermore, we will continue to take on the challenges of gaining and maintaining the highest approval rating among hair professionals by formulating appropriate personnel plans backed by strategy, rebuilding our sales structure to provide coordinated, high-value proposals that stem from hair coloring, building and maintaining customer experience value, and launching projects that contribute to employee training and development globally.

Realizing the narrative that the growth of people is key to growth of the company

Milbon's management philosophies include "The growth of people is key to growth of the company" and "Create requirements for growth, and the company will naturally grow." We continue to practice these philosophies as an integral part of realizing our founding belief of "building a solid company that won't collapse." On the other hand, we recognize that we will need to systematically and quantitatively show how such investment in human capital is linked to our growth, and we will endeavor to gain the understanding of the capital market. Doing so will enable employees to continue working with a sense of job satisfaction, thereby contributing to greater sales and profits for hair salons which will be beneficial to society, and Milbon will continue to grow. To realize this narrative, we will continue to face our challenges in earnest, and will continue to work wholeheartedly on management that values people.

	FY2022 results	FY2023 results	Scope
Permanent employees, consolidated	1,097	1,140	Milbon Group
Ratio of male/female employees (%) *Permanent employees, consolidated	51.7/48.3	50.6/49.4	Milbon Group
Average age	35.5	35.4	Milbon Co., Ltd.
Average length of service (years)	10.8	10.8	Milbon Co., Ltd.
Turnover rate for total employees (%)	5.1	4.5	Milbon Co., Ltd.
Gender pay gap (%) *1,2,3			Milbon Co., Ltd.
(1) All workers (2) Permanent employees (3) Non-permanent employees	(1)68.6 (2)72.0 (3)52.9	(1)70.9 (2)74.3 (3)50.6	
Proportion of employees who took childcare leave (male/female) (%)	20.0/100	25.0/100	Milbon Co., Ltd.
Return rate following childcare leave (male/female) (%)	100/96.9	100/100	Milbon Co., Ltd.
Number of employees taking paid leave for family care	175	191	Milbon Co., Ltd.
Ratio of employees with disabilities (%)	2.16	2.12	Milbon Co., Ltd.
Number of people with disabilities engaged in work outside their facilities under supported employment	23	24	Milbon Co., Ltd.
Number of occupational accidents *Fatal accidents	0	0	Milbon Co., Ltd.
Number of harassment reports	2	3	Milbon Co., Ltd.
Education and training expenses per employee (yen)	120,458	151,662	Milbon Co., Ltd.
Education and training hours per employee (hours)	72.9	79.0	Milbon Co., Ltd.
Engagement score (deviation)	61.3	62.8	Milbon Group
Engagement rating (11 levels of ranking)	AA (2nd highest of 11 levels of ranking)	AA (2nd highest of 11 levels of ranking)	Milbon Group

*1 Calculated in accordance with the stipulations of the Act on Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)
*2 "Regular employees" refers to Executive Officers (other than Board Directors) and permanent employees. "Irregular employees" refers to associate employees (employees rehired after reaching retirement age), part-time employees, and fixed-term contract employees.
*3 The gender pay gap among employees are primarily due to relatively recent hiring of women for career-track positions, younger age of female employees with shorter tenure and their relatively high percentage with reduced working hours, and other factors. Wage structures and systems are uniformly defined, irrespective of gender or age.
For details, refer to [Non-Financial Highlights](#) on page 74.



[Click to jump to the relevant page](#)

Sustainability&ESG

Addressing Social Challenges and
Strengthening the Management Structure

P 48

[Overview and Progress of Sustainability Promotion](#)

P 56

[2023-2024 Sustainability Highlights](#)

P 58

[Message from the Chairperson and Efforts for the Succession System](#)

P 60

[Initiatives to Strengthen Corporate Governance](#)

P 62

[Board of Directors, Governance Promotion Framework, etc.](#)

P 68

[Discussion between the Managing Executive Director and
New Outside Board Members](#)



Overview of Sustainability Promotion at Milbon

Toward the realization of a spiritually rich and sustainable society through beauty

Basic Guideline for Sustainability

We strive to achieve a sustainable society through our collaboration with haircare professionals.

The Five Key Challenges for achieving a sustainable society

To fulfill its commitments to all stakeholders in society and provide lasting value, Milbon positions sustainability at the core of its business strategy and promotes sustainability throughout its business operations. In 2019, we established the Sustainability Promotion Committee and organized specific activity themes to be addressed by Milbon from the three perspectives of ISO, ESG, and SDGs into an ESG/SDGs matrix. We subsequently reassessed the issues within the matrix to identify those with high relevance to our business activities and those for which stakeholders have high expectations. Five Key Challenges were then selected based on three areas: solving societal issues, achieving sustainable business growth, and establishing internal foundations. KPIs have been set to focus our efforts on the key challenges.

Achieving both sustainable business growth and solving social issues

Foundation for the Company's sustainable business growth



KPIs, progress, and targets for the Five Key Challenges

Priority themes	KPI [Medium- to long-term theme]	Results as of Dec. 31, 2022	Results as of Dec. 31, 2023	2026 target	2030 target
Co-creating value with stakeholders					
Key challenge 1: Enrich the spirit through beauty					
Establishment of knowledge-based product sales* business utilizing both the physical and digital realms	① Number of registered milbon:iD members ② Number of cities in Japan where Milbon deploys knowledge-based product sales (Smart Salon)	448,000 Preparing development	670,000 23 hair salons in 19 cities	▶ 1 million ▶ 500 hair salons in 100 cities in Japan	—
Fostering lifetime beauty partners	① Total number of annual users of our studios, events, and educational videos ② Number of registered education:iD members	187,000 23,000	271,000 40,000	▶ 335,000 ▶ 100,000	—
*Knowledge-based product sales: A sales method in which product sales are accompanied by valuable information based on the knowledge and insights of professional hairstylists					
Achieving both sustainable business growth and solving social issues					
Key challenge 2: Regenerative and recycling-oriented manufacturing and consumption activities					
Establishment of a carbon-neutral production system	Reduction rate of CO ₂ emissions at Yumegaoka Factory (compared to 2019 levels)	59.7 % reduction	81 % reduction	▶ 75 % reduction (achieved ahead of schedule)	▶ Achieve carbon neutrality
Sustainable container and packaging design	Reduction rate of petroleum-derived virgin plastic use (compared to 2020 levels, per unit sales)	0.4 % reduction	9.6 % reduction	▶ 15 % reduction	▶ 30% reduction
Key challenge 3: Practice people-friendly procurement					
Sustainable procurement of palm oil	RSPO certified palm oil adoption rate (MB•B&C)	4.47%	9.5%	▶ 50%	▶ 100%
Respect for human rights in the supply chain	Number of human rights violations identified	0	0	▶ Keep human rights violation as close to zero as possible	▶ Keep human rights violation as close to zero as possible
Foundation for the Company's sustainable business growth					
Key challenge 4: Construct a fair and flexible management structure					
Promoting diversity among the Board of Directors	① Appointment of outside board directors ② Active appointment of female board members ③ Securing diverse skills, including internationality	5 outside board directors (5 out of 11) 2 female board members (2 out of 14) 0 foreign board members (0 out of 14)	5 outside board directors (5 out of 11) 2 female board members (2 out of 14) 0 foreign board members (0 out of 14)	▶ Continuous appointment of over 1/3 outside board directors ▶ Continuous appointment of female board members ▶ Ensure diverse skills, including internationality	
Improving the effectiveness of the Board of Directors	Progress in selecting and improving key challenges through third-party evaluations	Ongoing implementation	Ongoing implementation	▶ Continuous improvement activities for setting annual challenges	
Key challenge 5: Realizing a rewarding work environment					
Achieving systems and frameworks that encourage employees to continue working	① Turnover rate of junior employees *Average turnover rate of junior employees (new graduates to 3rd year) over the past five years ② Paid leave acquisition rate ③ Progress of engagement survey	10.0% 64.0% Completed design of the engagement survey system and conducted survey for the first time	10.8% 67.8% Conducted engagement survey and set targets, etc.*	▶ 9.0% ▶ 70.0% ▶ Continue engagement survey	▶ 6.0% ▶ 80.0%
* Including survey report to the management team, feedback to the senior management team, and development of action plan					

Approach and framework for promoting sustainability

We believe that creating a sustainable beauty industry will in turn lead to realization of a sustainable society. The Sustainability Promotion Committee, chaired by the Managing Executive Director, is responsible for supporting the company-wide promotion of sustainability initiatives in cooperation with various departments. Through periodic reporting to the Board of Directors and the Management Meeting, we strive to incorporate these activities into management strategies and improve them, while providing management oversight.

Each and every employee, including the management team, plays a leading role in promoting sustainability at Milbon. To enhance employee knowledge and awareness, which underpins the promotion of sustainability, we have been fostering a culture of independent thinking and action through the creation of ongoing, regular contact points, starting with a company-wide workshop on SDGs in 2019, followed by sustainability workshops every year as part of new employee training, and regular publication of an in-house sustainability web magazine to share the latest trends and internal activities throughout the company.



Process and criteria for determining the Five Key Challenges

The Sustainability Committee, chaired by the Managing Executive Director, took the lead in selecting the Five Key Challenges that Milbon should particularly focus its efforts on. In 2019, challenges were examined from three separate perspectives—ISO 26000, the 17 Sustainable Development Goals (SDGs), and environmental, social, and governance (ESG). The opinions of various departments, outside experts, and management team were then gathered before the issues were arranged within an ESG/SDGs matrix. The issues were subsequently reassessed within the matrix to identify those with high relevance to our business activities and those for which stakeholders have high expectations and interest. The key challenges were then selected based on three points: solving societal issues, achieving sustainable business growth, and establishing internal foundations.

We have designated “enrich the spirit through beauty”—which is integral to our business activities—as Key Challenge 1, that is, the core issue in our Five Key Challenges. We believe that beauty leads to emotional well-being and that a spiritually enriched society will engender a sustainable society. In order to contribute to such a society, we ourselves must remain sustainable. We have therefore designated Key Challenges 4 and 5 as internal foundations for this, and Key Challenges 2 and 3 as our contribution to solving societal issues to remain sustainable throughout our entire supply chain.



External assessments of our activities

Our activities in promoting sustainability are assessed by a number of ESG evaluation organizations, and we have received a certain level of recognition. In FY2023, we were selected for inclusion in the FTSE Blossom Japan Sector Relative Index and the MSCI Japan Empowering Women (WIN*) Select Index, and our core production facility, the Yumegaoka Factory, was awarded a Gold rating in the FY2023 survey conducted by Ecovadis. For details, see [the list of external assessments](#) on page 76.

* The inclusion of Milbon Co., Ltd. in any MSCI index and the use of MSCI logos, trademarks, service marks, or index names do not constitute a sponsorship, endorsement, or promotion of Milbon Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

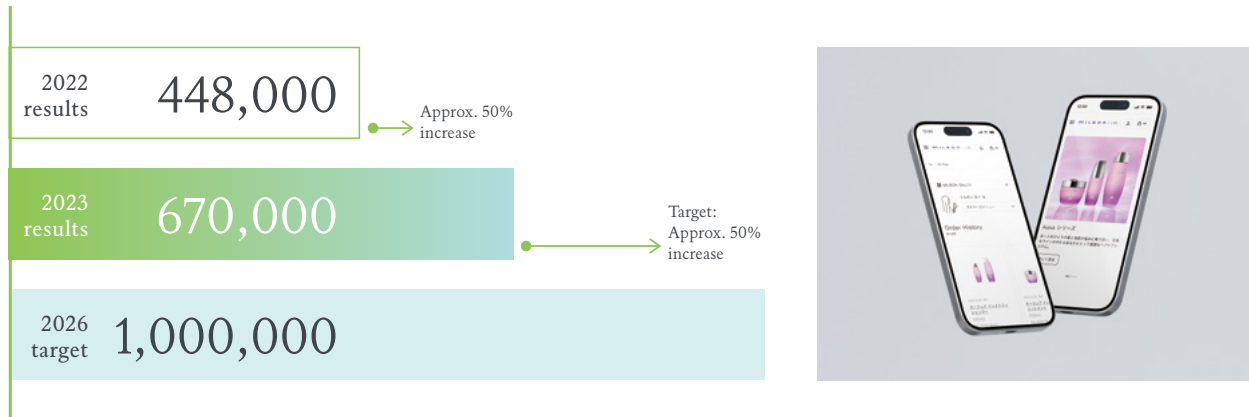


Enrich the spirit through beauty

OUTCOME: Promotion of a beautiful, spiritually enriched society by supporting the education of hair professionals and improving accessibility for consumers

Priority theme 1: Establishment of knowledge-based product sales business utilizing both the physical and digital realms

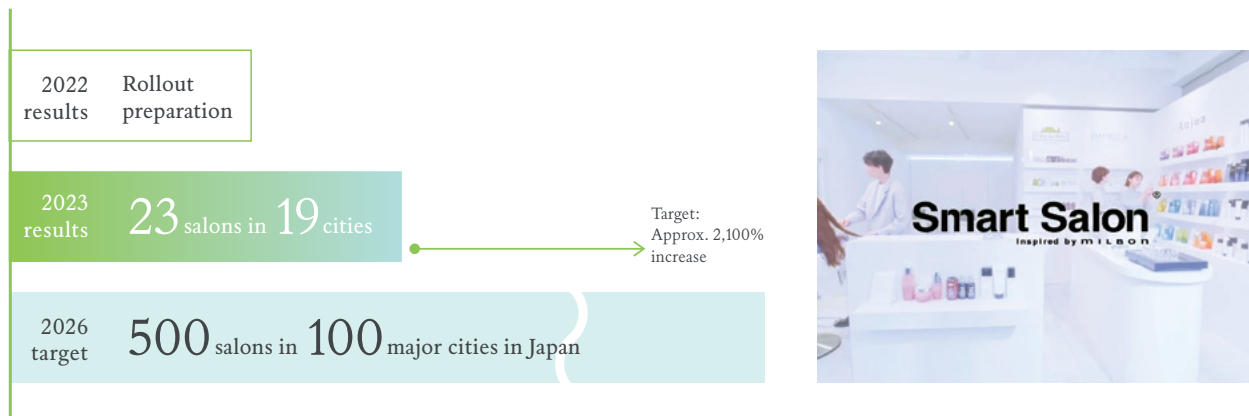
KPI Number of registered milbon:iD members



Continued to rapidly gain support, reaching 670,000 registered members

milbon:iD is Milbon's official online store and was officially launched in June 2020. Since then, not only has it contributed to greater sales and profits for hair salons through e-commerce, but it has also continued to rapidly gain support as a new communication tool between hair salons and consumers, fusing the physical and digital worlds. In FY2023, the number of registered members reached 670,000, well on the way to the milestone of 1,000,000 by FY2026. In FY2024, we will further support smooth purchasing experiences for customers, from product consideration to purchase, and we will continue to create enriched purchasing experiences. We will do this by expanding two new functions: live shopping for milbon:iD members to shop while watching live video feeds from hair salons, and STYLE STOCK—a feature that highlights on each member's personal page the items that were used during their treatment at a hair salon along with their styling video.

KPI Number of cities in Japan where Milbon deploys knowledge-based product sales (Smart Salon)



Created best practices through test marketing at 23 salons in 19 cities

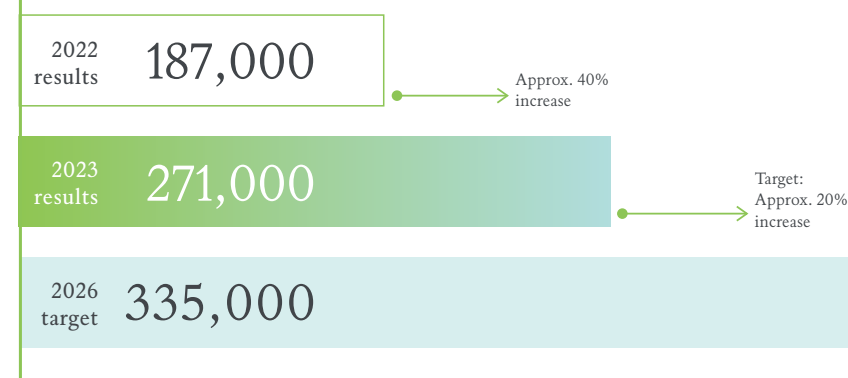
Smart Salons provide customers with a new salon experience by combining physical and digital worlds. Following a preparatory period in FY2022, we began to roll out Smart Salons in FY2023 in cooperation with hair salons that supported the concept. In FY2023, 23 salons were opened in 19 cities, despite being in the test marketing period, and successful salons have already yielded positive results, including improved knowledge-based product sales. Moreover, some of the salon owners who provided support have even voiced their desire to open more than one Smart Salon. In FY2024, all eight branches in Japan will collaborate, and we will select target salons with aspirations for growth and promote the creation of successful salons to become flagship Smart Salons. At the same time, we will visualize the conditions for success, improve the attractiveness of Smart Salons, and build an enhanced system which encompasses everything from proposals to follow-up support.

The Five Key Challenges for achieving a sustainable society

KPI Status and Targets for Each of the Five Key Challenges

Priority theme 2: Fostering lifetime beauty partners

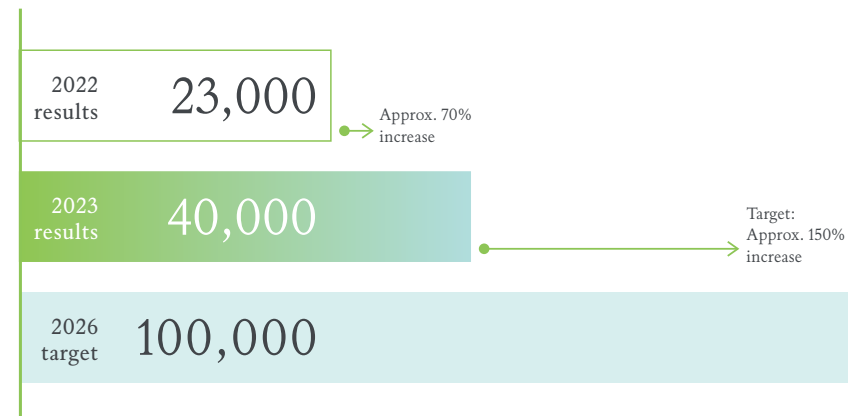
KPI Total number of annual users of our studios, events, and educational videos



271,000 users supported in both the physical and digital realms

In addition to providing in-person opportunities to hair professionals, such as educational seminars and events using its studios, Milbon has also been accelerating its provision of online educational content since September 2022 (after COVID-19), including the streaming of educational videos linked to its education:iD service. The total number annual users in FY2023 was 271,000. Since the end of the COVID-19 pandemic, our Designer's Ability (DA) educational event in particular has seen a record number of participants, and we are starting to see the use of educational videos on basic techniques take root in hair salons. We will continue to build a framework for providing optimal education by combining our strengths in FP activities, studio seminars, video content, and other aspects so that Milbon will continue to be selected.

KPI Number of registered education:iD members



Provision of personalized educational support helped grow the number of registered members to 40,000

education:iD—Milbon's online service supporting hair professionals—provides a personalized environment that enables hair professionals to obtain the education and information they need at the right time through the use of digital technology, thereby supporting improvements in their learning effectiveness and efficiency, convenience, and work environment. In FY2023, the number of registered members grew to 40,000. This was as a result of holding seminars on trends, including the South Korean hairstyles that are popular among young women, providing follow-up support after the seminars, and the ongoing activities of FPs. In FY2024, we will support the creation of an environment in which all hair professionals can confidently provide lifelong support to their customers by developing educational content for hair professionals tailored to the 10 role models in their career and by promoting the development of content for beauty schools and their students.

Key Challenges

2



Regenerative and recycling-oriented manufacturing and consumption activities

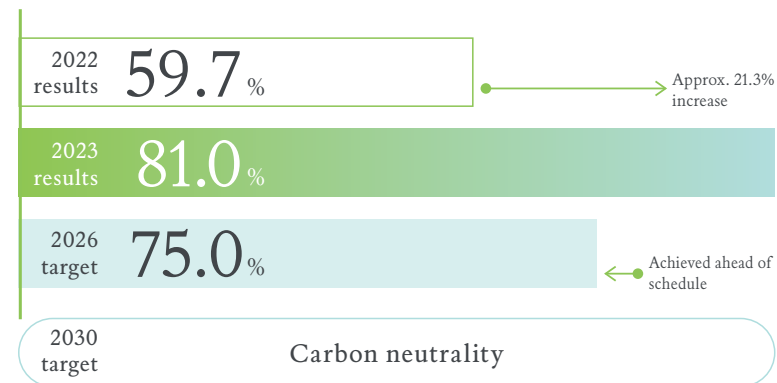
OUTCOME: Acceleration of the circular economy throughout the supply chain

Priority theme 1: Establishment of a carbon-neutral production system

KPI

Reduction rate of CO₂ emissions at Yumegaoka Factory

*Compared to 2019 levels



Achieved 2026 target three years ahead of schedule by adopting renewable energy

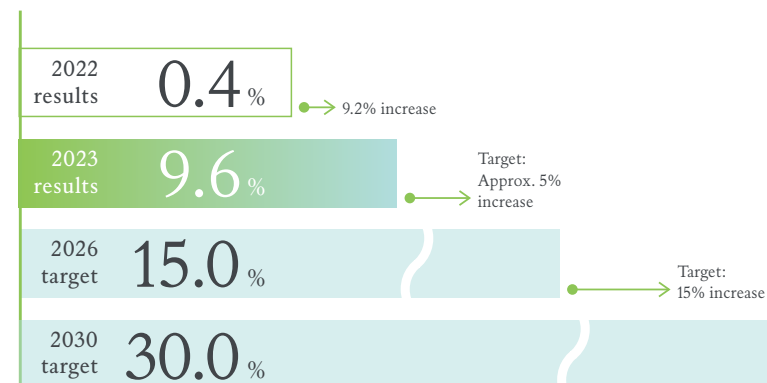
Milbon has implemented low-energy processes that use less electricity, steam, and water since FY2021, contributing to a 15,000 kg reduction in CO₂ emissions in FY2023. Also, in FY2023, we achieved our FY2026 target of reducing emissions by 75% (compared to 2019 levels) three years ahead of schedule thanks to the year-round use of renewable energy that we adopted in April 2022. Between now and 2026, we will maintain the current reduction rate in anticipation of an increase in production volume, while considering ways to achieve carbon neutrality in FY2030. As a measure for further reducing city gas consumption, we will consider introducing technologies to improve the thermal efficiency of boiler steam and adding solar power generation facilities on the factory premises to secure a stable supply of renewable energy. At the same time, we will continue to research cogeneration systems and geothermal power generation with a view to optimizing our energy use in the future.

Priority theme 2: Sustainable container and packaging design

KPI

Reduction rate of petroleum-derived virgin plastic use

*Compared to 2020 levels, per unit of sales



Accelerated changes in container molding methods and reduction of container weight etc., leading to a 9.6% reduction

We are promoting reductions in the use of petroleum-derived virgin plastic through implementation of the 4Rs. In FY2023, we accelerated new product efforts to reduce container weight by changing the molding method, and to recommend the use of refill pouches so that the original container can continue to be used. We also worked on adopting plant-derived plastic and recycled plastic for container bottles, and began to change the specifications of some pouches, from the conventional aluminum pouches to aluminum vapor-deposited pouches that are easier to recycle. As a result, the reduction rate (compared to 2020 levels) has progressed significantly from 0.4% in FY2022 to 9.6%. In addition to aggressive measures for new products, we will promote the introduction of measures for existing products, and set quotas for each item by brand to further invigorate efforts not only for those departments in charge, but for the entire company.

Key Challenges

3



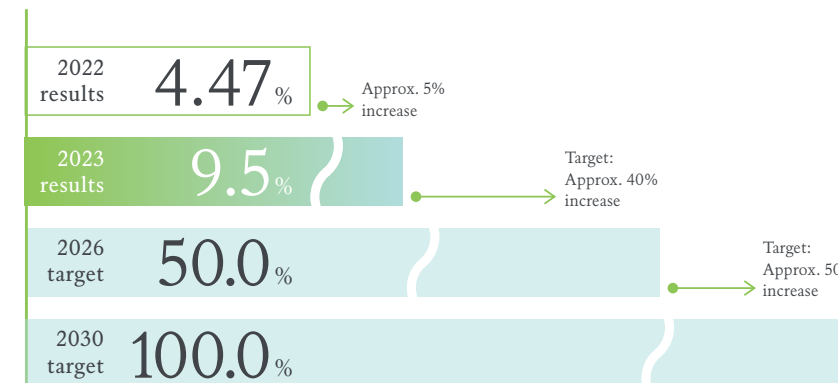
Practice people-friendly procurement

OUTCOME: Development of a sustainable supply chain

Priority theme 1: Sustainable procurement of palm oil

KPI

RSPO certified palm oil adoption rate (MB+B&C)



Began purchasing certified raw materials; will adopt RSPO compliant raw materials for new products

Milbon joined the Roundtable on Sustainable Palm Oil (RSPO) in 2019, and was approved as an ordinary member in 2022. We also became a member of the Japan Sustainable Palm Oil Network (JaSPON) in 2020, and have been promoting the sustainable procurement of palm oil, one of the main raw materials of our products. In FY2022, we completed acquisition of RSPO supply chain certification for the Yumegaoka Factory, our core plant. In FY2023, we began purchasing certified raw materials, and we are ensuring that appropriate operations are carried out in accordance with strict rules. We will continue to develop and produce new products based on the rule that, in principle, no new raw materials will be used that are not RSPO compliant, and by leveraging our frameworks of close cooperation with suppliers and our global procurement system, we will further increase our use of certified raw materials to achieve our goal of a 50% adoption rate in FY2026, as well as taking countermeasures against recent sharp increases in raw material prices.

Priority theme 2: Respect for human rights in the supply chain

KPI

Number of human rights violations identified



Milbon
Human
Rights Policy

Clarified policies and strengthened respect for human rights throughout the value chain

We support the four international norms and principles, including the United Nations (UN) International Bill of Human Rights, and respect the Ten Principles of the UN Global Compact (UNGC) as a signatory to the UNGC. In FY2022, we formulated the Milbon Group Human Rights Policy and established the Milbon Report/Consultation Counter in collaboration with external partners to establish a system that enables prompt and appropriate corrective and remedial action to be taken when violations are identified. In FY2023, we also formulated the Milbon Ethics and Code of Conduct and the Milbon Sustainable Procurement Basic Policy. By utilizing the Global Compact Network Japan (GCNJ) Self-assessment Tool and Ecovadis, we are expanding the scope of respect for human rights from within the Group to the entire value chain. We continue to have zero human rights violations, and moving forward, we will build a human rights due diligence framework that includes suppliers and our overseas bases.



Construct a fair and flexible management structure

OUTCOME: Development of structures for the sustainable improvement of corporate value

Priority theme 1: Promoting diversity among the Board of Directors

KPI Appointment of outside board directors

2022–2023
results

5 out of 11

2026–2030
target

Continuous appointment of
over 1/3 outside board directors

KPI Active appointment of female board members

2022–2023
results

2

2026–2030
target

Continuous appointment of
female board members

KPI Securing diverse skills, including internationality

2022–2023
results

Continued appointing board members
based on the skills matrix
(0 foreign board members)

2026–2030
target

Ensure diverse skills,
including internationality

Ensuring greater diversity through the appointment of outside board directors, female board members, and non-Japanese employees

Outside board directors have been appointed to 5 out of the 11 positions on Milbon's Board of Directors. We are also actively promoting the appointment of female board members, with one more female outside board director being appointed in FY2024, bringing the total to three. In addition, women have been appointed to two out of the eight executive officer positions. As for diversity, including internationalism, in addition to plenty of board directors having experience in working overseas, as a new step forward, we appointed a South Korean employee as executive officer in FY2024.

At present, considering the fact that the bulk of our sales are mainly in Japan, some KPIs have not been clearly defined in terms of the specific number and balance of personnel. Given this, we recognize the need for deliberation in the future, including on the appropriateness of such KPIs. Particularly with respect to ensuring diversity, we will consider setting quantitative targets while carefully examining the impact on improving effectiveness. As for women's advancement, we have set a target of 20% female managers by 2030, and to achieve this, we will first foster a shared understanding within the company, starting with the executive structure.

Priority theme 2: Improving the effectiveness of the Board of Directors

KPI Progress in selecting and improving key challenges through third-party evaluations

Target Continuous improvement activities for setting annual challenges

Identifying challenges from an external perspective; promoting further improvements in quality

The Milbon Board of Directors is evaluated based on a combination of an annual effectiveness evaluation questionnaire conducted by an external organization as well as the results of interviews conducted by the bureau with all outside board members. A summary of the results is submitted to the Board of Directors, which deliberates and promotes action plans that contribute to future improvement activities. In FY2023, to improve the quality of deliberations by the Board of Directors, Management Meeting, and the Nomination and Compensation Committee, an annual agenda was scheduled and a bureau was established to improve operational efficiency.

Also in FY2022, a new Governance Committee was established to deliberate the improvement of the effectiveness of and strengthening solidarity between the Board of Directors and the Management Meeting. Starting in FY2024, both meetings, which used to be held on the same day, are to be held on different days to facilitate the appropriate sharing of discussion outcomes and improve the quality of discussion at Board of Directors meetings. In addition, a new program was launched in March 2024 with the cooperation of institutional investors to improve management perspectives and knowledge of executive officers and other members of the management team.

Moving forward, we will establish a system that allows the Management Meeting to make deeper management-related deliberations, and transition to a monitoring style board of directors where the Board of Directors monitors the overall execution of business.



Realizing a rewarding work environment

OUTCOME: Realization of a workplace environment with enhanced job satisfaction allowing employees to keep working

Priority theme: Achieving systems and framework that encourage employees to continue working

KPI Turnover rate of junior employees

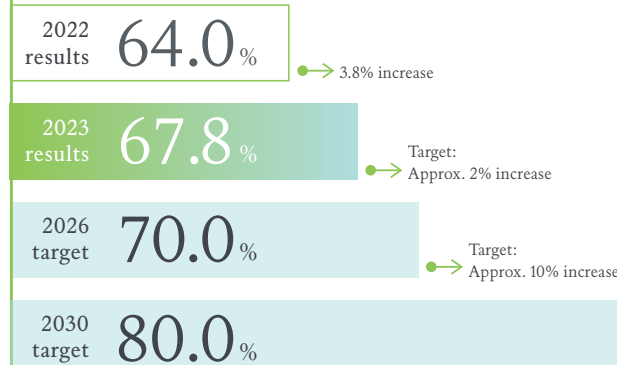
*Average turnover rate of young employees (new graduates to 3rd year) over the past five years



Promoted employee retention by strengthening the follow-up system for the first three years of employment

The turnover rate for new graduates in their third year of employment has remained at 10.0% for the second consecutive year. As an initiative to retain junior employees, we have implemented recruitment measures and post-employment follow-up tied to human resource criteria and portfolio design consistent with Milbon's plans for the future. In addition, in FY2023, the second-year follow-up training, which had previously been held once a year, has been bolstered to a course held four times a year. As for Field Person (FP) positions, we have developed a support system that includes enhanced onsite follow-up using ReCoBook and substantial follow-up by Corporate Administration in their first year, as well as individual follow-up interviews in their second year. Moving forward, we will consider follow-up measures for third year employees, and will also look into area recruitment to prevent turnover due to assigned location gaps.

KPI Paid leave utilization rate



Fostering a system and culture through visualization of utilization rates and broader options

In FY2023, utilization of paid leave increased to 67.8%, 3.8 percentage points higher than the previous year. This was largely due to having begun to display and email the utilization rates of employees. In addition to developing a system of hourly and half-day paid leave for FY2024 to expand the paid leave options for managers and supervisors, we also conducted a company-wide survey on paid leave utilization. These will be linked to effective measures to be considered in the future, such as expanding the number of days in the planned paid leave system and setting up days to encourage paid leaves to be taken. In addition, we will promote the creation of a workplace environment that enables employees to continue to work with greater job satisfaction by encouraging managers to take the initiative in fostering a culture that encourages employees to utilize leave systems.

KPI Progress of engagement survey

FY2022 results Completed design of the engagement survey system and conducted survey for the first time

FY2023 results Conducted engagement surveys and set targets, etc.*
* Including survey report to management team, feedback to the senior management team, and development of action plan

2026 target Continue engagement surveys

Company-wide measures to improve the Philosophy Strategy as the number one priority

In the engagement survey, after completion of the system design and its first implementation in FY2022, we engaged in improvement activities, such as individual feedback meetings with all department heads, created action plans, and continued implementation in FY2023. Out of all the survey items, we have selected Philosophy Strategy, External Adaptation, and Transformation Activities as priority items, and in FY2024, we will plan and review company-wide measures to improve the Philosophy Strategy in particular while checking the progress of each department. Furthermore, rather than superficial improvements in ratings, for the resolution of essential issues, we will consider measures to support improvement and enhancement that lead to the fostering of momentum for positive challenges as well as to the identification and spread of best practices. Examples of this includes an enhanced awards system and greater interaction and exchange with management and other departments.

2023–2024 Sustainability Highlights

2023

	Environment	Social	Governance	Sustainability education and promotion
Jan	<ul style="list-style-type: none">Became a signatory to the recommendations of the TCFD  <ul style="list-style-type: none">Joined the TCFD Consortium 	<ul style="list-style-type: none">Launched Smart Salon as a new hair salon format that fuses physical and digital worlds to satisfy the customer's desire for more 		
Feb	<ul style="list-style-type: none">Changed container specifications for haircare products to reduce the amount of plastics used, aiming to reduce by approx. 10 tons per year	<ul style="list-style-type: none">Donated 10 million yen to Japan Platform's Emergency Response to Southeast Turkey Earthquake 2023 program to support disaster relief and recovery efforts for those suffering from the earthquake in Turkey and Syria	<ul style="list-style-type: none">Completed third-party questionnaire and interviewed outside board members to evaluate Board effectiveness in FY2023	
Mar	<ul style="list-style-type: none">Formulated and announced the Milbon Group Environmental PolicyParticipated in Kobe Plastic Next, a program for recycling refill packs and cleaning up Kobe CityAnnounced our climate change policy on the corporate website in line with the TCFD recommendations	<ul style="list-style-type: none">Recognized as a Certified Health & Productivity Management Outstanding Organization for 2023Extended new sports sponsorships with female professional golfers to inspire future-focused people to live beautifully	<ul style="list-style-type: none">Formulated and announced the Milbon Ethics and Code of Conduct	
Apr	<ul style="list-style-type: none">Adopted new containers, that use 75% less plastic than existing containers, for the new Villa Lodola RENOVO product series 			<ul style="list-style-type: none">Began publishing FY2023 editions of Yomu Milbon, an internal web magazine continuously published since 2020 to support employee efforts toward sustainability 
May	<ul style="list-style-type: none">Conducted water quality surveys of the Kume River and the Kizu River, which are the direct drainage routes to the sea for water used at the Yumegaoka Factory 	<ul style="list-style-type: none">Selected for inclusion in the MSCI Japan Empowering Women (WIN) Select Index developed by MSCI 	<ul style="list-style-type: none">Divided and reorganized the Nomination and Compensation Committee into the Nomination Committee and the Compensation Committee, each with its own bureau	
Jun		<ul style="list-style-type: none">Held the second MILBON BEAUTY AWARDAcquired ISO 22716 certification for the Yumegaoka Factory		
Jul	<ul style="list-style-type: none">Held the Water Quality Survey and Waterside Nature Observation, a hands-on experience with local children to learn about river environment conservation in collaboration with the civic group, Network of Fish and Children 	<ul style="list-style-type: none">Selected for inclusion in the ESG investment index, FTSE Blossom Japan Sector Relative Index 		

Aug
Sep

Oct

Nov

Dec

2024

	Environment	Social	Governance	Sustainability education and promotion
Jan		<ul style="list-style-type: none">Donated 5 million yen to the Japan Platform, a non-profit organization, for the 2024 Noto Peninsula Earthquake Relief and Recovery Program to aid victims of the Noto Peninsula Earthquake and the recovery of affected areas	<ul style="list-style-type: none">Hidenori Sakashita was appointed as the new President & CEO 	<ul style="list-style-type: none">Began publishing FY2024 editions of Yomu Milbon, an internal web magazine continuously published since 2020 to support employee efforts toward sustainability 
Feb			<ul style="list-style-type: none">Completed third-party questionnaire and interviewed outside board members to evaluate Board effectiveness in FY2024	
Mar	<ul style="list-style-type: none">Combined plant-derived plastic for the PJOLI series, and used containers made with less petroleum-derived plastics 	<ul style="list-style-type: none">Established the Human Resources Development Committee for the purpose of developing a human resources strategy linked to the medium- to long-term management strategyCertified as a 2024 Health & Productivity Management Outstanding Organization 	<ul style="list-style-type: none">Appointed one new female outside board directorAppointed one new outside audit & supervisory board member	
Apr	<ul style="list-style-type: none">Formulated and announced the Milbon Sustainable Procurement Basic PolicyDisclosed Scope 3 emissions at Japanese business locations			
May	<ul style="list-style-type: none">Continued water quality surveys of the Kume River and the Kizu RiverConducted biodiversity conservation activities at the Kameyama Satoyama Park, certified as an area where biodiversity is being conserved 			



Message from the Chairperson and Efforts for the Succession System

Chairperson Ryuji Sato

Toward realization of an organization of limitless growth

This year, Ryuji Sato became chairperson after stepping down from his role as President & CEO—a position he served for 16 years since 2008. At the same time, Hidenori Sakashita, who had served as a board director, was appointed President & CEO. Below, Chairperson Sato extends his gratitude to all stakeholders and explains the measures for the succession system that he took during his tenure to realize an organization that continues to grow. He also talks about his future duties as chairperson.

Establishing a unique succession plan for the next successor

I took over as Milbon President & CEO from founder Ichiro Konoike in 2008, and have been in charge of the company for 16 years. During these 16 years, we have faced much adversity, including the collapse of Lehman Brothers, disasters such as the Great East Japan Earthquake, and even a pandemic caused by COVID-19. I would like to take this opportunity to express my sincere gratitude to our biggest business partners—the hair salons and distributors—as well as our suppliers and other associates, our employees for their dedicated efforts, and all our stakeholders for their support in making it possible for us to continuously grow sustainably.

At Milbon, we have set the tenure for board directors at one term of two years before reaching the age of 65. I turn 65 this year, so working backward from 2024, we have been discussing the next structure of leadership since 2014. I have long insisted to board directors that it is our job to train our successors by the time we step down, and on this occasion, I am relieved to say that we were able to carry out the transition as originally planned. I will make another decision at the end of FY2025 as to when I will step down as board director but stay on as chairperson, but in any case, I have been proceeding to establish a succession system with that determination in mind.

There are two premises on which all my thinking has been based: What kind of person should be our leader, and at the same time, what kind of structure should we have? It goes without saying that the core of an organization is the leader, but that does not necessarily mean that only the leader should be nurtured and selected.

This is why, in addition to the external training that had been offered to general managers and above, in 2015, I launched

the Milbon Corporate University (MCU), a unique management leadership development program for incoming managers. For four and a half years between 2015 and 2019, about 10 candidates participated in the program each year. To promote the development of talented people who are capable of thinking and acting, not from a standpoint of departmental optimization, but from a company-wide optimization based on a broad, high-level viewpoint, the management team actively participated in the program by having myself and other board directors serve as instructors. Moreover, apart from classroom learning, participants also took part in discussions about the future of Milbon and made final presentations to the senior management team. The program has led to solid results. Of the 42 people who participated in the program over the past four and a half years, three, including President & CEO Sakashita, are now board directors, and seven have been appointed as executive officers. I believe that we have created the foundation for a system to realize our ideal of “aiming to be a corporate entity where leaders are naturally and continually formed.”

Realization of a system that is open to society and adapts to the changing times

What is required of corporate leaders changes from time to time and with the size of the corporate organization. In fact, at the end of FY2007, when I became President & CEO, we had consolidated net sales of 18 billion yen and about 450 employees, but today we have consolidated net sales of 47.7 billion yen and 1,140 employees. The quality and importance of the leadership required during this growth have increased dramatically.

In this context, what kind of person is meant by a leader? Some people think of

leaders and managers as being the same, but I believe that there are clear differences between the two. If we compare an organization to a forest, the manager's role is to look at the forest and to nurture each and every tree, while the leader's role is to envisage the future of the forest itself and think about how to create that future, that is, to shape the future. The leader draws up a grand design for the future, takes action together with employees who sympathize with that future, and gains the empathy of stakeholders. The leaders at Milbon should be people who engender this kind of sympathy and empathy for the future. Furthermore, I believe that a leader should be a self-directed thinker at all times, so that they can find clues to growth with determination in the face of adversity.

With this in mind, since 2015, we have been discussing the development of a succession system as the most important agenda item at our annual personnel meetings. In 2021, we began selecting specific candidates and solidifying the system. Ultimately, Hidenori Sakashita was recommended as the next President & CEO based on his global experience as the representative of MILBON USA, his sense of management balance refined as the general manager of the Corporate Strategy Department, and above all, his sense of responsibility and determination. Following consultation with the Nominations Committee and approval by the Board of Directors in 2023, the final decision was made along with the succession system for board directors and executive officers.

Although it seems that some in the capital market would like an explanation as to why we did not choose to be a family-run business from the start, our founder chose the path of going public of his own volition in a decision to contribute to society as a more social entity. In other words, management and capital have already been clearly separated. We believe that our most important

mission is to create and contribute sustainable value to society, and so it is only natural that management of the business be carried out by people best suited for the job, regardless of whether the business is family-run.

We have also laid internal foundations for the succession system by appointing people who are truly suited to realizing our vision for the future. In addition, the importance of outside board directors has been increasing rapidly of late, and we are working to strengthen the effectiveness of the Board of Directors and secure diverse skills by inviting people with deep knowledge in various fields to serve as outside board directors. These changes are also helping us build solid foundations for transitioning to the new system.

At the same time, if the ratio of outside board directors increases, the number of internal board directors will inevitably be limited. In an era in which diverse work styles are recognized, promotion is not the only path, but opportunities for self-realization should be protected for employees who pursue a dream of being involved in management as a board member in the future. Thus, in addition to the aim of mutually enhancing management supervision and execution and strengthening effectiveness, the decision was made to introduce the Executive Officer System in FY2021.

Milbon should have only one leader

It is true that there were some concerns voiced from outside Milbon that I should become an executive chairperson while retaining representative authority, and that even if representative authority was transferred to the new president, I would still be directing behind the scenes. I am very much aware of the influence that I have had as President & CEO for 16 years, and thankfully, I am still in very good health. However, from the outset when I began to think about a succession system, I decided that I would not hold any representative authority after stepping down as president. The reason for this is clear: I believe that Milbon should have only one leader. Supposing I was to keep representative authority, people would wonder, “Who is Milbon's leader?” There would never ever be a change of leadership in any substantive sense. To make this clear to people both inside and outside the company, I decided not to hold any representative authority.

I also gave much thought to whether or not I would remain in the company as chairperson after stepping down as president. However, as younger employees increase in number and one generation of workers makes way for another, I thought that a little more remains to be done by people like me who can pass on the philosophy and history of Milbon, and above all, the thoughts of our founder. And so, I decided that I would fulfill that role.

My three roles as chairperson

During my 16 years as president, I am proud to have created three arrows for further growth in the future: our global business, expansion into other fields, and promotion of DX—as typified by milbon:iD and Smart Salons. Having built these foundations, I believe there are three main things I must do as chairperson in the future.

First is the thorough instilling of “Milbon-ism.” *The Milbon Way*, which summarizes our corporate philosophy, describes our core beliefs, including our belief in sustainability, namely, “building a solid company that won't collapse.” To realize this belief, I have always emphasized the importance of Continuity and Change as key words. Continuity: that which must not be changed. This is, of course, our belief in “building a solid company that won't collapse.” So then, how can we actualize this belief? The answer is Change: continuous innovation—putting into practice the idea that if a company is useful to society, society will not let it collapse. At first glance, continuity and change may seem like contradictory terms. However, I believe that change is necessary in order to keep intact the fundamentals that should be continued, and that it is my responsibility to thoroughly instill this philosophy in our company.

Second is developing the next leader. Just as the scale of our company has changed dramatically from when I was appointed president to now, by the time we transition from the current management structure to the next one, the leader will need to have even greater caliber to achieve sustainable growth. I have always said both inside and outside the company, “People are finite; organizations are infinite.” No matter how talented or popular a manager may be, he or she cannot escape death. On the other hand, an organization can continue to create value on an enduring basis by connecting ideas from person to person. As a specific means of achieving this, prior to the start of the next MCU, I am promoting the idea of first launching MCU-Prep, a program to teach true top management skills to young leader candidates in their 30s. Positioned like a preparatory school for transitioning to the MCU, I believe that this system will systematically train the next leader candidates better than ever.

Third and final is our nearly 30-year relationship with hair salons and distributors. The beauty market is all about face-to-face business where relationships of trust between people are important. This is especially why, while taking time to maintain the relationships that have existed up to now, we will make the most of the new structure of chairperson and president for the president to visit hair salons (something that was not so easy to do under the former struc-

ture) and to build new relationships with them. In particular, I hope to play a supporting role in promoting Smart Salons, as we strive to expand them to 100 cities by 2026.

Continue growing into the future in a way that's true to Milbon

What I am looking for in the new structure is by no means a big change, but rather the continuous smaller innovations that I mentioned earlier under Continuity and Change. Although major reforms may certainly bring about significant temporary changes, in my view, such changes cannot be called sustainable growth. Rather, our continued growth has been achieved through constant smaller innovations attuned to the changing times and society. Going forward, we will continue to achieve steady growth, step by step.

“Be true to Milbon by being in tune with the times and not being influenced by trends.” These are the words I conveyed to all employees upon my retirement as president, in appreciation of their support. Coincidentally, despite not having prior discussion, the newly appointed President & CEO Sakashita made a similarly worded appeal to all employees—“be Authentically Milbon.” When I heard his words, I was convinced that the buds of growth that I nurtured over the past 16 years would surely blossom and flourish in the generations to come.

Just as hair professionals are empathetic to their customer's sense of self, what Milbon's leaders should do is move forward into the future in a way that is both true to Milbon and in tune with hair professionals, hair salons, and consumers. However, in no way does that mean that everything cannot be changed. It is about having the courage to keep making changes for the sake of what must not change. The new structure will be a time of blossoming growth buds. I look forward to your further support and encouragement as we continue to grow into the future in a way that is true to Milbon.

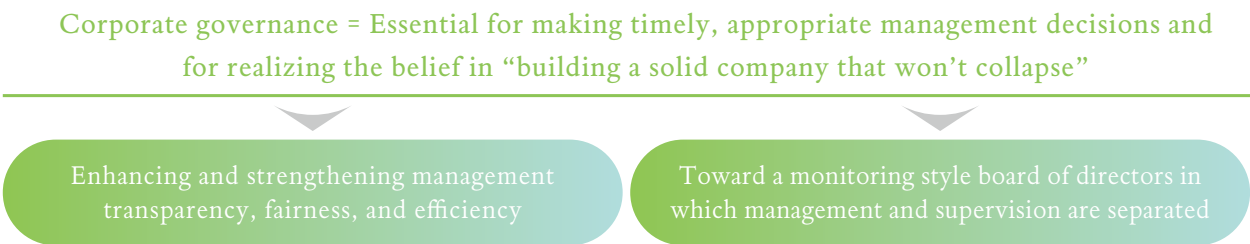


Initiatives to Strengthen Corporate Governance

Looking ahead to transitioning to a monitoring style board of directors

Milbon’s approach to corporate governance

Milbon recognizes that strengthening its corporate governance is an important management challenge that is crucial for realizing its belief in “building a solid company that won’t collapse,” fulfilling its commitment to all the various stakeholders in society, and providing lasting value. We view constructing a fair and flexible management structure as one of the key challenges for sustainability, and we are working to promote it by setting specific KPIs, including compliance with the Corporate Governance Code, in an effort to enhance and strengthen management transparency, fairness, and efficiency. In addition, we are currently focused on reforms aimed at transitioning to a monitoring style board of directors in which management and supervision are separated, by establishing a structure that allows the Board of Directors to monitor the overall execution of business and the Management Meeting to make more in-depth management-related deliberations.



Outcomes and progress against the KPI of constructing a fair and flexible management structure

In terms of specific KPIs and progress in addressing the key challenge of constructing a fair and flexible management structure, in the area of appointing outside board directors to promote diversity among the board, we achieved our target of continuously appointing at least one-third outside board directors with five out of the 12 board directors being outside board directors following the General Meeting of Shareholders in March 2024. In terms of actively promoting female board members, we had two female board directors by FY2023, and in FY2024 we will transition to a board with three female board directors. Moreover, in the area of securing diverse skills, including internationality, we continue to appoint board members based on the skills matrix, and while considering the appointment of foreign-national board members to the Board of Directors, a non-Japanese (South Korean) employee representing Milbon Korea, an overseas subsidiary, has been appointed as an executive officer, starting in FY2024.

In terms of our progress in selecting and improving key challenges through third-party evaluations aimed at improving the effectiveness of the Board of Directors, evaluation is based on a combination of an annual questionnaire assessing effectiveness which is conducted by an external organization as well as the results of interviews conducted by the bureau with all outside board members. A system is in place whereby a summary of the results is submitted to the Board of Directors, which deliberates and promotes action plans that contribute to future improvement activities.

Key Challenge: Construct a fair and flexible management structure

KPI 1 Promoting diversity

Appointment of outside board directors (5 out of 12 in FY2024)

Active promotion of female board members (3 in FY2024)

Securing diverse skills, including internationality (enhancement of board directors with experience in working overseas)

KPI 2 Improving effectiveness

Ongoing evaluation through a combination of an annual questionnaire assessing effectiveness and the results of interviews

Reform of the corporate governance promotion framework

As for reform of our organizational structure, in FY2022, the Board of Directors, which had previously only made resolutions and reports, added deliberation items, making it easier to reflect the diverse knowledge and opinions of internal and outside board directors in management. In addition, a new Management Meeting composed of internal board directors, standing Audit & Supervisory Board members, and executive officers was established to strengthen the monitoring function of the Board of Directors and to promote greater separation between management and supervision. This resulted in a clear division of roles between the Board of Directors and the Management Meeting, and the two bodies began to function effectively together. Moreover, since the members of the Management Meeting also serve as heads of their respective departments, this reform also has the effect of ensuring appropriate understanding and instilling of the contents and processes deliberated within each division, thereby facilitating communication between management and non-board employees.

Furthermore, as for committee functions, in FY2019, we established the Sustainability Promotion Committee, chaired by the Managing Executive Director in charge of Sustainability Promotion. Then in FY2022, we established the Risk Management Committee, chaired by the President & CEO and consisting of internal board directors and executive officers, as well as the voluntary Governance Committee, also chaired by the President & CEO and consisting of internal board directors and outside board directors. Each committee is closely involved with the Board of Directors and the Management Meeting, thus creating a framework enabling comprehensive governance management.

Reforms implemented in FY2023–2024 and results achieved

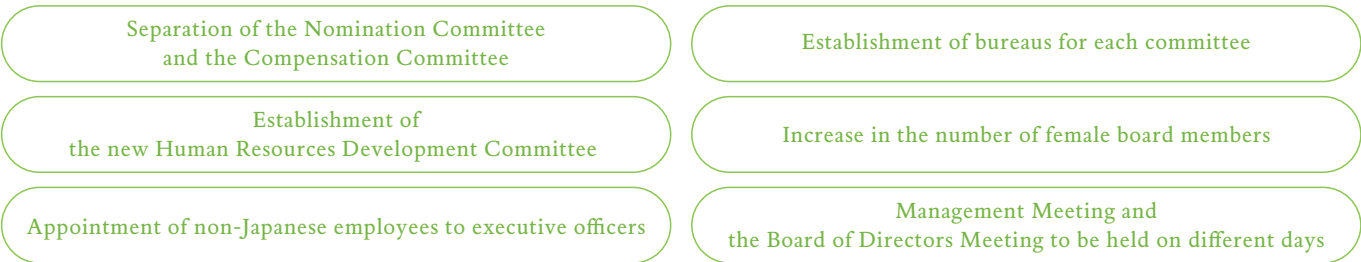
Following deliberations by the Governance Committee in FY2023, the Nomination and Compensation Committee, which had been a single entity to that point, was split into the Nomination Committee and Compensation Committee beginning in FY2023 in order to improve the quality of deliberations. According to the FY2024 questionnaire assessing both committees for the FY2023 period, assessments of effectiveness improved significantly. Furthermore, to promote greater separation between management and supervision, we are updating the decision-making authority of the Board of Directors and the Management Meeting and facilitating the transfer of authority to the Management Meeting.

In addition, to build an organizational structure that is highly effective, bureaus have been established for the Board of Directors, Management Meeting, Nomination Committee, and Compensation Committee, and structures have been put in place for them to organize agenda before each meeting, operate effectively according to annual schedules, and prepare and follow up before and after meetings without delay. The Human Resources Development Committee was also established in FY2024 for the purpose of developing a human resources strategy linked to the medium- to long-term management strategy. It is chaired by the President & CEO and consists of internal board directors.

As mentioned earlier, to ensure diversity, we have increased the number of female board members and two women continue to play active roles as executive officers. Moreover, to ensure diversity, including internationality, a non-Japanese employee has been appointed executive officer in FY2024. However, some KPIs for the construction of a fair and flexible management structure have not been clearly defined in terms of the specific number and balance of personnel. For this reason, we are continuing deliberations on the appropriateness of the KPIs, including the setting of quantitative targets.

As part of its discussions on governance issues and policies for future initiatives with the participation of outside board directors, the Governance Committee discussed the need to strengthen coordination between the Management Meeting and the Board of Directors. In response to this, starting in FY2024, the two meetings, which used to be on the same day, are to be held on different days to facilitate the timely sharing of outcomes of discussions at the Management Meeting with the Board of Directors and to improve the quality of discussion at Board of Directors meetings.

FY2023–2024 initiatives



FY2024 priority issues and initiatives

1

Improve management viewpoint and knowledge at the management level

Implemented a training program for executive officers to learn about corporate analysis from an investor's point of view

2

Establishment of a management structure aligned with current trends, including the Corporate Governance Code

In preparation to disclose our measures to realize management that is conscious of the cost of capital and stock prices

Current priority issues and new initiatives for their resolution

At present, we regard improving the management viewpoint and perspective at the management level and establishment of a management structure aligned with current trends, including compliance with the Corporate Governance Code as the two priority issues in governance, and we are taking measures to address them.

To improve the management viewpoint and perspective at the management level, we recognize that it is essential to improve the management viewpoint and perspective of management, especially executive officers, and following deliberations by the Governance Committee, we launched an executive officer training program in March 2024 with the cooperation of institutional investors. In this program, participants learn about the concept of corporate analysis from an investor's point of view through several study sessions, and ultimately make a presentation to the board directors on Milbon's management issues with the aim of aligning the management perspectives of the Board of Directors and the Management Meeting. On top of that, we are also reexamining the Executive Officer System, and are currently designing a new system in preparation for its launch in FY2026. At the same time, we will promote the strengthening of cooperation between candidates for the next board directors and the Board of Directors and Nomination Committee through the executive officer training program and other initiatives mentioned above, and also discuss and consider issues such as clarification of the human resources we seek in board directors and establishment of a human resources system.

On the other hand, in establishing a management structure aligned with current trends, including compliance with the Corporate Governance Code, while we take all aspects of the Corporate Governance Code seriously, we do more than simply comply with them. Our policy is to understand the essence of the expectations of the capital market and to express our own distinctive stance in line with the company's actual circumstances. In this context, we recognize that there is a strong demand for disclosure of our measures to realize management that is conscious of the cost of capital and stock prices. In view of our responses to recent changes in cost structure, including the sharp rise in raw material prices, these will be disclosed in due course upon analyzing and evaluating our current cost of capital and examining policies and initiatives to improve profitability.

Board of Directors

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	Position and responsibility within Milbon	Corporate management	Finance/Accounting	Legal/Risk	Global	ESG/Sustainability	Research/Product development	Production/Logistics	Sales/Marketing	IT/Digital	HR/Name Labor	Qualifications
Board Director												
Ryuji Sato	Chairperson	●	●		●		●		●		●	
Hiddenori Sakashita	President & CEO	●			●		●		●	●		
Masahiro Murai	Managing Executive Director In charge of Finance, Corporate Communication, and Sustainability Promotion		●	●		●					●	
Kazunobu Konoike	Board Director Director of Production and in charge of Development Headquarters, and Organic Brand	●			●		●	●	●	●		
Junji Morimoto	Board Director In charge of Corporate Administration, Internal Audit, and Quality Assurance								●			
Harumichi Okazaki	Board Director Director of International FP Sales and Marketing, Director of FP Sales and Marketing, and in charge of Education Planning	●			●				●			
Hiroyuki Ogata	Board Director Director of Corporate Strategy Development and Vice President of Kosé Milbon Cosmetics, Co., Ltd.		●						●	●		
Taizo Hamaguchi	Outside Board Director	●							●			
Tsuneko Murata	Outside Board Director			●	●	●						
Etsuhiro Takato	Outside Board Director	●			●				●			
Chisa Hayakawa	Outside Board Director		●					●	●			Tax Accountant
Tomomi Fukumoto	Outside Board Director			●		●						
Audit & Supervisory Board Member												
Mitsuru Oshio	Audit & Supervisory Board Member			●					●			
Yoshihiko Okuda	Outside Audit & Supervisory Board Member		●									Tax Accountant
Takashi Hirano	Outside Audit & Supervisory Board Member			●		●				●	●	Lawyer

Expertise and experience details

Corporate Management: Experience 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/Sustainability: Expertise in general sustainability and ESG issues including environmental, social, and governance issues / Research and Product Development: 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 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. They were further revised by the Board of Directors at its meeting in February 2024.

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 2024)

Institutional design	Company with an Audit & Supervisory Board system
Term of office of Board Directors	2 years
Adoption of Executive Officer system	Yes
Voluntary Committee	Nominations Committee, Compensation Committee, Governance Committee
Accounting Auditor	GYOSEI & CO.

Tackling Issues Related to Sustainability

Led by the Sustainability Promotion Committee chaired by the Managing Executive Director, Milbon has selected Five Key Challenges based on three areas—solving societal issues, achieving sustainable business growth, and establishing internal foundations—and is promoting efforts to realize a sustainable society through development of the beauty market. We have also endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD Consortium, a Japanese organization comprised of corporations supporting the TCFD recommendations. The impact of climate change on our business and our response to it are discussed by the Sustainability Promotion Committee and TCFD Working Group, approved by the Management Meeting and Board of Directors, and posted on our website. For details, please refer to [Response to Climate Change under Information Links](#) on page 79.

Evaluating the effectiveness of the Board of Directors

Once a year, a survey and analysis of the effectiveness of the Board of Directors is conducted. The results are shared within the Board of Directors, and measures for improvement are discussed and considered. In February of FY2024, a questionnaire survey of all board directors and Audit & Supervisory Board members was conducted by a third-party organization regarding the evaluation of the effectiveness of the Board of Directors in FY2023, and interviews were conducted with outside board directors and outside Audit & Supervisory Board members.

The results of the above survey and interviews indicate that Milbon’s Board of Directors is, overall, functioning effectively. On the other hand, some issues were identified as requiring improvement. An overview of these issues was given to each director in advance, and was presented at the March meeting of the Board of Directors for discussion. The following is a summary of the topics discussed by the Board of Directors.

- Greater discussion regarding the formulation of management strategies and business plans with an awareness of profitability and capital efficiency
- Greater discussion for the analysis and improvement of management and market valuation with an awareness of the cost of capital and stock prices
- Continuous improvement in how the Board of Directors monitors investment effectiveness and key measures implemented
- Further enhancement of the social and management perspectives of internal board directors and executive officers

The above matters will be incorporated into the annual schedules of the Board of Directors and the Management Meeting, used for enhancing the training programs for senior management, and will be reviewed during FY2024 to increase the effectiveness of the Board of Directors. For details, please refer to [Governance \(Japanese only\) under Information Links](#) on page 79.



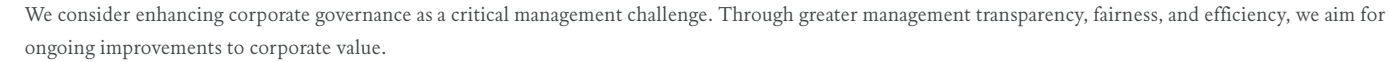
From the left of this page

Tomomi Fukumoto	Outside Board Director	Chisa Hayakawa	Outside Board Director	Etsuhiro Takato	Outside Board Director
Tsuneko Murata	Outside Board Director	Taizo Hamaguchi	Outside Board Director	Kazunobu Konoike	Board Director
Ryuji Sato	Chairperson				

From the left of this page

Hiddenori Sakashita	President & CEO	Masahiro Murai	Managing Executive Director	Junji Morimoto	Board Director
Harumichi Okazaki	Board Director	Hiroyuki Ogata	Board Director	Mitsuru Oshio	Standing Audit & Supervisory Board Member
Yoshihiko Okuda	Outside Audit & Supervisory Board Member			Takashi Hirano	Outside Audit & Supervisory Board Member

Milbon's Governance Promotion Framework



The diagram illustrates the Corporate Governance Structure of Sinopec Group, organized into three main levels: the General Meeting of Shareholders at the top, the Board of Directors and Audit & Supervisory Board in the middle, and the Business Execution Structure at the bottom.

General Meeting of Shareholders (Green bar at the top) has the following functions and interactions:

- Appointment, dismissal, determination of compensation limit** for the **Board of Directors** and the **Audit & Supervisory Board**.
- Appointment, dismissal, determination of compensation limit** for the **Accounting Auditor**.







Board of Directors (Green box, 12 members, including 5 outside board directors) and **Audit & Supervisory Board** (Teal box, 3 members, including 2 outside audit & supervisory board members) have the following interactions:

- Board of Directors** interacts with the **Nomination Committee** (7 members, including 4 outside board director) and **Compensation Committee** (5 members, including 3 outside board director) through **Consultation** and **Report**.
- Board of Directors** interacts with the **Governance Committee** (5 members, including 2 outside board director) through **Reporting, agenda proposal**.
- Board of Directors** interacts with the **Audit & Supervisory Board** through **Audit** and **Reporting**.
- Board of Directors** interacts with the **Accounting Auditor** through **Reporting**.
- Board of Directors** interacts with the **Business Execution Structure** through **Supervision, monitoring**.
- Audit & Supervisory Board** interacts with the **Accounting Auditor** through **Reporting**.
- Audit & Supervisory Board** interacts with the **Business Execution Structure** through **Selection, dismissal, supervision** and **Audit**.

Business Execution Structure (Light blue bar at the bottom) includes the following entities and their interactions:

- Risk Management Committee** (Chair: President & CEO), **Sustainability Committee** (Chair: Managing Executive Director), and **Human Resources Development Committee** (Chair: President & CEO) all provide **Reporting, recommendation** to the **President & CEO**.
- Corporate Administration Department** (Bureau of Compliance and Risk Management) provides **Audit, guidance, support** to the **Business divisions**.
- President & CEO** provides **Supervision, instruction** to the **Business divisions**.
- Internal Audit Department** provides **Audit, evaluation, guidance** to the **Business divisions**.
- Management Meeting** and **Management Strategy Meeting** are part of the **Business Execution Structure**.

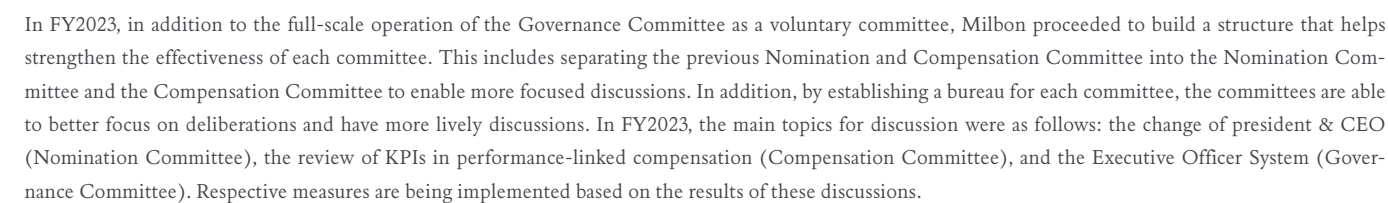
Board of Directors and Audit & Supervisory Board composition

	Board of Directors	Internal Board Members		Outside Board Members		
Percentage of Outside Board Directors	41.6%					
Percentage of outside board directors on Nominations and Compensation Committees (total)	58.3%					
Ratio of female board member (total of Board of Directors and Audit & Supervisory Board)	20%					
Board of Directors attendance rate (13 meetings in FY2023)	100%					
Audit & Supervisory Board attendance rate (8 meetings in FY2023)	100%					
						
						 Male  Female

Outline and Composition of Each Committee

Committee	FY2024 Committee members	Number of meetings in FY2023 / attendance	Principal matters of discussion in FY2023
Nomination Committee	Outside Board Director Taizo Hamaguchi (chair); Chairperson Ryuji Sato; President & CEO Hidenori Sakashita; Managing Board Director Masahiro Murai; Outside Board Director Tsuneko Murata; Outside Board Director Etsuhiro Takato; Outside Board Director Tomomi Fukumoto	2 / 100%	<ul style="list-style-type: none"> Human resource criteria for senior management Selection of board directors, audit and supervisory board members, and executive officers for FY2024 Composition of the Nomination Committee for FY2024
Compensation Committee	Outside Board Director Taizo Hamaguchi (chair); President & CEO Hidenori Sakashita; Managing Board Director Masahiro Murai; Outside Board Director Etsuhiro Takato; Outside Board Director Chisa Hayakawa	2 / 100%	<ul style="list-style-type: none"> Policy for determining compensation for board members Level of executive compensation for FY2024 Performance-linked compensation indicators for FY2024
Governance Committee	President & CEO Hidenori Sakashita (chair); Chairperson Ryuji Sato; Managing Board Director Masahiro Murai; Outside Board Director Etsuhiro Takato; Outside Board Director Chisa Hayakawa	4 / 100%	<ul style="list-style-type: none"> Strengthening of cooperation between the Board of Directors and the Management Meeting The future role of Executive Officers and training programs

Improving the effectiveness of voluntary committees



Compensation for Board Members

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.

Performance-linked Coefficient

Achievement of targets	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%

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%.

Total amount and number of Board Directors' and Audit & Supervisory Board Members' compensation, etc. for the fiscal year ended December 31, 2023

	Number of persons	Total amount of compensation, etc. (thousand yen)	Amount of compensation, etc. by type (thousand yen)				
			Basic compensation	Performance-linked compensation	Total (monetary)	Restricted stock compensation	Total (non-monetary)
Board Directors (including Outside Board Directors)	11 (5)	298,407 (50,040)	242,154 (50,040)	0 (-)	242,154	56,253 (-)	56,253
Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members)	3 (2)	48,012 (16,008)	48,012 (16,008)	- (-)	48,012	- (-)	-

Notes:
 1. At the 62nd Ordinary General Meeting of Shareholders held on March 29, 2022, it was approved that the amount of cash compensation for board directors shall be up to 500 million yen (up to 70 million yen for outside board directors). The number of board directors at the conclusion of the 62nd Ordinary General Meeting of Shareholders was 11 (including five outside board directors).
 2. Stock compensation for board directors of a value up to 100 million yen, but a quantity of no more than 100,000 shares, per year was approved at the 60th Ordinary General Meeting of Shareholders on March 26, 2020. The number of board directors at the conclusion of the 60th Ordinary General Meeting of Shareholders was nine (including two outside board directors).
 3. Compensation for Audit & Supervisory Board members of an amount up to 70 million yen per year was approved at the 56th Ordinary General Meeting of Shareholders on March 17, 2016. The number of Audit & Supervisory Board members at the conclusion of the 56th Ordinary General Meeting of Shareholders was three (including two outside Audit & Supervisory Board members).

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 monthly 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 once a year (April) in cash. The performance indicators, performance-linked coefficients, and actual performance-linked compensation are as follows.
 <Performance indicator> Consolidated net sales: Weight 40% / Consolidated operating income: Weight 50% / Consolidated profit: Weight 10%
- 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%.

Actual performance-linked compensation for the fiscal year ended December 31, 2023

Performance metric	Fiscal year ended Dec. 31, 2023 (64th term)			Weighting
	Target (million yen)	Actual (million yen)	Achievement (%)	
Consolidated net sales	49,200	47,762	97.1	60%
Consolidated operating income	8,300	5,525	66.6	30%
Consolidated profit attributable to owners of parent	5,800	4,001	69.0	10%

Target achievement rate for the fiscal year ended December 31, 2023 :
 97.1%×60%+66.6%×30%+69.0%×10%=85.1%

Messages from the Newly Appointed Internal Board Directors

In March 2024, Milbon appointed two new executive officers to the Board of Directors and invited two new outside board members. Below are messages from the two newly appointed internal board directors. On p.68, the two newly appointed board members are introduced in a three-way conversation with Managing Executive Director Masahiro Murai.

Evolving into a strong and flexible organizational structure



Harumichi Okazaki

Okazaki joined Milbon in 1996. He has served as the representative of MILBON (THAILAND) CO., LTD. and MILBON USA, INC., as well as the Director of International FP Sales Department, contributing to the growth of Milbon's overseas business. He has served as an executive officer from 2022, and in 2024, he was appointed as a board director (Director of International FP Sales Department, Director of FP Sales and Marketing, and in charge of Education Planning).

Sharing my extensive global experience and knowledge

I have accumulated a great deal of global experience not only in Japan, Thailand, and the U.S., but also in my role as Director of International FP Sales Department, where I managed the leaders of 13 countries and regions. I recognize that it is my responsibility to contribute to the further development of the Milbon Group by drawing on my extensive knowledge in corporate management, sales, marketing, education, and other areas that I have cultivated during the course of my duties.

Adapting to the rapidly changing society and environment

In Japan, which is the market leader, in my view it will be necessary to listen more closely to distributors and hair salons in each area and to build a strong and flexible organizational structure in which people act based on their own ideas at their own discretion. To that end, I intend to demonstrate my leadership and management skills in building a bottom-up organization with autonomy and independence, an approach that I have promoted in different countries and regions as the Director of International FP Sales Department. And in the global market, where addressing diversity is especially essential, I see an urgent need for Milbon to evolve into a diverse organization in order to develop products and services that meet the increasingly diverse needs of consumers.

I firmly believe that only with a strong and flexible organizational structure that adapts to the rapidly changing environment and society can we contribute to the sustainable development of hair salons and local communities, not only in Japan, but also in countries and regions around the world. To that end, I will make even greater efforts to realize a truly global company.

Striving to create long-term value with a bird's-eye view and perspective



Hiroyuki Ogata

Ogata joined Milbon in 1999. By promoting business and managing finances as General Managers of Cosmetics Planning, Finance, and Corporate Strategy, he has contributed to building foundations for Milbon's growth, including new businesses. He has served as an executive officer since 2022, and in 2024, he was appointed as a board director (Director of Corporate Strategy and Vice President of Kosé Milbon Cosmetics, Co., Ltd.).

Developing beauty into an industry with continuous innovation

After joining Milbon, I worked in sales for 10 years before taking on the roles of General Manager of Corporate Strategy, Finance, and Cosmetics Planning. During this time, I gained experience working in a wide range of departments and businesses within the company, including launching the cosmetics business and other new businesses, corporate branding, and the management of affiliated companies. Through this experience, I was able to cultivate a bird's-eye view and perspective of society and our company that is beyond any single department or division.

As the head of strategic planning, I will continue striving to develop beauty into an industry by utilizing such a view and perspective, creating products and services from the perspectives of both consumers and hair professionals/hair salons in the B2B2C sector, and remaining committed to creating continuous innovation.

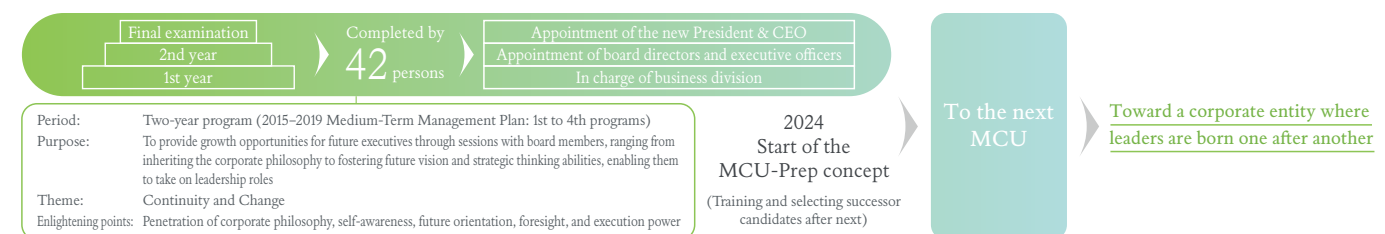
Appropriate information disclosure is also a key strategy

In recent years, there has been a rapid increase in stakeholder interest not only in financial information, but also in non-financial information such as sustainable management and human capital management. It is only natural that we continue to evolve our unique business model by further refining the sources that support our sustainable growth. Furthermore, with recognition that promoting appropriate information disclosure from a bird's-eye view is also one of our key management strategies, I will aim to create long-term value through sincere dialogue with our stakeholders.

Succession plan (development program for the next executive candidates)

We consider succession planning for the CEO as one of our most important management strategies. Since 2015, we have been cultivating potential candidates through our unique next management leadership development program called the Milbon Corporate University (MCU). For four and a half years from 2015 to 2019, we had 42 candidates take part in the two-year program to train and select the next CEO. There is active participation and supervision by the Board of Directors in the program, with each director serving as a lecturer in his or her respective jurisdiction and area of expertise. The program concluded in 2019 and has produced solid results, with MCU graduates becoming not only department heads, but also executive officers and board directors, including the new President & CEO, Hidenori Sakashita. In addition, prior to the implementation of the second phase of MCU, we have initiated the concept of MCU-Prep, a program to train and select the next successor candidates. By building a more mid- to long-term succession plan, we aim to become a corporate entity that produces leaders continuously.

MILBON CORPORATE UNIVERSITY (MCU) Next Management Leadership Development Program



Discussion between the Managing Executive Director and New Outside Board Members

Further Sustainable Growth to Meet New Expectations of the Capital Market

At Milbon, we engage the services of outside board directors with extensive experience and knowledge to supervise management and offer advice from their multifaceted and objective perspectives. In this way, we strive to ensure transparency and improve efficiency of management. In this section, Managing Executive Director Masahiro Murai interviews Outside Board Director Tomomi Fukumoto and Outside Audit & Supervisory Board Member Takashi Hirano, who were newly appointed as outside board members in March 2024, on their views on sustainability and corporate governance and on what approach Milbon should take in the future.

Importance of communication as a mediator between the company and society

Murai: You are both actively involved as outside board members at other companies, so my first question is: What do you think your role is?

Fukumoto: As society's expectations of companies steadily changes, I recognize that we must keep an eye on a more diverse range of stakeholders and feed their voices back into company management. I am acutely aware of Milbon's expectations of me, and I am very eager to see how I can leverage my experience and give back to the company.

Hirano: In my case, I have been involved in various companies as a company auditor for more than 15 years. In recent years in particu-

lar, as corporate governance has become more advanced, I have felt that the role played by outside company auditors has gotten bigger. I believe that company auditors will be required to act as advisors to management from a company-wide standpoint, not only from a legal standpoint.

Murai: Ms. Fukumoto, you have extensive experience in corporate communication and ESG, so tell me please: What is your view on trends in these areas?

Fukumoto: With the COVID-19 pandemic, advances in digital transformation (DX), and changes in the global situation, people are becoming more diverse in what they value. With this in mind, I think that we need to engage in dialogue with society and promote mutual understanding and empathy between management and society. As for ESG, there was once a time when it was regarded as an "external diseconomy," but now, addressing global environmental considerations and human rights issues are no longer optional for a company. We live in an era where such actions are a license to continue business, and unless they are integrated with growth strategies, the company itself cannot remain sustainable. On the other hand, there is no denying that there is a trade-off between such actions and short-term profits and product quality. In this context, I believe that two types of communication are necessary: promotion of understanding within the company and appropriate communication with external stakeholders.

Murai: At Milbon too, we are gradually gaining a better and more pervasive understanding within the company, and we are in the process of bolstering the appropriate dissemination of information.

Fukumoto: Promoting sustainability requires certain decisions to be made which are at odds with short-term profits, such as Capital expenditure. For this reason, it is imperative

for top executives and the management team to adopt a long-term view and demonstrate a strong will. Actively utilizing outside experts would also be more effective than relying on internal logic alone. Also, although ESG is often viewed as a concept originating in Europe and North America, it is important to promote understanding of ESG in a way that suits that particular company's objectives and culture. It must not be promoted as a new initiative forced by external pressure. The philosophy of "becoming a company that is useful to society" is pervasive within Milbon, and this is one of its major strengths. If ESG is positioned as the pursuit of Milbon's own philosophy, I think it will lead to unique initiatives, rather than being perceived as something borrowed. Furthermore, I have always been conscious of communicating the risks and opportunities of business itself, such as future changes in consumer perceptions and the procurement of raw materials.

Murai: Milbon has also always kept a close eye on consumer perceptions, but what specific changes do you envisage?

Fukumoto: The Sustainable Development Goals (SDGs) are now being taught in elementary, junior high, and high schools, so while they might be still limited at present, such "SDG natives" will soon play a leading role in driving consumption. When this happens, the definitions of good product and good company will clearly change. This means that products that are not sustainable are at risk of becoming unacceptable to consumers and business partners in the long term. We are indeed at a turning point.

Greater self-perception as a leading company, not a small company

Murai: Mr. Hirano, corporate governance has



Takashi Hirano
Outside Audit & Supervisory Board Member

After working at Yagi & Ushijima (currently Ushijima & Partners, Attorneys-at-Law), Masuda, Funai, Eifert & Mitchell in Chicago, U.S., and serving as the Executive Officer in charge of Law and Corporate Affairs at Microsoft Japan, he currently serves as a Partner of Blakemore & Mitsuki, Audit & Supervisory Board Member (Outside Auditor) of FALTEC Co., Ltd., and Outside Corporate Auditor of Ryobi Limited.

been rapidly becoming more and more advanced recently. What is your view of this?

Hirano: As a company auditor, I constantly keep a close eye on whether the company has fundamental governance principles and rules in place, and I also check whether systems are in place for ensuring those rules are observed. This is because, amid the rapidly growing demands of society on companies, rules are often created in advance, but in reality they turn into a mere formality. In the case of Milbon, I imagine that the company has faced challenges in establishing and strengthening its governance structure given its own coinciding rapid growth.

Murai: As you say, we are currently responding to the very Corporate Governance Code by understanding the intent and essence of each one rather than simply following it.

Hirano: Another point that I was a little concerned about when I met with Milbon employees is that they still may perceive themselves as a small company. In fact, Milbon is the leading company in the market, and because of that, it is viewed more stringently by society. Hence, I think a change in mindset is needed. On the other hand, the fact that all Milbon employees, including the younger generation, are working so enthusiastically is a great strength, and is an asset that we can ill afford to lose. Since governance also has aspects of control, I think that the key point here will be to be mindful of how to strike a balance between the two.

Fukumoto: Again, as you say, there are parts of a company that must be changed, and parts that must not. "Help for hairstylists" is a principle I hear from every employee, and I believe that strict adherence to business based on this principle is something that must not be changed as a funda-

mental aspect of governance. The key to the future will be how to evolve Milbon's systems and structures without changing the fundamentals.

Murai: What do you both think is needed to strengthen governance while maintaining such a sense of balance?

Fukumoto: Milbon is rising to the challenge of new businesses and overseas expansion in anticipation of the next stage. In my view, what is needed at such times is diversity, as is currently being promoted by various companies. In Japan, efforts for ensuring diversity are mainly focused on activities for the greater participation of women. However, a company is a collective of people with diverse values, including age, work history, and underlying culture, not just gender. I believe that creating an organizational structure and corporate culture that allows such employees to maximize their individual strengths will surely lead to stronger governance.

Hirano: The truth is that many people still confuse corporate governance with compliance. Corporate governance is similar to compliance in that they relate to the question of whether appropriate internal controls are in place and whether systems and structures have been established that reduce the likelihood of mistakes. With governance, though, in addition to this, it is also important to establish a unified sense of direction and awareness of where the company should be heading and to create systems and structures aligned to this. Going forward, I think it is imperative that Milbon attaches great importance to governance in order for the entire company to move forward as one team in the same positive direction.

Ascertaining which themes are important for the company and which themes are required by society

Murai: Based on the belief of "building a solid company that won't collapse," Milbon aims to continue growing sustainably, even if incrementally, over the long term. And in terms of management structure, we believe that participating in management over the medium to long term is ideal. One upshot of this is that the term of office for board directors remains unchanged at two years, even though one year is now the norm. What do you two think of this approach?

Fukumoto: While many issues, including sustainability, must be viewed from a long-term perspective, there are also talks to relax the standards for the quarterly disclosure of financial results; so I do not think that two-year terms are in any way contrary to today's world.

Hirano: I agree. On top of that, I believe that any company will face some challenges in its organizational structure and rules as it grows amid changing societal demands. This is all the more

so in an era of shifting consumer expectations of companies and rapid and complex changes in legal regulations. Moreover, many of these challenges are not unique to Milbon, but are shared by all companies in the same boat. If anything, I think it is healthy to keep a sense of challenge.

Murai: Finally, I would like to ask you both about your expectations for Milbon and your aspirations as outside board members.

Fukumoto: I recognize that the recent revision of the Corporate Governance Code has given rise to new stakeholder expectations regarding sustainability and corporate integrity. However, companies do not necessarily have to meet all of those expectations in the same way. It is important to identify and address materialities that are relevant to the company's business and that will lead to increased corporate value. This should also include investor expectations for Milbon, and this is where I would like to help.

Hirano: As Ms. Fukumoto says, the themes of the Governance Code are like hints reflecting investor expectations to management. It is only natural that different companies will consider different themes to be important. On the other hand, speaking with my lawyer's hat on, not addressing the themes that the government is trying to tackle in real earnest could be a considerable risk. For this reason, I think that decisions need to be made based on the indicators of what is important to the company and the direction in which society is headed, and I hope to contribute to Milbon in these areas.

Murai: Thank you very much for your powerful comments. I look forward to your ongoing support for the further development of Milbon.



Masahiro Murai
Managing Executive Director

Joined Milbon in 1992. As a board director, Murai previously served as General Manager of the Corporate Administration Department. Following his appointment as Managing Executive Director, he was in charge of Corporate Administration, Corporate Strategy, CS Promotion, Internal Audit, Finance, and Cosmetics Planning. Currently, Murai serves as the Managing Executive Director in charge of Finance, Corporate Communications, and Sustainability Promotion.



[Click to jump to the relevant page](#)

Performance

Milbon's Performance Data & External Assessments

P 72

[Financial Highlights](#)

P 74

[Non-Financial Highlights](#)

P 76

[External Assessments and Cooperation with Society](#)

P 78

[Company Overview and Stock Information](#)

P 79

[Information Links](#)

Financial Highlights

Financial summary of operating results, financial indicators, etc. for the 11-year period from 2013 to 2023

*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 below 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.

Operating results (million yen)	2013	2014	2015	2016	2017 ^{*1}	2018 ^{*2}	2019	2020	2021	2022	2023
Net Sales	23,829	25,226	27,377	29,134	33,456	33,882	36,266	35,725	41,582	45,238	47,762
Gross profit	16,174	17,281	18,681	20,100	22,797	22,189	23,711	23,385	27,498	29,509	29,525
Operating income	4,302	4,451	4,727	5,113	5,345	6,260	6,751	6,394	7,817	7,551	5,525
Ordinary income	4,059	4,218	4,427	4,733	4,997	5,811	6,231	5,791	7,158	7,829	5,586
Profit attributable to owners of parent	2,516	2,621	2,950	3,069	3,817	4,495	4,517	4,204	5,109	5,577	4,001
Net assets	22,149	24,104	26,212	27,706	31,103	33,151	35,882	36,308	40,197	43,991	45,932
Total assets	26,321	28,138	30,799	32,444	37,642	39,634	41,912	43,075	48,238	52,760	53,391
Cash flows from operating activities	3,511	2,766	3,895	3,355	4,346	6,487	4,486	6,548	6,636	5,008	4,765
Cash flows from investing activities	(1,198)	(1,236)	(2,834)	(4,366)	(1,919)	(1,202)	(2,777)	(161)	(3,995)	(3,865)	(3,109)
Cash flows from financing activities	(1,387)	(1,052)	(1,135)	(1,262)	(1,317)	(1,639)	(1,869)	(3,416)	(1,919)	(2,578)	(2,797)
Depreciation	882	1,008	1,038	1,083	1,278	1,380	1,493	1,609	1,777	2,080	2,275
Capital expenditure	1,680	1,028	2,779	4,262	1,570	1,149	1,605	1,917	4,644	4,097	3,151
Per-share information (yen) ^{*3}	2013	2014	2015	2016	2017 ^{*1}	2018 ^{*2}	2019	2020	2021	2022	2023
Earnings per share	76.42	80.03	90.10	93.73	116.58	137.31	137.99	129.24	157.17	171.49	122.99
Net assets per share	676.17	736.05	800.51	846.16	949.99	1,012.58	1,096.02	1,117.10	1,236.41	1,352.52	1,411.56
Dividends per share	28.33	34.00	37.00	39.00	46.00	54.00	56.00	56.00	68.00	86.00	88.00
Financial indicators (%)	2013	2014	2015	2016	2017 ^{*1}	2018 ^{*2}	2019	2020	2021	2022	2023
Equity ratio	84.1	85.7	85.1	85.4	82.6	83.6	85.6	84.3	83.3	83.4	86.0
Return on equity (ROE)	11.8	11.3	11.7	11.4	13.0	14.0	13.1	11.6	13.4	13.2	8.9
Return on assets (ROA)	10.1	9.6	10.0	9.7	10.9	11.6	11.1	9.9	11.2	10.6	7.5
Gross profit margin	67.9	68.5	68.2	69.0	68.1	65.5	65.4	65.5	66.1	65.2	61.8
Operating margin	18.1	17.6	17.3	17.6	16.0	18.5	18.6	17.9	18.8	16.7	11.6
Ordinary margin	17.0	16.7	16.2	16.2	14.9	17.2	17.2	16.2	17.2	17.3	11.7
Net profit margin	10.6	10.4	10.8	10.5	11.4	13.3	12.5	11.8	12.3	12.3	8.4
Dividend payout ratio (Consolidated)	37.1	42.5	39.3	41.6	39.5	39.3	40.6	43.3	43.3	50.2	71.6
Sales by category (million yen)	2013	2014	2015	2016	2017 ^{*1}	2018 ^{*2}	2019	2020	2021	2022	2023
Haircare products	12,616	14,597	16,195	17,711	19,511	20,222	21,328	21,135	24,466	26,312	28,355
Hair coloring products	9,288	8,817	9,506	9,892	12,095	11,857	12,994	12,594	14,813	16,631	16,953
Permanent wave products	1,623	1,520	1,410	1,260	1,569	1,544	1,515	1,372	1,449	1,450	1,463
Cosmetic products							165	360	579	572	571
Other	301	291	264	270	279	257	263	262	273	272	418
Overseas sales and operating income (million yen)	2013	2014	2015	2016	2017 ^{*1}	2018 ^{*2}	2019	2020	2021	2022	2023
Overseas sales ratio (%)	7.9	10.4	12.8	13.2	16.4	15.7	16.2	16.4	19.1	21.9	23.6
United States net sales	435	482	642	571	736	632	657	464	905	1,328	1,624
United States operating income	1	(32)	80	(19)	(36)	(49)	(252)	(302)	(561)	(168)	(89)
China net sales	281	430	665	737	1,208	1,368	1,488	1,528	2,148	2,114	2,241
China operating income	(63)	(23)	149	81	231	320	343	292	449	(9)	68
South Korea net sales	703	1,099	1,425	1,603	2,440	2,064	2,334	2,543	3,368	4,159	4,715
South Korea operating income	141	192	383	229	534	515	678	645	1,109	1,351	1,284
Other overseas net sales	461	600	763	934	1,089	1,246	1,377	1,307	1,487	2,301	2,678
Other overseas operating income	(136)	(165)	(267)	(233)	(315)	(168)	(195)	(230)	(20)	184	30

Non-Financial Highlights

Quantitative data for 2021–23 from an ESG perspective

Diversity & Inclusion	2021	2022	2023	Target Company
Number of employees *Permanent employees, consolidated	1,038	1,097	1,140	Milbon Group
Ratio of male/female employees (%) *Permanent employees, consolidated	53.3/46.7	51.7/48.3	50.6/49.4	Milbon Group
Number of employees *Permanent employees, non-consolidated	810	842	870	Milbon Co. Ltd.
Ratio of male/female employees (%) *Permanent employees, non-consolidated	58.1/41.9	56.7/43.3	55.4/44.6	Milbon Co. Ltd.
Average length of service (years)	10.3	10.8	10.8	Milbon Co. Ltd.
Average age	35.2	35.5	35.4	Milbon Co. Ltd.
Number of hires *Permanent employees, non-consolidated	62	70	71	Milbon Co. Ltd.
Ratio of male/female hires (%) *Permanent employees, non-consolidated	35.5/64.5	48.6/51.4	49.3/50.7	Milbon Co. Ltd.
Gender pay gap (%) *Permanent/non-permanent employees	70.3/47.2	72.0/52.9	74.3/50.6	Milbon Co. Ltd.
Gender pay gap (%) *All workers	66.6	68.6	70.9	Milbon Co. Ltd.
Yearly turnover rate among new graduates within 3 years (%) ^{*1}	10.2	6.3	13.0	Milbon Co. Ltd.
Yearly turnover rate among new graduates within 3 years (%) for past 5 years ^{*2}	11.7	10.0	10.8	Milbon Co. Ltd.
Ratio of new graduate/mid-career hires (%)	84.8/15.2	65.7/34.3	59.2/40.8	Milbon Co. Ltd.
Turnover rate for total employees (%)	3.6	5.1	4.5	Milbon Co. Ltd.
Turnover rate for management and non-management employees (%)	4.2/3.5	3.0/5.6	1.3/4.5	Milbon Co. Ltd.
Turnover for reasons other than mandatory retirement for total employees (%) ^{*3}	2.5	3.3	3.5	Milbon Co. Ltd.
Turnover for reasons other than mandatory retirement *Management/non-management (%)	0.0/2.9	0.8/3.8	1.3/4.0	Milbon Co. Ltd.
Ratio of female employees in management positions (%)	9.0	10.3	10.9	Milbon Co. Ltd.
Annual working hours (average hours/employee)	2,152	2,065	2,085	Milbon Co. Ltd.
Annual scheduled working hours (average hours/employee)	1,900	1,900	1,900	Milbon Co. Ltd.
Ratio of paid leave taken (%)	59.2	64.0	67.8	Milbon Co. Ltd.
Proportion of employees who took childcare leave (male/female) (%)	19.3/100	20.0/100	25.0/100	Milbon Co. Ltd.
Return rate following childcare leave (male/female) (%)	100/100	100/96.9	100/100	Milbon Co. Ltd.
Number of employees working shortened hours for childcare	23	30	26	Milbon Co. Ltd.
Number of employees taking paid leave for family care	145	175	191	Milbon Co. Ltd.
Number of employees working shortened hours for family care	0	0	0	Milbon Co. Ltd.
Ratio of employees with disabilities (%)	2.13	2.16	2.12	Milbon Co. Ltd.
Number of people with disabilities engaged in work outside their facilities under supported employment	20	23	24	Milbon Co. Ltd.
Number of rehired employees	23	25	35	Milbon Co. Ltd.
Number of temp staff / ratio compared to permanent employees (%) *Non-consolidated	51/5.9	64/7.1	63/6.8	Milbon Co. Ltd.
Number of occupational accidents *Lost time injuries	1	1	0	Milbon Co. Ltd.
Number of occupational accidents *Fatal accidents	0	0	0	Milbon Co. Ltd.
Ratio of employees participating in health checkups (%)	99.6	99.2	98.2	Milbon Co. Ltd.
Ratio of employees participating in stress checks (%)	93.4	93.8	95.5	Milbon Co. Ltd.
Education and training expenses per employee (yen)	103,773	120,458	151,662	Milbon Co. Ltd.
Education and training hours per employee (hours)	86.1	72.9	79.0	Milbon Co. Ltd.
Total number of employees who received training	590	659	725	Milbon Co. Ltd.
Educational Support for Hairstylists	2021	2022	2023	Target Company
Total number of users of educational events/seminars/videos	210,608	187,108	271,154	Milbon Co. Ltd.
Number of registered education:iD members	8,786	23,069	40,000	Milbon Co. Ltd.
Donation Activities (thousands of yen)	2021	2022	2023	Target Company
Save the Children Japan	1,043	1,253	1,163	Milbon Co. Ltd.
JHD&C (NPO)	117	126	171	Milbon Co. Ltd.
Ashinaga Foundation	813	645	594	Milbon Co. Ltd.
Kansai University (Educational Corporation)	1,500	—	—	Milbon Co. Ltd.
Iga Koikukai (Social Welfare Corporation)	—	50	30	Milbon Co. Ltd.
Japan Platform (Specified Nonprofit Corporation)	—	—	10,000	Milbon Co. Ltd.
KIDS EARTH FUND (NPO)	2,299	—	—	Milbon Co. Ltd.
Support for Ukraine	—	14,403	—	Milbon Co. Ltd.
Other donations including research and development grants	50	—	—	Milbon Co. Ltd.
Other	30	130	268	Milbon Co. Ltd.
^{*1} FY2023 example: Percentage of those joined 4/1/2020 who departed by 4/1/2023				
^{*2} FY2023 example: Percentage of those joined from 4/1/2016 to 4/1/2020 who departed in under 3 years				
^{*3} Includes voluntary departures and departures due to death, dismissal, and expired sick leave or other period of absence				
Energy	2021	2022	2023	Target Company
CO ₂ (GHG) emissions *Total emissions (t-CO ₂)	198,014	220,194	272,003	Milbon Co. Ltd.
CO ₂ emissions, Scope 1	1,282	1,280	1,420	Milbon Co. Ltd.
CO ₂ emissions, Scope 2 Market-based	2,559	1,422	972	Milbon Co. Ltd.
CO ₂ emissions, Scope 2 Location-based	3,039	3,124	2,884	Milbon Co. Ltd.
CO ₂ emissions, Scope 1, Yumegaoka Factory	474	500	461	Milbon Co. Ltd. manufacturing plant
CO ₂ emissions, Scope 2 Market-based, Yumegaoka Factory	1,607	440	0	Milbon Co. Ltd. manufacturing plant
CO ₂ emissions, Scope 2 Location-based, Yumegaoka Factory	1,783	504	0	Milbon Co. Ltd. manufacturing plant
CO ₂ emissions, Scope 3 Total	194,173	217,492	269,611	Milbon Co. Ltd.
CO ₂ emissions, Scope 3, Category 1 Purchased products and services	83,417	100,862	144,680	Milbon Co. Ltd.
CO ₂ emissions, Scope 3, Category 2 Capital goods	4,186	4,707	5,915	Milbon Co. Ltd.
CO ₂ emissions, Scope 3, Category 3 Fuel and energy-related activities not included in Scope 1 & 2	308	307	341	Milbon Co. Ltd.
CO ₂ emissions, Scope 3, Category 4 Transportation and distribution (upstream)	17,960	17,343	16,048	Milbon Co. Ltd.
CO ₂ emissions, Scope 3, Category 5 Waste from business	318	388	246	Milbon Co. Ltd.
CO ₂ emissions, Scope 3, Category 6 Business trip	847	1,440	1,490	Milbon Co. Ltd.
CO ₂ emissions, Scope 3, Category 7 Employee commuting	149	269	278	Milbon Co. Ltd.

CO ₂ emissions, Scope 3, Category 11 Use of sold products	85,907	90,954	99,417	Milbon Co. Ltd.
CO ₂ emissions, Scope 3, Category 12 Disposal of sold products	1,081	1,222	1,196	Milbon Co. Ltd.
Electricity consumption - Total ('000 kWh)	6,518	6,990	6,539	Milbon Co. Ltd.
Electricity consumption - Purchased electricity ('000 kWh)	6,466	6,895	6,539	Milbon Co. Ltd.
Electricity consumption - In-house power generation ('000 kWh)	51.8	94.9	91.7	Milbon Co. Ltd.
Electricity consumption - Renewable energy ('000 kWh)	0	3,312	4,842	Milbon Co. Ltd.
Total energy consumption (KL: crude oil equivalent)	2,249	2,383	2,309	Milbon Co. Ltd.
Total energy consumption - Intensity (KL: million yen)	0.067	0.059	0.056	Milbon Co. Ltd.
City gas consumption (km ³)	264	276	252	Milbon Co. Ltd.
Gasoline consumption (kL)	307.1	293.3	376.5	Milbon Co. Ltd.
Warm-water consumption (MJ)	—	730	738	Milbon Co. Ltd.
Heavy oil consumption (kL)	0	0	0	Milbon Co. Ltd. manufacturing plant
Light oil consumption (kL)	0.069	0	0	Milbon Co. Ltd. manufacturing plant
Kerosene consumption (kL)	0	0	0	Milbon Co. Ltd. manufacturing plant

Air emissions	2021	2022	2023	Target Company
NO _x (t)	—	—	—	Milbon Co. Ltd. manufacturing plant
SO _x (t)	0	0	0	Milbon Co. Ltd. manufacturing plant

Waste	2021	2022	2023	Target Company
Waste volume (t)	523.0	415.5	539.6	Milbon Co. Ltd. manufacturing plant

Water resources	2021	2022	2023	Target Company
Water intake - Total (m ³)	47,219	50,261	47,138	Milbon Co. Ltd. manufacturing plant
Water supply - Third-party water sources (m ³)	47,219	50,261	47,138	Milbon Co. Ltd. manufacturing plant
Other (m ³)	0	0	0	Milbon Co. Ltd. manufacturing plant
Water consumption (m ³)	47,219	50,261	47,138	Milbon Co. Ltd. manufacturing plant
Water consumption - Intensity (m ³ /t)	4,900	4,690	4,665	Milbon Co. Ltd. manufacturing plant
Water discharge by destination - Total (m ³)	26,214	29,992	26,359	Milbon Co. Ltd. manufacturing plant
Sewage - Wastewater to third party (m ³)	26,214	29,992	26,359	Milbon Co. Ltd. manufacturing plant
Other (m ³)	0	0	0	Milbon Co. Ltd. manufacturing plant
Number of national statutory violations relating to water intake/discharge	0	0	0	Milbon Co. Ltd. manufacturing plant

Pollution load	2021	2022	2023	Target Company
BOD (t)	5.9	4.2	3.1	Milbon Co. Ltd. manufacturing plant
SS (t)	6.2	3.4	1.9	Milbon Co. Ltd. manufacturing plant
n-HEX (t)	1.4	1.4	1	Milbon Co. Ltd. manufacturing plant

Plastic	2021	2022	2023	Target Company
Consumption (t)	1,054	1,219	1,136	Milbon Co. Ltd. manufacturing plant

Board of Directors	2021	2022	2023	Target Company
Number of Internal Board Directors	6	6	6	Milbon Co. Ltd.
Number of Outside Board Directors	3	5	5	Milbon Co. Ltd.
Ratio of Outside Board Directors (%)	33	45	45	Milbon Co. Ltd.
Ratio of female Board Directors (%)	11	18	18	Milbon Co. Ltd.
Number of Board of Directors meetings	14	13	13	Milbon Co. Ltd.
Attendance rate at Board of Directors meetings (%)	99	100	100	Milbon Co. Ltd.

Audit & Supervisory Board	2021	2022	2023	Target Company
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.

Nominations and Compensation Committees	2021	2022	2023	Target Company
Number of Nominations Committee meetings	2	2	2	Milbon Co. Ltd.
Number of Compensation Committee meetings	2	2	2	Milbon Co. Ltd.
Ratio of Outside Board Directors (%)	75	83	60	Milbon Co. Ltd.

Compliance	2021	2022	2023	Target Company
Number of whistleblowing reports	0	7 ^{*1}	11	Milbon Co. Ltd.
Number of harassment reports	3	2	3	Milbon Co. Ltd.
Number of cases subject to legal measures regarding corruption/bribery	0	0	0	Milbon Co. Ltd.
Political donations - total (thousands of yen)	0	0	0	Milbon Co. Ltd.
Fines, etc. associated with corruption (thousands of yen)	0	0	0	Milbon Co. Ltd.
Number of employees dismissed for violating employment regulations	0	0	0	Milbon Co. Ltd.

Other compliance	2021	2022	2023	Target Company
Compliance awareness survey response rate (%)	93.6	93.3	97.3	Milbon Group

Quality assurance	2021	2022	2023	Target Company
Number of submissions from customers ^{*2}	7,018	8,354	9,470	Milbon Co. Ltd.
Number of voluntary recalls	0	1	1	Milbon Co. Ltd.

^{*1} Increase due to establishment of external reporting/consultation counter and implementation of awareness-raising activities

^{*2} Submissions include inquiries, requests, suggestions, and feedback

For data prior to FY2020, please refer to <https://www.milbon.com/en/ir/management/esg.html>

Environment

Governance

People and society

External Assessments



Awarded the 2020 20th Porter Prize

In 2020, Milbon was awarded the 2020 20th Porter Prize, sponsored by the School of International Corporate Strategy, Hitotsubashi University Business School. Having consistently focused our business on stylists and salons since our establishment in 1960, at the time of receiving the award, we had maintained high profitability, recording 23 consecutive years of revenue growth since the company's listing in 1996, and Milbon has been recognized for the uniqueness of its business strategy that continues its sustainable growth. Going forward, we will continue to maintain a business model focused on stylists and salons, while taking a social perspective and contributing to the realization of an enriching society through beauty.



Recognized as a Certified Health & Productivity Management Outstanding Organization for 2024

Milbon has been recognized as a Certified Health & Productivity Management Outstanding Organization for 2024 by Japan's Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi. This is the fourth consecutive year that Milbon has been certified, and we will continue to strive to implement health and productivity management to boost employee vitality and job satisfaction.



EcoVadis Sustainability Rating: Gold

Milbon's Yumegaoka Factory received a Silver rating in 2022, followed by a Gold rating in 2023, placing ourselves in the top 5% of all companies evaluated.

EcoVadis ratings evaluate a company's sustainability efforts according to 21 CSR criteria across four themes—Environment, Labor & Human Rights, Ethics, and Sustainable Procurement—for the purpose of promoting sustainability within global supply chains. More than 100,000 companies spanning 200 industries in 175 countries and regions have been assessed to date. The Milbon Yumegaoka Factory in particular received a high evaluation in Labor & Human Rights.



**FTSE Blossom
Japan Sector
Relative Index**

Selected as a constituent stock in the FTSE Blossom Japan Sector Relative Index

Milbon was selected as a constituent stock in the FTSE Blossom Japan Sector Relative Index, an ESG investment index. The FTSE Blossom Japan Sector Relative Index is formulated by FTSE Russell, a global index provider.

It is designed as a sector neutral^{*1} benchmark that reflects the performance of Japanese companies that excel in addressing environmental, social, and governance (ESG) issues in their respective sector. Furthermore, in order to promote the transition to a low-carbon economy, only those companies with particularly high greenhouse gas emissions that are recognized for their improvement efforts under the TPI Management Quality score^{*2} are included.

^{*1} To avoid any industry bias, constituent stocks are selected in consideration of the industry ratio of FTSE Japan All Cap Index, the parent index.

^{*2} The Transition Pathway Initiative (TPI), established in 2017 to promote the transition to a low-carbon economy, evaluates the greenhouse gas emissions of companies, and the quality of their management of risks and opportunities associated with a low-carbon transition.

Selected as constituent stock in the MSCI Japan Empowering Women (WIN) Select Index

Milbon was selected as a constituent stock in the MSCI Japan Empowering Women (WIN) Select Index, produced by MSCI, a leading financial services company in the United States. It is one of the ESG indices developed by MSCI and looks at the top 700 Japanese companies by market capitalization (based on the MSCI Japan IMI Top 700 Index), and selects outstanding companies based on their disclosure information on gender diversity, such as the ratio of female managers and the ratio of female employees to new hires.

^{*}The inclusion of Milbon Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks, or index names, do not constitute a sponsorship, endorsement, or promotion of Milbon by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

2023 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)

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.



Ordinary member of the Roundtable on Sustainable Palm Oil (RSPO)

In March 2022, Milbon was approved as an Ordinary Member of the Roundtable on Sustainable Palm Oil (RSPO), which was established by concerned organizations including the World Wide Fund for Nature.

Milbon has also been a member of the Japan Sustainable Palm Oil Network (JaSPON), participating in information exchange and other activities, since January 2020.

*Check out RSPO progress at www.rsponet.org



4-1421-22-100-01

JaSPON
Japan Sustainable Palm Oil Network

Support for TCFD recommendations and TCFD Consortium membership

In January 2023, Milbon declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and became a member of the TCFD Consortium, a Japanese organization comprised of corporations supporting TCFD recommendations. We view action on climate change as a pressing issue for management and have incorporated it into the Five Key Challenges for achieving sustainability. We will continue to set goals and promote initiatives to reduce our environmental impact and proactively disclose information to our stakeholders.



Joined the 30by30 Alliance for Biodiversity

Milbon joined the 30by30 Alliance for Biodiversity on October 10, 2023. The Alliance is based on the G7 2030 Nature Compact adopted at the G7 Summit held in June 2021, and aims to conserve and protect at least 30% of terrestrial and marine areas by 2030 to halt and restore biodiversity loss. Japan's Ministry of the Environment (MOE) is the initiator of this alliance, and was established by a group of companies, local governments, nonprofit organizations, and others to promote the expansion of national parks, *satoyama* (rural areas where nature and people coexist), corporate forests, etc. to be registered in the international database as OECM* and to actively disseminate these efforts.

As a manufacturer dedicated to enriching the spirit through beauty, Milbon will continue to value the bounty and abundance that biodiversity offers to society at large, and actively engage in activities for protecting our global environment.

^{*}Other Effective area-based Conservation Measures refers to areas being conserved through private-sector efforts, and areas where management not aimed at conservation has contributed to protection of the natural environment.



Company Overview and Stock Information

As of December 31, 2023

Company overview

Trading Name:	Milbon Co., Ltd.
Established:	July 1960
Capital:	2.0 billion yen
Number of employees:	Non-consolidated : 870 / Consolidated : 1,140
Head Office:	Kyobashi Edogrand, 2-2-1 Kyobashi, Chuo-ku, Tokyo
Central Research Institute:	2-3-35 Zengenji-cho, Miyakojima-ku, Osaka-shi, Osaka
Innovation Center:	HANEDA INNOVATION CITY ZONE B_2-1, 1-1-4, Haneda Airport, Ota-ku, Tokyo
Training Center:	2-15-14 Chuo, Joto-ku, Osaka-shi, Osaka
Branches:	Tokyo Aoyama / Tokyo Ginza / Saitama / Nagoya / Kyoto / Osaka / Hiroshima / Fukuoka
Sales Offices:	Sapporo / Sendai / Niigata / Jingumae / Yokohama / Kanazawa / Shizuoka / Kobe / Okayama / Matsuyama / Kumamoto
Manufacturing plant:	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. / Milbon Europe GmbH
Affiliated Company:	Kosé Milbon Cosmetics Co., Ltd.
Representative Offices:	Taiwan / Hong Kong / Turkey / Indonesia / Philippines

Stock information

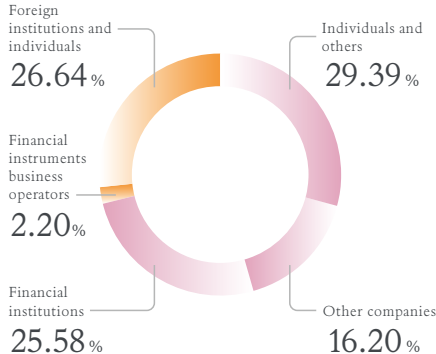
Listed Stock Exchange:	Tokyo Stock Exchange
Prime Market,	
Stock code:	4919
Total number of shares authorized:	120,408,000
Total number of shares outstanding:	33,117,234
Number of shareholders:	22,687

Principal shareholders (Top 10)

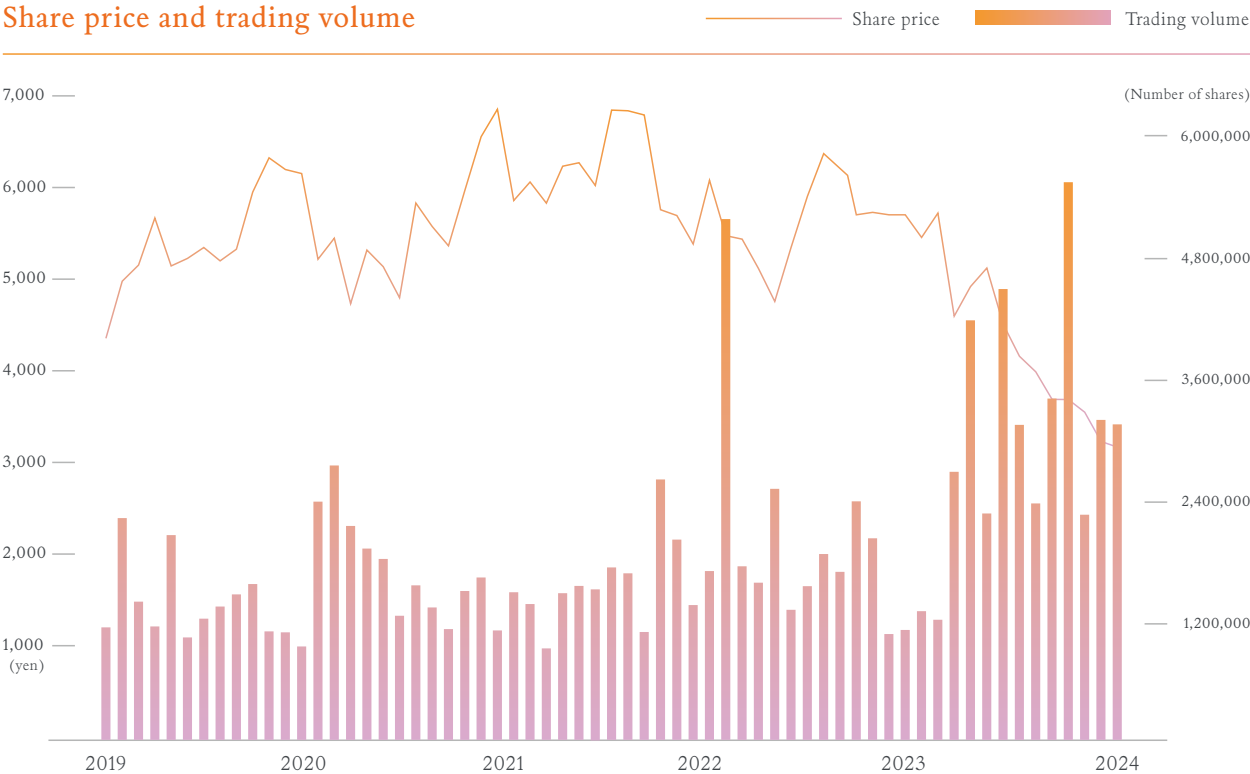
Shareholder	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd.	4,269,100	13.12 %
Konoike Asset Management Company	1,920,000	5.90 %
SSBTC CLIENT OMNIBUS ACCOUNT	1,469,954	4.52 %
SMBC Trust Bank Ltd. Designated Securities Trust	1,328,000	4.08 %
Custody Bank of Japan, Ltd. (Trust account)	1,029,000	3.16 %
MISAKI ENGAGEMENT MASTSER FUND	1,017,400	3.13 %
Kazunobu Konoike	867,017	2.66 %
MILBON Employee Stock Ownership Association	640,620	1.97 %
THE BANK OF NEW YORK MELLON 140042	487,619	1.50 %
Keiko Murai	483,624	1.49 %

*Shareholding ratio is calculated excluding treasury stock (577,107 shares).

Shareholding ratio by shareholder



Share price and trading volume



Information Links

Corporate Information



Milbon Co., Ltd. website

<https://www.milbon.com/en/>



Management Philosophy/Business Domain

<https://www.milbon.com/en/company/>



Corporate History

<https://www.milbon.com/en/company/history/>



Our Offices

<https://www.milbon.com/en/company/office/>



The Way We Are

https://www.milbon.com/en/company/way_we_are/



Our Brands

<https://www.milbon.com/en/brand/>

Sustainability & ESG-related Information



Sustainability

<https://www.milbon.com/en/sustainability/>



ESG/SDGs Matrix and Five Key Challenges

https://www.milbon.com/en/sustainability/esg_sdgsmatrix.html



Governance

- Fundamental Policy
- Corporate Governance Structure

<https://www.milbon.com/en/ir/management/governance.html>



Environment

- The Milbon Group's Environmental Policies
- Response to Climate Change
- Response to Water Resources
- Waste and Environmental Pollution
- Supply Chain Management

<https://www.milbon.com/en/sustainability/environment/>



Our Employees and Society

- Milbon Human Rights Policy
- Use of RSPO-Certified Palm Oil
- Hiring Persons with Disabilities
- Investment in Employee Growth
- Supporting Women's Empowerment
- Health & Productivity Management

<https://www.milbon.com/en/sustainability/humanrights/>

IR-related Information



Information for shareholders and investors (IR)

<https://www.milbon.com/en/ir/>



Management Information

- Medium-Term Management Plan
- ESG Data

<https://www.milbon.com/en/ir/management/>



Financial Highlights

<https://www.milbon.com/en/ir/finance/>



IR Library

- Financial Materials
- Securities Report
- Sponsored Research Report
- IR Calendar

<https://www.milbon.com/en/ir/library/>



Stock Information

https://www.milbon.com/en/ir/stock_bond/



IR News

<https://www.milbon.com/en/ir/news/>

From our foundation, into the future.

Leading the future of beauty with core values.

We at Milbon,
alongside hairstylists,
will continue creating a chain of beauty and inspiration around the world,
as a Japan-based global professional haircare manufacturer.

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m i l b o n

Find Your Beauty