

Summary of the Financial Results Briefing for the First Half, FY Dec. 2024

Note: This "Briefing Summary" is a summary of the presentations and QAs at the results briefing. Forward-looking statements in this document are based on management's assumptions and beliefs in light of the information currently available to Pigeon group, and are subject to known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those contained in the forward-looking statements. English version and the Japanese version of the summaries, the Japanese-language version shall prevail.

[Date & Time] Wednesday, August 14, 2024 16:00 - 17:00 JST

[Location] Webcast

[Speakers] 4

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

Suspected Improper Transactions by Former Employees of a Group Subsidiary

1. Background and Results of Investigation

In early July of this year, we discovered an incident at our sales subsidiary in China in which a former employee placed and paid for orders for fixed assets and goods that were suspected of being improper transactions, including fictitious orders and resale (hereinafter referred to as the "Allegation"). The Company has been conducting an investigation lead by outside experts. As a result of the investigation, no parties other than the employee in question were found to be involved, and it was determined that the alleged fraud was committed solely by an individual, and the calculation of the impact of the alleged fraud has been completed.

The impact of the Allegations is as follows, and each amount has been booked in the second quarter of the current fiscal year.

- Loss on retirement of fixed assets: 392 million JPY
- Tax impact: 164 million JPY

There is no change in the consolidated earnings forecast and dividend forecast for the FY2024 full-year. We also confirmed that there is no need to retroactively revise the financial statements, as the impact on the financial results of past fiscal years is negligible.

2. Future Actions

We will further analyze the cause of the Allegation and take appropriate recurrence prevention measures.

Kitazawa: Thank you for joining our financial results briefing today. We apologize for the postponement of the earnings announcement. First of all, we would like to explain the reason for the delay in the announcement of financial results: "Suspected improper transactions by former employees of a group subsidiary.

In early July of this year, we discovered an incident at our subsidiary in China in which a former employee placed and paid for orders for fixed assets and goods, etc., in the course of which we suspected improper transactions such as fictitious orders and resales, and have been conducting an investigation involving outside experts.

As a result of the investigation, no one other than the employee in question was found to be involved, and it was determined that the alleged fraud was committed by an individual and that the amount affected by the alleged fraud has been calculated. The impact of the allegation is 392 million yen in loss on retirement of fixed assets and 164 million yen in tax impact, and each amount has been recorded in the second quarter financial results. There is no change in the consolidated earnings forecast and dividend forecast for the current fiscal year based on this matter from the annual forecast. We have also confirmed that the impact on the financial results of prior periods is negligible and that there is no need to retroactively revise the financial statements.

As for future actions, we will analyze the cause of this doubtful matter and take appropriate measures to prevent recurrence.

FY2024 Q2 - Business Highlights (1)

China: 618 saw growth in both UV and GMV. Growth investments were successful.

618 Brand Ranking

#1 in multiple platforms

JD (Bottle and Skincare combined) **Tmall** (Bottles)
Tmall Super (Baby products) **TikTok** (Bottles)

UV +12%

GMV +15%

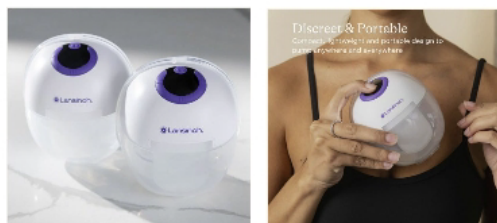


*Edited by Pigeon based on rankings published by various companies.
 ©Pigeon Corporation All Rights Reserved. | Strictly Confidential

Lansinoh: "Discreet Duo" the new wearable breast pump had a great start!

Sales for the first half of 2024

More than **3** times than plan



- Sales of the new wearable breast pumps launched for the DME* channel in the U.S. in 2024 are strong.
- With strong sales, we are looking for another sales opportunity through retail channels in the U.S. and in Europe.

*A portion or all of the cost of the purchase of Durable Medical Equipment is covered by the programs assisted by health insurance providers

5

And now, we would like to explain the first half financial results. First, highlights of the first half results.

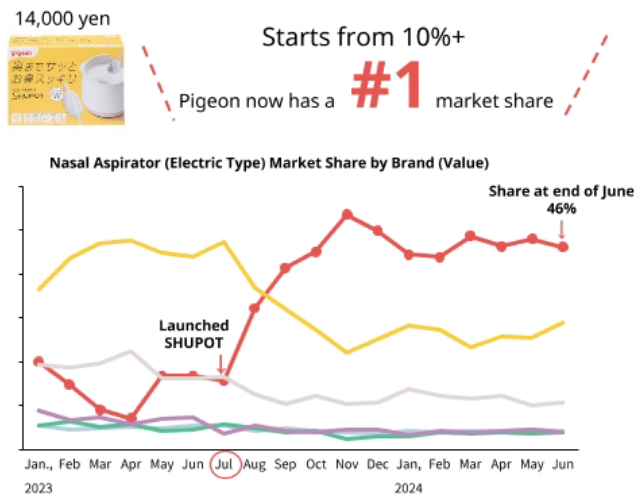
At the "618" e-commerce event in China, Pigeon again ranked No. 1 in the brand rankings of major e-commerce platforms: No. 1 in nursing bottle/skin care on JD, nursing bottle on T-mall, all baby products on T-mall Super Market, and nursing bottle category on TikTok. UV (Unique Visitors) and GMV (Gross Merchandise Volume) grew by 12% and 15%, respectively, compared to the same period last year.

In China this fiscal year, we have been thoroughly investing in growth areas to recover sales. In particular, one of our priority activities has been to strengthen brand exposure and increase UV numbers, and we can say that the growth investments have been effective to some extent.

In the Lansinoh business, we have launched a new model of wearable breast pump, which is currently selling very well, mainly through the DME channel in the US. We plan to expand sales to regions outside the U.S. in the future.

FY2024 Q2 - Business Highlights (2)

Japan: Electric nasal aspirator has over 40% market share in 12 months on the market.



*From our own research (Intage POS National BS and DRG combined expanded estimates)
©Pigeon Corporation All Rights Reserved. | Strictly Confidential

Malaysia: First in the Group to establish a cooperative system with dentists.



- Conducted dental checkups, which are not mandatory in Malaysia, in cooperation with dental clinics. Raising awareness of the importance of babies' oral care.
- Leveraging brand and product strength, expand activities such as collaboration with oral academy and top university dental schools in Malaysia.
- Currently, more than 200 dental clinics sell Pigeon oral care products and it is now third biggest category followed by Bottles and Skincare.

In Japan, we launched several products in the new category of "babycare appliances" last year, among which "SHUPOT," an electric nasal aspirator, rapidly gained market share in the first 12 months after its launch, finally reaching a share of over 40%.

In Malaysia, we are the first group to start selling our baby oral care products at dental clinics in an attempt to spread the custom of oral care for babies throughout the country. With 200 dental clinics already selling our baby oral care products, this category has grown to become the third largest category in Malaysia after nursing bottles, nipples, and skin care products.

FY2024 Q2 Results - Consolidated P&L (YTD 6 months)

Sales in the first half increased 6.9% YoY due to the favorable impact of FX rates. Income decreased due to aggressive growth investment for sales recovery in mainland China, while gross profit increased driven by higher sales.

Unit: Million JPY	Q2 / Dec. 2023 YTD		Q2 / Dec. 2024 YTD		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	48,002	100.0%	51,313	100.0%	106.9%
Cost of Sales	24,700	51.5%	26,291	51.2%	106.4%
Gross Profit	23,301	48.5%	25,021	48.8%	107.4%
SG&A Expenses	16,789	35.0%	19,198	37.4%	114.3%
Operating Income	6,511	13.6%	5,822	11.3%	89.4%
Ordinary Income	7,117	14.8%	6,431	12.5%	90.4%
Net Income Attributable to Owners of Parent	4,566	9.5%	3,574	7.0%	78.3%

[Currency Rates] 2024 Q2 Results: US\$1 = JPY 152.14 CNY 1 = JPY 21.08
2023 Q2 Results: US\$1 = JPY 134.95 CNY 1 = JPY 19.46

©Pigeon Corporation All Rights Reserved. | Strictly Confidential

7

Here are the group results for the first half of the year (1H). Net sales were 51.3 billion yen, up +6.9% from the same period last year. Operating income was 5.8 billion yen, -10.6% YoY, but above the internal plan and in line with expectations.

FY2024 Q2 Results - By Business Segment (YTD 6 months)

Japan business lower sales and profit but Baby care sales were strong. China business higher sales and lower income partly due to aggressive investment for growth. Singapore and Lansinoh business achieved higher revenues and profits.

Unit: Million JPY	Q2 / Dec. 2023 YTD				Q2 / Dec. 2024 YTD				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	48,002	100.0%	48.5%	6,511	51,313	100.0%	106.9%	48.8%	5,822
Japan Business	18,408	38.3%	34.4%	1,182	18,002	35.1%	97.8%	33.0%	1,040
China Business	18,061	37.6%	54.2%	5,497	19,629	38.3%	108.7%	55.2%	5,149
Singapore Business	6,607	13.8%	38.5%	840	7,094	13.8%	107.4%	40.7%	954
Lansinoh Business	8,728	18.2%	52.2%	345	10,092	19.7%	115.6%	54.4%	462
Elimination of inter-segment transactions	(3,803)	(7.9%)	—	—	(3,505)	(6.8%)	—	—	—

▼[Reference] Breakdown of Japan Business

Unit: Million JPY	Q2 / Dec. 2023 YTD				Q2 / Dec. 2024 YTD				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby Care	12,937	—	39.8%	1,342	13,093	—	101.2%	36.8%	1,008
Childcare Services	1,741	—	16.8%	122	1,727	—	99.2%	15.0%	87
Health & Elder Care	2,394	—	31.1%	202	2,248	—	93.9%	33.7%	219

©Pigeon Corporation All Rights Reserved. | Strictly Confidential

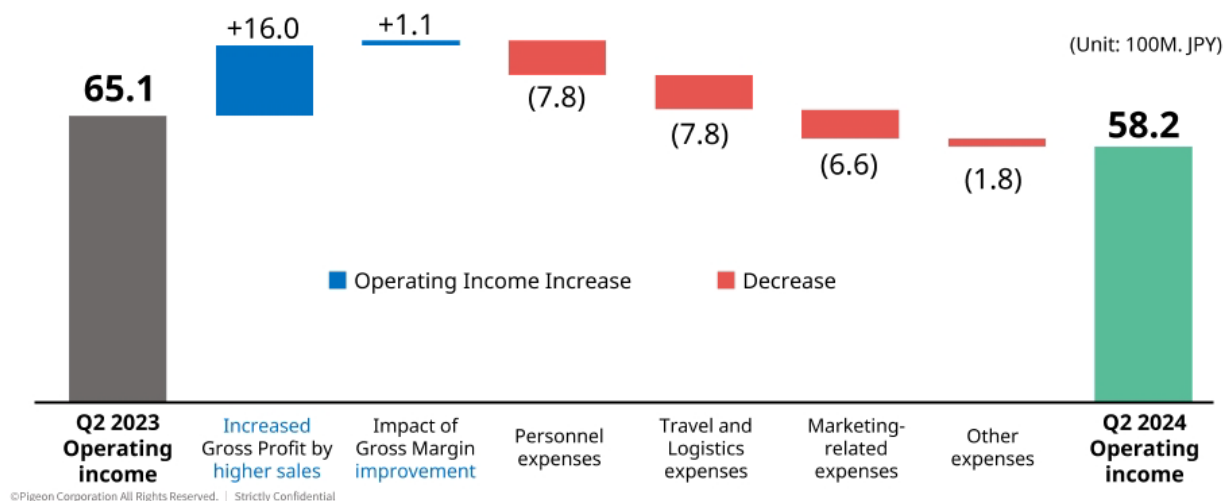
8

Profit and loss by business segment.

By business segment, the China business, Singapore business, and Lansinoh business each ended the period with sales exceeding the previous year's level. Sales in the Japan business ended at -2.2% YoY, but in the mainstay baby care business, sales grew 1.2% YoY, despite the continuing trend of declining birthrates.

FY2024 Q2 Results - Change in Operating Income (YoY)

While gross profit increased due to higher revenues, operating income decreased by 680 million yen YoY mainly due to aggressive investment to recover sales and market share in mainland China.



Next is the factors behind the YoY increase or decrease in consolidated operating income.

Factors contributing to the increase in consolidated operating income included an increase in gross profit of +1.6 billion yen from the previous year due to increased revenue, and an increase in gross profit of +110 million yen from improved gross margin. On the other hand, among SG&A expenses, personnel expenses, travel/transportation and logistics expenses, and marketing-related expenses increased from the previous year, which pushed down operating income.

FY2024 Q2 - Consolidated Balance Sheet (Highlight)

Inventories actually decreased from the end of the previous fiscal year due to company-wide efforts. (The increase was due to the effect of FX rates)

Unit: Million JPY	End of FY Dec. 2023	Q2 / FY Dec. 2024			
	Actual	Actual	YoY Change (Amount)	YoY Change (%)	YoY Change (Amount) w/o impacts of FX rates
Cash and Deposits	34,357	35,335	+977	102.8%	(1,448)
Notes and Accounts Receivable - Trade	14,412	21,346	+6,934	148.1%	+5,183
Inventories	13,535	14,457	+921	106.8%	(251)
Notes and Accounts Payable - Trade	3,643	5,463	+1,820	150.0%	+1,546
Electronically Recorded Obligations - Operating	1,365	602	(763)	44.1%	(763)
Borrowings	76	—	(76)	—	—
Net Assets	81,087	84,953	+3,866	104.8%	(576)
Total Assets	100,440	108,392	+7,952	107.9%	+637
Equity Ratio	77.2%	75.4%	—	—	—

©Pigeon Corporation All Rights Reserved. | Strictly Confidential

10

B/S Highlights. Cash and deposits increased by 970 million yen from the end of the previous fiscal year, while notes and accounts receivable increased by about 6.9 billion yen.

Inventories increased by 920 million yen over, but this was largely due to the impact of FX fluctuations.

FY2024 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Japan
business

Sales and profit down due to weak overseas demand and increasing COGS, despite continued strong domestic demand for baby products

- Baby care sales ended at +1.2% YoY. Overseas demand such as exports and cross-border EC remained weak from Q1.
- Sales of nursing bottles and nipples increased YoY. Domestic demand for baby skincare was strong, but weak overseas demand made skincare sales below the previous year's level.
- Sales of "SHUPOT" electric nasal aspirator are strong. The product has grown to become the No. 1 product within one year of its launch.
- Gross margin for Baby care deteriorated by 3.0pt YoY mainly due to the impact of higher COGS reflecting the weaker Japanese Yen.
- Health & Elder care transferred all shares of Pigeon Manaka Corporation, which operates elder care service business, to Marumitsu Corporation on April 1, and excluded it from the Group company (Annual sales of Pigeon Manaka is about 900 million yen).
- Inbound demand remains weak despite an upward trend in the number of foreign visitors to Japan.

Strengthening of existing areas

The concept of Moisture mist lotion is "time-saving".
Distributed to 15,000 retailers within one month after launch



©Pigeon Corporation All Rights Reserved. | Strictly Confidential

New area: Babycare appliances

Electric nasal aspirator, Bottle sterilizer/dryer, etc.
Demand for high unit price products is growing



Brand: Communication

Co-creating value with many partners
by leveraging the strong brand power



11

Here is a summary by business segment.

Although sales and profits declined in the Japan business, domestic demand for baby care products was firm, and cumulative sales grew by 1.2% YoY. Sales of nursing bottles and nipples also grew YoY, and sales of baby skin care products were strong with respect to domestic demand, excluding inbound sales and other factors. Sales of electric nasal aspirator are also strong. On the other hand, overseas demand, mainly from cross-border e-commerce, remained sluggish. In the first half of last year, there was still a certain level of demand for "Momo-no-ha Lotion" through cross-border EC, etc. However, since the ALPS treated water report at the end of last year, these demands have almost disappeared, which has had a negative impact on sales in the Japan business.

In addition, the gross margin for baby care deteriorated to -3.0 pt YoY due to the soaring COGS caused by the weak yen.

With regard to healthcare and nursing care, in April of this year, we transferred all of our stockholdings of Pigeon Manaka Corporation, which operates a nursing care service business, to Marumitsu Corporation. As a result, sales for the first half of the fiscal year declined approximately 200 million yen YoY.

FY2024 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

China business

Increased sales and decreased profit. Accelerated recovery trend of sales in mainland China due to aggressive growth investment

- Accumulated sales* (RMB) in mainland China ended at +2% YoY. Strong growth of +13% YoY in Q2 alone.
- Sales of bottles and nipples increased +16% YoY. Market share of bottles and nipples continued to recover from Q1.
- Baby skincare, which was affected by ALPS treated water recovered to the level of last year by launching new product in Q2.
- Launched new products such as Disney bottles, "Momo-no-ha Cooling Cream", and many other products exclusive to mainland China.
- Natural Weaning bottles captured the demand for a step-up from bottles to straw, and sales were strong both online and offline.
- UV and GMV achieved double-digit growth in the "618" period compared to the previous year. Achieved No. 1 brand ranking in a major e-commerce channel.
- Accumulated sell-out was +5% YTD YoY. EC +12%, offline -13%. Strong sales through EC including our own flagship stores, due to the thorough strengthening of brand exposure and communication. Current EC sales ratio is 77%.
- Gross margin of the China business (in JPY) improved by 1.0pt YoY due to an increase in the sales composition of high-margin bottle and nipple products.

Strengthening of existing areas

Launched new products in bottles and skincare



New area: Age-Up products

Strengthening sales in both offline and online



Brand: Communication

Continue to strengthen activities at hospital



©Pigeon Corporation All Rights Reserved. | Strictly Confidential

12

The China business ended 1H with higher sales and lower profits.

In our China business this fiscal year, we are aggressively investing in growth, placing the highest priority on recovering sales in the mainland, and one of the results is the double-digit YoY growth in the number of online UV.

Cumulative sales of nursing bottles and nipples in the mainland grew 16% YoY, and the market share of nursing bottles, which dropped to around 39% immediately after the ALPS treated water report, has recovered to approximately 44% at present.

As for new products, sales of nursing bottles with Disney's Donald Duck design have been strong. In addition, sales of "Momo-no-ha Cooling Cream," launched for the Chinese market, have also been strong.

Sell-outs increased 5% on a cumulative basis, more than the 2% increase in sell-ins.

FY2024 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Singapore business

Sales and profit increased due to the favorable FX rates, although sales recovery in key countries are still mild

- Accumulated sales* in India +22% YoY, Malaysia +20%, Indonesia -13%, Middle East -3%.
- Accumulated sell-out increased YoY in Australia, Vietnam, and Thailand. Sell-out in India were on a par with the previous year, while the Middle East were on a recovery trend.
- Distribution inventory normalization in key markets is complete.
- Continued to strengthen sales of core products (bottles and nipples, bay skincare). Strengthened our communication activities to expand sales of wide-neck bottles, and launch of two new items in Natural Botanical skincare series.
- Began selling Pigeon products in the Kenya market in May. Currently building a sales model tailored to the local consumer behavior.
- Gross margin (in JPY) of Singapore Business improved by 2.2 pt YoY, partly due to sales growth of factories and the impact of foreign exchange rates.

Strengthening core products: wide-neck bottles

Strengthening sales in both offline and online



Strengthening core products: Baby skincare

Increase exposure and sales promotion of Natural Botanical skincare series



New market: Africa

Kenya customers already like Pigeon bottles

My newborn baby didn't accept my breast and was having a real trouble. He finally took it by a Pigeon bottle. Unbelievable. I was moved!

I've used lots of bottles in the past. But Pigeon one was the best! I'm now a big fan of Pigeon.



©Pigeon Corporation All Rights Reserved. | Strictly Confidential

13

The Singapore business posted increases in both sales and income. In 1H, sales (on a local currency basis) in India and Malaysia grew by 22% and 20% YoY. On the other hand, sales in Indonesia and the Middle East declined 13% and 3%, respectively, indicating that the degree of sales recovery varied by market.

However, the normalization of distribution inventories, which had been undergoing adjustment in our key markets since last year, is almost complete, and we expect a strong sales recovery in the second half of the year (2H) and into next year.

In the African region as a new market, sales of our products began in Kenya in May. Although our products are still at the stage of being rolled out in a few stores, we have already received wonderful comments from local customers about our nursing bottles. For example, comments such as, "By using Pigeon nursing bottles, my baby finally drinks milk," and "This is the best nursing bottle I have ever used," have given us confidence that our nursing bottles will be of great help to our customers in Africa.

FY2024 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Lansinoh Business

Overall Lansinoh continues to perform well as in Q1. Both sales and profit increased due to favorable FX rates and lower ocean freight costs

- Accumulative sales of Lansinoh Group (US\$) ended +3% YoY.
- In North America, special demand for "Milk storage bags" disappeared, but new products for breast pumps drove sales up +6%. In Europe, sales increased mainly due to nipple creams and other key products, but sales in China were weak due to intensive competition in consumables.
- Strong sales of Discreet Duo, a hands-free breast pump for the DME channel, launched in the U.S. in February.
- Sales of postpartum and recovery care grew by more than 50% YoY. Besides double-digit growth in North America due to continuous introduction of new products, UK and Germany contributed to the category's growth driver.
- Gross Margin (JPY) improved by 2.2 pt YoY, partly due to lower ocean freight rates (COGS factor), while sales and distribution costs (SG&A factor) remained high in the U.S. and Europe.

Strengthen existing areas and grow new areas

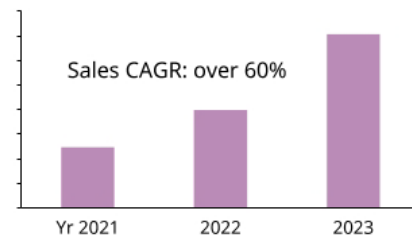
Focus on both breastfeeding-related products (existing) and prenatal and postpartum care (new)



©Pigeon Corporation All Rights Reserved. | Strictly Confidential

New area: Sales transition of postpartum and recovery care

Launched in US in 2021 and continued high growth through expansion into the European market and additional SKUs



14

The Lansinoh business ended the period with an increase in both sales and income. Following a strong first quarter, the Lansinoh Group's overall sales (in US dollars) for the first half year-to-date were up 3% YoY.

Sales of new models of wearable breast pumps for the DME channel have been very strong. In addition, cumulative sales of the prenatal and postpartum care category, which was launched in 2021, grew significantly by 50% YoY, with a three-year sales CAGR of +60%, and is growing as a new growth category for the Lansinoh business. We expect further growth in the future, not only in North America, but also in Europe.

FY2024 Q2 Results - ESG and Sustainability

ESG

Working to co-create value with society to realize a “Vision of a Baby-Friendly Future”

- Established Pigeon Group Human Rights Policy (May)
- Completed expansion of the Nihonbashi Human Milk Bank (1st floor of our headquarters) (May)
- Selected for all six ESG index constituent used by the GPIF
(Newly selected as a constituent of the MSCI Japan ESG Select Leaders Index)

Purpose of the Pigeon Group



Nihonbashi Human Milk Bank doubled the size of the facility



Major external evaluations (As of May 31, 2024)



©Pigeon Corporation All Rights Reserved. | Strictly Confidential

15

Next is the ESG and sustainability activities for 1H.

The Pigeon Group Human Rights Policy was formulated in May.

In addition, the breast milk bank, located on the first floor of our headquarters, has completed an expansion, increasing the donor milk pasteurization processing capacity of the renovated facility to approximately three times that of the previous facility. Incidentally, the number of babies using donor milk in 2023 exceeded 1,000.

In addition, we are pleased to announce that we have been selected for inclusion in all six ESG index components used by the GPIF. We believe this is a very wonderful achievement.

FY2024 Full-Year Forecast - Unchanged

No change in full-year forecasts. Continue efforts to strengthen existing areas and expand into new areas globally, aim to increase group sales and profits by thoroughly investing in growth to recover sales in China business in the second half of FY2024.

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

CNY 1 = JPY 19.50

2023 Results: US\$1 = JPY 140.58

CNY 1 = JPY 19.83

©Pigeon Corporation All Rights Reserved. | Strictly Confidential

17

Here are our forecasts for the full year. We have not changed its original forecast announced in February of this year, and expects full-year sales of 101.0 billion yen, up 6.9% YoY, and operating income of 11.4 billion yen, up 6.3% YoY.

FY2024 - New Products and Topics for the Second Half

New products

- Japan Baby electric nail files, New baby food series, and Lansinoh products in Japan.
- China Age-Up products, Renewal of major baby skincare series.
- Singapore Maternity line in Natural botanical skincare.
- Lansinoh Silverette Nursing Cups (Breastfeeding Accs.), expansion of Discreet Duo, and addition of new categories for mothers.



● Baby Electric Nail File

New items added to the successful babycare appliances



● Natural Botanical Maternity

Launched stretch mark cream for maternity



● Silverette Nursing Cups

Silver nipple cups were launched, focusing on the antibacterial properties of silver

Other key topics

- **CBME (Baby Expo in China)**
Re-engage our greatest strength of baby's sucking research



©Pigeon Corporation All Rights Reserved. | Strictly Confidential

18

Next, we will share with you initiatives for the second half of the fiscal year.

In Japan, we will launch a “Baby electric nail file” as a new product in the currently growing “babycare appliances” category, as well as a new series of baby food. We will also start rolling out Lansinoh products in the Japanese market.

In the China business, we will add Age-Up products and launch new products in the market for our mainstay baby skin care products.

In the Singapore business, we will add a maternity line to the Natural Botanical skincare series.

The Lansinoh business plans to launch Silverette Nursing Cups as well as the Discreet Duo breast pump in markets outside of North America. We also plan to add new categories for mothers.

FY2024 Shareholder Returns and Investment

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

Investment-related Indicators (Consolidated) Unit: Million JPY	Dec. 2022		Dec. 2023		Dec. 2024	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	interim (Actual)	Full-year (Forecast)
Capex (*1)	2,814	7,259	3,775	6,320	1,408	3,950
Depreciation (*2)	2,381	4,947	2,518	5,080	2,448	4,600
R&D Expenses (*3)	1,802	3,792	2,000 ^(*4)	4,210 ^(*4)	2,200 ^(*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 for FY Dec. 2023

©Pigeon Corporation All Rights Reserved. | Strictly Confidential

19

Finally, shareholder return and investment-related matters.

As for the interim dividend for this fiscal year, it will be 38 yen per share as planned at the beginning of the term. Capital expenditures, depreciation, and R&D expenses are progressing almost as planned.

Questions and Answers

*Questions and answers are listed by business segment.

Group Consolidated

Q. In which line item in the financial statements for the 1H is the impact of the alleged improper transactions by a former employee of a Group subsidiary recorded?

A. The amount affected by this allegation is 392 million yen in loss on retirement of fixed assets and 164 million yen in tax impact. Of this amount, the loss on retirement of fixed assets is recorded as an extraordinary loss in the consolidated statements of income, while the tax impact amount is recorded as an increase in income taxes.

China Business

Q. Could you describe specific growth investments in mainland China, their results, and your assessment of them?

A. In the current fiscal year, we have invested heavily in brand marketing (mainly to consumers) and sales promotion (mainly to online retailers). In addition, as a product category, in the 1H, we concentrated its spending particularly on nursing bottle feeding equipment.

Brand marketing efforts focused on creating and spreading video content that would make more customers aware of Pigeon's history and our intensive research of babies' sucking behaviors, mainly through social media such as Tiktok (抖音) and Redbook (小紅書). These efforts have performed better than expected in most categories against the evaluation indicators set within the company.

In addition, as for online retailing, we achieved double-digit growth in both UV and GMV as a result of our efforts to increase exposure during the 618 sales season, etc. While other companies usually spend a considerable amount of money on 618, this year we were able to increase GMV more than UV in particular, which shows that we were able to use our expenses efficiently.

We believe that the good results of 618 were the result of trial and error in deciding what to stop and what to continue, while carefully analyzing and learning from the return on investment of our activities, both in the consumers and retailers. We will continue to aggressively invest in growth while also focusing on efficiency in order to achieve our immediate goal of 50% market share for nursing bottle.

Q. What factors have contributed to the recovery of the market share of nursing bottle in China?

A. The "Natural Weaning" series of Age-Up products, which we launched last year, has made a significant contribution. Originally, our nursing bottles were particularly strong for newborns and younger babies, but the "Natural Weaning" series of straw-type nursing bottles, designed to encourage continued use of our products even after these babies have grown up and outgrown nursing bottles, has been growing steadily. In 1H, the "Natural Weaning" series has been gaining support from newborns and younger babies (customers who have babies) through communication focused on nursing bottles. We were able to successfully achieve a flow of customers who continue to use our products by connecting them to the "Natural Weaning" series even after they outgrow nursing bottles.

Q. Does ALPS treated water still affect China's performance today?

A. Although skincare products were the most affected by the ALPS treated water, as of the end of the 1H, sales of products manufactured locally in China have recovered considerably, thanks in part to the effects of sales promotion activities. On the other hand, sales of products that had been popular as cross-border EC products from Japan, such as the Japan-produced version of the "Momo-no-ha Skin Care series", remained sluggish.

Q. The gross margin of the China business in 1H has improved from the previous year, but is this sustainable?

A. In 1H, we concentrated our investment in nursing bottles, which have the highest profitability in our company, to achieve a large increase in sales, and nursing bottles contributed significantly to the improvement of gross margin. In the second half of the year and beyond, we will continue to invest in nursing bottles, while focusing on investments in skincare, the next most profitable category. The gross margin in China has already exceeded 55%, and it is not realistic to expect a rapid improvement in the gross margin in a short period of time, but we are currently promoting business activities in China by specializing in nursing bottles and skin care products, which are the categories where we can make the most use of our strengths in China, have room for further high value addition, and have the highest profitability. So we will continue to work to increase gross margin and absorb increased sales promotion expenses.

Q. What is your outlook for the second half of the year in China? Are there any risks?

A. Considering the sharp decline in sales in the second half of last year due to the impact of ALPS treated water in the 4Q, we hope that sales in the second half of this fiscal year will greatly exceed those of the previous year. As for risk, as in previous years, we expect the momentum from the double-eleven sales season in November to have an impact. Since we were able to finish the 618 season on a strong note this year, we will make solid preparations for the double-eleven season and move forward with efforts to achieve our full-year plan.

Q. Do you see a downward trend in the Chinese baby products market?

A. From the perspective of product categories, we recognize that some categories are experiencing market shrink, similar to the trend of declining births, while others are experiencing market expansion. In particular, in categories where there is room for high value-added products, product price increases and high unit price products are increasing, and we see that the overall market size of many products is not declining due to a shift to higher-priced products.

On the other hand, for consumables such as baby wipes, even though the volume size is growing, the value size seems to be shrinking due to intensifying price competition.

Under such circumstances, we will not invest much in consumables, which are difficult to differentiate, but will concentrate its growth investments on value-added products and those that can be sold at high unit prices.

####