

FY2025 Third Quarter Financial Results Presentation Q&A (Summary)

Friday, November 14, 2025, 16:00-16:45

Responses by:

Shinichiro Hyogo, Executive Officer

■ Domestic Business

1. The operating income progress in the domestic business appears weak. Is it still possible to catch up and achieve the full-year target in the fourth quarter?

Last year, the profit margin declined in the fourth quarter, but under this year's revised plan, we expect improvement and remain on track. While the growth rate of hair care products may seem sluggish in the third quarter, we believe the full-year target is achievable given the strong performance of the new product Ow Bye Tori launched in October, signs of market recovery since September, and the expectation that Expo-related expenses will have a limited impact in the fourth quarter.

2. Please explain the impact and penetration of the price revision.

Strong advance demand in April led to a decline in sales volume following the price increase in May. While it is difficult to clearly separate the effects of the price increase from overall market conditions, results from May through September indicate that the negative impact from lower volume outweighed the positive impact from higher unit prices, resulting in a minor negative impact overall. However, from July through September, volume showed a recovery trend, and the gross profit impact turned positive. Considering the combined effects of volume and unit price, we forecast that this year's price revision will contribute approximately ¥200 million in gross profit compared to the previous year, and we believe this target is achievable.

■ Overseas Business

3. Compared to the domestic business, overseas profit progress appears strong. South Korea and the United States are performing well. How do you view this trend?

Regarding the continuous growth in South Korea, we need to monitor the impact of the government-issued consumption coupons, as their usage period ends in late November. However, we see no deterioration in the fundamentals.

In the United States, the overall consumption environment is not particularly favorable, but thanks to the results of our collaboration with distributors, our products have gained broad adoption in salons, driving robust sales growth. While achieving growth of over 30% as in this fiscal year might become challenging as the business scale expands, we believe we can achieve the continuous growth despite the consumption environment.

4. Regarding foreign exchange, you mentioned that gross profit deteriorated due to yen depreciation and Thai baht appreciation. Could you explain the mechanism?

As we have a manufacturing facility in Thailand, yen depreciation and baht appreciation have a negative impact by increasing production costs. When we formulated the revised plan, we maintained this assumption, and we are currently experiencing a greater impact than expected due to the baht being stronger than initially anticipated.

■Other

5. Mr. Hyogo, who presented today, joined Milbon in April. As a former buy-side professional, how do you perceive Milbon's strengths and weaknesses?

One positive aspect I see is that many young employees openly express that they genuinely enjoy working at Milbon, which is something people often find difficult to say even when they feel that way. Another strength is that employees show strong awareness of the company's situation and challenges, and they approach their work with ambition and a desire to improve.

As for challenges, I believe there is room for improvement in planning, particularly in budget accuracy and inventory management. In recent years, we have seen frequent inventory write-downs, largely due to inaccurate forecasts, especially for new products. Given the long lead times before production, we need to build a more flexible production system that can adapt to market changes and review SKU complexity. These issues cannot be resolved overnight, but we aim to make steady improvements in these areas.

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