

Summary of the Results Briefing for the FY December 31, 2023

Note: This Summary is a reference for those who would like to review the session or event of the results briefing held by Pigeon Corporation. Please note this is not the entire text of the conference but a summary based on our judgment. Forward-looking statements in these materials are based on management's assumptions and beliefs in light of the information currently available to it and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may affect the Company's performance. In the event of discrepancy between the English version and the Japanese version of the summaries, the Japanese-language version shall prevail.

[Date & Time] Thursday, February 15, 2024, 4:00 p.m. start

[Location] Nomura Conference Plaza Nihonbashi and webcast

[Speakers] 5 speakers

Norimasa Kitazawa	President and CEO
Tadashi Itakura	Director, Senior Managing Executive Officer
Kevin Vyse-Peacock	Director, Executive Officer
Ryo Yano	Director, Executive Officer
Zenzo Yamaguchi	Senior Managing Officer

FY Dec. 2023 Results - Consolidated P&L (12 months)

Full year sales ended at the same level as the previous year.
Operating income ended lower due to aggressive use of SG&A expenses associated with the reopening, despite an improvement in gross margin.

Unit: Million JPY	Dec. 2022		Dec. 2023 Forecast		Dec. 2023			
	Actual	% of Total	Forecast	% of Total	Actual	% of Total	YoY Change	vs Forecast
Net Sales	94,921	100.0%	100,000	100.0%	94,461	100.0%	99.5%	94.5%
Cost of Sales	50,087	52.8%	51,800	51.8%	49,008	51.9%	97.8%	94.6%
Gross Profit	44,834	47.2%	48,200	48.2%	45,452	48.1%	101.4%	94.3%
SG&A Expenses	32,638	34.4%	35,800	35.8%	34,726	36.8%	106.4%	97.0%
Operating Income	12,195	12.8%	12,400	12.4%	10,726	11.4%	87.9%	86.5%
Ordinary Income	13,465	14.2%	12,400	12.4%	11,522	12.2%	85.6%	92.9%
Net Income Attributable to Owners of Parent	8,581	9.0%	8,100	8.1%	7,423	7.9%	86.5%	91.6%

[Currency Rates] 2023 Results: US\$1 = JPY 140.58 CNY 1 = JPY 19.83
2023 Forecast: US\$1 = JPY 130.00 CNY 1 = JPY 19.50
2022 Results: US\$1 = JPY 131.55 CNY 1 = JPY 19.50

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4

Kitazawa: Thank you for taking time out of your busy schedule today to participate in our earnings presentation.

For the full year, group sales fell slightly below the previous year's level at 94.4 billion yen, or 99.5% of the previous year's level. Gross profit grew to 49.0 billion yen, or 101.4% yoy, and the gross margin improved by about 1 pt. On the other hand, operating income ended at 10.7 billion yen, or 87.9% yoy, partly due to the aggressive use of SG&A expenses associated with the reopening from the Covid-19.

FY Dec. 2023 Results - By Business Segment (12 months)

Japan, Lansinoh business ended with increased sales and profit.
China business was affected by ALPS treated water in the Q4, and Singapore business saw lower sales and income due to continued shipment adjustments throughout the year.

Unit: Million JPY	Dec. 2022 Actual				Dec. 2023 Actual				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	94,921	100.0%	47.2%	12,195	94,461	100.0%	99.5%	48.1%	10,726
Japan Business	36,323	38.3%	32.4%	1,491	36,865	39.0%	101.5%	33.7%	2,006
China Business	34,776	36.6%	52.5%	10,408	33,045	35.0%	95.0%	53.8%	8,858
Singapore Business	14,153	14.9%	40.9%	2,140	13,085	13.9%	92.5%	37.9%	1,235
Lansinoh Business	16,917	17.8%	52.9%	1,154	18,480	19.6%	109.2%	54.9%	1,453
Elimination of inter-segment transactions	(7,248)	(7.6%)	—	—	(7,016)	(7.4%)	—	—	—

▼[Reference] Breakdown of Japan Business

Unit: Million JPY	Dec. 2022 Actual				Dec. 2023 Actual				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby Care	25,287	—	36.8%	1,787	26,238	—	103.8%	38.2%	2,278
Childcare Services	3,444	—	15.8%	199	3,447	—	100.1%	15.9%	208
Health & Elder Care	5,062	—	30.9%	497	5,005	—	98.9%	31.1%	464

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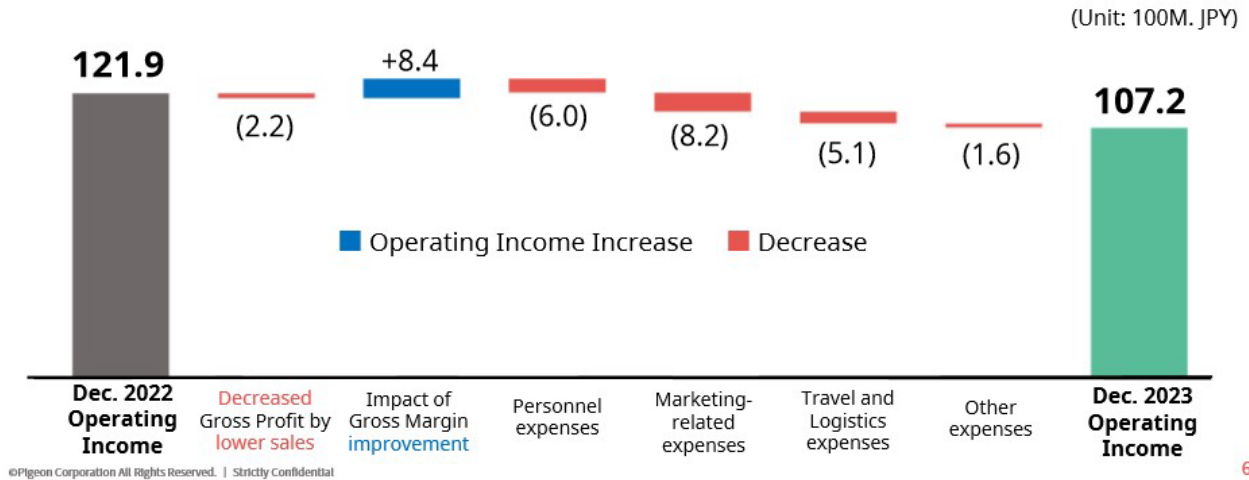
5

Next, by business.

The Japan business and Lansinoh business posted yoy sales and profit growth. Sales in the Japan business grew 101.5% yoy, the first full-year yoy growth in several years. Among them, sales of baby care products were strong at 103.8% yoy. Sales in the Lansinoh business were also strong at 109.2% yoy.

FY Dec. 2023 Results - Change in Operating Income (YoY)

Gross margin improved (price revisions in Japan business, and lower ocean freight rates in Lansinoh business, etc.) while SG&A expenses increased due to higher personnel costs, logistics costs associated with the reopening, and sales promotion expenses, etc., resulting in a 1.4 billion yen decrease in operating income from the previous year.



6

The main reason for the yoy decline in operating income was the aggressive use of SG&A expenses associated with the reopening from the COVID-19.

While gross profit decreased due to lower sales, gross profit increased from the previous year due to an improvement in the gross margin. However, personnel expenses and marketing-related expenses increased among SG&A expenses. Marketing-related expenses increased due to the resumption of sales promotion activities in various countries after the Covid-19 disaster, and travel expenses also increased due to the resumption of employee travel and business trips throughout the group.

FY Dec. 2023 Results - Balance Sheet

Inventories decreased from the end of the previous fiscal year by Company-wide efforts.

Unit: Million JPY	End of Dec. 2022	End of Dec. 2023			
	Actual	Actual	YoY Change (Amount)	YoY Change (%)	YoY Change (Amount) w/o impacts of FX rates
Cash and Deposits	34,283	34,357	+74	100.2%	(1,277)
Notes and Accounts Receivable-Trade	15,975	14,412	(1,563)	90.2%	(2,087)
Inventories	15,318	13,535	(1,783)	88.4%	(2,398)
Notes and Accounts Payable-Trade	5,066	3,643	(1,423)	71.9%	(1,517)
Electronically Recorded Obligations - Operating	1,542	1,365	(177)	88.5%	(177)
Borrowings	—	76	+76	—	+76
Net Assets	79,952	81,087	+1,135	101.4%	(1,164)
Total Assets	101,733	100,440	(1,293)	98.7%	(4,838)
Equity Ratio	75.4%	77.2%	—	—	—

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7

Here is the Consolidated BS. Compared to the end of the previous period, cash and deposits increased slightly, but this was largely due to foreign exchange effects. Excluding foreign exchange effects, cash and deposits decreased by about 1.2 billion yen.

In addition, we were able to reduce inventories by about 1.7 billion yen. Excluding foreign exchange effects, inventories decreased by approximately 2.4 billion yen, and we think this part of the decrease is good for us.

FY Dec. 2023 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Japan
business

Sales and income increased due to price revisions in Feb. and Sep., as well as enhanced sales promotion activities.

- Baby Care ended the year with sales growth of +4% YoY.
- Sales of Nursing bottles/nipples and Baby skincare increased from the previous year. Wet tissues and other consumables also performed well.
- "SHUPOT", an electric nasal aspirator launched in August performed well. Contributed as a growth driver in the high-unit-price baby care appliance category
- Gross profit margin of Baby Care improved by +1.4 pt YoY in Q4 YTD. Price revisions contributed to the improvement.
- Health & Elder Care implemented product price revisions in Feb. and Sep., also promoted sales of key products.
- Despite an upward trend in the number of foreign visitors to Japan, inbound demand is declining, partly due to the impact of ALPS treated water in the second half of the fiscal year.

New area: Babycare appliances

Electric nasal aspirator, Nursing bottle sterilizer/dryer, etc.

Demand for high unit price products is expanding



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Brand: Communication

Utilizing owned media



Event: #The Tiny Birth Cry Support Project

World Premature Baby Day on November 17



▲ The purpose of the event is to raise awareness about premature babies. With the concept of "know, experience, and participate," approximately 700 guests including major media, attended the two-day event.

8

Let me explain the situation by business segment. First, let's look at the Japan business.

The Japan business ended the year with increased sales and profits. In the baby care business, price revisions for nursing bottles and other products absorbed cost increases and contributed significantly to improved profitability, and sales of nursing bottles and nipples and skin care, core products, grew yoy. In addition, sales of wet wipes and other products were also favorable.

In the baby care business, the electric nasal aspirator launched in August sold well and contributed significantly to earnings. In addition, sales of products exceeding 10,000 yen, such as nursing bottle steam sterilizers and dryers, increased, contributing to the recovery of baby care business performance.

As for inbound, inbound demand declined significantly, especially through the second half of the fiscal year, due in part to the impact of ALPS treated water.

FY Dec. 2023 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

China business

Sales and profits declined sharply in the Q4, mainly due to the impact of ALPS treated water.

- Q4 YTD sales (in Chinese yuan) in mainland China ended at -11% YoY. Q4 alone was -43% YoY, a significant decline.
- sales of Nursing bottle and nipple increased 11% YoY. Baby skin care, which has a strong image of being made in Japan with the "Momo-no-ha" series was -20%. In Q4 alone, almost all categories were affected by reduced brand exposure due to cancel of KOLs, suspension of sales promotion activities, and consumers' reluctance to buy.
- Implemented aggressive sales promotion of Age-Up products ("Natural weaning" bottle series and Skincare products for kids).
- Q4 YTD gross profit margin in China business (JPY) improved by +1.3 pt YoY due to sales growth in Nursing bottles and nipples, despite lower sales of whole China business YoY.
- Sellout was -7% YoY on Q4 YTD, -4% for EC, and -15% for offline. New channels Tiktok and Pinduoduo grew by more than 50%, but the major platforms fell below the previous year. Q4 YTD EC ratio is 72%.

New area: Age-Up products
Sales are expanding both offline and in EC



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New products in the 2H of 2023
New series of drinking cups, etc.



Brand: Communication
Live streaming on Tiktok, etc.



9

The China business ended the year with lower sales and profits.

Mainland China was not bad through the third quarter, but slowed down significantly in the fourth quarter. The fourth quarter alone was significantly impacted by ALPS treated water, resulting in sales of -43% from the previous quarter.

By product category, nursing bottles and nipples performed well, growing 11% yoy. On the other hand, baby skin care products, represented by the Momo-no-ha(peach leaves) series, which also have a strong image of being made in Japan, were significantly affected by ALPS treated water, and sales fell by -20% yoy. In addition to a decrease in brand exposure due to the fact that leading Key Opinion Leaders(KOLs) avoided working with Japanese brands and the suspension of various sales promotion activities, customers were also reluctant to buy Japanese brands, resulting in a significant decline in sales.

In addition, sales of Age-Up products, which are beginning to be developed as a "new area," are increasing.

E-commerce sales accounted for 72% of total sales, with sales through emerging channels such as Pinduoduo and Tiktok growing.

FY Dec. 2023 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Singapore business

Sales and income down due to the absence of the previous year's sell-in growth, but focus on reducing distribution inventories

- Q4 YTD sales* in India -20% YoY, Malaysia -6%, Indonesia -9%, Middle East -27%.
- Q4 YTD sellout increased YoY in India, Australia and Thailand. Growth in Nursing bottles contributed to the increase.
- Continue to strengthen sales of core products (Bottles and nipples, Baby skincare). Focus on promoting the value of wide-neck bottles and strengthening brand recognition and in-store exposure (EC and offline) for Natural Botanical skincare products.
- Inventory levels are expected to normalize in major markets by the end of Q1 2024.
- Established an own subsidiary to develop the African market (December)
- Q4 YTD gross profit margin of Singapore business (JPY) deteriorated by -3.0 pt YoY mainly due to lower sales at sales companies and factories.

Strengthening core products: Wide-neck bottles

Sales in both offline and e-commerce



Strengthening core products: Baby skin care

Increase exposure and sales promotion of Natural Botanical skin care



Brand: Communication

Strengthening Social media and promoting hospital activities



10

The Singapore business ended the year with lower sales and profits.

In the major Southeast Asian countries under this business, distributors, retailers, and other distributors resumed aggressive product purchases after the Covid-19 disaster in 2022, but the market recovery was slower than expected, resulting in excess distribution inventory, and we focused on reducing distribution inventory in 2023. With the implementation of measures to increase sellout, we expect that major countries will return to almost normal distribution inventory levels by the end of the first quarter of 2024.

As for the "new areas" that the Singapore business is tackling, a local subsidiary was established in Kenya last December, and preparations are underway to capture the African market in the future.

FY Dec. 2023 Results - Business Summary By Segment

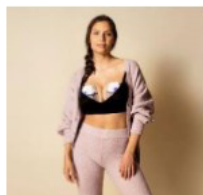
*Sales: Sell-in on a local currency basis

Lansinoh Business

Sales in North America fell below, but increased in Europe. Both sales and income increased, driven by improved profits due to lower marine transportation costs.

- Lansinoh Group's Q4 YTD sales (US\$) increased 2% YoY. Sales in North America were down 5% due to intensified competition in the consumables market and a reactionary decline from special demand, while sales in Europe (Germany, UK, France) grew mainly due to nipple cream.
- Sales of Nursing bottles increased in North America and Europe, reflecting growing consumer recognition of these products as the most suitable feeding devices for breastfeeding babies.
- YTD sales of prenatal and postpartum care products grew by more than 70% YoY. In addition to North America, sales grew in the Europe, and there is still much room for growth in this new area.
- Implemented aggressive promotion to increase awareness and strengthen sales of the Wearable Breast Pump.
- Q4 YTD gross profit margin of Lansinoh business (JPY) improved by +2.0 pt YoY, partly due to lower ocean freight rates (cost factor), but the cost of sales and distribution in the U.S. (SG&A factor) continued to soar.

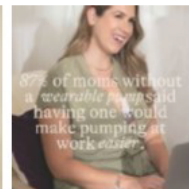
New products in the 2H of 2023
Wearable Breast Pump (North America)



New area: Prenatal and postpartum care
Sales growth in Europe in 2023



Brand: Communication
Strengthen our social media platform



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11

The Lansinoh business ended the year with increased revenues and profits.

The Lansinoh business has been growing at a CAGR of more than 5% over the past five years, making it one of the most stable businesses in the Covid-19 disaster. In particular, sales of nursing bottles and nipples grew this fiscal year to account for more than 7% of Lansinoh's total sales.

In addition, sales of prenatal and postpartum care, which is being developed as a "new area," grew by more than 70% over the previous year and accounted for more than 6% of Lansinoh business sales.

Ocean freight rates, which soared sharply after the Covid-19 disaster, are returning to levels similar to those before the Covid-19 disaster, which has also led to improved profitability.

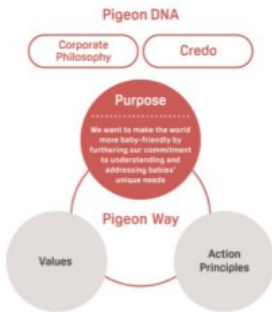
FY Dec. 2023 Results - Sustainability Initiatives

ESG

Promote value co-creation with society to realize our "Purpose"

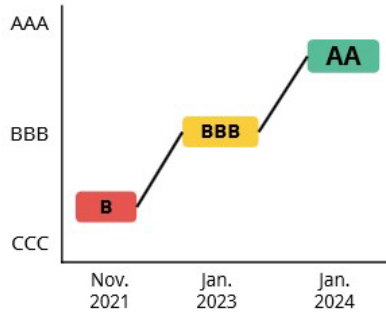
- First "AA" rating in the January 2024 MSCI ESG ratings
- Pigeon's educational program for junior high school students across Japan, "A Lesson on Babies: For a Baby-Friendly Future," received the Incentive Award in the 2023 "Award for Companies Promoting Youth Experiential Activities" sponsored by the MEXT (Ministry of Education, Culture, Sports, Science and Technology).

Purpose of the Pigeon Group



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History of our rating by MSCI



Providing educational programs for junior high school students to develop an interest in babies (Japan)



12

ESG/Sustainability.

Our ESG and sustainability initiatives and the progress we have made in disclosing this information have resulted in our ESG rating by MSCI rising from BBB to AA.

In addition, our "Lesson for Learning About Babies" classes for junior high school students in Japan received the Encouragement Award from the Ministry of Education, Culture, Sports, Science and Technology in its "Award for Companies Promoting Hands-on Activities for Youth" program. We consider this an important activity in terms of enhancing our company's future brand value.

Progress of the 8th Mid-Term Plan: Results of Year 1

In the first year of the 8th MTP, the Japan business and Lansinoh business progressed as expected. Although the performance of the China and Singapore businesses fell short of the initial plan, activities based on the basic strategy steadily produced results in each business.

Brand strategy

- Promoting activities to realize "Purpose" on a global scale
- Baby-Friendly Future Vision Workshop (in-company)
- Selected as one of the "Best Japan Brands" for four consecutive years

Product strategy

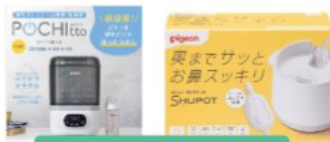
- Existing areas: Sales of Nursing bottles and nipples increased as a group.
- New areas: Launch of new categories and expansion of product lineups in each business (Babycare appliances, age-up, women's care, etc.)

Regional strategy

- Japan business achieved improved profitability through price revisions
- Established own office in Kenya to enter the African market

FY Dec. 2023
Sales in New areas

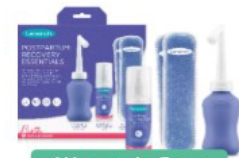
Over 3 bn yen



Babycare Appliances



Age-up products



Women's Care

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13

This is the result of the efforts of the 8th Mid-Term Management Plan, of which the fiscal year December 2023 is the first year. On the quantitative side, the group as a whole finished below expectations, but the performance of the Japan and Lansinoh businesses progressed as expected. On the qualitative side, activities based on the basic strategy are yielding results in each business.

First, with regard to brand strategy, we have conducted workshops on our Baby-Friendly Future Vision Workshop at all of our group locations. By enhancing our internal branding activities, we have further increased the empathy of our group employees for our purpose. In addition, we have been selected as one of the Best Japan Brands for four consecutive years.

In terms of product strategy, sales of nursing bottles and nipples, our core products, increased for the entire group. In addition, the development of new areas such as childcare appliances, age-enhancing products, and women's care products is progressing steadily as expected. In

the first year of the medium-term management plan, sales in new areas grew to more than 3 billion yen.

With regard to regional strategies, the establishment of a local subsidiary in Kenya under the Singapore business and the improvement of profitability in the Japan business through the implementation of product price revisions were among the results of our efforts.

FY Dec. 2024 Earnings Forecast - Consolidated P&L

Continue to strengthen existing areas and expand new areas based on the Key strategies of the 8th Mid-Term Business Plan. Recovery of sales in the China business is priority #1, and aim to increase sales and profits by thoroughly investing in growth.

Unit: Million JPY	Dec. 2023		Dec. 2024		
	Actual	% of Total	Forecast	% of Total	YoY Change
Net Sales	94,461	100.0%	101,000	100.0%	106.9%
Cost of Sales	49,008	51.9%	50,200	49.7%	102.4%
Gross Profit	45,452	48.1%	50,800	50.3%	111.8%
SG&A Expenses	34,726	36.8%	39,400	39.0%	113.5%
Operating income	10,726	11.4%	11,400	11.3%	106.3%
Ordinary income	11,522	12.2%	11,400*	11.3%	98.9%
Net Income Attributable to Owners of Parent	7,423	7.9%	7,600	7.5%	102.4%

* Subsidy income not included

[Currency Rates]

2024 Forecast: US\$1 = JPY 135.00
2023 Results: US\$1 = JPY 140.58

CNY 1 = JPY 19.50
CNY 1 = JPY 19.83

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15

This is the forecast for the fiscal year ending December 31, 2024.

Sales are projected at 101.0 billion yen (106.9% yoy), operating income at 11.4 billion yen (106.3% yoy), and operating margin at 11.3%. This year, the operating income margin is expected to be 0.1 pt lower than the previous year, as we will place the highest priority on sales recovery in the China business and make drastic investments in sales promotion expenses.

FY Dec. 2024 Earnings Forecast - by Business Segment

Unit: Million JPY	Dec. 2023 Actual				Dec. 2024 Forecast				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	94,461	100.0%	48.1%	10,726	101,000	100.0%	106.9%	50.3%	11,400
Japan Business	36,865	39.0%	33.7%	2,006	36,440	36.1%	98.8%	35.1%	2,450
China Business	33,045	35.0%	53.8%	8,858	37,700	37.3%	114.1%	57.0%	9,900
Singapore Business	13,085	13.9%	37.9%	1,235	14,000	13.9%	107.0%	37.1%	1,350
Lansinoh Business	18,480	19.6%	54.9%	1,453	19,400	19.2%	105.0%	58.8%	1,550
Elimination of inter-segment transactions	(7,016)	(7.4%)	—	—	(6,540)	(6.5%)	—	—	—

▼[Reference] Breakdown of Japan Business

Unit: Million JPY	Dec. 2022 Actual				Dec. 2023 Actual				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby Care	26,238	—	38.2%	2,278	26,600	—	101.4%	39.4%	2,502
Childcare Services	3,447	—	15.9%	208	3,250	—	94.3%	17.1%	200
Health & Elder Care	5,005	—	31.1%	464	4,569	—	91.3%	34.2%	377

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16

The following is the forecast of business performance by business segment for the fiscal year ending December 31, 2024.

Sales of the Japan business are 98.8% below the previous year's level, but this is due to the expected decrease in sales resulting from the transfer of shares in Pigeon Manaka, a consolidated subsidiary of the Company. Our sales target for the baby care business within our Japan operations is 101.4% yoy.

In China, we plan to achieve 14.1% growth over the previous year. In addition, the Singapore business is expected to recover along with the optimization of distribution inventories, and we are targeting 7% growth over the previous year. The Lansinoh business has continued to grow even amid the Covid-19 disaster, and we plan to continue to expand this business in the fiscal year ending December 31, 2024.

FY Dec. 2024 Forecast - Strategy of Japan Business

Continue to improve profitability through new value creation by leveraging our strengths and uniqueness

Business Environment:

- Annual births are expected to decrease. Inbound sales are planned at zero.
- Assumed decrease in sales due to transfer of shares in Pigeon Manaka. Impact on operating income is expected to be negligible

Existing Areas:

- Building a dominant No. 1 position in Nursing bottles and nipples, and baby skincare
- Launched "My Bonyu-Jikkan", Japan's first* customizable nursing bottles (January)
- New Fuji plant: Launch of "Moisture Mist Emulsion" that can be used directly on wet skin (February)

New areas, Monozukuri:

- Strengthen sales in the baby care appliance category. Start sales of Lansinoh products in the Japanese market (planned for the 2H of Yr 2024).
- Strengthening Monozukuri of Age-Up products. Deepening of baby research and feeding research

Strengthen Sales and Communication

- Strengthening of our own EC platform (development of EC-only products, etc.).
- Strengthen customer communication both digital and offline



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*Researched by Pigeon

17

Business strategies for each business for the fiscal year ending December 31, 2024.

As for the Japan business, inbound demand has not been factored in at all this fiscal year.

To build on our dominant No. 1 position in the existing areas of nursing bottles and nipples and baby skin care, we launched a new product, "My Bonyujikkan" Japan's first nursing bottle that can be customized in 150 ways, in January. This nursing bottle, which allows customers to freely change the color and design combination according to their preferences, has been extremely well received. We are thinking of developing customized nursing bottles not only in Japan, but also in China and Southeast Asia.

In addition, construction of the Fuji Plant was completed last year, and the first new product from the new plant, "Moisture Mist Emulsion," will be launched in February.

And besides, childcare appliances are performing well in the Japanese baby care category, and we plan to launch new products to further strengthen this category. In addition, we will continue to strengthen the development of Age-Up products and enhance our e-commerce.

FY Dec. 2024 Forecast - Strategy of China Business

Thoroughly invest in growth areas with top priority on sales recovery in mainland China. Build a solid position as a #1 brand to achieve sustainable growth

Business Environment:

- The decrease in the annual number of births in 2023 is within our expectation (9.02 million, -5.6% YoY)
- Total number of marriages at the end of September 2023 increased by +4.5% YoY (Ministry of Civil Affairs, China)
- Assumed that the impact of ALPS treated water will not be zero in 2024, but not as much as in 2023

Existing Areas:

- Aggressive investment in growth in Nursing bottles/nipples and Skincare
- Refresh growth strategy for Nursing bottles/nipples to reach 50% market share.
- In Skincare, strengthen product competitiveness

New areas, Monozukuri:

- Growth due to full production of natural weaning series and year-round sales effects
- Expansion of Age-Up products and strengthening of new product development to meet local needs

Strengthen Sales and Communication

- Intensified brand exposure and communication on Tiktok, Pinduoduo and Redbook
- Continue to strengthen marketing activities on existing EC platforms
- Strengthen branding and sales in regional cities, expand offline exclusive products

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18

Next is the China business.

As the number of births in mainland China continues to decline, we aim to achieve sustainable growth by strengthening manufacturing and increasing the unit price of products in existing areas, and by fostering age-appropriate products in new areas.

We believe that the impact of ALPS treated water was most significant in the fourth quarter of last year, and while we do not expect it to be zero in 2024, we do not expect it to be as significant as it was in 2023.

In existing areas, we will continue to aggressively expand sales of nursing bottles, nipples, and skin care products. We aim to achieve a 50% market share for nursing bottles as soon as possible.

As for new areas, the natural weaning series launched in June 2023 had limited production capacity, but from 2024 we will be able to produce the series at full capacity, which we expect will lead to significant growth. We also plan to expand our lineup of Age-Up related products.

We would like to strengthen our sales force and communication efforts by increasing our sales promotion on Redbook, along with Tiktok and Pinduoduo, which are experiencing remarkable growth.

As I mentioned earlier in the Group's consolidated earnings forecast for 2024, this year we will thoroughly invest in growth areas in order to recover our business in mainland China. The main use will be in e-commerce, which accounts for more than 70% of our sales, and we will utilize KOLs in new ways that we were unable to do last year. We will also further expand our video and other content to further increase the exposure of our brand online and achieve a recovery in sales and market share.

FY Dec. 2024 Forecast - Strategy of Singapore Business

Re-entering a growth trajectory by focusing on Nursing bottles/nipples, and skincare products as inventory levels normalize.

Business Environment:

- Inventory levels in major countries are expected to normalize by the end of Q1 2024
- External sales are expected to grow by double-digits YoY. Priority markets are Indonesia, India, Middle East, Malaysia, and Vietnam

Existing areas:

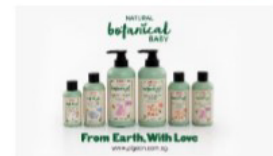
- Nursing bottles: Rebranding Wide-neck nursing bottles. Also utilizing Pigeon's official brand character, "Howapi" in some South-eastern Asia.
- Skincare: Growth due to expansion of Natural Botanical skincare product lineup and increased exposure on Social medias and in stores (e-commerce and offline)

New areas, manufacturing:

- Expansion of Age-up products and regionally limited products centered on Nursing bottles/nipples, and Skincare, etc.
- African market development. Started sales of Pigeon products in Kenya

Strengthen organizational and operational capabilities

- Assigning a person in charge of R&D (Managing officer) to strengthen and speed up Monozukuri initiatives in the region



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19

In the Singapore business, there is no change in the strategy set forth in the 8th MTP, and we will continue to promote sales of wide neck nursing bottle and nurture the skin care category. We expect to be able to grow both sell-in and sell-out at the same level.

As for new areas, we plan to introduce Age-Up products, such as the Natural Weaning Series sold in mainland China, in the key countries of our Singapore operations. We also plan to start selling Pigeon products in Kenya, a new market, during 2024.

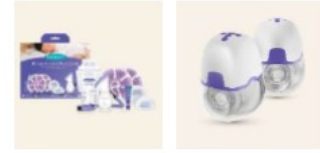
As for the organization of the Singapore business, the executive officer who has been in charge of the development headquarters based in Japan will be assigned to the Singapore business headquarters to strengthen product development in the area under the jurisdiction of the Singapore business.

FY Dec. 2024 Forecast - Strategy of Lansinoh Business

Continue to invest for stable growth in existing areas and brand expansion through product category expansion

Business Environment:

- In North America, despite intensifying competition due to the rise of low-priced brands, especially in EC, the market share of mainstay products remained unchanged at No. 1.
- European countries are not optimistic about the external environment, but there is significant room for growth in both existing and new areas.



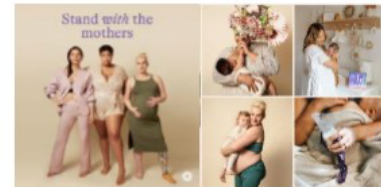
Existing Areas:

- Mainstay breastfeeding care category is expected to grow by high single-digit % YoY due to new product launches, etc.
- Accelerating growth in Nursing bottles/nipples, which have been growing in recent years, with increased investment in growth



New areas, Monozukuri:

- Accelerated growth in prenatal and postpartum care, including new products and market expansion
- Further new product launches in new categories (e.g., Pregnancy care)
- Building a more flexible and agile Monozukuri organization that responds to market changes



Strengthen Sales and Communication

- Reduce risk of dependence on major retailers by strengthening D2C. improve customer purchasing experience

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20

Lansinoh Business.

First, we will continue to maintain the No. 1 position for our mainstay products. As for the wearable breast pumps launched last year, we will launch additional new models with lower prices through the DME(Durable Medical Equipment) channel in 2024 to further increase our market share.

We expect continued growth in prenatal and postpartum care by adding even more new products. As for D2C(Direct-to-Consumer), the scale of sales itself is still small, but we intend to strengthen it where we can in order to reduce the risk of dependence on major retailers and to further improve our customers' purchasing experience.

FY Dec. 2024 Earnings Forecast - Highlight

Unit: Million JPY	Dec. 2023		Dec. 2024		
	Actual	% of Total	Forecast	% of Total	YoY Change
Net Sales	94,461	100.0%	101,000	100.0%	106.9%
Operating Income	10,726	11.4%	11,400	11.3%	106.3%
Ordinary Income	11,522	12.2%	11,400*	11.3%	98.9%
Net Income Attributable to Owners of Parent	7,423	7.9%	7,600	7.5%	102.4%
Net Assets	81,087	—	78,512	—	96.8%
Total Assets	100,440	—	99,816	—	99.4%
EPS (yen)	62.06	—	63.54	—	102.4%
BPS (yen)	648.73	—	626.37	—	96.6%
ROE **	9.6%	—	10.0%	—	—
ROIC **	9.3%	—	10.0%	—	—

*Subsidy income not included

**Denominators are averages of beginning and end of period

[Currency Rates]

2024 Forecast: US\$1 = JPY 135.00

CNY 1 = JPY 19.50

2023 Results: US\$1 = JPY 140.58

CNY 1 = JPY 19.83

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21

The forecast for the fiscal year ending December 31, 2024 is as explained earlier.

We aim to improve not only sales and profits, but also key indicators such as ROE and ROIC.

Shareholder Returns and Investment

Dividends	Dec. 2022		Dec. 2023		Dec. 2024	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Scheduled)	Interim (Forecast)	Year-end (Forecast)
Dividend per Share (yen)	38	38	38	38	38	38
Dividend payout ratio	106.1%		122.6%		119.8%	

Investment-related Indicators (Consolidated) Unit: Million JPY	Dec. 2022		Dec. 2023		Dec. 2024
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Full-year (Forecast)
Capex (*1)	2,814	7,259	3,775	6,320	3,950
Depreciation (*2)	2,381	4,947	2,518	5,080	4,600
R&D Expenses (*3)	1,802	3,792	2,000 (*4)	4,210 (*4)	4,600 (*4)

*1: Property, plant and equipment and intangible assets (including long-term prepaid expense)

*2: Depreciation (including amortization of goodwill)

*3: Total expenses of R&D activities, including personnel costs

*4: Monozukuri expense

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22

Regarding the year-end dividend, the Company plans to pay 38 yen per share, unchanged from the announcement at the beginning of the fiscal year.

As for next year's dividend, although it is a forecast at this time, we have set the interim and year-end dividend per share at 38 yen each, the same amount as in 2023.

This concludes the explanation.

Question and answer session

*Questions and answers are listed by business segment.

- Questions regarding the performance for the year ending December 31, 2023 and activities in the first year of the medium-term management plan

Whole

Q. Please tell us about the progress of "new areas," the theme of the 8th Mid-Term Business Plan.

A. "Exploring and cultivating new areas" is performing better than initially expected. The combined sales of prenatal and postpartum care led by the Lansinoh business, Age-Up products in China (kids skin care, natural weaning series of nursing bottles), and childcare appliances in Japan grew to over 3 billion yen in 2023 alone, and the company plans to further expand products in new areas in each business in 2024 and beyond.

Q. In light of the cash position and dividend payout ratio at the end of the current fiscal year, as well as the recent share price trends, have there been any internal discussions regarding capital policy and shareholder returns?

A. Such discussions are frequently held at Board of Directors meetings. For example, discussions are held on an ongoing basis regarding the methods and expected effects of measures to return profits other than dividends. In addition, the company is considering various measures for sustainable growth, both in existing and new areas, and will make effective use of cash and cash equivalents when implementing these measures.

Japan Business

Q. What factors contributed to the deterioration in the gross margin of Baby Care in Japan in the fourth quarter alone?

A. Deterioration in the product mix, mainly due to the impact of ALPS-treated water, which led to a significant drop in overseas demand (mainly for China), especially for the Momo-no-ha(peach leaves) series made in Japan, in the fourth quarter alone. Since this product is also highly profitable for the group, the large drop in demand for the Momo-no-ha(peach leaves) series led to a deterioration in gross profit margin.

China Business

Q. What exactly has been the impact of ALPS treated water in the fourth quarter alone? Also, has the market reaction regarding the treated water changed in the recent past?

A. The ALPS treated water had a particularly large impact on all product categories, including Japanese-made glass nursing bottles for younger babies and the popular Momo no ha (Peach leaves) baby skin care. In particular, sales of baby skin care products, including the popular Momo no ha(peach leaves) series of nursing bottles and glass nursing bottles made in Japan for younger babies, declined sharply.

There is nothing we can say as a market reaction to the most recent treated water, but from what we have heard from the field, we believe that the treated water impact bottomed out in the fourth quarter and may not be zero in 202, but will gradually become smaller.

Q. How much did sales of nursing bottles and nipples fall in the fourth quarter alone compared to the previous quarter?

A. In the fourth quarter alone, sales of nursing bottles and nipples were down 26% from the previous quarter.

Q. Has there been any change in the market share of nursing bottle and nipple products as a result of ALPS treated water?

A. Our market share of nursing bottle and nipple products for 2023 (our estimate) was over 41%. Although this is a slight decrease from the first half of the year, we recognize that we have maintained a market share of more than 40%. The reason for the decline in market share is the decrease in sales due to the impact of ALPS treated water.

Q. What factors contributed to the deterioration in gross margin in the fourth quarter alone?

A. In addition to a 40% yoy decline in non-consolidated sales in the fourth quarter, the decline in sales of nursing bottles and nipples and baby skin care, which account for a particularly high proportion of sales and have the highest profit margins, was particularly large, and gross profit margins also deteriorated.

Q. Is the inventory in circulation in mainland China adequate at the end of 2023?

A. As of the end of 2023, the distribution inventory in mainland China was close to an appropriate level. In the fourth quarter alone, the decline in sell-ins was larger than the decline in sell-outs, but this was due to the fact that we used our internal system to check the status of double-elevens on a daily basis and adjusted our shipments to control distribution inventory.

- Questions regarding the outlook for the year ending December 31, 2024 and the second year of the medium-term management plan and beyond

Whole

Q. Is there any change in the quantitative targets for the final year of the 8th medium-term plan (FY2025)?

A. Since the results for 2023, the first year of the medium-term management plan, fell short of the plan, the achievement of the quantitative target for 2025 is becoming more difficult. However, depending on the recovery of the China and Singapore businesses in 2024, there is a possibility that the initial target will be within reach in 2025, so the quantitative target for the final year remains unchanged at this time.

Q. I would like to know with certainty about your dividend plan for 2024.

A. If business performance grows as planned we believe it will be possible to maintain the dividend at the same level as the previous year in 2024. Of course, if large investment projects arise and the demand for business investment increases, the dividend may fluctuate.

Japan Business

Q. Please tell us about your growth story for 2024.

A. The challenge for the Japan business in this medium-term business plan is to improve profitability, but we have already achieved the 25-year plan ahead of schedule, with operating income of 2 billion yen for the full year of 2011. In 2012, we will continue to invest in growth in areas such as manufacturing enhancement and marketing.

China Business

Q. Is there any change in the company's assumption of the number of births in mainland China in 2024?

A. We have assumed that the number of births in mainland China will decrease by 5% annually to 8.5 million in 2025 during the period of this medium-term business plan. We believe that there is no problem in maintaining the original assumption. In 2023, the number of marriages exceeded the previous year's level, and the year of the dragon in 2024 is an auspicious Chinese zodiac sign, so there is some hope that the number of births will bottom out, but all of these are temporary, so we will continue our business activities on the assumption that the downward trend in births will continue.

Q. Please tell us about your growth story for 2024.

A. In 2024, we will place the highest priority on sales recovery, concentrating on efforts to achieve a 50% market share for nursing bottle and on recovering sales of skincare products. In mainland China, we plan to increase sales by 14% yoy (in local currency), with plans to increase sales of our mainstay nursing bottle and nipple products by 15% and skin care products by more than 10%.

To achieve this, we will increase SG&A expenses by about 2 billion yen from last year to strengthen brand exposure, marketing, and communication content, focusing on EC channels (existing major EC and SNS such as Tiktok and Redbook). We will increase our investment in 2024 to ensure a recovery in business performance.

In the inland areas, where our customer coverage is still limited, we will further expand by strengthening our efforts with Pinduoduo, an e-commerce platform that is strong in the inland areas, in addition to reinforcing sales at offline stores that we have been developing.

Singapore Business

Q. Please tell us about your growth story for 2024.

A. In the Singapore business, rather than fostering new areas, our first priority is to strengthen the existing areas of nursing bottles, nipples, and skin care. In 2024, we will rebrand wide neck nursing bottle to increase brand value and boost sales. Although skincare products still account for only a small percentage of total sales, we will further strengthen this category in 2024 by launching new products in the Natural Botanical series.

Q. What are you doing to accelerate business growth in Southeast Asian countries as well as in India?

A. Although India (with approximately 25 million births per year) is the largest in terms of births, each market in India and other major countries in Southeast Asia has different levels of maturity, and we believe that a certain amount of time is needed for business growth. Even under such circumstances, we are aggressively pursuing structural reforms. For example, in 2024, we will consolidate two of our offices in India into one location to improve efficiency. In addition, in order to overcome the lack of product development that will make our entire business a hit, we will assign the executive officer who has been in charge of the development division in Japan to this business segment to strengthen and speed up product planning and development.

Lansinoh Business

Q. Please tell us about your growth story for 2024.

A. Lansinoh has been able to increase sales every year even in the Covid-19 disaster, where the business environment has changed dramatically. In 2024, Lansinoh plans to continue to launch many new products in the pregnancy, postpartum, and women's care categories, and to grow its business while transforming itself from a "breastfeeding" brand to one that supports a wider range of mothers' health.

Q. Please tell us about the future development of D2C.

A. The D2C (Direct to Customer) sales model is being launched first in the European region. We believe that by selling directly to customers, we can build closer, long-term relationships with them. Sales in Germany and the UK have already grown by double digits yoy and are expected to continue growing in the future. On the other hand, in North America, we feel that the hurdle to D2C expansion is higher than in Europe due to the size of the country, but we intend to start small-scale efforts in 2024 to build a sales structure that will further satisfy North American customers with the Lansinoh brand and make the brand even stronger.

[END]