

MILBON CO., LTD (4919 JP)**1H PERFORMANCE TRIGGERED REVISION IN FY26 GUIDANCE. SHARE BUY BACK SHOWS MANAGEMENT CONFIDENCE.****EXECUTIVE SUMMARY**

- **FY26 1H Results:** Milbon Co., Ltd (4919 JP) produced FY26 1H (Dec year-end) gross profit [GP] of ¥17,135mil (+10.5% YoY) and operating profit [OP] of ¥3,347mil (+72.7% YoY) on sales of ¥26,878mil (+8.3% YoY). While Domestic sales rose moderately [+2.8% YoY to ¥18,993mil], Overseas sales expanded at much faster pace [+24.7% YoY to ¥7,884mil] – a solid increase of +16.7% YoY on an LCY basis.
- **FY26 Full-Year Guidance Raised:** Given the stronger-than-expected 1H results, Milbon revised up its full-year FY26 guidance from OP of ¥6,300mil (+11.4% YoY) on sales of ¥54,800mil (+3.7% YoY) to OP of ¥6,550mil (+15.9% YoY) on sales of ¥55,600mil (+5.2% YoY). Management expects overseas growth to remain strong, especially in the US and EU, as both regions reported higher-than-expected sales growth in FY26 1H. As a result, the firm revised its FY26 Overseas sales estimate from ¥14,920mil (+9.2% YoY) to ¥15,550mil (+13.9% YoY).
- **Shareholder Returns:** Although Milbon has revised its full-year guidance, the annual dividend remains unchanged at ¥88.00/share, which generates a dividend pay-out ratio of 60.0%. The firm also announced a share buyback programme to repurchase total of ¥1,800mil worth of shares by 17 December 2026. Combined, they provide a total shareholder return of 100%, vs the firm's shareholder returns policy that targets a baseline total return of 50% and progressive dividend.
- **Next MTP:** The current MTP will complete in FY26. Management plans to release the next MTP in Feb 27 with the FY26 results.

Milbon (4919 JP): Share Information

Market Cap (¥mil)		106,200	Market Cap (\$mil)		685	
22-day Average Trading Volume (¥mil)		598	22-day Average Trading Volume (\$mil)		3.9	
Share performance (%)	4919	TOPIX	Earnings Summary (¥mil, %)	FY24	FY25	FY26CE
Share price (28 Sept 2026)	3,290	4,112.00	Sales	51,316	52,863	55,600
3mo (from 29 June 2026)	21.4	3.3	OP	6,839	5,652	6,550
6mo (from 30 March 2026)	22.0	16.1	OPM (%)	13.3	10.7	11.8
YTD (from 5 Jan 2026)	35.4	18.2	EBITDA	9,128	7,969	8,960*
1yr	31.9	10.0	EPS (¥)	154.12	106.26	144.68
5yrs (from 13 March 2020)	-51.8	107.0	Financial Leverage (X)	1.2	1.1	1.1*
Per-share and Valuations	4919	TOPIX	Net D/E Ratio (X)	-0.3	-0.3	-0.3*
EPS (¥, FY26 CE)	144.68	234.46	FCF	5,094	2,369	7,010
DPS (¥, FY26 CE)	88.00	0.20	Shareholder Returns Summary	FY24	FY25	FY26CE
BPS (¥, FY26EST*)	1,600.35	N/A	Dividend (¥)	88.00	88.00	88.00
FCFPS (¥, FY26EST*)	217.02	N/A	Dividend Payout (%)	57.1	82.3	65.0
Forward PER (X)	22.74	17.54	Dividend Yield (%)	N/A	N/A	2.7
Forward PBR (X)*	2.06	1.86	DOE (%)	6.0	5.8	5.5*
Forward PCFR (X)*	15.16	N/A	Treasury Shares (%)	N/A	N/A	1.5
EV/EBITDA (X)	10.48	N/A	ROE (%)	10.2	7.0	8.7

Source: Nippon-IBR based on data on Bloomberg and Toyo Keizai / *Nippon-IBR estimates

FY26 1H EARNINGS RESULTS SUMMARY

Milbon Co., Ltd (4919 JP) produced FY26 1H (Dec year-end) gross profit [GP] of ¥17,135mil (+10.5% YoY) and operating profit [OP] of ¥3,347mil (+72.7% YoY) on sales of ¥26,878mil (+8.3% YoY). While Domestic sales rose moderately [+2.8% YoY to ¥18,993mil], Overseas sales expanded at much faster pace [+24.7% YoY to ¥7,884mil]— a solid increase of +16.7% YoY on an LCY basis..

Profit YoY variance includes:

1. Growth in GP led by sales growth (+¥1,295mil)
2. GPM improvement on the back of removal of inventory valuation losses incurred in FY25 Q2 (approx. +¥164mil), mainly associated with cosmetics products. Other gains added +¥175mil to GP.
3. 1H SG&A was lower (+¥280mil), compared to FY25 1H, when the firm incurred a ¥125mil hit associated with sponsorship fees at the Osaka Expo. Additionally, some of the budget was pushed back to 2H. These positive factors were partially offset by higher costs [personnel (-¥234mil), logistics (-¥136mil) and ~~over~~ overheads (-¥131mil)].

While 1H sales came in above guidance of ¥26,125mil by a modest +2.9%, OP exceeded guidance of ¥2,400mil by 40%, thanks primarily to:

1. Better than expected GP on the back of steady sales increases (+¥480mil) which surpassed the firm's estimate.
2. Delays in spending SG&A budget (+¥363mil) and R&D (+¥135mil).

RP increased +88.8% YoY to ¥3,499mil mainly due to zero FOREX losses compared to FY25 1H (-¥120mil).

In addition, Milbon reported an impairment loss (-¥125mil) for studio closures in Japan. However, compared to FY25 1H, when the firm logged an extra ordinary loss of an investment security in total of -¥755mil, net profit [NP] surged +476.5% YoY to ¥2,416mil.

Milbon (4919 JP): Earnings Summary

(¥mil / Dec year-end)	FY24		FY25		FY26			
	1H	FY	1H	FY	1H	YoY (%)	1H CE	1H vs 1H CE (%)
Sales	24,526	51,316	24,807	52,863	26,878	8.3	26,125	2.9
COGS	8,770	18,718	9,305	19,686	9,742	4.7	N/A	N/A
GP	15,755	32,597	15,502	33,176	17,135	10.5	16,642	3.0
GPM (%)	64.2	63.5	62.5	62.8	63.8	+1.3ppt	63.7	+0.1ppt
SG&A	12,577	25,758	13,563	27,523	13,788	1.7	14,242	-3.2
SG&A / Sales (%)	51.3	50.2	54.7	52.1	51.3	-3.4ppt	54.5	-3.2ppt
OP	3,178	6,839	1,938	5,652	3,347	72.7	2,400	39.5
OPM (%)	13.0	13.3	7.8	10.7	12.5	+4.7ppt	9.2	+3.3ppt
RP	3,324	6,968	1,853	5,455	3,499	88.8	2,331	50.1
RPM (%)	13.6	13.6	7.5	10.3	13.0	+5.5ppt	8.9	+4.1ppt
NP*	2,280	5,017	419	3,437	2,416	476.5	1,657	45.8

Source: Nippon-IBR based on Milbon's earnings results materials

* NP attributed to the parent's shareholders

Milbon (4919 JP): Net Sales Breakdown by Products										
(¥mil / Dec year-end)	FY24		FY25		FY26					
	1H	FY	1H	FY	1H	YoY (%)	Old FYCE	YoY (%)	New FYCE	YoY (%)
Haircare products	14,682	31,324	15,624	33,466	17,149	9.8	34,800	4.0	35,620	6.4
Hair colouring products	8,346	17,200	7,982	16,896	8,537	7.0	17,520	3.7	17,630	4.3
Permanent wave products	799	1,547	710	1,435	745	5.0	1,360	-5.2	1,450	1.0
Cosmetic products	566	868	327	664	296	-9.5	693	4.4	500	-24.7
Others	131	375	163	401	149	-8.7	427	6.5	400	-0.2
Total	24,526	51,316	24,807	52,863	26,878	8.3	54,800	3.7	55,600	5.2

Source: Nippon-IBR based on Milbon's earnings presentation materials

Earnings by Country

Japan

Milbon's operation in Japan produced FY26 1H OP of ¥2,161mil (+31.6% YoY) on sales of ¥18,993mil (+2.8% YoY), which generated an OPM of 11.4% (+2.5ppt YoY). The performance is above guidance [OP of ¥1,900mil on sales of ¥18,872mil] thanks to steady sales of haircare products (+4.4% YoY), although the launch of a new hair colour product PRETOWA was delayed, leading to Hair colour product sales dipping -0.2% YoY: While demand for unique products, such as the ICEA-certified organic hair colour series Villa Lodola were solid (gross sales in Japan of ¥739mil, +20.4% YoY), mid-range products such as Ordeve Addicthy (gross sales in Japan of ¥2,283mil, -8.9% YoY) continued to be affected by a shift to lower price products at some beauty salons.

In Q2 alone, the Domestic business reported OP of ¥1,501mil (+39.9% YoY / +127.4% QoQ) on sales of ¥10,530mil (+2.1% YoY / +24.4% QoQ), thanks to solid sales of haircare products, on the back of (1) better-than-expected sales of new hair care products [such as Miragery, an Aujua haircare line, Suwae and Nigelle] (+3.5% YoY) and (2) a slight recovery in hair colour products (-0.0% YoY).

The worst performing segment, albeit a small proportion of Milbon's domestic sales, was Cosmetics products, which saw sales decline by -9.5% YoY in FY26 1H. While skin care lotion sales remain solid, other items underperformed Milbon's forecast despite launch of new products. As a result, the cosmetics product series Imprea saw 1H gross sales decline -8.7% YoY to ¥230mil.

Milbon's e-commerce platform, *milbon:iD*, has 6,855 registered beauty salons as of FY26 1H, up from 6,669 salons as of FY25-end. The number of registered users reached 1,115,000 members, of which a percentage in the high teens are active users of *milbon:iD*. The firm's FY26 1H e-commerce [EC] sales rose +1.1% YoY to approx. ¥930mil vs. the firm's FY26 target of ¥2,500mil.

While EC sales are growing, the firm admits that there is slower growth in active users of *milbon:iD*. The average spend/customer on *milbon:iD* is currently around ¥10,000/customer, largely the same level compared to FY25. Mobilising the site's dormant customers and improving spending per customer will be the next step for *milbon:iD*'s further success.

Another initiative to promote its haircare products is via its Smart Salons – where customers can try out Milbon's haircare products and buy trial sizes with advice from hairdressers. As of FY26 1H, there were 90 salons offering this service, up from 83 in FY25.

Furthermore, Milbon recognizes the growing impact of the so-called “small mass market” in the domestic market. It has become the norm for consumers to access information about beauty products via SNS on a daily basis, therefore, service providers will need to identify specific markets where they can promote their special skills to suit this customer base. Milbon plans to promote small mass market products such as Suwae, Nigelle and haircare products targeting male consumers etc.

Overseas

FY26 1H Overseas operations outperformed Milbon's forecast, achieving OP of ¥1,185mil (+398.1% YoY) on sales of ¥7,884mil (+24.7% YoY YDB), vs guidance of OP of ¥500mil (+68.4% YoY) on sales of ¥7,253mil (+14.7% YoY). The firm particularly enjoyed better-than-expected growth in the US, as discussed below.

Details by country are as follows:

South Korea: Milbon Korea – the largest part of the firm's overseas operations– produced FY26 1H OP of ¥1,108mil (+23.8% YoY (YDB)) on sales of ¥2,975mil (+15.5% YoY YDB / +12.1% YoY LCY), coming in ahead of guidance [OP of ¥972mil on sales forecast of ¥2,885mil]. Sales of hair colour [LCY] rose +18.9% YoY in FY26 1H, thanks to effective sales promotion and easy YoY comps. Although FY25 Q1 sales dipped due to the political turbulence at the time, earnings started recovering in FY25 Q2 as a major competitor withdrew from the market and as the political issues were settled.

In Q2 alone, the Korean operation generated OP of ¥446mil (+32.7% YoY / +19.9% QoQ) on sales of ¥1,547mil (+11.5% YoY / +8.3% QoQ). Sales are approaching the high levels achieved in FY25 Q3, when the Korean government launched consumption boosting policies.

Each product category saw positive YoY sales in FY26 1H. Haircare product sales improved +18.9% YoY (LCY). Meanwhile, the Korean operations generated 68.7% of FY26 1H sales from hair colour sales, which rose +12.0 % YoY and boosted the sales mix. As a result, 1H OPM improved by +2.5ppt YoY to 37.2%.

US: Milbon USA reported FY26 1H OP of ¥274mil on sales [YDB] of ¥1,668mil, which was well ahead of guidance [operating loss of -¥106mil on sales of ¥1,316mil (+14.4% YoY)], by continuing to cultivate new salons with local distributors. Hair care products, which earns 87.8% of the US sales [LCY], enjoyed sales growth of +36.9% YoY [LCY]. In the US, Milbon shifted its growth strategy from a direct-managed store strategy to partnering with distributors with networks. In 1H, by partnering with strong distributors, Milbon managed to gain top in-store market share both in the East and the West Coasts, while expanding in-store market share in the Middle. However, the firm's market share in the US professional hair products market remains below 0.5%.

In Q1, Milbon US expanded its salon network with support from several major distributors that had previously distributed both a leading US professional brand and Milbon products. After their agreements with the US brand ended, these distributors redirected more resources towards promoting Milbon products.

Although that effect waned in Q2, sell-out sales – i.e. sales from distributor to salon used as a measure of the market inventory – remained solid. In Q2 alone, the US operation produced OP of ¥44mil (vs. an operating loss of -¥121mil in FY25 Q1) on sales of ¥812mil (+24.0% YoY / -5.1% QoQ).

China: While the recovery in China's beauty market remains sluggish, Milbon's efforts in supporting selective salons through advice and training led to a recovery in 1H earnings. The China operation saw better-than-expected 1H OP of ¥209mil (+78.7% YoY) on sales of ¥1,515mil (+27.0% YoY) [YDB], vs guidance OP of ¥81 mil (-30.8% YoY) on sales of ¥1,324mil (+11.0% YoY). FY26 1H haircare product and hair colour sales [LCY] both enjoyed double-digit gains, up +12.8% YoY and +13.5% YoY, respectively.

EU: 1H sales were ¥383mil (+59.3% YoY, YDB) came in ahead of the firm's forecast [¥324mil], thanks to expanding sales of haircare products (+41.8% YoY) and successfully cultivating new beauty salons as customers. Promoting hair colour products, especially direct sales in Germany, led to hair colour sales growth of +40.2% YoY. At the operating level, the 1H operating loss of -¥33mil was not as severe as the guidance of -¥50mil. In Q2 alone, sales steadily improved to ¥207mil (+72.5% YoY / +18.3% QoQ), and the operating loss shrunk from -¥32mil in Q1 to -¥8mil in Q2 (vs -¥22mil in FY25 Q2).

Milbon (4919 JP): Sales and OP Breakdown by Country - Results and Guidance							
(¥mil / Dec year-end)		FY25		FY26			
		1H	FY	1H	YoY (%)	FY CE	YoY (%)
Japan	Sales	18,483	39,206	18,993	2.8	40,050	2.2
	OP	1,640	4,757	2,161	31.6	4,850	2.0
	OPM (%)	8.9	12.1	11.4	+2.5ppt	12.1	flat
South Korea	Sales	2,577	5,503	2,975	15.5	5,900	7.2
	OP	894	1,677	1,108	23.8	1,870	11.5
	OPM (%)	34.7	30.5	37.2	+2.5ppt	31.7	+1.2ppt
China	Sales	1,193	2,441	1,515	27.0	2,820	15.5
	OP	117	125	209	78.7	280	124.0
	OPM (%)	9.8	5.1	13.8	+4.0ppt	9.9	+4.8ppt
US	Sales	1,150	2,520	1,668	45.0	3,250	29.0
	OP	-141	89	274	N/A	360	304.5
	OPM (%)	-12.3	3.5	16.4	+28.7ppt	11.1	+7.6ppt
EU	Sales	240	537	383	59.3	730	35.9
	OP	-67	-134	-33	N/A	-80	N/A
	OPM (%)	-27.9	-25.0	-8.8	+19.1ppt	-11.0	+14.0ppt
Others	Sales	1,161	2,653	1,341	15.5	2,850	7.4
	OP	107	351	249	132.4	458	30.5
	OPM (%)	9.2	13.3	18.6	+9.4ppt	16.1	+2.8ppt
(Allocated costs)		-612	-1,214	-621	1.2	-1,188	-2.1
Overseas Total	Sales	6,323	13,657	7,884	24.7	15,550	13.9
	OP	297	895	1,185	398.1	1,700	89.9
	OPM (%)	4.7	6.6	15.0	+10.3ppt	10.9	+4.3ppt

Source: Nippon-IBR based on Milbon's earnings results materials

* YoY figures are based on Japanese yen denominated sales and OP numbers

** Overseas operating income by region is presented before company-wide cost allocations from this year.

FY26 OUTLOOK

Given the stronger-than-expected 1H results, Milbon revised up its full-year FY26 guidance from OP of ¥6,300mil (+11.4% YoY) on sales of ¥54,800mil (+3.7% YoY) to OP of ¥6,550mil (+15.9% YoY) on sales of ¥55,600mil (+5.2% YoY).

- Beauty salons are required to satisfy diversified consumer demands in the domestic market. To support its customers (beauty salons) to improve their business, Milbon aims to prepare new products and salon menus. For example, in recent years, sales of hair colour products, which are higher margin for Milbon and salons, had suffered from YoY declines in Japan.

Although the launch of PRETOWA, a new hair colour brand which was created to meet consumer's unmet demands, was delayed from when to 10 Sept, Milbon assumes that the new product will still generate sales of about ¥700mil in FY26 compared to previously expected ¥1,000mil. The firm also continues to support salons in developing hair colour menus that cater to customers who choose luxury products as well as to those who are more price sensitive.

Given the better-than-expected Domestic Hair Care sales in 1H, Milbon revised the full-year FY26 Domestic earnings guidance from OP of ¥5,090mil (+7.0% YoY) on sales of ¥39,880mil (+1.7% YoY) to OP of ¥4,850mil (+2.0% YoY) on sales of ¥40,050mil (+2.2% YoY). Milbon had revised down its full-year Domestic OP forecast because it expects expenses deferred from 1H to be incurred in 2H.

- Milbon assumes solid overseas growth, especially in the US and EU, as both regions reported higher-than-expected sales growth in FY26 1H. As a result, the firm raised its FY26 Overseas sales target from ¥14,920mil (+9.2% YoY) to ¥15,550mil (+13.9% YoY), as detailed below:

- o The FY26 US OP forecast was substantially revised up from ¥37mil (-58.4% YoY) to ¥360mil (+304.5% YoY), on sales of ¥3,250mil (+29.0% YoY), up from ¥2,850mil (+13.1% YoY)
- o The EU sale guidance has also been raised from ¥666mil (+24.0% YoY) to ¥730mil (+35.9% YoY).
- o In Korea, the guidance for OP of ¥1,822mil (+8.6% YoY) on sales of ¥5,802mil (+5.4% YoY) has been modestly raised to OP of ¥1,870mil (+11.5% YoY) on sales of ¥5,900mil (+7.2% YoY).
- o In China, Milbon assumes a rapid recovery, now looking for OP of ¥280mil (+124.0% YoY), vs ¥144mil (+15.2% YoY) previously, on sales of ¥2,820mil (+15.5% YoY), up from ¥2,623mil (+7.5% YoY).

Of the +¥250mil (+4.0%) upward revision in OP, the variance includes the following factors:

- A net increase in GP of +¥180mil, which includes (1) higher sales [+¥507mil], (2) a rise in raw material costs from the geopolitical situation in the Middle East [-¥500mil], and (3) improvement in production efficiency [+¥173mil].
- Increase in SG&A items, such as personnel [-¥69mil] and logistics [-¥82mil] costs.
- A decline in sales promotion costs (+¥129mil).
- Lower R&D (+¥92mil).

Although Milbon revised the full-year guidance, the annual dividend remains unchanged at ¥88.00/share, which will produce dividend pay-out ratio of 60.0%. The firm also announced a share buyback programme to repurchase total of ¥1,800mil worth of shares by when. Dividend and share buyback together generate a total shareholder return of 100%, vs the firm's shareholder returns policy that targets baseline total return of 50% and progressive dividend.

Milbon (4919 JP): Earnings Results and Guidance									
(¥mil / Dec year-end)	FY24		FY25		FY26				
	1H	FY	1H	FY	1H	Old FYCE	YoY (%)	New FYCE	YoY (%)
Sales	24,526	51,316	24,807	52,863	26,878	54,800	3.7	55,600	5.2
DM	18,367	38,684	18,483	39,206	18,993	39,880	1.7	40,050	2.2
Overseas	6,159	12,631	6,323	13,657	7,884	14,920	9.2	15,550	13.9
GP	15,755	32,597	15,502	33,176	17,135	34,720	4.7	34,900	5.2
GPM (%)	64.2	63.5	62.5	62.8	63.8	63.4	+0.6ppt	62.8	flat
SG&A	12,577	25,758	13,563	27,523	13,788	28,420	3.3	28,350	3.0
SG&A / Sales (%)	51.3	50.2	54.7	52.1	51.3	51.9	-0.2ppt	51.0	-1.1ppt
OP	3,178	6,839	1,938	5,652	3,347	6,300	11.4	6,550	15.9
OPM (%)	13.0	13.3	7.8	10.7	12.5	11.5	+0.8ppt	11.8	+1.1ppt
RP	3,324	6,968	1,853	5,455	3,499	6,180	13.3	6,740	23.5
RPM (%)	13.6	13.6	7.5	10.3	13.0	11.3	+1.0ppt	12.1	+1.8ppt
NP*	2,280	5,017	419	3,437	2,416	4,300	25.1	4,600	33.8

Source: Nippon-IBR based on Milbon's earnings results materials / * NP attributed to the parent's shareholders

CAPITAL ALLOCATION POLICY

Milbon's capital allocation policy framework is as follows:

- Applying a Capital Asset Pricing Model [CAPM] and capital cost at 6~8%, though management's internal capital cost rate is around 8%.
- Milbon does not have any interest-bearing debt, but it will consider financing a part of its large-scale CAPEX using debt going forward, which will likely reduce capital costs. It is likely that a larger investment for production capacity might be required should domestic production capacity become insufficient, for which the firm relies on outside sources. For the time being, Milbon has sufficient production capacity to achieve the MTP target at its domestic, China and Thai factories.

For the time being, however, capacity expansion at the Yumegaoka Factory has been suspended given the changes in consumption patterns among Japanese consumers, therefore, the firm thinks it is better to focus on growth before expanding production capacity in Japan. Over the longer-term, beyond the current MTP, Milbon plans to accelerate overseas growth and ensure optimal allocation for manufacturing.

- Milbon principally returns 50% of earnings to shareholders through a progressive dividend policy. The firm currently commits to paying an annual dividend of ¥88.00/share and does not intend to reduce the dividend from that of the previous years. The firm also brought forward the start of proactive share buybacks from the initial plan of starting from FY27 to FY25 and announced a buyback programme of max. 870,000 shares (2.7% of shares outstanding) at a maximum cost of ¥2,000mil on 8 August 2025, which was completed on 27 October. All of the repurchased 811,700 shares (2.45% of shares outstanding), at a cost of approx. ¥2,000mil, were cancelled on 26 December. In FY26, as aforementioned, the firm commits to repurchase up to ¥1,800mil of shares. Milbon prioritises investments for growth, however, unspent capital will be allocated to proactive share buyback.

NEXT MEDIUM-TERM PLAN [MTP]

Current MTP will complete in FY26. Management plans to release the next MTP in Feb 27 with FY26 results. The firm's new strategy will be planned based on the following considerations:

1. Changes in the External Environment
 - Low growth environment given sticky inflation and changes in industry structure.
 - Changes in the domestic market and fiercer competition overseas.
 - Need to incorporate AI technology to advance growth strategy.
2. Next Growth Stage – balance between improving customer value and global growth.
 - Japan: Milbon aims to improve (1) profitability, by offering high value-added proposals to salons and improving production efficiency, (2) competitiveness, by enhancing training systems for salons, and (3) marketing activity by accommodating diverse demand.
 - Overseas: (1) Focus growth in core markets i.e. US, EU, Korea, and China and (2) accelerate growth by applying a business model succeeded in Japan, which delivers high profitability.
3. Management and financial policy that support growth
 - Improve production efficiency by utilising DX and AI.
 - Improve cash flow generation.
 - Balance between growth investment and shareholder returns.
 - Capital allocation policies focusing on ROE and ROIC.

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