

Summary of the Financial Results Conference Call for Q1 FY Dec. 2024

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] Tuesday, May 14, 2024 18:00 – 19:00 JST

[Speakers] 3

Seiji Kaneda	Senior Manager, Business Strategy Department
Yasuo Kanatsuka	Manager, Business Strategy Department
Sho Hiratsuka	Associate Manager, Business Strategy Department

FY 2024 Q1 Results - Consolidated P&L (YTD 3 months)

Net sales and gross profit slightly increased YoY due to the impact of FX rates.
Operating income decreased due to higher personnel expenses and aggressive use of sales & marketing expenses in mainland China and Lansinoh business.

Unit: Million JPY	Q1 / Dec. 2023 YTD		Q1 / Dec. 2024 YTD		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	23,613	—	23,749	—	<u>100.6%</u>
Cost of Sales	12,122	51.3%	12,110	51.0%	99.9%
Gross Profit	11,490	48.7%	11,639	49.0%	<u>101.3%</u>
SG&A Expenses	8,086	34.2%	8,941	37.6%	110.6%
Operating Income	3,404	14.4%	2,697	11.4%	79.2%
Ordinary Income	3,791	16.1%	2,963	12.5%	78.2%
Net Income Attributable to Owners of Parent	2,438	10.3%	1,906	8.0%	78.2%

[Currency Rates] 2024 Q1 Results: US\$1 = JPY 148.43 CNY 1 = JPY 20.65
2023 Q1 Results: US\$1 = JPY 132.39 CNY 1 = JPY 19.33

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Hiratsuka: The Q1 consolidated results ended with increased sales but decreased profits. Sales were JPY23.749 billion, up 0.6% YoY. Gross profit was JPY11.639 billion, up 1.3% YoY.

Operating income, affected by increased labor costs and aggressive promotional expenses in Mainland China and the Lansinoh business, was JPY2.697 billion, a decrease of 20.8% YoY.

Along with the decrease in operating income, ordinary income and quarterly net income also concluded below the previous year's figures.

FY 2024 Q1 Results - By Business Segment (YTD 3 months)

Lansinoh business increased sales and income. China business showed steady recovery from the Q4 of 2023.

Unit: Million JPY	Q1 / Dec. 2023 YTD Results				Q1 / Dec. 2024 YTD Results				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	23,613	—	48.7%	3,404	23,749	—	100.6%	49.0%	2,697
Japan Business	8,873	37.6%	33.9%	439	8,734	36.8%	98.4%	33.0%	523
China Business	8,600	36.4%	54.1%	2,669	8,356	35.2%	97.2%	<u>55.8%</u>	2,324
Singapore Business	3,491	14.8%	38.9%	606	3,115	13.1%	89.2%	<u>39.8%</u>	353
Lansinoh Business	4,538	19.2%	52.8%	347	5,068	21.3%	<u>111.7%</u>	<u>57.8%</u>	<u>432</u>
Elimination of inter-segment transactions	▲1,890	(8.0%)	—	—	▲1,525	(6.4%)	—	—	—

[Reference] Breakdown of Japan Business

Unit: Million JPY	Q1 / Dec. 2023 YTD Results				Q1 / Dec. 2024 YTD Results				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby Care	6,176	—	39.8%	579	6,287	—	<u>101.8%</u>	37.8%	550
Childcare Services	895	—	15.9%	56	880	—	98.3%	11.2%	13
Health & Elder Care	1,146	—	28.8%	60	1,174	—	<u>102.4%</u>	<u>31.0%</u>	93

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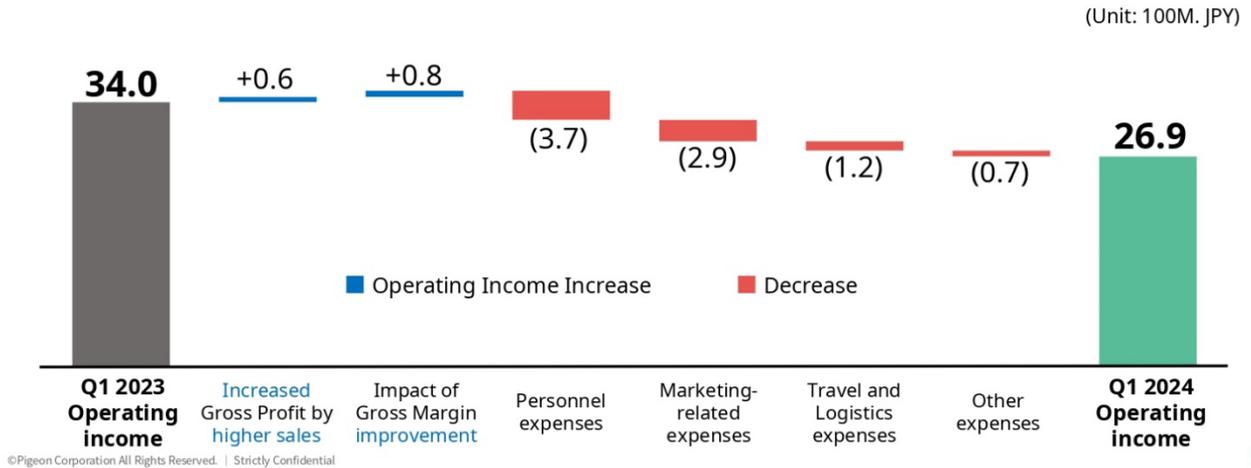
Profit and loss by business segment.

In Q1, the Lansinoh business ended with increased sales and profits compared to Q1 of last year. The China business experienced reduced sales but increased profits, showing a steady recovery from the rapid deceleration seen in the Q4 of last year. The Japan business also saw reduced sales but increased profits. The Singapore business ended with both decreased sales and profits.

Further breaking down the Japan business, the baby care segment showed increased sales but decreased profits, while the health & elder care segment reported increased sales and profits.

FY 2024 Q1 Results - Change in Operating Income (YoY)

Gross profit increased by 140 million yen YoY due to increased revenue and improved gross margin.
 SG&A expenses increased by 850 million yen YoY (about half the effect of FX rates). The increase in SG&A expenses was due to higher personnel expenses and aggressive sales & marketing spend.
 Operating income decreased by 710 million yen YoY.



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The change in consolidated operating income for Q1.

Thanks to increased sales and an improvement in gross profit margin, gross profit increased by JPY140 million YoY. However, selling, general, and administrative expenses saw an increase of JPY850 million due to the impact of foreign exchange rates. With increases in labor costs and aggressive marketing expenditures in the China and Lansinoh businesses, operating income was JPY2.69 billion, a decrease of JPY710 million YoY.

FY 2024 Q1 Results - Review by Business Segment

Strategy for 2024: Continue to improve profitability through new value creation by leveraging our strengths and uniqueness

Japan business

Baby care business performed well in existing and new areas, but overall sales in Japan business declined due to weak overseas demand.

- While Baby Care sales increased 2% YoY, overseas demand such as exports and cross-border EC was weak due to the impact of ALPS treated water.
- Sales of nursing bottles/nipples increased from the previous year. New product “My Bonyu-Jikkan” bottle launched last year performed well, including capturing demand for gift items.
- New product “Moisture mist milky lotion” was launched in February. Strengthened product exposure by developing attractive in-store displays at major offline channels.
- Sales of the electric nasal aspirator “SHUPOT” were strong. The “Baby care appliances” is growing as a new area of business in Japan.
- Gross margin for Baby Care decreased by 2.0 pt. YoY mainly due to higher COGS affected by yen depreciation.
- Health & Elder Care business launched a new product, “Medicated Oral Care Gel Plus” in February.
- Inbound demand is sluggish despite an upward trend in the number of foreign visitors to Japan.



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Review by business segment.

Starting with the Japan business. Although there was strong performance in both existing and new areas of the baby care segment, overall sales for the Japan business decreased due to sluggish overseas demand.

In baby care, sales ended up 2% higher YoY. However, due to the effects of ALPS-treated water, exports and overseas demand, including cross-border e-commerce, were subdued. Core products like nursing bottles and nipples have seen sales growth. Last year’s new product, “My Bonyu-Jikkan” has performed well, capturing gift market demand.

Another new product, the “Moisture mist milky lotion”, launched in February, is being heavily promoted in offline retail spaces, enhancing its visibility. Sales of the electric nasal aspirator, “SHUPOT” is also doing well. In the Japan business, the baby care appliances category is being expanded as a new area of focus.

The gross profit margin for baby care has worsened by 2.0 percentage points from the previous period due to the effects of a weaker yen leading to higher costs. In health & elder care, a new product, “Medicated Oral Care Gel Plus” has been on the market since February.

Regarding inbound tourism in Japan, although the number of foreign visitors is on an increasing trend, inbound demand for our company has remained sluggish.

FY 2024 Q1 Results - Review by Business Segment

Strategy for 2024: 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.

China business

Despite lower sales and profits YoY, mainland sales steadily recovered from the sharp decline in Q4 of previous year due to the impact of ALPS treated water.

- Mainland China sales* (CNY) ended -10% YoY, but in line with internal plans.
- Sales of baby skincare struggled due to ongoing impact of ALPS treated water, but sales of nursing bottles/nipples increased by 0.4% YoY. Market share of bottles/nipples recovered to the level before the release of ALPS treated water.
- New product launched in Q1, "kids sports straw bottle 500ml".
- Various marketing activities resumed sequentially from Q1. Steady increase in GMV through enhanced brand exposure and communication mainly on digital platforms.
- Gross margin (JPY) of China business improved by 1.7 pt. YoY due to an increase in the sales composition of high-margin nursing bottles/nipples.
- Sell-out -3% YoY, EC +5%, Offline -19%. Tiktok and PDD continue to grow. EC ratio is 73%.

*Sales: Sell-in in local currency



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The China business saw a decrease in sales and profits YoY, but Mainland China has shown steady recovery from the sharp decline caused by the impact of ALPS-treated water in the previous Q4.

First, sales of Mainland China ended at a 10% decrease YoY, which is almost in line with our internal forecast.

Amidst some lingering effects from ALPS-treated water, baby skincare continued to struggle, yet sales from nursing bottles and nipples grew by 0.4% YoY. Market share is recovering towards levels before the release of ALPS-treated water. Additionally, a new product has been launched: a 500ml sports straw mug for kids.

Marketing activities, which were considerably restricted in the previous Q4, have gradually resumed from this Q1. Brand exposure and communication have been strengthened mainly online, and GMV is steadily increasing.

Also, the gross profit margin in the China business improved by 1.7 percentage points YoY due to a higher sales composition of the nursing bottles and nipples that are most profitable for us.

Regarding sell-out, Q1 ended with a 3% decrease YoY. Breaking it down, e-commerce grew by 5% YoY, while offline decreased by 19%. Growth continues in new channels such as TikTok and Pinduoduo. The e-commerce ratio for Q1 was 73%.

FY 2024 Q1 Results - Review by Business Segment

Strategy for 2024: With normalization of inventory levels, focus on bottles/nipples and skincare to get back on track for growth.

Singapore business

Sales and income down due to ongoing shipment adjustments from the previous year, but distribution inventory normalization in major countries is almost complete.

- Sales* in India +7% YoY, Malaysia +22%, Indonesia -32%, Middle East -49%.
- Sellout grew YoY in India, South Africa and Thailand driven by nursing bottles/nipples.
- Distribution inventory normalization in major markets is almost complete. Some markets done by the end of 1H.
- Continued to strengthen sales of core products (bottles/nipples and Skincare). Pigeon's nursing bottles and breastfeeding products won "Platinum" prize in the Supermom Brand Awards 2024. Natural Botanical Baby skincare won "Product of the Year" in Singapore.
- Gross margin (JPY) of Singapore business improved by 0.9 pt. YoY, partly due to sales increase of factories and the effect of FX rates.

*Sales: Sell-in in local currency



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The Singapore business experienced decreased sales and profits due to ongoing shipment adjustments from the previous year, but the normalization of inventory levels in major countries is nearly complete.

In terms of sales, the Singapore business saw a 7% increase in India, 22% increase in Malaysia, a 32% decrease in Indonesia, and a 49% decrease in the Middle East. Sell-out improved in India, South Africa, and Thailand YoY, contributed by growth in nursing bottles and nipples.

The normalization of distribution inventory in key markets is almost complete, with some markets expected to complete within 1H.

Focusing on core products in the Singapore business, efforts continue to strengthen sales of nursing bottles, nipples, and baby skincare. In this Q1, Pigeon's nursing bottles and breastfeeding products were awarded the "Platinum" at the Supermom Brand Awards 2024. Additionally, the Natural Botanical Baby skincare line, a focus of the Singapore business, won "Product of the Year" in Singapore, significantly expanding product and brand recognition.

Lastly, the gross profit margin for the Singapore business improved by 0.9 percentage points YoY, aided by increased factory sales and foreign exchange impacts. This concludes the update on the Singapore business.

FY 2024 Q1 Results - Review by Business Segment

Strategy for 2024: Stable growth in existing areas and expansion of product categories. Continued investment in growth for brand expansion

Lansinoh Business

Sales and income increased due to the effect of FX rates and lower marine transportation costs.

- Lansinoh Group sales* (USD) were -0.4% YoY. Although sales in North America declined 0.7% due to a reactionary decline from special demand seen in previous year, sales in Europe (Germany, UK, and France) grew mainly in nipple creams and postpartum & recovery care.
- New hands-free breast pump "Discreet Duo" launched in February (mainly for the DME channel)
- Sales of postpartum & recovery care products were strong in North America as well as in the European market.
- Gross margin (JPY) of Lansinoh business improved by 5.0 pt. YoY due to an improved product mix and lower ocean freight costs (COGS factor), but U.S. domestic sales distribution costs (SG&A factor) remained high.

*Sales: Sell-in in local currency



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While there was a decrease in North America due to the rebound from exceptional demand last year, Europe showed growth. Benefiting from the weaker yen and reduced overseas transportation costs, the business achieved increased sales and profits.

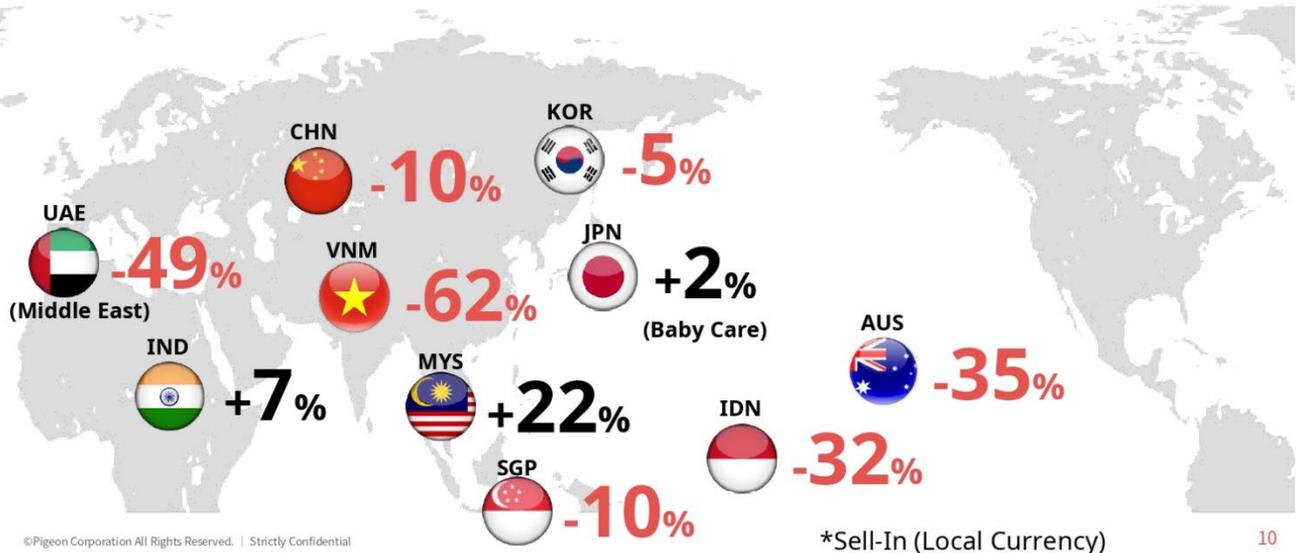
Lansinoh Group's sales decreased slightly by 0.4% YoY. In North America, sales fell by 0.7% due to the rebound from last year's exceptional demand, but in Europe, specifically in Germany, the UK, and France, sales grew, driven by nipple cream and postpartum & recovery care products.

As for new products in the Lansinoh business, new model of the hands-free breast pump, "Discreet Duo" launched through the DME channel since February. Additionally, postpartum & recovery care products, already performing well in North America, are also doing well in the European market.

The gross profit margin for the Lansinoh business improved by 5.0 percentage points YoY due to a better product mix and reduced maritime transportation costs, which are included in the cost of goods sold. However, domestic sales logistics costs within the US continue to remain high.

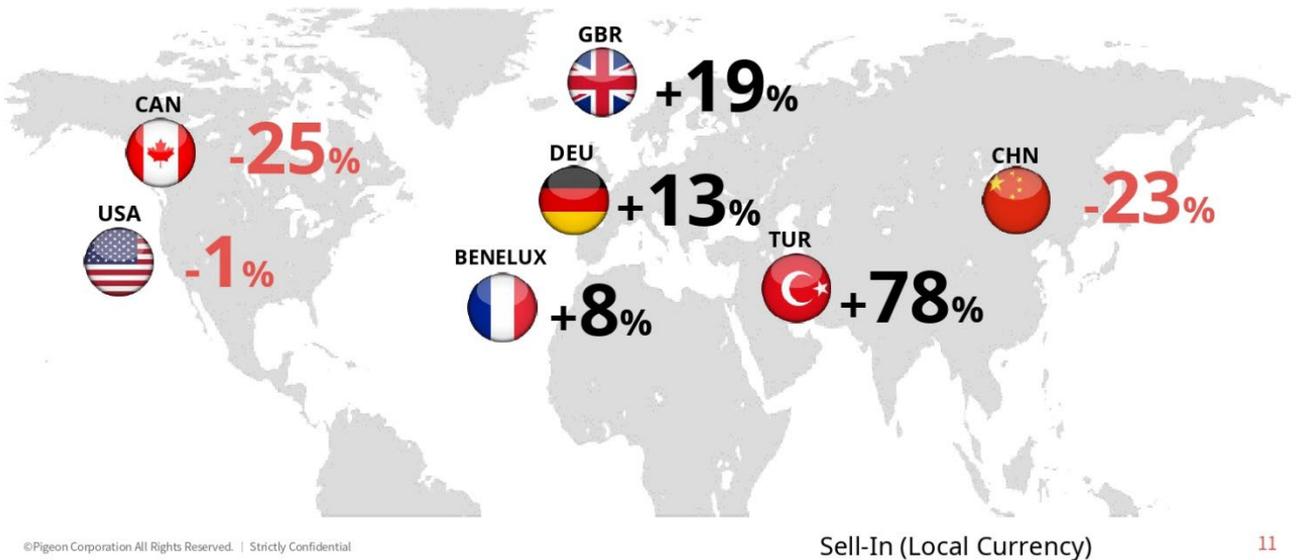
This is summary by the business segment.

FY 2024 Q1 Results - Pigeon Sales* by Region (YoY)



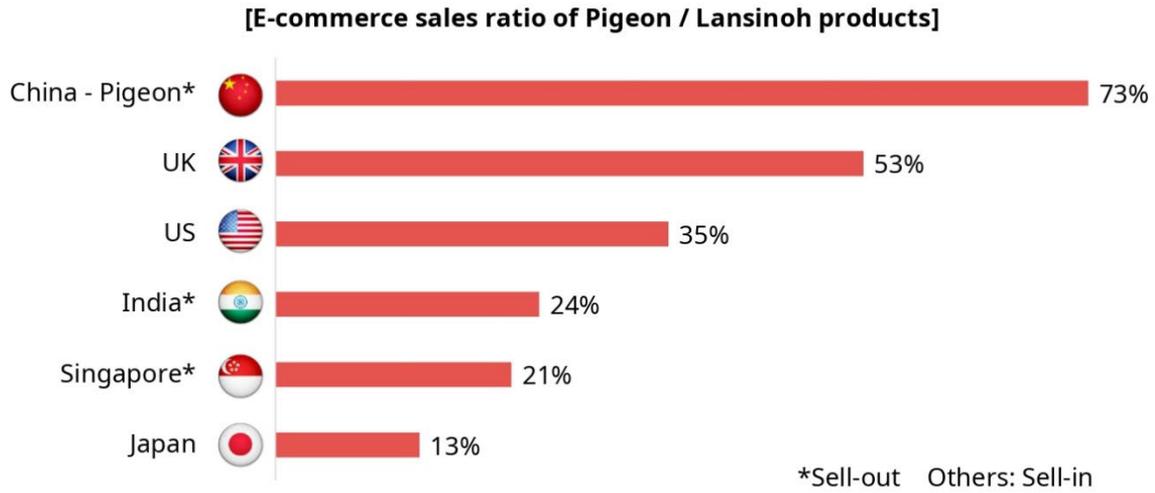
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FY 2024 Q1 Results - Lansinoh Sales* by Region (YoY)



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FY 2024 Q1 Results - EC Sales Ratio in Key Markets



Pages 10 to 12 provide the Q1 sales in local currencies for both Pigeon and Lansinoh brands across major markets, as well as the e-commerce ratios for key markets.

Reference: Extraordinary gains and losses in Q1 results

Due to a subsidy from the local government related to the completion of a new plant of Pigeon Home Products Co, Q1 consolidated PL posted subsidy income of 648 million yen as extraordinary income and loss on reduction of fixed assets of 648 million yen related to this subsidy income as extraordinary loss.

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Operating Income	3,404	14.4%	2,697	11.4%	79.2%
Ordinary Income	3,791	16.1%	2,963	12.5%	78.2%
Extraordinary Income	21	—	680	2.9%	3,144.6%
Extraordinary Loss	25	—	676	2.8%	2,668.6%
Net Income Attributable to Owners of Parent	2,438	10.3%	1,906	8.0%	78.2%

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At last, extraordinary income and losses for Q1 for your reference.

In Q1, we recorded JPY648 million in extraordinary income due to grants received from local governments related to the completion of the new Pigeon Home Products factory. Concurrently, we also recorded an extraordinary loss of JPY648 million due to fixed asset impairment directly associated with this grant income.

This concludes our overview of the Q1 results. Thank you.

Questions and Answers

*Questions and answers are listed by business category.

Group Consolidated

Q. How much was the impact of FX rates on consolidated results in the Q1?

A. In Q1, the exchange rate had a positive impact of approximately 1.1 billion yen on consolidated net sales, over 600 million yen on gross profit, and over 200 million yen on ordinary income compared to the previous year.

Q. How was the sales and profits by consolidated and by business against internal plans?

A. Including the positive impact of FX rates, consolidated net sales and gross profit were slightly higher than planned. SG&A expenses were lower than planned in Q1, mainly because some sales promotion expenses in China were carried over to the Q2. Operating income was ahead of plan due to higher gross profit and the carry-over of some SG&A expenses.

Although we estimated some more yen depreciation when budgeting, the current weaker-than-expected yen has had a slightly larger impact on COGS and procurement cost increases than planned.

By business segment, no business deviated significantly from the internal plan in terms of both sales and profit. In Japan, sales fell short of plan due to weak exports of “Momo-no-ha Lotion” and other products, which are popular especially in China, but profits were almost in line with plan. In China, sales were almost in line with the plan, including the positive impact of foreign exchange rates, and profits were slightly above the plan due to carried over sales promotion expenses (about a low single digit hundred million yen). In the Singapore business, both sales and operating profit exceeded the plan, mainly due to better-than-planned shipments from the factory to other businesses. In the Lansinoh business, both sales and profit exceeded the plan due to the strong sales of breast pumps and other products as well as the positive impact of FX rates.

Japan Business

Q. Baby care sales in Q1 increased by 1.8% YoY, is this sustainable?

A. As for the Japan business, export sales (especially of skincare products) declined due to the impact of ALPS treated water, but we recognize that domestic demand for baby care products in Japan has not declined. While the sales increase in Q1 was due in part to price revisions, we positively evaluate the fact that sales volume did not decrease significantly even amid two price revisions last year. Although it will be difficult to achieve significant growth in the Japanese domestic market, we hope to

continue to achieve YoY sales increase sales in Q2 and beyond by strengthening sales activities and focusing on new products such as nursing bottles and skincare products, as well as baby care appliances which is new area for Japan.

China Business

Q. 2024 is the Year of the Dragon. Do you expect the number of births will increase?

A. We have heard from China business that they found some local news of an increase in the number of births in a few local areas but we actually don't feel the sharp increase of number of births so far.

Q. Do you still see the impact of ALPS treated water in this Q1?

A. While Q1 results were affected mainly by skincare and cross-border e-commerce, we have heard that local media coverage of ALPS treated water has decreased considerably. Q2 and beyond will be a key point for recovery, depending on how much resistance to treated water remains in consumers' minds.

Q. Have you seen any effects from the strengthening of marketing activities from the Q1? Also, what kind of activities will you carry out from Q2 onward?

A. In the Q4 of the previous year, most of our marketing activities including KOL were severely restricted due to the impact of the ALPS treated water report. And that made our market share of nursing bottles temporarily fell below 40%. In this Q1, marketing activities were no longer restricted and KOL activities have resumed. Q1 sales promotion expenditures were approximately 1.5 times larger than in the previous year, and measures such as strengthening brand exposure were implemented, especially for nursing bottles and nipples. As a result, our market share for nursing bottles has recovered to over 40%. We will continue to invest in sales channels and social medias to accelerate the speed of sales recovery in mainland China, including the carry-over of sales promotion expenses from Q1.

Singapore Business

Q. Which regions were unable to complete the adjustment of distribution inventories in Q1?

A. Indonesia and Middle East. Indonesia was scheduled to be completed in Q1, but it is expected to be completed by the end of Q2 with a slight delay. In the Middle East, we had originally planned to

complete inventory adjustment during the 1H, but with current sellouts weakening slightly, inventory adjustment may be delayed to the 2H.

Lansinoh Business

Q. How do you see growth opportunities for the Lansinoh brand in the Chinese market?

A. Lansinoh's main products include consumables such as nursing pads and breastmilk storage bags. And the consumables category is facing fierce price competition in the Chinese market. Therefore, we are strengthening our sales activities while devising various ways to achieve growth centered on nipple creams and breast pumps, where we can add value as Lansinoh.

Q. Can we expect profitability improvement in the Lansinoh business not only in Q1 but for the full year?

A. Marine transportation costs are included in COGS and there was a downward trend from Q1 to 4Q last year, so we expect the effect of cost reductions to diminish each quarter this year.

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