

Financial Results of Q2 / Dec. 2024

(YTD 6 months - January to June)

August 14, 2024

Pigeon Corporation

Norimasa Kitazawa
President and CEO

Celebrate babies the way they are



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.

Q2 (January - June) / December 2024 (FY 68th)

Q2 Financial Results

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Full-Year Forecast for FY Dec. 2024

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Agenda

Q2 Financial Results



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%



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.

*Edited by Pigeon based on rankings published by various companies.


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

FY2024 Q2 - Business Highlights (2)

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

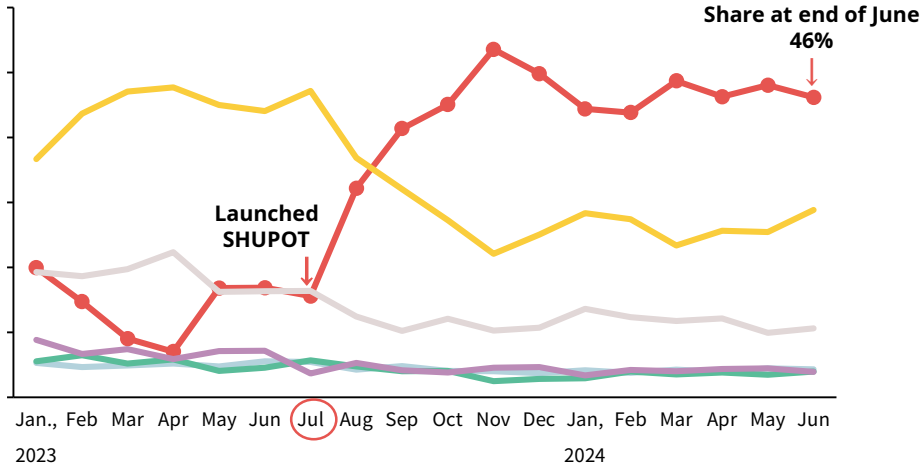
14,000 yen



Starts from 10%+

Pigeon now has a **#1** market share

Nasal Aspirator (Electric Type) Market Share by Brand (Value)



*From our own research (Intage POS National BS and DRG combined expanded estimates)

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

Pigeon

- Product demo: toothbrush, toothgel, Afterbrush Check
- Education material

Sales growth in 4 yrs

x3 times

Dentist

- Dental check-up to preschooler

Preschoolers

- Learn the proper way of brushing teeth



- 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.

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

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.

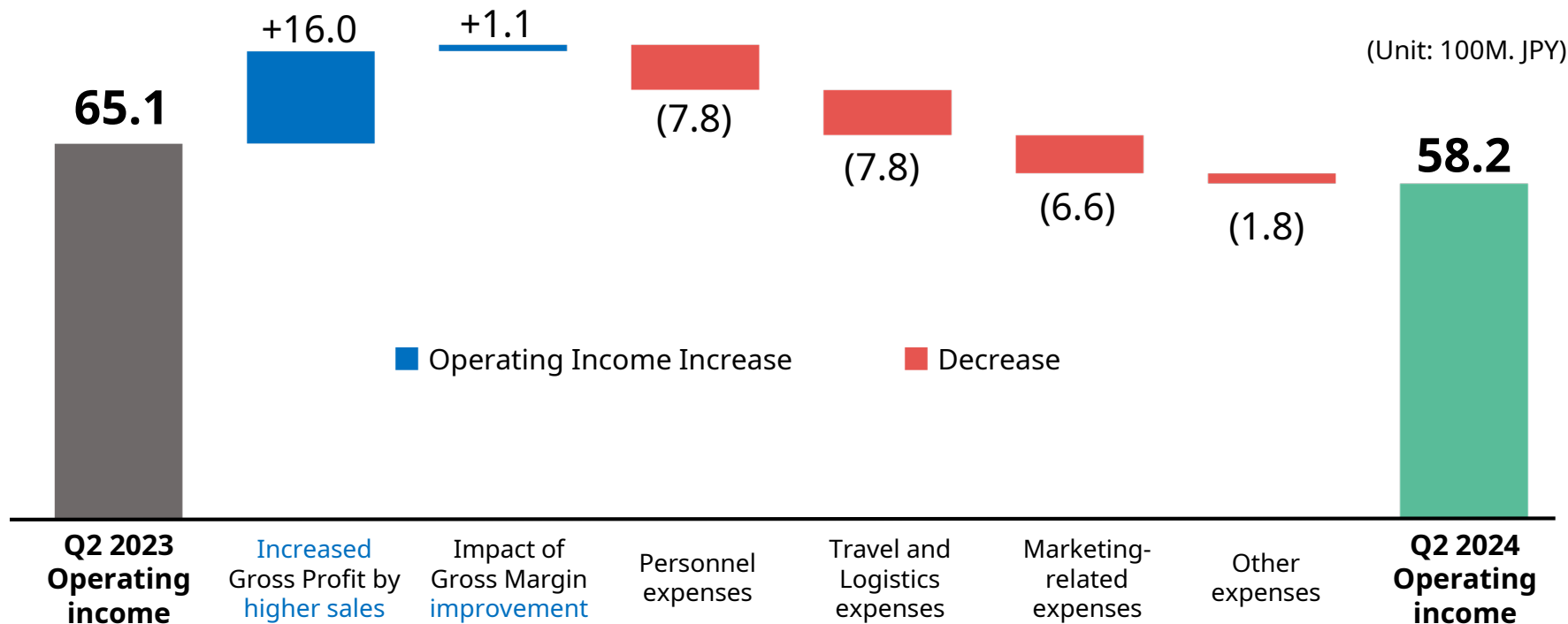
Unit: Million JPY	Q2 / Dec. 2023 YTD				Q2 / Dec. 2024 YTD				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	48,002	100.0%	48.5%	6,511	51,313	100.0%	106.9%	48.8%	5,822
Japan Business	18,408	38.3%	34.4%	1,182	18,002	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

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.



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%	—	—	—

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



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



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



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, baby 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.



Full-Year Forecast for FY Dec. 2024



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

2023 Results: US\$1 = JPY 140.58

CNY 1 = JPY 19.50

CNY 1 = JPY 19.83

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.



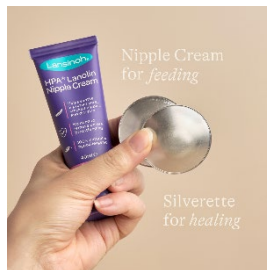
● Baby Electric Nail File

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



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

Celebrate babies the way they are



Disclaimer on Forward-Looking Statements

This material includes certain forward-looking statements about the Pigeon Group. To the extent that statements in this material do not related to historical or current facts, they constitute forward-looking statements.

These forward-looking statements are based on the current assumptions and judgments of the Pigeon Group in light of the information currently available to it, and involve know and unknown risks, uncertainties and other factors, which may affect the statements made in this material.

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Appendix

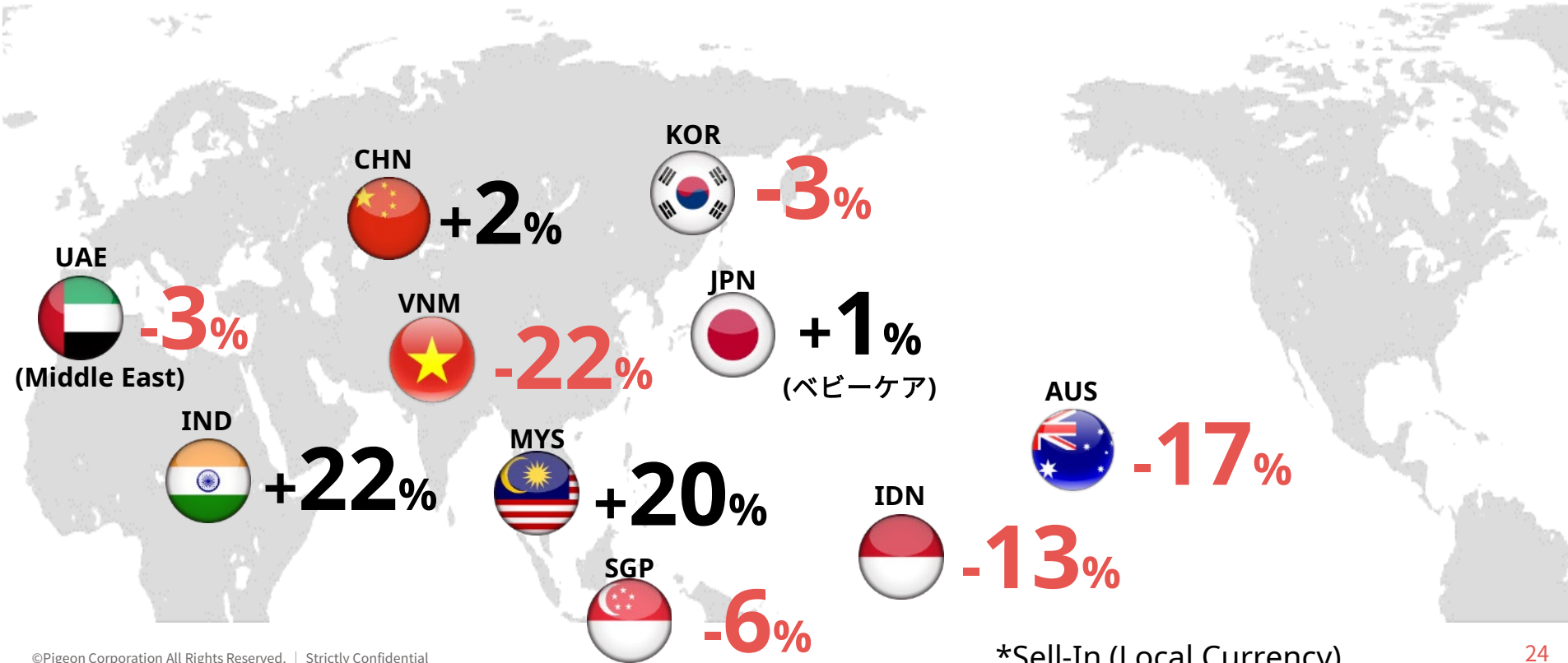
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FY2024 Q2 Results - Financial Highlights (Consolidated)

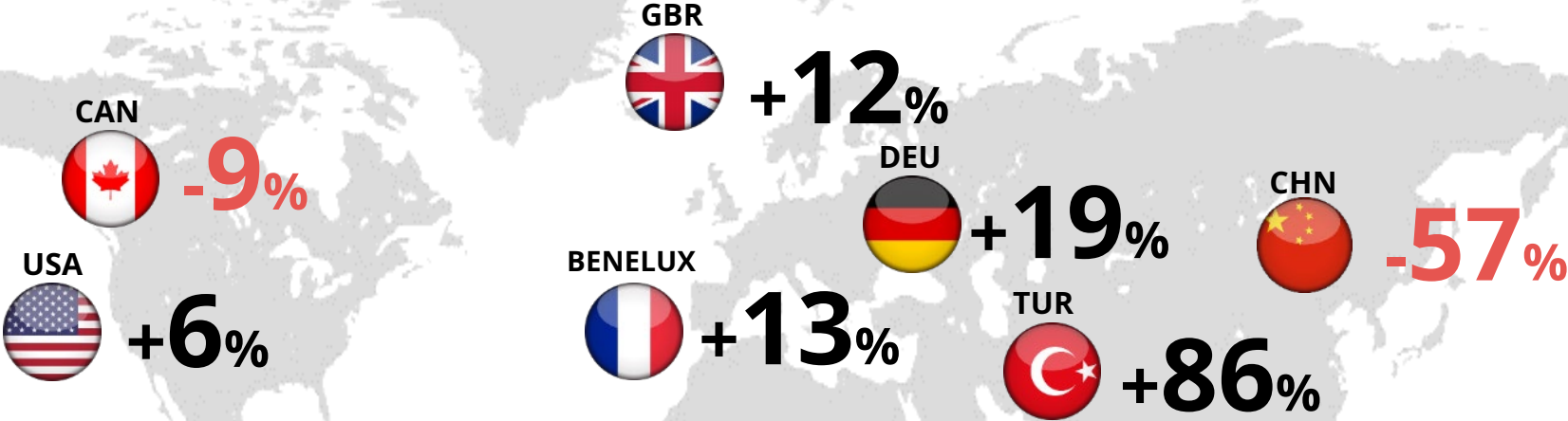
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Ordinary Income	7,117	14.8%	6,431	12.5%	90.4%
Net Income Attributable to Owners of Parent	4,566	9.5%	3,574	7.0%	78.3%
Net Assets	83,056	—	84,953	—	102.3%
Total Assets	105,091	—	108,392	—	103.1%
EPS (yen)	38.17	—	29.89	—	78.3%
BPS (yen)	665.23	—	683.03	—	102.7%
ROE *	11.2%	—	9.0%	—	—
ROIC *	11.2%	—	9.8%	—	—

*Denominators are averages of the beginning and end of the period

FY2024 Q2 Results - Pigeon Sales* by Region (YoY)

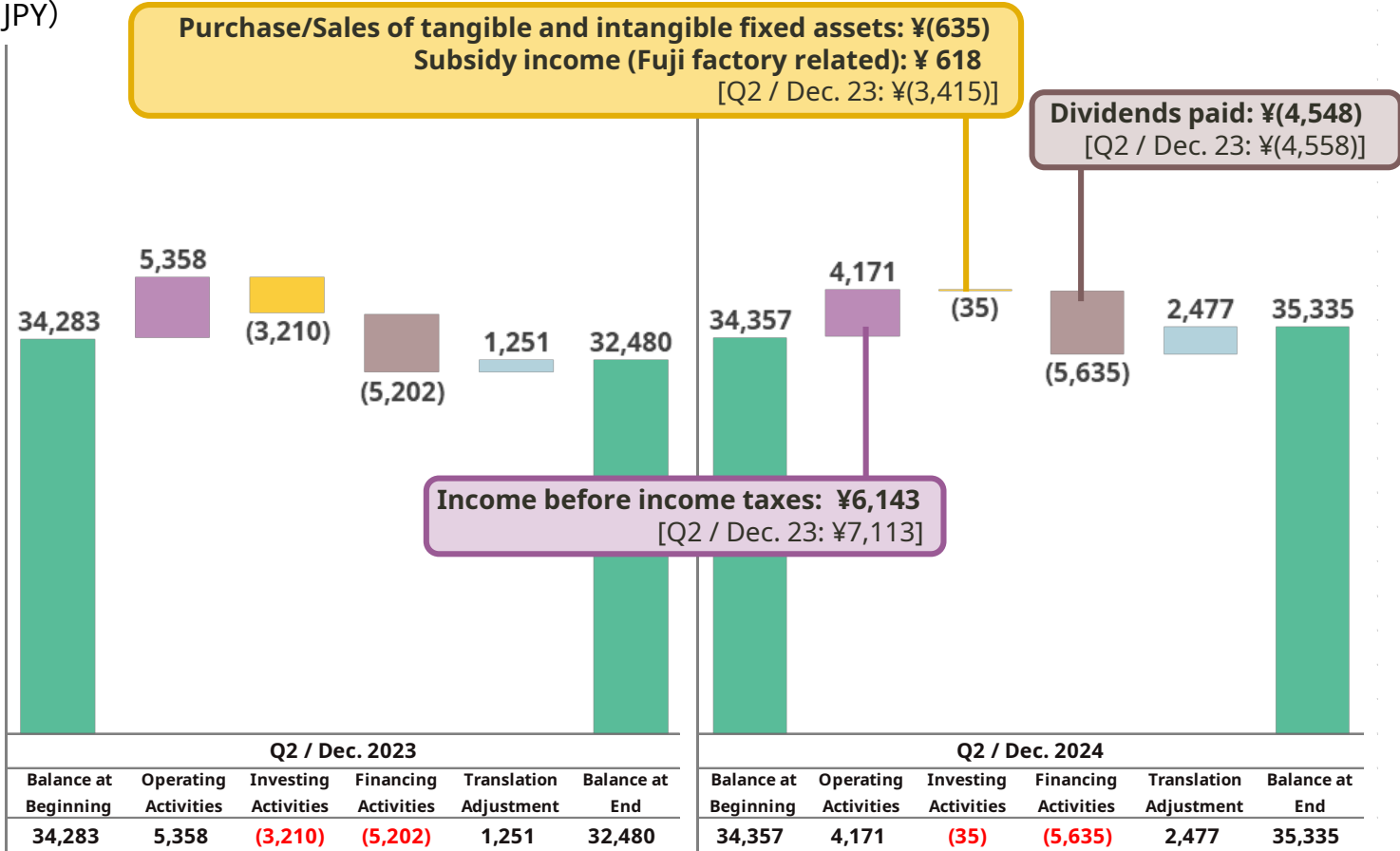


FY2024 Q2 Results - Lansinoh Sales* by Region (YoY)

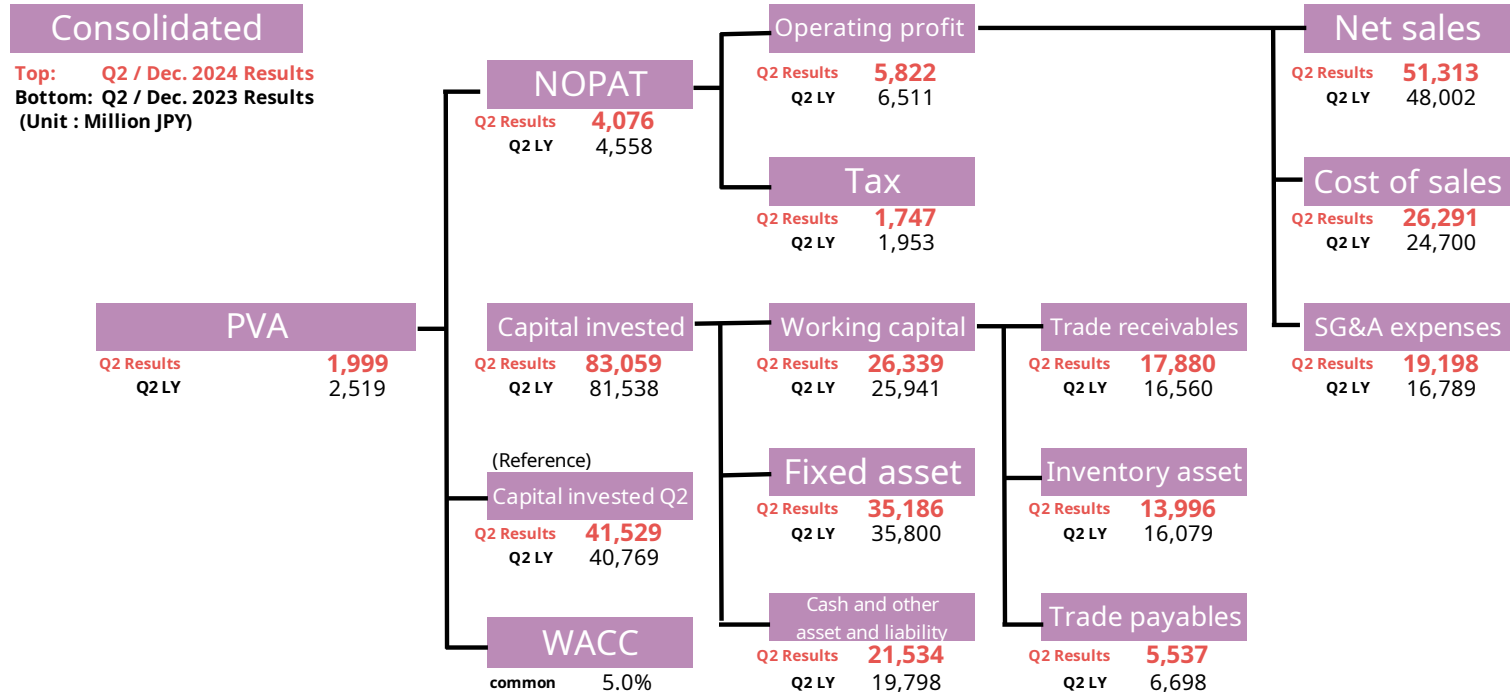


FY2024 Q2 Results - Consolidated Cash Flow Comparison

(Unit: Million JPY)



FY2024 Q2 - Consolidated PVA Tree (Breakdown of PVA)



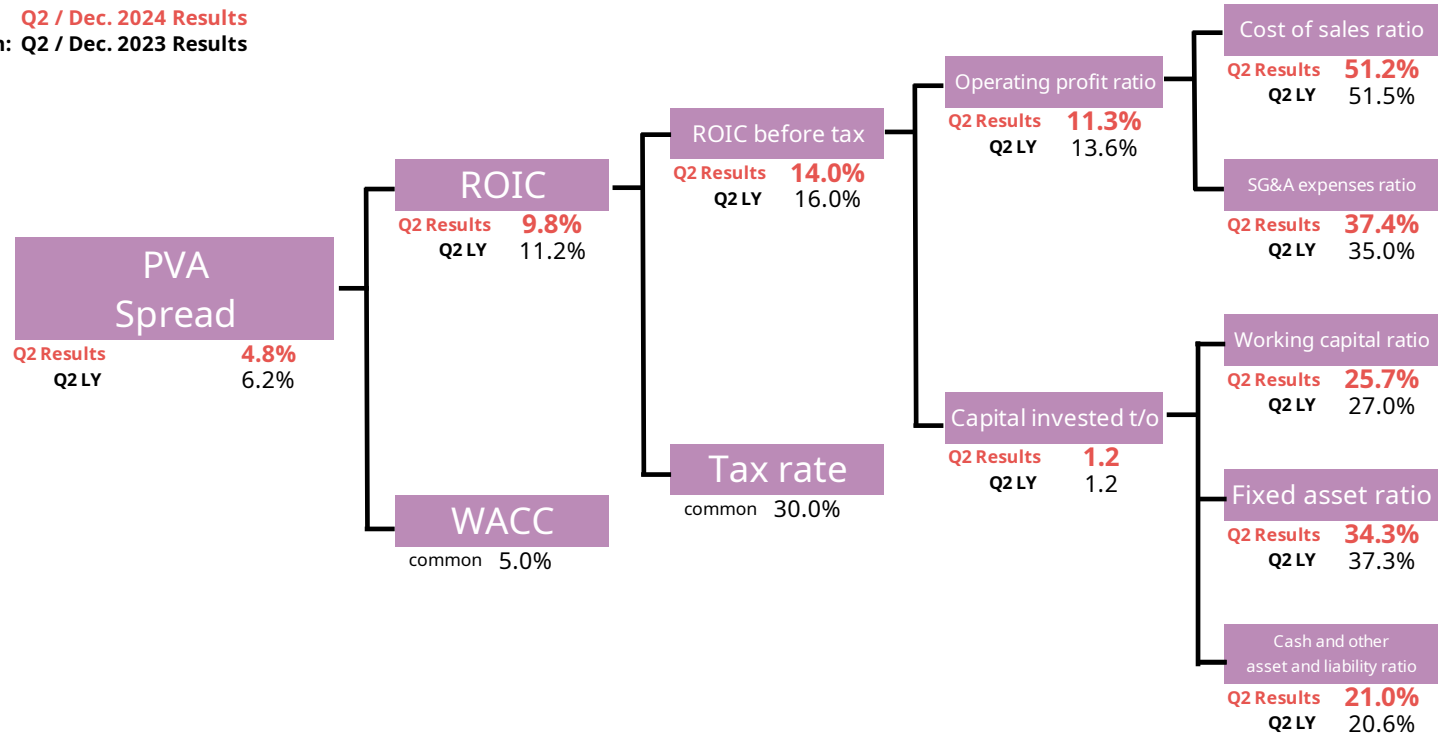
*B/S Factors for PVA calculation are averaged between beginning and year-end figures.

FY2024 Q2 - Consolidated PVA Tree (Breakdown of PVA)

Consolidated

Top: Q2 / Dec. 2024 Results

Bottom: Q2 / Dec. 2023 Results

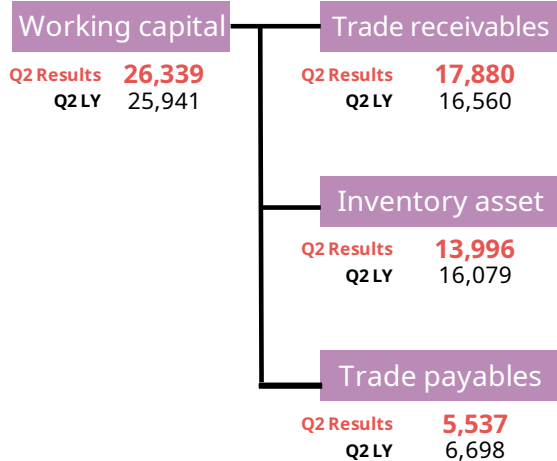


*B/S Factors for PVA calculation are averaged between beginning and year-end figures.

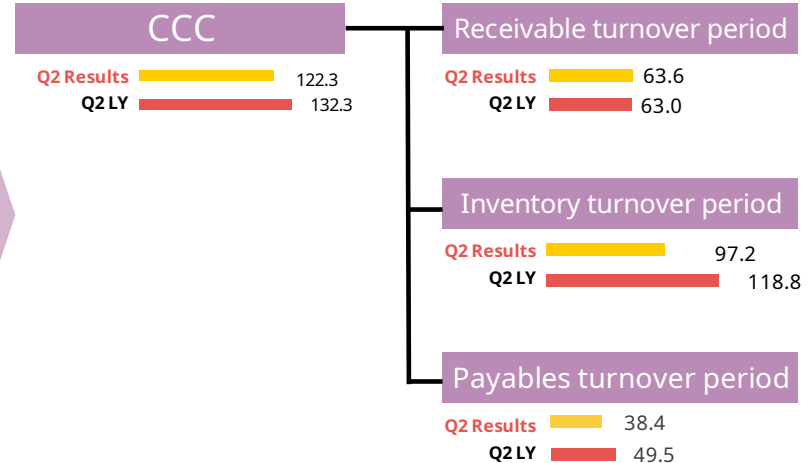
FY2024 Q2 - Consolidated PVA Tree (Breakdown of PVA)

Consolidated

Top: Q2 / Dec. 2024 Results
 Bottom: Q2 / Dec. 2023 Results
 (Unit : Million JPY)

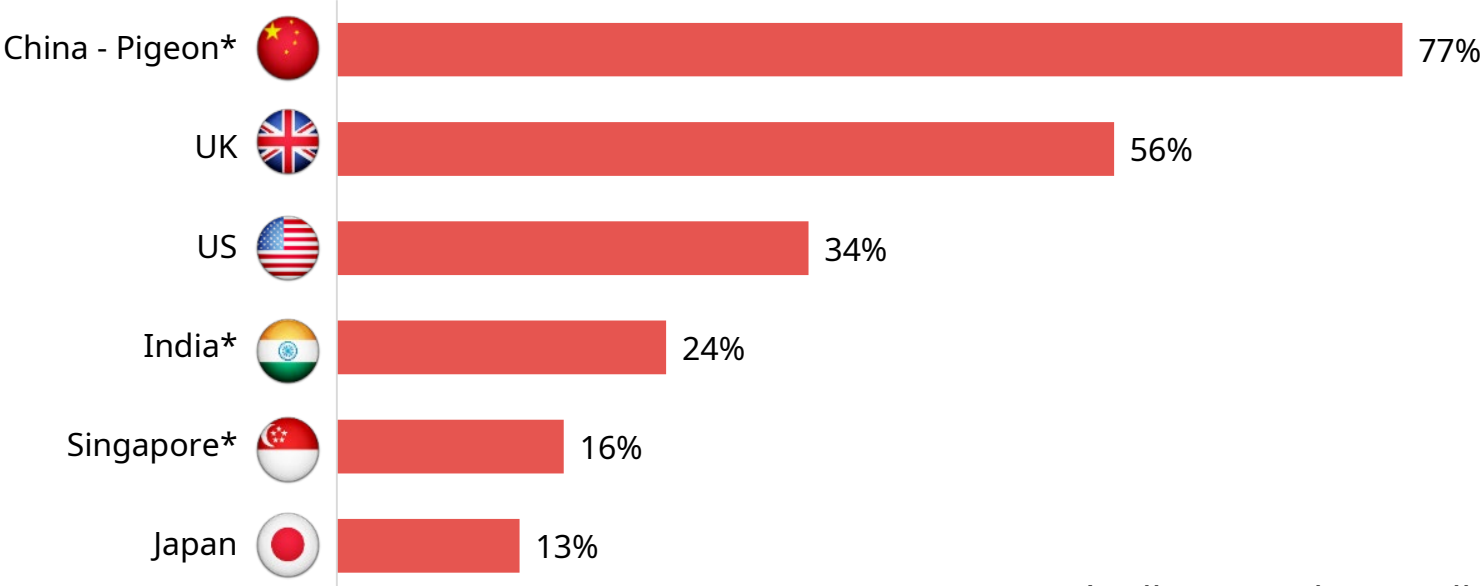


(Unit : Days)



FY2024 Q2 Results - EC Sales Ratio in Key Markets

[E-commerce sales ratio of Pigeon Lansinoh products]



*Sell-out Others: Sell-in



Purpose

Our reason for being and the role we should play in society

**We want to make the world more
baby-friendly by
furthering our commitment
to understanding and addressing babies'
unique needs**



Key Issues for Pigeon over the Mid and Long-term (Materiality)



Enhancing Business Competitiveness and Resilience

Becoming essential to society by expanding our corporate value over the medium to long term

Supporting nursing babies

Supporting healthy baby skin development

Creating new businesses

Releasing products that exceed customer expectations

Building resilient distribution systems



Reducing our Environmental Impact

Practicing eco-friendly *monozukuri* and leaving a rich earth for the future of babies born tomorrow

Reducing greenhouse gas emissions (Scope 1, 2 & 3)

Circular manufacturing

Using sustainable resources (paper & palm oil)



Contributing to the Resolution of Social Issues

Helping to resolve the social issues that affect babies and families

New products and services for babies needing support

Expanding use of products designed for maternity hospitals

Promoting responsible procurement

Participating in and supporting communities



Managing talent and Cultivating the Right Culture for our Purpose

Cultivating an organizational culture in which all employees can shine as they embrace new challenges

Working environments that achieve self-fulfillment and growth

Ambitious organizational culture

Enriched investment in human resource development

Promoting Diversity & inclusion



Establishing solid management foundations

Securing a structural basis for bold and ambitious endeavors that will improve medium- to long-term corporate value

Reinforcing group governance

Reinforcing compliance

Reinforcing risk management

Dialogue with stakeholders

8th MTP Themes and Key Strategy

For Sustainable Growth

Restructuring of business structure in response to global economic, political, and environmental changes

Key Strategy (deepening the ones of the 7th MTP)

Brand Strategy

Centered on “Purpose” for our business activities and strengthening brand power through products

Product Strategy

Strengthen “*Monozukuri*”, focus on core categories (Nursing bottles and Skincare), and explore the “New areas”

Regional Strategy

- Strengthen autonomous business operation by each SBU.
- Implement the drastic structural reform to establish production and sales systems tailored to market characteristics, improve efficiency and profitability, stabilize the supply chain, and prepare for the expansion of the new markets.

Vision of a Baby-Friendly Future



Six specific faces of society



Babies are part of everyone's everyday life



Loose, friendly ties facilitating easy cooperation around raising children



Creativity from babies brings excitement to society



No barriers to raising children



All babies are helped to develop and grow, regardless of the conditions of their birth



A comfortable world where babies are not troubled by environmental risks

We formulated Vision of a Baby-Friendly Future by describing, in terms of six specific faces of society, the “baby-friendly” world envisaged in that Purpose. In order to realize its Vision of a Baby-Friendly Future, Pigeon will move forward step by step, seeking to increase the number of people in society who empathize with the vision and co-creating and taking action with a diverse range of stakeholders.

Vision of a Baby-Friendly Future website: <https://www.pigeon.com/vision-of-a-baby-friendly-future/>

The Pigeon Group seeks to maximize economic and social value through communications with all stakeholders, including shareholders and other investors. Visit our corporate website to learn about our latest management strategies, business results and ESG activities.



Integrated Report

<https://www.pigeon.com/ir/library/factbook/>

Sustainability

<https://www.pigeon.co.jp/sustainability/>

ESG Data Book

<https://www.pigeon.co.jp/sustainability/databook/>

Celebrate babies the way they are

