



MILBON Sustainability Report 2025

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Top Commitment

Fulfilling Our Mission for the Future Through Beauty

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

In addition to our founder’s philosophy that “Everything we do, we do for and with hair professionals,” there is another belief that we have handed down through the generations. We believe that “We will build a solid company that won’t collapse” (in other words, “a sustainable company”). We are confident that “A company that is of service to the world is a company that the world will not allow to collapse.” This demonstrates our aspiration to always continue being of service to the world by continuously innovating in tune with changes in the times and society, and it is a belief that we hold in our hearts as we move forward into the future.

Based on this belief, the major premise for realizing a sustainable society is that our company itself must also be sustainable. Therefore, Milbon continues to confront both business growth and the resolution of various global challenges, including climate change.

To realize a sustainable society, there are a myriad of challenges that must be addressed. From among them, we have established, and are actively prioritizing, Five Key Challenges with high relevance to our business activities and for which our stakeholders

have high expectations and interest. Even though our Sustainability Promotion Committee is taking the lead in this initiative, our goal is for every employee to take ownership of these challenges and actively drive progress. Therefore, with oversight by the Board of Directors, these initiatives are being tackled as important management challenges.

Milbon is a beauty company, working to help people realize their beauty through salons and haircare professionals. Then, what is the contribution to a sustainable society that beauty and specifically Milbon can make? The answer is in our central Key Challenge of “Enriching the spirit through beauty.” In other words, spiritually enriching the hearts of as many people as possible through beauty, thereby guiding society as a whole toward a sustainable future. Beauty holds that potential, and we believe that fulfilling this potential is our mission at Milbon to be accomplished alongside salons and haircare professionals worldwide.

In regard to various Key Challenges, while we are steadily meeting some of the KPIs we have set ourselves, it is true that there are still others where we are only achieving limited results. Amidst this, while maintaining a focus on business sustainability, we will continue to tirelessly create and improve products and services that offer value that exceeds market expectations.

“We will build a solid company that won’t collapse,” a sustainable company. At Milbon, we remain committed to our founding belief that, by being of service to the world, we will continue to contribute toward realizing a sustainable society.



Hidenori Sakashita
President & CEO
Milbon Co., Ltd.

Company Profile

Milbon Co., Ltd.

- Established:** July 1960
- Capital:** 2.0 billion yen
- Business activities:** Manufacturing and sales (domestic/export) of hair coloring products, hair styling products, permanent wave products, shampoos, conditioners, hair treatments, hair growth products, skincare and cosmetic products, etc.
- Net sales:** 51.3 billion yen *As of December 31, 2024
- Number of employees:** 904 (1,188 consolidated) *As of December 31, 2024
- Head Office:** Kyobashi Edogrand, 2-2-1 Kyobashi, Chuo-ku, Tokyo
- Central Research Institute:** 2-3-35 Zengenji-cho, Miyakojima-ku, Osaka-shi, Osaka
- Innovation Center:** HANEDA INNOVATION CITY ZONE B_2-1, 1-1-4, Haneda Airport, Ota-ku, Tokyo
- Training Center:** 2-15-14 Chuo, Joto-ku, Osaka-shi, Osaka
- Branches:** 8 locations
- Sales Offices:** 11 locations
- Manufacturing plant:** Yumegaoka Factory / Thailand Factory / China Factory
- Subsidiaries:** MILBON USA, INC. / Milbon Trading (Shanghai) Co., Ltd. / Milbon Korea Co., Ltd. / MILBON (THAILAND) CO., LTD. / MILBON MALAYSIA SDN. BHD. / MILBON VIETNAM CO., LTD. / MILBON SINGAPORE PTE. LTD. / Milbon (Zhejiang) Cosmetics Co., Ltd. / Milbon Europe GmbH
- Affiliated Company:** Kosé Milbon Cosmetics Co., Ltd.
- Representative Offices:** Taiwan / Hong Kong / Turkey / Indonesia / Philippines

Scope of Reporting, etc.

- Reporting organization:** Milbon Co., Ltd.
- Reporting period:** January 1, 2024 to December 31, 2024
- Produced by:** Corporate Communications Department, Milbon Co., Ltd.

Corporate Slogan Find Your Beauty

Management Philosophy

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

Our Business Domains

Milbon is a salon-exclusive cosmetics manufacturer that produces and sells haircare products, cosmetics, as well as hair treatments and hair dyes used in hair salons.



Products

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

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

Services

milbon:iD (Milbon's official online stores)	Smart Salon®	Seminars and events
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Milbon's Supply Chain



Basic Guideline for Sustainability

Basic Guideline for Sustainability

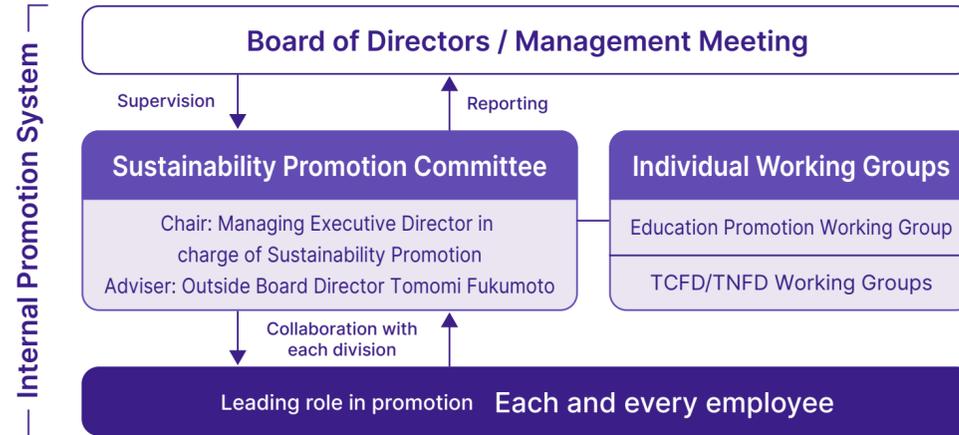
We strive to achieve a sustainable society through our collaboration with haircare professionals.



Sustainability Approach and Key Challenges

Sustainability Approach and Promotion Structure

Milbon focuses its business activities on the beauty market, founded in its Management Ideology that has been handed down since the Company's founding. We believe that the creation of a sustainable beauty industry will eventually lead to the realization of a sustainable society. Each and every one of us, from the front lines to executive management, will work toward this goal by thinking and acting toward this realization.



ESG/SDGs Matrix and Five Key Challenges

To fulfill its commitments to all stakeholders in society and provide lasting value, Milbon positions sustainability at the core of its business strategy and promotes sustainability throughout its business operations. To achieve sustainability, the Sustainability Promotion Committee, established in 2019 and chaired by the Managing Executive Director, took the helm. They considered issues from the three perspectives of ISO 26000, the 17 Sustainable Development Goals (SDGs), and environmental, social, and governance (ESG) and organized them into an ESG/SDG matrix after gathering the opinions of various internal departments, outside experts, and management. We subsequently reassessed the issues within the matrix to identify those with high relevance to our business activities and those for which stakeholders have high expectations. Five Key Challenges were then selected based on three areas: solving societal issues, achieving sustainable business growth, and establishing internal foundations. KPIs have been set to focus our efforts on the key challenges.



*Click here to view the ESG/SDGs Matrix (Japanese only) : (<https://www.milbon.com/ja/uploads/docs/esg-sdgsmatrix.pdf>)

Sustainability Commitment Five Key Challenges

Achieving both sustainable business growth and solving social issues



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

KPIs, progress, and targets for the Five Key Challenges

Priority themes		KPI [Medium- to long-term theme]	Results as of Dec. 31, 2023	Results as of Dec. 31, 2024	2026 target	2030 target	
Co-creating value with stakeholders	Key challenge 1: Enrich the spirit through beauty	Establishment of knowledge-based product sales* business utilizing both the physical and digital realms <small>*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</small>	<ol style="list-style-type: none"> Number of registered milbon:iD members Number of cities where Milbon knowledge-based product sales (Smart Salon) is implemented 	670,000 23 hair salons in 19 cities	870,000 62 hair salons in 50 cities	<ul style="list-style-type: none"> ▶ 1,000,000 ▶ 500 hair salons in 100 cities 	-
		Fostering lifetime beauty partners	<ol style="list-style-type: none"> Total number of annual users of our studios, events, and educational videos Number of registered education:iD members 	271,000 40,000	244,000 50,000	<ul style="list-style-type: none"> ▶ 335,000 ▶ 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)	81% reduction	82.2% reduction	▶ 75% reduction (achieved ahead of schedule)	▶ Achieve carbon neutrality
		Sustainable container and packaging design	Reduction rate of petroleum-derived virgin plastic use (compared to 2020 levels, per unit sales)	9.6% reduction	11.6% reduction	▶ 15% reduction	▶ 30% reduction
	Key challenge 3: Practice people-friendly procurement	Sustainable procurement of palm oil	RSPO certified palm oil adoption rate (MB+B&C)	9.5%	24.4%	▶ 50%	▶ 100%
		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
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	<ol style="list-style-type: none"> Appointment of outside board directors Active appointment of female board members Securing diverse skills, including internationality 	5 outside board directors (5 out of 11) 2 female board members (2 out of 14) 6 board members with overseas work experience (6 out of 14)	5 outside board directors (5 out of 12) 3 female board members (3 out of 15) 6 board members with overseas work experience (6 out of 15)	<ul style="list-style-type: none"> ▶ Continuous appointment of over 1/3 outside board directors ▶ Continuous appointment of female board members ▶ Ensure diverse skills, including internationality 	-
		Improving the effectiveness of the Board of Directors	Progress in selecting and improving key challenges through third-party evaluations	Ongoing implementation	Ongoing implementation	▶ Continuous improvement activities for setting annual challenges	-
	Key challenge 5: Realizing a rewarding work environment	Achieving systems and frameworks that encourage employees to continue working	<ol style="list-style-type: none"> Turnover rate of junior employees *Average turnover rate of junior employees (new graduates to 3rd year) over the past five years Paid leave acquisition rate Progress of engagement survey 	10.8% 67.8% Conducted engagement survey and set targets, etc.* <small>*Including survey report to the management team, feedback to the senior management team, and development of action plan</small>	11.7% 72.9% Conducted engagement survey and set key items and targets	<ul style="list-style-type: none"> ▶ 9% ▶ 70% ▶ Continue engagement survey 	<ul style="list-style-type: none"> ▶ 6% ▶ 80% ▶ -

Sustainability Promotion from the Past to the Future

Results of Fostering Sustainability Awareness Among All Employees

With increasing demands from society for sustainability and ESG/SDG efforts, Milbon began to implement sustainability initiatives in earnest from 2019. Milbon has upheld the founding belief, “We will build a solid company that won’t collapse,” a sustainable company, which aligns with modern sustainability principles. However, at the beginning, we were navigating uncharted waters, unsure of where and how to tackle global challenges.

We started by establishing our Basic Guideline for Sustainability for our activities. To deepen companywide understanding of sustainability, we enlisted the support of Hidemitsu Sasaya, who had previously worked on promoting ESG and the SDGs at Ito En, Ltd. Workshops were held for officers and management, followed by the launch of the Sustainability Promotion Committee in February 2019. Over the course of about two months, we held workshops in all departments for all employees, provided primarily by this committee. Later again, we gathered challenges for each department in each area of ESG, and others linked to ISO 26000 and the 17 Sustainable Development Goals, and we arranged them within a matrix. From that, we established our Five Key Challenges, which are issues that are particularly high priority, and we are now actively working to address each of them.

The role of the Sustainability Promotion Committee within the promotion framework is to formulate companywide policies and support their implementation in collaboration with each department. Through regular reporting to the Board of Directors and Management Meeting, it will work to incorporate the policies into management strategies, and improve activities, under the supervision of management.

However, the Sustainability Promotion Committee is only a support organization, so our objective is for each

and every employee at Milbon to become the main drivers of sustainability. For this reason, we have held workshops as part of new employee training every year since this initiative was launched. We have been also regularly publishing our internal web magazine from 2020 to the present, to share information on the latest social trends and internal initiatives, creating continuous touchpoints within the company.

We are also seeing concrete results from these efforts. We have achieved solid progress on the environment front, including meeting our various objectives under the Five Key Challenges ahead of schedule, in particular through activities of the Production Headquarters and Development Headquarters. On the governance front as well, we are starting to see effective governance taking shape, including the promotion of diversity on our Board of Directors thanks to active efforts to recruit outside board directors. On the other hand, there are still challenges in achieving objectives of our social initiatives, including human rights and job satisfaction. We hope therefore to continue enhancing our efforts in this area.

Additionally, in external ESG evaluations, we were selected for inclusion in the FTSE Blossom Japan Index and the MSCI Japan Empowering Women (WIN) Select Index for FY2024. Our core production facility, the Yumegaoka Factory, was awarded a Gold rating from EcoVadis for two consecutive years (FY2023 and FY2024), receiving strong recognition for our efforts.

We have established sustainability targets for 2026 and 2030, and are implementing initiatives to achieve them. We understand, however, that we need to establish and implement longer-term targets going forward. In this way, we aim to truly integrate sustainability with our business, striving to create a beauty industry that enriches beauty and the spirit, while contributing to a sustainable society.



Masahiro Murai
Managing Executive Director
in charge of Sustainability Promotion
Milbon Co., Ltd.

Thematic Highlights in Sustainability

Environment

- 2020. 6 Started low-energy manufacturing to reduce CO₂ emissions
- 12 Received the 33rd Hiroshi Itagaki Student Encouragement Award from The Japanese Society for Alternatives to Animal Experiments
- 2021. 1 Launched factory energy management systems (FEMS) at the Yumegaoka Factory, our core domestic plant, to visualize power consumption
- 5 Installed water purifying equipment to reduce water consumption
- 6 Launched RSPO-certified (RSPO Credit)
- 9 Participated in Kobe Plastic Next: Joining Forces to Recycle Refill Packs (plastic recycling)
- 2022. 1 "Villa Lodola COLOR Interval Re:Care" won the Jury's Award at the Sustainable Cosmetics Award 2021, and Milbon Co., Ltd. won the International Award in the corporate category for its efforts to promote SDGs
- 3 Developed a system to predict the result of alternative methods to animal testing on eye irritation using the HSP method
- 4 Launched a new hair color line ENOG with smaller cap of hair color tubes to reduce the plastic usage / Switched all electricity used at the Yumegaoka Factory, our core domestic plant, to RE100 standard renewable energy
- 6 Acquired RSPO Supply Chain Certification at the Yumegaoka Factory, our core domestic plant
- 8 Adopted new packaging using a plant-derived plastic blend for new products
- 12 Awarded a Silver EcoVadis Sustainability Rating
- 2023. 1 Became a signatory to the recommendations of the TCFD / Joined the TCFD Consortium
- 2 Changed container specifications for haircare products to reduce plastic use, resulting in an annual plastic volume reduction of approximately ten tons
- 3 Formulated and announced the Milbon Group Environmental Policy / Participated in Kobe Plastic Next, a program for recycling refill packs and cleaning up Kobe City / Announced our climate change policy on the corporate website in line with the TCFD recommendations
- 4 Adopted new containers, that use 75% less plastic than existing containers, for the new Villa Lodola RENOVO product series
- 5 Conducted water quality surveys of the Kume River and the Kizu River, which are the direct drainage routes to the sea for water used at the Yumegaoka Factory
- 7 Held the Water Quality Survey and Waterside Nature Observation, a hands-on experience with local children to learn about river environment conservation in collaboration with the civic group, Network of Fish and Children
- 10 Participated in the 30by30 Alliance for Biodiversity
- 2024. 3 Combined plant-derived plastic for the PJOLI series, and used containers made with less petroleum-derived plastics
- 4 Formulated and announced the Milbon Sustainable Procurement Basic Policy / Disclosed Scope 3 emissions at Japanese business locations
- 5 Continued water quality surveys of the Kume River and the Kizu River / Conducted biodiversity conservation activities at the Kameyama Satoyama Park, also known as Michikusa, certified as an area where biodiversity is being conserved
- 7 Held the second Water Quality Survey and Waterside Nature Observation

Social

- 2019. 9 Endowed course "Beauty and Cosmetology" at Kansai University
- 2020. 2 Keynote speech at M.I.E Forum on employment of people with disabilities to realize a society where diverse people can work with vim and vigor
- 6 Launched milbon:iD / Stated the Milbon Health Declaration
- 9 Funded an additional endowed course at Kansai University
- 12 Released a special short film "On the Way Home from the Salon"
- 2021. 3 Recognized as Certified Health & Productivity Management Outstanding Organization for 2021
- 4 Launched education:iD, a digital education support service for hair professionals
- 6 Launched Milbon Digital Arena, a virtual event space connecting hair professionals around the world with the future of beauty
- 2022. 1 Launched a joint project with Kao Corporation to establish beauty health care services at salons / Released the 2021-2022 special brand film "Words Encountered at the Salon"
- 2 Launched MILBON BEAUTY MOVIES, a "Find Your Beauty" short film project, in collaboration with Short Shorts Film Festival & Asia
- 3 Sponsorship of the Osaka Healthcare Pavilion at Expo 2025 Osaka, Kansai finalized. / Resolved to donate 100,000 euros to the Office of the United Nations High Commissioner for Refugees to provide humanitarian assistance to victims of the military conflict in Ukraine and neighboring regions / Recognized as a Certified Health & Productivity Management Outstanding Organization for 2022
- 5 Formulated and announced Milbon Group Human Rights Policy / Set a target of 20% ratio of female in management positions by 2030 in order to secure diversity of core human resources
- 6 Awarded the MILBON BEAUTY AWARD at Short Shorts Film Festival & Asia 2022
- 10 Conducted an employee engagement survey for FY2022
- 2023. 1 Launched Smart Salon® as a new hair salon format that fuses physical and digital worlds to satisfy the customer's desire for more
- 2 Donated 10 million yen to Japan Platform's Emergency Response to Southeast Turkey Earthquake 2023 program to support disaster relief and recovery efforts for those suffering from the earthquake in Turkey and Syria
- 3 Recognized as a Certified Health & Productivity Management Outstanding Organization for 2023 / Extended new sports sponsorships with female professional golfers
- 5 Selected for inclusion in the MSCI Japan Empowering Women (WIN) Select Index developed by MSCI
- 6 Held the second MILBON BEAUTY AWARD / Acquired ISO 22716 certification for the Yumegaoka Factory
- 7 Selected for inclusion in the ESG investment index, FTSE Blossom Japan Sector Relative Index
- 11 Yumegaoka Factory received a Gold rating in EcoVadis Sustainability Rating
- 2024. 1 Donated 5 million yen to the Japan Platform, a non-profit organization, for the 2024 Noto Peninsula Earthquake Relief and Recovery Program to aid victims of the Noto Peninsula Earthquake and the recovery of affected areas
- 3 Established the Human Resources Development Committee for the purpose of developing a human resources strategy linked to the medium- to long-term management strategy / Recognized as a Certified Health & Productivity Management Outstanding Organization for 2024
- 11 Yumegaoka Factory received a Gold rating in EcoVadis Sustainability Rating for the second consecutive year

Thematic Highlights in Sustainability

Governance

- 2020.3 Introduced restricted stock compensation scheme
- 2021.2 Completed third-party survey and assessment of Board effectiveness
 - 3 Appointed a female outside director and achieved the Board consisting of one-third outside directors
- 2022.1 Appointed two female executive officers for the first time
 - 2 Announced a new medium-term management plan with sustainability commitment at the core of our strategy / Completed third-party evaluation and assessment of Board effectiveness in FY2022
 - 3 Appointed a new female outside director / Appointed two new outside directors, bringing the total number of directors to five / Establishment of a new Management Committee led by executive officers to promote transition towards monitoring / Conducted Human Rights Training for directors and executive officers
 - 5 Established the Risk Management Committee comprised of internal board members, Audit & Supervisory Board members, and executive officers
 - 6 Outsourced Milbon's internal contacts for whistleblowers to a third-party organization and promoted it to employees
 - 9 Invited an external presenter to offer a TCFD Study Session for board directors, Audit & Supervisory Board members, and executive officers
 - 10 Invited an external lawyer to offer a Corporate Governance Study Session for board directors, Audit & Supervisory Board members, and executive officers / Established the voluntary Governance Committee to discuss medium- to long-term improvements for corporate governance
- 2023.2 Completed third-party evaluation and assessment of Board effectiveness in FY2023
 - 3 Formulated and announced the Milbon Ethics and Code of Conduct
 - 5 Divided and reorganized the Nomination and Compensation Committee into the Nomination Committee and the Compensation Committee, each with its own bureau
 - 9 Invited an external presenter to provide a Human Capital Management Workshop for board directors, Audit & Supervisory Board members, and executive officers
 - 10 Invited an external presenter to provide a DE&I Workshop for board directors, Audit & Supervisory Board members, and executive officers
- 2024.2 Completed third-party evaluation and assessment of Board effectiveness in FY2024
 - 3 Appointed one new female outside board director / Appointed one new outside audit & supervisory board member / Launched the Executive Officer Training Program, inviting institutional investors as external presenters to strengthen the management perspective

Sustainability education and promotion

- 2019.1 Formulated the Basic Guideline for Sustainability
 - 2 Established the Sustainability Promotion Committee
 - 3 Conducted study sessions on SDGs in all departments
- 2020.1 Announced sustainability goals for each department
 - 3 Launched *Yomu Milbon*, an internal web magazine supporting employee promotion of sustainability. Published on a regular basis to this day.
 - 5 Signed the United Nations Global Compact
 - 9 Began video distribution for overseas subsidiaries
 - 11 Established the Five Key Challenges for sustainability
- 2021.3 Released the FY2021 Milbon Sustainability promotional video in-house
- 2022.2 Positioned our Sustainability Commitment at the core of our strategies, and updated KPIs, in the new medium-term management plan
- 2023.7 Established the TCFD Working Group within the Sustainability Promotion Committee (subsequently developed into the TCFD/TNFD Working Groups)



Workshops as part of new employee training
= Enhancement of knowledge and awareness



Regular publication of an in-house sustainability web magazine
= Creation of ongoing, regular contact points

Materiality - Five Key Challenges -

Co-creating value with stakeholders

Key Challenge 1

Enrich the spirit through beauty

OUTCOME

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

The perception of beauty is intertwined with the nature of each region and culture. Milbon believes that the pursuit of beauty empowers us to step out into society fueling a positive spirit. Hairstylists are individuals who, by connecting with each client personally, have the ability to unveil the unique beauty that lies within. It is Milbon's paramount mission to provide a wide range of services and products, enabling salons to expand their influence in society. This, in turn, enhances the value of hair stylists, placing it at the core of our Key Challenges.

1 Enrich the spirit through beauty

Priority theme	KPI (Medium- to long-term focus)	2026 target	SDGs17 target
Establishment of knowledge-based product sales business utilizing both the physical and digital realms	Number of registered milbon:iD members Number of cities where Milbon knowledge-based product sales (Smart Salon) is implemented	1,000,000 500 salons in 100 major cities in Japan	
Fostering lifetime beauty partners	Total number of annual users of our studios, events, and educational videos Number of registered education:iD members	335,000 100,000	

Key Challenge 1. Enrich the Spirit Through Beauty: KPI Progress and Initiatives

Priority Theme 1: Establishment of Knowledge-Based Product Sales Business Utilizing Both the Physical and Digital Realms

KPI①

Number of registered milbon:iD members

2023 results

670,000

2024 results

870,000 (YoY: +200,000)

2026 target

1,000,000

KPI②

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

2023 results

23 salons in 19 cities

2024 results

62 salons in 50 cities

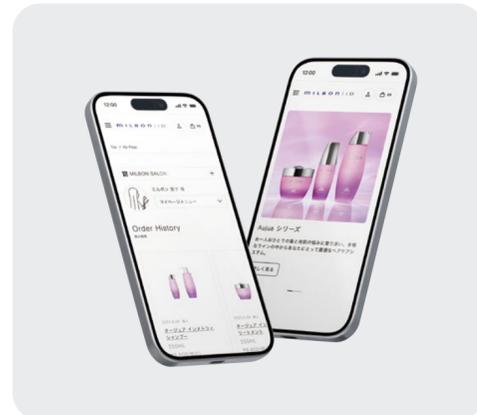
2026 target

500 salons in 100 major cities in Japan

Building beauty infrastructure connecting salons and customers 365 days a year

Milbon's official online stores, milbon:iD, is a communication tool that enables salons and customers to stay connected not only during in-person visits, but 24 hours a day, 365 days a year. By doing so, it contributes to both sustainable salon growth and beautiful, enriching lives.

Since its full-scale launch in June 2020, milbon:iD has continued to rapidly gain support, having now grown to 870,000 registered users and 6,566 hair salons adopting the platform. In fact, we are expecting to reach the FY2026 target of 1,000,000 registered users in FY2025, one year ahead of schedule. Moving forward, in coordination with the nationwide expansion of Smart Salons, we will continue to evolve and develop milbon:iD as a beauty infrastructure providing convenient and smooth access to beauty.



FY2024 initiatives

- Enhanced live commerce offerings for members
- Provided access to styling techniques and other recommendations from haircare professionals through STYLESTOCK
- Conducted seasonal promotions
- Permanently established the digital trial store, connecting trial members with milbon:iD salons

FY2025 plans

- Conduct a survey to increase the number of active members and improve LTV
- Introduce a linked LINE channel for members
- Expand STYLESTOCK functionality
- Roll out trial kits for members
- Plan live commerce events

Contributing to the sustainable development of salons, which are essential for a spiritually rich society

As a new hair salon experience that fuses physical and digital worlds, Smart Salons increase points of contact between customers and knowledge-based products, and create an unprecedented customer experience. It represents a new model for salons to improve productivity and contribute to people's beautiful way of life in the face of a shrinking customer base caused by population decline.

Milbon has been conducting test marketing of Smart Salons since FY2023 in collaboration with participating hair salons. With a full-scale rollout from FY2024, we now have 62 Smart Salons operating in 50 cities across Japan. With an increase in the number of customers purchasing knowledge-based products, we are starting to understand the conditions for success. Moving forward, together with milbon:iD, we will contribute to the sustainable development of hair salons as an essential beauty infrastructure for realizing a spiritually rich society.



FY2024 initiatives

- Created successful flagship salons in collaboration with all eight branches across Japan
- Developed Seven Growth Drivers* as a support mechanism for Smart Salons

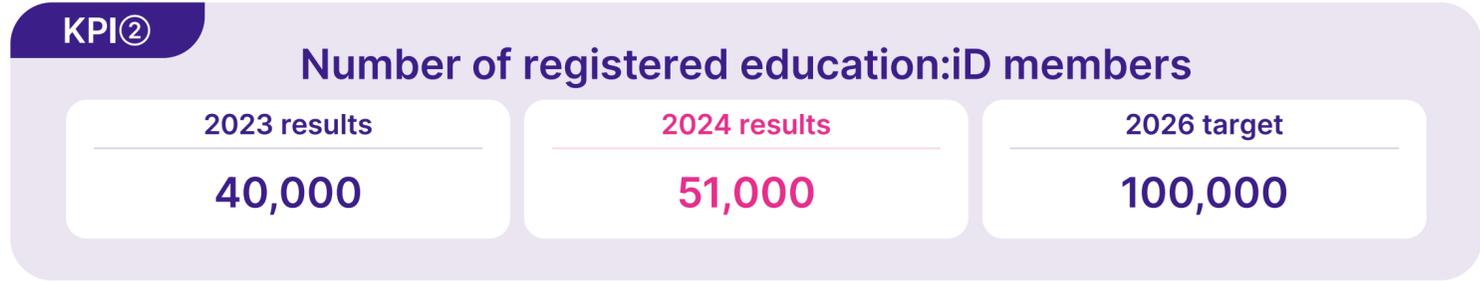
*Based on successful early examples of Smart Salons, we identified and systematized seven key requirements for growth.

FY2025 plans

- Deepen the results centered around 62 Smart Salons in 50 cities
- Support existing Smart Salons using the Seven Growth Drivers
- Enhance collaboration with, and support for, Field Persons (FPs)

Key Challenge 1. Enrich the Spirit Through Beauty: KPI Progress and Initiatives

Priority Theme 2: Fostering Lifetime Beauty Partners



Supporting the growth of hair stylists in both physical and digital worlds

In addition to providing in-person opportunities in the form of educational seminars and events using studios, Milbon is enhancing its videos and other online content to support the growth of haircare professionals dedicated to beautiful and spiritually rich lives.

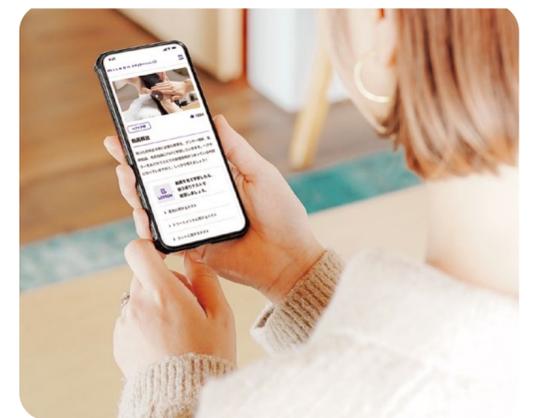
In FY2024, we saw a decline in the total number of users of an expanded curriculum focused on practical exercises, but that enabled us to enhance individual relationships with haircare professionals instead. Going forward, we will collaborate with our online educational support service, education:iD, to roll out contest-type events globally, and other events at beauty schools. In this way, we will support the development of lifelong haircare professionals across borders and generations to make further contributions as a comprehensive education provider.



Fostering lifelong haircare professionals through education that caters to increasingly diverse work styles

Hair salons are having difficulty securing adequate time for education due to work-style reform and work-style diversification. Milbon offers education:iD, its online educational service that supports the education of haircare professionals enabling them to deliver high-quality beauty services.

With a personalized environment that delivers the education and information needed at the right time, education:iD has gained significant support, with membership set to hit 51,000 as of the end of FY2024. Going forward, we will support improvements of learning effectiveness and efficiency, convenience, and work environment through expanded content and a full-scale rollout to beauty schools. We will bring innovation to education in the beauty industry, fostering an environment in which all haircare professionals can continue to provide lifelong support to their customers.



- FY2024 initiatives**
- Rolled out MIRAIWAY, an educational support system that establishes role models for different types of haircare professional while defining potential career paths
 - Rolled out Knowledge Abilities (KA) events to promote acquisition of knowledge while having fun
 - Held Digital Arena (DA) contest-type events and Milbon Beauty Fest in six cities across Japan

- Future plans**
- Promote contest-type events for haircare professionals on the global stage
 - Expand (KA) events to beauty schools
 - Further establish online education through enhanced ties with education:iD and FP activities

- FY2024 initiatives**
- Established a new Beauty Reception Sommelier qualification to provide salon staff training from a customer perspective
 - Provided Aujua Sommelier Student Curriculum for beauty schools
 - Distributed MIRAIWAY video which set role models for different types of haircare professionals, inspiring them to envision their career paths

- FY2025 plans**
- Create video content required for career paths as a haircare professional
 - Full-scale rollout of the above to beauty schools

Materiality - Five Key Challenges -

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 through its Key Challenge 1: “Enrich the spirit through beauty,” the foundation of its business activities, the society itself, must be sustainable. Therefore, we consider it important as a responsible social entity to tackle a range of global environmental issues, including climate change, as well as social issues such as human rights throughout our entire supply chain from procurement to production, consumption, and disposal. We view this as essential for driving sustainable business growth and have positioned these issues as our Key Challenges 2 and 3.

2 Regenerative and recycling-oriented manufacturing and consumption activities

Priority theme	KPI (Medium- to long-term focus)	2026 target	2030 target	SDGs17 target
Establishment of a carbon-neutral production system	Reduction rate of CO ₂ emissions at Yumegaoka Factory *Compared to 2019 levels	75%	Carbon neutrality	  
Sustainable container and packaging design	Reduction rate of petroleum-derived virgin plastic use *Compared to 2020 levels, per unit of sales	15%	30%	  

3 Practice people-friendly procurement

Priority theme	KPI (Medium- to long-term focus)	2026 target	2030 target	SDGs17 target
Sustainable procurement of palm oil	RSPO certified palm oil adoption rate (MB+B&C)	50%	100%	  
Respect for human rights in the supply chain	Number of human rights violations identified through due diligence	Keep human rights violation as close to zero as possible	Keep human rights violation as close to zero as possible	  



Key Challenge 2. Regenerative and Recycling-Oriented Manufacturing and Consumption Activities: KPI Progress and Initiatives

Priority Theme 1: Establishment of a Carbon-Neutral Production System



Carrying out efforts to reduce CO₂ emissions to achieve 2030 targets

Milbon has established a CO₂ emission reduction rate KPI, and is implementing a range of initiatives to drive down CO₂ emissions, at its core production facility, the Yumegaoka Factory.

Since April 2022, we have continued procuring 100% CO₂-free electricity, and in FY2023, we achieved our 2026 target of a 75% reduction, compared to 2019, three years ahead of schedule. In FY2024, in addition to expanding our solar power generation facilities for in-house use, we conducted a full-year trial of chemical additives to improve combustion efficiency, and promoted energy conservation, to reduce city gas consumption. Going forward, we will continue efforts toward stable supply of renewable energy, and will expand the scope of such initiatives to our overseas factories as well, with the aim of achieving carbon neutrality by 2030.



FY2024 initiatives

- Continued use of renewable energy for 100% of energy needs
- Expanded solar power generation facilities alongside expansion of the Global Technical Center
- Used chemical additives to improve combustion efficiency, and promoted energy conservation, to reduce city gas consumption

Future plans

- Consider carport-type solar power generation power purchase agreements (PPAs) to secure a stable supply of renewable energy
- Consider use of waste heat and heat pumps for further improving boiler efficiency
- Expand initiatives to overseas factories
- Research ways to realize carbon neutrality

Priority Theme 2: Sustainable Container and Packaging Design



Implementing systematic reductions and contributing to a recycling-oriented society through the 4R approach

Milbon is reducing its usage of petroleum-derived virgin plastic by promoting the 4R approach (reduce, replace, reuse, recycle), to better utilize limited resources and address global warming.

So far, we have implemented a range of systematic reductions from the design stage of container packaging, predominantly for new products. This includes reducing container weight by changing the container molding method, downsizing caps, using plant-derived plastics, and switching to aluminum vapor-deposited pouches for ease of recycling. In FY2024, we managed to reduce usage of petroleum-derived virgin plastic by 11.6% compared to 2020. Despite the challenges we face in achieving our target of a 30% reduction by 2030, we will actively and steadily achieve small successes across departments to increase our reduction rate and contribute to a recycling-oriented society.



FY2024 initiatives

- Downsized caps and switched to capless packaging
- Changed molding method
- Reduced use of cosmetic box film
- Changed from label to print specifications
- Adopted plant-derived plastics
- Adopted glass bottle packaging
- Recommended continuous use of salon bottles based on use of refill pouches
- Changed to easy-to-recycle aluminum vapor-deposited pouches

Future plans

- Continue the above initiatives
- Consider adoption of tube packaging that is partially paper-based
- Consider adopting easy-to-recycle mono-material packaging

Key Challenge 3. Practicing People-Friendly Procurement: KPI Progress and Initiatives

Priority Theme 1: Sustainable Procurement of Palm Oil



Actively adopting certified raw materials that take the environment and human rights into account

Milbon is actively adopting RSPO-certified palm oil produced in consideration of the environment and human rights, to ensure sustainable procurement of palm oil, one of the key ingredients in our products.

To drive our efforts forward, we joined the Roundtable on Sustainable Palm Oil (RSPO) in 2019, became an ordinary member of the RSPO in 2022, and joined the Japan Sustainable Palm Oil Network (JaSPON) in 2020. Our core production facility, the Yumegaoka Factory, also acquired RSPO supply chain certification in 2022, and since then we have continued to develop and produce new products based on the rule that, in principle, no new raw materials will be used that are not RSPO compliant. Going forward, we aim to achieve a 50% adoption rate for RSPO-certified palm oil by FY2026, and 100% by FY2030, while building a collaborative framework with our suppliers.



FY2024 initiatives

- Switched existing raw materials to certified raw materials

Future plans

- Expand the switch of existing raw materials to certified raw materials
- Lift adoption rates to levels equivalent to the standards of advanced regions, Europe and North America

Priority Theme 2: Respect for Human Rights in the Supply Chain



Building a collaborative framework for respecting human rights across the entire supply chain

Milbon supports the four international norms and principles, including the United Nations (UN) International Bill of Human Rights, and respects the 10 Principles of the UN Global Compact (UNGC) as a signatory to the UNGC. We have formulated the Milbon Group Human Rights Policy, Milbon Ethics and Code of Conduct, and Milbon Sustainable Procurement Basic Policy to ensure all corporate activities incorporate respect for human rights.

To expand the scope of respect for human rights from within the Group to the entire value chain, we are working to understand and improve our efforts by utilizing the Global Compact Network Japan (GCNJ) Self-Assessment Tool and EcoVadis. The number of human rights violations identified through due diligence remain zero. Going forward, we will continue building this collaborative framework across the entire supply chain to establish a structure able to meet the tightening regulations particularly in Europe and North America.



FY2024 initiatives

- Revised the Milbon Sustainable Procurement Basic Policy (clarified specific requirements of suppliers to include not only social responsibilities such as respect for human rights, but environmental considerations as well)
- Published the results of our self-assessment

Future plans

- Develop and establish a complaints handling mechanism as a form of redress to all stakeholders, including vulnerable suppliers and our overseas bases (scheduled to begin operation in 2026)

Materiality - Five Key Challenges -

Foundation for the Company's sustainable business growth

Key Challenge 4

Construct a fair and flexible management structure

OUTCOME Development of structures for the sustainable improvement of corporate value

Key Challenge 5

Realizing a rewarding work environment

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

Milbon believes that to contribute to a sustainable society, it must remain sustainable itself. We will therefore construct a fair and flexible management structure by improving the effectiveness of our Board of Directors, as the ultimate decision-making body, to establish internal foundations for sustainable business growth. At the same time, we will promote initiatives to realize structures and systems that allow every employee to feel rewarded and desires to continue working for us. We have positioned these goals as our Key Challenges 4 and 5.

4 Construct a fair and flexible management structure

Priority theme	KPI (Medium- to long-term focus)	2026 target	2030 target	SDGs17 target
Promoting diversity among the Board of Directors	Appointment of outside board directors Active appointment of female board members Securing diverse skills, including internationality	Continuous appointment of over 1/3 outside board directors Continuous appointment of female board members Ensure diverse skills, including internationality		5 Gender Equality, 16 Peace, Justice and Strong Institutions, 17 Partnerships for the Goals
Improving the effectiveness of the Board of Directors	Progress in selecting and improving key challenges through third-party evaluations	Continuous improvement activities for setting annual challenges		16 Peace, Justice and Strong Institutions, 17 Partnerships for the Goals

5 Realizing a rewarding work environment

Priority theme	KPI (Medium- to long-term focus)	2026 target	2030 target	SDGs17 target
Achieving systems and frameworks that encourage employees to continue working	Turnover rate of junior employees *Average turnover rate of young employees (new graduates to 3rd year) over the past five years Paid leave utilization rate Progress of engagement survey	9% 70% Continue engagement surveys	6% 80%	5 Gender Equality, 8 Decent Work and Economic Growth



Key Challenge 4. Construct a Fair and Flexible Management Structure: KPI Progress and Initiatives

Priority Theme 1: Promoting Diversity Among the Board of Directors



Creating a diverse Board of Directors bringing flexibility to discussions and decision-making

Milbon is committed to ensuring a diverse Board of Directors, and to continually strengthening its management structure to enable discussions and decision-making that respond appropriately to the values and demands of an increasingly diverse society.

We have been steadily increasing the size of management, with 5 of the current 12 board directors being outside board directors, 3 of our board members being female (including an additional female board member from FY2024), and 2 of our 8 executive officers also being female. As a company accelerating its expansion globally, we also recognize the importance of internationality. Therefore, in addition to appointing more board directors with experience working overseas, we appointed a South Korean national, the representative for our South Korean subsidiary, as an executive officer from FY2024. Going forward, we will continue to strive for appropriate levels of diversity through further consideration of our current and future business structure.

FY2024 initiatives

- Appointed 5 outside board directors out of a total of 12 board directors
- Appointed more board directors with experience working overseas
- Increased the number of female board members to 3 with the appointment of an additional female
- Appointed a South Korean national as an executive officer

Future plans

- Maintain the number of outside board directors at one-third or more of the total number of board directors
- Continue to consider appropriate levels of diversity on the Board of Directors and Management Meeting
- Continue to appoint female board member
- Ensure diversity, but not limited to gender and nationality diversity

Priority Theme 2: Improving the Effectiveness of the Board of Directors

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

Target

Continuous improvement activities for setting annual challenges

Deliberating and implementing solutions to issues from an outside perspective

To improve the effectiveness of its Board of Directors, Milbon conducts surveys of all employees once a year through a third-party institution, and interviews with outside board members through a dedicated bureau. The Board of Directors then deliberates and implements solutions to issues from past fiscal years that were collected through this process.

In FY2024, many different opinions were offered on the content of discussions, so we actively worked to incorporate them in the annual schedule, and we improved the quality of these deliberations. Furthermore, as the delegation of authority from the Board of Directors to the Management Meeting progresses, the Governance Committee looked at whether the management perspective of executive officers needed to be strengthened. It then implemented a training program with the cooperation of institutional investors. Because we anticipate transitioning to a monitoring-style Board of Directors in the future, we will deliberate and clarify how the Board of Directors should operate by working back from this future vision.

FY2024 initiatives

- Continued annual survey of all employees through a third-party institution
- Continued interviews with outside board members through a dedicated bureau
- Deliberated how to improve director effectiveness
- Improved effectiveness of the Management Meeting through a training program implemented with the cooperation of institutional investors

Future plans

- Continue to conduct surveys through a third-party institution, and interviews through a dedicated bureau
- Continue to improve issues identified through effectiveness evaluations
- Transition to a monitoring-style Board of Directors

Key Challenge 5. Realizing a Rewarding Work Environment: KPI Progress and Initiatives

Priority Theme: Achieving Systems and Frameworks that Encourage Employees to Continue Working

KPI① Turnover rate of junior employees

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

2023 results	2024 results	2026 target	2030 target
10.8%	11.7%	9%	6%

Promoting talent retention and fostering their active involvement by establishing an environment where every employee can continue to work with peace of mind

Milbon recognizes that realizing a rewarding work environment for all employees is essential for sustainable business growth. We are committed to developing structures and systems that enable them to feel motivated to stay and thrive in their roles.

One of the indicators we use to judge this metric is average turnover rate of junior employees, which remains in the low teens, a number much lower than the national average of 30% or higher. We achieved this result through recruitment measures, which are tied to our management philosophy, vision, and business model, and are based on human resource criteria that are consistent with the Milbon ethos, and through post-employment initiatives, which are centered on new employee training for at least six months after joining Milbon. With the aim of achieving a turnover rate of 9% by FY2026, we conducted a survey of values and work styles among our sales staff in FY2024 as part of our DE&I Promotion Project. We now plan to implement solutions to the career uncertainty felt by many of our female sales staff in particular. Through these efforts, we will enhance our work environment so that all our employees can continue to work with peace of mind.

FY2024 initiatives

- Launched a cross-functional project within departments (considered coverage, specification, prioritization, and solutions for each issue)
- Conducted a survey among sales staff (for the main purpose of considering the active involvement and career longevity of female Field Persons)

Future plans

- Review and expand follow-up measures for employees up to their third year of employment
- Consider area recruitment to prevent turnover due to assigned location gaps
- Enhance support for working mother sales staff (external mentors, manager training, etc.)

KPI② Paid leave utilization rate

2023 results	2024 results	2026 target	2030 target
67.8%	72.9%	70% (Achieved ahead of schedule)	80%

Enhancing systems for facilitating both physical and mental well-being of workers, while cultivating a climate that encourages the proactive use of these systems

To create a workplace environment that enables employees to continue to work with satisfaction, and to cultivate a climate and culture of achieving success with limited time, Milbon has established a paid leave utilization rate KPI to drive both system improvement and active usage.

We previously adopted a systematic paid annual leave system and a flextime system, while raising awareness of care leave (initiatives to encourage vacations for health and beauty), adopting hourly paid leave for managers and supervisors, and offering progress reports and workshops at various health committees. In FY2024, we also launched projects in each department to analyze the existing situation and enhance the systematic paid annual leave system. As a result, we were able to achieve our FY2026 target of 70% paid leave utilization rate, two years ahead of schedule. Going forward, we will continue efforts to reduce the utilization gap between departments, job grades, and job types as we aim to further improve paid leave utilization rates.

FY2024 initiatives

- Launched projects in each department (situation analysis, planning of improvement measures, and efforts to raise awareness)
- Developed a schedule for the following fiscal year

Future plans

- Consider and implement solutions to utilization gaps between departments, job grades, and job types
- Exchange information and hold workshops with health promotion staff in each business location

KPI③ Progress of engagement survey

2023 results	2024 results	2026 target
Conducted engagement surveys and set targets, etc.*	Conducted engagement survey and set key items and targets	Continue engagement surveys

*Including survey report to management team, feedback to the senior management team, and development of action plan

Aligning self-fulfillment and organizational goals to achieve business growth

Milbon believes that conducting engagement surveys to visualize employee awareness of their work and the company, and aligning self-fulfillment goals of each employee with management and organizational goals, are essential for achieving further business growth.

We have conducted engagement surveys each year since FY2022. Our aim is to plot changes in Philosophy Strategy, External Adaptation, and Transformation Activities, the three survey items that we selected as priority items, as company strengths with high expectations and satisfaction levels. In FY2024, we continued providing individual feedback to department heads, raising awareness of action plan creation and submission, and holding workshops at Production Headquarters. Going forward, we will plan and implement measures to improve satisfaction across these priority items while promoting department-led expansion of strengths and improvement of weaknesses.

FY2024 initiatives

- Reported details of engagement survey to management
- Provided individual feedback to department heads and raised awareness of action plan creation and submission
- Held workshops at Production Headquarters
- Implemented work style reform for certain sales groups

Future plans

- Plan and implement measures to improve satisfaction across priority items
- Lift standards through department-led expansion of strengths and improvement of weaknesses

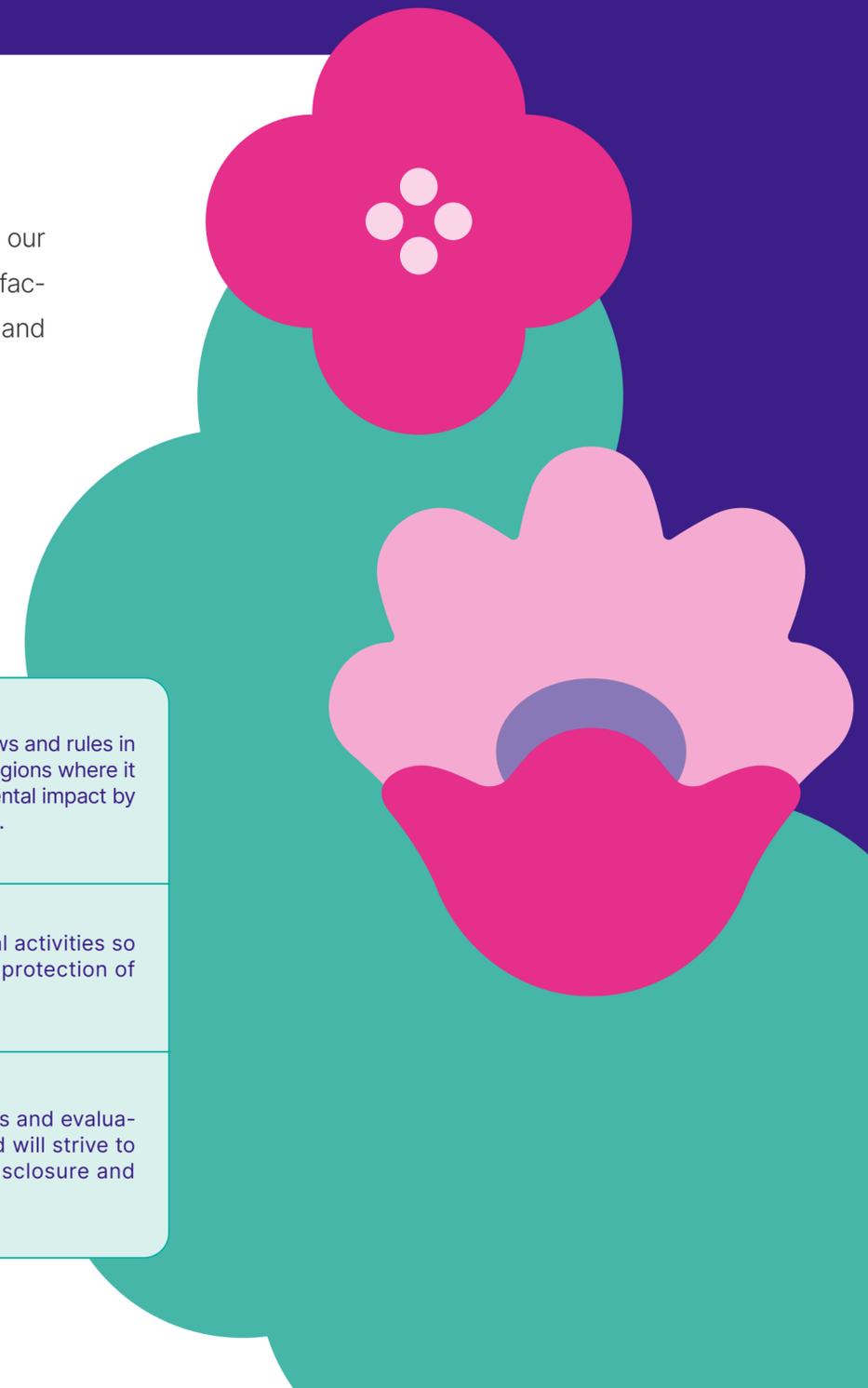
 **Environment**

The Milbon Group Environmental Policy

Milbon has defined the Milbon Group Environmental Policy, which set forth our responsibility to our planet through all of our processes, from product development to raw material procurement, manufacturing, distribution, sales, and customer use and disposal. We promote carbon neutral measures and regenerative, circular production and consumption activities.

<p>1 Protection of Global Environment</p>	<p>Milbon will strive to reduce carbon dioxide (CO₂) emissions in greenhouse gas (GHG), utilize water resources effectively, reduce waste, and actively utilize recycled materials throughout the value chain to reduce our impact on the global environment and preserve biodiversity.</p>
<p>2 Development of Products with Consideration for the Environment and Safety</p>	<p>Milbon will strive to develop products and technologies that take into account their impact on the environment in the flow from development to disposal, and will work actively on research and development of techniques and raw materials with low environmental impact.</p>
<p>3 Establishment of Organizations/Systems for Promoting Environmental Preservation Activities</p>	<p>Milbon will strengthen cooperation with relevant divisions and promote companywide environmental preservation activities led by the Board of Directors and the Sustainability Promotion Committee. It will also promote the active introduction and operation of environmental management systems suitable for the production bases and other business facilities.</p>

<p>4 Compliance with Environment-Related Laws and Rules</p>	<p>Milbon will comply with environment-related laws and rules in all aspects of its business activities and in all regions where it operates, and will strive to reduce its environmental impact by establishing voluntary regulations, as necessary.</p>
<p>5 Provision of Education</p>	<p>Milbon will continually implement educational activities so that each employee will act responsibly for protection of the global environment.</p>
<p>6 Increasing Trust from Society through Voluntary Evaluation and Information Disclosure</p>	<p>Milbon will voluntarily carry out regular audits and evaluation of its environment-related activities, and will strive to increase trust through active information disclosure and communication with its stakeholders.</p>



Environment - Response to Climate Change -

Responding to Climate Change



In light of the serious impact that climate change will have on management strategy and financial planning over the medium to long term, Milbon has positioned it as one of the Key Challenges within its Sustainability Commitment, and discloses information with reference to the TCFD framework. We will build an organization capable of making prompt decisions to drive decarbonization, and we will promote such by disclosing climate change-related information to all stakeholders and promoting dialogue.

Governance and Risk Management

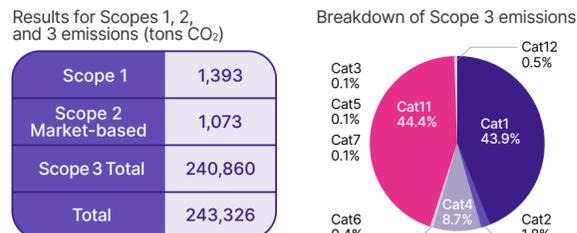
Installed beneath the Sustainability Promotion Committee, the TCFD/TNFD Working Groups is responsible for exploring specific measures for realizing the organization's carbon neutrality target, deploying those measures across the Milbon Group, and managing and monitoring the progress of initiatives, as well as reporting to the Sustainability Promotion Committee on the progress or status of initiatives. Once every half year, the TCFD/TNFD Working Groups reports on the status of its activities to the Management Meeting and the Board of Directors via the Sustainability Promotion Committee and receives supervision from the Board of Directors.



Metrics and Targets

	2026	2030
Targets for reduction of petroleum-derived virgin plastic (compared to 2020, volume used per unit of net sales)	15%	30%
RSPO certified palm oil adoption rate (MB+B&C)	50%	100%
	Yumegaoka Factory	Milbon Group
Targets for reduction of CO ₂ emissions (Scope 1 and 2)	2026: 75% reduction (compared to 2019) 2030: Carbon neutrality	2050: Carbon neutrality

CO₂ Emissions in 2024



Scenario Analysis and Countermeasures

In 2023, Milbon conducted a scenario analysis of Milbon Co., Ltd., the standalone core of the Milbon Group. Based on the scenario analysis presented by the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC), we envisage temperature rises of 1.5°C and 4°C. We study and analyze the risks and opportunities caused by climate change for three time periods: 2025 (short-term), 2030 (medium-term), and 2050 (long-term), and then consider and promote measures to address them.

	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 <ul style="list-style-type: none"> 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.
	Increase in procurement costs resulting from land use constraints due to laws and regulations for protecting forests	Risk	2025	Medium	
	Increase in procurement costs due to strengthening of laws and regulations relating to raw material traceability	Risk	2030	Medium	Containers and packaging materials <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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
	Increase in energy costs due to rising retail electricity prices	Risk	2030	Medium	
	Increase in compliance costs due to more stringent laws and regulations at various worldwide locations	Risk	2030	Medium	
	Increase in costs for adapting to a circular economy	Risk	2030	Medium	
Demand for products	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 <ul style="list-style-type: none"> 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
	Decrease in emissions and energy costs due to the introduction of in-house power generation	Opportunity	2030	Medium	
Raw material procurement	Increase in sales of environmentally friendly products	Opportunity	2030	Medium	Product development <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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
	Decrease in procurement costs due to initiatives for ensuring stable procurement of raw materials	Opportunity	2030	Medium	
Milbon's operations	Increase in costs for repairing damaged manufacturing facilities	Risk	2050	Small	Disaster response <ul style="list-style-type: none"> 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
	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	

Environment - Response to Water Resources -

Water Resources

At Milbon, we understand that water plays an integral role in all aspects of our business—from serving as an ingredient in many of our products, including our mainstay haircare products, to being necessary for the rinsing process after customers use our products. Recognizing the importance of water resource conservation, we are committed to gaining a thorough understanding of water stress in each of our business regions. Additionally, we are dedicated to effective water-saving practices, encouraging the reuse of water, and actively advancing water conservation initiatives.

Yumegaoka Factory Water Intake and Water Discharge Figures, Stress Study Results

Water intake and discharge data for the Yumegaoka Factory

	2021	2022	2023	2024
Water consumption (m ³)	47,219	50,261	47,138	48,309
Water discharge by destination - Total (m ³)	26,214	29,992	26,359	28,049

Water stress level at the Yumegaoka Factory

As a result of the water stress survey conducted at the Yumegaoka factory, the stress level has been determined to be "Low*".

*Evaluation was performed using the Baseline Water Stress from the Aqueduct Country Ranking.

Water consumption reduction target

By 2026, we will maintain a 4% or higher reduction compared to 2021 levels, in water consumption intensity (water consumption in m³ divided by production volume in tons) at our Yumegaoka Factory production base in Japan.

	2021	2022	2023	2024
Water consumption - Intensity (m ³ /t)	4.900	4.690	4.665	4.366

Efforts to Reduce Water Consumption

Installation of pure water devices

At the Yumegaoka Factory, we installed new pure water devices in 2021 to reduce the factory's environmental impact. The new devices improved pure water reclamation rates by 20%, cutting the amount of pure water used for manufacturing in 2022 by approximately 2,000 m³ compared to the preceding year.



Installation of parts washer

At the Yumegaoka Factory, we installed a new parts washer in 2023 to improve efficiency and effectiveness when washing production equipment parts. Compared to hand washing, the new parts washer provided improved detergency, water and cleaning time savings, increased productivity, and reduced water consumption.



Consideration for Wastewater

Regular inspection and analysis by Milbon and a third-party organization

The Yumegaoka Factory concluded an environmental conservation agreement with Iga City to prevent pollution and to protect the health and living environments of the local community. A third-party organization has been commissioned to analyze monthly water discharge levels and check that they were below defined thresholds. We perform our own daily inspections to check that levels are being kept below the restriction levels.

Water quality survey of drainage routes

In Iga City, Mie Prefecture, where the Yumegaoka Factory is located, we are conducting water quality surveys of the Kume River and the Kizu River, which are the direct discharge routes for the water used at the factory to reach the ocean, together with the citizens' group, the Network of Fish and Children.



Environment - Waste and Environmental Pollution -

Waste and Pollution

As a manufacturer of hair cosmetics, quasi-drugs, and related devices, Milbon actively strives to reduce waste and cut down the emission of substances with an impact on the environment through resource-saving and recycling of containers and packaging. To achieve the above goals, we believe it's crucial not just for our company but also for the local community and our partners to jointly promote these initiatives. We consider contributions through partnerships to be of paramount importance.

Specific Initiatives Concerning Containers and Packaging

In addition to their role in maintaining stable product quality for consumers, cosmetics containers and packaging play an important role in communicating the worldview and other product information. On the other hand, cosmetics are also consumables, so containers and packaging must be discarded after use. Milbon conducts research and development of containers and packaging taking into account environmental impact until disposal.

Reducing plastic usage

● Elimination and miniaturization of caps according to refill pouch size



● Laser-printed 2D code labels



Switching to materials suitable for recycling

● Participation in the Kobe Plastic Next: Joining Forces to Recycle Refill Packs collaboration to achieve "horizontal recycling"



Reusing containers

● Recommending refill pouches



Replacing plastic materials

● Active use of bioplastics



● Active use of FSC-certified® paper and recycled paper



Specific Initiatives in Product Formulation

As with its approach to containers and packaging, Milbon employs environmentally friendly manufacturing methods and conducts sustainability-conscious procurement of raw materials when formulating its products.

● Realization of a low-energy manufacturing method

Milbon's low-energy manufacturing method applies levels of mixing and emulsification suitable for each product while reducing total energy consumed in the compounding process of the product formulation. This manufacturing method suppresses environmental impacts by reducing CO₂ emissions in this way. For particular products, we realize energy reductions while scientifically confirming quality to ensure that low-energy manufacturing does not degrade product quality. We plan to continue using this low-energy manufacturing method in the future, expanding its application to a wider range of product development.



Some examples of products realized through the low-energy manufacturing method

- Use of RSPO-certified oil
- Development of hair coloring products with a focus on organic raw materials (NEW)
- Use of Moso bamboo shoot skin extract, a raw material extracted from Japanese-grown bamboo



Environmental initiatives through the PJOLI brand

All containers for PJOLI knowledge-based products contain as much plant-derived plastic as possible, and they are packaged in cosmetic boxes made of difficult-to-recycle paper* and FSC-certified paper. In addition, all sizes of shampoo and treatment bottles have been designed to be refillable.

*Difficult-to-recycle paper includes recycled paper from beverage containers. Paper manufacturers with specialized recycling technologies can recycle paper, that would otherwise be discarded as burnable trash or industrial waste, into new paper.

Environment - Response to Biodiversity -

Biodiversity

As a manufacturer dedicated to enriching the spirit through beauty, Milbon values the bounty and abundance that biodiversity offers to society at large, and we actively engage in activities for protecting our global environment. We recognize the environmental concerns related to palm oil as a critical challenge, and we are actively working to address this, including by obtaining supplier certifications for our production facilities.

Biodiversity Conservation Initiatives

Joined the 30by30 Alliance for Biodiversity

The 30by30 Alliance for Biodiversity is based on the G7 2030 Nature Compact adopted at the G7 Summit held in June 2021, and aims to conserve and protect at least 30% of terrestrial and marine areas by 2030 to halt and restore biodiversity loss. Japan's Ministry of the Environment (MOE) is the initiator of this alliance, and was established by a group of companies, local governments, nonprofit organizations, and others to promote the expansion of national parks, *satoyama* (rural areas where nature and people

coexist), corporate forests, etc. to be registered in the international database as OECM* and to actively disseminate these efforts.

*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.



Participated in biodiversity conservation activity

Milbon participated in a biodiversity conservation activity at "Michikusa" Kameyama Satoyama Park in May 2024. Through a lecture while touring the park, we learned why "Michikusa" Kameyama Satoyama Park was registered as a biodiversity conservation area, as well as how it was certified as a place where the value of biodiversity can be conserved over the long term. We also learned the difficulties of maintaining ecosystems through an experience to exterminate crayfish, an invasive alien species, from park ponds. Using the lessons learned through this activity, we will investigate registering the Yumegaoka Factory as a biodiversity conservation site. We will also contribute to coexisting with biodiversity not only through our own operations but also in cooperation with communities and all other stakeholders.



Use of RSPO-Certified Palm Oil

Milbon is committed to the sustainable procurement of palm oil, one of the main raw materials for our products. In 2019, we joined the RSPO to ensure sustainable use of palm oil, a key raw material for Milbon products, that is also in high demand worldwide. We are currently working to switch some of our raw materials to certified palm oil.

By 2030, we will have all palm oil, used as a core raw material for Milbon products,

certified by RSPO under either MB (Mass Balance) or BC (Book & Claim). In 2022, we acquired supply chain certification for the Yumegaoka Factory, our core production facility.

We have set the above initiatives as the Five Key Challenges for sustainability in our company, and we have set medium- to long-term goals and are promoting these initiatives.

Sustainable R&D - Safe Use and Management of Chemical Substances -

Approach to Safe Use and Management of Chemical Substances

The Milbon Group has established the Milbon Group Environmental Policy as a guideline for fulfilling our responsibilities to the global environment in all processes, from product development to procurement of raw materials, manufacturing, distribution, and sales to consumer use and disposal. As a cosmetics manufacturer that uses chemical substances, we recognize and address safety management as an important issue.

Direction of Initiatives

1 Risk measures for chemical substances

Regarding chemical substances that have raised environmental or safety concerns based on scientific evidence, we will restrict their use in our products and research to develop products that our customers can use with peace of mind and to minimize their impact on the environment.

2 Confirming the safety of chemical substances

For chemical substances used, we check various safety parameters and environmental effects through literature and databases, provide regular education to those who handle them, and manage them to ensure that they are used and disposed appropriately.

3 Disclosure of chemical substance management status

We will disclose emissions of class 1 designated chemical substances based on the Pollutant Release and Transfer Registers (PRTR) law.

4 Internal training on the handling and disposal of chemical substances

- We encourage employees to acquire certification as hazardous materials handlers, and are working to improve the knowledge of chemical substance handlers.
- We regularly educate chemical substance handlers on hazardous materials and specially controlled waste. We also ensure that chemical substances are handled under appropriate equipment and environment, and are sorted and disposed separately in compliance with laws and regulations.
- Waste is properly disposed of through a specialized contractor, and disposal sites are inspected regularly.
- Periodic environmental measurements are taken to ensure that no hazardous chemical substances are released into the environment.

Management System

We use chemical substances in compliance with laws and regulations. In the Production Headquarters and Development Headquarters, where chemical substances are used, we have set up divisions to manage chemical substances used in products and research. The divisions periodically check the management status, collect new safety knowledge and establish regulations, provide education regularly to those who handle chemical substances, and report the status of chemical substance use to the national government.

Status of Specific Actions

Policy on specific constituents in cosmetic products

● Microbeads and microplastics

Bead-like plastic particles of 0.001mm to 0.1mm in size are commonly referred to as microbeads, and there are concerns about them causing marine pollution and being preyed upon by fish. At Milbon, we have prohibited their use in cosmetic products. In addition, the EU has announced regulations on microplastics, an extension of microbeads, and it is our policy not to use them in our cosmetic products, including those outside the EU.

● Organic fluorine compounds (PFAS)

Per- and polyfluoroalkyl substances (PFAS) are an organic fluorine compound, and they are increasingly being regulated in Europe and the United States as constituents that are likely to remain in the environment. At Milbon, we plan to completely eliminate the use in cosmetic products by the end of 2024, and it is our policy not to use them in the future in countries outside of Europe and the United States.

Handling of chemical substances in cosmetics production

We manage the transfer and emission of applicable chemical substances in compliance with Japan's Pollutant Release and Transfer Register (PRTR) Act. Based on what we manage, we are considering voluntary management of our chemical substance use and reduction of emissions in the future based on annual emission volume.

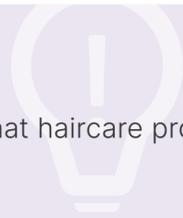
Emissions of Class 1 Designated Chemical Substances based on the PRTR Act (April 2023–March 2024)

Chemical substance		Emissions (kg)			Waste (kg)		
No.	Name	Atmosphere	Public water	Soil	Landfill	Sewage	Waste
20	2-aminoethanol	0	0	0	0	0	26.0
275	sodium dodecyl sulfate	0	0	0	0	0	160.0
348	p-phenylenediamine	0	0	0	0	0	7.4
389	hexadecyltrimethylammonium chloride	0	0	0	0	0	36.0
407	poly(oxyethylene) alkyl ether	0	0	0	0	0	34.0
409	sodium poly(oxyethylene) dodecyl ether sulfate	0	0	0	0	0	230.0
574	(3-Alkanamidopropyl) (dimethyl) ammonio acetate	0	0	0	0	0	110.0
601	Octamethylcyclotetrasiloxane	0	0	0	0	0	13.0
688	Trimethyl (octadecyl) ammonium salt	0	0	0	0	0	4.3
700	Bis (alkyl) (dimethyl) ammonium salts	0	0	0	0	0	6.0
738	Methyl 2- (3-oxo-2-pentylcyclopentyl) acetate	0	0	0	0	0	4.8

Sustainable R&D - Safety and Reliability -

Approach to Safety and Reliability

Our utmost priority is to develop products offering safety and reliability, so that haircare professionals and their customers can use these with peace of mind.



Safety Assurance System

It is our utmost priority for products to meet rigorous in-house safety standards, ensuring that everyone coming into contact with these can use them with peace of mind. Even after the product launch, we are constantly striving to improve our safety assurance system through pursuit of advanced safety testing methods.

Raw materials may only be incorporated into sample products once they pass strict selection criteria.



Safety Research

High safety standards and original testing

Milbon has established safety standards, based on the accumulated knowledge of years of salon work research, for the raw materials and ingredients used in its cosmetic products. After searching literature and databases for safety information, our Safety Assessment and Quality Assurance units use cell testing and alternative methods to animal testing to confirm sufficient safety levels. We also carry out a variety of in-use tests tailored to actual use environments, as well as outsourced skin irritation tests (conducted at an external testing facility) with results assessed by dermatologists. Then, only those candidates that have passed these strict tests are incorporated into formulated products.

Safety testing without sacrificing lives

The movement to abolish using animal testing for safety assessment of cosmetics, including quasi-pharmaceuticals, is gaining momentum worldwide. Milbon stands with this movement and does not presently conduct any animal testing, including outsourced testing*. In addition, we use alternative methods to animal testing to test and ensure the safety of our products, using cell cultures, artificial skin cultures, and other techniques.

*Excludes some instances when social accountability arises or when required by a local government agency in some countries.

Product Reliability Verification

To maintain consistently superior quality in any environment around the world.

Milbon's business extends to the far corners of the world. One country or region may have a dramatically different environment than another, whether they be hot or cold, dry or humid, and so on. At Milbon, we rigorously verify the reliability of our products to ensure they are consistent in maintaining high quality, even in diverse environments. We only sell products that have passed our in-house reliability tests, which include the following.

- 1 Accelerated and severe testing is conducted to check for changes in a product's ingredients and formulation by storing it over long periods under a variety of conditions, from freezing to high temperatures, as well as in direct sunlight.
- 2 Apart from accelerated and severe testing, finished products are stored at room temperature for more than three years, where their condition is checked on a regular basis.
- 3 In addition to scientific measurements such as pH, viscosity, specific gravity, and concentration of active ingredients, we conduct human sensory evaluations to test areas such as color, scent, texture, feel, and dyeing.
- 4 In the production stage, we use our Factory Assessment Rooms, designed to mimic the environment of a salon, to assess various elements of actual use of a product via specialist evaluators trained in beauty techniques. These assessments are carried out at specific timings, including during the first production run of a product.

Quantification of irritation levels using regenerative skin model-based irritation suppression technology

Through a desire to help people enjoy hair coloring with peace of mind, Milbon is engaged in research to suppress scalp irritation when dyeing hair. We conducted considerable research into the unification of assessment results based on human irritation and a regenerative skin model that utilized artificially regenerated sheets of epidermal cell skin cultures. As a result, we successfully quantified the irritation felt during hair coloring using this regenerative skin model. This technology is now widely used in the development of hair coloring products.



Safety assessment methods friendly to animals, people, and the Earth

Milbon has been conducting research on computational prediction of safety to ensure even higher levels of safety. Using the Hansen solubility parameter method, which calculates compatibility between different substances, we developed a highly accurate method for predicting a substance's potential to cause eye irritation. As a computational method of prediction without the need for animal testing, this safety assessment method is friendly to animals, people, and the environment. This research was conducted under the technical guidance of Professor Hideki Yamamoto, Faculty of Environmental and Urban Engineering, Kansai University.

📍 Sustainable R&D - Initiatives Implemented Through Production Activities -

Approach to Sustainability in Production Activities

In line with the Milbon Group Environmental Policy, Milbon is engaged in reducing CO₂ emissions, reducing waste, effectively utilizing water resources, and actively utilizing recycled materials in its production activities. We aim to reduce its impact on the global environment and contribute to the conservation of biodiversity.

Creating a Sustainable Production System Through ISO Certification

Milbon has obtained ISO 14001 certification for environmental management at its core domestic factory, the Yumegaoka Factory. By establishing environmental policies and targets, promoting activities, confirming regulatory compliance, appropriately controlling chemical substances, educating employees, and repeatedly implementing the PDCA cycle, we have managed to reduce our environmental impact. As part of efforts to expand our quality assurance system globally, we also obtained ISO 22716 certification, the international standard of GMP for cosmetic products. We also obtained ISO 45001 certification, through which we developed our occupational health and safety management system, set ourselves a target of zero occupational accidents, worked to prevent major incidents, and established the necessary processes for preparing for and responding to potential emergencies. Altogether, we have developed a production system able to provide high quality products in a stable and sustainable manner.



- *ISO45001:
A standard for occupational health and safety management systems. This standard provides a framework for creating a safe working environment in any workplace.
- *ISO22716:
A standard for quality and safety in manufacturing of cosmetics. This standard provides a management criteria for sequential process in the manufacturing of cosmetics.
- *ISO14001:2015:
A standard for environmental management systems. This standard provides a framework for protecting the environment and responding to changing environmental conditions while balancing socioeconomic needs.

Initiatives to Reduce Our Environmental Impact

Activities to reduce energy consumption

- Installed solar power generation systems
- Implemented FEMS (a factory energy management system within the Yumegaoka Factory)
- Purchased 100% CO₂-free power
- Installed pure water devices and a parts washer to reduce water consumption
- Reduced city gas consumption by adopting new technologies
- Established an initiative to use RSPO-certified raw materials
- Reduced energy consumption by improving production efficiency of the compounding tanks and controlling steam heating usage times



Activities related to logistics

- Improved vehicle loading efficiency in collaboration with logistics companies
- Reduced working hours and transportation workloads for drivers

Activities related to conservation of biodiversity

Milbon aims to achieve sustainable development of the Yumegaoka Factory, going beyond its role as a production base to foster harmony with the local community. For this reason, we think beyond the sustainability of our own operations. We are actively engaged in activities with the local community, including water quality assessments along the drainage routes to the sea, and providing next-generation education to children. From 2024, we also started environmental surveys that contribute to the formation of ecosystem networks to establish a green space within the Yumegaoka Plant as an area where biodiversity is being conserved.



📌 Sustainable R&D - Supply Chain Management -

Approach to Supply Chain Management

Based on our Basic Guideline for Sustainability the Milbon Group conducts business activities to create a sustainable beauty industry and realize a sustainable society. In promoting our business, one of the most important tasks is ensuring a sustainable supply chain that we build together with our suppliers. We will achieve this through fair and equitable purchasing and procurement activities in compliance with laws and regulations, and by giving due consideration to the protection of natural resources, environmental conservation, and human rights.



Milbon Sustainable Procurement Basic Policy

Basic Policy

1 Realization of fair and equitable transactions

With respect to purchasing transactions, we provide all suppliers, both domestic and overseas, with opportunities for fair competition. We also determine our suppliers fairly, by comprehensively considering such factors as quality, price, delivery dates, management stability, and supply capacity.

2 Compliance with laws, regulations, and social norms

With respect to purchasing transactions, we will strive to fulfill our social responsibilities by ensuring compliance with relevant laws and regulations, conducting transactions in accordance with social norms, and giving due consideration to the protection of natural resources, environmental conservation, and human rights. We will also keep hospitality and gift-giving to and from our business partners within the bounds of what is socially acceptable and in accordance with the Milbon Ethics and Code of Conduct.

3 Mutual development

Through our procurement activities, we strive for coexistence and co-prosperity with our suppliers, building long-term relationships of trust and mutual development.

4 Protection of information

We will maintain the confidentiality of classified information and personal information of our suppliers obtained through purchasing transactions.

Please refer to the link for the list of requests directed to our suppliers.

<https://milbon.com/en/sustainability/humanrights/action06.html>

● Assessment survey of suppliers

Milbon conducts an assessment survey of our suppliers once a year. The purpose of the survey is to understand our suppliers' sustainability efforts and to recognize any issues in our supply chain. We will share a summary of the survey results with our suppliers, and together we will consider and promote initiatives for improvement. The survey is conducted by asking suppliers to complete the self-assessment questionnaire (hereafter referred to as GCNJ SAQ) created by the United Nations Global Compact Network Japan (GCNJ) or by asking EcoVadis member companies to share their scorecard results with us.

| Summary of the GCNJ SAQ results

The overall average score was 85% with improvements observed in all survey items compared to the previous year. The item with the highest score remains "quality and safety," while scores for "human rights" and "supply chain" remained relatively low. On the whole, the scores are strong, but there are certain areas where scores remain modest, and some suppliers have flagged specific challenges. In these cases, we plan to leverage the survey feedback, offer support, and engage in conversations to continue building a more sustainable supply chain.



Survey item	Average percentage score (FY2023)	Average percentage score (FY2024)	Number of questions
Corporate governance	79%	83%	20
Human rights	75%	80%	9
Labor	87%	90%	23
Environment	79%	84%	15
Fair business practices	80%	85%	20
Quality and safety	92%	94%	7
Information security	86%	87%	9
Supply chain	75%	76%	7
Local communities	77%	82%	4
Overall	80%	85%	114

| Summary of EcoVadis results

Yumegaoka Factory (Iga City, Mie Prefecture), our core production facility, has received a GOLD rating in the 2023 survey conducted by EcoVadis, an international organization that evaluates corporate sustainability activities. The overall average score was 59.6, which is higher than the mode of 45–54 listed in the annual report published by EcoVadis. The score for "environment" was highest, while the score for "sustainable procurement" was relatively low. As with the GCNJ SAQ, we would like to provide feedback on the results of the survey, support activities, engage in discussion, and utilize results to build a more sustainable supply chain.

	Overall	Environment	Labor & human rights	Ethics	Sustainable procurement
Average percentage score (FY2023)	59.6	66.5	60.3	54.5	53.9
Average percentage score (FY2024)	63.0	67.8	62.3	58.5	57.0

 Social - People and Society -

Milbon Group Human Rights Policy

The Milbon Group (including Milbon Co., Ltd. and its consolidated subsidiaries, hereinafter collectively referred to as "Milbon"), based on the philosophy of its business organization, seeks to remain a company that is widely and consistently supported by society. Here, it has defined "We strive to achieve a sustainable society through our collaboration with haircare professionals." as part of its Management Philosophy and Basic Guideline for Sustainability, presented in *The Milbon Way*, a guideline handbook for employees.

Milbon hereby establishes this Milbon Group Human Rights Policy as a guideline for fulfilling its responsibility to respect human rights throughout the value chain.

| Basic Approach to Human Rights

Milbon recognizes the importance of respect for human rights and supports and respects the following international norms and principles.

- The United Nations' International Bill of Human Rights (Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights)
- The International Labour Organization (ILO)'s ILO Declaration on Fundamental Principles and Rights at Work
- The United Nations General Assembly Resolution, the Declaration on the Rights of Indigenous Peoples
- The United Nations' Guiding Principles on Business and Human Rights

Furthermore, as a signatory to the United Nations Global Compact, Milbon supports and respects the Compact's Ten Principles.

Milbon does not tolerate any form of forced labor, human trafficking, child labor, discrimination or harassment, or any other practice that undermines human dignity. Furthermore, Milbon values dialogue with its employees and consistently strives to enhance their working conditions and environment. Milbon respects fundamental labor rights, such as the right to associate, the right to bargain collectively, and the right to equal pay for equal work. Milbon is committed to eliminating overwork, complying with the Minimum Wage Act, and ensuring its wages are competitive, providing a living wage that matches or exceeds those of other companies in the same regions and industry. In addition, where international human rights principles differ from national or regional laws and regulations, Milbon seeks ways to respect these international human rights principles to the greatest extent possible.

Note: The above is an excerpt from the Milbon Group Human Rights Policy (<https://www.milbon.com/en/sustainability/humanrights/policy.html>).

People and Society - Human Capital Management -

Approach to Human Capital

In addition to Milbon's founding philosophy, "Everything we do, we do for and with hair professionals," the company also maintains the belief, "We will build a solid company that won't collapse." This belief was firmly vowed by our founder, Ichiro Konoike, after witnessing the disastrous impact of corporate collapses on people close to him before the establishment of our company. This embodies his determination to "bring happiness to our employees and their families and provide job satisfaction." This is why, since our founding, we have consistently maintained a commitment to a style of management that values people.

We also believe that unique value creation, that starts with people, is essential for implementing our unique business model of maintaining close ties with hair salons. And underpinning our history as a company is our efforts to realize the growth of people as the key to growth of the company. For this reason, we consider human capital to be our most important form of capital, and essential for management and sustainable growth of our company. We therefore implement our human resources strategies in conjunction with management strategies.

Human Capital Strategies in the 2022-2026 Medium-Term Management Plan

To achieve the 2022-2026 Medium-Term Management Plan, currently in progress, Milbon has set out a "Basic Policy on Human Resources Strategy: Each employee becomes a driving force of Milbon; As part of Milbon's sustainable growth, we will foster a corporate culture that enables every employee to continue to work with a spirit of independence and a feeling of satisfaction." We have also defined "five key human resources strategy themes" and we strive to motivate employees and create environments that encourage employees to continue working. These "five key human resources strategy themes" are closely linked to our 2022-2026 Medium-Term Management Plan to continually create new added value that will be the source of our sustained growth and to contribute to greater sales and profits for hair salons.

KPIs and Targets

Theme	KPI	2025 target	2026 target	2030 target
1) Next-generation leadership development	Next-generation leadership development	Implementation of future management leadership development program		
2) Fostering greater motivation	Junior employee turnover rate (Average turnover rate for junior employees (new graduates to third year) over the past 5 years)		9%	6%
	Paid leave utilization rate		70%	80%
	Engagement survey		A state where the three important indicator areas are functioning as strengths	
3) Promoting omnidirectional dialogue	Smoother internal communication	Implementation of Milbon Person discussions		
4) DE&I promotion	Ratio of female managers			20%

Overview of Human Capital Management Strategies



People and Society - Progress and Initiatives of Five Human Resource Strategies -

Key Human Resources Strategy Theme 1. Next-Generation Leadership Development

Establish and implement a next-generation leadership development program / Hold regular meetings of the Human Resources Development Committee for medium- to long-term reviews of people and organizations



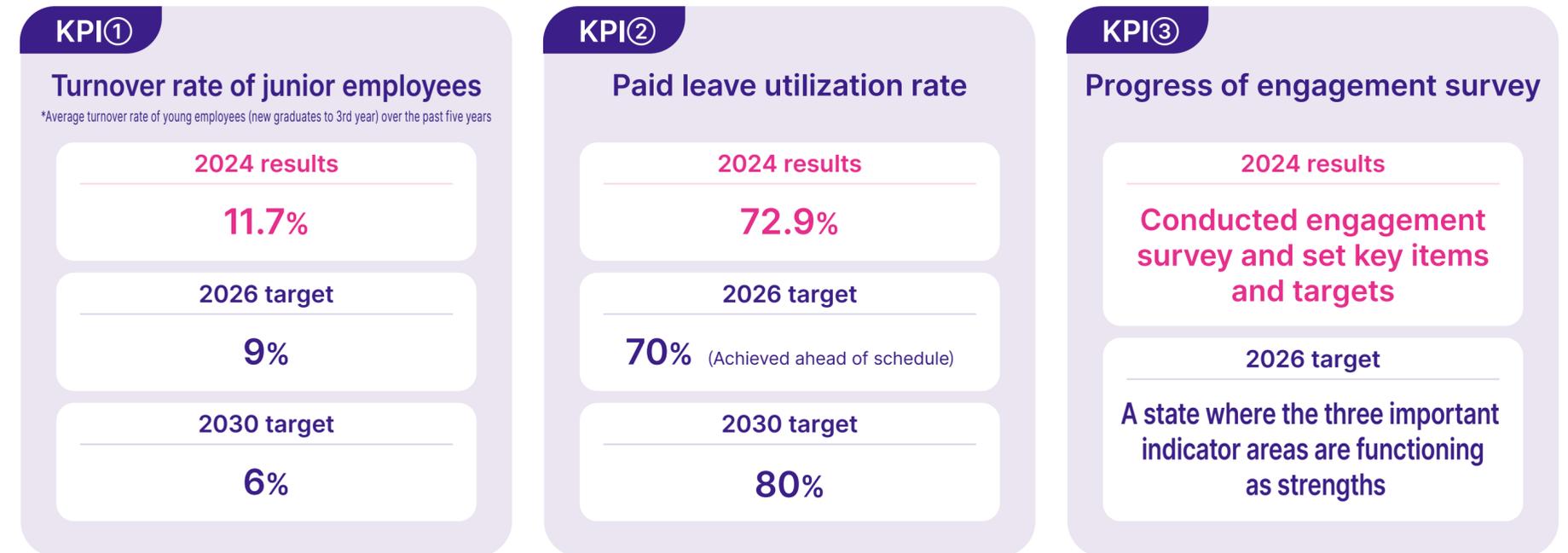
Launching a development program for young leader candidates with a focus on the next 10 to 20 years

In 2014, Milbon launched Milbon Corporate University (MCU), its unique next management leadership development program, setting the stage for a seamless leadership transition by 2024, a decade in the making. Of the 42 people who participated in the program during the four and a half years from 2015 through 2019, three have become board directors and eight have become executive officers to date. Having completed the transition to this new structure, we are looking ahead to the next 10 to 20 years as part of our succession plan. In anticipation of the next chapter of MCU, MCU-Prep will kick off, a three-year program for the future young leader candidates in their 30s.

Furthermore, we also established a new Human Resources Development Committee, chaired by the President & CEO to facilitate ongoing discussion of issues and measures related to human resources and organizational challenges. Moving forward, we will continue reforms to realize a corporate entity where leaders are born naturally and continually.

Key Human Resources Strategy Theme 2. Fostering Greater Motivation

Identify organizational issues using interviews and surveys, plan and implement solutions, and disseminate progress



Promoting development of a workplace environment where employees can work with satisfaction in terms of both systems and culture

Milbon encourages employee retention through recruitment measures and post-employment initiatives tied to its management philosophy, vision, business model, and human resource criteria that are consistent with the Milbon ethos. To further enhance these efforts, we conducted a survey of values and work styles among our sales staff as part of our DE&I Promotion Project in FY2024. To promote diverse work styles, we adopted a systematic paid annual leave system and a flextime system. In FY2024, we also launched a project within relevant departments to expand the systematic paid annual leave system, extend the scope of the flextime system to other departments, and enhance awareness activities through health committees. As a result, we achieved a paid leave utilization rate of 72.9% in FY2024, which enabled us to achieve our FY2026 target two years ahead of schedule.

As part of our engagement survey, which includes a compliance awareness survey, management reports and departmental reports and dialogue are conducted, along with the creation and implementation of action plans. While our overall engagement score remains high compared to other companies, we will still continue planning and implementing further measures going forward. For instance, we have defined the three areas of Philosophy Strategy, External Adaptation, and Transformation Activities as key indicators, and we aim to achieve high levels of both expectation and satisfaction in these three areas, demonstrating that they are areas of strength.

People and Society - Progress and Initiatives of Five Human Resource Strategies -

Key Human Resources Strategy Theme 3. Promoting Omnidirectional Dialogue

Reduce barriers between generations, divisions, and roles through the visualization and transparency of information, and designing opportunities for interaction

KPI

Smoother internal communication

2024 results

Field Person discussions led personally by the president at all 19 sales locations

2025 target

Implementation of Milbon Person discussions

Hold Milbon Person discussions, led personally by the president, with all 19 sales groups to promote dialogue and interaction

Over the past 10 years, the number of employees at Milbon has increased by about 80% on a consolidated basis. As departments and the organizational hierarchy expand and employees with diverse attributes increase, there are concerns about the risk of diluted relationships. To tackle this, we will continue and strengthen sharing of *The Milbon Way* across the company and within each organization, while boosting opportunities for dialogue across generations, departments, and ranks. In FY2024, President & CEO Hidenori Sakashita visited all 19 sales groups to hold Field Person discussions with our sales and education staff. Through discussions between labor and management, we also promoted mutual understanding by creating opportunities for information exchange between employees of each business location and human resources representatives. Additionally, we have created opportunities for interaction with other departments during promotion candidate training.

In FY2025, we will implement initiatives for measures and solutions that become apparent through Field Person discussions, and President Sakashita will lead a total of 20 Milbon Person discussions across all departments, excluding sales and education staff. At the same time, we will also consider creating new internal communication content.

Key Human Resources Strategy Theme 4. DE&I Promotion

Create a culture where everyone can thrive regardless of race, gender, disability, sexual orientation, or while achieving a balance between work and childcare or caregiving

KPI

Ratio of female managers

2024 results

14.5% (YoY: +3.6 points)

2030 target

20%

Evolution toward a more diverse company starts by helping female employees realize their beauty

Milbon believes that to create diverse value in an era in which diversity is respected, it must become a diverse company itself. We see promoting DE&I as an essential part of this evolution. For this reason, we launched our company-wide DE&I Promotion Project in 2023. Supporting our female employees realize their beauty is a way to embody our management philosophy and corporate slogan. We are focusing on activities that promote the success and career continuity of our female sales and education staff, who not only represent a significant portion of our workforce, but also serve as the core of our future business growth. In December 2023, we conducted a workshop on this topic for senior management. Then in 2024, we identified five challenges for the success and career continuity of our female Field Persons, and agreed on the direction of measures, through the DE&I Promotion Project.

In terms of our aim to increase the ratio of female managers to 20% by 2030, we increased this ratio to 14.5% in FY2024, or 30.3% if including supervisor-level staff as managers. Workplace environments, where female employees can thrive, facilitate success of not only females, but of a diverse range of other employees as well. They also create a virtuous cycle of improved recruitment competitiveness and employee retention. This is why we are continuing to consider this theme and implement relevant initiatives.

Key Human Resources Strategy Theme 5. Strengthening People and Organizations to Improve the Value Provided

Invest further in human resources with the opening of the Odawara Human Resources Development Center / Launch an employee training and development project globally

2024 results

Completed construction of the training building at Odawara Human Resources Development Center / Launched an employee training and development project globally

Creating a culture of lifetime learning with the opening of the Odawara Human Resources Development Center

Milbon believes that “Strengthening people and organization to improve the value provided” is an important theme that contributes directly to greater sales and profits for hair salons, and to enrich the spirit through beauty. We therefore invest generously in our people, including by having provided nine months’ worth of training for new employees across the 40 years since 1984. In December 2024, we completed construction of the training building at Odawara Human Resources Development Center as our base for creating a culture of lifetime learning for employees, from onboarding to retirement. Starting in 2025, training programs designed to develop next leaders will kick off, and the facility will be used for Field Person training for employees joining in the fall.

Additionally, we will leverage this as an opportunity to further develop human resources and build an organization capable of providing higher added value than ever before, while also launching an employee training and development project globally to realize our Global Vision. We will continue to strive for the creation of further customer experience value, and gaining and maintaining the highest approval rating among hair professionals.

People and Society - Together with the Community -

Approach to Collaboration with Local Communities

“As a responsible member of society, Milbon will actively participate and cooperate in social contribution activities that contribute to the healthy development and comfortable, safe, and secure life of local communities, aiming for coexistence with those communities.” In accordance with the Milbon Ethics and Code of Conduct, Milbon actively cooperates with local communities and educational institutions, as well as engages in social contribution activities through its cosmetics products. With a desire to further beautify and spiritually enrich people’s lives, cities, and the world, we will contribute to sustainable development as a good corporate citizen.

Industry-Academia Collaborations

Endowed course at Kansai University

Starting in FY2020, Milbon has been funding an endowed Beauty and Cosmetology course at Kansai University. Milbon employees and Professor Hideki Yamamoto from Kansai University have been taking turns to lecture on this subject. Covering topics ranging from the characteristics of products in the beauty market to social and market factors, this comprehensive course aims to broaden the understanding of the value of beauty and has so far attracted over 3,000 participants*.

*Total course participants from FY2020 to FY2024

Main lecture content

- Introduction to the beauty market
- Introduction to hair and skin science
- Appropriate manufacturing structure and quality management for cosmetics
- Beauty market business from a global perspective
- SDGs and cosmetics companies: Sustainable management toward 2030
- Other content



Initiatives in Collaboration with Citizens’ Groups

Conducting Water Quality Survey and Waterside Nature Observation

Milbon is working with local residents and the citizens’ group, the Network of Fish and Children, around Iga City in Mie Prefecture to hold a Water Quality Survey and Waterside Nature Observation at Hattori River, which is part of the Kizu River system. This activity aims to draw the attention of local children to the waterside environment, and convey the importance of protecting and passing it on. It is also part of the water resource conservation activities that we undertake with local communities. We will continue our efforts to conserve abundant water resources and raise the next generation.



Industry-Academia-Government Collaborations

Participation in the Global Citizen Forum on Water and Watersheds for All Lives

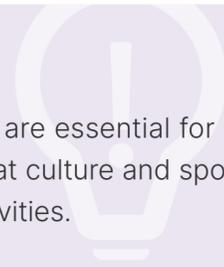
Milbon is participating in the Global Citizen Forum on Water and Watersheds for All Lives, a dialogue between industry, academic, and government to promote coexistence with local communities and water resource conservation activities. This project addresses the global problem of current and expected future water resource depletion by providing participants with opportunities for knowledge sharing through expert presentations. It also seeks to deepen mutual understanding of what we can do now to address this problem, and what we must pass on to the next generation through a panel discussion between members of industry, academia, and government. Going forward, we will continue to actively promote dialogue between local communities and industry, academia, and government, and engage in activities to conserve our limited resources, including water resources.



People and Society - Promotion of Culture and Sports -

Approach to Promotion of Culture and Sports

Milbon's business focuses on stylists and salons, believing that hair salons are essential for spiritually enriching society and realizing individual beauty. Similarly, we firmly believe that culture and sports enrich people's spirits and bring peace, so we actively support culture and sports activities.



Film Festival Sponsorship and a Short Film Streaming Project

Since 2022, Milbon has been collaborating with Short Shorts Film Festival & Asia (SSFF & ASIA), Japan's Academy Awards-accredited festival and Asia's largest international short film festival. In addition to participating in this festival, we are also presenting MILBON BEAUTY MOVIES as a short film streaming project. Through this online streaming and screening event, we bring carefully selected short films from all over the world to the widest possible audience providing spiritually enriching experiences of beauty in all its forms.

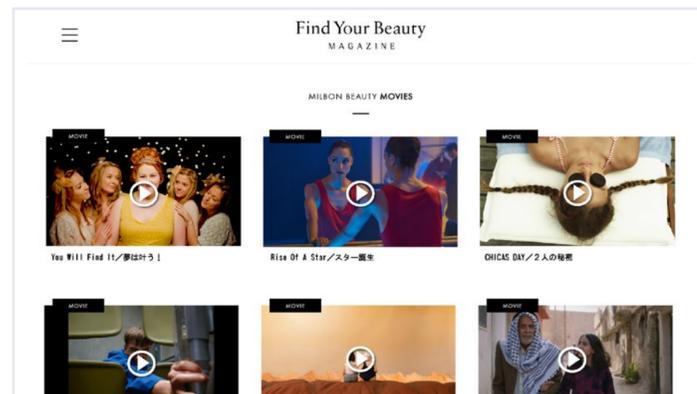
Beauty and film both provide tangible experiences, but they also allow people to feel the intangible spirit behind their subjects. We are involved in this project because we believe that beauty and film are important elements of culture that enable us to live as human beings and that, together, they bring beauty of the heart and spiritual richness to society.

SHORTSHORTS / SSFF & ASIA official site:

<https://www.shortshorts.org/en/>

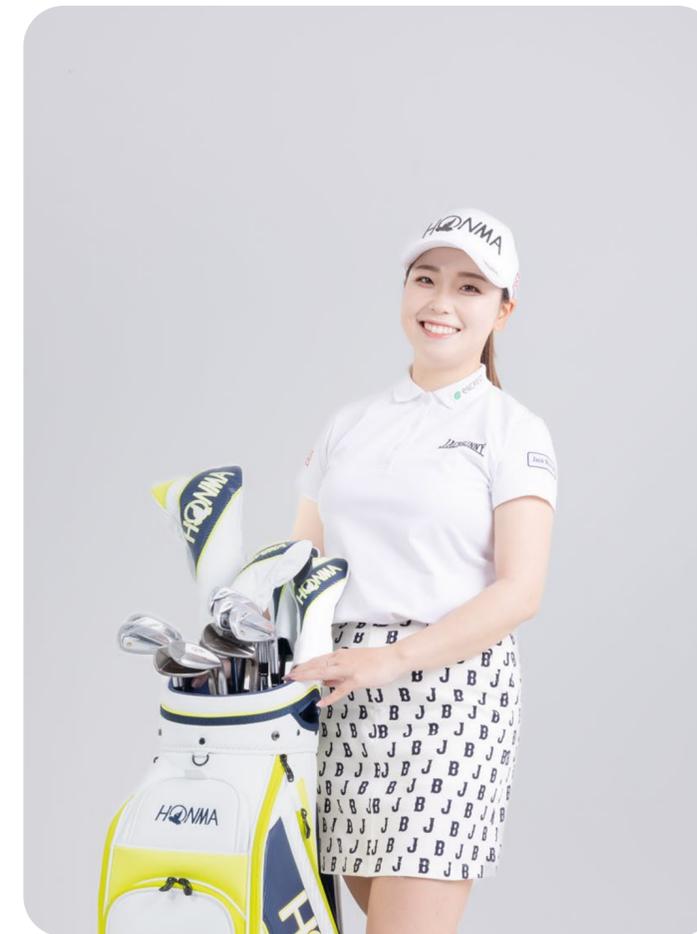
MILBON BEAUTY MOVIES →

<https://www.milbon.co.jp/fyb-magazine/movie/> (Japanese only)

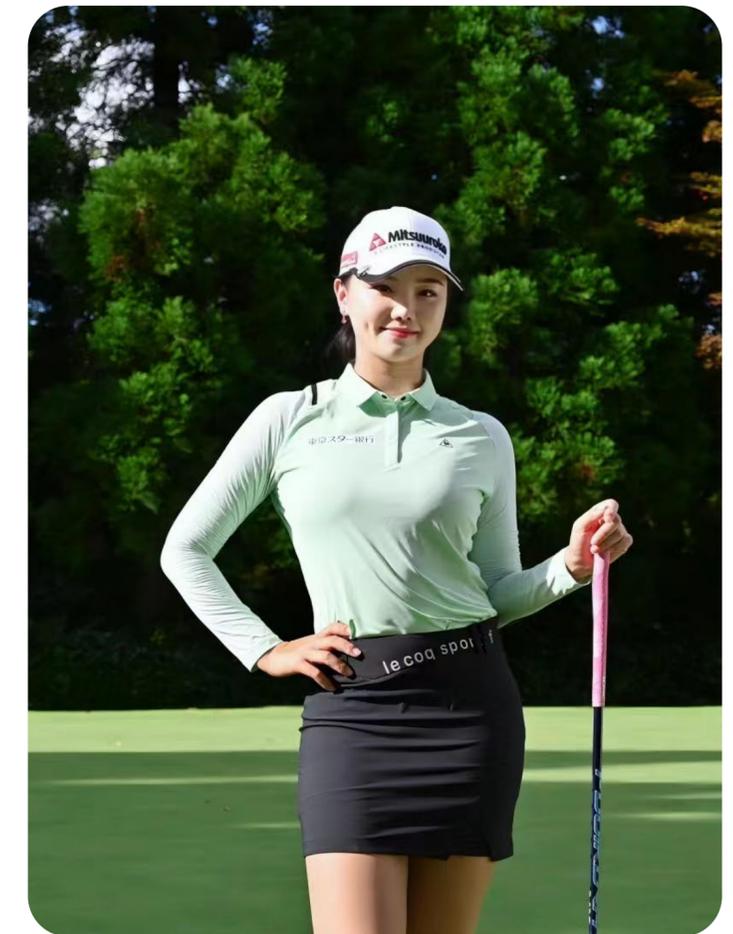


Support for Professional Athletes

Milbon has sponsored professional golfers Miyu Goto and Yuting Seki under sponsorship agreements since 2023. Golf is an outdoor sport, so players are often exposed to harsh ultraviolet light. By supporting golfers through our products and services, we are supporting athletes who embody vibrant and beautiful lifestyles. As a company continuing its challenge of becoming the world's No.1 professional haircare manufacturer, we want to support professional athletes who are constantly striving to reach the top.



Miyu Goto



Yuting Seki

➔ Governance

Milbon Ethics and Code of Conduct

The Milbon Ethics and Code of Conduct (hereinafter referred to as "the Code") are the ethics and code of conduct established for each officer and employee working at Milbon worldwide to practice *The Milbon Way*. To ensure compliance with the laws and regulations and internal rules of the countries and regions where it operates in its business activities with high ethical standards, Milbon will spread the Code thoroughly within Milbon itself by measures such as improving its internal systems and providing training programs. Also, Milbon will actively encourage all its business partners to work with understanding of and sympathy with the Code, expecting them to support and practice the Code.



<p>1 Provision of Safe and Superior Products and Services and Gaining of Customer Trust</p>	<p>Milbon will develop and provide safe and professional products and services that will always meet the needs of customers. Milbon will also provide accurate information so that customers can use its products and services safely and securely, and will protect and manage customer information and related data appropriately. In addition, Milbon will work to gain customer trust by carefully considering feedback from customers and responding to it with sincerity.</p>
<p>2 Contribution to and Coexistence with Local Communities</p>	<p>As a responsible member of society, Milbon will actively participate and cooperate in social contribution activities that contribute to the healthy development and comfortable, safe, and secure life of local communities, aiming for coexistence with those communities.</p>
<p>3 Responsibility to the Environment</p>	<p>Milbon will fulfill its responsibility toward the global environment in all processes from product development to procurement of raw materials, manufacture, distribution, sale, and use and disposal by customers, to promote measures for carbon neutrality and recycling in manufacturing and consumption activities.</p>
<p>4 Respect for Human Rights</p>	<p>Milbon understands and respects human rights and will comply with the Milbon Group Human Rights Policy throughout the value chain.</p>

<p>5 Fair Transactions and Mutual Development with Business Partners</p>	<p>Milbon will build business relationships in accordance with fair rules and establish relationships of trust with its business partners through smooth communication, seeking mutual development.</p>
<p>6 Maintenance of Workplace Environment for Employees</p>	<p>Milbon will ensure fair treatment, respecting the diversity, personality, and individuality of its employees, and will realize a safe workplace environment where each of its employees can continue to work fulfilling their fullest potential.</p>
<p>7 Understanding and Support of Shareholders and Investors</p>	<p>Milbon will strive to acquire the understanding and support of all its shareholders and investors based on fair and highly transparent corporate management.</p>
<p>8 Sound Relationships with Government and Administration</p>	<p>Milbon will maintain sound and transparent relationships with the government and administration, eliminate any collusion, and act fairly.</p>
<p>9 Dealing with Antisocial Forces</p>	<p>Milbon will take a resolute attitude toward, and will not have any relationships with, antisocial forces or groups that pose a threat to social order and security. Milbon will also not be involved with any unreasonable demands from, or provision of benefits to, antisocial forces or groups. If contacted by antisocial forces, Milbon will not leave it up to the person in charge but will ensure thorough internal management to respond systematically.</p>

➔ Governance - Governance Promotion Framework -

Corporate Governance

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.

Fundamental Policy

1 Shareholder rights and equality

We will disclose in a timely and accurate manner the information required for shareholders to exercise their rights. We will also maintain a proper environment for shareholders to submit votes on resolutions and protect the rights and equality of foreign shareholders (including beneficial shareholders) and all other shareholders.

2 Proper relationships with stakeholders other than shareholders

We will maintain proper relationships with customers, suppliers, employees, creditors, communities, the beauty salon industry and all other stakeholders. We will also show respect for the rights, perspectives and ethical business operations of stakeholders.

3 Suitable information disclosure and transparency

We will supply information about our financial condition, results of operations and other aspects of business operations on a quarterly basis as prescribed in laws and regulations. We will also disclose all pertinent information about our strategies, medium-term vision and other non-financial subjects. We will do everything possible to ensure that all of this information is accurate and easy to understand for the purpose of facilitating a constructive dialogue with shareholders.

4 Responsibilities of the board of directors

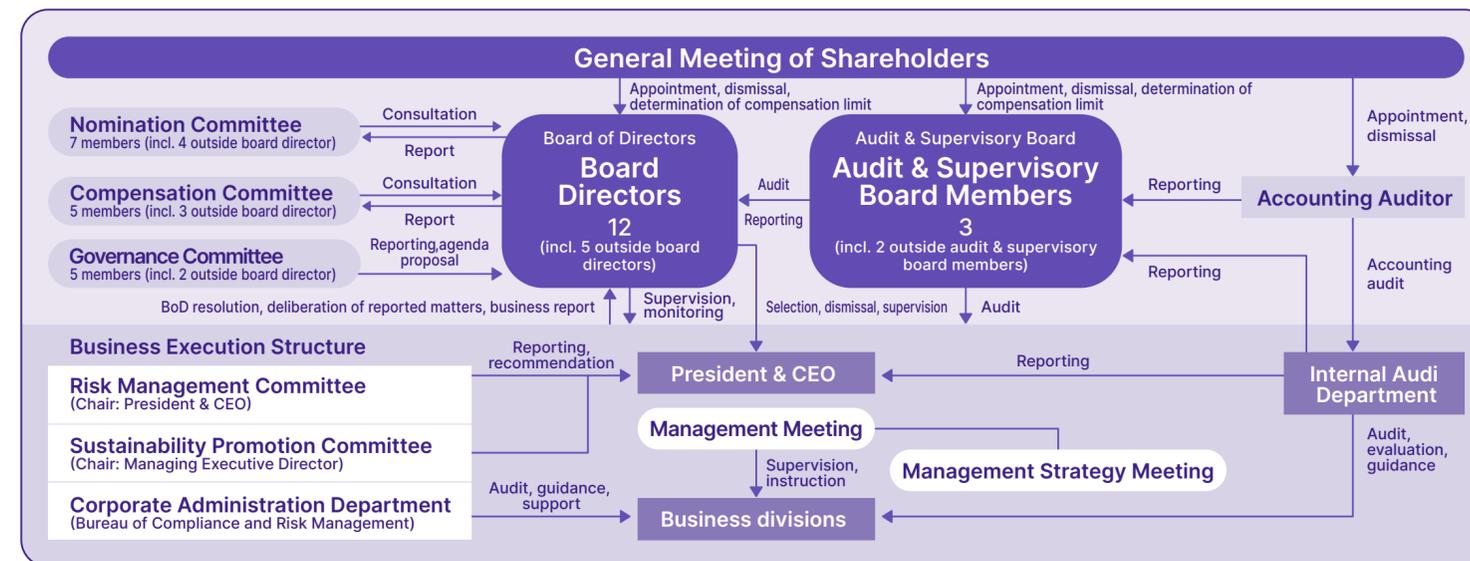
The board of directors has an obligation to operate in the best interests of shareholders and to provide explanations for their actions. Consequently, the directors are responsible for the following roles and duties, as well as other items, for the purpose of achieving sustained growth, a consistent increase in corporate value, and improvements in earnings and the return on capital.

- The directors establish a corporate philosophy and medium-term vision, clearly define strategic goals and supervise the necessary actions.
- The directors establish frameworks for internal controls and risk management and provide support for appropriate risk exposure decisions by senior executives.
- Milbon has a board of corporate auditors. Audits are performed by the members of this board, where the majority of the members are from outside the Milbon Group. There is also a Nominations Committee and Compensation Committee, each with a majority of outside directors. The use of independent external corporate auditors and directors makes it possible to perform highly effective audits of the directors from an objective standpoint.

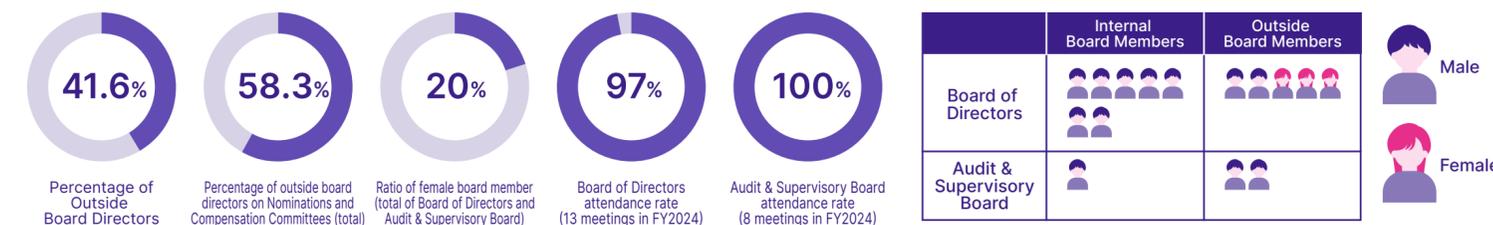
5 Dialogues with shareholders

To contribute to the consistent growth of the Milbon Group and its corporate value, the representative director and chief financial officer conduct a variety of investor relations activities. The objective is constructive dialogues with shareholders and other stakeholders.

Corporate Governance Structure



Board of Directors and Audit & Supervisory Board composition



Outline and Composition of Each Committee

Committee	FY2025 Committee members	Number of meetings in FY2024 / attendance	Principal matters of discussion in FY2024
Nomination Committee	Outside Board Director Taizo Hamaguchi (chair); Chairperson Ryuji Sato; President & CEO Hidenori Sakashita; Managing Board Director Masahiro Murai; Outside Board Director Tsuneko Murata; Outside Board Director Etsuhiro Takato; Outside Board Director Tomomi Fukumoto	2 / 100%	<ul style="list-style-type: none"> Next management structure and succession plan Selection of board directors, audit and supervisory board members, and executive officers for FY2025 Composition of the Nomination Committee for FY2025
Compensation Committee	Outside Board Director Taizo Hamaguchi (chair); President & CEO Hidenori Sakashita; Managing Board Director Masahiro Murai; Outside Board Director Etsuhiro Takato; Outside Board Director Chisa Hayakawa	3 / 100%	<ul style="list-style-type: none"> Policy for determining compensation for board members Level of executive compensation for FY2025 Performance-linked compensation indicators for FY2025
Governance Committee	President & CEO Hidenori Sakashita (chair); Chairperson Ryuji Sato; Managing Board Director Masahiro Murai; Outside Board Director Etsuhiro Takato; Outside Board Director Chisa Hayakawa	1 / 100%	<ul style="list-style-type: none"> Operation and supervision of a training program aimed at improving the perspective of the Management Meeting Discussion about what the management structure should be in the future

➔ Governance - Risk Management -

Milbon's Approach to Risk Management

The Milbon Group defines "risk" as matters that could have a significant negative impact on the realization of its management philosophy and business continuity, and has established a basic risk management policy to reduce the likelihood of these risks occurring and to prevent the spread of any damage in the event that a risk materializes and a crisis occurs. Milbon is working to develop and improve its risk management promotion system and framework.

Management Structure

The Milbon Group has established a Risk Management Committee, chaired by the President & CEO and composed of internal board directors, Standing Audit & Supervisory Board members, and executive officers. In principle, the committee meets three times a year. From among the risks surrounding Milbon, the committee designates "company-wide risks" as those risks that should be tackled on a company-wide basis, based on their level of importance and priority, the likelihood and timing of their manifestation, and the likelihood and impact that they may hinder the achievement of the medium-term management plan. For each company-wide risk, a member of the Risk Management Committee is then appointed to be responsible, and measures are advanced on a company-wide basis. The Risk Management Committee is subject to supervision and monitoring by the Board of Directors, and reports semiannually to the Board of Directors on the progress in addressing company-wide risks.

Risk Management System



Identification and Analysis of Risks

The Milbon Group risk map of impacts and likelihood of materialization for major risk categories has been discussed and revised by internal board directors, Standing Audit & Supervisory Board members, and executive officers. Our risk assessment and company-wide risks as of December 2024 are detailed below. This risk assessment is not based on general indicators, but is an independent assessment of the situation within the Milbon Group. Based on the revised risk map and the risk questionnaire administered to business division heads, the Risk Management Committee established three categories of company-wide risks for FY2025 at its end-of-consolidated-fiscal-year meeting. The risk categories are geopolitics, quality control, and sales strategies (particularly brand protection, which has continued since the current consolidated fiscal year). We will continue to promote risk reduction activities throughout the company.

Risk Map for Milbon Group Major Risk Categories



Approximate level of impact

Level	Meaning of level	(Quantitative) Impact on sales	(Qualitative) Scope of impact
High	Significant impact	Impact of 1% or more	Society as a whole
Medium	Moderate impact	Impact of less than 1%	Industry and stakeholders
Low	Minor impact	Little or no impact	Internal only

Approximate likelihood of the materialization of risks

Level	Time of materialization
High	Likelihood of materialization within 1 year
Medium	Likelihood of materialization within 3 years
Low	Likelihood of materialization within 5 years

Initiatives for Company-Wide Risks in FY2024

1 Increased costs of logistics Major risk category: Increasing costs of raw materials, resources, and logistics

Risk details and impact Impact: High Likelihood of materialization: High

The Milbon Group aims to sustain a stable supply of products to customers. However, the impact of geopolitical risks, exchange rate fluctuations, and rising labor costs all contribute to growing logistical costs. This is affecting the sustainability of stable product supplies and continuity of existing transportation systems.

Response
We have identified and organized the various risks associated with logistics, including changes in the logistics industry, increasing logistics costs, and distribution volume constraints. We have also optimized our services in line with the social climate by understanding customer needs in each logistics route and service levels of transportation companies. We will analyze customer order frequencies and other factors, and reconsider operation methods, cost calculations, and shipping charges by assuming as much consolidation of deliveries as possible. We also aim to continue reducing costs and minimizing environmental impacts by revising those logistics networks, service levels, and delivery methods, and devising packing materials and packaging types.

2 Business investment Major risk category: Business investment

Risk details and impact Impact: Medium Likelihood of materialization: Medium

When investing in new businesses in Japan or overseas, it is important to make growth investments that are consistent with the profitability and management strategies of those businesses. However, there may be major deviations from the initial plan when this process is unclear at the time of new investment decisions, or if changes occur in the market or business environment that were not envisaged at the time of investment. This could result in impairment losses that impact our business performance.

Response
We have developed workflows for all processes related to new business investment, from planning, investment plan creation, content discussion, and investment decisions through to subsequent evaluations. We have also clarified which divisions are responsible for which processes. For the planning stage, we added financial requirements to the judgment criteria for business investment, and for the evaluation stage, we newly established plan reviews every five years after the initial investment plan, and reviews of the investment plan itself if actual return on investment deviates by more than a set amount from the planned amount. Furthermore, for overseas business investments, we will investigate various conditions in the specific country in which we will invest and establish an investment plan in line with those conditions. Finally, we will analyze conditions and return on investment for each country in which we invest, and decide whether to continue businesses accordingly.

3 Brand protection Major risk category: Sales strategies

Risk details and impact Impact: High Likelihood of materialization: Medium

Circulation of counterfeit Milbon Group products, unauthorized distribution of genuine Milbon Group products via non-contractual sales channels, and unauthorized export of domestic-market Milbon Group products, may all constitute violations of the cosmetics regulations of the destination country or region. Such actions have the potential to destroy the Milbon brand and specific product brands.

Response
To protect our company brand and product brands, in cooperation with relevant divisions, we regularly and effectively disseminated information to not only Group employees, but to our customers and other stakeholders, reminding them of the value of salon-exclusive products accompanied by in-person consultations with hair professionals. We also formulated consistent Group policies and considered response guidelines to protect the company brand and product brands. Going forward, we will continue these efforts and promote protection of the company brand and product brands while delivering to our customers reliable and safe products that comply with the cosmetics regulations of each country and region.

➔ Governance - Compliance -

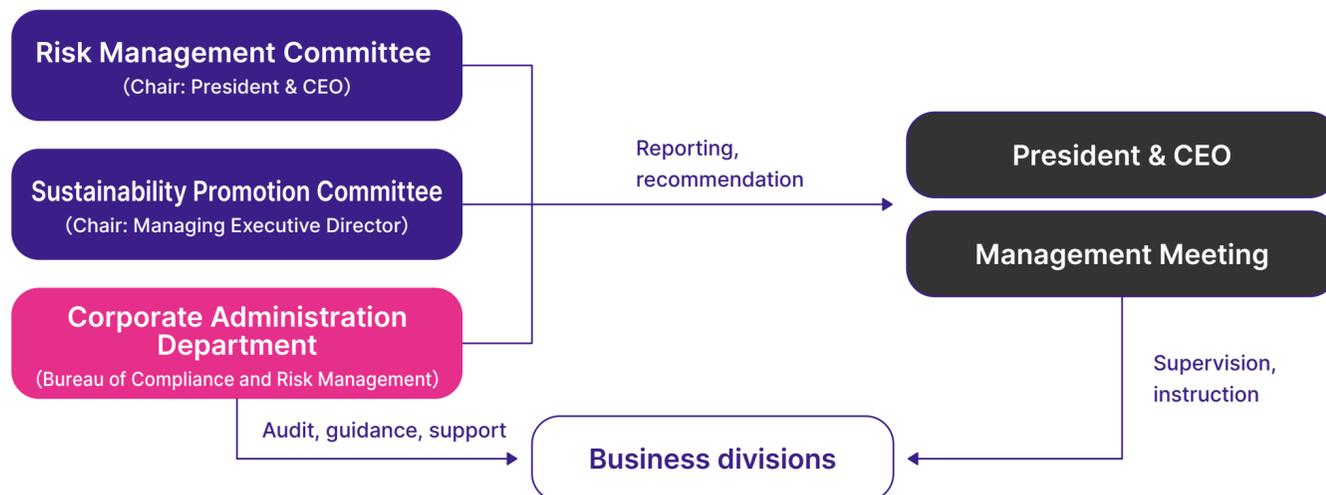
Milbon's Approach to Compliance

All officers and employees at the Milbon Group are committed to acting, throughout the value chain, in compliance with laws and regulations of all countries and regions based on high ethical standards that conform with social ethics. *The Milbon Way* and the Milbon Ethics and Code of Conduct have been established as guidelines that all officers and employees should always keep in the forefront of their minds in order to embody Milbon's corporate philosophy, serving as guidelines for earning the support and trust of all stakeholders.

Management Structure

Milbon keeps up with the laws and regulations related to its operations, its Corporate Administration Department checks the state of compliance with those laws and regulations, and reports the results to the Management Meeting and the Board of Directors as required. As laws and regulations are enacted and revised, relevant departments are informed of those details through training and other means to ensure legal compliance.

Compliance Structure



Specific Initiatives

Compliance Awareness Survey

Milbon conducts an annual survey on daily operations, workplace environment and other compliance-related items. The results of the survey are provided as feedback to the head of each division and the president of each subsidiary company. Action sheets for improvement measures are also prepared and checked to confirm whether actions have been taken.

Awareness activities

- Ongoing compliance training for all employees
- Level-specific and division-specific training and study sessions
- Display of advisory posters three times a year

Establishment of contact points for compliance consultation, etc.

Milbon Co., Ltd. has set up the Internal Reporting and Consultation Counter where all employees can report and consult matters of concern such as misconduct within the company.

Individual policies on compliance

- Milbon Ethics and Code of Conduct (Sound Relationships with Government and Administration)
- Basic Policy on Antisocial Forces
- Basic Policy on Intellectual Property
- Privacy Policy (Information Security Management)
- Global Tax Policy



Review from an Outside Board Director

Milbon's Unique Approach to Promoting Sustainability to Realize Its Long-Term Vision

As an outside board director working to understand the company's activities, I have come to believe that Milbon is very serious about addressing sustainability. Milbon identifies materialities closely related to its business, carefully narrows down themes to focus on rather than a broad, generalized approach, and then works steadily to address those themes. Milbon's management philosophy is precisely summed up in its Key Challenge of "Enriching the spirit through beauty." Its aim is twofold—social contribution and company growth—because realizing a sustainable society through beauty leads to the sustainability of Milbon itself.

I think this goes back to the origins of Milbon as a company created from the desire of founder Ichiro Konoike to provide support "for hairstylists." In other words, the desire to help people has been ingrained in the company's DNA since its founding, and is shared among all employees including management.

Milbon has already achieved targets ahead of schedule, for a number of the current key themes that it set in 2022, and the expectations and demands that society has of Milbon have also changed significantly over that time. Therefore, considering that the company has just established a new long-term vision, I think now is the time for Milbon to reconsider its next Key Challenges and activity themes to achieve this long-term vision.

In terms of future growth as well, the key to success is Milbon's unique business model and the people that support it. Employee motivation and human resource development are important themes. Amid the medium to long term environmental changes such as the company's overseas expansion and a declining population, promoting diversity, including gender, nationality, and age, should be

an even greater focus moving forward. Given that many of its customers are female, I have high hopes for the new perspectives that will come with the appointment of more female board members and managers. Milbon has already started making improvements to work styles and human resource development, so I want it to now visualize its goals again and share them both internally and externally.

Responding to environmental issues will also continue to be essential for achieving sustainable development of Milbon, hair salons, and the beauty market. Along with tackling climate change, another pressing issue is water resources which are inextricably linked to the beauty industry. By 2030, it is estimated that nearly half of the world's population will face water shortages. This is a critical theme that Milbon, as a company building foundations of trust with salons, should tackle alongside the beauty industry.

These initiatives are not driven solely by responsible departments. If management focuses on transforming sustainability into a driver for sustainable growth, and shares that consciousness with people in the workplace, it will foster a culture where every employee actively considers and takes action about what they can contribute through their own work. I believe that this will lead to further promotion of sustainability and growth for Milbon.

Milbon boasts DNA passed down since the time of its founding, and an original business model, so I am confident that it will achieve a freer and more creative approach to sustainability. Along this journey, I hope to give back to Milbon some of my own experience, after years of trial and error myself.



Tomomi Fukumoto
Outside Board Director

After serving as Executive Officer at Suntory Holdings Limited, she currently serves a number of roles, including Senior Advisor of Suntory Foundation for the Arts, Board Member of Save the Children Japan, Executive Board Member of Japan Association for the 2025 World Exposition, Outside Director of Daiwa House Industry Co., Ltd., and Outside Director of Tokyo Kaikan Co., Ltd. She was appointed as an outside board director of Milbon in March 2024.

External Assessments and Cooperation with Society

External Assessments

Awarded the 2020 20th Porter Prize



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

EcoVadis Sustainability Rating: Gold



Milbon's Yumegaoka Factory received a Silver rating in 2022, followed by a Gold rating in 2023, placing ourselves in the top 5% of all companies evaluated. EcoVadis ratings evaluate a company's sustainability efforts according to 21 CSR criteria across four themes—Environment, Labor & Human Rights, Ethics, and Sustainable Procurement—for the purpose of promoting sustainability within global supply chains. More than 100,000 companies spanning 200 industries in 175 countries and regions have been assessed to date.

[Related web page: Supply Chain Management](#)

Selected as a constituent stock in the FTSE Blossom Japan Index



FTSE Blossom
Japan Index



FTSE Blossom
Japan Sector
Relative Index

Milbon has been selected as a constituent of the globally recognized ESG index, the FTSE Blossom Japan Index, marking its first inclusion. Additionally, it has been selected for the second consecutive year as a constituent of the FTSE Blossom Japan Sector Relative Index.

Both the FTSE Blossom Japan Index and the FTSE 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. FTSE Russell's evaluation covers areas such as corporate governance, health and safety, anti-corruption measures, and climate change. Companies included in the FTSE Blossom Japan Index are recognized for meeting various ESG criteria across environmental, social, and governance domains.

Milbon's initiatives and performance have been recognized by a variety of institutions. Our aim is to realize a sustainable society by continuing efforts to create a beauty industry that leads to enrichment of beauty and spirituality through hair salons and hairstylists. To enhance corporate value, we will therefore continue to promote these various initiatives.

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

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

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

[Related web page: Diversity, Equity and Inclusion](#)

2024 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)

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

Milbon was selected as a constituent stock in 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. Composition of the index is limited to constituent stocks of the Tokyo Stock Price Index (TOPIX), with the ratio of each stock determined based on the company's environmental information disclosures and its carbon efficiency level (carbon emissions per sales).



External Assessments and Cooperation with Society

Cooperation with Society

WE SUPPORT



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. *Check out RSPO progress at www.rspo.org

Related web page: [Use of RSPO-Certified Palm Oil](#)



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.

Related web page: [Response to Climate Change](#)



Joined the 30by30 Alliance for Biodiversity

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

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

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

Related web page: [Together with the Community \(Japanese only\)](#)

2024 ESG DATA - Environment -

CO₂

CO₂ (GHG) emissions

*Total emissions (t-CO₂)

243,326

YoY change: -10.6%

CO₂ emissions, Scope 1 (t-CO₂)

1,393

YoY change: -2.0%

CO₂ emissions, Scope 2 Market-based (t-CO₂)

1,073

YoY change: +10.3%

CO₂ emissions, Scope 3 Total (t-CO₂)

240,860

YoY change: -10.7%

CO₂ emissions, Scope 3, by Category (t-CO₂)

Category 1 Purchased products and services

105,742

Category 4 Transportation and distribution (upstream)

20,926

Category 7 Employee commuting

284

Category 2 Capital goods

4,232

Category 5 Waste from business

210

Category 11 Use of sold products

106,897

Category 3 Fuel and energy-related activities not included in Scope 1 & 2

340

Category 6 Business trip

970

Category 12 Disposal of sold products

1,257

Electricity

Electricity consumption

- Total ('000 kWh)

7,122

YoY change: +7.4%

Electricity consumption

- In-house power generation ('000 kWh)

110

YoY change: +20.8%

Electricity consumption

- Purchased electricity ('000 kWh)

7,012

YoY change: +7.2%

Electricity consumption

- Renewable energy ('000 kWh)

4,633

YoY change: -4.4%

Water Resources

Water intake (m³)

Water supply - Third-party water sources

48,309

Other

0

Water discharge by destination (m³)

Sewage - Wastewater to third-party

28,049

Other

0

Water consumption - Intensity (m³/t)

4.366

YoY change: -6.5%

Number of national statutory violations relating to water intake / discharge

0

Click here for more detailed ESG data: [🔗](#)

2024 ESG DATA - Social -

Diversity & Inclusion

Number of employees
* Permanent employees, consolidated

1,188

Average age

35.6

Proportion of employees who took
childcare leave (male/female)(%)

40.7 / 100

Education and training hours per employee (hours)

73.4

Ratio of male/female employees (%)
* Permanent employees, consolidated

49.8 / 50.2

Ratio of female employees in
management positions (%)

14.5

YoY change: +3.6 points

Return rate following childcare leave
(male/female)(%)

100 / 93.7

Average length of service (years)

11.1

Ratio of paid leave taken (%)

72.9

YoY change: +5.1 points

Education and training expenses
per employee (yen)

135,489

Donation Activities

Total amount donated (Unit: 1,000 yen)

28,567

[Click here for more detailed ESG data: ↗](#)

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