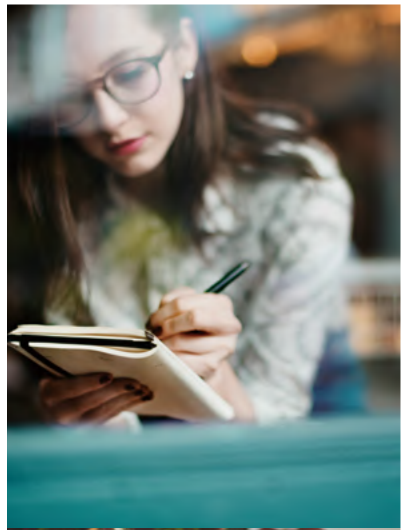
Find Your Beauty

MILBON INTEGRATED REPORT 2026



To live beautifully is to live positively,
to live with gentleness and softness,
with dignity and grace.

It is also to live true to yourself,
with a rich and fulfilling spirit.

The desire to be beautiful is universal—
a pure aspiration that transcends age, gender, country, and region.
No matter how old you are, or how old you become,
no matter who you are with or where you are,
it is a timeless desire that never changes.

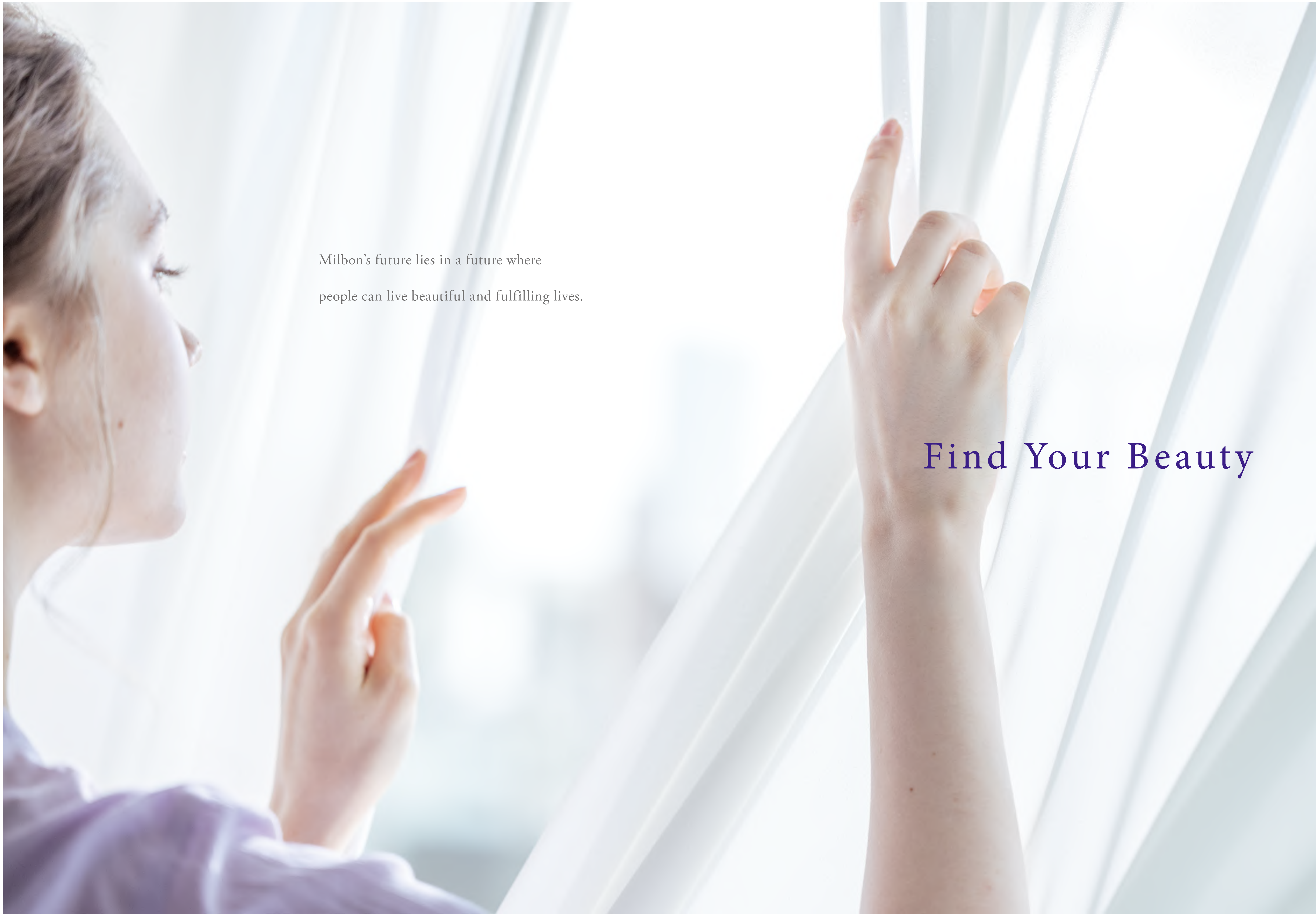
A world where all people can live beautifully,

and with fulfillment throughout their lives.

A world where hair designers can continue to

support people's aspirations

throughout their lives.


Milbon's future lies in a future where
people can live beautiful and fulfilling lives.
Find Your Beauty

Top Message

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

Top Message

Charting a Course for Robust Growth Toward the Future

Since its founding in 1960, Milbon has continued to grow sustainably in Japan and now on the global stage, guided by its core philosophy, "Everything we do, we do for and with hair professionals." In FY2025, we set a new all-time high in consolidated net sales of 52.86 billion yen, buoyed by stable domestic support and faster-than-expected growth in European and North American markets. As we enter FY2026, the final year of our 2022–26 Medium-Term Management Plan, and look ahead toward the next medium-term plan, we share this message from President & CEO Hidenori Sakashita.

FY2025 Initiatives, Achievements, Challenges, and Review

Achieved the sales and profit targets of the revised plan, with consolidated net sales reaching an all-time high of 52.86 billion yen

Milbon is a global professional manufacturer specializing in salon-exclusive hair cosmetics and related services, operating under the corporate slogan, "Find Your Beauty." Milbon currently holds a leading position in the Japanese market, while globally, through operations in 14 countries and regions, including Japan, we work with hair professionals to inspire beautiful living worldwide and contribute to a spiritually enriched society.

As uncertainty grows and change accelerates, the modern era demands greater speed and agility in management decision-making. In this context, we view FY2025 as a year in which we achieved a certain level of results through prompt and flexible responses, despite being impacted by various changes in the external environment. While we were compelled to partially revise our initial forecasts downward—mainly due to sluggish domestic sales in the first half and an increase in inventory write-downs—actual results for both sales and profit surpassed the revised plan, and consolidated net sales reached an all-time high of 52.86 billion yen. In particular, significant expansion in Europe and North America, our key global growth regions, drove growth, and Milbon's overseas sales ratio surpassed 25% for the first time, marking a significant turning point in our journey to becoming a Japan-originated global company. Regarding operating income, we recorded a year-on-year decrease to 5.65 billion yen due to factors including inventory write-downs, impairment losses on investment securities, foreign exchange impacts, and increased sales promotion expenses. We recognize that improving profitability is a critical management priority that requires further intensified efforts.

Haircare serves as a foundation for growth, while new styling products reaffirm Milbon's unique value proposition

Japan

The domestic market in FY2025 presented a challenging environment as beauty-related spending was constrained by the so-called "Reiwa rice crisis" and inflationary pressures. Although we faced difficult phases particularly in the first half, performance recovered toward the fourth quarter. Consequently, net sales reached 39.2 billion yen (up 1.3% year-on-year) and operating income finished at 4.75 billion yen (down 17.9% year-on-year), both of which surpassed our revised plan.

In particular, support for Milbon's core haircare brands remains resilient, serving as the foundation for growth in Japan. In addition, our innovative new styling product, OW BYE TORI, achieved more than twice its sales target. This achievement demonstrated the true worth of our unique value proposition—namely, that products and concepts developed through TAC Product Development in collaboration with highly acclaimed hair designers resonate with distributors through the work of our Field Persons (FPs; sales and education staff) and effectively reach both hair professionals and consumers. This success provided an opportunity to return to the roots of the inherent strengths of Milbon's business model, which combines product development capabilities backed by industry-leading knowledge in basic and foundational hair and scalp research with frontline excellence driven by a relentless commitment to hair salons. For our junior employees, moreover, it was a valuable experience that allowed them to personally feel the

intrinsic job satisfaction Milbon offers.
Although revenue in the hair coloring category declined due to intensifying price competition, high-value-added products, such as Villa Lodola, performed steadily. This has reaffirmed for us the importance of not simply falling into price competition, but rather identifying market shifts and addressing these and the challenges faced by hair salons through high-value-added hair coloring products that only Milbon can propose and deliver. In cosmetics, despite a significant decline in revenue—representing a pullback from the hit products of FY2024—sales of lotions with strong repeat purchase potential remained firm. This provided valuable insights into a viable path for success in the cosmetics business that we can apply to future product development. Regarding the price revisions for existing products implemented in May 2025, while there was a substantial immediate drop in volume following the surge in front-loaded demand, sales volumes recovered from October through to the end of the year, contributing positively to gross profit.

Registered milbon:iD members surpasses 1 million one year ahead of schedule

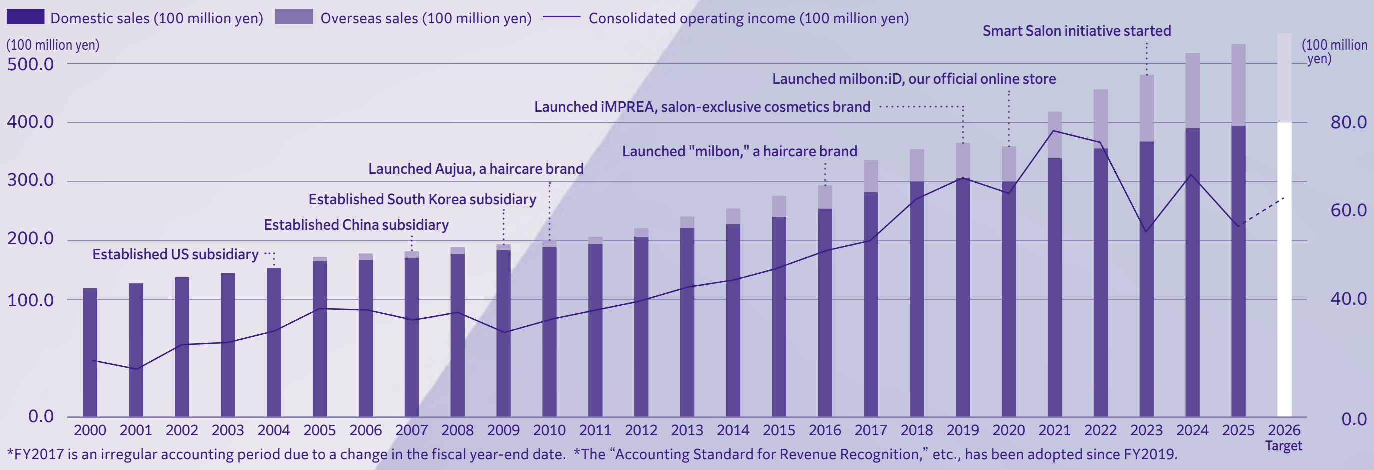
We made significant progress in Salon-based Social Innovation, our domestic market strategy under the 2022–26 Medium-Term Management Plan. Registered members of our official online store, milbon:iD, reached 1.04 million in 2025, surpassing the 1 million target one year ahead of schedule. Additionally, Smart Salons, through which we create new salon experiences together with participating hair salons, has grown to 83 locations across 60 cities nationwide in the two years since its full-scale rollout in FY2024. We are also seeing successful examples of dramatic improvements in the percentage of customers purchasing take-home products—a critical productivity challenge for hair salons that remained unresolved for years.
In addition, during Expo 2025 Osaka, Kansai, which was held from April to October, we sponsored and hosted a booth at the Osaka Healthcare Pavilion and showcased our vision for the future of hair salons to a global audience. On top of the boost in brand awareness resulting from approximately 290,000 people experiencing our booth, we were able to acquire Personal Health Record (PHR) data for approximately 480,000 individuals through our sponsorship. Moving forward, we will leverage this data in our research and development efforts.

Overseas sales reach 108.1% year-on-year, driven by accelerated growth in our key regions of North America and the EU

Global

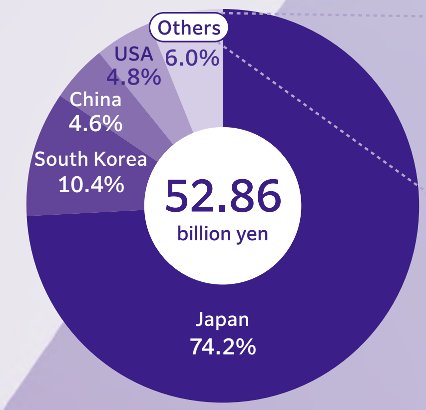
In the global market in FY2025, we vigorously promoted our global Seven Regions strategy, which aims to establish a system of local production for local consumption in the beauty domain. Driven by the European and North American markets—key regions where growth accelerated in particular—overseas sales grew to 13.65 billion yen, an 8.1% increase year-on-year.
In the North America region, we recorded robust sales growth, a 27.3% increase year-on-year, as a result of expanding the number of salons carrying our products. This success was achieved through a combination of deepening our collaborative structures with distributors covering the entire United States, strong product evaluations, and the strengthening of our branding through ambassador partnerships with renowned hair professionals. Notably, among our distributors in Los Angeles—which we designated as a top-priority area—we secured the No. 1 annual in-store share for the first time, successfully achieving No. 1 position in a targeted area.
Furthermore, in the EU region—an advanced beauty market—we achieved significant growth, a 63.0% increase year-on-year, in net sales on a local-currency basis. This was a result of an expansion in the number of salons adopting our products in Germany where we are utilizing commission-based contracts with sales representatives who have sales experience at competing manufacturers. We believe this accelerated growth in Europe and North America demonstrates the fact that we are fully capable of competing effectively even in these advanced beauty markets.
Additionally, in the South Korea region—which serves as a hub for beauty trends across Asia and beyond, and where we already hold the second-largest market share—we achieved our targets for both sales and profit on a local-currency basis and maintained a high operating margin of 19.5%, despite being affected by factors such as political instability. Support from young hair professionals in central Seoul, who represent the future of the market, is increasing year by year thanks to major events targeting hair professionals, and this has allowed us to make steady progress toward achieving the top position in the South Korean market, which is a key area in our broader goal to become No. 1 in Asia outside of Japan.
In the Chinese market, even as the challenging market environment persists and competitors across the board struggle, our consistent, steady proposal-based activities with hair salons have built trust, enabling us to secure growth in both sales and profit that exceeded our plans. Together with our performance in South Korea, I believe this is a testament to our underlying strength, which remains resilient regardless of market conditions.
Currently, the global market has entered an era of uncertainty similar to Japan, and the consumer market remains unstable. It is precisely because of these circumstances that our unwavering commitment to driving greater sales and profits for hair salons has helped us earn the trust of salons, hair professionals, and distributors, serving as a major driver of growth in the global market. Furthermore, products developed through overseas TAC Product Development initiatives are highly regarded, and our efforts to promote a system of local production for local consumption in the beauty domain—achieved by strengthening collaboration between our three global production facilities and R&D bases—are steadily taking shape.

Net Sales and Operating Income

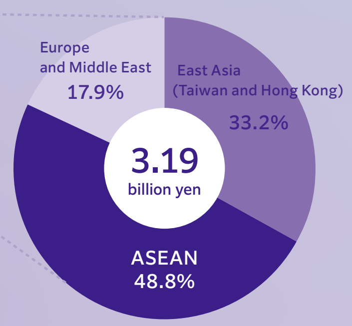


*FY2017 is an irregular accounting period due to a change in the fiscal year-end date. *The "Accounting Standard for Revenue Recognition," etc., has been adopted since FY2019.

Breakdown of Net Sales by Country (FY2025)

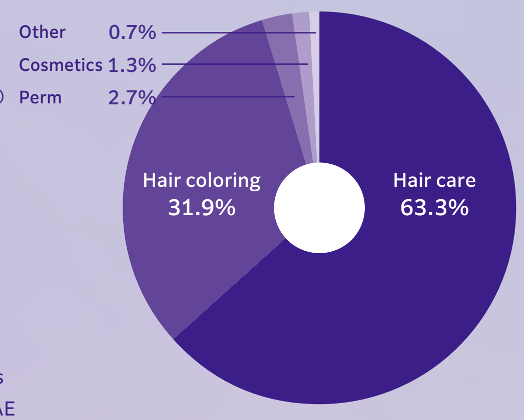


Sales in Other Countries and Regions



ASEAN: Malaysia, Thailand, Singapore, Vietnam, Indonesia, Philippines
Europe and Middle East: EU, Turkey, UAE

Composition of Sales by Product Category



Most Recent Operating Results and Goals

(Unit: million yen)		FY2024 results	FY2025 results	Diff.	Diff. (%)	Actual Diff. Rate (%) *	FY2025 Revised Target	FY2026 Revised Target	Diff.	Diff. (%)	Actual Diff. Rate (%) *
Consolidated	Net Sales	51,316	52,863	1,546	3.0%	-	52,300	54,800	1,936	3.7%	-
	Operating Income	6,839	5,652	△ 1,186	△ 17.4%	-	5,300	6,300	647	11.4%	-
	Margin	13.3%	10.7%	-	-	-	10.1%	11.5%	-	-	-
Domestic	Net Sales	38,684	39,206	521	1.3%	1.3%	38,900	39,880	673	1.7%	1.7%
Overseas	Net Sales	12,631	13,657	1,025	8.1%	10.6%	13,400	14,920	1,262	9.2%	8.1%

*Figures are the rates of change in real terms on a local-currency basis.

Achievements

- Registered members of Milbon's official online store, milbon:iD, surpassed 1 million
- Approximately 290,000 visitors experienced the Milbon booth at the Osaka Healthcare Pavilion at Expo 2025 Osaka, Kansai
- New styling product OW BYE TORI achieved results approximately 2.3 times higher than plan
- Overseas sales increased 8.1% year-on-year, driven by strong growth in the European and North American regions

Challenges

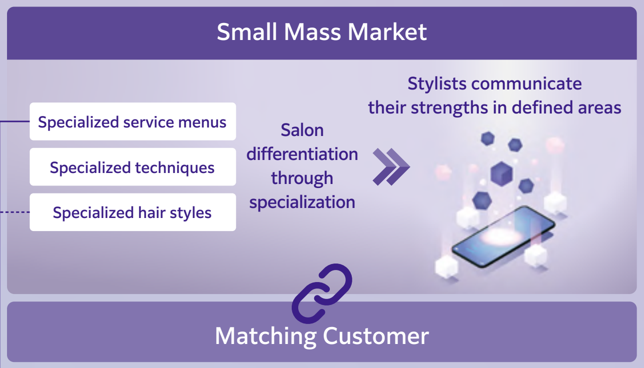
- Reforming the cost structure, optimizing inventory control, and improving capital efficiency to enhance profitability
- Strengthening investment discipline and monitoring systems while maintaining a policy of proactive growth investment
- Further strengthening the human capital foundation and improving labor productivity per employee
- Responding to domestic market challenges, including population decline and rising prices

FY2026 Initiatives: The Culmination of the Medium-Term Management Plan

Education and products to meet the diverse needs of the small mass market

Japan

FY2026 marks the culmination of our 2022–26 Medium-Term Management Plan. We aim to achieve consolidated net sales of 54.8 billion yen (up 3.7% year-on-year) and operating income of 6.3 billion yen (up 11.4% year-on-year). These targets have been revised downward from the FY2026 targets announced in February 2025, primarily due to the difficulty of meeting domestic sales targets and the impact of factors such as inventory write-downs. On the other hand, for overseas sales, we have set a target of 14.9 billion yen—surpassing the 14.3 billion yen originally set in 2022—reflecting business growth that is outpacing our initial expectations at the launch of the current medium-term management plan. Given these circumstances, our priorities for FY2026 are to drive top-line growth by realizing domestic growth, ensure the continued expansion of overseas sales, particularly in Europe and North America where growth is accelerating, and improve profitability by addressing changes in cost structures and implementing appropriate inventory controls. Additionally, we aim to enhance profit margins through improved capital efficiency.
Furthermore, in the domestic market, as we enter an era of population decline and declining salon customer numbers, the keys to contributing to greater sales and profits for hair salons are increasing the unit prices of salon menu items through high-value-added products and educational support, alongside our growth strategy for take-home products. To this end, by leveraging our strong product development capabilities and frontline excellence, we will promote a new model for driving greater sales and profits for hair salons that uses exceptional in-salon experiences as a starting point to drive take-home product purchases and further increase customer retention rates. In this effort, milbon:iD—which has surpassed 1 million registered members—and our expanding network of Smart Salons will play a key role in improving productivity.
Moreover, in recent years, as obtaining beauty information through social media has become commonplace, the small mass market—which addresses specific needs and concerns such as hair quality improvement, Korean-style hairstyles, and layered styles—has become highly active. This means we are no longer in an era where a manufacturer can simply focus on a specific product category, as was possible during the previous haircare era or hair coloring era. To address the multiple specific needs that exist today, hair salons must also not only adapt their information-gathering methods and strategically facilitate matching between hair professionals and customers, but they also require products and menus tailored to each specific need. As a comprehensive manufacturer, we are uniquely positioned to make this a reality. Therefore, in FY2026, we will strengthen our educational support to help individual hair professionals enhance their strengths in specific domains aligned with their interests and talents, while reinforcing product development with clearly defined targets.
In the hair coloring category, we will launch PRETOWA as our premium hair color brand to revitalize the market and support the creation of premium-priced color menus. This innovative new brand enables hair coloring while enhancing the hair's natural texture through the use of our proprietary ingredients, which have been recognized at international scientific conferences. We will also capture opportunities in the small mass market by rolling out styling products that address specific trend styles and concerns, alongside our first-ever venture into products for the men's market, while ensuring these efforts are closely coordinated with the individual salon support provided by our FPs.



Mature segment

● Hair color
Enhance the value of salon color offerings through the launch of the new brand PRETOWA and support customer-focused color menu development to restore growth

● Hair care
Enhance the value of professional in-salon menus and take-home products through the launch of a new line under Aujua

Younger segment

● Hair care and styling
Take-home product offerings addressing trends, specific hair concerns such as frizz, and men's needs

Becoming an indispensable partner to hair salons worldwide through product excellence, education, and solutions to key issues

Global

In the North America region, one of our key regions globally, we will pursue growth through the twin pillars of haircare and hair coloring. We will do this by leveraging the momentum from achieving the No. 1 in-store share in Los Angeles in FY2025—which significantly enhanced our brand presence—while strengthening collaborative structures primarily with distributors in the US Midwest and Canada and advancing ambassador partnerships with globally influential colorists. We plan to focus on expanding our share in Texas as the next key region, given its strong alignment with beauty trends in Los Angeles.
Next, in the EU region, we will build on our success in Germany while also looking toward potential collaborations with distributors across the EU. As we expand into additional countries across the region, we will also advance ambassador partnerships with colorists, similar to our strategy in North America, to serve as a catalyst for further growth.
Furthermore, in the South Korea region, we will continue to rigorously pursue market share in the hair coloring segment while strengthening initiatives centered on our flagship brands to increase our share in the haircare segment. Additionally, given the high local demand for perm products, we are preparing new products through TAC Product Development as we aim to enhance our presence across the entire Asian market and achieve the No. 1 position in the South Korean market during the next medium-term management plan.

Toward a Future of Prosperity Together with All Our Stakeholders

Balancing growth investment and shareholder returns while strengthening balance sheet management with ROE as a key indicator

Building on FY2026, the final year of our 2022–26 Medium-Term Management Plan, we will implement further improvements as we look toward our next medium-term plan. This includes strengthening management mindful of capital costs and stock prices and aiming to achieve an ROE of 10% as early as possible. To achieve these goals, we view the improvement of our profit margins, which have been on a downward trend, as an urgent priority, and addressing soaring costs of raw materials and logistics is essential to this effort. Above all, regarding our people—our greatest asset—we will pursue increased productivity per employee while managing total personnel costs over the medium term. We will also strive to curb inventory write-downs, which have been weighing on our profit margins, by refining our sales planning and streamlining our SKUs.
Under our cash allocation policy aimed at improving capital efficiency, we prioritize growth investments while also proactively providing shareholder returns. Our basic policy is to maintain progressive dividends with a target dividend payout ratio of 50%, and we will consider flexible share buybacks based on financial performance, share price trends, and cash on hand. In fact, in August 2025, we executed our first-ever share buyback of up to 2.0 billion yen. Moving forward, we will continue to examine shareholder return measures while also taking into account our dividend on equity (DOE).
Regarding growth investments, we have established a policy to utilize interest-bearing debt from the perspective of improving capital efficiency. However, concerning the expansion of the Yumegaoka Factory that was planned for FY2026, we have decided to temporarily suspend and re-evaluate the project in light of domestic sales trends and other factors. Furthermore, we will reorganize the Investment Committee and implement rigorous monitoring of investment management, including the withdrawal from existing investments with limited profit contribution, in order to improve profitability.

Achieved many 2026 targets ahead of schedule, including in all environmental targets

Regarding our sustainability initiatives, we recognize that for us to continue contributing to society through our business into the future, it is essential—and indeed our responsibility—to ensure that society itself, including hair salons, our company, and the relevant supply chain, remains sustainable. We have identified and prioritized Five Key Challenges as Milbon materialities, and these initiatives are yielding tangible results. For instance, by FY2025, we had achieved many of our targets ahead of schedule, including all environmental KPIs. We are currently reviewing our materialities in preparation for our next medium-term management plan, and we intend to accelerate our efforts by formulating even more effective materialities.

Steadily advancing reforms through human capital management and enhanced governance

In advancing our human capital management, we have long invested in our people as our most important management resource, as they are the foundation of our business model and the source of our added value. In addition to identifying "realizing a rewarding work environment" as one of our Five Key Challenges, we have established five key human resources strategy themes as part of our human resources strategy aligned with our medium-term management plan. I personally engage in discussions with employees across the company, and in FY2025, our newly established Human Resources Development Center in Odawara City, Kanagawa Prefecture, began operations.
Furthermore, we are also strengthening corporate governance, which we have designated as one of our Five Key Challenges. Following deliberations in FY2025, we transitioned the Executive Officer System from the previous employment-based model to a delegated-type model starting in FY2026 with the aim of strengthening the management perspective of Executive Officers, who serve as the primary members of the Management Meeting. In addition, we have merged the previously separate Nomination Committee and Compensation Committee into a single Nomination and Compensation Committee to establish a structure for more efficient deliberations.
With a view to building a medium- to long-term management structure, in FY2025, ahead of the next iteration of Milbon Corporate University (MCU)—our unique leadership development initiative—we launched MCU-Prep as a preparatory program for young leadership candidates in their 30s. Furthermore, we are systematizing our succession management framework, which consistently handles everything from the selection and evaluation of next-generation executive candidates to development opportunities and appointment decisions. We will ensure that this system functions effectively to build an organization in which leaders continuously emerge and develop.

Long-Term Capital Allocation Policy

Source	Category of Investment		Main Uses of Funds (Up to 2026)	Main Uses of Funds (2027 and Beyond)
Cash on hand + Interest-bearing debt + Operating cash flow	Growth Investments (Top priority)	For existing business	· HR Development Center in Odawara · Expansion of Yumegaoka Factory (suspended, reconsidered in the next mid-term plan) · Investment in R&D	· Investment to accelerate overseas growth · Investment in DX · Strengthening of the production and supply system · Investment in R&D, etc.
		For new business and overseas growth	· Investment in DX (milbon:iD and Smart Salon) · Strengthening investment in the US and EU	
	Shareholder Returns		· Dividend (dividend payout ratio of 50% + progressive dividends) · Share buyback (total payout ratio 50% or more)	· Dividend (dividend payout ratio of 50% + progressive dividends) · Share buyback (total payout ratio 50% or more)

Shareholder Returns

Shareholder Returns Policy

- Target total payout ratio of 50%
- Progressive dividend
- Prioritizing growth investments, while allocating surplus funds to flexible share repurchases

	FY2022	FY2023	FY2024	FY2025	FY2026 (Target)
Dividend Per Share (yen)	86	88	88	88	88
Dividend (million yen)	2,797	2,863	2,865	2,829	2,796
Share Repurchase (million yen)	–	–	–	1,999	–
Total Payout Ratio (%)	50.2%	71.6%	57.1%	140.5%	65.0%

Progress on the Five Key Challenges of Sustainability Commitment

KPI Number of registered milbon:iD members

2024 results	2025 results	2026 target
870,000	1,040,000 (YoY: +170,000)	1,000,000

KPI Number of cities where Milbon knowledge-based product sales (Smart Salon) is implemented

2024 results	2025 results	2026 target
62 salons in 50 cities	83 salons in 60 cities (YoY: +21 salons in 10 cities)	500 salons in 100 major cities in Japan

KPI Number of registered education:iD members

2024 results	2025 results	2026 target
51,000	65,000 (YoY: +14,000)	100,000

KPI Reduction rate of CO_2 emissions at Yumegaoka Factory *Compared to 2019 levels

2024 results	2025 results	2026 target
82.2%	81.4% (YoY: -0.8 points)	75%

KPI Reduction rate of petroleum-derived virgin plastic use *Compared to 2020 levels, per unit of sales

2024 results	2025 results	2026 target
11.6%	16.4% (YoY: +4.8 points)	15%

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

2024 results	2025 results	2026 target
24.4%	50.8% (YoY: +26.4 points)	50%

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

2024 results	2025 results	2026 target
11.7%	12.8% (YoY: +1.1 points)	9%

KPI Paid leave utilization rate

2024 results	2025 results	2026 target
72.9%	75.6% (YoY: +2.7 points)	70%

Fiercely Committed to the Very Core of Milbon's Identity

Since our IPO in 1996, we have achieved continuous revenue growth in every fiscal year to date, excluding FY2020 when COVID-19 struck. Embracing our founding spirit of "Everything we do, we do for and with hair professionals," our journey is defined by our unwavering dedication to hair professionals and hair salons worldwide as we grow and thrive together.

Against this backdrop, FY2025 was a year to reaffirm our identity and our core strengths. Through visiting 300 salons and engaging in discussions with every employee, I now have a clear vision of the path we should take.

As we enter the final year of the 2022–26 Medium-Term Management Plan and look ahead toward a new beginning with our next medium-term plan, we are once again returning to our founding principles and re-examining the core strengths that define the essence of Milbon. By remaining fiercely committed to the very core of what Milbon should do for haircare professionals and hair salons, we will strengthen our foundation and chart an even more robust growth trajectory on the global stage.

Milbon's journey toward becoming the world's No. 1 professional haircare manufacturer begins with winning the support of one hair professional and one salon at a time. We firmly believe that realizing our vision depends on steadily building a track record of becoming No. 1 in specific fields.

To all our stakeholders, as we strive to further enhance corporate value, we sincerely hope you will join us in our long-term journey toward realizing a spiritually enriched society through beauty.

Hidenori Sakashita

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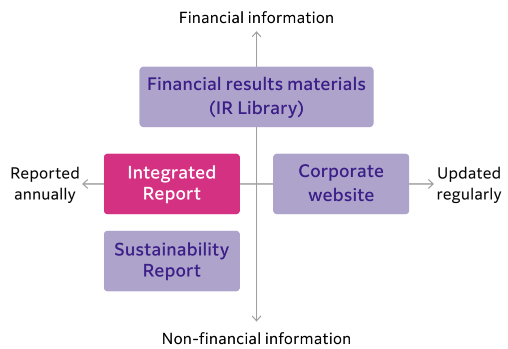
We would appreciate your feedback on this Integrated Report. Please access the survey form (Japanese only) via the two-dimensional code.

Disclosure System

Milbon discloses its initiatives through various media, tailored to the type of information and the interests of its stakeholders. Positioned as an annual disclosure document that integrates financial and non-financial information, this Integrated Report comprehensively communicates Milbon's business model, philosophy, strategies, business outcomes, future goals, sustainability initiatives, and other key activities.



Integrated Report	Annually	Based on our business model and corporate philosophy, we report once a year on business results for the past year, as well as future goals and sustainability-related activities.
Sustainability Report	Annually	We report detailed information on sustainability-related activities once a year. https://www.milbon.com/en/uploads/docs/milbon_SustainabilityReport_en_260430.pdf
IR Library	Primarily quarterly	This section focuses on financial information, including business performance and financial statements, and features materials such as earnings releases, earnings presentation materials, and annual securities reports. Please visit the IR Library webpage. https://www.milbon.com/en/ir/library/
Corporate website	Regularly	We provide comprehensive information on both financial and non-financial matters, including basic corporate information, on an ongoing basis. Please visit the shareholder and investor information page. https://www.milbon.com/en/ir/ Please visit the Sustainability page. https://www.milbon.com/en/sustainability/

Reporting period of this Integrated Report

This report covers the fiscal year 2025 (January 2025–December 2025). However, when presenting historical background, data, or case studies, information outside of this period may also be included.

Scope of organizations covered by this Integrated Report

Milbon Co., Ltd. and its consolidated subsidiaries

Disclaimer regarding forward-looking statements

Forward-looking statements, including performance forecasts, contained in this Integrated Report are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results and outcomes may differ materially due to various risk factors.

The Way

Our Approach to Value Creation

Milbon is a global professional haircare manufacturer that supports beautiful living through hair professionals and salons around the world under its corporate slogan, "Find Your Beauty," while contributing to the realization of a society enriched in mind and spirit. This chapter explains "Our Approach to Value Creation," including our unique business model, our journey to date, and the sources of our growth.

Top Message » Our Approach to Value Creation (The Way) ‹ Strategic Focus on Value Creation (Focus) › ‹ Foundations for Value Creation (Sustainability & ESG) › Outcomes of Value Creation (Performance)

● Corporate Slogan **Find Your Beauty**

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

Our Essential Purpose

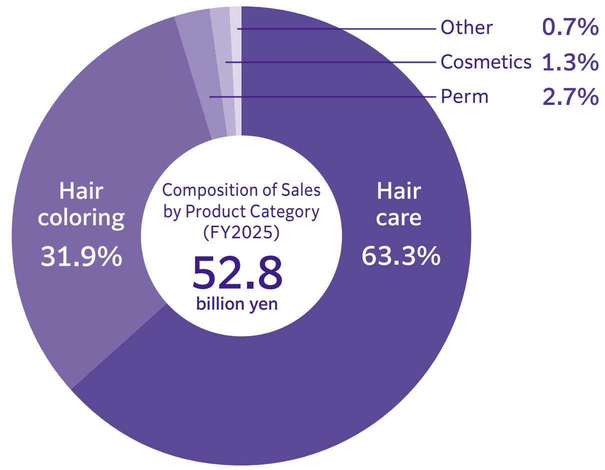
Inspiring beautiful living through hair salons in line with the aspirations of our founder

Milbon is a global professional haircare manufacturer based in Japan working with the haircare industry worldwide to inspire beautiful living around the world under the corporate slogan, “Find Your Beauty.” Our aim is to enrich society as a whole.
In the late 1940s, our founder Ichiro Konoike visited a hair salon and was moved by the hairstylists’ efforts to help people realize their beauty. But at the same time, he was shocked to see their swollen, chapped hands. This pure aspiration to support hair professionals became the driving force behind the founding of Milbon in 1960. Today, this aspiration lives on in our current core philosophy; “Everything we do, we do for and with hair professionals.”
Beautiful living enriches the human spirit; an enriched spirit fosters culture; and a society that values culture brings peace. Furthermore, the role of hairstylists—beauty professionals—is indispensable to realizing a beautiful way of life for all people. Grounded in this firm conviction, we have consistently developed our business by focusing exclusively on hair professionals and hair salons.
Since our initial public offering in 1996, we have achieved revenue growth every fiscal year—except for FY2020, which was impacted by the COVID-19 pandemic—and we now hold a leading position in Japan’s salon-exclusive hair cosmetics market. In addition, since launching full-scale global operations in 2010, we have steadily established bases across 14 countries and regions, including Japan. By concentrating all available capital on the hair salon market, we deliver unique products and services that contribute to greater sales and profits for hair salons. This approach has allowed us to establish a unique model of value creation and a clear market positioning, achieving sustainable growth built on a foundation of trust with salons and distributors.
Our customers are hair professionals, hair salons, and everyone who desires to be beautiful. That is why, based on our comprehensive hands-on approach of “being in the field, paying attention, and being independent,” we continually pursue and provide products and services that are truly in demand from two distinct customer viewpoints: a “hair professional and salon” perspective, and a “society and consumer” perspective.
We are far more than a company that simply provides products. Going forward, we will continue to support beautiful living, craft individuality, enrich the human spirit, and add color to people’s lives. With unwavering dedication to our management philosophy of inspiring beautiful living worldwide through hair professionals, we pursue this mission with sincerity and purpose. In doing so, we aim to fulfill our global vision of becoming the first Japan-based world’s No. 1 professional haircare manufacturer, while realizing a spiritually enriched society through beauty.

● Our Essential Purpose	Realizing a spiritually enriching society through beauty
● Our Foundation	Continuous innovation to “build a solid company that won’t collapse”
● Management Philosophy	Milbon works with hair professionals to inspire beautiful living worldwide. Beautiful living and beautiful hair enrich the spirit. An enriched spirit fosters culture. A society that values culture brings peace. This is the philosophy behind Milbon’s contributions to the beauty market and, by extension, the world.
● Code of Conduct	**THE MILBON WAY** How to be a “Milbon Person”
● Global Vision	We aim to become the world’s No. 1 professional haircare manufacturer through our dedication and educational support for local beauty industries across the globe.

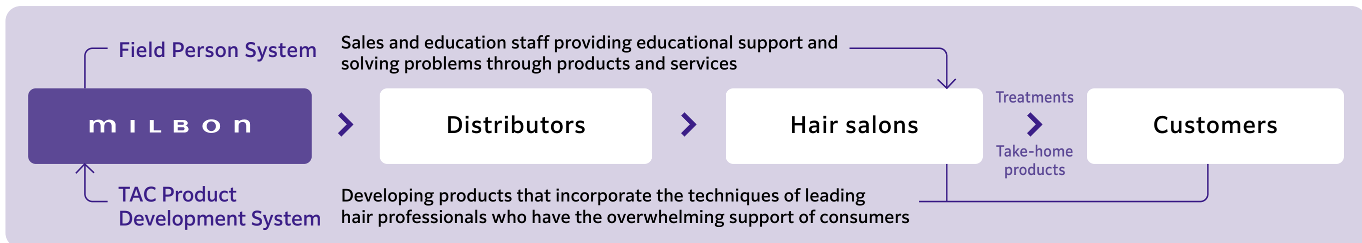
Our business domains

By consistently focusing our business exclusively on hair stylists and salons, we concentrate all available capital into this single market. This targeted approach enables us to resolve salon challenges through our products and services, thereby contributing to their sales and profit growth. This approach has enabled us to establish a unique value creation model and a distinct market position.



Milbon’s unique business model: Building solid trust-based relationships with hair salons and distributors

By implementing our unique business model, exemplified by the Field Person (FP) System and Target Authority Customer (TAC) Product Development System, we create and deliver high-value-added products and services inherent to the salon-exclusive channel, while simultaneously building deep and enduring trust with hair salons and distributors.



*We deliver products directly to hair salons in various overseas locations.

Our Main Product Brands

Shaping new value in response to desires for beauty

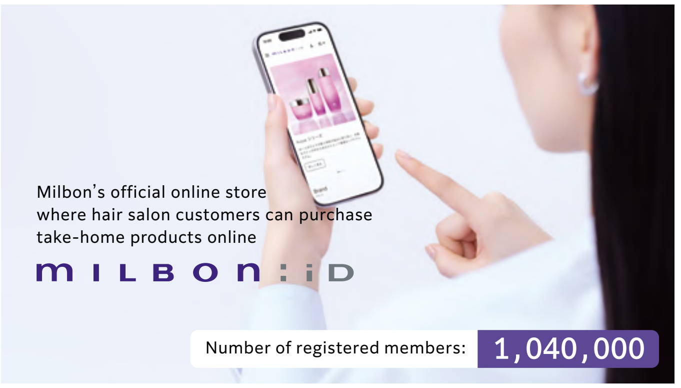
Milbon manufactures and sells professional-use and take-home products whose value is maximized through the technical expertise and consultation provided by hair professionals. We are expanding into new domains such as salon-exclusive cosmetics and beauty healthcare as part of our efforts to transform hair salons into a Beauty Platform that supports customers throughout their lifelong beauty journey.

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

Our Services

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

Creating new forms of communication and experiential value



Note: Follow the link for details of milbon:iD:
https://salon.milbon.co.jp/shop/default.aspx (Japanese only)

Note: Follow the link for details of Smart Salon®:
https://www.milbon.co.jp/fyb-magazine/smartsalon/ (Japanese only)

Milbon provides a variety of services that connect hair salons with their customers in order to maximize the value of the hair salon space. We also offer a wide range of educational support for hair professionals via seminars, events, and certification systems covering topics from beauty techniques and knowledge to career development. Our aim is to develop lifelong hairstylists who bring beauty to people at every stage of their journey.

Educational support initiatives for hair professionals aimed at developing lifelong hairstylists

An online learning platform for hair professionals

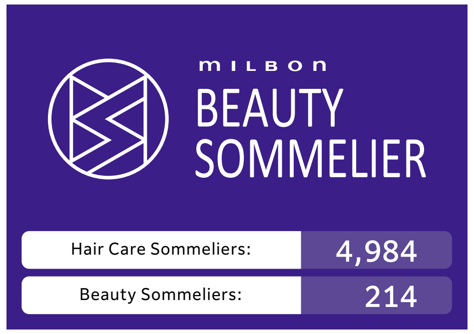
education:iD

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

Seminars & Events

A certification system that supports personal growth for hair professionals and greater productivity for hair salons

Beauty Sommelier Training System



Note: Follow the link for details of educational support activities: https://www.milbon.com/en/company/seminar/

Milbon's History of Continuous Innovation and Growth

Since its founding in 1960, guided by the fundamental philosophy of "Everything we do, we do for and with hair professionals," Milbon has achieved sustainable growth through continuous innovation that responds to the evolving trends and needs of society.
This section presents the history of innovation at Milbon, from our founding to the present, together with our trajectory toward sustainable growth.

Establishment of a strong and unique business model

1960

Milbon founded
-Everything we do, we do for and with hair professionals-

1984

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

Under the slogan "Don't sell products, sell concepts," the Field Man (now Field Person) Strategy was launched as a unique sales and education support system for hair salons, designed to provide sales and educational support tailored to the needs of haircare professionals.
Number of FPs: 494 (Average number of FPs during the period/Consolidated)

1987

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

Milbon launched its unique product development system, TAC Product Development, which creates products and concepts in collaboration with leading haircare professionals who enjoy strong support from customers.
Number of TAC hairstylists: 260 (cumulative, as of the end of 2025)

1993

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

nigelle was launched in response to the growing need for customers to easily recreate salon-designed hairstyles at home. Alongside this, we established a system to support seamless care from in-salon services through to at-home maintenance.

1998

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

Liscio hair straightening products were launched in response to an increasing desire for straight hair. By establishing a technical system that provides simple and stable results, Liscio has helped younger hairstylists become immediate assets to the team, while attracting more customers and increasing customer retention rates.

Beyond Japan

2004

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

Countries and regions of operation: 14 (including Japan, as of the end of 2025)

2007

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

As the mainstay of salon management shifted from perms to hair color, ORDEVE was developed to deliver high-quality hair color made possible by the advanced technical expertise of haircare professionals. ORDEVE gained widespread support as Field Persons expanded the market by introducing its technical system to hairstylists.

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.
Cumulative sales: Over ¥100 billion (as of the end of 2025)
Salons: 8,217 (as of the end of 2025)

2012

Introduced Villa Lodola, an organic haircare brand

As more people place importance on living in harmony with nature, the Villa Lodola organic haircare brand was launched in Japan after receiving 100% certification from ICEA, one of Europe's leading organic certification bodies.
Salons: 15,295 (as of the end of 2025)

2013

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

Number of production bases: 3 bases across Japan, Thailand, and China (as of the end of 2025)

2016

Launched "milbon," a premium haircare brand, through analysis of diverse hair characteristics around 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.
Number of countries and regions selling "milbon": 18 (as of the end of 2025)

Beyond hair and beyond an industry-perspective

2019

Launched iMPREA, a salon-exclusive premium cosmetics brand

iMPREA was launched as the first brand from Kosé Milbon Cosmetics. The company continues to offer a wide range of cosmetic products.

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

Developed based on extensive research into the values, techniques, and characteristics of hair color products in European and North American color cultures. As Milbon's first brand created exclusively for markets outside Japan, it introduced new value to hair coloring in these regions.

2020

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

milbon:iD was launched as a new communication platform connecting salons and their customers. It not only enables customers to purchase Milbon products from home, but also offers live commerce. By allocating sales to distributors and salons, the platform enhances customer convenience while supporting salon revenue.
Number of registered members: 1,040,000 (as of the end of 2025)
Salons: 6,669 (as of the end of 2025)

2021

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

education:iD is an online service launched to support the education of haircare professionals. It works closely with salons facing challenges in securing sufficient training time due to work style reforms and diversification, helping them deliver high-quality beauty services to consumers.
Number of registered members: 65,000 (as of the end of 2025)

2023

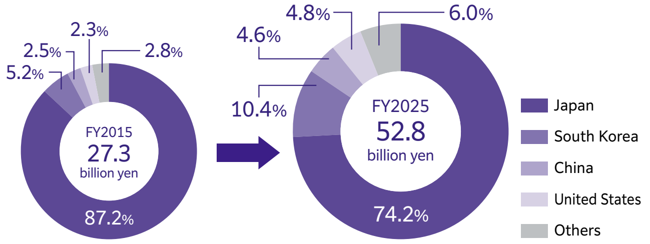
Smart Salon® launched as a new beauty experience in collaboration with hair salons

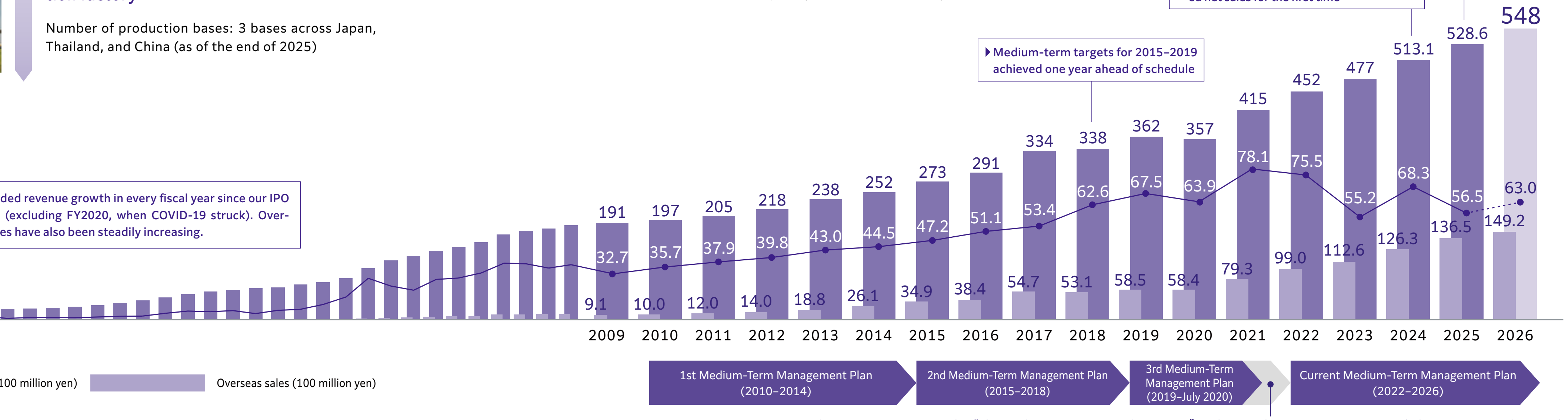
Smart Salons were launched in collaboration with participating hair salons. In a fusion of physical and digital worlds, they offer a range of beauty experiences and contribute to increase in-salon sales of take-home products.
Number of cities: 83 salons in 60 cities (as of the end of 2025)

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

Corporate History: https://www.milbon.com/en/company/history/

Consolidated net sales and sales ratios by country over the past decade





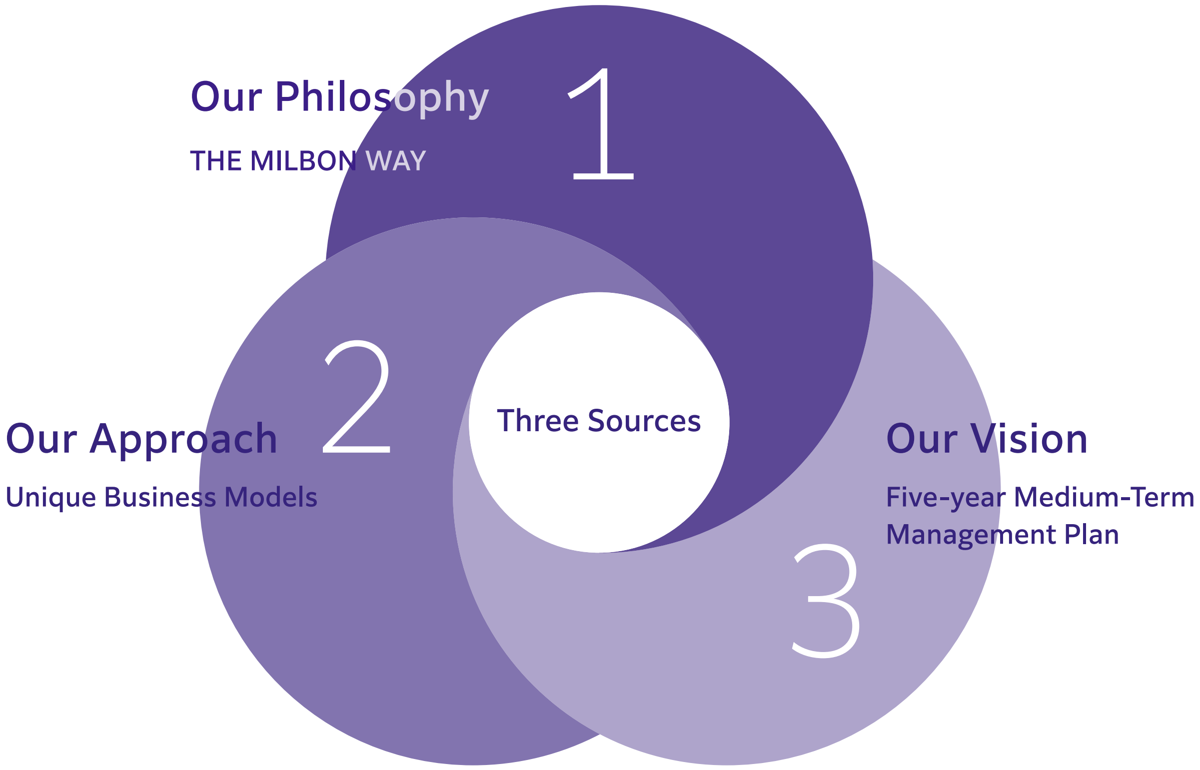
Sales and other trends

Consolidated net sales (100 million yen) / Consolidated operating income (100 million yen) / Overseas sales (100 million yen)

Three Sources of Milbon's Sustainable Growth

Interconnected and Synergistic Sources of Value Creation Through Consistent Execution

Since its founding in 1960, Milbon has achieved sustainable growth through continuous innovation that contributes to increasing sales and profits for hair salons. This section details the three interlinked sources of sustainable growth, enabled by consistent and thorough execution.



1 Our Philosophy — THE MILBON WAY

Establishing human resources and organizational capabilities through the practice of Milbon-isms

Milbon has compiled its guiding principles (Milbon-isms), management philosophy, and strategic values—elements that all Milbon employees are expected to embody—into a handbook titled *The Milbon Way*, which all employees are encouraged to carry and put into practice. Through ongoing education and training programs conducted both in Japan and overseas, we have instilled these values into our corporate culture. This has established a strong foundation for executing our unique business model.

POINT 1 Fostering a culture through the inheritance of our philosophy, beliefs, and aspirations

At Milbon, all employees share a common philosophy: "Everything we do, we do for and with hair professionals," and a core belief: "We will build a solid company that won't collapse," a sustainable company. By uniting around these principles, we have continuously focused our business on hair salons and built a culture of ongoing innovation in response to social change.

POINT 2 Practicing our behavioral principles: "Be in the field" "Pay attention" "Be independent"

All employees are expected to thoroughly put into practice the behavioral principles of "to be in the field, to pay attention, and to be independent." Regardless of department or position—including sales, education, and R&D—Milbon fosters a culture where employees go to the field, think proactively about what they can do, and take initiative.

POINT 3 Providing education and training to deeply instill *The Milbon Way*

Led primarily by our current Chairman, Ryuji Sato, we conduct study sessions as part of the nine-month training program for new employees, along with follow-up sessions during annual and other periodic training programs. We also hold regular workshops at our business locations in Japan and abroad. Through these ongoing efforts, we are committed to deeply instilling *The Milbon Way* into our corporate culture.

» Developing human resources and organizations as the foundation for implementing our unique business model

2 Our Approach — Unique Business Models

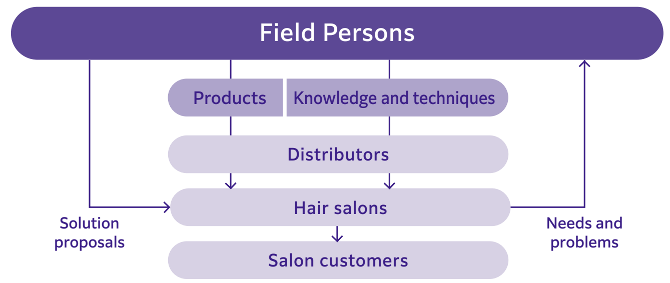
Earning strong and enduring trust through multifaceted support and high value-added creation

Milbon implements its unique business model, exemplified by the Field Person (FP) System and Target Authority Customer (TAC) Product Development System, on a foundation built through the dissemination and practice of *The Milbon Way*. By creating and delivering high value-added products and services tailored to the salon-exclusive channel, we have earned the deep and enduring trust of hair salons.

POINT 1 Providing multifaceted support to hair salons through the FP System

Under the key phrase "Don't sell products, sell concepts," we have established a unique sales and educational support system that contributes to increasing sales and profits for hair salons. In addition to offering added value such as beauty techniques associated with our products, we provide multifaceted support ranging from problem-solving to educational assistance.

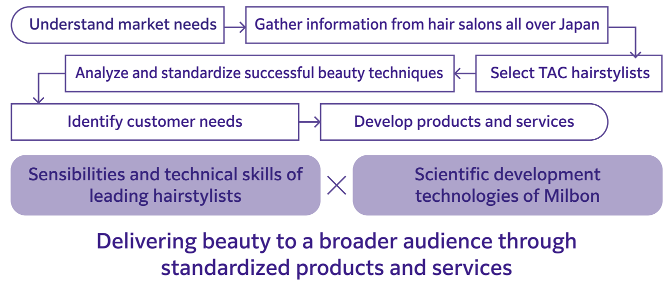
Field Person System Structure



POINT 2 Creating unique added value through the TAC Product Development System

Guided by the concept of "a fusion of sensibility and science," we operate the TAC Product Development System, which translates the intuitive techniques and creative sensibility of top hairstylists into products and services through collaboration with professionals in the field. This approach allows us to identify emerging needs with precision and create distinctive added value.

TAC Product Development System Flowchart



» Earning the deep trust of hair salons that share our vision

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

Achieving goals through annual actions aligned with a medium- to long-term vision

In line with *The Milbon Way*, we have formulated and are executing a five-year commitment-based Medium-Term Management Plan that reflects the most recent social trends and anticipates changes over the coming decade. Through the implementation of our unique business model, we aim to realize our vision for the beauty industry. Together with Milbon employees, distributors, and hair salons, we continue to drive continuous innovation and sustainable growth.

POINT 1 Executing annual market strategies and business plans aligned with Medium-Term Management Plans

To realize the goals outlined in our five-year Medium-Term Management Plans, we formulate corresponding annual market strategies and business plans. In addition to ensuring thorough internal implementation, we hold strategic briefings for our salon partners and distributors. Through this tripartite collaboration, we build a united front to achieve our shared objectives.

- Ideal and desired visions of the beauty market over the following decade
- Five-year Medium-Term Management Plan
- Annual market strategies and business plans
- Employee briefings and separate briefings for salon partners and distributors
- Driving continuous improvement by addressing gaps between the ideal and the current state

POINT 2 Planning with realism and conviction by combining micro and macro perspectives

Embodying the action guidelines of "to be in the field, to pay attention, and to be independent," the president personally visits salons in various countries and regions to gain micro-level insights through direct engagement and market research. These are combined with macro-level perspectives, including global trends, general economic developments, and medium- to long-term shifts, enabling the formulation of strategies and plans that are both realistically grounded and logically compelling.

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	Consistently gathering information on and understanding global trends, including general economic and long-term trends

» Achieving sustainable growth and realizing shared goals through tripartite collaboration among hairstylists, salons, distributors, and Milbon

Milbon's Value Creation Process

Based on our fundamental philosophy that "Everything we do, we do for and with hair professionals," Milbon has consistently focused its business activities on the central strategy of contributing to greater sales and profits for hair salons since its foundation while aiming to enrich the spirit and society through beauty. We have focused our capital investment, at enormous expense in terms of time and money, on realizing strategies such as human resources education to develop specialized beauty experts, strengthening basic hair research, and building a development structure with a hands-on perspective in which researchers visit hair salons themselves. Guided by our Code of Conduct, *The Milbon Way*, these assets are brought to life through our business models: the Field Person System and the TAC Development System. As part of our five-year Medium-Term Management Plan, centered around our Sustainability Commitment, these models serve as key growth drivers, supporting a continuous value creation process and contributions to society.

Milbon's Main Capitals

Human Capital
Instilling *The Milbon Way* and development of specialized beauty experts

Manufacturing Capital
Stable global supply structure

Intellectual Capital
R&D system fusing sensitivity and science

Social and Relationship Capital
Strong connection with society through beauty

Natural Capital
Building a supply chain that takes human rights and environment into consideration

Financial Capital
Maintaining a sound and stable financial foundation

INPUT

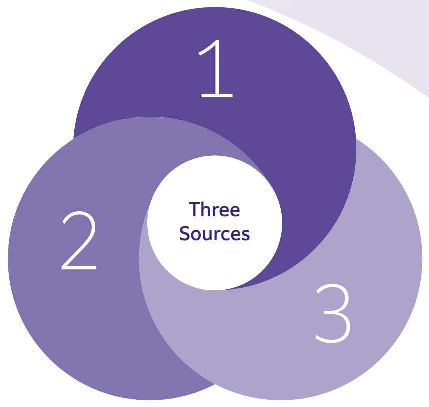
Value Creation Process

Three sources of value creation

1 Our Philosophy
THE MILBON WAY

2 Our Approach
Unique business models

3 Our Vision
Five-year Medium-Term Management Plan



Materiality -Five Key Challenges-

Milbon's fundamentals:	Everything we do, we do for and with hair professionals
Business strategy:	Greater sales and profits for hair salons
Two customer viewpoints:	Hair professional perspectives and consumer perspectives

Primary activities in the value chain

● Market research

We are committed to instilling our corporate philosophy through *The Milbon Way*. With the implementation of the Milbon-ism, "to be in the field, to pay attention, and to be independent," we ensure that all employees regardless of job type or position, visit hair salons regularly. By engaging directly, we aim to identify seeds of innovation from two customer viewpoints.

● Planning

In addition to uncovering information and needs through two customer viewpoints, we leverage our TAC Product Development System, a unique joint development platform shared with leading hair professionals who enjoy strong support from our target audience. This approach enables us to achieve a high level of precision in planning products and services that are truly in demand.

● Research and development

In a fusion of sensitivity and science, we make it possible to incorporate technical and other skills, based on the sensitivities of leading hairstylists, into our products and services. With our global R&D structure, we are also advancing the development of products and services tailored to the unique cultural perceptions of beauty in each country and region.

● Procurement, production, and logistics

We are promoting stability in raw material procurement and product supply through our global production system with three factories in Japan and overseas. We also employ a system of high-mix, variable-volume production to meet market needs and varying demand, while actively implementing initiatives that consider human rights and the environment.

● Sales and education support

We are developing strong, trust-based relationships by contributing to the increased sales and profits of hair salons in multifaceted ways through a unique sales and education support system, guided by the motto, "Don't sell products, sell concepts." We are also creating new communication channels between consumers and hair salons through the promotion of DX, and opportunities for education support that go beyond time and place.

● Feedback and improvement

Unlike the public market, our salon-exclusive offerings enables us to continuously gather in-the-field feedback about our products and services from both hairstylists and consumers. This allows us to swiftly incorporate those insights into improvements and the development of future offerings.

OUTPUT

Most Recent Accomplishments and Goals

Economic value

	FY2024 Results	FY2025 Results	FY2026 Targets
Net sales	51.31 billion yen	52.86 billion yen	54.80 billion yen
Operating income	6.83 billion yen	5.65 billion yen	6.30 billion yen
ROE	10.6%	7.0%	8.6%
ROIC	10.0%	8.0%	8.7%
Dividend payout ratio	57.1%	82.3%	50.0% or higher (guide)

Social value

The Five Key Challenges for Achieving a Sustainable Society

Key Challenge 1: Enrich the spirit through beauty

- Number of registered milbon:iD members: 1,040,000
- Number of cities where Milbon knowledge-based product sales* (Smart Salon) is implemented: 83 salons in 60 cities

*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.

Key Challenge 2: Regenerative and recycling-oriented manufacturing and consumption activities

- Reduction rate of CO_2 emissions at Yumegaoka Factory: 81.4%
  *Compared to 2019 levels
- Reduction rate of petroleum-derived virgin plastic use: 16.4%
  *Compared to 2020 levels, per unit of sales

Key Challenge 3: Practice people-friendly procurement

- RSPO certified palm oil adoption rate (MB + B&C): 50.8%

Key Challenge 4: Construct a fair and flexible management structure

- Active appointment of Outside Board Directors and female Board Members: 5 and 3

Key Challenge 5: Realizing a rewarding work environment

- Turnover rate of junior employees: 12.8%
  *Average turnover rate of junior employees (new graduates to third year) over the past five years
- Paid leave utilization rate: 75.6%

OUTCOME

VALUE Realize Enriched Spirit and Society Through Beauty

- Creating a beauty industry that enriches beauty and the spirit through our collaboration with haircare professionals
- Fostering sustainable cities and communities through our dedication and contribution to beautiful living tailored to each country and region

Reinvestment in Management Resources

Milbon's Key Capitals: Characteristics and Challenges

Human Capital

Instilling *The Milbon Way* and development of specialized beauty experts

Strength

- Thoroughly instilling and implementing corporate philosophy through *The Milbon Way*
- Development of specialized beauty experts through ongoing implementation of substantial training programs
- Development and evolution of a Field Person System to support greater sales and profits for hair salons

Number of consolidated employees:	1,237
Average age:	36.0
Education and training expenses per person:	143,563 yen
Education and training time per person:	51.8 hours

Challenges to further strengthening human capital

- Fostering a sense of personal growth and contribution among younger talent
- Making the quantitative outcomes of human capital investment more visible
- Improving labor productivity per employee
- Establishing a global human resources development framework

Initiatives for strengthening capital

- Introduced a program for first-year FPs that visualizes individual characteristics and mental well-being, while strengthening support from supervisors and the HR department
- Added engagement scores to the evaluation metrics for Executive Officers
- Considering the development of metrics to quantitatively measure training effectiveness
- Consolidating administrative tasks for FP roles and promoting the utilization of generative AI

Related material topic: Key Challenge 5: Realizing a rewarding work environment

Manufacturing Capital

Stable global supply structure

Strength

- A global production system that enables stable procurement of raw materials, reliable product supply, and cost optimization
- Commitment to professional-quality products trusted by hair designers, including high-mix, high-value-added product development

Capital expenditure for manufacturing equipment:	0.35 billion yen
Production bases:	Japan, Thailand, and China

Challenges to further strengthening manufacturing capital

- Reducing waste generation
- Optimizing utilization rates at overseas factories

Initiatives for strengthening capital

- Maintaining an integrated product supply system spanning development, procurement, production, and logistics
- Actively considering alternative raw materials for existing products and reviewing procurement routes
- Building a joint transportation system with partner companies to pursue greater logistics efficiency

Related material topic: Key Challenge 2: Regenerative and recycling-oriented manufacturing and consumption activities

Intellectual Capital

R&D system fusing sensitivity and science

Strength

- Fusion of sensitivity and science through the TAC Product Development System
- Japan's leading hair science research capabilities supported by cutting-edge technologies and facilities
- Acquiring and leveraging diverse insights through promotion of collaborations between industry, government, and academia

R&D bases:	Japan, Thailand, China, USA
R&D expenses:	2.67 billion yen
R&D intensity:	5.1%
Number of patents held:	248 in Japan; 35 overseas

Challenges to further strengthening intellectual capital

- Achieving "local production for local consumption in the beauty domain" through a global development structure
- Establishing a medium-to long-term research structure at the Haneda Innovation Center
- Mitigating future intellectual property (IP) risks and strategically utilizing IP

Initiatives for strengthening capital

- Restructuring the organization to allow R&D teams to focus more intensively on new product development and accelerate the conversion of research value into business outcomes
- Considering the introduction of KPIs to measure the business contribution of intellectual property

Related material topic: Key Challenge 2: Regenerative and recycling-oriented manufacturing and consumption activities

Social and Relationship Capital

Strong connection with society through beauty

Strength

- Building solid trust-based relationships with hair salons around the world
- Gaining and expanding Milbon fans through overseas expansion of our unique business model
- Rollout of digital and in-person educational support in close cooperation with hair salons

Number of countries/regions:	14 countries and regions, including Japan
Overseas sales ratio:	25.8%
Number of salons regularly sharing information:	16,087
Number of registered members of milbon:iD, our official online store:	1,040,000
Number of registered users of education:iD, our online learning tool for haircare professionals:	65,000

Challenges to further strengthening social and relationship capital

- Building even stronger relationships of trust with hair salons and distributors through policy resonance tailored to each country and region
- Creating new communication channels and beauty infrastructure through further digital transformation

Initiatives for strengthening capital

- Continuing sales and educational activities tailored to the specific characteristics, structures, and challenges of each hair salon market
- Formulating market strategies for each global region and rolling them out to local distributors and salons through workshops
- Hosting DA-LINK, a global educational event aligned with corporate strategies

Related material topic: Key Challenge 1: Enrich the spirit through beauty

Natural Capital

Building a supply chain that takes human rights and the environment into consideration

Strength

- Consideration of human rights and the environment throughout supply chains
- Promotion of sustainability in all business activities

Total electricity consumption:	Total ('000 kWh) 7,353
Water consumption:	48,286 m³
CO_2 (GHG) emissions: *Scope 1·2·3	329,505 t-CO_2
Number of human rights violations identified through due diligence:	0

Challenges to further strengthening natural capital

- Achieving carbon neutrality across the Group
- Promoting a circular economy
- Initiatives for biodiversity conservation

Initiatives for strengthening capital

- Establishing a new Supply Chain Management Office to advance the integration of human rights and environmental considerations across procurement, production, and logistics
- Working to calculate the carbon footprint of products (CFP)
- Applying to register the green space at Yumegaoka Factory as a Nature Symbiosis Site

Related material topic: Key Challenge 2: Regenerative and recycling-oriented manufacturing and consumption activities
Key Challenge 3: Practice people-friendly procurement

Financial Capital

Maintenance of a sound and stable financial structure

Strength

- Robust financial structure able to protect employees even in unforeseen circumstances

Net assets:	49.05 billion yen
Equity ratio:	84.9%

Challenges to further strengthening financial capital

- Addressing inflation and improving operating margin and ROE
- Strengthening investment discipline and monitoring

Initiatives for strengthening capital

- Improving profitability through price revisions, optimization of the cost structure, and enhanced inventory control
- Enhancing corporate value through improved capital efficiency
- Strengthening the monitoring framework for investment projects through the restructuring of the Investment Committee

Related material topic: Key Challenge 4: Construct a fair and flexible management structure

MILBON Beauty Sommelier Training System

Empowering hair professionals to remain lifelong partners in their clients' beauty journeys

The Beauty Sommelier Training System is an educational and certification framework that Milbon has provided since 2021.* It is designed to support our primary partners—hair professionals and salons—in becoming trusted partners who are continuously chosen by customers throughout their lives. By systematically supporting the individual growth of hair professionals and enhancing organizational training capabilities, this framework also helps improve salon productivity.

* The predecessor program, the Aujua Sommelier System, was launched in 2013

Interview with
Certified Beauty Sommelier Hairstylist

The Sommelier System: A Replicable Blueprint for Education and Technical Skills

Hisayuki Kanno
Director, MINXworld Co., Ltd.
(Certified Beauty Sommelier Hairstylist)

Enabling junior assistants to build strong relationships of trust with clients early in their careers

Partly because each of our MINX salons had already implemented the predecessor Aujua Sommelier System*, we adopted the Beauty Sommelier Training System from its inception with the goal of obtaining certification. We recognized from the start that our salons needed broad strengths encompassing coloring and haircare—not just design techniques—to drive further growth and truly support our customers' beauty. Consequently, we anticipated from the outset that leveraging the Beauty Sommelier System would be vital to our future salon operations.

To enable staff to gain a competitive edge and succeed early in their careers, MINX initially focused on securing sommelier certifications among junior talent before gradually expanding the initiative to mid-career and management tiers. With talent recruitment and retention becoming major challenges in the beauty industry in recent years, establishing a "common language" among staff through a structured educational curriculum has improved the quality of junior training and strengthened overall organizational capability.

Today, obtaining the Haircare Sommelier certification at the assistant stage has become a standard part of our curriculum. Attaining the Haircare Sommelier certification enables assistants to acquire expertise comparable to that of stylists. Many staff members report that this has given them the confidence to make styling proposals to clients, which is now reflected numerically in improved retention rates for assistants. Because assistants frequently interact with clients during services like shampooing and scalp massages, having certified staff communicate with sound knowledge and deliver superior service creates a new form of value that did not exist prior to implementing the system.

Furthermore, many staff members have recently been using their various sommelier certifications on social media for personal branding, leading to an increase in customers requesting them by name. ↗

* The predecessor to the current Beauty Sommelier Training System. It has now been integrated into the current framework.

Milbon's career roadmap for salons and the foundation for lifelong hair professionals

In my view, the essential value of Milbon's Beauty Sommelier System lies in its systematization of technical skills and proposal capabilities—which were historically dependent on individual talent—into a clear blueprint. Transforming these intuitive, hard-to-quantify skills into a replicable format not only elevates the skills of individual hairstylists but also contributes to enhancing the value delivered by the industry as a whole.

Furthermore, as techniques and styles grow increasingly sophisticated by the day, building long-term relationships of trust with clients is paramount. In this regard, the Beauty Sommelier System serves as a foundation for sustaining lifelong careers for hairstylists. We are increasingly seeing that the process of earning this qualification—and the commitment to learning itself—directly builds client trust. Moreover, by uncovering and addressing each client's latent needs, stylists can consistently deliver greater value and cultivate deeper relationships as beauty partners.

Rather than merely supplying products, Milbon provides support for salon talent development and business management. I see them as a partner that aligns closely with us as hair professionals to co-create outcomes, delivering a platform that consistently supports salons from a broad, long-term perspective. Moving forward, I want to continue working hand-in-hand with Milbon—trusting in their commitment to "Everything we do, we do for and with hair professionals"—to collectively deliver beauty and enrichment to people's lives.

Structure of the Beauty Sommelier Training System

The Beauty Sommelier Training System is a framework designed to develop multi-skilled talent who possess a wide range of skills and high levels of expertise, including specialized knowledge, technical skills, counseling capabilities, and proposal capabilities. The framework primarily consists of four certification curricula: Haircare Sommelier, Haircolor Sommelier, Cosmetics Sommelier, and Design Logic Sommelier. Individuals who have attained three or more of these sommelier certifications may be certified as Beauty Sommeliers upon mastering higher-level counseling skills and demonstrating proven sales performance.
To continue meeting diverse needs and addressing customer concerns and ideals that evolve as they age and their environments change, a precise counseling approach is essential in addition to a wide range of knowledge and technical skills. An educational framework that emphasizes these counseling and proposal capabilities has enabled us to secure broad support from hair professionals and salons.
Furthermore, in 2024, we launched the Beauty Reception Sommelier program, which trains reception staff who can help expand opportunities for home care and cosmetics recommendations through customer communication.
To encourage ongoing development and maintain consistent quality, certifications in Haircare, Haircolor, Cosmetics, and Design Logic must be renewed every two years. In addition, learning is primarily conducted online via education:iD, providing an educational environment that accommodates diverse working styles.

HAIRCARE SOMMELIER Number of certified hair professionals (as of the end of 2025)	4,984
HAIRCOLOR SOMMELIER Number of certified hair professionals (as of the end of 2025)	1,069
COSMETICS SOMMELIER Number of certified hair professionals (as of the end of 2025)	480
DESIGN LOGIC SOMMELIER Number of certified hair professionals (as of the end of 2025)	744
BEAUTY RECEPTION SOMMELIER Number of reception staff (as of the end of 2025)	38

Upon attaining 3 or more sommelier certifications…

Milbon Counseling Method (MCM)
Mastery of higher-level counseling methods
+
Achievement of total sales and take-home product sales ratio targets

BEAUTY SOMMELIER Number of certified hair professionals (as of the end of 2025)	214

Example of basic steps to obtain sommelier certification
(1) Online learning covering knowledge and technical skills (education:iD)
(2) Certification exam conducted by Milbon employees serving as examiners
(3) Achievement of specific targets (e.g., sales) in addition to passing the certification exam
(4) Sommelier certification

Challenges faced by hair salons addressed by the Beauty Sommelier Training System

- Labor shortages due to population decline
- Securing training time amid diversifying working styles
- Meeting the diverse needs of customers
- Declining customer numbers due to population decline

Effects of the Beauty Sommelier Training System

*According to our survey

Spending per customer	In-salon treatment menu customer ratio	Unit prices for take-home product purchases
The average performance of salons not using Aujua:		
9,277 yen	38.4%	4,966 yen
The average performance of salons using Aujua and employing Sommeliers:		
10,156 yen 9.4% improvement	42.1% 9.7 percentage-point improvement	5,796 yen 16.7% improvement
Improved productivity through the delivery of high-value-added services to customers, supported by professional expertise		

Focus

Strategic Focus for Value Creation

Milbon establishes a Medium-Term Management Plan every five years to realize its vision of "enriching the spirit and society through beauty." Through the steady execution of these plans, the Company has achieved sustainable growth. In this chapter, Board Directors and Executive Officers responsible for key initiatives explain Milbon's Strategic Focus for Value Creation, including the ongoing 2022–26 Medium-Term Management Plan.

Top Message » Our Approach to Value Creation (The Way) ‹ Strategic Focus on Value Creation (Focus) › Foundations for Value Creation (Sustainability & ESG) › Outcomes of Value Creation (Performance)

2022–26 Medium-Term Management Plan

Finalizing "Stage for the Future" in Preparation for the Next Medium-Term Management Plan

Outline of 2022–26 Medium-Term Management Plan

Milbon establishes a Medium-Term Management Plan every five years to help realize its vision of "enriching the spirit and society through beauty."

In the 2022–26 Medium-Term Management Plan, announced in 2022 under the theme "Stage for the Future," we set forth our vision for FY2026, the final year of the plan: to build a global manufacturer that creates professional value from the essential perspectives of society and consumers, while aiming to become No. 1 in Asia and one of the world's top five companies in the industry. To realize this vision, we are implementing a range of initiatives across our global strategy, domestic market strategy, and Sustainability Commitment.

Medium-term five-year management plan

2022–26 theme

Stage for the Future

Implementing five-year plans

Milbon's vision

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

Two Major Strategies - 1 | Global Strategy

Seven Regions

Promoting a local production for local consumption system in the beauty domain

Two Major Strategies - 2 | Domestic Market Strategy

Salon-based Social Innovation

Reforming the format of hair salons in concordance with the changing times

Realize Enriched Spirit and Society Through Beauty

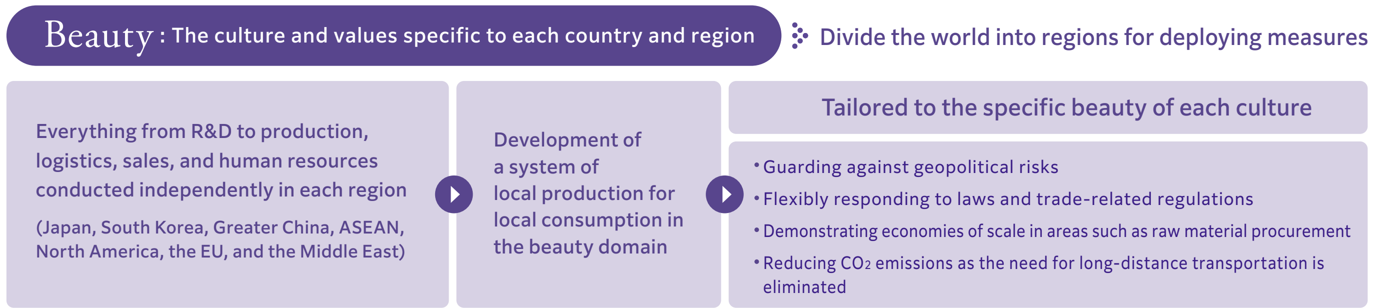
Global strategy: "Seven Regions" —Promoting a system of local production for local consumption in the beauty domain

Milbon's 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 designated Seven Regions out of the 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.

By FY2025, we have established a presence in 14 countries and regions including Japan, and successfully expanded our production capabilities with factories in Japan, Thailand, and China. Additionally, we have strengthened our R&D bases in Japan, Thailand, China, and the United States. By strengthening cooperation between these global bases, we are accelerating the development of global products tailored to universal beauty needs, and localized products designed to meet the specific demands of each region. Through our "Made by Milbon" philosophy, trust in our brand is steadily growing worldwide.

In addition to mitigating geopolitical risks, flexibly responding to legal and trade regulations, and strengthening our global information-gathering capabilities, we are leveraging economies of scale in raw material procurement where prices are rapidly rising. From a sustainability standpoint, we are also contributing to reducing CO_2 emissions by minimizing long-distance transportation.

Over the long term, we will continue exploring the establishment of bases for research and development, production, logistics, and sales in all regions. By offering products and services tailored to different hair types, cultures, and values, we aim to contribute to the development of the beauty industry while supporting diverse concepts of beauty around the world.

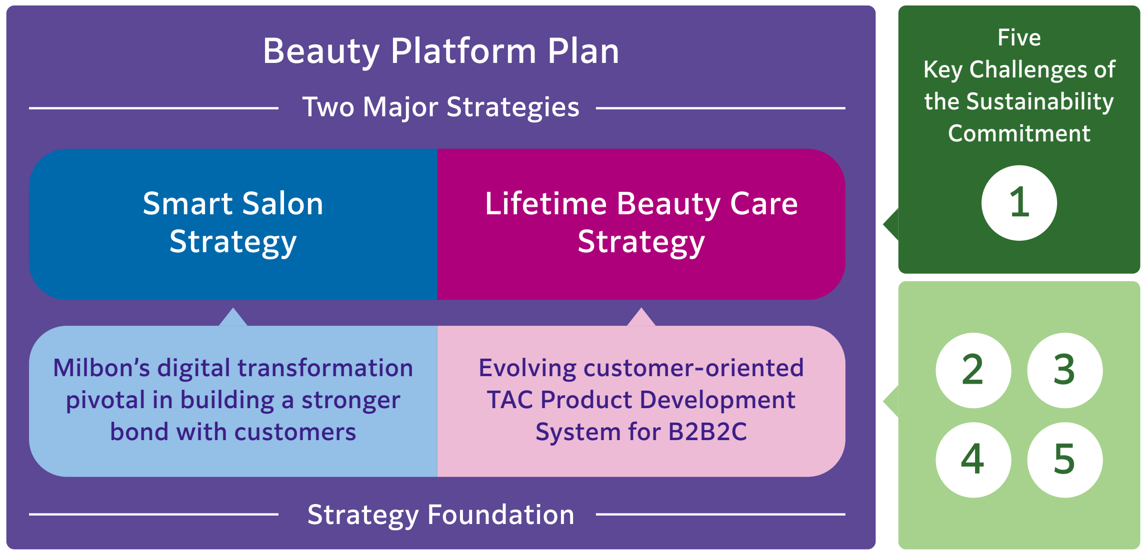


Domestic market strategy: "Salon-based Social Innovation"—Reforming the nature of hair salons

We are pursuing a strategy to transform hair salons, which face structural challenges such as population decline and industry challenges including productivity issues, into a new form of beauty platform that is essential to people's spiritually enriched lives.

Our efforts are anchored by two key strategies: the Smart Salon Strategy, which promotes the creation of a new salon model that connects with consumers through the fusion of physical and digital experiences, and the Lifetime Beauty Care Strategy, which aims to expand the business domain beyond haircare into other fields such as skincare. Furthermore, by placing our Sustainability Commitment at the core of our strategy and addressing key sustainability challenges for both Milbon and the beauty industry, we will contribute to the realization of a spiritually enriched and sustainable society through hair salons.

Salon-based Social Innovation



*For the Five Key Challenges of the Sustainability Commitment, please refer to Sustainability & ESG on page 56.

Overview and progress of the Smart Salon Strategy

Smart Salons are a new salon concept that integrates physical and digital experiences, enabling customers to access a wide range of beauty services. Milbon is proposing this model to hair salons and expanding the network nationwide alongside participating salons.
By leveraging the technical expertise and trust of hair professionals, the immersive experience of Smart Salons, and the convenience of milbon:iD, we are uncovering significant latent demand for take-home products as another sales channel alongside traditional hair salon services. In this way, we are expanding our new hair salon model offering high productivity and customer satisfaction.

Smart Salon® Inspired by milbon

- Number of cities: 83 salons in 60 cities
- Success Story: Percentage of customers purchasing take-home products 20.2% (national average: approx. 13.8%, Milbon research)

Styling station to provide face-to-face consultation

Tester station to raise product awareness and offer trial opportunities

Generating synergies through the integration of three sales areas

EC service milbon:iD to enhance convenience of product purchases

- Number of registered members: 1,040,000
- Number of hair salons using milbon:iD: 6,669
- Online sales (shipment value basis): 2.25 billion yen

Overview and progress of the Lifetime Beauty Care Strategy

This strategy aims to expand our business domain beyond our traditional haircare-centric focus into fields such as cosmetics in order to maximize the value of the unique community characteristics of hair salons—namely, face-to-face communication, regular visits, and extended stays.
This strategy is expected to further improve productivity for hair salons, while also enabling customers to experience more enriched lifetime beauty care at hair salons. Having launched a cosmetics business in collaboration with KOSÉ in 2019, we are pioneering a new culture of purchasing cosmetics at hair salons. We also ventured into other domains, launching our first beauty supplements in 2023 and our first body care series in 2024. While achieving market penetration and establishing these products in the market remains challenging and takes time, we are currently focusing on lotions within the cosmetics category, which have strong potential for repeat purchases. By generating repeat sales and expanding our customer base, we are continuing our efforts to expand the potential of hair salons.

Rare Community Characteristics Offered by Hair Salons

Face-to-face communication | Regular visits | Extended visits

Maximizing the value of hair salon spaces

↓

Expansion into other domains: Haircare | Cosmetics | Beauty healthcare

Transforming hair salons into a Beauty Platform by improving productivity and providing a one-stop shop for beauty

Sustainability Commitment

With its Sustainability Commitment at the core of its Salon-based Social Innovation strategy, Milbon has identified Five Key Challenges based on their relevance to the Company's business activities and stakeholder expectations, and is addressing them in an integrated manner across all business activities.
For details, please refer to Sustainability & ESG from page 56, and the MILBON Sustainability Report 2026 published in March 2026.

*Please refer to the MILBON Sustainability Report 2026: https://www.milbon.com/en/uploads/docs/milbon_SustainabilityReport_en_260430.pdf

Sustainability Commitment Five Key Challenges and Priority Themes

1 Enrich the spirit through beauty
- Establishment of knowledge-based product sales business utilizing both the physical and digital realms
- Fostering lifetime beauty partners

2 Regenerative and recycling-oriented manufacturing and consumption activities
- Establishment of a carbon-neutral production system
- Sustainable container and packaging design

3 Practice people-friendly procurement
- Sustainable procurement of palm oil
- Respect for human rights in the supply chain

(2–3: Achieving both sustainable business growth and solving social issues)

4 Construct a fair and flexible management structure
- Promoting diversity among the Board of Directors
- Improving the effectiveness of the Board of Directors

5 Realizing a rewarding work environment
- Achieving systems and frameworks that encourage employees to continue working

(4–5: Foundation for the Company's sustainable business growth)

Sponsorship and exhibition in the Osaka Healthcare Pavilion at Expo 2025 Osaka, Kansai: Showcasing our vision for Future Salons as the beauty platform of the future

Driven by its commitment to deliver beauty through salons and contribute to the creation of sustainable communities worldwide, Milbon sponsored and exhibited at the Osaka Healthcare Pavilion at the 2025 World Exposition (Expo 2025 Osaka, Kansai).
Under the 2022–26 Medium-Term Management Plan, as part of its Beauty Platform Plan, which aims to transform salons into essential spaces that support people in leading enriched and fulfilling lives, Milbon's booth presented the concept of "Future Salons = Beauty Platform of the Future." This concept envisions realizing each individual's unique beauty—extending beyond haircare to skincare and beauty healthcare—through experiences such as integration with PHR data, immersive visuals, and product sampling.
Of the approximately 620,000 visitors to the pavilion, around 290,000 experienced our booth. In addition, through technical sponsorship, we acquired PHR data from approximately 480,000 individuals, which can be utilized for future research and development.

Outcomes from Expo 2025 Osaka, Kansai

Presenting Milbon's vision of "Future Salons = Beauty Platform of the Future" to the world

Total visitors to the Osaka Healthcare Pavilion: Approx. 5.53 million
- Of which, visitors who participated in experiences: Approx. 620,000
- Of which, visitors who experienced the Milbon booth: Approx. 290,000

Acquisition of PHR data to strengthen our research foundation for future value creation

PHR data acquired through sponsorship: Approx. 480,000 individuals

PHR data: Approximately 45 personal health parameters across 7 categories including skin and hair. The anonymized data, ensuring that individuals cannot be identified, will contribute to the realization of a healthier and more beautiful future.

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

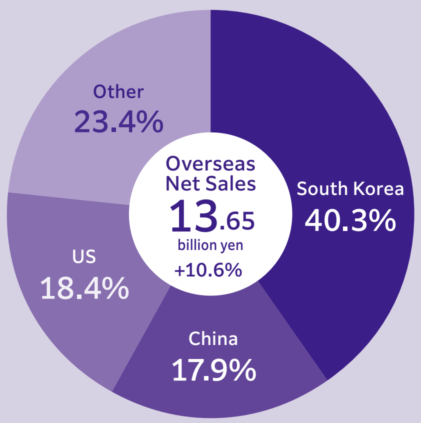
The table below details the most recent operating results and management targets for the 2022–26 Medium-Term Management Plan.
In FY2025, while we were compelled to partially revise our initial forecasts downward—mainly due to sluggish domestic sales in the first half and an increase in inventory write-downs—actual results for both sales and profit surpassed the revised plan, and consolidated net sales reached an all-time high of 52.86 billion yen. In particular, significant expansion in Europe and North America—our key overseas growth regions—drove growth, and our overseas sales ratio surpassed 25% for the first time. Regarding operating income, we recorded a year-on-year decrease to 5.65 billion yen due to factors including inventory write-downs, impairment losses on investment securities, foreign exchange impacts, and increased sales promotion expenses. We will further strengthen our efforts to improve profitability.
Accordingly, in FY2026, which marks the culmination of our current medium-term management plan, we aim to achieve consolidated net sales of 54.8 billion yen (up 3.7% year-on-year) and operating income of 6.3 billion yen (up 11.4% year-on-year). While these figures represent a downward revision from the FY2026 targets announced in February 2025—which projected consolidated net sales of 58.0 billion yen (43.7 billion yen domestic and 14.3 billion yen overseas) and operating income of 8.4 billion yen—this is primarily attributable to lower domestic sales projections. As for overseas sales, we have set a target of 14.9 billion yen—surpassing the 14.3 billion yen originally set in 2022—reflecting business growth that has exceeded the assumptions underlying the current medium-term management plan.

	FY2022 results	FY2023 results	FY2024 results	FY2025 results	FY2026 revised target	Change (%) from FY2025 results	FY2026 initial target (announced in February 2025)
Consolidated net sales	45.23 billion yen	47.76 billion yen	51.31 billion yen	52.86 billion yen	54.80 billion yen	3.7%	58.0 billion yen
Domestic	35.33 billion yen	36.50 billion yen	38.68 billion yen	39.20 billion yen	39.88 billion yen	1.7%	43.70 billion yen
Overseas	9.90 billion yen	11.26 billion yen	12.63 billion yen	13.65 billion yen	14.92 billion yen	9.2%	14.30 billion yen
Gross profit	29.50 billion yen	29.52 billion yen	32.59 billion yen	33.17 billion yen	34.72 billion yen	4.7%	37.60 billion yen
Operating income	7.55 billion yen	5.52 billion yen	6.83 billion yen	5.65 billion yen	6.30 billion yen	11.4%	8.40 billion yen
Operating margin	16.7%	11.6%	13.3%	10.7%	11.5%	—	14.5%
ROE	13.2%	8.9%	10.6%	7.0%	8.6%	—	11.3%
ROIC	12.5%	8.6%	10.0%	8.0%	8.7%	—	11.1%
Dividend payout ratio	50.2%	71.6%	57.1%	82.3%	65.0%	—	50% or higher target

Global Strategy Progress and Results

The Seven Regions Strategy has come to fruition, yielding tangible outcomes and delivering growth exceeding targets

FY2025 global market sales and rates of change in real terms



FY2026 Overseas Net Sales Target: 14.92 billion yen

South Korea	China	US	EU
5.50 billion yen	2.44 billion yen	2.52 billion yen	537 million yen
+8.3%	+6.6%	+29.4%	+63.0%

* Figures are the rates of change in real terms on a local currency basis.


Announcement of the NEXT VISION strategy


DA-LINK

Overseas sales grew by 8.1% year-on-year, driven by substantial growth in the Europe and North America markets

Milbon views FY2025 as a year in which its Seven Regions Strategy—promoted under its 2022–26 Medium-Term Management Plan—began to yield tangible outcomes in the global marketplace. Although we were compelled to revise downward our consolidated targets (which include Japan), we maintained our initial overseas targets. Driven primarily by substantial growth in North America and the EU region, overseas sales increased to 13.65 billion yen, and the overseas sales ratio exceeded 25% for the first time. We believe this marks a critical turning point toward establishing a structure capable of sustaining growth through mutual support across our global network, including Japan, amid shifting geopolitical risks and a volatile environment. In particular, accelerated growth in the European and North American markets, which exert great influence over global beauty trends, has generated significant value for our future global expansion.

Underlying this growth is the fact that our unique business model—integrating products, education, and strategies—is beginning to take root in each region, leveraging the foundation we have refined in Japan and built globally. This progression accelerated when the formulation of NEXT VISION—our market strategy developed annually and shared with salon partners and distributors—shifted from a Japan-led global rollout model used until FY2022 to a framework where International Operations formulates region-specific strategies tailored to local characteristics from FY2023 onward. Following these changes, FY2025 NEXT VISION attracted 2,734 hair professionals and 104 distributor sales representatives across four regions: South Korea, China, Taiwan, and Hong Kong. Furthermore, taking this policy alignment as a starting point, and through educational support activities for hair salons, the rollout of DA-LINK—our educational event for hairstylists to share outcomes and insights—is also expanding. In FY2025, DA-LINK was held across six regions: Indonesia, China, Malaysia, Thailand, Taiwan, and South Korea, featuring 524 hairstylist teams and attracting 5,335 attendees, demonstrating that the network of hair salons and distributors who resonate with our values is steadily growing worldwide.

Building trust and enhancing market presence through strategies tailored to regional characteristics

In our priority regions of the US, South Korea, and the EU, FY2025 sales on a local currency basis grew substantially, reaching 129.4%, 108.3%, and 163.0% year-on-year, respectively. Within North America, several overlapping factors led to an expansion in the number of salons carrying our products. These include the establishment of a distributor network covering the entire US, a deeper collaborative framework with each distributor, strong product evaluations, and enhanced brand strength driven by ambassador partnerships with prominent hair professionals. As a result, we secured the No. 1 annual in-store share for the first time at our distributor in Los Angeles, which we designated as a top-priority area.

In South Korea, which is critical to achieving our goal of becoming the number-one brand in Asia outside of Japan and where we already hold the second-largest market share, sales of hair coloring products grew significantly. High-value-added product proposals by Global Milbon Sales Experts (GMSE)—freelance distributor sales reps trained, tested, and certified by Milbon—have proven highly effective, contributing to an expansion in the number of salons adopting our premium brands. We also strengthened touchpoints with the next generation of hair professionals through educational events.

In the EU, the deployment of commission-based sales personnel alongside our distributor-led sales channels drove dramatic growth. Particularly in Germany, proposal activities by personnel with strong salon relationships and proven sales records increased the number of participating salons, achieving substantial growth in hair coloring sales. In addition, by partnering with a highly influential colorist in Europe, we are positioned to further accelerate brand recognition in the region.

In the Chinese market, despite a prolonged difficult market environment where competitors across the board struggled, our steady educational initiatives and market strategy proposals for salons and distributors earned their trust. As a result, we maintained 106.6% year-on-year growth on a local currency basis, proving our underlying resilience against market conditions.

In the ASEAN region, while the Philippines and Indonesia experienced growth, performance in Thailand and Malaysia was sluggish, partially impacted by market concentration in metropolitan areas and intensifying price competition. In these slower-growth areas, it is vital to elevate the core value of hair professionals through education. In Malaysia, we have begun building relationships of trust for the future by collaborating with beauty schools and supporting nationally certified beauty education programs.

Accelerating growth in Europe and North America and strengthening educational proposal platforms to achieve FY2026 targets

For our FY2026 overseas sales target, we have set a goal of 14.92 billion yen, surpassing the 14.3 billion yen initially established when the current Medium-Term Management Plan was announced. To achieve this, it is vital to accelerate growth in Europe and North America while further deepening and embedding our integrated product, education, and strategy initiatives that we have built up over time.

In North America, leveraging our momentum from gaining support in Los Angeles, we will strengthen collaborative structures primarily with distributors in the US Midwest and Canada while focusing on expanding market share in Texas as the next key region, given its strong aesthetic affinity with Los Angeles. At the same time, by advancing ambassador partnerships with renowned colorists, we will pursue growth through the twin pillars of haircare and hair coloring to achieve profitability at an early stage.

In the EU, we will roll out our German model for new salon acquisition to other countries while advancing geographic expansion, keeping potential collaborations with co-creation partners within the EU in mind. We will also enhance our presence in the hair coloring segment by ramping up our initiatives with ambassador colorists. Meanwhile, to support distributors seeking collaboration, we will also work on talent development and strengthening our organizational framework.

In South Korea, we will continue driving market share gains in hair coloring while establishing a stable operational foundation by reinforcing haircare initiatives centered on Aujua, our flagship brand. In addition, we will build the foundation for achieving the No. 1 position in the South Korean market by promoting TAC Product Development alongside local hairstylists in the perm segment, where local demand is particularly high.

Additionally, in FY2026, we plan to launch a Global Color Creative Team composed of top colorists from around the world. By sharing regional trends and needs, this team will co-create hair color proposals and educational content unique to Milbon. In tandem with NEXT VISION and DA-LINK, this initiative will help build a global educational proposal platform and strengthen branding.

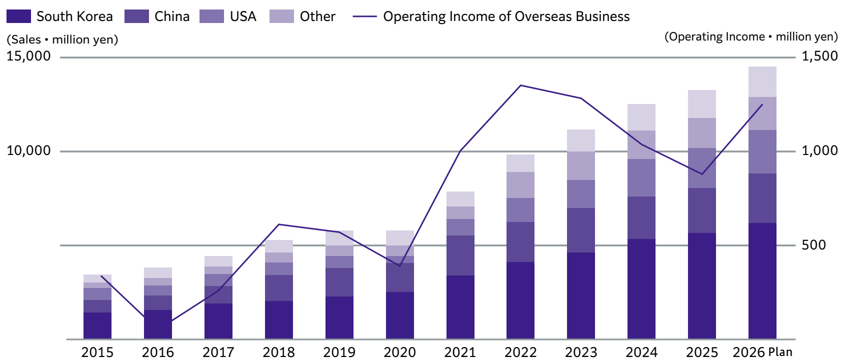
The critical factor for our medium- to long-term growth moving forward is enhancing Milbon's presence worldwide. Within this context, our unique capability to contribute to salon growth by integrating products, education, and strategies is beginning to gain support across each region. As the network of partners who understand and support Milbon expands globally, we will continue to unite through shared values. We will achieve further growth, firm in our belief that this trajectory will culminate in Milbon becoming the first global No. 1 professional manufacturer originating from Japan.

Status of Main Brands in Global Markets (Excluding Japan)

Brand			2024	2025
Aujua	Gross Sales (million yen)	South Korea	393	492
	Salons	South Korea	347	375
"milbon"	Gross Sales (million yen)	US	1,763	2,290
		China	627	704
		US	286	299
		Other	1,119	1,372
	Salons	US*	7,449	14,326
		China	814	1,260
		South Korea	1,371	1,432
		Other	2,110	2,355
ORDEVE Addicthy	Gross Sales (million yen)	Overseas	1,205	1,202
SOPHISTONE	Gross Sales (million yen)	Overseas	197	298
Villa Lodola	Gross Sales (million yen)	Overseas	50	153
	Salons	Overseas	663	1,595

*Due to the distributor changeover at the end of FY2024, data on the number of salons in some US regions was unavailable, leading to lower figures for FY2024 compared to FY2024 Q3.

Overseas Net Sales



Harumichi Okazaki
Board Director, Senior Executive Officer,
Director of Global Sales and Marketing Headquarters
and in charge of FP Headquarters

A New Phase of Growth Pioneered Through Co-Creation Accelerating Milbon's Business Expansion in North America

Takuya Tanaka North America Regional Director, International FP Headquarters / President of Milbon USA

Co-creation with our distributor network yields rapid 29.4% growth

The North America region represents one of the most intensely competitive and highly influential markets in the world. Since its establishment as Milbon's first overseas subsidiary in 2004, Milbon USA has pursued growth here as a global professional haircare manufacturer that works in close partnership with hair professionals. Within this context, we achieved substantial local-currency growth of 29.4% in FY2025, driving our overall global growth. We believe this outcome is by no means a single-year anomaly, but rather the result of a growth foundation steadily built over time that is now beginning to deliver results.

Our journey in the North American market can be divided into three distinct phases: market entry, expansion, and growth. The initial entry phase launched in New York, targeting the straight perm segment through direct sales. With no existing sales network or brand equity, we started by building our foundation.

Subsequently, the launch of our global premium haircare brand "milbon" in 2016 marked the beginning of our expansion phase, advancing a shift in our business structure from a focus on straight perms to haircare, while also beginning to build our distributor network. With a landmass approximately 50 times larger than Japan, North America is a market where everything—from hair types and colors to culture, lifestyles, climates, and water quality—varies significantly by region. Consequently, establishing distribution channels is a critical strategy in its own right. For this reason, we have partnered with independent distributors who deeply understand local beauty cultures and practices to drive our market expansion.

As a result, we established a distributor network broadly covering North America in 2024, which has now expanded to a framework comprising nine distributors and 350 distributor sales representatives. The number of salons carrying our products expanded from fewer than 1,000 salons during the expansion phase to 15,000 salons in FY2025, and annual sell-out sales surged to approximately 30 million dollars. Furthermore, amid accelerating cross-selling of hair coloring centered on our core haircare segment, we recognize that the region has entered its growth phase.

Equally critical alongside building sales channels was deepening our distributors' understanding of Milbon beyond just our products. In FY2023, we launched a full-scale initiative in North America to instill *The Milbon Way*. By sharing our business model and underlying philosophy not only with our employees but also with our distributors, we have successfully deepened these partnerships to a point where, today, distributors are motivated to recommend Milbon to salons because they resonate with our philosophy. Although we have a small team of only 15 Field Persons (FPs) in North America, our focus on cultivating highly passionate, brand-loyal sales representatives has driven productivity per FP to exceed 1 million dollars.

Expanding market share in Los Angeles and setting sights on Texas

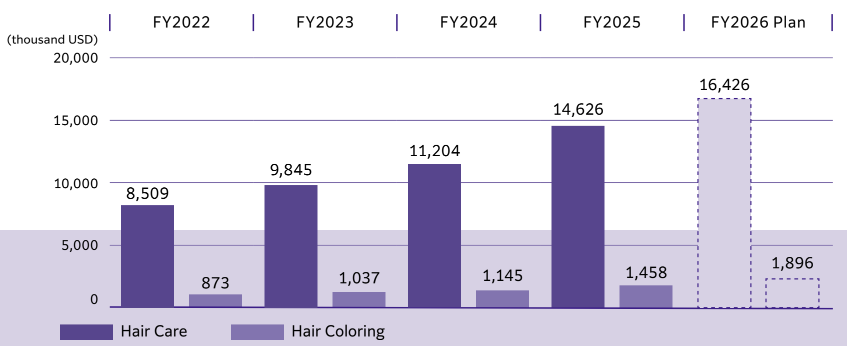
Key to our achievements in FY2025 was our expanding market share on the West Coast, centered in Los Angeles—a key trend-setting city. Securing the No. 1 annual in-store share in this region means we have gained a powerful platform for influencing global beauty trends. In fact, we are already observing high growth rates in regions that share a strong beauty trend affinity with Los Angeles.

On the product front, the milbon & Monochromatic series—a styling line co-developed with renowned stylist Anh Co Tran as part of our first overseas TAC Product Development—performed strongly, serving as a symbolic example of Milbon's evolution into a global manufacturer that co-creates locally.

Building upon this momentum, we have set a sales target of 20 million dollars for FY2026. We will begin full-scale efforts to expand our presence in Texas, a region that shares a strong aesthetic affinity with Los Angeles, while hosting North America's inaugural DA-LINK event in Las Vegas. At the same time, we will promote our three-in-one strategy of solution-oriented sales, hairstylist education, and salon-focused marketing. With haircare currently accounting for approximately 85% of sales, we aim to increase the proportion of sales generated by the hair coloring segment and transition into a comprehensive manufacturer, establishing ourselves as an indispensable partner to salons.

We are confident that the North American market is entering a phase of sustainable growth, built on years of steadily cultivating trust with hair professionals and distributors, as well as strengthening our education, human resources, culture, and the philosophy of *The Milbon Way*. Through steady profit growth, we aim to become an employer of choice in the North American labor market while fostering an organization where every employee takes pride in their work. In doing so, we intend to play an even greater role as a growth engine for the entire Milbon Group.

Sales by Product Category (Local Currency Terms)




milbon & Monochromatic series

Aiming to Achieve the "True No. 1" Position in the South Korean Market Realizing Sustained Growth with a 22.9% CAGR

Jaewook Kim Executive Officer / President of Milbon Korea

Leveraging trust and education to secure the No. 2 market share

Since its establishment in 2009, Milbon Korea has achieved steady business expansion, maintaining a compound annual growth rate (CAGR) of 22.9% in net sales, from 2.37 billion won in FY2010 to 52.14 billion won in FY2025. Earnings also shifted into the black in 2011, and by FY2025, had increased to 3.79 billion won. Today, we are positioned as a major player in South Korea, holding the No. 2 overall market share and having secured the No. 1 market share in our core hair coloring segment, which accounts for approximately 69% of sales.

The source of this growth is the deep trust we have built with hair salons, a relationship anchored by our core strength in education. This trust was especially reinforced during the COVID-19 pandemic by our FPs continuing to closely support salons as they navigated operations amidst a climate of uncertainty, all while strictly adhering to infection control protocols. Furthermore, while South Korea comprises an estimated 110,000 hair salons, recent years have seen increasing concentration in Seoul. While competitors are closing down their regional offices, Milbon has maintained its bases not only in Seoul but also in Busan, Daejeon, and Gwangju—earning us widespread trust across the entire country.

Our distributor education also serves as an important foundation for growth. While we have established a network of 23 distributors today, South Korea historically had a well-established culture of freelance dealers, where the role of distributor sales representatives was frequently limited to delivery and payment collections. Within this environment, we established a framework to train and certify distributor sales personnel as Global Milbon Sales Experts (GMSE). Today, approximately 200 of these certified experts operate as value co-creation partners, conducting sophisticated sales activities together with us to deliver strategic proposals to hair salons.

Evolving value co-creation with salons and distributors in South Korea

We view FY2025 as the year we successfully demonstrated the true value of these business foundations, paving the way toward achieving our goal of becoming the No. 1 brand in South Korea under our next Medium-Term Management Plan. In particular, we have gained significant traction from increasing the number of salons carrying our products via GMSEs, winning the support of Gen Z and Millennial hairstylists, and driving a qualitative transformation in our educational activities.

Within our core product segments, collaboration with GMSEs enabled us to secure an annual total of over 1,000 new salons carrying our products. Driven by this collaborative structure, our productivity per FP stands at an exceptionally high level, outperforming other regions including Japan. We also hosted the DA-LINK educational event for stylists along with South Korea's unique BEAUTY POOL FESTIVAL. Today, DA-LINK has established itself as one of the country's largest hair competitions, attracting over 2,000 hairstylists. Furthermore, the BEAUTY POOL FESTIVAL drew 1,352 Gen Z and Millennial hairstylists, serving as a cultural event that integrates a hair show, K-pop, and dance performances to foster professional pride and a deep sense of belonging within the beauty industry. Through these initiatives, we have successfully transitioned and evolved our focus from actively recruiting attendees to establishing events where people gather organically, drawn by the intrinsic value of the education itself. This shift has reinforced our presence and relevance in South Korea's beauty market.

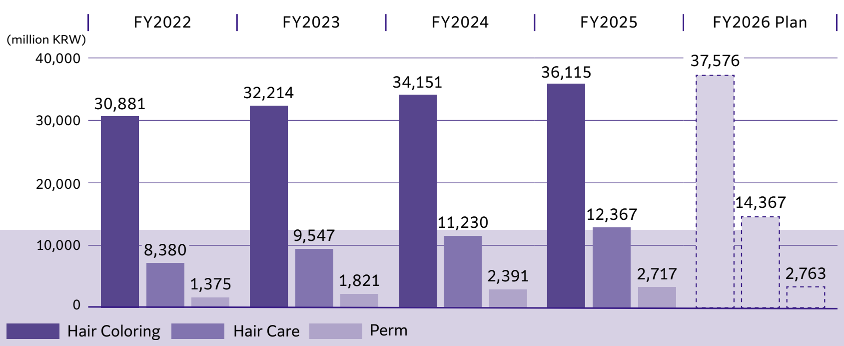
Charting the next phase of growth through DX promotion and entry into the perm market

For FY2026, we have set a net sales target of 56.7 billion won (an increase of 5.9% year-on-year) and an operating margin target of 21.9%. By expanding our top-line revenue while simultaneously executing necessary investments, we will build a sustainable and healthy profit structure.

As South Korea faces a rapidly aging population and a declining birthrate, the key to successful salon management lies in finding ways to simultaneously enhance and maximize both productivity and customer value. In South Korea, where digital adoption is rapid, our primary focus is on promoting digital transformation (DX). Through the utilization of various digital technologies, including AI-driven counseling, we will support hair professionals in enhancing productivity and maximizing customer value. Furthermore, to facilitate our entry into South Korea's high-demand perm market, we are currently advancing TAC Product Development in collaboration with local hairstylists. Following a preparatory phase in FY2026, we will move into full-scale efforts to capture market share from FY2027 onward.

South Korea is a key market that wields significant influence throughout Asia. Successfully establishing a proven model here will allow us to deploy it across other regions. To achieve the "True No. 1" status in the South Korean market, we will operate not simply as a foreign manufacturer, but as a deeply embedded local partner that stands closer to hair salons than anyone else, continuing to pioneer the future of the local beauty industry.

Sales by Product Category (Local Currency Terms)




BEAUTY POOL FESTIVAL

Domestic Market Strategy Progress and Results

Net sales reach an all-time high of 39.2 billion yen despite a challenging market environment

Growth driven by strong support for haircare products, which account for approximately 70% of domestic sales

The domestic market in FY2025 faced a challenging environment as rising commodity prices and other factors led to a pullback in spending on beauty, particularly during the first half of the fiscal year. While this compelled us to revise our initial forecasts downward, business rallied toward the second half, ultimately resulting in both sales and profits exceeding our revised plan. Domestic net sales reached an all-time high of 39.20 billion yen (up 1.3% year-on-year). On the other hand, operating income landed at approximately 4.7 billion yen (down 17.9% year-on-year), impacted by inventory write-downs and increased sales promotion expenses. Consequently, we will continue to focus on improving profitability.

By category, haircare—which accounts for approximately 70% of domestic sales—performed steadily and drove growth in the domestic market. Most notably, our new innovative styling product, OW BYE TORI, achieved remarkable results, finishing at 282 million yen, which was approximately 2.3 times our initial forecast. This success is a clear demonstration of the true value generated by the twin pillars of our TAC Product Development System, which we have cultivated over many years, and our Field Person (FP) System, a nationwide network of approximately 360 FPs. It provided not only an opportunity to reaffirm the strengths of our business model, but also a valuable success experience for younger FPs that will contribute to their future growth. Existing core brands such as Aujua and Elujuda also steadily expanded, backed by stable demand.

As for the hair coloring category, although revenue decreased due to intensifying price competition, high-value-added products centered on Villa Lodola performed strongly, contributing to productivity improvements by enabling hair salons to introduce high-priced menu items. For this reason, rather than simply falling into price competition, we will continue our efforts to regain market share by differentiating ourselves through high-value-added hair coloring products that only we can propose and deliver. At the same time, within the Beauty Sommelier Training System, the number of certified Color Sommeliers reached a record high, directly driving product adoption. The Student Sommelier initiative, launched on a test basis in beauty schools in FY2024, is also helping beauty school students build their careers while deepening their understanding of Milbon.

In the cosmetics category, although revenue declined due to a pullback following the hit products of FY2024, our strategy of focusing on lotions with strong repeat purchase potential is beginning to establish a stable foundation, yielding key insights that will guide our future development.

Furthermore, under our domestic market strategy—Salon-based Social Innovation—the number of registered milbon:iD members reached 1.04 million, achieving our 2026 target of 1 million users one year ahead of schedule. In addition, in the two years since their full-scale rollout, Smart Salons have expanded to 83 locations across 60 cities nationwide, giving rise to clear success stories of dramatic improvement in hair salon productivity. These achievements demonstrate that by blending physical and digital services, hair salons are enhancing their function as part of the beauty infrastructure that connects with consumers more closely than ever before. Consequently, we are seeing tangible progress toward realizing our Beauty Platform Plan.

Capturing the small mass market through clearly targeted product rollouts and educational support

In FY2026, the final year of our 2022–26 Medium-Term Management Plan, we aim to achieve net sales of 39.88 billion yen (up 1.7% year-on-year), operating income of 5.09 billion yen (up 7.0% year-on-year), and an operating margin of 12.8%. While capital markets may view these targets as conservative, we regard them as realistic and steady growth targets that reflect the current market environment.

In an era of population decline and shrinking customer base, the key to contributing to increased sales and profits for hair salons lies in raising the unit prices of salon menu items through high-value-added products and educational support, alongside a growth strategy that utilizes milbon:iD as a platform for take-home products. Accordingly, we will further evolve our model for driving greater sales and profits for hair salons, using inspiring experiences from salon menus as a starting point to drive take-home product purchases and further increase customer retention rates.

Within the hair coloring segment, we will launch PRETOWA—an innovative new brand utilizing our proprietary technology, recognized by an internationally renowned academic society—to revitalize the market through a unified company-wide effort while supporting the implementation of premium color menus. PRETOWA eliminates the conventional trade-off between coloring and hair damage by simultaneously repairing hair during the treatment process. By providing this new value, this product aims to drive both premium menu items and higher customer retention rates at hair salons.

In addition, in the haircare segment, we will introduce new value propositions through a new Aujua line while rolling out styling products that address specific styles and concerns, alongside our first-ever product lineup designed for men, thereby ensuring we accurately capture diversifying needs.

Furthermore, in FY2026, we will strengthen our response to the small mass market, which is becoming more active against the backdrop of widespread social media usage. In recent years, as the acquisition of beauty information through social media has become commonplace, the hair salon market has seen significant growth in segments addressing specific needs and concerns, such as hair quality improvement, Korean-inspired hairstyles, and layered styles. By combining clearly targeted product rollouts with educational support that enhances the expertise of hairstylists, we will strengthen matching between hairstylists and customers.

Regarding the activities of FPs who support these strategies, we will promote reforms from the perspectives of both quality and efficiency. Specifically, we will shift from the traditional problem-solving approach of addressing apparent issues to a problem-identifying approach that uncovers the latent growth opportunities for salons. At the same time, through the digitalization of operations and the transfer of administrative tasks undertaken in FY2025, from FY2026 onward we will focus more intensely on the essential role of FPs: to know hair professionals and hair salons better than anyone else, work in close partnership with them, and contribute to value creation. By strengthening training for younger FPs with less than three years of field experience, and by implementing training focused on reinforcing awareness of Milbon-ism and our mission for FPs with a certain level of career experience, we will aim for early workforce readiness and the elevation of our overall organizational capability.

Finally, stable growth in the domestic market is a crucial foundation for achieving medium- to long-term growth. Under these conditions, while addressing challenges stemming from population decline and the further diversification of customer needs, we will continue to contribute to lifelong beauty in the era of 100-year lifespans and to the realization of a spiritually enriched society through beauty by evolving hair salons into a Beauty Platform for beauty and spirit that is indispensable to beautiful living.

Results and targets for the domestic market

Domestic market (unit: million yen)	FY2023 results	FY2024 results	FY2025 results	FY2026 targets
Domestic net sales	36,502	38,684	39,206	39,880
Domestic operating income	4,231	5,796	4,757	5,090
Domestic operating margin	11.6%	15.0%	12.1%	12.8%
Net sales composition ratio by category (shipped value)	FY2023 results	FY2024 results	FY2025 results	FY2026 targets
Haircare products	62.9%	64.6%	67.2%	67.9%
Hair coloring products	32.4%	30.4%	28.8%	28.3%
Cosmetic products	1.4%	2.1%	1.5%	1.6%
Premium Brands (shipped value)	FY2023 results	FY2024 results	FY2025 results	FY2026 targets
Aujua				
Net sales (million yen)	10,965	11,838	12,187	12,457
Salons	6,556	7,278	7,842	—
“milbon”				
Net sales (million yen)	3,439	3,469	3,478	3,545
Salons	10,188	10,840	12,382	—
Villa Lodola				
Net sales (million yen)	1,352	1,463	1,646	1,793
Salons	13,679	16,488	19,436	—
iMPREA				
Net sales (million yen)	558	525	519	569
Salons	1,970	2,083	2,505	—
milbon:iD	FY2023 results	FY2024 results	FY2025 results	FY2026 targets
Members	670,000	881,000	1,040,000	1,150,000
Salons	5,930	6,566	6,669	—
EC Sales (million yen)	1,640	1,970	2,250	2,500
Smart Salon	FY2023 results	FY2024 results	FY2025 results	FY2026 targets
Number of Smart Salons	23 salons in 19 cities	62 salons in 50 cities	83 salons in 60 cities	—
Field Persons	FY2023 results	FY2024 results	FY2025 results	FY2026 targets
Number of FPs	350.2	361.4	364.8	—
Per-person net sales (million yen)	104	107	107	—

Akiko Nishioka
Executive Officer,
Director of FP Sales and Marketing

Domestic Market Strategy

Cross Review with Outside Board Director

This cross-review dialogue provides a multifaceted perspective on the current state of Milbon's domestic market strategy, the importance of advancing women's empowerment, and the future direction of the business. The discussion features Tsuneko Murata, an Outside Board Director with extensive expertise in management, legal affairs, and the advancement of women, as well as experience serving as an outside director of multiple listed companies, together with Akiko Nishioka, Executive Officer responsible for Milbon's domestic market strategy.

Next steps for growth based on achievements and issues

Murata: To begin, looking back at FY2025, how did we perform in the domestic market?

Nishioka: Our greatest achievement was reaffirming the strength of our business model. In FY2025, our new styling product, OW BYE TORI, significantly outperformed expectations. This success was made possible by the effective functioning of our TAC Product Development System and FP System in close collaboration with distributors. The vitality and sense of unity generated throughout the organization by this achievement are already carrying over into our initiatives for FY2026.

Murata: That said, would it be fair to say that the overall results in the domestic market left some room for improvement?

Nishioka: I agree. Having spent nearly 30 years in sales and education at Milbon, I felt that, more than at any time since the Great East Japan Earthquake or the COVID-19 pandemic, economic sentiment was reflected directly in the business conditions of hair salons. While our strategy focuses on high-value-added, premium products, continued restraint in consumer spending highlighted the need for a broader range of proposals tailored to the circumstances of both consumers and salons.

Murata: Even so, it is clear that trust in and recognition of our products remain strong. This is evident from the results of the WWD BEAUTY Hair Salon Best Cosmetics 2025 awards, organized by WWD JAPAN and determined through voting by hairstylists in Tokyo. Aujua was ranked No. 1 in the shampoo category for the fifth consecutive year, while Milbon products secured the top positions in the scalp and hair-growth care category. Most notably, Milbon was ranked first in the newly established Sales Staff Category.

Nishioka: We are delighted by these results. Having not only our products but also the activities of our FPs recognized is a great source of encouragement, and we see it as further validation of the value of our business model. In addition, we held NEXT VISION, our annual event for sharing beauty industry trends and management strategies, in February 2026. A record-high approximately 5,000 hairstylists from across Japan participated. Amid increasingly challenging conditions surrounding salon management, the event once again reinforced the expectations placed on Milbon.

Murata: FY2026 will also see several new initiatives, including PRETOWA, a groundbreaking new hair coloring product, as well as our first-ever product line for men. Could you tell us about the key initiatives on which the Company intends to focus?

Nishioka: The successful launch of new products requires close collaboration between our distributors and FPs to strengthen educational activities for hairstylists and salons, enabling them to effectively communicate product value to consumers. To reinforce the fundamentals of our business model, we will narrow the number of new product launches compared with previous years while further enhancing the effectiveness of our activities. In addition, although our business operates on a B2B2C model, increasing consumer awareness is essential to further enhancing the value we provide to salons. Accordingly, in FY2026, our newly established Marketing Headquarters and FP Headquarters will work together to strengthen consumer communications through social media and transit advertising.

Murata: I believe Milbon products offer outstanding quality and strong consumer appeal; once consumers become familiar with them, many choose to continue using them. That is precisely why there remains significant opportunity to expand brand awareness among the general public, including men.

One of our most important customer engagement initiatives, and the core of our Smart Salon Strategy, milbon:iD has surpassed one million registered members ahead of schedule. How do you see its future development?

Nishioka: Until now, our focus has been on expanding the membership base. Going forward, however, we will enter a new phase of leveraging that foundation to generate tangible results. Smart Salons have expanded to 83 locations across 60 cities in Japan, and we are beginning to see a growing number of successful examples, particularly in regional areas, as opportunities for consumers to seek beauty-related advice through traditional channels such as department stores continue to decline. Rather than simply increasing the number of locations, we will focus on expanding the application of proven models and enhancing their success across a broader range of salons.

Murata: Regarding the cosmetics category, which is the cornerstone of our Lifetime Beauty Care Strategy, I feel that while we have achieved a certain degree of success, many challenges still remain.

Nishioka: It is true there are challenges, but our efforts thus far have made it clear that cosmetics sales in hair salons depend on repeat purchases rather than one-off transactions. Accordingly, in FY2025, we focused our efforts on lotions with strong repeat purchase potential, successfully securing a stable revenue stream. In addition, *niawase* (tailored styling)—which combines hair styling with make-up to create a personalized look—is a domain with immense potential and is absolutely indispensable from the perspective of lifetime beauty care. We therefore intend to expand our footprint step by step, moving from haircare to cosmetics, and ultimately into the healthcare domain.

Evolution of organization and the value of beauty for further growth

Murata: In recent years, with the progress of work style reform, the ways of working for both hairstylists and our own employees have become increasingly diversified. In the past, the field activities of our FPs were typically conducted after salon operating hours, but today, in-salon education during regular operating hours is becoming the main approach, isn't it?

Nishioka: Conducting in-salon education during regular business hours has not only made it easier for our FPs to continue working, but it also allows them to observe the actual conditions of salons and their customers in real time. This enables us to further elevate the quality of our recommendations, tailoring them to each individual salon.

Murata: Improving the labor productivity of our approximately 360 FPs is an important management indicator for the company. I understand that in FY2025, you promoted operational efficiency through initiatives leveraging DX and AI to reduce the administrative burden on our FPs. Could you share some of the specific improvements you have implemented?

Nishioka: In addition to leveraging DX and AI, we offloaded administrative tasks that do not necessarily need to be handled by FPs to other divisions. This has created an environment where FPs can concentrate on their core responsibilities and maximize the time they spend serving salons, distributors, and other clients. Moving forward, we will continue to implement further efficiency measures to simultaneously improve labor productivity while creating an environment in which employees can continue working.

Murata: Furthermore, with women making up approximately half of our workforce, the importance of promoting women's career advancement continues to grow. Our percentage of female managers has risen to 14.7%, showing that our DE&I initiatives are making clear progress. Could you outline some of the specific policies and measures you are implementing to further support the development and advancement of women?

Nishioka: An increasing number of female FPs are returning to work after maternity and childcare leave. Their opportunities to play active roles are certainly expanding compared to the past, moving beyond traditional in-salon education to include online training sessions for hairstylists. At the same time, adapting to a changing world and committing to results requires a corresponding level of skill. Accordingly, starting in FY2025, we have strengthened our internal education by utilizing skill map sheets. We are enhancing initiatives that enable employees not only to continue working, but to continue thriving.

Murata: We are shifting into an era where it is becoming a matter of course not only for women to take maternity and childcare leave, but also for men to take parental leave on a scale of several months. Moving forward, we must build a system where daily operations are structured around this very premise. Furthermore, precisely because we live in an era of rapid change, diversity is indispensable for making decisions that drive multifaceted innovation and for increasing the success rate of our businesses. I view this as a vital initiative that must be pursued as a core management strategy. One thing that came as a surprise to me upon assuming my position as an Outside Board Director was the impression that the beauty industry still clings to some slightly outdated practices. As an industry leader, I hope that Milbon will take the helm in eliminating unconscious bias and advancing work style reform and spearhead the promotion of diversity across the entire sector. I also hope to see more female managers follow in your footsteps, deepening our DE&I so that we become a corporate entity where leaders emerge organically on an ongoing basis, regardless of gender. Finally, as our global expansion accelerates, could you please share your thoughts on the ongoing importance of the domestic market?

Nishioka: Japanese beauty techniques and *omotenashi* hospitality are highly regarded overseas and have earned a deep level of trust. Beyond that, I believe the true essence of Japanese beauty lies not only in making someone beautiful in the present moment, but in offering solutions that enable individuals to enjoy a lifetime of beauty. Japan has become a super-aged society ahead of the rest of the world. If we can transform this reality into value—creating a world where people can enjoy beauty until the age of 100, essentially extending the years in which people can enjoy beauty—it will not only unlock room for further growth in the domestic market, but also provide an outstanding opportunity to showcase Japanese beauty to the world. With this vision in mind, we are committed to driving further contributions on a global scale.

Murata: That is very reassuring. For my part, I look forward to continuing to visit our field operations firsthand, dedicating my utmost efforts to ensuring that Milbon grows sustainably as a company where employees find genuine fulfillment and can build long-term careers.

Tsuneko Murata Outside Board Director

Having served as head of legal affairs at Panasonic Corporation, as Executive Director and Auditor at Japan Pension Service, as well as an outside director at several listed companies, she has extensive knowledge across a wide range of fields, including legal affairs, management, and auditing. In 2021, she was appointed as Milbon's first female Outside Board Director. She currently serves as an outside director at HitoMile Co., Ltd., GECOSS CORPORATION, and Sumitomo Precision Products CO., LTD.

R&D Strategy Progress and Results

Advancing R&D to create and present new value to the market

milbon & Monochromatic series

PRETOWA

Deepening the global R&D structure

North America R&D
- Establish ongoing salon-based market observation activities
- Establish real-world usage testing protocols for global product development

China R&D
- Develop and launch hair coloring lines for the Chinese market
- Conduct formulation sample testing across more than 150 hair salons

Thailand R&D
- Promote training of product evaluation specialists, a cornerstone of product development
- Build an environment where the entire development pipeline can be executed within Thailand

Reinforcing a product development framework capable of addressing both global and local needs

Embodying new value in our products—well beyond mere incremental improvements

In research and development, FY2025 was a milestone year for Milbon. Building upon the wealth of insights in hair research that we have accumulated, we successfully embodied new value in our products—moving well beyond mere incremental improvements.

In the domestic market, we developed MOIST-CMADK—an advanced iteration of our proprietary CMADK hair-repair ingredient specifically optimized for moisture retention—and launched it within the Aujua ALTIELL line to deliver a dual benefit of deep cortical penetration and high hydration. The OW BYE TORI oil-based styling series, co-developed through TAC Product Development with leading hair professionals, introduces an innovative formula that allows for versatile styling without stickiness, even when applied directly to the hair roots. Furthermore, by reviewing specifications for trend-reflective packaging and fragrances prior to finalizing the product formulation, we pursued a product design optimized to win customers over at first glance. As a result, this series has outperformed sales plans even in a fierce market, enriching our methodologies for market engagement.

Furthermore, by leveraging our technology that received the Joseph P. Ciaudelli Award—the annual accolade presented by the Society of Cosmetic Chemists in the US for the best haircare technology article—we successfully developed PRETOWA, a new high-value hair coloring brand. While conventional hair coloring has historically involved an inherent trade-off between achieving beautiful color results and causing hair damage, PRETOWA simultaneously repairs the hair during treatment. By delivering entirely new value that frees customers from hair coloring concerns, it is highly anticipated to become a core growth driver moving forward.

In addition, as part of expanding our research foundation, we have acquired PHR data for approximately 480,000 individuals through our sponsorship of the Osaka Healthcare Pavilion at Expo 2025 Osaka, Kansai. Moving forward, our Innovation Center—which focuses on long-term research initiatives—will carefully evaluate the utility and application methodologies of this data, exploring its utilization as a new research foundation to drive expansion into the Lifetime Beauty Care domain and other areas.

Strengthening the global R&D structure to align with regional characteristics

In global research and development, FY2025 marked a year of steady progress in tailoring our R&D structure to regional characteristics. Most notably, a major outcome was the development and launch of the milbon & Monochromatic series styling products—our first overseas TAC Product Development—co-created with a renowned stylist in the US. Leveraging insights from this initiative, we have now initiated a TAC Product Development project for perming solutions, which command high demand in the South Korean market, collaborating directly with a leading local hairstylist.

In terms of individual regions, North America R&D has successfully established ongoing market observation activities centered on the Los Angeles market. By maintaining continuous touchpoints with local stylists, we can accurately capture shifting dynamics and needs across this expansive market. For the development of new products with a view toward global expansion, we have established a framework to ensure local market needs are reflected. This is achieved by conducting repeated, real-world usage testing in the US market from the early research phase. Furthermore, in anticipation of a major hair study in the US in FY2026, we carried out a small-scale pilot study in FY2025 for the purpose of accumulating survey methodologies and knowledge.

Operating as an R&D hub specialized for domestic demand, China R&D developed and launched its first hair coloring line adapted for the Chinese market. Furthermore, based on feedback and formulation sample testing conducted across more than 150 hair salons, the team has initiated multiple new product development projects. Meanwhile, Thailand R&D has made progress in training product evaluation specialists—a cornerstone of product development—enabling us to execute the entire development pipeline within Thailand. Thus, across all R&D hubs, our deepening market insight is steadily reinforcing a product development framework capable of addressing both global and local needs.

Furthermore, to address profitability enhancement—a core company-wide priority—R&D is collaborating with Production Headquarters to enforce rigorous cost management from the earliest stages of product development. At the same time, we are continuing to strengthen our global procurement network and review raw material selection, promoting initiatives that not only deliver compelling products to market, but also contribute to the profitability improvement of the entire Group from a cost management aspect.

From an intellectual property strategy perspective, to cultivate world-class researchers with deep expertise in targeted domains, we are increasing our academic presentations and journal submissions, including those in English. At the 17th Asian Societies of Cosmetic Scientists (ASCS 2025) Conference in the Philippines, two of our three poster presentations won Poster Awards. Alongside these achievements, we also continue to proactively pursue patent applications. Moreover, regarding collaborations between industry, academia, and government, we are actively engaged in partnerships with appropriate university laboratories based on specific research themes, while also strengthening alliances with other companies, raw material manufacturers, and distributors.

Under a restructured organization: Building an R&D framework that embraces change and takes on new challenges

FY2026 marks the culmination of our R&D Vision 2026. Looking ahead to the next Medium-Term Management Plan, we have established three core operational pillars to drive our initiatives forward: (1) Bring high-value-added products to market at the optimal time and cost—designed to be chosen by salons, enable hair professionals to shine, and inspire consumers; (2) Leverage our unique business model and specialized strengths while flexibly integrating new measures to further evolve the TAC Product Development System and formulate our new R&D vision for the next Medium-Term Management Plan; (3) Foster strong accountability and advanced expertise in every employee, deepening cross-functional collaboration with internal and external partners to realize a sustainable, global development framework.

To accelerate the translation of research value into commercial outcomes, effective from FY2026, Development Headquarters restructured into a two-department system, comprising the Research & Development Department and the Advanced Technology Research Department. The Research & Development Department focuses on new product development, while the Advanced Technology Research Department is dedicated to elevating our core development and technical capabilities. Through this structural change, we will enhance profitability by pairing enhanced pricing power—driven by the creation of uniquely high-value-added products that competitors cannot replicate—with cost reduction.

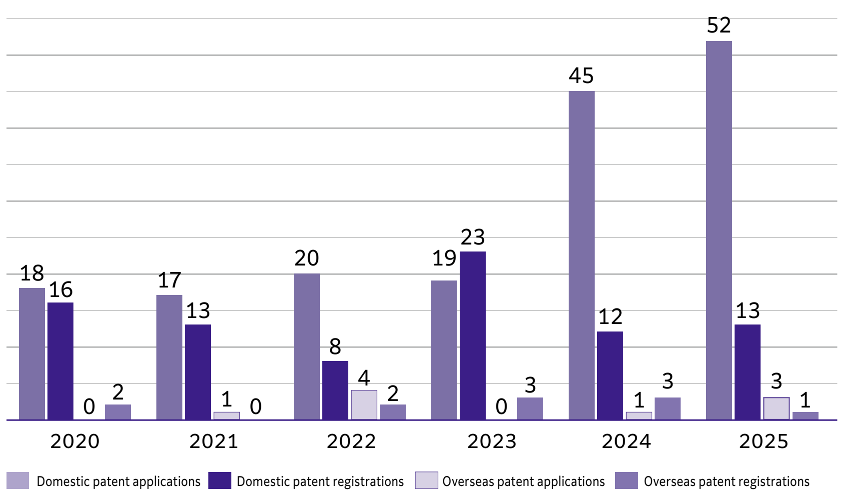
Meanwhile, to address the growing importance of intellectual property strategy, we established a new Legal Department at the start of FY2026, initiating full-scale collaboration between the IP Legal Group and Development Headquarters. Moving forward, we will develop a new IP strategy anchored by two pillars: protecting our brand and technology through an "IP mix," and maximizing the return on investment of our IP portfolio. In addition, by promoting the accumulation and sharing of research data alongside the utilization of AI, we will transform expertise that had previously depended on individuals into organizational assets, thereby enhancing both development efficiency and our capacity for value creation.

Looking ahead, our R&D must do more than simply respond to overt market needs. Our role is to create entirely new value and bring it to market. Believing that this represents the future role of research and development, we will continue to take on new challenges to create new value yet unseen.

Securing Substantial R&D Budgets of at Least 4.0% of Consolidated Net Sales

Performance indicators	FY2022 results	FY2023 results	FY2024 results	FY2025 results	FY2026 targets
R&D expenses (yen)	2.07 billion yen	2.33 billion yen	2.45 billion yen	2.67 billion yen	2.88 billion yen
Percentage of sales	4.6%	4.9%	4.8%	5.1%	5.3%

Number of Patent Applications and Registrations



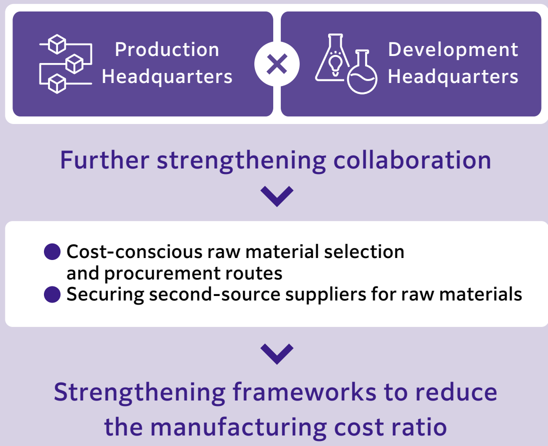
Masaya Tanaka
Executive Officer, Director of Research and Development Headquarters

Product Supply Strategy Progress and Results

Focus on enhancing our global supply system and controlling manufacturing costs

Yumegaoka Factory Global Technical Center, now in operation

Initiatives to maintain and reduce the manufacturing cost ratio



Advancing the global production system through full-scale production transfer to overseas factories

The Production Headquarters is in charge of the entire supply chain—from planning and procurement to production and logistics—and is currently promoting reinforcement of our global production system through cooperation among our three factories in Japan, Thailand, and China, with the goal of realizing a stable product supply in global markets.

FY2025 was a year of significant progress in the transfer of production to overseas factories. For the global flagship brand, "milbon," production was progressively transferred to our Thailand Factory, with products manufactured there now account for approximately 70% of products sold in overseas markets. This has contributed to profitability improvements through better transport efficiency and cost control, including labor costs. Furthermore, at our China Factory, localized production for the Chinese market made steady progress across both haircare and hair coloring products, establishing a production system aligned with domestic regulations in China.

In addition, with the situation in the Middle East affecting the stable supply of raw materials, our three factories have strengthened collaboration not only in product manufacturing but also in procurement, and we are working collectively to secure a stable supply of materials.

Meanwhile, at the Yumegaoka Factory (our core domestic production facility), expanding production capacity to meet growing demand for haircare products has become a key priority. Regarding the factory expansion planned under the 2022–26 Medium-Term Management Plan, however, we have decided to temporarily defer and reevaluate this project in light of domestic sales trends and other factors. Instead, we are working to optimize our production system through flexible measures, such as outsourcing production for certain products.

In terms of facilities, the Global Technical Center was completed and commenced operations within the Yumegaoka Factory. As the number of new product formulations grows and scale-ups for overseas manufactured products increase, we are utilizing this center to accelerate the speed and improve the accuracy of transitioning from development to mass production. This is being achieved through the verification and deployment of new packaging containers, filling equipment, and collaborative robots, alongside the automation of analytical validation for quasi-drugs. Through these initiatives, we have strengthened our technical transfer infrastructure, anchoring the Yumegaoka Factory as our global mother factory.

Accelerating collaboration across procurement and logistics to maintain and control the manufacturing cost ratio

In logistics, in collaboration with Toyo Logistics, we commenced joint relay transportation operations with ROHTO Pharmaceutical and Haleon Japan in August 2025. This initiative not only reduces logistics costs and cuts CO_2 emissions but also helps address pressing social issues such as driver shortages. Our efforts have received high acclaim, including recognition at the FY2025 Green Logistics Partnership Conference: Logistics Partnership Excellent Operator Awards (sponsored by the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism), where we jointly received the Logistics Structural Reform Award—a category award at the Director-General level. While the immediate impact remains limited, we view this as a crucial first step toward the future optimization of our entire supply chain.

In terms of profitability, as raw material and packaging material prices are on the rise, we have further strengthened our collaboration with the Development Headquarters, and we are enforcing stricter control over raw material selection and procurement route settings by embedding cost awareness from the very initial stages of new product development. In addition, for existing products, we are strengthening our framework year by year to curb the manufacturing cost ratio, generating ongoing annual cost savings on the scale of hundreds of millions of yen by securing second-source suppliers for raw materials and revising our procurement strategies.

As for our environmental initiatives, we achieved an 81.4% reduction in CO_2 emissions at the Yumegaoka Factory (compared to 2019 levels) for FY2025. This metric is part of our Five Key Challenges for achieving a sustainable society, and its achievement means we have continued to meet our 2026 target ahead of schedule since FY2023. Furthermore, having finished calculating our Scope 1, 2, and 3 emissions, we will now advance initiatives aimed at achieving our 2030 target of carbon neutrality at the Yumegaoka Factory. Regarding our RSPO-certified palm oil adoption rate (MB+B&C), we reached 50.8% in FY2025, hitting our 2026 target one year ahead of schedule. In addition, we are currently applying for certification from the Ministry of the Environment to have the green space within the premises of our Yumegaoka Factory certified as a Nature Coexistence Site.

Balancing cost optimization and quality across the entire supply chain

As the final year of our 2022–26 Medium-Term Management Plan, FY2026 is positioned as a pivotal year to cement the results of our past initiatives. To this end, we will continue to actively promote cost management across our entire supply chain, including further enhancing efficiency in procurement and inbound logistics. We will also further strengthen our collaboration with the Development Headquarters, lifting our structural profitability by optimizing costs across both new and existing product lines.

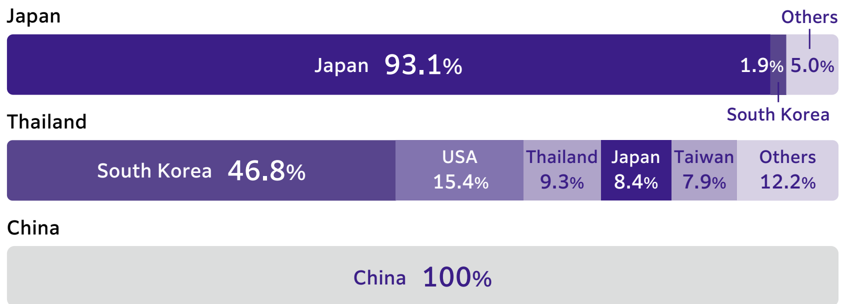
In addition, strengthening our quality management system is another critical focus. We will further elevate quality stability by refining, reviewing, and strictly enforcing operational manuals across every process. Particularly as our global expansion progresses and production volumes at overseas factories scale up, maintaining consistent global quality and preventing quality deviations has become an essential priority. We will address these areas as a top priority from the perspective of company-wide risk management.

Furthermore, by introducing a new production management system in Japan, we are modernizing our current paper-based workflows and decentralized management, while building a framework to centrally manage quality, manufacturing, and inventory information. In tandem with this, we are also systematizing related processes, including automating trade label printing and establishing an electronic delivery system for formulation instructions. Through these initiatives, we will simultaneously achieve higher operational efficiency and enhanced quality assurance, with a long-term view toward integrating management across Japan, Thailand, and China. Furthermore, to enhance visibility across our global supply chain, we are identifying issues and establishing KPIs through a cross-divisional project, and we will build a framework designed to improve planning accuracy and enforce rigorous KPI management.

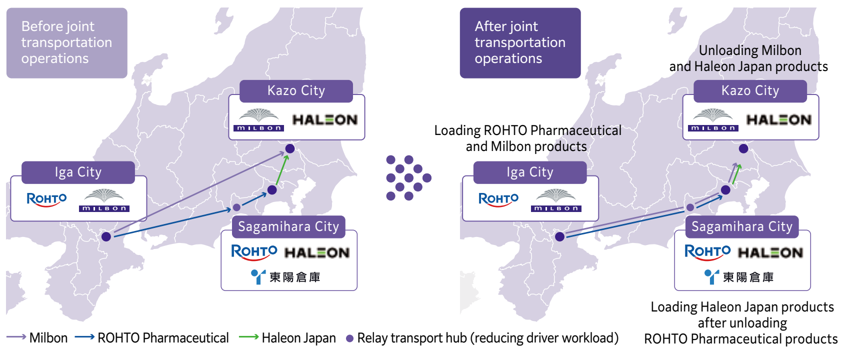
Building upon these efforts, our ultimate goal for our medium- to long-term production strategy is to establish "Made by Milbon," a production framework that ensures globally consistent quality and supply capability. One of our major themes over the next ten years to achieve this goal will be the restructuring of our production system. We must determine the optimal approach while navigating multiple options, including expanding the Yumegaoka Factory, scaling up production at our Thailand and China Factories, and utilizing outsourcing. Particularly for high-value-added products, we recognize the critical importance of in-house production from the perspectives of protecting proprietary technologies, ensuring quality, maintaining flexible supply responsiveness, and profitability. Consequently, our long-term vision is to explore building a production framework centered on in-house production.

The mission of the Production Headquarters is to ensure a stable supply of Milbon-quality products to hair professionals worldwide. Even while we pursue operational efficiency and cost control, our entire team remains steadfast in this mission, maintaining it as the foundation that supports Milbon's expanding global value.

FY2025 share of shipment value by destination country



Flow of the three-company joint transportation initiative launched in FY2025



Kazunobu Konoike

Board Director, Senior Executive Officer
Director of Production Headquarters, and in charge of Development Headquarters, and Organic Business

Financial Strategy Progress and Results

Addressing challenges and demonstrating our commitment to improving capital efficiency

FY2025 operating results and year-on-year changes (%)

Consolidated Net Sales	52.86 billion yen	+3.0%
Domestic Net Sales	39.20 billion yen	+1.3%
Overseas Net Sales	13.65 billion yen	+8.1%
Gross Profit	33.17 billion yen (Gross Profit Margin : 62.8%)	+1.8%
Operating Income	5.65 billion yen (Operating Margin : 10.7%)	-17.4%
Ordinary Income	5.45 billion yen	-21.7%
Profit Attributable to Owners of Parent	3.43 billion yen	-31.5%

ROE 7.0%

ROIC 8.0%

Achieved revised sales and earnings targets, but profitability still requires improvement

Leveraging our core strengths—a robust equity ratio consistently exceeding 80% and a stable cash-flow generation capability driven by our unique, resilient business model—Milbon remains committed to the sustainable enhancement of corporate value by aggressively making growth investments and reinforcing shareholder returns.

Under these circumstances, our consolidated financial results for FY2025 secured revenue growth, with net sales increasing 3.0% year-on-year to 52.86 billion yen. On the profit front, however, operating income decreased by 17.4% year-on-year to 5.65 billion yen, ordinary income fell by 21.7% to 5.45 billion yen, and profit dropped by 31.5% to 3.43 billion yen, resulting in a disappointing decline across all profit metrics. I would first like to sincerely apologize to all stakeholders in the capital markets for the significant concern and inconvenience caused when we were compelled to revise our initial business plan downward during the announcement of our first-half financial results in August 2025. Moving forward, we are dedicated to improving the accuracy of our company planning to prevent a recurrence of such circumstances.

In FY2025, amid a sustained challenging business environment and diminished predictability, when formulating the revised plan from our initial projections, rather than relying solely on top-down macro factors, we incorporated bottom-up elements that more closely reflect the sales division's perspectives on markets and products, finalizing the plan through deliberations among the executive team. This approach ensured that changes in the business environment were reflected in our financial forecasts more than ever before. Following a company-wide effort led by the executive team to achieve these new targets, we successfully closed the year with both net sales and all profit metrics outperforming the revised plan—a milestone that was by no means easily achieved. While these revised targets may have been lower than the capital market consensus, we believe that maintaining a focus on our numerical targets and successfully delivering on them—even amidst a highly volatile market environment—is highly meaningful for Milbon. FY2026 marks the final fiscal year of our 2022–2026 Medium-Term Management Plan. Our foremost priority is to restore confidence among capital market participants by consistently delivering on our announced targets.

Review of FY2025 domestic and overseas operations: Performance context and initiatives

As for the background of our financial results, domestic net sales faced exceptionally severe conditions, particularly during the first half of the fiscal year. In addition, inventory write-downs and disposal losses, particularly in cosmetics, were the primary drivers behind the contraction in gross profit. One of the underlying reasons for these inventory write-downs and disposal losses is long lead times from materials procurement to sales, combined with the inherent difficulty of forecasting demand. To address this, we are driving sales expansion through measures including new product launches. Concurrently, we will continue to implement improvements to mitigate future inventory write-downs and disposal losses, such as refining the precision of our new product sales forecasting and reviewing our materials procurement strategies.

In terms of non-operating expenses, we recorded an allowance for doubtful accounts of approximately 220 million yen. This was primarily triggered by the business failure of a domestic client. This, compounded by an extraordinary loss from a valuation loss on investment securities, dragged down profit, reducing return on equity (ROE) to 7.0%. Moving forward, in addition to reconstructing our credit control system, we will further strengthen our internal control framework to improve capital efficiency by enhancing profitability.

Reviewing our performance by region, while the domestic business faced headwinds, our overseas businesses sustained strong momentum overall. Performance in the US market was particularly strong, with both sales and profit significantly exceeding targets. We believe this success stems from the foundations we have built over time. This includes deepening our collaboration with distributors and the growing reputation of our products and educational programs. Moving forward, we will continue to make proactive growth investments in the US market to ensure we reliably capture substantial long-term returns.

Our operations in South Korea also delivered a generally robust performance throughout the year. Although yen-denominated results fell short of our targets due to the impact of exchange rates, the business achieved steady growth on a local currency basis, keeping us firmly on track to secure the No. 1 market share in South Korea. As for our Chinese business, we believe that our attentive and consistent engagement with salons that resonate with our policy proposals has contributed to steady sales growth despite the prolonged economic downturn. In other regions, the EU market—which stands alongside the US and South Korea as a designated key region—achieved substantial sales growth, led primarily by Germany. We anticipate further expansion moving forward.

As part of our commitment to improving capital efficiency, during FY2025, we executed our first-ever time-bound share buyback program and subsequently cancelled those treasury shares. Because this initiative was announced at the same time as the downward revision to our full-year earnings forecast, its impact on the stock price may have been limited. However, we are confident that it serves as a clear testament to our genuine commitment to improving capital efficiency, and we believe it received a certain level of recognition from the capital markets.

Decisively delivering on FY2026 targets and securing market trust

Our financial targets for FY2026 are consolidated net sales of 54.8 billion yen (up 3.7% year-on-year), operating income of 6.3 billion yen (up 11.4% year-on-year), ordinary income of 6.18 billion yen (up 13.3% year-on-year), and profit attributable to owners of parent of 4.3 billion yen (up 25.1% year-on-year). In our targets for FY2026 announced in February 2025, we projected consolidated net sales of 58.0 billion yen (domestic: 43.7 billion yen; overseas: 14.3 billion yen) and operating income of 8.4 billion yen. However, due to a significant variance in domestic net sales and a projected operating margin lower than our original estimates, we have revised these numerical targets downward to align with current market realities.

Among our targets for FY2026, the domestic net sales projection of 39.88 billion yen (up 1.7% year-on-year) may appear conservative given the robust sales performance we delivered in the fourth quarter of FY2025. However, when viewed against the broader market environment, we see this as a rational numerical target. Similarly, while the projected level of consolidated operating income may also seem low, our focus is to prioritize investments that will serve as the foundation for the next Medium-Term Management Plan, including human capital, R&D, and digital transformation (DX).

Regarding the key indicator of ROE, we have reset our FY2026 target to 8.6%, revised downward from our previous medium-term target of 11.3%. This adjustment stems from stagnation in the domestic market which prevented us from realizing the increase in

List of FY2025 Operating Results and FY2026 Targets

(Unit: million yen)		FY2024	FY2025 Q1	FY2025 Q2	FY2025 Q3	FY2025 Q4	FY2025 YTD	Change from FY2024 Results	% Change from FY2024 Results	FY2025 Revised Target	% Change from Revised Target	FY2026 Target	Change from FY2025 Result	% Change from FY2025 Results
Net Sales		51,316	11,180	13,626	13,020	15,035	52,863	1,546	3.0%	52,300	101.1%	54,800	1,936	3.7%
	Japan	38,684	8,165	10,317	9,336	11,386	39,206	521	1.3%	38,900	100.7%	39,880	673	1.7%
	Overseas	12,631	3,014	3,309	3,684	3,650	13,657	1,025	8.1%	13,400	101.9%	14,920	1,262	9.2%
Gross Profit		32,597	7,057	8,444	8,121	9,552	33,176	578	1.8%	32,926	100.8%	34,720	1,543	4.7%
Gross Profit Margin		63.5%	63.1%	62.0%	62.4%	63.5%	62.8%	—	—	63.0%	—	63.4%	—	—
SG&A Expenses		25,758	6,345	7,218	6,569	7,390	27,523	1,765	6.9%	27,626	99.6%	28,420	896	3.3%
Operating Income		6,839	712	1,225	1,551	2,162	5,652	△1,186	△17.4%	5,300	106.7%	6,300	647	11.4%
Operating Margin		13.3%	6.4%	9.0%	11.9%	14.4%	10.7%	—	—	10.1%	—	11.5%	—	—
Ordinary Income		6,968	625	1,227	1,349	2,252	5,455	△1,512	△21.7%	5,180	105.3%	6,180	724	13.3%
Profit Attributable to Owners of Parent		5,017	462	△43	1,262	1,756	3,437	△1,579	△31.5%	3,000	114.6%	4,300	862	25.1%
ROE		10.6%	—	—	—	—	7.0%	—	—	6.3%	—	8.6%	—	—
ROIC		10.0%	—	—	—	—	8.0%	—	—	7.7%	—	8.7%	—	—

Net Sales and Operating Income by Region

(Unit: million yen)		FY2024	FY2025	Diff.	Diff. (%)	Actual Diff. Rate*1 (%)	FY2025 Revised Target	Exchange Rate FY2025 Result	Exchange Rate FY2025 Forecast
Japan	Net Sales	38,684	39,206	521	1.3%	1.3%	38,900	—	—
	Operating Income	5,796	4,757	△1,038	△17.9%	—	4,300		
	Margin (%)	15.0%	12.1%	—	—	—	11.1%		
Overseas	Net Sales	12,631	13,657	1,025	8.1%	10.6%	13,400	—	—
	Operating Income	1,043	895	△147	△14.2%	—	1,000		
	Margin (%)	8.3%	6.6%	—	—	—	7.5%		
South Korea	Net Sales	5,345	5,503	158	3.0%	8.3%	5,583	1KRW 0.1055 yen	1KRW 0.108 yen
	Operating Income	1,239	1,071	△167	△13.5%	—	1,305		
	Margin (%)	23.2%	19.5%	—	—	—	23.4%		
China	Net Sales	2,328	2,441	112	4.9%	6.6%	2,333	1RMB 20.91 yen	1RMB 20.5 yen
	Operating Income	49	44	△5	△11.3%	—	8		
	Margin (%)	2.1%	1.8%	—	—	—	0.4%		
United States	Net Sales	1,981	2,520	539	27.3%	29.4%	2,145	1USD 149.76 yen	1USD 145.0 yen
	Operating Income	△89	△47	41	—	—	△275		
	Margin (%)	△4.5%	△1.9%	—	—	—	△12.8%		
Other*2	Net Sales	2,976	3,191	214	7.2%	5.2%	3,339	—	—
	Operating Income	△157	△172	△15	—	—	△38		
	Margin (%)	△5.3%	△5.4%	—	—	—	△1.1%		

*1 Figures are the rates of change in real terms on a local currency basis. *2 Thailand, Vietnam, Malaysia, Taiwan, Hong Kong, Turkey, Indonesia, Philippines, Singapore, EU, and UAE

gross profit resulting from sales growth initially forecast in February 2025, compounded by inflationary increases in personnel and logistics costs. On that basis, our strategy for FY2026 is to improve profitability through an increase in gross profit driven by revenue growth both domestically and overseas, a decrease in inventory write-downs, and the roll-off of previous Expo-related expenses, thereby aiming for ROE improvement. Meanwhile, as a measure to counteract recent inflation, we implemented price revisions for certain products in FY2025. Looking ahead, we will continue to establish appropriate, value-based pricing upon the launch of new products. While this process may take time, we are committed to steadily improving our gross profit margin.

Refining our investment management approach

Backed by cash on hand and a high equity ratio, our ample borrowing capacity allows us to enhance capital efficiency by making leveraged investments. Accordingly, we will consider utilizing interest-bearing debt as part of our financing mix for future growth investments.

I joined Milbon in April 2025. Prior to this, I served as a domestic equity fund manager and analyst at Mitsubishi UFJ Trust and Banking Corporation, where I analyzed numerous companies from an external perspective. Looking at Milbon's past investments through the lens of this experience, it is my personal assessment that our track record of growth, combined with a robust financial position, has led the organization to evaluate business investments over extended time horizons. This approach, however, may have limited our organizational awareness of post-investment returns, payback periods, and hurdle rates relative to the expectations of today's capital markets. Consequently, I believe there is clear room for improvement in how we structure our post-investment monitoring frameworks.

Under such circumstances, I have been appointed to chair our Investment Committee effective from FY2026. The Investment Committee is tasked with deliberating on each investment proposal from a financial perspective and providing its recommendations to the Management Meeting. In this role, I intend to advance a monitoring framework that evaluates investment proposals under more rigorous scrutiny, utilizing hurdle rates benchmarked against our cost of capital. Our longer-term goal is to further refine these capabilities to ensure we can effectively evaluate a diverse array of investment proposals, including global projects. Of course, we must ensure that tighter financial discipline does not compromise critical growth initiatives. I am committed to running the Investment Committee in close coordination with our operational divisions—carefully balancing growth opportunities and financial discipline—to foster thorough and productive deliberations at the Management Meeting. Through these initiatives, I aim to cultivate an organizational culture attuned to capital costs and investment payback periods, thereby driving improvements in our capital efficiency.

Financial Strategy - Long-term Capital Allocation Policy

Source	Category of Investment		Main Use of Funds (Up to 2026)	Main Use of Funds (2027 and Beyond)
Cash on hand + Interest-bearing debt + Operating cash flow	Growth Investments (Top priority)	For existing business	· HR Development Center in Odawara · Expansion of Yumegaoka Factory (suspended, reconsidered in the next mid-term plan) · Investment in R&D	· Investment to accelerate overseas growth · Investment in DX · Strengthening of the production and supply system · Investment in R&D, etc.
		For new business and overseas growth	· Investment in DX (milbon:iD and Smart Salon) · Strengthening investment in the US and EU	
	Shareholder Returns		· Dividend (dividend payout ratio of 50% + progressive dividends) · Share repurchase (total payout ratio 50% or more)	· Dividend (dividend payout ratio of 50% + progressive dividends) · Share repurchase (total payout ratio 50% or more)

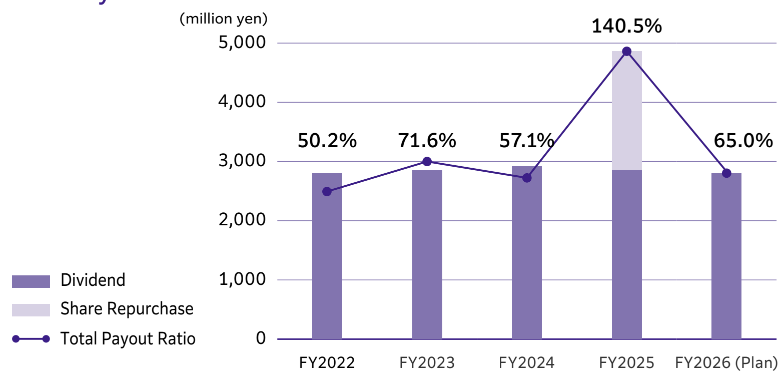
Toward a shareholder return policy that allows investors to share in the rewards of growth

Under our current shareholder return policy, we maintain a commitment to progressive dividends alongside a target dividend payout ratio of approximately 50%. However, given our current earnings and dividend levels, this policy presents a challenge where raising dividends becomes difficult even during periods of profit growth. To address this challenge, we are exploring the adoption of Dividend on Equity (DOE) moving forward, as we work to design a shareholder return policy that allows our investors to also share in the rewards of our growth. At the same time, our commitment to enhancing capital efficiency through share buybacks remains unchanged, as we continue to carefully evaluate our funding needs and share price trends. By balancing growth with shareholder returns through the delivery of a highly effective management strategy, and by maintaining dialogue with the capital markets, we will drive the sustainable enhancement of corporate value.

Shareholder Returns

Shareholder Return Policy	· Target total payout ratio of 50% · Progressive dividend · Prioritizing growth investments, while allocating surplus funds to flexible share repurchases

Total Payout



	FY2022	FY2023	FY2024	FY2025	FY2026 Target
Dividend Per Share (yen)	86	88	88	88	88
Dividend (million yen)	2,797	2,863	2,865	2,829	2,796
Share Repurchase (million yen)	—	—	—	1,999	—
Total Payout Ratio (%)	50.2%	71.6%	57.1%	140.5%	65.0%

Eliminating earnings surprises and building financial credibility

From my perspective overseeing corporate communications and finance, I firmly believe that a fundamental priority in our engagement with capital markets is the elimination of surprises during earnings announcements. By its very nature, our business model is resilient to economic fluctuations and characterized by low earnings volatility. Nevertheless, in FY2025, amid a challenging business environment, poor forecasting accuracy resulted in a substantial downward revision, triggering an unwelcome surprise for the market. I recognize that allowing such surprises to persist ultimately drives up our cost of capital. Moving forward, while consistently meeting our disclosed financial targets is a baseline expectation, we will also leverage earnings presentations and other opportunities for constructive dialogue with the capital markets to close the information gap between the company and the market, thereby enhancing corporate value.

Furthermore, as a relative newcomer to Milbon, it is clear to me that our core strengths—such as our R&D capabilities including the TAC Product Development System and our FP System—have not yet been fully communicated to the capital markets. Going forward, we will utilize various communication opportunities to disseminate information, thereby eliminating information asymmetry, reducing our cost of capital, and ultimately driving the enhancement of corporate value. As we strive to meet your expectations, we appreciate your continued support and engagement.

Shinichiro Hyogo
Executive Officer, General Manager of Corporate Communications Department

Human Capital Management Initiatives and Progress

Promoting our five key human resources strategy themes to strengthen continuous value creation


Milbon Person discussions


The Odawara Human Resources Development Center

The Five Key Human Resources Strategy Themes and Initiatives and Progress for FY2025

1 Next-generation leadership development
- Implementation of MCU-Prep
- Systematization of the succession management framework

2 Fostering greater motivation
- Junior employee turnover rate (Average turnover rate for junior employees (new graduates to third year) over the past 5 years) — 12.8%
- Paid leave utilization rate — 75.6%
- Engagement survey — Implemented continually

3 Promoting omnidirectional dialogue
- Implementation of Milbon Person discussions (21 sessions in total)

4 DE&I promotion
- Ratio of female managers — 14.7%

5 Strengthening people and organizations to improve the value provided
- Full-scale operation of the Odawara Human Resources Development Center

Achieving more systematic and effective development of management personnel

In alignment with its 2022–26 Medium-Term Management Plan, Milbon is currently advancing a human resources strategy based on the following fundamental policy: "To support Milbon's sustainable growth, we will foster a corporate culture that enables each employee to continue working with a spirit of autonomy and a sense of purpose." We have established 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 organizations to improve the value provided. Through value creation that starts with people—the ultimate source of our sustained growth—we are driving the enhancement of our corporate value.

(1) Next-generation leadership development: In FY2025, we launched MCU-Prep, a next-generation development program targeting young employees in their 30s. A total of 48 individuals are participating in the program across two cohorts spanning FY2025 and FY2026. Through lectures delivered by the Chairperson of the Board and final presentations involving Directors and Audit & Supervisory Board Members, participants are learning the perspectives, insights, and qualities essential for leadership. The themes presented during the final presentation of the inaugural year are currently being promoted within their respective departments to bring them to fruition, creating practical learning opportunities. Moving forward, we will continue to enhance the cultivation of next-generation leaders through a diverse range of options, without limiting opportunities solely to MCU-Prep participants.

In addition, the Human Resources Development Committee, chaired by President and CEO Hidenori Sakashita, is systematizing its succession management framework to consistently handle everything from the selection and evaluation of next-generation executive candidates to development opportunities and appointment decisions. Moving forward, we will further strengthen the systematic and effective development of management personnel, including by developing the next iteration of the main MCU program—our next management leadership development program—to promote the creation of a corporate environment in which leaders emerge organically on an ongoing basis.

(2) Fostering greater motivation: In response to a recent upward trend in the turnover rate among junior employees, we have transitioned to a method that accurately visualizes the mental well-being of first-year sales and education staff every month. This change has allowed us to strengthen the follow-up framework provided by managers and the Human Resources department, enabling interactions tailored to each individual's mindset and personality. In FY2026, we will expand internal training programs to include employees up to their third year, thereby advancing initiatives to enhance their sense of personal growth and contribution during the early stages of their careers. Furthermore, to promote diverse work styles, we expanded and increased the flexibility of our planned annual paid leave system. As a result, the paid leave utilization rate reached 75.6% in FY2025, consistently achieving our 2026 target. Because utilization rates tend to be lower among management, we are currently conducting interviews and analysis, and we will pursue further improvements to achieve our 2030 target.

Our engagement survey shows that we are maintaining a highly positive organizational climate, with an overall engagement rating of A, the third highest of 11 levels, marked by exceptionally deep alignment with our corporate philosophy. Consequently, at the Best Motivation Company Award 2026 hosted by Link and Motivation Inc., Milbon received the Motivation Company award, which is presented to the top 10 companies in the Mid-Sized Enterprise Category (1,000+ employees).

On the other hand, addressing Transformation Activities is an ongoing challenge. Among the three areas we establish as key indicators—Philosophy Strategy, External Adaptation, and Transformation Activities—we are focusing on this particular area. We are advancing initiatives aimed at achieving a state where both expectation and satisfaction levels are high, and the area is effectively functioning as one of our strengths. Starting from FY2026, we have also incorporated the engagement score into the evaluation metrics for Executive Officers, thereby reaffirming its position as a key management indicator.

Fostering a sense of unity across the organization through increased dialogue and interaction

(3) Promoting omnidirectional dialogue: Building on the 20 Field Person discussion sessions held in FY2024, where President and CEO Hidenori Sakashita engaged in dialogue with sales and education staff at all sales offices in Japan, in FY2025, we conducted 21 Milbon Person discussions. In these 21 sessions, President Sakashita visited all domestic departments and engaged in direct dialogue with employees other than sales and education staff. The frontline insights and awareness of issues gained through these discussions have been reflected in our management plans. In FY2026, we are holding multiple Milbon Person Free Sessions on a smaller scale between interested employees and President Sakashita. In addition, we are enhancing opportunities for dialogue tailored to employee interests and concerns while strengthening internal information sharing. By doing so, we aim to prevent divisions across generations and departments, accelerate decision-making, improve operational efficiency, and foster a sense of unity throughout the organization.

(4) DE&I promotion: We have focused particularly on supporting the engagement and career continuity of our female sales and education staff, who account for a significant portion of our workforce. In FY2025, we introduced an external mentor program and a babysitter support program targeted at working mothers. Moving forward, we will continue to build support frameworks that facilitate diverse work styles tailored to various life stages, while regularly reviewing them in light of employee needs. As for the ratio of female managers, as a result of promoting appointments based on fair and impartial evaluations regardless of gender, the ratio increased to 14.7%, showing an improvement over the previous year.

(5) Strengthening people and organizations to improve the value provided: Our new training center, the Odawara Human Resources Development Center, began full-scale operation in FY2025. With its fully equipped facilities, we are enhancing the quality of various training programs, such as our nine-month new employee training. Moving forward, we intend to transform this center into a hub where employees can deepen their learning and interaction by increasing opportunities for in-person training, such as level-specific training. At the same time, we plan to explore frameworks that allow us to quantitatively visualize the effectiveness of our training.

Building systems and frameworks for the next medium-term management plan and long-term vision

We are currently redesigning our human resources strategy to align with the next medium-term management plan starting from FY2027. Through these efforts, we aim to further strengthen our human resource foundation, such as by establishing an evaluation system that accommodates diverse career paths and lifestyles. In addition, we are actively designing and building appropriate future staffing levels and organizational structures to achieve our long-term vision target of 100 billion yen in consolidated net sales.

Since our founding, Milbon has carried forward a commitment to people-centered management, embodied in our aspiration to "bring happiness to employees and their families and provide job satisfaction." Furthermore, unique value creation that starts with people is essential for implementing our business model of maintaining close ties with hair salons. Moving forward, by continuing to advance our human capital management, we remain committed to realizing our ideal narrative: one where our employees continue to find purpose and fulfillment in their work, contributing to greater sales and profits for hair salons, enriching society, and thereby continuing to grow themselves.

Overview of Human Capital Management Strategies

Value creation — Greater sales and profits for hair salons

5 Strengthening people and organizations to improve the value provided

2022–2026 Medium-Term Management Plan

Human resources strategies

1 Next-generation leadership development | 2 Fostering greater motivation
3 Promoting omnidirectional dialogue | 4 DE&I promotion

Remuneration policy | Foundations supporting human resources strategies | Recruitment-training policies

Main human capital-related indicators	FY2024 results	FY2025 results	Scope
Permanent employees, consolidated	1,188	1,237	Milbon Group
Ratio of male/female employees (%) *Permanent employees, consolidated	49.8/50.2	49.1/50.9	Milbon Group
Average age	35.6	36	Milbon Co., Ltd.
Average length of service (years)	11.1	11.2	Milbon Co., Ltd.
Average length of service (male/female, years) *Permanent employees	13.4/8.4	13.8/8.2	Milbon Co., Ltd.
Turnover rate for total employees (%)	5.6	4.1	Milbon Co., Ltd.
Gender pay gap (%) *1,2,3			
(1) All workers (2) Permanent employees (3) Non-permanent employees	(1) 72.0 (2) 75.0 (3) 52.9	(1) 69.8 (2) 71.5 (3) 59.0	Milbon Co., Ltd.
Proportion of employees who took childcare leave (male/female) (%)	40.7/100	58.8/100	Milbon Co., Ltd.
Return rate following childcare leave (male/female) (%)	100/93.7	100/95.8	Milbon Co., Ltd.
Number of employees taking paid leave for family care	213	189	Milbon Co., Ltd.
Ratio of employees with disabilities (%)	2.33	2.40	Milbon Co., Ltd.
Number of people with disabilities engaged in work outside their facilities under supported employment	23	23	Milbon Co., Ltd.
Number of occupational accidents *Fatal accidents	0	0	Milbon Co., Ltd.
Number of harassment reports	4	6	Milbon Co., Ltd.
Education and training expenses per employee (yen)	135,489	143,563	Milbon Co., Ltd.
Education and training hours per employee (hours)	73.4	51.8	Milbon Co., Ltd.
Total number of employees who received training	576	900	Milbon Co., Ltd.
Engagement score (deviation)	62.5	60.5	Milbon Group
Engagement rating (11 levels of ranking)	AA (2nd highest of 11 levels of ranking)	A (3rd 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 "Permanent employees" refers to Executive Officers (other than Board Directors) and full-time employees. "Non-permanent 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 86.

Junji Morimoto
Board Director, Senior Executive Officer
In charge of Human Resources, Internal Audit, Finance, Corporate Communication, and Sustainability Promotion; General Manager of the Quality Assurance and Legal Dept.

Sustainability & ESG

Foundations for Value Creation

Milbon believes that its true purpose lies in contributing to the realization of a sustainable society through the creation of a sustainable beauty industry. This chapter outlines our sustainability initiatives, as well as our corporate governance framework and related initiatives, which together serve as the foundations for value creation necessary to deliver enduring value.

Top Message » Our Approach to Value Creation (The Way) ‹ Strategic Focus on Value Creation (Focus) › ‹ Foundations for Value Creation (Sustainability & ESG) › Outcomes of Value Creation (Performance)

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.

Approach to promoting sustainability

Beautiful living enriches the human spirit. An enriched spirit fosters culture. A society that values culture brings peace. Milbon believes in this power of beauty, and views contributing to the realization of a sustainable society through the creation of a sustainable beauty industry as its essential purpose. Therefore, to fulfill our commitments to all stakeholders around the world and continuously provide value, we place sustainability at the core of our business strategies and promote it throughout all our business activities.

Sustainability promotion framework

In promoting sustainability, the Sustainability Promotion Committee—chaired by the Sustainability Director—plays a central role. The committee is responsible for formulating company-wide policies and supporting their implementation in collaboration with each department. In addition, through regular reporting to the Board of Directors and the Management Meeting, we are strengthening alignment with management strategy under the supervision of the management team. Since FY2025, Tomomi Fukumoto, an outside director with extensive experience in ESG and sustainability promotion within the Suntory Group, has participated in the committee as an advisor. Her involvement allows us to incorporate external expertise and advanced best practices, promoting active discussions and evaluations.
Furthermore, through FY2025, two working groups established within the Committee—Education Promotion and TCFD/TNFD—built a foundation for company-wide implementation.

Starting in FY2026, as activities in these areas have progressed from foundational strategy formulation to the execution phase, we transitioned to a structure in which the ESG Promotion Office handles operations, while the Sustainability Promotion Committee provides overall oversight and monitoring.
At Milbon, we believe that each and every employee—including the management team—has a leading role to play in promoting sustainability. To enhance employee knowledge and foster a strong sense of personal ownership, we have been cultivating a culture in which individuals think and act on their own initiative. This effort began with a company-wide Sustainable Development Goals (SDGs) workshop in 2019 and has continued through annual workshops as part of new employee training. Furthermore, from 2020 through 2025, we created ongoing touchpoints by regularly publishing an internal web magazine to share both internal and external initiatives. In recent years, we have also expanded practical learning opportunities, including community-based fieldwork.

Board of Directors / Management Meeting
Supervision →
← Reporting, recommendations
Sustainability Promotion Committee
Chair: Sustainability Director
Advisor: Outside Board Director Tomomi Fukumoto
Collaboration with each department
Leading role in promotion
Each and every employee

Process for selecting Milbon's Five Key Challenges as material issues

At Milbon, led by the Sustainability Promotion Committee, we examine the sustainability initiatives the Company should undertake from the three perspectives of ISO 26000, the 17 SDGs, and ESG. These initiatives are organized into an ESG/SDGs Matrix that consolidates input from internal departments, external experts, and management.
In selecting our materiality (Five Key Challenges), we reassessed issues that are particularly relevant to our business activities and of high interest and expectation to our stakeholders. Based on this, we identified key challenges from three perspectives: addressing social issues, achieving sustainable business growth, and strengthening internal foundations. We have established medium- to long-term KPIs and are promoting focused initiatives accordingly.
Looking ahead to the next medium-term management plan starting in FY2027, we have begun redefining our materiality by evaluating both social and financial impacts, while placing emphasis on identifying themes that employees can personally relate to. Going forward, we plan to finalize the revised materiality after conducting stakeholder dialogues and deliberations at both the Management Meeting and the Board of Directors. Through these efforts, we will continue to enhance an integrated management framework that further aligns our business and sustainability initiatives.
*Please refer to the ESG/SDGs matrix. (Japanese only) https://www.milbon.com/ja/uploads/docs/esg-sdgsmatrix.pdf

Three perspectives	Reflect opinions of departments, experts, and management	Selected based on according to business relevance and stakeholder expectations
ISO 26000 The 17 SDGs ESG	→ ESG / SDGs matrix	→ Five Key Challenges

External assessments of our activities

Milbon's sustainability initiatives have been evaluated by ESG rating agencies, and the Company has been selected as a constituent of the FTSE JPX Blossom Japan Index, the FTSE JPX Blossom Japan Sector Relative Index, the S&P/JPX Carbon Efficient Index, and the SOMPO Sustainability Index.
Furthermore, our efforts have also received external recognition in other areas. In our engagement survey, we were recognized by Link and Motivation as one of the top 10 companies in the Mid-Sized Enterprise Category (1,000+ employees) for employee engagement. In addition, our core production facility, the Yumegaoka Factory, received a Silver rating in the EcoVadis sustainability assessment, placing it among the top 15% of all assessed companies. For details, see the list of external assessments on page 88-89.

FTSE JPX Blossom Japan Index
FTSE JPX Blossom Japan Sector Relative Index
S&P/JPX Carbon Efficient Index
2025 Sompo Sustainability Index
2026 MOTIVATION COMPANY
SILVER | Top 15% ecovadis Sustainability Rating NOV 2025

Publication of the MILBON Sustainability Report 2026

In FY2025, we began publishing the MILBON Sustainability Report, which features our philosophy on sustainability and our latest progress. The latest edition, summarizing our FY2025 initiatives, was published in March 2026. For more detailed information on our sustainability initiatives, please refer to the MILBON Sustainability Report.

https://www.milbon.com/en/uploads/docs/milbon_SustainabilityReport_en_260430.pdf

Rationale for Selecting Each of the Five Key Challenges

Co-creating value with stakeholders

Key Challenge 1:

Enrich the spirit through beauty

OUTCOME

Realization of a beautiful, spiritually enriched society through haircare professionals—the professionals of beauty

At Milbon, we believe that beauty leads to emotional well-being, and that a spiritually enriched society contributes to a sustainable society. For this reason, under Key Challenge 1, which lies at the core of our materialities, we are promoting initiatives to deliver the services provided by haircare professionals and hair salons—our business partners and professionals of beauty—to consumers more seamlessly and at a higher level of quality.

Achieving both sustainable business growth and solving social issues

Key Challenge 2:

Regenerative and recycling-oriented manufacturing and consumption activities

OUTCOME

Acceleration of the circular economy throughout the supply chain

Key Challenge 3:

Practice people-friendly procurement

OUTCOME

Development of a sustainable supply chain

For Milbon to contribute to a sustainable society by "enriching the spirit through beauty," society itself—the very foundation of our business activities—must be sustainable.
Accordingly, to fulfill our responsibility as a member of society and achieve sustainable business growth, we are working to address various environmental issues, including climate change, as well as social issues such as human rights.

Foundation for the Company's sustainable business growth

Key Challenge 4:

Construct a fair and flexible management structure

OUTCOME

Establishment of a management foundation to enhance corporate value sustainably

Key Challenge 5:

Realizing a rewarding work environment

OUTCOME

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

In order for Milbon to continue contributing to society through beauty, it is essential that society—the very foundation of our existence—be sustainable, and that we ourselves also remain sustainable.
Accordingly, in addition to strengthening our management foundation for sustainable business growth, we are advancing initiatives to build systems and frameworks that enable each and every employee—the source of our value creation—to feel a sense of fulfillment and continue working at Milbon.

KPIs, progress, and targets for the Five Key Challenges

Priority themes	KPI [Medium- to long-term theme]	2024 results	2025 results	2026 targets	2030 targets	The 17 SDGs
Co-creating value with stakeholders						
Key Challenge 1: Enrich the spirit through beauty						
Establishment of knowledge-based product sales[*1] business utilizing both the physical and digital realms	① Number of registered milbon:iD members	870,000	1,040,000	▶ 1,000,000	–	3, 5, 11, 16, 17
	② Number of cities where Milbon knowledge-based product sales (Smart Salon) is implemented	62 hair salons in 50 cities	83 hair salons in 60 cities	▶ 500 hair salons in 100 cities		
Fostering lifetime beauty partners	① Total number of annual users of our studios, events, and educational videos	244,000	225,000	▶ 335,000	–	
	② Number of registered education:iD members	51,000	65,000	▶ 100,000		
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)	82.2% reduction	81.4% reduction	▶ 75% reduction (achieved ahead of schedule)	Achieve carbon neutrality	12, 13, 17
Sustainable container and packaging design	Reduction rate of petroleum-derived virgin plastic use (compared to 2020 levels, per unit sales)	11.6% reduction	16.4% reduction	▶ 15% reduction	▶ 30% reduction	12, 14, 17
Key Challenge 3: Practice people-friendly procurement						
Sustainable procurement of palm oil	RSPO certified palm oil adoption rate (MB+B&C)	24.4%	50.8%	▶ 50%	100%	8, 12, 17
Respect for human rights in the supply chain	Number of human rights violations identified through due diligence	0	0	▶ Keep human rights violation as close to zero as possible	▶ Keep human rights violation as close to zero as possible	10, 12, 17
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	5 outside board directors (5 out of 12)	5 outside board directors (5 out of 12)	▶ Continuous appointment of over 1/3 outside board directors	–	5, 16, 17
	② Active appointment of female board members	3 female board members (3 out of 15)	3 female board members (3 out of 15)	▶ Continuous appointment of female board members		
	③ Securing diverse skills, including internationality	6 board members with overseas work experience (6 out of 15) *2	6 board members with overseas work experience (6 out of 15) *2	▶ 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	–	16, 17
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 young employees (new graduates to 3rd year) over the past five years	11.7%	12.8%	▶ 9%	▶ 6%	5, 8
	② Paid leave acquisition rate	72.9%	75.6%	▶ 70%	▶ 80%	
	③ Progress of engagement survey	Conducted engagement survey and set key items and targets	Conducted engagement survey and set key items and targets	▶ Continuous engagement survey	–	

*1 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 *2 Excluding 1 foreign executive officer

The Five Key Challenges for Achieving a Sustainable Society

KPI Status and Targets for Each of the Five Key Challenges

*For details of the specific initiatives driving each KPI, please refer to MILBON Sustainability Report 2026.
https://www.milbon.com/en/uploads/docs/milbon_SustainabilityReport_en_260430.pdf

Key Challenge 1 Enrich the Spirit through Beauty

Since its full-scale launch in 2020, milbon:iD has continued to rapidly gain support, having grown to 1.04 million registered users in FY2025, achieving the medium-term target ahead of schedule. Our Smart Salons have also expanded to 83 locations across 60 cities nationwide. Through customer experience design centered on real-world communication and integration with milbon:iD, Smart Salons have contributed to enhancing both salon productivity and customer experience.

KPI Number of registered milbon:iD members

2024 result	2025 result	2026 target
870,000	1,040,000 (YoY: +170,000)	1,000,000

KPI Number of cities where Milbon knowledge-based product sales (Smart Salon) is implemented

2024 result	2025 result	2026 target
62 salons in 50 cities	83 salons in 60 cities (YoY: +21 salons in 10 cities)	500 salons in 100 major cities

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

2024 result	2025 result	2026 target
244,000	225,000 (YoY: -19,000)	335,000

KPI Number of registered education:iD members

2024 result	2025 result	2026 target
51,000	65,000 (YoY: +14,000)	100,000

Key Challenge 2 Regenerative and Recycling-Oriented Manufacturing and Consumption Activities

Driven by the continued 100% procurement of CO_2-free electricity and improvements to energy-efficient equipment, the CO_2 emissions reduction rate at the Yumegaoka Factory reached 81.4%, consistently achieving our 2026 target since 2023. Through promoting the 4R approach (reduce, replace, reuse, recycle)—including the downsizing of containers and caps—we also achieved a 16.4% reduction in our usage of petroleum-derived virgin plastic, allowing us to hit our 2026 target ahead of schedule.

KPI Reduction rate of CO_2 emissions at Yumegaoka Factory *Compared to 2019 levels

2024 result	2025 result	2026 target	2030 target
82.2%	81.4% (YoY: -0.8 points)	75%	Carbon neutrality

KPI Reduction rate of petroleum-derived virgin plastic use *Compared to 2020 levels, per unit of sales

2024 result	2025 result	2026 target	2030 target
11.6%	16.4% (YoY: +4.8 points)	15%	30%

Key Challenge 3 Practicing People-Friendly Procurement

By steadily maintaining and renewing supply chain certifications for the Yumegaoka Factory, we have been able to streamline audit processes and reduce risks. In addition, by strengthening collaboration with suppliers and enhancing the updating and sharing of certified raw material information, we significantly improved the adoption rate of RSPO-certified palm oil to 50.8%, achieving our 2026 target ahead of schedule.

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

2024 result	2025 result	2026 target	2026 target
24.4%	50.8% (YoY: +26.4 points)	50%	100%

KPI Number of human rights violations identified through due diligence

2024-2025 result	2026-2030 target
0	Keep human rights violation as close to zero as possible

Key Challenge 4 Construct a Fair and Flexible Management Structure

Outside Board Directors continue to account for more than one-third of the Board of Directors, and with the appointment of one new Outside Board Director in March 2026, the Board now comprises six internal and five outside Board Directors. We have maintained three female Outside Board Directors. In addition, from a global perspective, 6 out of 15 Board Directors and Audit & Supervisory Board Members have global work experience, helping to ensure that a diverse perspective is reflected in management.

KPI Appointment of Outside Board Directors

2024-2025 result	2026-2030 target
5 out of 12 directors	Continuous appointment of over 1/3 outside board directors

KPI Active appointment of female Board Members

2024-2025 result	2026-2030 target
3 out of 15 board members	Continuous appointment of female board members

KPI Securing diverse skills, including internationality

2024-2025 result	2026-2030 target
6 board members with overseas work experience (6 out of 15) (excluding 1 foreign executive officer)	Ensure diverse skills, including internationality

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

Target: Continuous improvement activities for setting annual challenges

Key Challenge 5 Realizing a Rewarding Work Environment

While the turnover rate for junior employees remained a challenge at 12.8%, we revised tools used to monitor the mental well-being of first-year sales and education staff and established a framework that enables supervisors and HR to provide early support. Meanwhile, we continued to achieve our medium-term target for the paid leave utilization rate, reaching 75.6%. This was supported by expanding our planned paid leave system and handling management-level employees with low utilization rates.

KPI Turnover rate of junior employees *Average turnover rate of young employees (new graduates to third year) over the past five years

2024 result	2025 result	2026 target	2030 target
11.7%	12.8% (YoY: +1.1 points)	9%	6%

KPI Paid leave utilization rate

2024 result	2025 result	2026 target	2030 target
72.9%	75.6% (YoY: +2.7 points)	70%	80%

KPI Progress of engagement survey

2024-2025 result	2026-2030 target
Conducted engagement survey and set key items and targets	Continue conducting surveys and utilizing the results

Response to Climate Change -Disclosure Based on TCFD Recommendations-

Responding to climate change

Milbon recognizes climate change as a material risk that may affect its corporate strategy and financial planning over the medium to long term, positioning it as one of its key challenges within its Sustainability Commitment. To address this challenge, we are advancing initiatives guided by our target to achieve carbon neutrality for Scope 1 and Scope 2 CO_2 emissions across the entire Milbon Group by 2050.
To meet this target, we believe we need to both put in place organizational structures that can make quick decisions for progress on decarbonization and to work together with all stakeholders. Through disclosure of information to, and dialogue with, all stakeholders relating to climate change, we aim to ensure information transparency while elevating our climate change activities and disclosure to a new level, thereby stepping up our contribution to realizing a sustainable society.
Regarding Scope 3 emissions, calculations were completed for Milbon Co., Ltd. in 2024 and expanded to a consolidated group basis in 2025. Moving forward, we will consider specific reduction measures.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES | TCFD Consortium

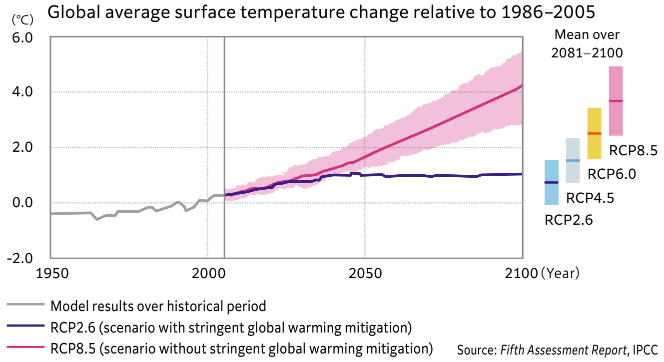
Milbon declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in December 2022 and became a member of the TCFD Consortium, a Japanese organization comprised of corporations supporting the TCFD recommendations, in January 2023.

Governance and risk management

At Milbon, the Sustainability Promotion Committee meets once every two months, chaired by the Board Director in Charge of Sustainability Promotion. This committee identifies organizational risks and opportunities related to climate change, and by reporting on the status of company-wide sustainability initiatives—including our response to climate change—to the Management Meeting and the Board of Directors on a semi-annual basis, we have established a monitoring framework led by management.

Strategy

In FY2023, the first year of our TCFD disclosures, we conducted a scenario analysis covering Milbon Co., Ltd. (non-consolidated), the core company of the Milbon Group. Based on 1.5°C and 4°C warming scenarios, we examined climate-related risks and opportunities across three time horizons: short, medium, and long term.
Scenarios provided by the IPCC and the International Energy Agency (IEA) were used for the analysis. For the 1.5°C temperature rise scenario, we analyzed the impact of changes in policy, regulations, technology, markets, and consumer perceptions associated with a transition to a decarbonized society. For the 4°C temperature rise scenario, we analyzed physical impacts resulting from both acute change (e.g. heavy rainfall, floods) and chronic change (e.g. increases in average temperature, changes in annual rainfall)



Source: *Fifth Assessment Report*, IPCC

Results of scenario analysis

Scenario analysis revealed around 40 risks and opportunities for Milbon Co., Ltd. The impacts of these risks and opportunities for Milbon were evaluated, and responses were considered. Results of scenario analysis showed that Milbon would potentially be significantly impacted by increases in raw material procurement costs under both 1.5°C and 4°C scenarios and would potentially be significantly impacted by an increase in the costs of the company's own operations under the 1.5°C scenario.
Based on the results of this analysis, we reclassified climate change-related increases in procurement costs as one of our highest-priority risks within our risk management process. The analysis indicated that advancing the initiatives defined under our Five Key Challenges—namely, "regenerative and circular production and consumption activities" and "people-friendly procurement practices"—would contribute both to risk mitigation and opportunity creation. Accordingly, we added accelerated plans for transitioning to low-carbon raw materials and collaborative cost-control measures with suppliers to our risk management agenda. We will continue to advance these initiatives going forward.

Metrics and targets

Activities to minimize the risk of increases in raw material procurement costs, which scenario analysis results indicate would have the largest impact on our business, will continue through efforts to achieve targets for reducing petroleum-derived virgin plastic use and for procurement of RSPO certified palm oil.
To address the risk of rising operating costs resulting from factors such as carbon pricing and higher electricity prices, we have established a long-term goal of achieving carbon neutrality across the Milbon Group by 2050, in addition to our 2030 CO_2 emissions reduction targets. Regarding Scope 1 and Scope 2 CO_2 emissions across the Milbon Group, we will first achieve the 2030 carbon neutrality target at our Yumegaoka Factory, which is our core production facility and the largest source of emissions among our Japanese business locations. Furthermore, we will strive to reduce risks even further by implementing countermeasures at our other business locations as well.

Results of scenario analysis

	Description of opportunity-risk	Classification	Time frame	Impact		Envisaged responses
1.5°C temperature rise scenario						
Raw material procurement	Increase in procurement costs due to the introduction or expansion of carbon pricing applicable to suppliers	Risk	2030	Large	Plant-derived raw materials	● Survey procurement channels and traceability in the context of risk related to climate change and the international situation ● Investigate efficient procurement and purchasing methods for securing raw materials ● Estimate the increase in costs to suppliers due to carbon pricing, investigate passing on costs to product prices, and investigate alternative raw materials ● Actively use RSPO certified palm oil. Target 100% use of Mass Balance certified palm oil by 2030.
Raw material procurement	Increase in procurement costs due to strengthening of laws and regulations relating to raw material traceability	Risk	2030	Medium	Containers and packaging materials	● Actively use plant-derived plastic and resin-reducing molding methods for packaging of new products with the aim of reducing petroleum-derived virgin plastic use by 30% by 2030 ● Research plastic container recycling methods ● Estimate the increase in costs of containers and packaging materials due to carbon pricing, investigate passing on costs to product prices, and investigate alternative raw materials
Milbon's operations	Increase in operating costs due to the introduction or expansion of carbon pricing applicable to Milbon	Risk	2030	Small	Use of our own energy	● Estimate the cost of carbon pricing for Scope 1 and 2 emissions using carbon prices under the NZE scenario in WEO 2021, 2022 ● Increase the percentage of electricity generated in-house based on projections of rising electricity costs
Milbon's operations	Increase in energy costs due to rising retail electricity prices	Risk	2030	Medium	Use of our own energy	
Milbon's operations	Increase in compliance costs due to more stringent laws and regulations at various worldwide locations	Risk	2030	Medium	Use of our own energy	
Milbon's operations	Increase in costs for adapting to a circular economy	Risk	2030	Medium	Use of our own energy	
Milbon's operations	Increase in sales due to a rise in competitiveness as a result of the impact of carbon pricing on competitors	Opportunity	2030	Medium	Response to laws and regulations	● Identify the various regulations and envisage switching to other raw materials or passing on costs to products depending on the impact of rising costs ● Secure costs and establish internal systems for adapting to laws and regulations, particularly in the EU
Milbon's operations	Decrease in emissions and energy costs due to the introduction of in-house power generation	Opportunity	2030	Medium	Response to laws and regulations	
Demand for products	Increase in sales of environmentally friendly products	Opportunity	2030	Medium	Product development	● Develop products that respond to the needs of consumers' daily lives, enhance functionality, and reduce environmental impact
4°C temperature rise scenario						
Raw material procurement	Increase in the cost of procuring palm oil and other plant-derived raw materials due to climate change	Risk	2050	Large	Procurement	● Research palm oil alternatives and investigate adapting by altering the existing formula ● Estimate fluctuations in the price of procuring palm oil due to climate change ● Research raw materials and securing of procurement channels ● Ascertain the impact of climate change on each raw material ● Survey climate change in countries where principal natural raw materials originate and undertake activities to protect those materials
Raw material procurement	Decrease in procurement costs due to initiatives for ensuring stable procurement of raw materials	Opportunity	2030	Medium	Procurement	
Milbon's operations	Increase in costs for repairing damaged manufacturing facilities	Risk	2050	Small	Disaster response	● Confirm that insurance will cover repairs to manufacturing facilities damaged in a disaster ● Prepare alternative transportation arrangements in readiness for disaster due to concerns about the impact on some logistics warehouses
Milbon's operations	Decrease in sales due to impacts on deliveries and increase in costs due to damaged inventories as a result of flooding and typhoon damage	Risk	2050	Small	Disaster response	

CO_2 Emissions in 2025 (t-CO_2) *Market-based

Targets for reduction of CO_2 emissions
(Scope 1 and 2) *Compared to 2019

Yumegaoka Factory

2025 result	2026 target	2030 target
81.4%*	75% reduction	Carbon neutrality

* 2026 target achieved continuously since 2023

Milbon Group

2050 target
Carbon neutrality

		2025
Milbon Group	Scope 1	1,437
	Scope 2	3,763
	Scope 3	324,305
	Total	329,505
Milbon Co., Ltd.	Scope 1	1,174
	Scope 2	1,093
	Scope 3	265,821
	Total	268,088
Milbon Co., Ltd. Yumegaoka Factory	Scope 1	460
	Scope 2	0
	Total	460

* Calculations cover 100% of the Milbon Group.

Milbon Group Scope 3 Emissions by Category (t-CO_2)

Category 1	Purchased products and services	143,277
Category 2	Capital goods	6,429
Category 3	Fuel a and energy-related activities not included in Scope 1 & 2	1,031
Category 4	Transportation and distribution (upstream)	25,186
Category 5	Waste from business	362
Category 6	Business trip	2,028
Category 7	Employee commuting	381
Category 11	Use of sold products	143,907
Category 12	Disposal of sold products	1,702

2025–2026 Sustainability Highlights

We will introduce Milbon's sustainability initiatives for the 2025–26 fiscal year, organized by theme: ESG, external evaluations, and community partnerships.

2025

Jan

Environment | **Social** | Governance | External Assessments and Cooperation with Society

- Donated 10,000 US dollars to the Disaster Relief Fund of the Professional Beauty Association (PBA) to support those affected by the wildfire in California, the US. Free haircare products provided through US subsidiary, MILBON USA, INC., to assist local hairstylists and their customers in affected areas

Feb

Environment | Social | **Governance** | External Assessments and Cooperation with Society

- Conducted third-party questionnaire and interviewed outside board members to evaluate board effectiveness in FY2025
- Announced measures to realize management focused on the cost of capital and stock prices

Mar

Environment | **Social** | **Governance** | **External Assessments and Cooperation with Society**

- Published the inaugural MILBON Sustainability Report 2025

Environment | Social | **Governance** | External Assessments and Cooperation with Society

- Updated the FY2025 Corporate Governance Report
- Launched MCU-Prep, targeting young leadership candidates in their 30s to cultivate successor candidates for the generation beyond the next (a total of 48 participants are scheduled to attend over the two-year period, 2025–2026)

Environment | Social | Governance | **External Assessments and Cooperation with Society**

- Received scores of C for Climate Change, C for Forests, and B- for Water from CDP, the global environmental disclosure rating organization

Apr

Environment | **Social** | Governance | External Assessments and Cooperation with Society

- Sponsored and exhibited in the Osaka Healthcare Pavilion at Expo 2025 Osaka, Kansai under the booth concept: "Envisioning Future Salons—Live Your Life, Authentically and Beautifully." Approximately 290,000 visitors experienced the booth (Apr. 13–Oct. 13).

May

Environment | Social | Governance | External Assessments and Cooperation with Society

- Participated in the Okawa Cleanup event, organized by the Okawa Waterside Club, to clean the Okawa River adjacent to Milbon Central Research Institute
- Continued water quality surveys of the Kume and Kizu Rivers

Jun

Environment | **Social** | Governance | External Assessments and Cooperation with Society

- Collaborated with the Short Shorts Film Festival & Asia 2025—an Academy Awards-accredited festival and one of the largest international short film festivals in Asia—to host the MILBON BEAUTY PROGRAM

Environment | Social | Governance | External Assessments and Cooperation with Society

- Disclosed the Group's total Scope 3 emissions

Environment | Social | **Governance** | External Assessments and Cooperation with Society

- Conducted a workshop for internal board directors and executive officers, featuring an invited external guest lecturer on the "Operations of the Asset Management Committee and an Overview of the Defined Benefit (DB) Pension Plan," to enhance our capacity to fulfill responsibilities as an asset owner

Environment | Social | Governance | **External Assessments and Cooperation with Society**

- Newly included as a constituent of the SOMPO Sustainability Index, an ESG investment index

2025 Sompo Sustainability Index

Jul

Environment | Social | Governance | External Assessments and Cooperation with Society

- Held the third consecutive "Water Quality Survey and Waterside Nature Observation" at the Hattori River, a drainage basin for the Yumegaoka Factory

Environment | Social | Governance | **External Assessments and Cooperation with Society**

- Maintained continuous inclusion as a constituent of ESG investment indexes, specifically the FTSE JPX Blossom Japan Index and the FTSE JPX Blossom Japan Sector Relative Index

FTSE JPX Blossom Japan Index

Aug

Environment | Social | Governance | External Assessments and Cooperation with Society

- Commenced joint delivery operations with ROHTO Pharmaceutical and Haleon Japan, in cooperation with Toyo Logistics, as part of efforts to optimize logistics efficiency. In December, this joint initiative was awarded the Logistics Structural Reform Award at the FY2025 Logistics Partnership Excellent Operator Awards.

Oct

Environment | **Social** | Governance | External Assessments and Cooperation with Society

- milbon:iD surpasses 1 million registered members

Nov

Environment | Social | Governance | External Assessments and Cooperation with Society

- Conducted a cleanup activity at the mouth of the Sakawa River—the drainage route to the sea for water used at the Human Resources Development Center flows—in conjunction with the sustainability workshop held during new employee training

Environment | **Social** | Governance | External Assessments and Cooperation with Society

- Hosted MILBON BEAUTY FEST 2025, a grand finale event bringing together regional winners across multiple categories, featuring the Hair Design Contest—where hair professionals compete on creative design expression based on certain themes—and Knowledge Abilities 2025: Ultimate Beauty Knowledge Quiz Finale, a quiz-style competition where participants compete on their beauty knowledge

Environment | Social | Governance | **External Assessments and Cooperation with Society**

- Earned a Silver rating for the Yumegaoka Factory in the EcoVadis sustainability assessment

SILVER | Top 15% ecovadis Sustainability Rating NOV 2025

Dec

Environment | Social | Governance | External Assessments and Cooperation with Society

- Submitted an application to the Ministry of the Environment to designate the green space within the premises of the Yumegaoka Factory as a Nature Symbiosis Site, following approximately one and a half years of environmental surveys

Environment | Social | **Governance** | External Assessments and Cooperation with Society

- Appointed Daisuke Umemoto as a temporary Audit & Supervisory Board Member

Environment | Social | Governance | **External Assessments and Cooperation with Society**

- Received scores of B- for Climate Change, C for Forests, and C- for Water from CDP, the global environmental disclosure rating organization

2026

Jan

Environment | Social | **Governance** | External Assessments and Cooperation with Society

- Transitioned to a delegated executive officer system
- Established the Asset Management Committee

Feb

Environment | Social | **Governance** | External Assessments and Cooperation with Society

- Conducted third-party questionnaire and interviewed outside board members to evaluate board effectiveness in FY2026

Mar

Environment | **Social** | **Governance** | **External Assessments and Cooperation with Society**

- Published the MILBON Sustainability Report 2026

Environment | Social | **Governance** | External Assessments and Cooperation with Society

- Appointed Akihisa Nabeshima as an Outside Board Director and Daisuke Umemoto as an Outside Audit & Supervisory Board Member
- Integrated the Nomination Committee and the Compensation Committee into a unified Nomination and Compensation Committee to enhance the efficiency of deliberations
- Updated the FY2026 Corporate Governance Report

Environment | Social | Governance | **External Assessments and Cooperation with Society**

- Certified as a 2026 Health & Productivity Management Outstanding Organization
- Received a Motivation Company award at Link and Motivation Inc.'s Best Motivation Company Award 2026 in the Mid-Sized Enterprise Category, in recognition as an outstanding organization with high employee engagement

2026 健康経営優良法人 / 2026 MOTIVATION COMPANY

Apr

Environment | Social | Governance | External Assessments and Cooperation with Society

- Continued participation in the Okawa River Cleanup activities hosted by the Okawa Waterside Club

May

Environment | Social | Governance | External Assessments and Cooperation with Society

- Continued water quality surveys of the Kume and Kizu Rivers

Initiatives to Promote Corporate Governance

Transitioning to a monitoring-style Board of Directors that clearly separates management and oversight

Milbon's approach to corporate governance

Milbon recognizes the promotion of corporate governance as an important management issue essential to realizing our belief in "building a solid company that won't collapse," fulfilling the responsibilities entrusted to us by our shareholders, delivering on our commitments to all stakeholders, and providing sustainable value.

For this reason, we have designated "constructing a fair and flexible management structure" as one of our Five Key Challenges (materiality), and we are working to promote more effective corporate governance aimed at enhancing the transparency, fairness, and efficiency of our management. In recent years, we have focused on reforms aimed at transitioning to a monitoring-oriented Board of Directors with a clear separation of management and oversight in response to business expansion, globalization, and the promotion of new business initiatives.

Progress of efforts toward corporate governance

After adopting an Executive Officer System in FY2021, we expanded the role of the Board of Directors by adding agenda items for deliberation—beyond just making resolutions and receiving reports—to better incorporate the diverse expertise of both Internal and Outside Board Directors into management. We also established a new Management Meeting, composed of Internal Board Directors, Standing Audit & Supervisory Board Members, and Executive Officers, to clearly delineate the roles of the Board of Directors and the Management Meeting.

With regard to committee functions, we established the Sustainability Promotion Committee in FY2019, followed by the Risk Management Committee and Governance Committee in FY2022. By ensuring close coordination among these committees, the Board of Directors, and the Management Meeting, we have enabled a comprehensive approach to governance management. Additionally, we have embedded secretariats within each meeting and committee, ensuring effective operations backed by robust follow-up mechanisms.

In FY2024, we transitioned the Board of Directors meetings and Management Meetings to separate schedules, moving away from our previous format in which both meetings were held on the same day. This change has enabled the timely and appropriate sharing of discussion outcomes from the Management Meeting with the Board of Directors, thereby improving the quality of the Board's deliberations. Furthermore, as part of our ongoing initiatives to delegate authority from the Board of Directors to the Management Meeting, in FY2024, we implemented an Executive Officer training program led by institutional investors, specifically aimed at strengthening the management perspectives of our Executive Officers.

In addition, in response to feedback from our annual effectiveness evaluations and interviews with Board Directors regarding the need for more substantive discussion topics, we have actively incorporated various corporate management topics—including capital efficiency improvements—into our annual schedule starting from FY2024.

FY2025–26 initiatives and outcomes

On the human capital front, Tomomi Fukumoto, an Outside Board Director who previously oversaw sustainability and corporate communications at Suntory Holdings, was appointed as an advisor to the Sustainability Promotion Committee from FY2025. Shinichiro Hyogo also joined Milbon as an Executive Officer following a long career as an analyst and fund manager at Mitsubishi UFJ Trust and Banking Corporation. Through this appointment, we are enhancing the sophistication of our financial strategy while further strengthening IR communications from a capital markets perspective, with a view to increasing medium- to long-term corporate value. Furthermore, from FY2026, we welcomed Akihisa Nabeshima as an Outside Board Director. He brings a wealth of experience and a strong track record in corporate management and organizational leadership, having previously held positions as President and Representative Director across Teijin Group companies.

	–2022	2023–2024	2025–
Successor development program	● 2015: Launched the Milbon Corporate University (MCU), a Next Management Leadership Development		● 2025: Launches MCU-Prep, a preparatory program for next-generation candidates in their 30s ● 2026: Initiated the systematization of succession management ● 2026: Began identifying a talent pool for executive candidates
Training	● 2021: Financial Analysis Workshop / Corporate Governance Code Workshop ● 2022: TCFD Workshop / Corporate Governance Workshop	● 2023: Human Capital Management Workshop / DE&I Workshop ● 2024: Executive Officer training program	
Target setting	● 2022: KPIs set for "Construct a fair and flexible management structure"		
Organizational reform	● 2019: Sustainability Promotion Committee established ● 2021: Deliberation items added to role of Board of Directors ● 2021: Executive Officer System introduced ● 2022: Governance Committee, Risk Management Committee, Management Meeting established	● 2023: Nomination Committee and Compensation Committee separated ● 2023: Secretariats established for the Board of Directors, Management Meeting, Nomination Committee, and Compensation Committee ● 2024: Board of Directors and Management Meeting rescheduled to be held on separate days	● 2025: Transitioned to a delegated executive officer system ● 2025: Integrated the Nomination Committee and the Compensation Committee into a single Nomination and Compensation Committee ● 2025: Streamlined meeting materials and introduced fixed time limits for agenda presentations
Personnel systems	● 2021: First female board director appointed	● 2024: First non-Japanese employee appointed as executive officer ● 2024: Third female board director appointed (three in total)	
Compensation system	● 2019: Performance-linked compensation system introduced (excluding outside board directors)	● 2024: Performance-linked compensation indicators revised	

From an organizational and structural perspective, we recognized that transforming the Management Meeting—our highest decision-making body for business execution—into a forum with a stronger management perspective would enhance our corporate decision-making. Accordingly, from FY2026, we transitioned Executive Officers—who serve as the primary members of the Management Meeting—from an employment-based arrangement to a mandate-based arrangement, with the aim of strengthening their management perspective.

Furthermore, given the growing overlap between nomination and compensation matters, from March 2026 we integrated the previously separate Nomination Committee and Compensation Committee into a single Nomination and Compensation Committee, thereby establishing a framework that enables more efficient deliberations. Although the previously integrated Nomination and Compensation Committee was split in FY2023, we have reviewed this structure once again to build a deliberation framework better aligned with our current circumstances. The integrated committee continues to be chaired by an Outside Board Director, with Outside Board Directors comprising the majority of its members, thereby ensuring objectivity and transparency.

From an operational standpoint, due to challenges arising from an increasing number of agenda items and longer meeting durations, and following deliberations by the Governance Committee, we implemented improvements from FY2026 to streamline meeting materials, set time limits for agenda explanations, and reinforce prior reviews. These measures are designed to ensure sufficient resources are allocated to agenda items that require substantive discussion.

Regarding the development of successor leadership, our basic premise is that Milbon is not a family-run business. Rather, we are committed to placing the right management personnel in the right positions, including that of the President & CEO. In FY2025, in preparation for the next phase of the Milbon Corporate University (MCU)—our original executive leadership development program—we launched MCU-Prep, a next-generation development program targeted at employees in their 30s.

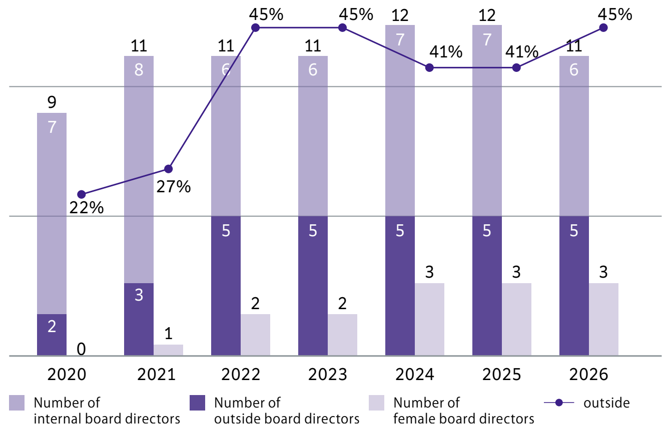
Furthermore, within the Human Resources Development Committee, chaired by President & CEO Hidenori Sakashita, we are advancing the systematization of succession management for next-generation executive candidates. In addition, we have begun identifying a talent pool of future executive candidates, thereby strengthening the systematic and effective development of management personnel.

Progress and results on KPIs for the key challenge: "construct a fair and flexible management structure"

Regarding the appointment of Outside Board Directors to enhance board diversity, following FY2024, we maintained a composition in which Outside Board Directors account for more than one-third of the Board, with 5 out of the 12 Board Directors serving as Outside Board Directors in FY2025. From FY2026, this stands at 5 out of 11 Board Directors. As for the active appointment of female Board Members, we have maintained three female Board Directors, while continuing to appoint two female Executive Officers. In securing diverse skill sets, including international experience, we continue to appoint Board Members based on a skills matrix. Currently, six Board Members have global work experience. Furthermore, at the Executive Officer level, we continue to appoint a South Korean national who serves as President of Milbon Korea.

Regarding progress in selecting and addressing key challenges through third-party evaluations to enhance the effectiveness of the Board of Directors, we conduct annual effectiveness evaluation questionnaires for all Board Directors through an external agency, along with interviews conducted by the secretariat with all Outside Officers. Through these initiatives, we have received consistent evaluations indicating that the effectiveness of the Board of Directors is improving year by year.

Composition of Board Directors



Note: For more details on the effectiveness evaluations, please refer to the latest Corporate Governance Report (Japanese only):
https://www.milbon.com/en/ir/uploads/docs/260330_corporategovernance.pdf

Future challenges and initiatives for improvement

In FY2026, ahead of formulating our next medium-term management plan starting from FY2027, we have incorporated the formulation process into the annual schedule of the Board of Directors from an early stage to facilitate repeated deliberations. By reflecting the diverse insights and values of our Outside Board Members in the plan, we will strengthen our monitoring framework for the various strategies associated with the medium-term management plan from FY2027 onward. To support these discussions, we will also actively consider measures such as establishing off-site discussion forums led by the secretariat.

As a company listed on the Prime Market of the Tokyo Stock Exchange, we will continue to reform our governance structure in line with the Corporate Governance Code and societal trends. At the same time, rather than merely pursuing formal compliance, we will continue to seek the most appropriate governance framework suited to our actual circumstances. Our focus on transitioning to a monitoring-style Board of Directors may involve changes to our governance structure. Without excluding any possibilities, we will sincerely listen to the voices of our Outside Board Members, the capital markets, and our stakeholders, and will continue to pursue and implement a governance framework that is uniquely suited to our Company.

Junji Morimoto Board Director, Senior Executive Officer

Joined Milbon in 1992. After serving successively as Director of domestic and international sales divisions, Morimoto took charge of International FP Sales and Marketing and Education Planning as Director of the FP Headquarters following his appointment as an Executive Officer. Currently, he oversees a wide range of areas that support Milbon's management, including quality assurance, legal, human resources, internal audits, finance, corporate communications, and sustainability promotion.

Dialogue: Standing Audit & Supervisory Board Member × Outside Audit & Supervisory Board Member

Audit & Supervisory Board Members on Governance Effectiveness and Upcoming Challenges

Milbon actively promotes initiatives to enhance the effectiveness of its corporate governance, with a focus on improving management transparency, fairness, and efficiency. In this section, our Standing Audit & Supervisory Board Member and Outside Audit & Supervisory Board Member share their respective perspectives on the current state and strengths of Milbon's governance framework. They also discuss upcoming challenges and the ideal state of governance as the company accelerates its global expansion.

Audit structure and priority audit areas for FY2025

Oshio: Thank you for joining me today. Milbon's Audit & Supervisory Board operates with a three-member structure. I serve as the sole Standing Audit & Supervisory Board Member, alongside two Outside Audit & Supervisory Board Members—you, a licensed tax accountant, and Mr. Umemoto, an attorney. To open our discussion, how do you view the expertise and overall balance of this composition?

Okuda: I believe it is a well-balanced and typical structure, consisting of you, who are intimately familiar with the actual operations inside Milbon; Mr. Umemoto, an attorney well-versed in the Companies Act and corporate law; and myself, specializing in finance and accounting.

Oshio: In terms of the actual discussions at our Audit & Supervisory Board meetings, the core focus is typically on my reports on the Management Meeting sessions I attend, updates on the status of business execution, and sharing audit documentation from our audit visits. Beyond that, these meetings keep us fully aligned on year-end audits, individual topics, conditions on the ground, and business perspectives.

Okuda: That's right. With you serving as chair, I feel that our Audit & Supervisory Board constantly engages in completely candid exchanges of opinion. For FY2025, we specifically designated strengthening our risk management system as a priority audit focus. We discussed regulatory compliance within the Production Headquarters and planning divisions, compliance with the Act against Unjustifiable Premiums and Misleading Representations and other laws and regulations, and cybersecurity issues. Furthermore, we audited the development and operation of internal control systems aimed at establishing robust Group governance, which includes our overseas subsidiaries.

Mitsuru Oshio
Standing Audit & Supervisory Board Member

Joined Milbon in 1988. Having served as General Manager of various domestic branches and as General Manager of the Business Development Department responsible for the organic brand, he has extensive experience and broad expertise in the Company's sales strategy. After serving as a Board Director and General Manager of the Corporate Strategy Department, he was appointed as a Standing Audit & Supervisory Board Member in 2021.

Initiatives to enhance the effectiveness of the Board of Directors and Audit & Supervisory Board

Oshio: In evaluating the effectiveness of the Board of Directors, a framework is in place to ensure that areas for improvement are reliably addressed through feedback. This includes annual questionnaires conducted by an external organization, alongside interviews conducted by the secretariat with outside officers. Furthermore, a sufficient ratio of Outside Officers is maintained to ensure a robust monitoring function, which allows for multifaceted deliberations based on expertise and management experience.

Okuda: At Board of Directors meetings, Outside Board Directors actively express their views, leading to robust discussions. I also sense that the board is shifting toward a model that places greater emphasis on its oversight function, aided by ongoing clarification of the division of roles between the Board of Directors and the Management Meeting. Regarding Executive Officers, another major change starting in FY2026 is their transition from a traditional employment-based system to a mandate-based system, which is designed to further strengthen management perspectives within the Management Meeting.

Oshio: Next, regarding the effectiveness of our Audit & Supervisory Board, in addition to each member conducting a self-evaluation at the end of the fiscal year using the Japan Audit & Supervisory Board Members Association (JASBA) checklist, I also conduct individual interviews with our Outside Audit & Supervisory Board Members. You have provided many valuable suggestions drawing on case studies from other companies, including audit evaluations in global governance and the consideration of dedicated professional staff to help strengthen cybersecurity and IT countermeasures. In addition, you have also accompanied me on audits of our domestic sites and even observed inventory counts at our production facilities. I am confident that this deep, firsthand understanding of our frontline operations among our Outside Audit & Supervisory Board Members is driving the enhanced effectiveness of our entire Audit & Supervisory Board.

Okuda: Being able to directly communicate issues observed firsthand on the ground to senior management—rather than merely relying on reports in a meeting room—is an invaluable environment. Furthermore, in FY2025, we focused on strengthening our audits of overseas subsidiaries, and for FY2026, we are considering initiatives such as inviting Executive Officers from various divisions to our Audit & Supervisory Board meetings for interview sessions. Our annual meeting with the President in January also serves as an opportunity to hear his views directly, allowing us to consider what we, as Audit & Supervisory Board Members, should look at.

Oshio: Additionally, regarding compliance, a compliance awareness survey is conducted Group-wide, with thorough follow-ups performed afterward. When I conduct on-site audits, I use the results of this survey along with the engagement survey as themes for my interviews to confirm how deeply this awareness has taken root. Furthermore, with the Legal Department becoming an independent unit starting in FY2026, I anticipate that this compliance mindset will evolve even further through training programs and other initiatives. Finally, concerning risk management, I participate in the Risk Management Committee to monitor progress based on the risk map. This framework allows us to discuss not only downside risks but also upside risks associated with growth initiatives.

Okuda: Our whistleblowing system also appears to be functioning effectively, and I believe that various training programs are successfully fostering a capacity on the ground to reexamine past practices in step with changing times. Regarding risk management, while certain issues did come to light within our overseas subsidiaries during FY2025, we took swift action to review our financial management systems and audit items. Moving forward, I believe it is absolutely essential that we continue working to further enhance these monitoring functions.

Milbon's governance strengths and challenges

Oshio: Regarding our governance framework, we have made progress in securing diversity, transparency, and objectivity. In our voluntary committees, Outside Board Directors play central roles and serve as chairpersons. Furthermore, in FY2026, we changed our audit firm for the first time in 34 years. This move is aimed at further strengthening our audit structure by leveraging new perspectives and a global network. On the topic of our audit structure, Milbon continues to maintain its status as a Company with an Audit & Supervisory Board. However, given that the Company with an Audit and Supervisory Committee structure is becoming the mainstream choice within the Prime Market, what are your thoughts on the need for such a transition in the future?

Okuda: Personally, I think we could wait until the company expands a bit further in scale. While transitioning our institutional design is certainly an important consideration, what truly matters is whether our governance is functioning effectively in practice. Given Milbon's current scale, I believe our existing structure as a Company with an Audit & Supervisory Board is functioning entirely adequately.

Oshio: With that in mind, what do you view as the unique characteristics and strengths of Milbon's governance framework?

Okuda: In my view, the core strength of Milbon's governance lies in the fact that our underlying philosophies and values—such as The Milbon Way and Milbon-isms, which form the very foundation of governance across the entire organization—have been instilled in each and every employee. This serves as an incredibly important internal foundation. Even when listening to the voices of our employees on the ground, I can keenly feel their awareness that they are not merely selling products, but are ultimately working for the benefit of hairstylists and the consumers they serve.

Oshio: Next, regarding our challenges, our overseas sales as a percentage of consolidated net sales now exceed 25%, and the total number of employees across the Group continues to grow. Under these circumstances, how we manage overseas risks that are physically harder to monitor—specifically, strengthening Group governance including our overseas subsidiaries—is an urgent issue that must be addressed right now. In FY2025, alongside members from the Legal Department and the Internal Audit Department, I personally visited local law and accounting firms overseas to verify the status of internal controls based on checklists and conduct interviews with local representatives. In addition, these matters were discussed during the tripartite meetings held three times a year between internal auditors, the external audit firm, and Audit & Supervisory Board Members, in an effort to make improvements.

Okuda: In my view, there are three key areas where we must implement targeted countermeasures. The first is to further elevate the level of our quality control and regulatory compliance as our rising market share draws greater social scrutiny. The second is monitoring the investment risks associated with new business ventures, such as cosmetics and supplements. And finally, the third area is addressing global regulatory requirements as part of the Group governance initiatives that you just highlighted. Particularly regarding our global operations, we face geopolitical risks, local customs, and legal frameworks that are entirely different from those in Japan. It is therefore essential that we proactively build internal control systems that anticipate these factors. Furthermore, from my perspective, numbers do not lie—I intend to thoroughly investigate any area where the numbers raise a question.

Strengthening and building a framework that balances growth with control

Oshio: Finally, I would like to hear your thoughts on the ideal governance framework that Milbon should aim for over the medium to long term.

Okuda: To accommodate further globalization and the launch of new business ventures, we must clarify the necessary rules, explicitly codify our code of conduct and operational processes, and ensure they are thoroughly disseminated to all employees. Doing so should establish a framework that prevents misconduct and ensures unified corporate activities. Embracing new challenges, including global expansion, naturally brings new risks. Therefore, strengthening our framework to identify key risks and implement swift, appropriate countermeasures is absolutely indispensable.

Oshio: At the same time, we must continue to move forward with strengthening our governance framework so that a more diverse workforce can fully leverage their capabilities. For my part, to ensure the company grows in the right direction, I intend to act as a "hub" that connects senior management with frontline employees and stay finely tuned to whether we are securing frontline alignment and whether any gaps are emerging, thereby maintaining organizational health.

Okuda: From my standpoint as an Outside Audit & Supervisory Board Member, I aim to rigorously monitor business execution and enhance the transparency of our financial position and management policies. By doing so, I will strive to provide all of our stakeholders with the assurance that Milbon is maintaining sound management practices. While the role of an Audit & Supervisory Board Member is inherently defensive, rather than blindly stepping on the brakes, I want to be an Audit & Supervisory Board Member who works alongside our employees to figure out how we can mitigate risks while forging ahead toward further growth.

Yoshihiko Okuda
Outside Audit & Supervisory Board Member

Licensed tax accountant. Outside Director and Audit & Supervisory Committee Member of ITO EN, LTD. He joined the Fukuoka Regional Taxation Bureau in 1976. After serving in successive positions including Professor of Technical Education at the National Tax College, District Director at the Kanoya Tax Office, and Director of the Takamatsu Regional Tax Tribunal, he registered as a tax accountant in 2018. He was appointed as an Outside Audit & Supervisory Board Member at Milbon in 2020.

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		Corporate management	Finance/ Accounting	Legal/ Risk	Global	ESG/ Sustainability	Research/ Product development	Production/ Logistics	Sales/ Marketing	IT/Digital	HR/Labor	Qualifications
Board Director												
Ryuji Sato	Chairperson	●			●		●		●			
Hidenori Sakashita	President & CEO	●			●		●		●	●		
Kazunobu Konoike	Board Director, Senior Executive Officer Director of Production Headquarters, and in charge of Development Headquarters, and Organic Business	●			●		●	●	●	●		
Junji Morimoto	Board Director, Senior Executive Officer In charge of Human Resources, Internal Audit, Finance, Corporate Communication, and Sustainability Promotion; General Manager of the Quality Assurance and Legal Dept.		●	●		●			●		●	
Harumichi Okazaki	Board Director, Senior Executive Officer Director of Global Sales and Marketing Headquarters and in charge of FP Headquarters	●			●				●			
Hiroyuki Ogata	Board Director, Senior Executive Officer Director of Corporate Strategy Development Headquarters and Marketing Headquarters, and Vice President of KOSÉ MILBON COSMETICS CO., LTD.		●			●			●	●		
Tsuneko Murata	Outside Board Director (Independent)			●	●	●						
Etsuhiro Takato	Outside Board Director (Independent)	●			●				●			
Chisa Hayakawa	Outside Board Director (Independent)		●					●	●			Tax Accountant
Tomomi Fukumoto	Outside Board Director (Independent)			●		●						
Akihisa Nabeshima	Outside Board Director (Independent)	●	●						●			
Audit & Supervisory Board Member												
Mitsuru Oshio	Audit & Supervisory Board Member			●					●			
Yoshihiko Okuda	Outside Audit & Supervisory Board Member		●									Tax Accountant
Daisuke Umemoto	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 and 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

The career biographies, candidate rationales, and selection reasons for our Board Directors and Audit & Supervisory Board Members are disclosed on our corporate website under the "Board Directors and Audit & Supervisory Board Members" section (https://www.milbon.com/en/company/officer/).

From the left of this page Akihisa Nabeshima Outside Board Director ／ Tomomi Fukumoto Outside Board Director ／ Chisa Hayakawa Outside Board Director ／ Etsuhiro Takato Outside Board Director ／ Tsuneko Murata Outside Board Director ／ Kazunobu Konoike Board Director, Senior Executive Officer ／ Ryuji Sato Chairperson

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, 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.

Corporate governance structure quick reference table (as of the date of publication)

Institutional design	Company with an Audit & Supervisory Board system
Term of office of Board Directors	1 year
Adoption of Executive Officer system	Yes
Voluntary committee	Nomination and Compensation Committee, Governance Committee
Accounting auditor	Ernst & Young ShinNihon LLC

< Candidate rationale and selection reasons for company officers >

Reasons for the appointment of Board Directors and Audit & Supervisory Board Members are provided in Proposal No. 3, "Election of Eleven Board Directors," and Proposal No. 4, "Election of One Audit & Supervisory Board Member," in the Reference Documents for the 66th Ordinary General Meeting of Shareholders, as well as Proposal No. 3, "Election of Two Audit & Supervisory Board Members," in the Reference Documents for the 64th Ordinary General Meeting of Shareholders.
For details, please refer to the Convocation Notices for the Ordinary General Meetings of Shareholders, available here. (Japanese only)
https://www.milbon.com/ja/ir/meeting/convocation_notice.html

Evaluating the effectiveness of the Board of Directors

Once a year, Milbon conducts a survey and analysis to evaluate the effectiveness of the Board of Directors for the previous fiscal year. The results are shared with the Board, and improvement measures are discussed and implemented. In February of FY2026, regarding the evaluation of the effectiveness of the Board of Directors in FY2025 (the 66th fiscal year), a survey was conducted by a third-party organization targeting all board directors and Audit & Supervisory Board members. In addition, interviews were conducted with outside directors and outside Audit & Supervisory Board members.
The results of the above-mentioned survey and interviews indicated that the overall effectiveness of the Board of Directors has been improving year by year. However, several issues requiring improvement were also identified. A summary of these issues was shared with each board member in advance and discussed at the March meeting of the Board of Directors. The following is a summary of the key discussion points from the meeting:

- Expanding discussions within the Board of Directors on medium- to long-term management strategies
- Enhancing opportunities for off-site discussions outside Board of Directors meetings
- Enhancing deliberations on key strategies, including human resources strategy, financial strategy, global strategy, and ESG strategy
- Improving materials for Board of Directors meetings (e.g., summaries of key discussion points)

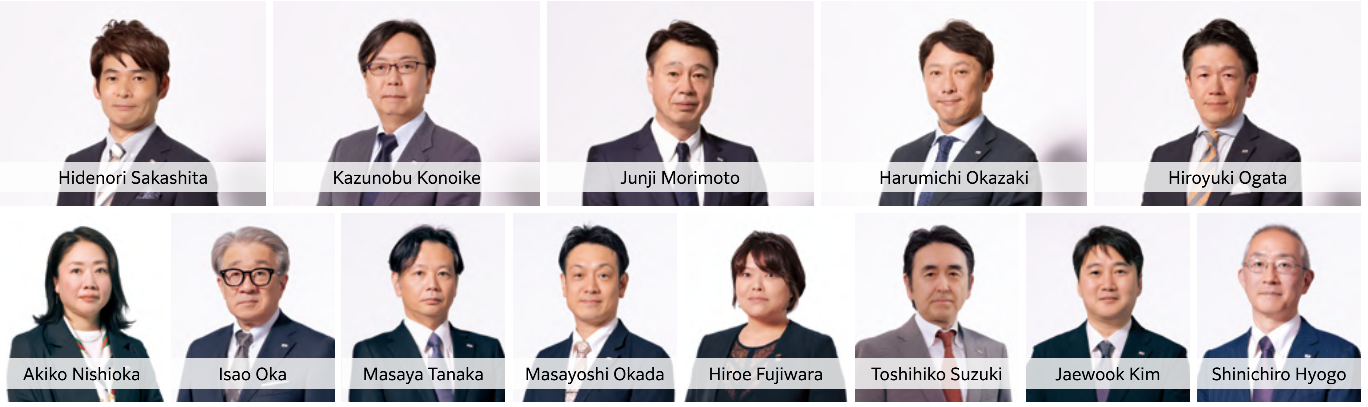
The above initiatives will be incorporated into the annual schedules of the Board of Directors and the Management Meeting, and opportunities for discussion will be further enhanced through initiatives led by the secretariat. We will continue to advance these efforts throughout FY2026 to further improve the effectiveness of the Board of Directors.

From the left of this page Hidenori Sakashita President & CEO ／ Junji Morimoto Board Director, Senior Executive Officer ／ Harumichi Okazaki Board Director, Senior Executive Officer ／ Hiroyuki Ogata Board Director, Senior Executive Officer ／ Mitsuru Oshio Audit & Supervisory Board Member ／ Yoshihiko Okuda Outside Audit & Supervisory Board Member ／ Daisuke Umemoto Outside Audit & Supervisory Board Member

Executive Officers

Areas of expectation for Executive Officers (use of skills matrix)

To continuously enhance the operational execution and decision-making functions that the Management Meeting must fulfill, Milbon maps out the diverse skills possessed by Executive Officers into a skill matrix, similar to the process used for the Board of Directors. This matrix is utilized as a key criterion for evaluating candidates.



			Corporate management	Finance/ Accounting	Legal/ Risk	Global	ESG/ Sustainability	Research/ Product development	Production/ Logistics	Sales/ Marketing	IT/Digital	HR/Labor
Hidenori Sakashita	President Executive Officer		●			●		●		●	●	
Kazunobu Konoike	Senior Executive Officer		●			●		●	●	●	●	
Junji Morimoto	Senior Executive Officer			●	●		●			●		●
Harumichi Okazaki	Senior Executive Officer		●			●				●		
Hiroyuki Ogata	Senior Executive Officer			●			●			●	●	
Akiko Nishioka	ExecutiveOfficers	Director of FP Sales and Marketing								●		
Isao Oka	Executive Officers	Deputy Director of FP Sales and Marketing						●		●		
Masaya Tanaka	Executive Officers	Director of Research and Development Headquarters				●		●		●		
Masayoshi Okada	Executive Officers	Deputy Director of Corporate Strategy						●		●	●	
Hiroe Fujiwara	Executive Officers	General Manager of Organic Brand	●			●				●		
Toshihiko Suzuki	Executive Officers	General Manager of Education Planning								●	●	
Jaewook Kim	Executive Officers	Deputy Director of International FP Sales Department	●			●				●		
Shinichiro Hyogo	Executive Officers	General Manager of Corporate Communication Department		●			●					

Overview of Executive Officer System

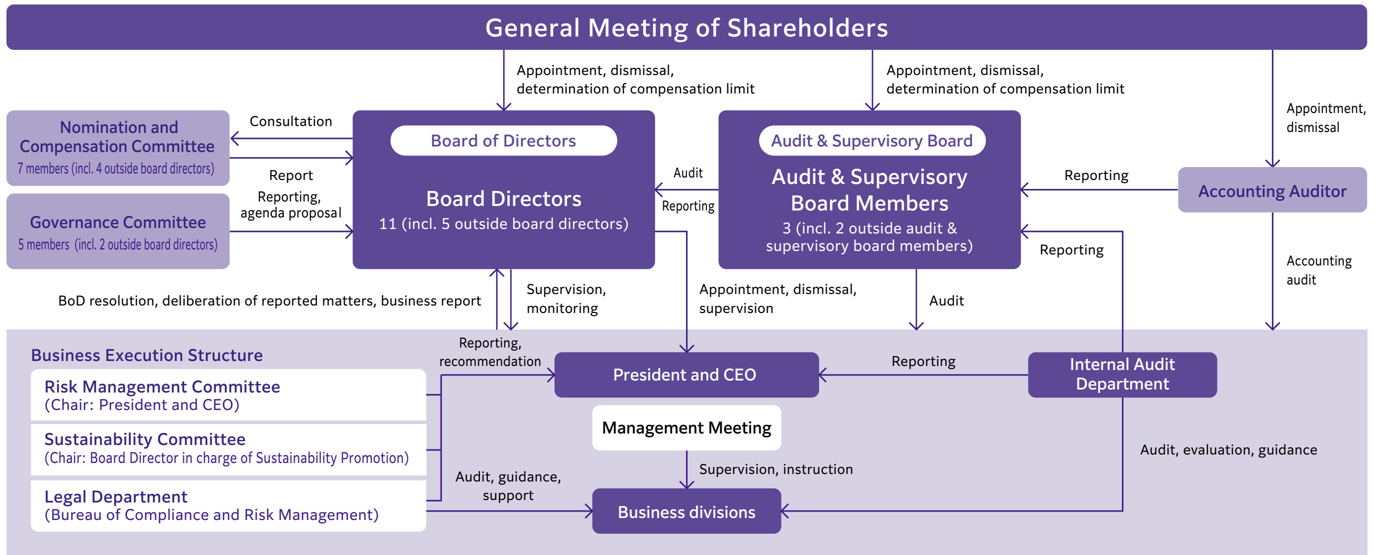
Milbon introduced an Executive Officer System in FY2021 in anticipation of strengthening the Board of Directors' monitoring function in the future. In FY2022, the company established a Management Meeting composed of internal directors, Standing Audit & Supervisory Board members, and executive officers. This meeting is held monthly, independently of the Board of Directors, to deliberate on, decide on, and report important matters related to business execution.
Furthermore, following deliberations throughout FY2025, we transitioned our Executive Officers from an employment-based model to a delegated-type model, effective from FY2026. This transition aims to further clarify the division of roles between the Management Meeting and the Board of Directors while strengthening the overall effectiveness of both governing bodies.
Since many executive officers also serve as heads of their respective departments, resolutions passed at the Management Meeting are accurately understood and communicated throughout the organization, thereby improving company-wide understanding and internal communication.
We have introduced a stock compensation plan for executive officers, similar to that for internal directors, to encourage them to perform their duties with a strong awareness of the sustainable enhancement of corporate value.

Roles of the Executive Officer System and the Management Meeting

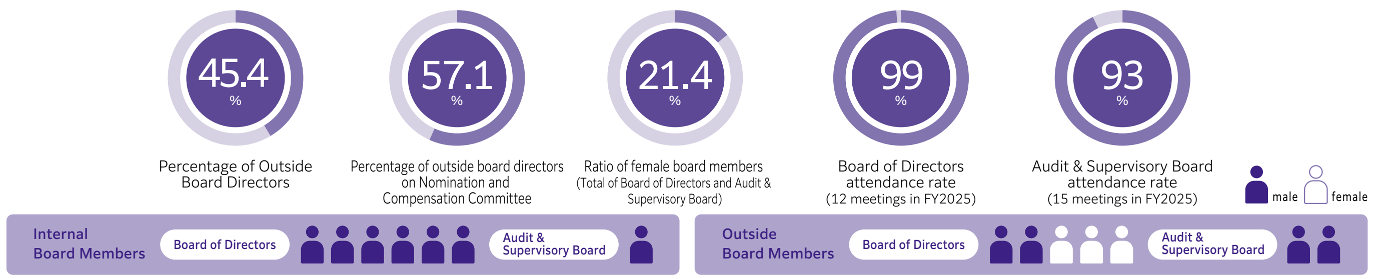
- Deliberations, resolutions, and reports on important matters related to business executions
- Mutual enhancement and effectiveness of management supervision and execution
- Accelerate decision-making
- Facilitating accurate understanding and smooth communication of Management Meeting decisions among employees in the workplace

Milbon's Governance Promotion Framework

For Milbon, enhancing corporate governance is a critical management challenge. Through greater transparency, fairness, and management efficiency, Milbon aims for ongoing improvements to corporate value.



Board of Directors and Audit & Supervisory Board composition



Outline and composition of each committee

Committee	FY2026 Committee members	Number of meetings in FY2025 / attendance		Principal matters of discussion in FY2025
Nomination and Compensation Committee	Outside Board Director Etsuhiro Takato (chair); Chairperson Ryuji Sato; President & CEO Hidenori Sakashita; Board Director, Senior Executive Officer Junji Morimoto; Outside Board Director Tsuneko Murata; Outside Board Director Chisa Hayakawa; Outside Board Director Tomomi Fukumoto	Nomination Committee:	3 / 100%	• Next management structure and succession management • Executive Officer System structure • Selection of board directors, audit and supervisory board members, and executive officers for FY2026
		Compensation Committee:	3 / 100%	• Board Director and Audit & Supervisory Board Member compensation for FY2025 • Evaluation design for stock-based compensation • Compensation system for Board Directors and Audit & Supervisory Board Members under the next medium-term management plan (including the Executive Officer System)
Governance Committee	President & CEO Hidenori Sakashita (chair); Chairperson Ryuji Sato; Board Director, Senior Executive Officer Junji Morimoto; Outside Board Director Etsuhiro Takato; Outside Board Director Chisa Hayakawa	1 / 100%		• Identification of key issues based on the results of our governance survey and examination of countermeasures • Review of rules for submitting agenda items and methods for facilitating meetings for greater operational efficiency of the Board of Directors and the Management Meeting

Improving the effectiveness of voluntary committees

In addition to the Governance Committee functioning as a voluntary committee, a dedicated secretariat has been established for each committee—including the Nomination and Compensation Committee. This ensures an environment where members can fully focus on deliberations, resulting in more active discussions. In FY2025, the main agenda items included the next management structure and succession management (Nomination Committee), the compensation system for Board Directors and Audit & Supervisory Board Members under the next medium-term management plan (Compensation Committee), and the efficient operation of the Board of Directors and the Management Meeting (Governance Committee). Based on the outcomes of these discussions, respective initiatives are being examined and executed.
Furthermore, following deliberations in FY2025, we integrated the previously separate Nomination Committee and Compensation Committee into a single Nomination and Compensation Committee, effective from FY2026. This change aims to establish a framework that enables more efficient and effective deliberations within a unified committee. Even within this combined Nomination and Compensation Committee, an Outside Board Director serves as the chairperson, and the majority of the committee members are Outside Board Directors. This ensures that robust deliberation is maintained while firmly securing objectivity and transparency.

Compensation for Board Members

Basic policy for board director compensation

Compensation for directors (excluding outside directors) consists of base compensation, performance-linked compensation, and stock-based compensation designed to incentivize the sustainable enhancement of corporate value. This structure is intended to encourage directors to perform their duties with a strong awareness of both individual performance and long-term corporate value creation. The Board of Directors consults with the Nomination and Compensation Committee, which is primarily composed of outside directors, regarding proposed compensation levels. Based on their advice, the Board determines individual compensation. Outside directors and Audit & Supervisory Board members receive base compensation only, as they are independent from business execution, and performance-linked compensation is therefore deemed inappropriate.

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. Furthermore, the total amount of compensation for FY2025 has been calculated based on the FY2025 performance-linked coefficients detailed below.
Consolidated net sales: Weight 40% / Consolidated operating income: Weight 40% / Consolidated profit: Weight 20%

FY2025 performance-linked coefficient

Achievement of targets	120%≧	<120% 115%≧	<115% 110%≧	<110% 105%≧	<105% 100%≧	<100% 95%≧	<95% 90%≧	<90% 85%≧	<85% 80%≧	<80% 75%≧	<75% 70%≧	<70% 65%≧	<65% 60%≧	<60% 55%≧	55%<
Performance-linked coefficient	180%	160%	140%	120%	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%

Achievement of targets	120%≧	<120% 115%≧	<115% 110%≧	<110% 105%≧	<105% 100%≧	<100% 95%≧	<95% 90%≧	<90% 85%≧	<85% 80%≧	<80%
Performance-linked coefficient	200%	175%	150%	125%	100%	90%	80%	70%	50%	0%

Furthermore, the total amount of compensation for FY2025 has been calculated based on the FY2025 performance-linked coefficients detailed below.

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%.

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)×20%

Total amount and number of Board Directors' and Audit & Supervisory Board Members' compensation, etc. for the fiscal year ended December 31, 2025

	Number of people	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)	12 (5)	400,461 (50,040)	299,484 (50,040)	39,300 (-)	338,784	61,677 (-)	61,677
Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members)	4 (3)	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). / 4. The disclosed amount of compensation for Audit & Supervisory Board Members includes the compensation paid to one Outside Audit & Supervisory Board Member who retired following their passing in December 2025 and one Interim Audit & Supervisory Board Member who assumed office in December 2025.

Actual performance-linked compensation for the fiscal year ended December 31, 2025

Performance metric	Fiscal year ended Dec. 31, 2025 (66th term)			Weighting
	Target (million yen)	Actual (million yen)	Achievement (%)	
Consolidated net sales	54,250	52,863	97.4%	40%
Consolidated operating income	7,000	5,652	80.7%	40%
Consolidated profit attributable to owners of parent	5,200	3,437	66.1%	20%

Target achievement rate for the fiscal year ended December 31, 2025: 97.4%×40%+80.7%×40%+66.1%×20%=84.49%

Succession plan

Development program for the next executive candidates

Approach to succession plan

Milbon regards the development of future CEOs as one of its most important investments and management strategies for shaping the company's future. As part of our human capital management approach, we have identified "next-generation leadership development" as one of our five key human resources strategy themes. Through this initiative, we aim to build an organization in which leaders emerge organically on an ongoing basis.

MILBON CORPORATE UNIVERSITY (MCU)

1st year
2nd year
Final examination

Completed by 42 people

Appointment of the new President & CEO
Appointment of board directors and executive officers
In charge of business division

Period	Two-year program (2015–2019: 1st to 4th programs)
Purpose	To provide growth opportunities for future executives through sessions with board members, ranging from inheriting the corporate philosophy to fostering future vision and strategic thinking abilities, enabling them to take on leadership roles
Theme	Continuity and Change
Enlightening points	Spread of corporate philosophy, self-awareness, future orientation, foresight, and execution power

MCU-Prep

(Training second-next successor candidates)

Period	2025–2026
Purpose	To serve as a preparatory program for the MCU, aimed at training successor candidates beyond next
Structure	Classroom lectures and a final presentation involving board directors
Participants	A total of 48 young leader candidates in their 30s

To the next MCU

Becoming a corporate entity where leaders are born one after another

MILBON CORPORATE UNIVERSITY (MCU)

In 2014, Milbon launched its original executive leadership development program, the Milbon Corporate University (MCU), with a view to transitioning to a new leadership structure over the next 10 years. Since then, we have been committed to developing and selecting candidates for future executive positions. During the first four cohorts held from 2015 to 2019, a total of 42 candidates participated in the two-year program. Beyond classroom-based learning, the program included discussions on Milbon's future and presentations to senior management. The Board of Directors played an active role in both oversight and participation, with each director serving as a lecturer in their area of responsibility or expertise. The program has delivered tangible results, including many graduates being promoted to department heads, three have been appointed as board directors and eight as executive officers to date.
Following the transition to the new leadership in 2024, we launched MCU-Prep in 2025 as part of our initiatives looking ahead to the next 10 and 20 years. This program targets young leadership candidates in their 30s and is intended to develop the next generation of successor candidates in advance of the next MCU.

MCU-Prep, a next-generation development program targeting young employees in their 30s

Positioned as a preparatory program for the MCU to train successor candidates for the generation beyond the next, MCU-Prep was launched in FY2025, targeting a total of 48 promising young leader candidates in their 30s who were selected through an internal application process. Under the guidance of Chairperson Sato, 24 participants per year take part in the program over the two-year period through FY2026. The program features a total of eight classroom lecture sessions and culminates in final presentations in the presence of Board Directors, providing an opportunity to learn the perspectives and qualities required of top management. Moving forward, we will continue to enhance the cultivation of next-generation leaders through a diverse range of options, without limiting opportunities solely to MCU-Prep participants.

Introduction of succession management

To develop a more robust medium- to long-term succession plan and realize a corporate structure that continuously produces future leaders, we established the Human Resources Development Committee in FY2024. Chaired by President and CEO Hidenori Sakashita, this committee serves as a framework for ongoing discussion regarding challenges and measures related to people and organizations.
Throughout FY2025, we have been systematizing our succession management framework to provide an integrated process covering candidate selection, evaluation (assessment), development opportunities (job rotation), and appointment decisions. Through this structure, we aim to cultivate future management personnel and next-generation leader candidates more effectively and strategically than ever before.

Three-Way Dialogue: Newly Appointed Outside Officers × Board Director and Senior Executive Officer

Leveraging Extensive Experience and Expertise to Enhance Management Effectiveness

At Milbon, to ensure transparency and improve management effectiveness, we actively appoint highly experienced external professionals as outside directors and outside audit & supervisory board members. In this section, Akihisa Nabeshima (Outside Board Director) and Daisuke Umemoto (Outside Audit & Supervisory Board Member)—both newly appointed to their respective roles in 2026—share their perspectives on Milbon's strengths, challenges, and future direction based on their respective fields of expertise. (Moderator: Junji Morimoto, Board Director and Senior Executive Officer)

Areas of expertise forged through diverse career backgrounds

Morimoto: To start, could you both share a bit about your backgrounds and areas of expertise? Mr. Nabeshima, you previously served as Representative Director of the Board of TEIJIN LIMITED, a leading comprehensive chemical manufacturer. Could you tell us about your career journey?

Nabeshima: During my roughly 40 years at TEIJIN, the first 20 were primarily focused on roles that support corporate and business operations, such as business strategy planning and management, accounting and corporate finance, and the development of medium-to-long-term plans. Over the subsequent 20 years, I transitioned into roles more directly driving business growth, including sales and marketing strategy formulation, launching new businesses, organizational restructuring, and business structure reforms. Ultimately, I served as Representative Director of the Board and CFO. In this capacity, I focused primarily on formulating and executing optimal capital policies based on our business portfolio and operational risks, as well as allocating capital to maximize future cash flows. These experiences have shaped my current area of expertise.

Morimoto: Meanwhile, Mr. Umemoto, you bring a distinctive career history to the table. After graduating from university, you gained experience at the tech giant Hewlett-Packard before going on to qualify as a lawyer.

Umemoto: After serving as a systems engineer at Hewlett-Packard for approximately three years, I returned to academic studies at a graduate law school and subsequently qualified as an attorney. After that, I joined a law firm where I leveraged my IT expertise to focus extensively on tech-related cases, primarily handling system development contracts and dispute resolution. During this time, I was seconded to the Telecommunications Bureau of Japan's Ministry of Internal Affairs and Communications, where I worked on measures to combat online defamation and privacy infringements. In recent years, while handling general corporate legal affairs, I have leveraged my tech expertise to address numerous emerging issues, including consultations on personal data and AI.

Core strengths from the perspective of "corporate value = vitality"

Morimoto: From your respective positions, what do you see as Milbon's core strengths and distinguishing characteristics?

Nabeshima: To begin with, a company's strengths are inextricably linked to its corporate value. In this context, I view "corporate value" not merely through financial metrics like discounted cash flow (DCF) analysis or earnings multiples, but as the "vitality" that enables the company to continuously generate value well into the future.

Morimoto: At Milbon, we also share the organizational philosophy that a business entity is a living organism.

Nabeshima: Exactly. While financial outcomes are naturally important, they are ultimately just results. The true essence of vitality lies in a company's underlying capacity to sustainably generate value over the long term. And the primary engines of this vitality are human capital, organizational capability, relationships of trust with customers and business partners, and the company's core philosophy and mission. When looking at Milbon's management from this perspective, the core philosophy serving as the wellspring of its vitality is exceptionally well-defined. A prime example of this is *The Milbon Way*—the handbook that every employee carries with them at all times.

Morimoto: *The Milbon Way* was compiled in 2012 by our Chairperson, Ryuji Sato, who codified our corporate philosophy and strategies that had previously been passed down primarily as tacit knowledge.

Akihisa Nabeshima Outside Board Director

Since joining TEIJIN LIMITED, he has accumulated extensive experience in business and organizational management, including leading the Healthcare Business and serving as President of a group company. As Representative Director and CFO, he also oversaw the accounting and finance functions and possesses deep expertise in financial strategy, capital policy, and governance enhancement.

Daisuke Umemoto Outside Audit & Supervisory Board Member

In addition to practical experience in both the IT industry and government, he possesses extensive experience and expertise as an attorney in corporate legal affairs, particularly in the IT field. He is currently a partner at Eichi Law Offices, LPC, and also serves as a statutory auditor for other companies.

Having undergone regular revisions since its inception, the handbook is now in its 10th edition.

Nabeshima: The handbook systematically organizes the Milbon-isms, management philosophy and management strategies that Milbon employees should embrace into a multi-layered framework, demonstrating a seamless alignment between philosophy and strategy. The sheer depth of it is remarkable. While these types of philosophies often remain abstract concepts, Milbon has embedded its philosophy concretely and narratively into its exclusive salon-distribution model, its business philosophy of "Don't sell products, sell concepts," and a unique management resource portfolio that integrates R&D, education, and sales. Furthermore, this philosophy is actively put into practice through rigorous employee training and cultural alignment. Earlier, I mentioned that human capital and organizational capability are the engines of vitality. In Milbon's management, people are its greatest asset and a key source of strategic differentiation and durable barriers to entry.

Morimoto: At Milbon, we believe that the growth of each individual employee drives the growth of the company itself. Mr. Umemoto, what is your take on this?

Umemoto: Our business model of focusing consistently on exclusive salon distribution to drive salon sales and profit growth establishes a unique position that clearly differentiates Milbon from consumer-facing brands. This is an undeniable strength. With that in mind, I completely agree with Mr. Nabeshima that Milbon's greatest strength lies in its people. Our Field Persons (FPs) visit individual salons to support their operations, building relationships of trust. Within this model, the presence and value of people are indispensable to both Milbon and the salons. Furthermore, while advanced AI is displacing certain industries and services in recent years, the hands-on services provided by salons—Milbon's partners—cannot easily be replaced by digital technology. Because the human desire for beauty is universal, the beauty market Milbon serves is likely to remain relatively resilient.

Morimoto: On the other hand, the beauty industry—including our own company—faces the challenge of having lagged behind in DX and AI integration.

Umemoto: There is clearly substantial room to further leverage AI. Beyond customer-facing services such as AI-driven counseling at salons, we can also deploy AI within our internal operations, for instance, in enhancing the efficiency and productivity of our FPs.

Nabeshima: Exactly. It will become increasingly vital to preserve our in-person strengths—starting with our people, who represent Milbon's core competitive advantage—while appropriately balancing the roles of human-centered and digital capabilities so that both function effectively in tandem.

Strengthening offensive and defensive governance for the next medium-term management plan

Morimoto: In FY2026, the formulation of the next medium-term management plan, set to launch in FY2027, will be a major agenda item at Board of Directors meetings. Could you both share your perspectives on the strategic direction Milbon should pursue moving forward?

Nabeshima: Key to our future growth will be how we can sustainably strengthen our corporate vitality. In doing so, I believe there are four essential areas to focus on: (1) continuous investment in human capital and the enhancement of organizational capabilities; (2) the capacity to consistently generate innovation; (3) the further strengthening of stakeholder trust; and (4) a robust financial foundation coupled with disciplined management. Particularly regarding the trust we have built with hair salons, moving beyond a mere transactional relationship to become partners who co-create the future will help strengthen our competitive advantage. Furthermore, from a capital efficiency perspective, considering an appropriate capital policy is vital. We must maintain a financial discipline that balances growth investments with stability, all while sustaining a healthy capacity for cash generation. While I feel Milbon already possesses the foundations for this, we must continue to bridge the gap between our current position and our long-term vision to enable these elements to function even more organically and effectively.

Umemoto: As Mr. Nabeshima points out, growth investments are absolutely essential for our future expansion. However, from my standpoint as an auditor, I believe these investments must be accompanied by a robust management framework that includes post-investment performance evaluation, rigorous monitoring, and clear exit criteria. This is particularly true for our global business, where customs and laws vary by country and region, and geopolitical risks are intricately intertwined. Enhancing governance capabilities across all overseas subsidiaries is therefore imperative, making it vital to balance "growth-oriented" governance with "defensive" governance.

Morimoto: Finally, could you both share your commitments moving forward as Outside Officers?

Nabeshima: Just as the Japan Business Federation (Keidanren) recommended in December 2025, boards of directors must strengthen their roles beyond a mere oversight function; they need to lead strategic discussions aimed at medium- to long-term corporate value enhancement and provide multifaceted support for execution. Today's boards are increasingly required to transition from oversight bodies to engines of strategic governance. With this in mind, my role as an Outside Board Director is to verify and support from an independent standpoint that management is sustainably enhancing our corporate "vitality," while offering constructive recommendations whenever necessary. Particularly for the enhancement of medium- to long-term corporate value, Milbon must evolve its business portfolio in response to change, strengthen risk management, and ensure sustainability. Because these elements must be shaped into an integrated management foundation, I intend to provide multifaceted support, striking a careful balance between stakeholder and management perspectives.

Umemoto: As an Audit & Supervisory Board Member, my primary function centers on oversight. Therefore, my initial focus will be on contributing to defensive governance, ensuring that no major issues go undetected. Building on that foundation, I intend to provide advice and recommendations aimed at value enhancement—including in the IT sector where there are high expectations for my involvement. By solidifying our defensive governance as a foundation for growth, I am committed to ensuring both components work in tandem.

Morimoto: Thank you very much. I look forward to your continued support in driving Milbon's further growth.

Performance

Outcomes of Value Creation

Milbon continued to build on its financial and non-financial achievements in FY2025, guided by its commitment, “Everything we do, we do for and with hair professionals.” This chapter presents our Outcomes of Value Creation, highlighting key achievements in FY2025, as well as financial and non-financial performance highlights, external recognition, and engagement with society.

Top Message » Our Approach to Value Creation (The Way) ‹› Strategic Focus on Value Creation (Focus) ‹› Foundations for Value Creation (Sustainability & ESG) › Outcomes of Value Creation (Performance)

2025 Key Achievement Highlights

Premium haircare brand Aujua cumulative sales surpass 100 billion yen in the 15th year since launch

The cumulative sales of Aujua, a premium haircare brand addressing a wide range of hair concerns, have surpassed 100 billion yen in its 15th year since launching in 2010.

WWD BEAUTY Hair Salon Best Cosmetics 2025

Aujua brand claims No. 1 spot in the Shampoo Category for the fifth consecutive year

Products from the Aujua brand were ranked No.1 for the fifth consecutive year in the Shampoo Category of the "WWD BEAUTY Hair Salon Best Cosmetics 2025." These awards are based on a survey conducted by WWD JAPAN, a leading fashion and beauty industry magazine, which polled 159 hairstylists across 50 popular salons in Tokyo.

1st place

Milbon claims 1st place in the Sales Staff Category of the "WWD BEAUTY Hair Salon Best Cosmetics 2025"

Milbon took top honors in the Sales Staff Category of the "WWD BEAUTY Hair Salon Best Cosmetics 2025" by WWD JAPAN. This specific award recognizes sales representatives who contribute to the success of hair professionals, honoring the company that received the highest praise from the hairstylists themselves.

Cumulative 18 awards

Milbon products secure a combined 18 best cosmetics awards across leading beauty, fashion, and online media

A total of 19 Milbon items, including the Aujua ALTIELL line and Elujuda EMULSION+, have received accolades in the best cosmetics rankings hosted by leading beauty magazines, fashion magazines, and major online media, earning high acclaim with a cumulative total of 18 awards.

milbon:iD surpasses 1 million registered members

The number of registered members on milbon:iD (Milbon's official online store) reached 1.04 million within five years of its full-scale launch in 2020, achieving the 2026 target of 1 million one year ahead of schedule. The platform has been adopted by 6,669 hair salons and is beginning to function as a beauty infrastructure that enables salons and customers to stay continuously connected.

Virgin plastic use reduced by 16.4%, achieving the 2026 target ahead of schedule

16.4 %

In an effort to better utilize limited resources and address global warming, Milbon has been working to reduce its usage of petroleum-derived virgin plastic by promoting the 4R approach (reduce, replace, reuse, recycle). In FY2025, the reduction rate (compared to 2020 levels, per unit sales) reached 16.4%, achieving the 2026 target ahead of schedule.

RSPO-certified palm oil adoption (MB+B&C) reaches 50.8%, achieving the 2026 target ahead of schedule

50.8 %

As part of its commitment to the sustainable procurement of palm oil—one of the key ingredients in its products—Milbon has been actively adopting RSPO-certified palm oil produced with respect for the environment and human rights. In FY2025, the adoption rate rose significantly to 50.8%, achieving the 2026 target ahead of schedule.

214 hairstylists

Number of certified Beauty Sommelier hairstylists reaches 214

Under the Beauty Sommelier Training System, which is promoted to elevate the expertise of individual hairstylists and contribute to greater sales and profits for hair salons, the number of certified Beauty Sommeliers—the highest qualification denoting extensive knowledge, technical skill, and counseling capabilities—reached 214 within five years of the system's launch in 2021.

Milbon receives Motivation Company award in Link and Motivation's Best Motivation Company Award 2026 (Mid-Sized Enterprise Category)

As part of its efforts to create a workplace where employees can continue to thrive and build long-term careers, Milbon received the Motivation Company award. This award is presented to the top 10 companies in the Mid-Sized Enterprise Category (1,000+ employees) in the Employee Engagement Survey conducted by Link and Motivation Inc.

Motivation Company award

Joint initiative receives the Logistics Structural Reform Award at the FY2025 Logistics Partnership Excellent Operator Awards

In August 2025, in collaboration with Toyo Logistics Co., Ltd., Milbon launched a joint transportation initiative with ROHTO Pharmaceutical Co., Ltd. and Haleon Japan K.K. This initiative not only reduces logistics costs and cuts CO_2 emissions but also helps address pressing social issues such as driver shortages. In recognition of this, Milbon was a joint recipient of the Logistics Structural Reform Award (a category award at the Director-General level) at the FY2025 Green Logistics Partnership Conference: Logistics Partnership Excellent Operator Awards.

Joint recipient of the Logistics Structural Reform Award

290,000 visitors

Approximately 290,000 visitors experience the Milbon Booth at the Osaka Healthcare Pavilion during Expo 2025 Osaka, Kansai

Milbon participated as a sponsor and exhibitor in the Osaka Healthcare Pavilion at Expo 2025 Osaka, Kansai, where approximately 290,000 visitors experienced the exhibit showcasing and communicating Milbon's Vision for Future Salons as the Beauty Platform of the Future. In addition, through its sponsorship, personal health record (PHR) data was acquired from approximately 480,000 individuals, which can be utilized for future research and development.

Financial Highlights

Financial summary of operating results, financial indicators, etc. for the 11-year period from 2015 to 2025

Operating results (million yen)	2015	2016	2017[1]	2018[2]	2019	2020	2021	2022	2023	2024	2025
Net sales	27,377	29,134	33,456	33,882	36,266	35,725	41,582	45,238	47,762	51,316	52,863
Gross profit	18,681	20,100	22,797	22,189	23,711	23,385	27,498	29,509	29,525	32,597	33,176
Operating income	4,727	5,113	5,345	6,260	6,751	6,394	7,817	7,551	5,525	6,839	5,652
Ordinary income	4,427	4,733	4,997	5,811	6,231	5,791	7,158	7,829	5,586	6,968	5,455
Profit attributable to owners of parent	2,950	3,069	3,817	4,495	4,517	4,204	5,109	5,577	4,001	5,017	3,437
Net assets	26,212	27,706	31,103	33,151	35,882	36,308	40,197	43,991	45,932	48,817	49,058
Total assets	30,799	32,444	37,642	39,634	41,912	43,075	48,238	52,760	53,391	58,899	57,801
Cash flows from operating activities	3,895	3,355	4,346	6,487	4,486	6,548	6,636	5,008	4,765	7,625	5,383
Cash flows from investing activities	(2,834)	(4,366)	(1,919)	(1,202)	(2,777)	(161)	(3,995)	(3,865)	(3,109)	(2,531)	(3,014)
Cash flows from financing activities	(1,135)	(1,262)	(1,317)	(1,639)	(1,869)	(3,416)	(1,919)	(2,578)	(2,797)	(2,862)	(4,865)
Depreciation	1,038	1,083	1,278	1,380	1,493	1,609	1,777	2,026	2,213	2,288	2,317
Capital expenditure	2,779	4,262	1,570	1,149	1,605	1,917	4,644	4,097	3,151	2,865	2,701
R&D expenses	1,214	1,232	1,422	1,479	1,534	1,581	1,741	2,074	2,334	2,452	2,672

Per-share information (yen)[3]	2015	2016	2017[1]	2018[2]	2019	2020	2021	2022	2023	2024	2025
Earnings per share	90.10	93.73	116.58	137.31	137.99	129.24	157.17	171.49	122.99	154.12	106.26
Net assets per share	800.51	846.16	949.99	1,012.58	1,096.02	1,117.10	1,236.41	1,352.52	1,411.56	1,499.20	1,543.67
Dividends per share	37.00	39.00	46.00	54.00	56.00	56.00	68.00	86.00	88.00	88.00	88.00

Financial indicators (%)	2015	2016	2017[1]	2018[2]	2019	2020	2021	2022	2023	2024	2025
Equity ratio	85.1	85.4	82.6	83.6	85.6	84.3	83.3	83.4	86.0	82.9	84.9
Return on equity (ROE)	11.7	11.4	13.0	14.0	13.1	11.6	13.4	13.2	8.9	10.6	7.0
Return On Invested Capital (ROIC)	–	–	–	–	–	–	12.9	12.5	8.6	10.0	8.0
Return on assets (ROA)	10.0	9.7	10.9	11.6	11.1	9.9	11.2	10.6	7.5	8.9	5.9
Gross profit margin	68.2	69.0	68.1	65.5	65.4	65.5	66.1	65.2	61.8	63.5	62.8
Operating margin	17.3	17.6	16.0	18.5	18.6	17.9	18.8	16.7	11.6	13.3	10.7
Ordinary margin	16.2	16.2	14.9	17.2	17.2	16.2	17.2	17.3	11.7	13.6	10.3
Net profit margin	10.8	10.5	11.4	13.3	12.5	11.8	12.3	12.3	8.4	9.8	6.5
Dividend payout ratio (consolidated)	39.3	41.6	39.5	39.3	40.6	43.3	43.3	50.2	71.6	57.1	82.3

Sales by category (million yen)	2015	2016	2017[1]	2018[2]	2019	2020	2021	2022	2023	2024	2025
Haircare products	16,195	17,711	19,511	20,222	21,328	21,135	24,466	26,312	28,355	31,324	33,466
Hair coloring products	9,506	9,892	12,095	11,857	12,994	12,594	14,813	16,631	16,953	17,200	16,896
Permanent wave products	1,410	1,260	1,569	1,544	1,515	1,372	1,449	1,450	1,463	1,547	1,435
Cosmetic products	–	–	–	–	165	360	579	572	571	868	664
Other	264	270	279	257	263	262	273	272	418	375	401

Sales and operating income by region (million yen)	2015	2016	2017[1]	2018[2]	2019	2020	2021	2022	2023	2024	2025
Domestic sales	23,882	25,289	27,983	28,572	30,409	29,880	33,643	35,334	36,502	38,684	39,206
Domestic operating income	4,382	5,055	4,931	5,642	6,177	5,989	6,811	6,194	4,231	5,796	4,757
Overseas sales	3,495	3,845	5,473	5,310	5,857	5,844	7,938	9,904	11,260	12,631	13,657
Overseas operating income	345	58	414	618	574	405	1,006	1,357	1,294	1,043	895
Overseas sales ratio (%)	12.8	13.2	16.4	15.7	16.2	16.4	19.1	21.9	23.6	24.6	25.8
US net sales	642	571	736	632	657	464	905	1,328	1,624	1,981	2,520
US operating income	80	(19)	(36)	(49)	(252)	(302)	(561)	(168)	(89)	(89)	(47)
China net sales	665	737	1,208	1,368	1,488	1,528	2,148	2,114	2,241	2,328	2,441
China operating income	149	81	231	320	343	292	449	(9)	68	49	44
South Korea net sales	1,425	1,603	2,440	2,064	2,334	2,543	3,396	4,159	4,715	5,345	5,503
South Korea operating income	383	229	534	515	678	645	1,138	1,351	1,284	1,239	1,071
Net sales from other overseas regions	763	934	1,089	1,246	1,377	1,307	1,487	2,301	2,678	2,976	3,191
Operating income from other overseas regions	(267)	(233)	(315)	(168)	(195)	(230)	(20)	184	30	(157)	(172)

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.

Non-Financial Highlights

Quantitative data for 2023–25 from an ESG perspective

People and Society

Diversity & inclusion	2023	2024	2025	Target Company
Number of employees *Permanent employees, consolidated	1,140	1,188	1,237	Milbon Group
Ratio of male/female employees (%) *Permanent employees, consolidated	50.6/49.4	49.8/50.2	49.1/50.9	Milbon Group
Number of employees *Permanent employees, non-consolidated	870	904	941	Milbon Co., Ltd.
Ratio of male/female employees (%) *Permanent employees, non-consolidated	55.4/44.6	54.6/45.4	53.6/46.4	Milbon Co., Ltd.
Average length of service (years)	10.8	11.1	11.2	Milbon Co., Ltd.
Average length of service Male/female (years) *Permanent employees	13.2/7.8	13.4/8.4	13.8/8.2	Milbon Co., Ltd.
Average age	35.4	35.6	36	Milbon Co., Ltd.
Number of hires *Permanent employees, non-consolidated	71	76	74	Milbon Co., Ltd.
Ratio of male/female hires (%) *Permanent employees, non-consolidated	49.3/50.7	39.5/60.5	39.2/60.8	Milbon Co., Ltd.
Gender pay gap (%) *Permanent/non-permanent employees	74.3/50.6	75.0/52.9	71.5/59.0	Milbon Co., Ltd.
Gender pay gap (%) *All workers	70.9	72.0	69.8	Milbon Co., Ltd.
Annual turnover rate among new graduates within 3 years (%) [1]	13.0	15.6	19.6	Milbon Co., Ltd.
Annual turnover rate among new graduates within 3 years (%) for past 5 years [2]	10.8	11.7	12.8	Milbon Co., Ltd.
Ratio of new graduate/mid-career hires (%)	59.2/40.8	71.1/28.9	62.2/37.8	Milbon Co., Ltd.
Overall employee turnover rate (%)	3.8	5.0	4.1	Milbon Co., Ltd.
Turnover rate for management and non-management employees (%)	1.3/4.3	1.6/5.8	0.0/5.2	Milbon Co., Ltd.
Turnover rate excluding mandatory retirement (all employees) (%) [3]	3.8	4.8	3.8	Milbon Co., Ltd.
Turnover rate excluding mandatory retirement *Management/non-management (%)	1.3/4.3	1.6/5.7	0.0/4.8	Milbon Co., Ltd.
Ratio of female employees in management positions (%)	10.9	14.5	14.7	Milbon Co., Ltd.
Annual working hours (average hours/employee)	2,085	2,100	2,099	Milbon Co., Ltd.
Annual scheduled working hours (average hours/employee)	1,900	1,900	1,900	Milbon Co., Ltd.
Paid leave utilization rate (%)	67.8	72.9	75.6	Milbon Co., Ltd.
Childcare leave utilization rate (male/female) (%)	25.0/100	40.7/100	58.8/100	Milbon Co., Ltd.
Return rate following childcare leave (male/female) (%)	100 / 100	100 / 93.7	100/95.8	Milbon Co., Ltd.
Number of employees working shortened hours for childcare	26	31	46	Milbon Co., Ltd.
Number of employees taking paid leave for family care	191	213	189	Milbon Co., Ltd.
Number of employees working shortened hours for family care	0	0	0	Milbon Co., Ltd.
Ratio of employees with disabilities (%)	2.23	2.33	2.40	Milbon Co., Ltd.
Number of people with disabilities engaged in work outside their facilities under supported employment	24	23	23	Milbon Co., Ltd.
Number of rehired employees	35	29	22	Milbon Co., Ltd.
Number of temp staff/ratio compared to permanent employees (%) *Non-consolidated	63/6.8	62/6.9	63/6.7	Milbon Co., Ltd.
Number of occupational accidents *Lost time injuries	0	1	0	Milbon Co., Ltd.
Number of occupational accidents *Fatal accidents	0	0	0	Milbon Co., Ltd.
Ratio of employees participating in health checkups (%)	98.2	99.1	99.1	Milbon Co., Ltd.
Ratio of employees participating in stress assessments (%)	95.5	95.9	94.2	Milbon Co., Ltd.
Education and training expenses per employee (yen)	151,662	135,489	143,563	Milbon Co., Ltd.
Education and training hours per employee (hours)	79.0	73.4	51.8	Milbon Co., Ltd.
Total number of employees who received training	725	576	900	Milbon Co., Ltd.

Educational support for hairstylists	2023	2024	2025	Target Company
Total number of users of educational events/seminars/videos	271,154	244,365	224,612	Milbon Co., Ltd.
Number of registered education:iD members	40,000	50,655	64,920	Milbon Co., Ltd.

Donation activities (thousands of yen)	2023	2024	2025	Target Company
Save the Children Japan	1,163	414	1,160	Milbon Group
JHD&C (NPO)	171	144	159	Milbon Group
Ashinaga Foundation	594	939	1,458	Milbon Group
Baobab Foundation	-	-	102	Milbon Group
The University of Osaka (Public University Corporation)	-	7,040	8,500	Milbon Group
Tohoku University (National University Corporation)	-	12,000	12,000	Milbon Group
Japan Advanced Institute of Science and Technology (National University Corporation)	-	1,000	1,000	Milbon Group
Kobe University (National University Corporation)	-	500	500	Milbon Group
Kindai University (School Corporation)	-	1,000	1,000	Milbon Group
Japan Platform (Specified Nonprofit Corporation)	10,000	5,000	-	Milbon Group
Professional Beauty Association Foundation (disaster relief for California wildfires)	-	-	1,582	Milbon Group
Network of Fish and Children (Citizens' Group)	-	500	500	Milbon Group
Other	268	30	149	Milbon Group

[1] FY2025 example: Percentage of those who joined on 4/1/2022 and departed by 4/1/2025 [2] FY2025 example: Percentage of those who joined from 4/1/2018 to 4/1/2022 and departed within 3 years [3] Includes voluntary departures and departures due to death, dismissal, and expired sick leave or other period of absence

Environment

Energy	2023	2024	2025	Target Company
CO_2 (GHG) emissions *Total emissions (t-CO_2)	291,701	296,337	329,505	Milbon Group
	Coverage: 100% of all bases	Coverage: 100% of all bases	Coverage: 100% of all bases	
CO_2 emissions, Scope 1	1,623	1,597	1,437	Milbon Group
	Coverage: 100% of all bases	Coverage: 100% of all bases	Coverage: 100% of all bases	
CO_2 emissions, Scope 2 Market-based	3,486	3,832	3,763	Milbon Group
	Coverage: 100% of all bases	Coverage: 100% of all bases	Coverage: 100% of all bases	
CO_2 emissions, Scope 2 Location-based	5,565	5,883	5,852	Milbon Group
	Coverage: 100% of all bases	Coverage: 100% of all bases	Coverage: 100% of all bases	
CO_2 emissions, Scope 3 Total	286,592	290,908	324,305	Milbon Group
	Coverage: 100% of all bases	Coverage: 100% of all bases	Coverage: 100% of all bases	
CO_2 emissions, Scope 3, Category 1 Purchased products and services	121,050	115,355	143,277	Milbon Group
CO_2 emissions, Scope 3, Category 2 Capital goods	6,976	5,367	6,429	Milbon Group
CO_2 emissions, Scope 3, Category 3 Fuel and energy-related activities not included in Scope 1 & 2	1,116	1,359	1,031	Milbon Group
CO_2 emissions, Scope 3, Category 4 Transportation and distribution (upstream)	22,307	23,476	25,186	Milbon Group
CO_2 emissions, Scope 3, Category 5 Waste from business	472	464	362	Milbon Group
CO_2 emissions, Scope 3, Category 6 Business trip	2,033	2,113	2,028	Milbon Group
CO_2 emissions, Scope 3, Category 7 Employee commuting	345	359	381	Milbon Group
CO_2 emissions, Scope 3, Category 11 Use of sold products	130,719	140,761	143,907	Milbon Group
CO_2 emissions, Scope 3, Category 12 Disposal of sold products	1,574	1,655	1,702	Milbon Group
Electricity consumption - Total ('000 kWh)	6,630	7,122	7,353	Milbon Co., Ltd.
Electricity consumption - Purchased electricity ('000 kWh)	6,539	7,012	7,181	Milbon Co., Ltd.
└Renewable energy consumption (out of purchased electricity) ('000 kWh)	4,842	4,633	5,887	Milbon Co., Ltd.
Self-generated electricity ('000 kWh)	91	110	172	Milbon Co., Ltd. manufacturing plant
City gas consumption (km³)	252	247	249	Milbon Co., Ltd.
Gasoline consumption (kL)	377	381	289	Milbon Co., Ltd.
Warm-water consumption (MJ)	738	803	842	Milbon Co., Ltd.
Heavy oil consumption (kL)	0	0	0	Milbon Co., Ltd. manufacturing plant
Light oil consumption (kL)	0	0	0	Milbon Co., Ltd. manufacturing plant
Kerosene consumption (kL)	0	0	0	Milbon Co., Ltd. manufacturing plant

Air emissions	2023	2024	2025	Target Company
NOx (t)	0	0	0	Milbon Co., Ltd. manufacturing plant
SOx (t)	0	0	0	Milbon Co., Ltd. manufacturing plant

Waste	2023	2024	2025	Target Company
Waste volume (t)	539.6	450.4	578.1	Milbon Co., Ltd. manufacturing plant
Recycling rate (%)	70.2	73.4	73.4	Milbon Co., Ltd. manufacturing plant

Water resources	2023	2024	2025	Target Company
Water intake - Total (m³)	47,138	48,309	48,286	Milbon Co., Ltd. manufacturing plant
Water supply - Third-party water sources (m³)	47,138	48,309	48,286	Milbon Co., Ltd. manufacturing plant
Other (m³)	0	0	0	Milbon Co., Ltd. manufacturing plant
Water consumption (m³)	47,138	48,309	48,286	Milbon Co., Ltd. manufacturing plant
Water consumption - Intensity (m³/t)	4.665	4.366	4.623	Milbon Co., Ltd. manufacturing plant
Water discharge by destination - Total (m³)	26,359	28,049	28,814	Milbon Co., Ltd. manufacturing plant
Sewage - Wastewater to third party (m³)	26,359	28,049	28,814	Milbon Co., Ltd. manufacturing plant
Other (m³)	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	2023	2024	2025	Target Company
BOD (t)	3.1	4.7	4.5	Milbon Co. Ltd. manufacturing plant
SS (t)	1.9	1.5	3.6	Milbon Co. Ltd. manufacturing plant
n-HEX (t)	1	1.4	1.3	Milbon Co. Ltd. manufacturing plant

Plastic	2023	2024	2025	Target Company
Consumption (t)	1,136	1,194	1,163	Milbon Co., Ltd. manufacturing plant

Governance

Board of Directors	2023	2024	2025	Target Company
Number of Internal Board Directors	6	7	7	Milbon Co., Ltd.
Number of Outside Board Directors	5	5	5	Milbon Co., Ltd.
Ratio of Outside Board Directors (%)	45	41	41	Milbon Co., Ltd.
Ratio of female Board Directors (%)	18	25	25	Milbon Co., Ltd.
Number of Board of Directors meetings	13	13	12	Milbon Co., Ltd.
Attendance rate at Audit & Supervisory Board meetings (%)	100	97	99	Milbon Co., Ltd.

Audit & Supervisory Board	2023	2024	2025	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	14	15	Milbon Co., Ltd.
Attendance rate at Audit & Supervisory Board meetings (%)	100	100	93	Milbon Co., Ltd.

Nominations and Compensation Committees	2023	2024	2025	Target Company
Number of Nominations Committee meetings	2	2	3	Milbon Co., Ltd.
Number of Compensation Committee meetings	2	2	3	Milbon Co., Ltd.
Ratio of Outside Board Directors (%)	60	58	58	Milbon Co., Ltd.

Compliance	2023	2024	2025	Target Company
Number of whistleblowing reports[1]	11	12	7	Milbon Co., Ltd.
Number of harassment reports	3	4	6	Milbon Co., Ltd.
Number of cases subject to legal measures regarding corruption/bribery	0	0	0	Milbon Co., Ltd.
Political donations - total (thousand yen)	0	0	0	Milbon Co., Ltd.
Fines, etc. associated with corruption (thousand yen)	0	0	0	Milbon Co., Ltd.
Number of employees dismissed for violating employment regulations	0	0	1	Milbon Co., Ltd.

Other compliance	2023	2024	2025	Target Company
Compliance awareness survey response rate (%)	97.3	98.6	98.2	Milbon Group

Quality assurance	2023	2024	2025	Target Company
Number of customer submissions [2]	9,470	9,854	8,553	Milbon Co., Ltd.
Number of voluntary recalls	1	0	0	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 FY2022, please refer to https://www.milbon.com/en/ir/management/esg.html

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 hairstylists 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. Milbon has been recognized for its unique business strategy that continues its sustainable growth.

Recognized as a Certified Health & Productivity Management Outstanding Organization for 2026

Milbon has been recognized as a Certified Health & Productivity Management Outstanding Organization for 2026 by Japan's Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi.
We will continue to promote health and productivity management initiatives that boost employee vitality and job satisfaction.

EcoVadis Sustainability Rating: Silver

The Milbon Yumegaoka Factory received a Silver rating in the 2025 sustainability assessment conducted by EcoVadis, a leading international sustainability rating agency. This places our facility within the top 15% of all evaluated companies.
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.

Selected as a constituent of the FTSE JPX Blossom Japan Index and the FTSE JPX Blossom Japan Sector Relative Index

Milbon has been selected as a constituent of the FTSE JPX Blossom Japan Index and the FTSE JPX Blossom Japan Sector Relative Index.
Both the FTSE JPX Blossom Japan Index and the FTSE JPX Blossom Japan Sector Relative Index are indices developed by FTSE Russell, a leading ESG rating agency, to identify companies excelling in ESG (Environmental, Social, and Governance) practices.

Selected as a constituent of the Sompo Sustainability Index

Milbon has been selected as a constituent of the Sompo Sustainability Index, independently developed by Sompo Asset Management by combining ESG evaluations with equity value assessments.
The index comprises approximately 300 companies recognized for their outstanding ESG (Environmental, Social, and Governance) initiatives. It is utilized in "SOMPO Sustainable Management," designed for pension funds and institutional investors.

Selected as a constituent of the S&P/JPX Carbon Efficient Index

Milbon has been selected as a constituent of the S&P/JPX Carbon Efficient Index.
As an ESG index jointly developed by global index provider S&P Dow Jones Indices (S&P) and Japan Exchange Group (JPX), the S&P/JPX Carbon Efficient Index is a stock price index focused on the E (environment) in ESG.

Received the "Motivation Company" award in the Best Motivation Company Award 2026 Medium-Sized Enterprise Category (1,000+ employees)

Milbon received the "Motivation Company" award in the Medium-Sized Enterprise Category for companies with 1,000 or more employees at the Best Motivation Company Award 2026 held by Link and Motivation Inc.

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.
The Yumegaoka Factory has also acquired certification from the Supply Chain Certification System (SCCS), a system that certifies that products made with certified palm oil meet SCCS certification requirements in the manufacturing, processing, and distribution processes.
Please refer to www.rspo.org for RSPO progress.

4-1421-22-100-01

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 reverse biodiversity loss. Japan's Ministry of the Environment (MOE) is the initiator of this alliance. This alliance 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, and more. These areas aim 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 benefits and richness 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, 2025

Company overview

Trading Name:	Milbon Co., Ltd.
Established:	July 1960
Capital:	2.0 billion yen
Number of employees:	Non-consolidated: 941 / Consolidated: 1,237
Head Office:	Kyobashi Edogrand, 2-2-1 Kyobashi, Chuo-ku, Tokyo
Laboratory:	Central Research Institute (Osaka) / Innovation Center (Tokyo) / North America Research Institute / Thailand Research Institute / China Research Institute
Factory:	Yumegaoka Factory (Mie) / Thailand Factory / China Factory
Training Institute:	Talent Development Center (Kanagawa)
Domestic branches / sales offices etc.:	Branches: Tokyo Aoyama / Tokyo Ginza / Saitama / Nagoya / Osaka / Fukuoka Sales Offices / Studios: Sapporo / Sendai / Niigata / Yokohama / Kanazawa / Shizuoka / Kyoto / Kobe / Okayama / Hiroshima / Matsuyama / Kumamoto
Overseas branches / sales offices etc.:	USA / China / Thailand / Malaysia / Vietnam / Singapore / Germany / Taiwan / Hong Kong / Turkey / Indonesia / Philippines
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.

Stock information

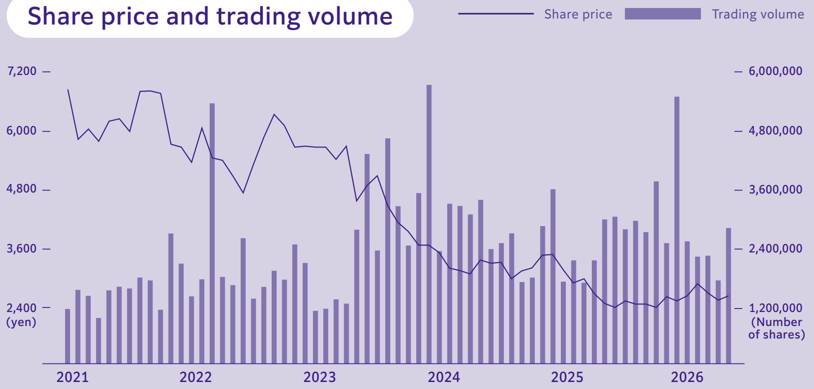
Listed Stock Exchange:	Tokyo Stock Exchange Prime Market
Stock code:	4919
Total number of shares authorized:	120,408,000
Total number of shares outstanding:	32,305,534
Number of shareholders:	37,669

Principal shareholders (Top 10)

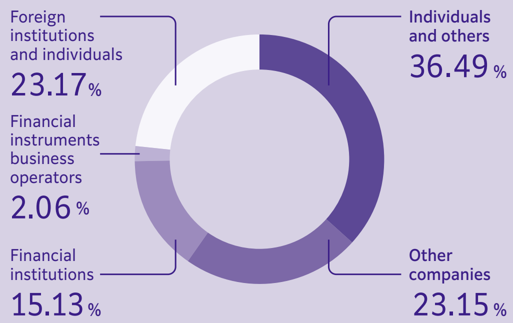
Shareholder	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd.(Trust Account)	3,070,900	9.66 %
Konoike Asset Management Company	2,782,000	8.75 %
KOSÉ Corporation	1,328,000	4.18 %
MILBON Employee Stock Ownership Association	735,720	2.31 %
Custody Bank of Japan, Ltd. (Trust account)	695,100	2.19 %
RBC IST 15 PCT NON LENDING ACCOUNT-CLIENT ACCOUNT	653,500	2.06 %
STATE STREET BANK AND TRUST COMPANY 505301	602,184	1.89 %
Keiko Murai	483,624	1.52 %
Maiko Kitajima	482,424	1.52 %
OSAKA SASAKI CHEMICAL Co., Ltd.	480,000	1.51 %
irodori Shisei Co., Ltd.	480,000	1.51 %

*Shareholding ratio is calculated excluding treasury stock (524,904 shares).

Share price and trading volume



Shareholding ratio by shareholder



Milbon operates a shareholder benefits program that provides company products annually to shareholders holding 100 or more shares. The application deadline for these benefits is May 31 each year. For more information about the shareholder benefits program, please visit: https://www.milbon.com/en/ir/stock_bond/shareholder_incentives.html

Information Links

Corporate Information

Milbon Co., Ltd. Corporate Website
https://www.milbon.com/en/

Corporate Philosophy and Business Domain
https://www.milbon.com/en/company/

Corporate History
https://www.milbon.com/en/company/history/

Executive Officers (Career summary and Reasons for the appointment)
https://www.milbon.com/en/company/officer/

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/

Seminar & Event
https://www.milbon.com/en/company/seminar/

Sustainability & ESG-related Information

MILBON Sustainability Report 2026
https://www.milbon.com/en/uploads/docs/milbon_SustainabilityReport_en_260430.pdf

Sustainability (Basic Guideline, Promotion Structure etc.)
https://www.milbon.com/en/sustainability/

ESG/SDGs Matrix and Five Key Challenges
https://www.milbon.com/en/sustainability/esg_sdgsmatrix.html

Environment
https://www.milbon.com/en/sustainability/environment/

- Milbon Group Environmental Policy
- Response to Climate Change (Disclosure Based on TCFD Recommendations)
- Response to Water Resources
- Waste and Environmental Pollution
- Supply Chain Management
- Efforts through Products
- Efforts through Production Activities
- Safety and Reliability
- Safe Use and Management of Chemical Substances

Social
https://www.milbon.com/en/sustainability/humanrights/

- Milbon Group Human Rights Policy
- Investing in Human Capital
- Diversity, Equity and Inclusion
- Hiring Persons with Disabilities
- Health & Productivity Management
- Supply Chain Management
- Use of RSPO-Certified Palm Oil
- Together with the Community

Governance
https://www.milbon.com/en/sustainability/governance/

- Milbon Ethics and Code of Conduct
- Corporate Governance
- Risk Management
- Compliance
- Milbon Global Tax Policy
- Multi-Stakeholder Policy

ESGData
https://www.milbon.com/en/sustainability/esg.html

External Assessments and Cooperation with Society
https://www.milbon.com/en/sustainability/external_assessments.html

IR-related Information

Information for shareholders and investors (IR)
https://www.milbon.com/en/ir/

Financial Highlights
https://www.milbon.com/en/ir/finance/

Management Information
https://www.milbon.com/en/ir/management/

- Medium-Term Management Plan
- ESG Data
- Disclosure Policy

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

Shareholders' Meeting
https://www.milbon.com/en/ir/meeting/

IR Library
https://www.milbon.com/en/ir/library/

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

To Our Individual Investors (Japanese only)
https://www.milbon.com/ja/ir/individual/

IR News
https://www.milbon.com/en/ir/news/

Editorial Policy

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

FY2026 marks the final year of the five-year Medium-Term Management Plan launched in FY2022. In FY2025, we achieved steady progress across the various strategies outlined in the plan, including reaching one million registered milbon:iD members. In addition, despite being affected by various external factors, we maintained solid business growth by implementing swift countermeasures. This Integrated Report presents not only our progress and achievements in FY2025 but also our challenges in a transparent and detailed manner. It also clearly communicates our efforts to enhance long-term corporate value—including sustainability initiatives and strengthened governance—to all stakeholders.

In line with last year's approach, the overall design prioritizes readability through universal design principles, with careful attention paid to font sizes, charts, and color schemes. Furthermore, starting this fiscal year, we aim to create an integrated report that encourages readers to keep reading. Our goal is to craft a layout around the concept of designing a reading experience that mirrors the feeling of flipping through a magazine at a hair salon. Furthermore, by collaborating not only with our Outside Board Directors but also with hair professionals—our most valued partners—we have presented our business activities and future aspirations from a more objective perspective.

To gain a comprehensive understanding of our business activities, we encourage you to read this integrated report alongside our IR Library and the MILBON Sustainability Report, which we began publishing in FY2025.

Department in Charge: Corporate Communications Department

We would appreciate your feedback on this Integrated Report.
Please access the survey form via the two-dimensional code.

Edit : Shun Ohmi (Kuchibue shoten), Haruki Nukui (Kuchibue shoten)
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Direction : Ryota Kimura (Steve* inc.), Kotone Yokota (Steve* inc.)
Photo : Kohei Kurokawa (Steve* inc.)
Production : Chihiro Ikeyama (GREAT WORKS)

Model : Rina Zhilina（Image）
Filming Cooperation: little Shibuya

In consideration of the global environment, this report is printed on paper made from FSC (Forest Stewardship Council) -certified wood and controlled materials in accordance with FSC standards and using vegetable-based inks. This report was printed at a facility that achieves net-zero GHG emissions for Scope 1 and Scope 2.

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