



# Milbon Co., Ltd.

FY2015 First Half (December 21, 2014 – June 20, 2015)

## Financial Results Presentation Materials



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July 1, 2015

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# Consolidated Operating Results (FY 2015 First Half)



Sales in hair care category and overseas market have led to overall sales increase

(Unit: million yen)

	Amount		Increase /Decrease	Year-on-year Comparison (%)
	FY2014 First Half	FY2015 First Half		
Net sales	12,173	13,074	901	107.4
Gross profit	8,436	9,138	701	108.3
SG&A expenses	6,292	6,768	476	107.6
Operating income	2,144	2,370	225	110.5
Ordinary income	1,981	2,270	289	114.6
Net income	1,190	1,444	254	121.4

# Consolidated Sales by Product Category

## [Hair Care Product] (1)



**Aging care and leave-in items containing CMADK have been steadily growing**

(FY2015 First Half)

(Unit: million yen)

FY2014 First Half	FY2015 First Half	Increase/Decrease	YOY Comparison (%)
6,865	7,655	790	111.5

- Activities were focused on enhancing hair designers' ability to respond to matured women who seek true professional advice, as well as to younger women in their mid-20s, whose understanding of beauty is beginning to change.
- Products containing CMADK, Milbon's original hair keratin restoring ingredients, and aging care products have continuously sold well. Jemile Fran brand was launched targeting at women in their 20s and doing very well.

\* Products containing CMADK includes: DEESSE'S Elujuda Emulsion, Aujua Imurise Line series, Jemile Fran, etc.

## New Products

### PLARMIA REFINING SERIES

A new salon menu for simultaneously caring for both hair and scalp that has changed with age.

(Unit: million yen)

Target	Results	Prog. rate
500	130	26.0%



Jan 29 Debut

### DEESSE'S DAYCHARM UV MIST

A UV treatment mist that wraps the hair in a pleasant fragrance and protects hair color from sunlight.

(Unit: million yen)

Target	Results	Prog. rate
180	100	55.8%



Feb 26 Debut

# Consolidated Sales by Product Category [Hair Care Product] (2)



## New Products

### Jemile Fran Shampoo & Treatment

A new hair care brand for working women in their 20. Enlightening young women to hair care, timed to changes in their sense of beauty. Lock moisture into the hair, improve cuticle and make hair tangle-free and bouncy.

(Unit: million yen)

Target	Results	Prog. rate
400	249	62.4%

**Apr 21 Debut**



# Consolidated Sales by Product Category [Hair Coloring Product]



**New color line approach and brand new gray color launch led to a rise in sales**

(FY2015 First Half)

(Unit: million yen)

FY2014 First Half	FY2015 First Half	Increase/Decrease	YOY Comparison (%)
4,397	4,606	209	104.8

- New color line to match Spring/Summer 2015 trend was launched. The educational activities have proactively continued to be focused on supporting hair designers to enhance their abilities to create trend hair color design to their customer.
- Brand new hair color range Ordeve Crystal was launched in May. This new product made it possible to dye hair peppered with gray evenly for a clear color from the roots to the tips, and earned a good reputation.

## New Products

### ORDEVE additional color INNOCENT LINE

A soft sheen created by achromatic color express a color purity

(Unit: million yen)

Target	Results	Prog. rate
500	369	73.9%



**Jan 29 Debut**

### ORDEVE CRYSTAL

A hybrid color for matured women who want to continue enjoying the color, tone and texture with beautiful finish from the roots to the tips.

(Unit: million yen)

Target	Results	Prog. rate
740	253	34.3%



**May 28 Debut**

# Consolidated Sales by Product Category [Permanent Wave Product]



Sales in overseas are in a good shape, yet overall sales have been downward trend

(FY2015 First Half)

(Unit: million yen)

FY2014 First Half	FY2015 First Half	Increase/Decrease	YOY Comparison (%)
797	718	- 79	90.1

# Aujua [Results and Targets]



**Aging care series continued to grow, expanding number of salons and sales**

## Number of Aujua salons

FY2014 year-end	FY2015 Q2-end	Comparison with the 2014 year end
2,002 salons	2,286 salons	127.9%

## Sales (FY2015 First Half)

FY2014 First Half	FY2015 First Half	YOY comparison
1,552	1,884	121.4%

(Unit: million yen)

## What's new

### Aging care series OATHENAM LINE

Enhances the strength and damage resistance of hair that has become brittle with aging from coloring and perming

(Unit: million yen)

Target	Results	Prog. rate
400	91	22.9%



**Jan 30 Debut**

## Brand concept

A hair care brand that nurtures the beauty of Japanese women's hair born from the climate, culture and hair characteristics of Japan

## What is Aujua?

A hair care series that responds to every individual's hair concerns by creating and evolving a hair care program just for one individual. That is Aujua.

## Product range

A wide-ranging line-up that fits the hair texture of each customers

- 4 series
  - Aging care series
  - Hair care series
  - Scalp care series
  - Climatic care series
- 14 line • 90 items

### Aging care series IMMURISE Jell Stemrizer

xxx

(Unit: million yen)

Target	Results	Prog. rate
100	24	24.4%



**Apr 1 Debut**

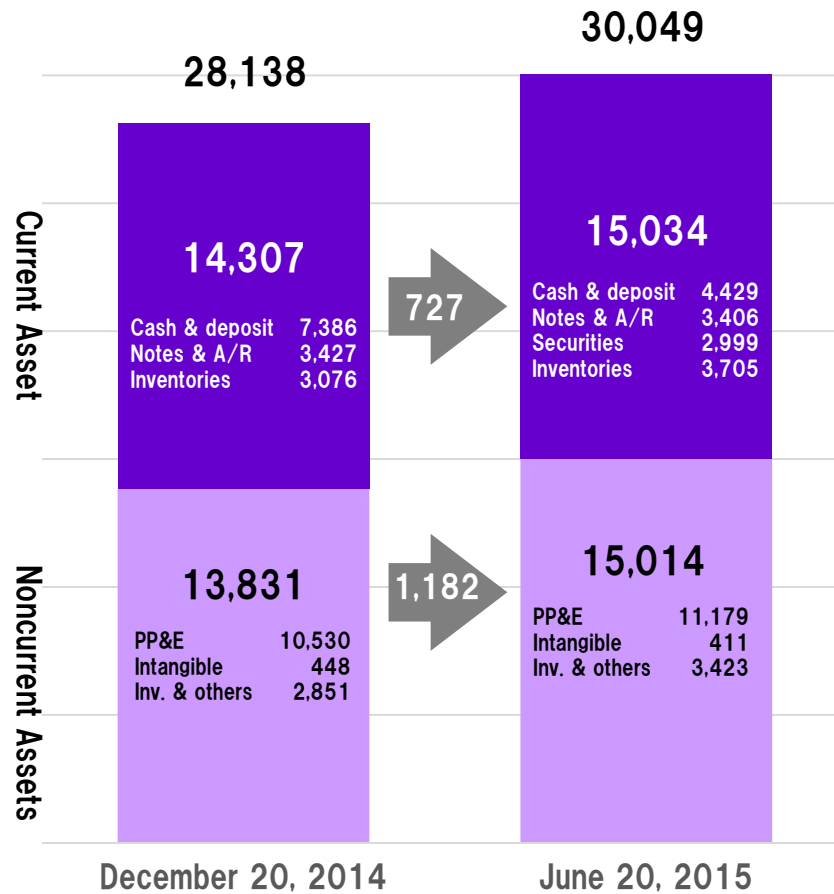


# Consolidated Balance Sheet

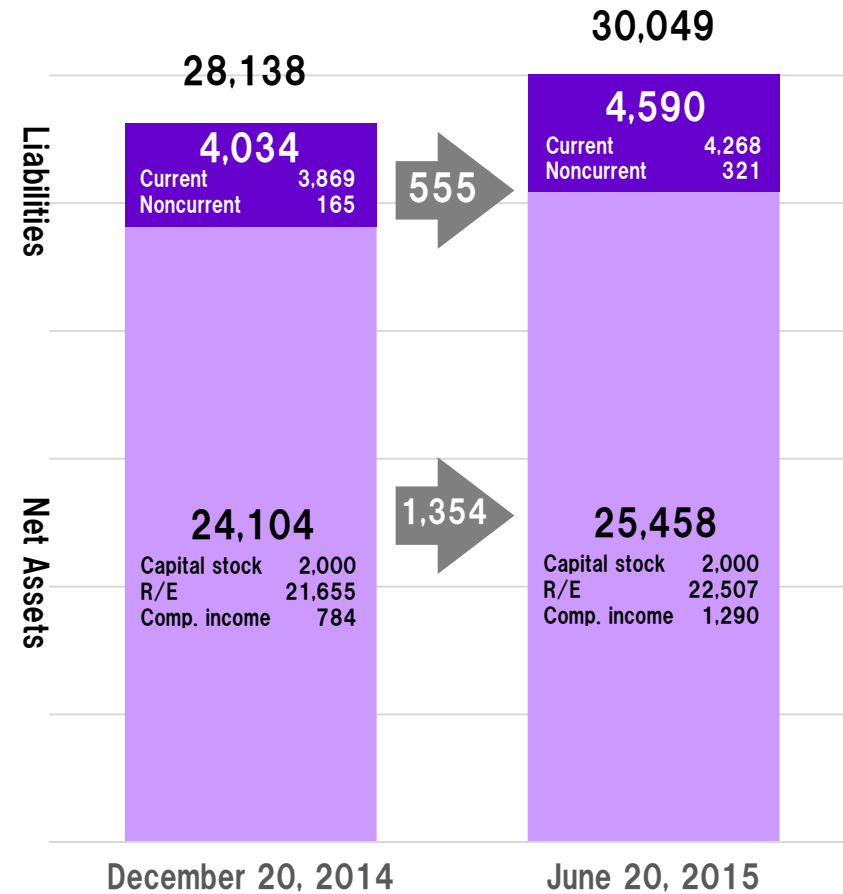


(Unit: million yen)

## Assets



## Liabilities and Net Assets

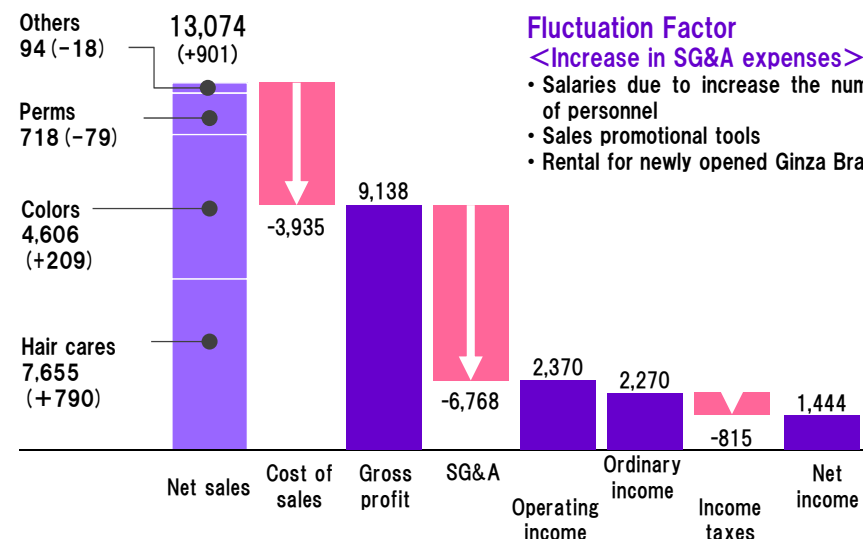


# Consolidated Statement of Earnings (FY 2015 First Half)



(Unit: million yen)

	Amount		Increase/ Decrease	YOY compari son (%)
	FY2014 First Half	FY2015 First Half		
Sales	12,173	13,074	901	107.4
Cost of sales	3,736	3,935	199	105.3
Gross profit	8,436	9,138	701	108.3
SG&A expenses	6,292	6,768	476	107.6
Operating income	2,144	2,370	225	110.5
Ordinary income	1,981	2,270	289	114.6
Net income	1,190	1,444	254	121.4



## Breakdown of net sales by product category

	FY2014 First Half	FY2015 First Half	Ratio (%)	YOY change	YOY compari son (%)
Hair care products	6,865	7,655	58.6	790	111.5
Hair coloring product	4,397	4,606	35.2	209	104.8
Permanent wave products	797	718	5.5	- 79	90.1
Others	113	94	0.7	- 18	83.5

## Trends in Capital Expenditures and Others



(Unit: million yen)

Category	FY2011	FY2012	FY2013	FY2014	FY2015 Jan.-Jun.	Plan for FY2015
Total Expenditures	528	840	1,680	1,028	1,036	2,652
Depreciation and amortization	1,011	947	878	1,004	497	1,062
R&D expenses	870	873	969	1,168	573	1,211
R&D exp. to sales ratio	4.3%	4.1%	4.2%	4.8%	4.6%	4.7%

### FY2015 First Half CAPEX Main Items

- Purchase of land adjacent to Yumegaoka Plant
- Initial expenditure for Tokyo Ginza Branch
- Relocation of Sapporo Sales Office

# Trends in Market Related Data, Trends in FPs



## Market trends (Japan)

(Unit: Number of Salons: Salons / Number of hair dresser: people / Number of beauty customer)

	2010	2011	2012	2013	2014	2015	Remarks
Number of salons	223,286	228,429	231,134	234 089	—	—	Ministry of Health, Labor and Welfare Public Health Administration Report Number of beauty salon facilities/number of employees (year-end)
Number of hairdressers	456,872	471,161	479,509	487 636	—	—	
Beauty customer population	39,812	39,640	39,076	38,468	37,847	37,741 (As of Jan.1)	Statistics Bureau, Ministry of Internal Affairs and Communications: population statistics as of October 1 <sup>st</sup> each year Population statistics for females aged 15 to 64

## Fieldpersons trends (by country)

	2011	2012	2013	2014	2015 Q2
JAPAN Milbon Co., Ltd.	203	221	230	238	241
	95	92	95	95	—
USA MILBON USA, Inc.	9	10	12	12	10
	39	35	36	40	—
CHINA Milbon Trading (Shanghai) Co., Ltd.	11	15	16	17	17
	11	12	17	25	—
KOREA Milbon Korea Co., Ltd.	11	13	18	17	20
	30	34	39	64	—
THAI Milbon (Thailand) Co., Ltd.	-	-	3	6	6
	-	-	6	8	—
Others	4	3	8	11	11
	95	135	55	50	—

Upper column:  
Number of FPs (unit: persons)

Lower column:  
Sales per FP (unit: million yen)

\*31 FPs are under training (as of Jun. 20, 2015)  
(not included in the left chart)

# Outlook of Milbon Group (FY2015 First Half)



Overseas market mainly in Asia contributed to the sales increase of the Milbon Group

	Number of employees	Sales (million yen)		YOY comparison	Start operations	Forex rates	
	Number of FPs	FY2014 First Half	FY2015 First Half			FY2014	FY2015
JAPAN Milbon Co., Ltd.	573	10,959	11,441	104.4	1960	-	-
	241						
USA MILBON USA, Inc.	14	230	301	130.7	2004	1 \$ = 101.5	116.71
	10						
CHINA Milbon Trading (Shanghai) Co., Ltd.	23	200	279	139.8	2009	1 yuan = 16.63	19.06
	17						
KOREA Milbon Korea Co., Ltd.	30	487	670	137.4	2009	1 won = 0.0951	0.1071
	20						
THAI Milbon (Thailand) Co., Ltd.	49	23	47	206.3	2013	1 baht = 3.15	3.56
	6						
Others *1	11	271	333	122.7	-	-	-
	11						

\*1: Taiwan, Hong-Kong, Vietnam, Malaysia, Turkey, Indonesia, Philippine and others

# Outlook of Milbon Group (FY2015 First Half)

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## **JAPAN (Milbon Co., Ltd.)**

New gray color products, Ordeve Crystal and Villa Lodola Color, were launched and well received under a competitive market condition. In addition to expanding product lineups for matured women, new hair care brand Jemile Fran shampoo and treatment, targeted at working women in their 20s, were launched to enlighten them to hair care. Efforts are being made to create customers for life, introducing the professional designs and cares when young women are awakening to beauty.

## **USA (MILBON USA, INC.)**

Milbon USA expanded its sales area to 7 states in east coast after our contracted distributor acquired another one. Proactive educational activities conducted by Milbon USA and sales rep from distributor contributed to the sales increase. Sales volume at the beginning of the quarter decreased due to the backlash following the price increase in January. However, Plarmia Hair Serum, launched in February got a reputation and its sales were doubled than the target two month after the launch.

## **CHINA (Milbon Trading (Shanghai) Co., Ltd.)**

Milbon Shanghai held a policy announcement and management seminars for top hair salons. Activities are being focused on enhancing education and creative skills for salon staffs, resulting in strengthening a close relationship with distributors. Sales of hair coloring category have been going well through the promotion activities for Ordeve additional color, targeting beauty-conscious women in their 20s to 30s. Sales of hair care category are also increasing thanks to in-salon treatment products growth.

## **KOREA (Milbon Korea Co., Ltd.)**

Ordeve additional colors Mermaid Line and High Color Saturation Red Series, product line limited to Asia, were launched in February. A large number of educational activities, such as introducing new color lines together with the seasonal trend information at the group seminar or at an individual salon, as well as promotion campaign with original related goods were well-received by hair salons. Three new sales staffs joined the company and started OJT to gain necessary skill set as a Fieldperson. Milbon Korea's sales structure has been steadily built up to reinforce company's educational system.

## **Thailand (Milbon (Thailand) Co., Ltd.)**

As for the Sales Dept., an event of Elujuda Emulsion for Thai media which was held in Osaka went well, leading to continued growth in sales. Milbon Thailand has been expanding its market and now is on the way to establish a leading position that can deliver latest trend in Japan. The Company invited popular hair designers from Japan to hold Spring/Summer trend color seminars, and further, the Innocent Line was released at the same time it went on sale in Japan. Production Dept., the export values have been substantially growing since January, after main exporting country Korea obtained their import certificate. Orders from other countries has also steadily increasing.



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**Statements concerning the future such as the earnings forecasts given in this document are based on information currently in the possession of the Company and on assumptions that the Company considers reasonable.**