

Summary of the Financial Results Briefing for the First Half of the FY December 2023

[Points of Attention]

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, August 10, 2023, 1:00 p.m. start

[Location] Sumitomo Mitsui Banking Corporation East Building Rising Square.

[Speakers] 6

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

FY 2023 Q2 Results - Consolidated P&L

Net sales increased 6.0% y-o-y, driven by Japan and China businesses. In addition to higher profits due to increased revenue, improved gross margin absorbed increased SG&A expenses, resulting in higher operating income.

Unit: Million JPY	Q2 / Dec. 2022		Q2 / Dec. 2023		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	45,292	—	48,002	—	106.0%
Cost of Sales	24,543	54.2%	24,700	51.5%	100.6%
Gross Profit	20,749	45.8%	23,301	48.5%	112.3%
SG&A Expenses	15,631	34.5%	16,789	35.0%	107.4%
Operating Income	5,118	11.3%	6,511	13.6%	127.2%
Ordinary Income	6,404	14.1%	7,117	14.8%	111.1%
Net Income Attributable to Owners of Parent	3,990	8.8%	4,566	9.5%	114.4%

[Currency Rates] 2023 Q2 Results: US\$1 = JPY 134.95 CNY 1 = JPY 19.46
2022 Q2 Results: US\$1 = JPY 123.15 CNY 1 = JPY 18.97

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

Group results for the first half of the year showed growth in all categories, with net sales up 106% year-on-year, gross profit up 112% year-on-year, and operating income up 127% year-on-year. The operating margin was 13.6%, an improvement of 2.3 percentage points from the same period last year.

FY 2023 Q2 Results - By Business Segment

Unit: Million JPY	Q2 / Dec. 2022				Q2 / Dec. 2023				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	45,292	—	45.8%	5,118	48,002	—	106.0%	48.5%	6,511
Japan Business	17,904	39.5%	32.6%	592	18,408	38.3%	102.8%	34.4%	1,182
China Business	16,238	35.9%	49.3%	4,609	18,061	37.6%	111.2%	54.2%	5,497
Singapore Business	6,924	15.3%	40.6%	1,210	6,607	13.8%	95.4%	38.5%	840
Lansinoh Business	7,814	17.2%	51.5%	252	8,728	18.2%	111.7%	52.2%	345
Elimination of inter-segment transactions	(3,588)	(7.9%)	—	—	(3,803)	(7.9%)	—	—	—

[Reference] Breakdown of Japan Business

Unit: Million JPY	Q2 / Dec. 2022				Q2 / Dec. 2023				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby care	12,471	—	36.7%	717	12,937	—	103.7%	39.8%	1,342
Childcare Services	1,738	—	16.3%	107	1,741	—	100.2%	16.8%	122
Health & Elder Care	2,486	—	31.7%	255	2,394	—	96.3%	31.1%	202

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Results by the Business segment.

The Japan business, which had been suffering from the Covid-19 pandemic, is now on a recovery track in terms of both sales and profits, with growth in baby care in particular driving the recovery of the Japan business this fiscal year.

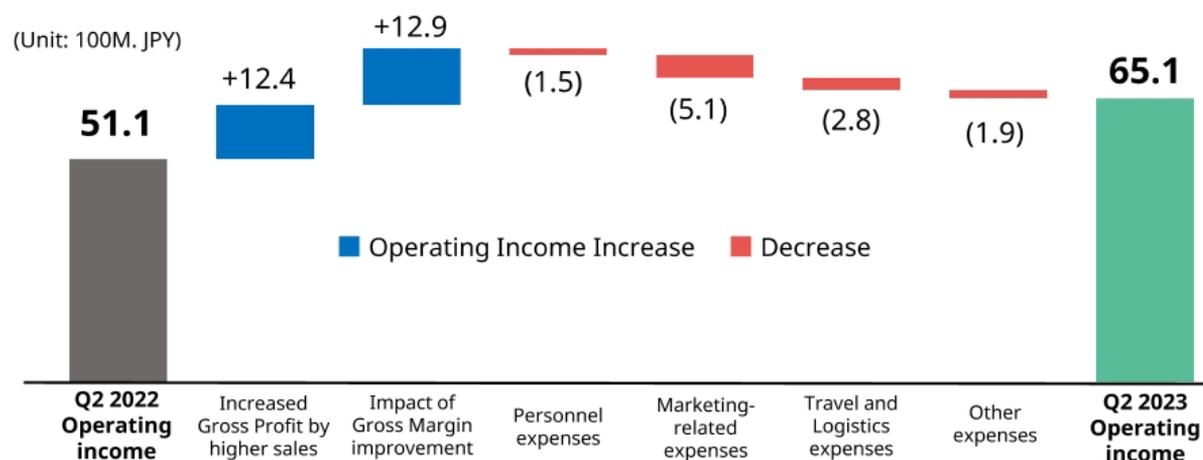
The China business also suffered during the three years of the Covid-19 pandemic, but has seen a recovery in performance this fiscal year.

On the other hand, the Singapore business, which had been expected to grow, ended the first half of this fiscal year with both sales and profits below the previous year's levels, due in part to a reactionary decline from the rapid recovery from the Covid-19 pandemic in Southeast Asian countries last year.

In terms of the Lansinoh business, however sales in the North American market fell short of the previous year's level, the Lansinoh business as a whole grew steadily, thanks in part to strong sales in Europe.

FY 2023 Q2 - Analysis of Change in Operating Income (YoY)

Same trend as Q1, SG&A expenses increased 1.15 bn yen y-o-y due to increase in sales promotion and logistics costs associated with the reopening. Operating income increased by 1.39 billion yen y-o-y due to increased revenue and improved gross margin.
(Some of the sales promotion expenses, etc. have not yet been spent in Q2 YTD as planned, will be carried over in the second half.)



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Factors behind the year-on-year change in operating income.

The increase in profit was due to an increase in gross profit of about 1.2 billion yen resulting from an increase in sales, and an increase of about 1.2 billion yen resulting from an improvement in the gross margin.

On the other hand, the main reason for the decrease in profits was the increase in SG&A expenses, including marketing expenses and travel expenses, due to the resumption of various activities in line with the recovery trend from the Covid-19 pandemic.

FY 2023 Q2 - Consolidated Balance Sheet (Highlight)

Unit: Million JPY	End of FY Dec. 2022	Q2 / FY Dec. 2023			
	Actual	Actual	YoY Change (Amount)	YoY Change (%)	YoY Change (Amount) w/o impacts of FX rates
Cash and Deposits	34,283	32,480	(1,802)	94.7%	(3,051)
Notes and Accounts Receivable - Trade	15,975	17,145	1,170	107.3%	427
Inventories	15,318	16,839	1,521	109.9%	652
Notes and Accounts Payable - Trade	5,066	4,647	(419)	91.7%	(594)
Electronically Recorded Obligations - Operating	1,542	2,138	596	138.6%	596
Borrowings	—	67	67	—	61
Net Assets	79,952	83,056	3,103	103.9%	587
Total Assets	101,733	105,091	3,357	103.3%	(782)
Equity Ratio	75.4%	75.7%	—	—	—

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This is the highlight of the Balance Sheet.

Compared to the end of the FY Dec. 2022, cash and deposits decreased by about 1.8 billion yen, while inventories increased by about 1.5 billion yen. The main reason for the increase in inventories was the buildup of inventories in Japan due to the construction of the new Fuji Plant and the suspension of operations at the former plant.

Announced in Feb. 2023 : 8th MTP Key Actions

Implementation of structural reforms

Sustained growth in "Existing areas" and exploration and cultivation of "New areas"

Existing Business Areas

- **Strengthen nursing bottles and baby skincare which we have a strong competitive edge.**
- **Structural reforms in each business**
 - Lansinoh and Singapore business: Accelerating Growth
 - China business: From "High-Growth" to "Stable-Growth"
 - Japan Business: Improve the profitability

New Business Areas

- **Expansion of core customer target group**
 - Toddlers
 - Mothers To Be
 - Fathers
- **Expansion of our target market**
 - North America (Pigeon brand)
 - Africa region

[Common in Existing and New areas] Strengthen Brand strategy and "Monozukuri"

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Here is a review of the activities of each business segment.

As you know, in the 8th Mid-Term Plan announced in February of this year, "implementation of structural reforms" is a major theme.

In existing business areas, in terms of products, we will strengthen nursing bottle, nipples, and skincare. By business segment, we will accelerate growth in Singapore and Lansinoh business, maintain stable growth in China business, and improve profitability in Japan business.

In addition, as a new business area, in terms of products, we will expand our product lineup to include products for toddlers, moms-to-be, and dads. By region, we are tapping the market of North America by Pigeon brand and making a full-scale entry into the African market.

FY 2023 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Japan
business

Domestic demand recovered after the "Reopening". Core products remained strong even after the price revision in February, resulting in increased sales and profit

- Baby care sales are on a steady recovery trend with a y-o-y increase of +3.7% YTD.
- Sales of nursing bottles and skincare increased y-o-y. Sales remained stable after the price revision and maintained No.1 market share.
- "ME. by Pigeon", the new category of the prenatal and postpartum care products launched in February is now available in Female care shelf of offline stores.
- Inbound demand remained flat, but sales of the Momo-no-ha skincare grew y-o-y due to the increase of overseas demand.
- Gross margin of Baby care improved by +3.1pts y-o-y YTD; price revision in February also contributed.
- Health and elder care promoted new product "Mist for bottom wipe" and renewed "Liquid Thickening".

New Category: ME. by Pigeon
Available at 2,000+ Tsuruha Drug stores



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Monozukuri : New Products in 1H 2023
Strollers for use up to 4 years old



Brand: Communication
Offline events are back after reopening



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We will review the activities of each business in the first half of the year in accordance with the themes set forth in each of the 8th medium-term plans.

In the Japan business, sales of baby care grew by 3.7% y-o-y. Sales of core products, nursing bottles and nipples, and skincare also grew year-on-year. We also continued to maintain an overwhelmingly high market share for nursing bottles.

The "ME. by Pigeon" series of prenatal and postpartum care products, newly launched in February, is now mainly sold at Tsuruha Drug stores. Me. by Pigeon products are sold not in the conventional baby products section but in the feminine care products section. We look forward to seeing the growth of this new initiatives.

Although there has been little increase in demand from inbound tourist to Japan as of the end of the first half, the Momo-no-ha (Peach Leaves) Skincare series has been growing year-on-year, mainly due to overseas demand from cross-border e-commerce and other sources.

In the Health and Elder care, sales of new products such as "Rakuraku Oshiri Kirei Mist" and "Liquid Toromi Kakerudake" have been strengthened and are progressing better than expected.

FY 2023 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

China business

In mainland China, sales and income increased y-o-y driven by the growth in nursing bottles and skincare

- Sales in mainland China grew steadily, +5% YTD y-o-y.
- Nursing bottle sales increased +28%, skincare increased +6% y-o-y.
- Products for toddlers (skincare) are expanding sales both offline and through EC.
- In June, new model of nursing bottle for infants with new straw nipples (Against competitors) was launched.
- Gross margin of China business (JPY) improved by +4.9pts y-o-y due to increase in sales composition of nursing bottle and skincare.
- Sell-out was down 3% YTD y-o-y. Offline: -16%, EC sales grew by 3% y-o-y especially Tiktok and Pinduoduo achieved double-digit growth. EC ratio expanded to 73%.

New Area: Skincare for toddlers
Sales are expanding both offline and in EC



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Monozukuri : New Products in 1H 2023
Launched new bottle series, panda drinking cups, etc



Brand: Communication
Implemented Live-streamed factory tour and new product launch event on the key social media



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China Business. Sales in mainland China in local currency terms grew by 5% over the previous year.

Sales of nursing bottle and nipples grew by +28% y-o-y, which also contributed to the improvement in gross margin. Baby skincare products also grew year-on-year, with sales of toddler products, which marketed at the end of last year, expanding to approximately 500 million yen in the first half of this fiscal year. The products are growing in a very promising way, and we are considering the addition of further items in the future.

Sellout, on the other hand, ended at -3% y-o-y. E-commerce grew by +3%, with double-digit growth seen especially in newly focused channels such as TikTok and Pinduoduo, and the EC ratio finally rose to 73% in the first half of the year.

As for new products, we have launched the "Natural Weaning Series," a bottle feeding device developed for older babies, and will gradually expand sales starting in the second half of this fiscal year. This product has received a very positive response from customers, and we are aware of competing local brands. With the introduction of the "Natural Weaning Series," we will work to further expand our market share of the nursing bottles and nipples market.

FY 2023 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Singapore business

Sales in major countries declined, mainly due to the rebound from the sharp recovery in the previous year

- YTD sales* in India -31%, Malaysia -12%, Indonesia -11%, Middle East -15%.
- Sellout in India, Australia, and Thailand grew y-o-y. Indonesia also saw y-o-y growth in core products.
- New model of wide-neck nursing bottle have been launched in almost all markets. We will further strengthen our communication activities to expand sales of wide-neck bottles, and at the same time, we will further increase the number of new products, including for infants.
- Skincare launched new products (baby powder and body soap refill) in the Natural Botanical series.
- Gross margin of Singapore business deteriorated by -2.1pts y-o-y due to sales decline at sales companies and soaring raw material prices

Strengthening core products: wide-neck nursing bottle

Strengthening sales in both offline and e-commerce



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Monozukuri : New Products in 1H 2023

New products in the Natural Botanical series and New bottle sterilizer/dryer



Brand: Communication

Implemented online Breastfeeding seminars and product review to focus on promoting the value of wide neck bottles



Singapore Business. Sales in the major markets of India, Malaysia, Indonesia, and the Middle East ended below the previous year's level.

This was due in part to expectations of a rapid recovery from the Covid-19 pandemic in Southeast Asian countries last year, and our distributors and major retailers in each country aggressively purchased new models of the nursing bottles and skincare products. However, sellout did not increase as much as expected and distribution inventories increased. Since it will take some time for the distribution inventory to normalize, we will spend a certain amount of sales promotion expenses in the second half of the current fiscal year to increase sellout.

FY 2023 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Lansinoh Business

Sales in North America fell below the previous year's level, but sales in Europe and China increased. Procurement and logistics cost outlook still uncertain

- Lansinoh Group sales* increased +2% YTD y-o-y. Sales in North America were down 6% y-o-y due to shipping delays requested by customers and delays in the launch of some new products, but sales in Europe (Germany, UK, and France) grew driven by nipple cream and other core products.
- Sales of prenatal and postpartum care products grew by double digits y-o-y led by strong sales in North America, UK, Germany and Benelux
- Announced new global brand vision "Stand with the mothers".
- New products in Q2: Soothies® C-section Recovery Pads and stackable breastmilk storage bottles.
- Gross margin improved by +0.7pts y-o-y, partly due to lower ocean freight rates (COGS factor), but distribution costs in the U.S. (SG&A factor) continued to soar. Operating income growth slowed down due to aggressive investment in SG&A expenses such as brand renewal and reopening in China.

Brand: Vision Renewal

While keeping Lansinoh's core values, Evolving into a brand that is closer to moms



Monozukuri : New Products in 1H 2023

Launched new prenatal and postpartum care products, etc.



Communication

Strengthening digital communication through key social media in all market. (Breastfeeding support, and Pericare)



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Lansinoh Business.

The Lansinoh Group ended the year with a +2% increase in sales over the previous year, thanks to growth in all regions except North America.

The factors contributing to the -6% decline in North American sales were the timing of purchases by major e-commerce customer and the fact that the launch of a major new product, a wearable breast pump, which was scheduled to be launched in the first half of the year, took longer than expected to obtain FDA approval and was launched in the second half of the year.

New products included postpartum care products, such as gel pads to care for C-section scars and newly designed breast milk storage bottles. In particular, sales of these prenatal and postpartum care (Pericare) products grew by more than 50% in the first half of the year compared to the previous year, and the sales composition ratio has grown to just under 5%. We expect that there is still room for growth in this category.

From this fiscal year, Lansinoh will renew its brand vision and evolve with the slogan "Stand with the mothers" as a brand that is closer to mothers than ever before.

FY 2023 Q2 Results - ESG and Sustainability

ESG

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

- Approximately 400 kg of plastic, glass, and nipples (silicone) were collected for recycle at 124 Akachan-Honpo stores nationwide.
- Supporting mothers and newborns in need with the donation of baby care products (Germany - Lansinoh)
- Providing "Lesson for learning about babies: For a baby-friendly future"
- Selected as a component of "Morningstar Japan ex-REIT Gender Diversity Tilt Index"



Collection and Recycle box of Pigeon nursing bottle (Japan)

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Donation of baby care products to the "Welcome-Baby-Bags" project (Germany)



Provide educational programs to get junior high school students interested in babies (Japan)

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In the area of ESG and sustainability, we set up a nursing bottle collection box at Akachan Honpo stores in Japan and collected approximately 400 kg of nursing bottles and nipples over a three-month period.

In Germany, we participate in "Welcome-Baby-Bags" and other product donations, and in Japan, we continuously hold "Lesson for learning about babies" at junior high schools to create value with society toward the realization of a "baby-friendly future".

FY 2023 Full-year Forecast - Unchanged

No change in the full-year forecast. Steady implementation of key themes to achieve the initial year of the 8th Mid-Term Plan
 The carry-over of SG&A expenses will be spent to boost sales in the Singapore business and to strengthen sales of new products that delayed its launch, etc.

Unit: Million JPY	FY Dec. 2022		FY Dec. 2023 Outlook		
	Actual	% of Total	Forecast	% of Total	YoY Change
Net Sales	94,921	100.0%	100,000	100.0%	105.4%
Cost of Sales	50,087	52.8%	51,800	51.8%	103.4%
Gross Profit	44,834	47.2%	48,200	48.2%	107.5%
SG&A Expenses	32,638	34.4%	35,800	35.8%	109.7%
Operating income	12,195	12.8%	12,400	12.4%	101.7%
Ordinary income	13,465	14.2%	12,400*	12.4%	92.1%
Net Income Attributable to Owners of Parent	8,581	9.0%	8,100	8.1%	94.4%

* Subsidy income not included

[Currency rates] FY Dec. 2022 Results: US\$1 = JPY 131.55 / CNY 1 = JPY 19.50
 FY Dec. 2023 Budget: US\$1 = JPY 130.00 / CNY 1 = JPY 19.50

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This is the forecast for the full year.

The full-year earnings plan announced in February remains unchanged, and we will continue to implement various measures to achieve the plan announced at the beginning of the fiscal year.

FY Dec. 23 - New Products and Topics for the Second Half

New products in 2H

- Japan** SHUPOT the electric nasal aspirator, Parts for nursing bottles (Lid, Straw), etc.
- China** New series of drinking cups, baby skincare ocean series, etc.
- Singapore** Additional design of the wide-neck nursing bottle (including eco-friendly materials), electric breast pump (Go Mini Plus), etc.
- Lansinoh** Wearable breast pump, etc.



Nursing bottle parts
Reached 600K+ on social media even before launch



Electric nasal aspirator: SHUPOT
redesigned our 200,000 units sold nasal aspirator



Wearable breast pump
Group's first hands-free model launched



Other Key Topics

- Full-scale operation of new Fuji plant (Japan, September)
- Second product price revision in the Japanese market (scheduled for September)
- Preparing for the Pigeon brand to enter the African market (Kenya)

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This is an example of our efforts in the second half of the fiscal year. New products are scheduled to be launched in each business.

In the Japan business, a new model of electric nasal aspirator will be launched in the Baby Care business. The former model has been a hit product with cumulative sales exceeding 200,000 units. The new model, with even more advanced comfort of use, is a high unit price product with a price of approximately 15,000 yen per unit. In addition, we will also start selling parts for reusing the nursing bottle.

In the China business, we plan to launch a new series of drinking cups jointly developed with a famous outside designer. Also, new baby skincare products are planned.

The Singapore business plans to launch an expanded range of the nursing bottles and improved models of breast pumps.

In the Lansinoh business, we expect the wearable breast pump to be fully launched and contribute to sales.

Other activities include a new factory in Fuji City that has finally been completed and will start operation in September, and a decision to enter the African market, with plans to establish a local subsidiary in Kenya by the end of the year.

FY Dec. 2023 : Shareholder Returns and Investment

Dividends	Dec. 2021		Dec. 2022		Dec. 2023	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Scheduled)	Year-end (Forecast)
Dividend per Share (yen)	37	37	38	38	38	38
Dividend payout ratio	100.9%		106.1%		112.4% (Full-year Forecast / Year-end)	

Investment-related Indicators (Consolidated) Unit: Million JPY	Dec. 2021		Dec. 2022		Dec. 2023	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	interim (Actual)	Full-year (Forecast)
Capex (*1)	2,013	6,735	2,814	7,259	3,775	5,600
Depreciation (*2)	1,986	4,161	2,381	4,947	2,518	5,100
R&D Expenses (*3)	1,709	3,603	1,802	3,792	2,000 ^(*4)	4,800 ^(*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

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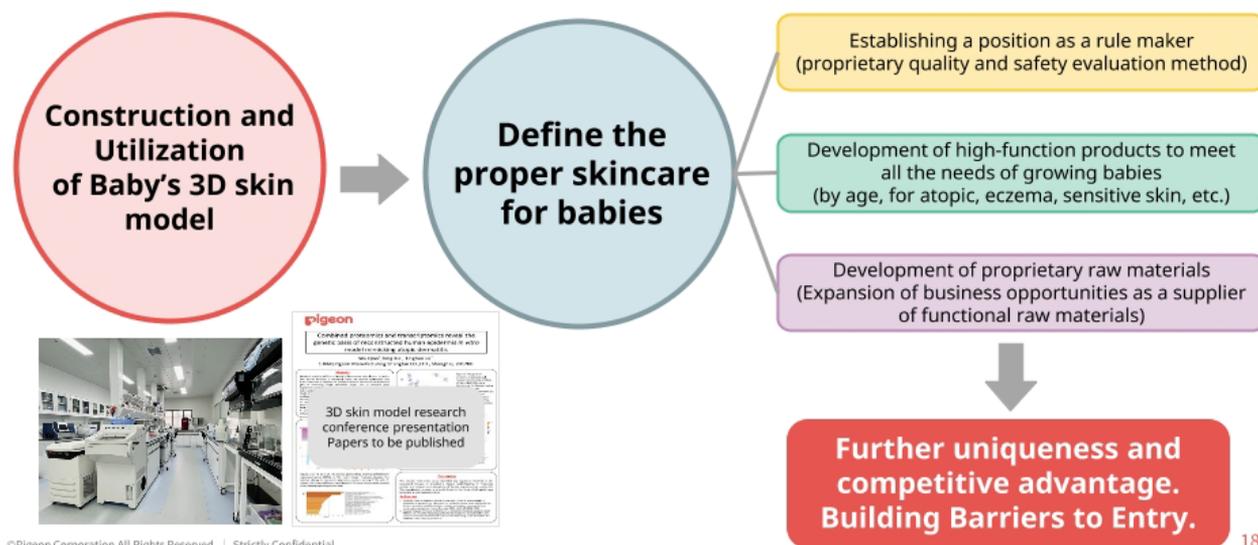
This is related to shareholder return and investment.

The Company plans to pay an interim dividend of 38 yen per share, in line with the plan announced in February.

In addition, capital expenditures are progressing as expected.

For Sustainable Growth: The Source of Pigeon's Competitiveness

Research and Development Activities - Skincare



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Finally, I would like to reiterate our strengths for sustainable growth.

One of our major strengths is our "in-depth baby's development research," as exemplified by our nursing bottles. We are also actively engaged in research on baby's skin and baby skincare in order to further deepen our knowledge in skincare, which we have been focusing on in recent years as the next pillar of the nursing bottles and nipples.

Most recently, we have been able to produce "3D skin cell models of a baby" in our laboratory located in our factory in China, and I believe that we are the only company in the world that specializes in research on "baby's 3D skin cell models".

By utilizing this 3D skin cell model of a baby, we expect, for example, to establish our own evaluation method for quality and safety, to establish our position as a "rule maker" in the industry, and to develop products that are truly effective for each problem by deepening research on different age groups, atopic skin, eczema, etc. We hope that this will lead to the development of products that are truly effective for the specific concerns of each customer. In the future, we may also expand our business opportunities by creating functional raw materials for baby skin care and selling them to other companies. By further deepening our skincare research, we hope to create further uniqueness and competitive advantage, as well as create barriers to entry.

For Sustainable Growth: The Source of Pigeon's Competitiveness

Promoting research and development of baby skincare products in Japan and China that only Pigeon can provide

● Pigeon Home Products (Japan)



- The new plant will start operation in September 2023
- Production capacity expansion
- Strengthening of baby skin research and R&D capability
- Challenging new fields such as D2C and products unique to Japan

● Pigeon Manufacturing (Shanghai)



- Leading the Pigeon Group's skincare research
- In June 2022, we established the "Cellular and Molecular Biology Research and Testing Laboratory" to further deepen our skincare research and develop baby's 3D skin model
- Publicize our research widely through multiple publications.

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Pigeon's skin care research centers are located in Japan and China.

On the left is our new factory in Fuji, which will start operation in September. Please look forward to our two bases, the Fuji factory in Japan and the factory in China, as we strengthen our R&D in skincare, which will lead to sustainable growth for our company.

For Sustainable Growth: The Source of Pigeon's Competitiveness



Another activity that has been fundamental to our company since its foundation is our "hospital and professional activities.

Hospital activities include, for example, joint research with obstetricians and NICUs, development of exclusive products for in-hospital use, and provision of information on breastfeeding and newborn care to medical professionals. In addition, we support the establishment of "breastfeeding / pumping rooms" in hospitals to enhance the breastfeeding support environment, and in recent years, we have begun to support the spread of "breast milk banks". We started supporting breast milk banks in Japan in 2020, and this year we are expanding the scope of our activities by contributing to the support of breast milk banks overseas as well.

During the three years of the Covid-19 pandemic, our hospital activities in each country were also quite limited, but we will gradually re-strengthen them starting this fiscal year. The Pigeon brand has become so strong in the Japanese market today because this hospital activities, and in the Chinese market as well, the brand has grown so much because we have strengthened our hospital activities. We will further strengthen the brand and lead it to sustainable growth by reinforcing our hospital activities.

That is all from me. Thank you very much.

Q&A Session

*Q&As are summarized by the Business Segment.

[Group Consolidated]

Q. How much of the SG&A expenses are unspent for 1H compared with plan?

A. As of the end of the first half, there were approximately 800 million yen of SG&A expenses unspent against the internal plan. These unspent expenses will be used in the second half of the current fiscal year and thereafter. Although we spent 500 million yen of SG&A expenses in the Q2 that were carried over from the Q1 to the Q2, but some of the SG&A expenses that were scheduled to be used in the Q2 were unspent and carried over to 2H.

[Japan Business]

Q. Summarize 1H performance and 2H key activities.

A. Although the market environment in Japan has not changed significantly from our initial assumptions at the beginning of this fiscal year, our sales and marketing activities have changed, and as a result, 1H results were stronger than expected. First of all, we maintain a slight increase in sales of nursing bottles and nipples, which account for nearly 90% of the market. Specifically, we were able to achieve a recovery in sales and market share by strengthening categories such as baby skincare and wet tissues, which had large sales volume but lost market share to competitors. For the second half of the fiscal year, we plan to revise prices for the second time this year in September. In the mid- to long-term, we will strengthen its product development capabilities in Japan, not only to increase market share of existing products, but also to aggressively create new categories in Japan.

Q. Tell us about market opportunities in Japan over the medium to long term in the context of declining birthrates.

A. The number of births in Japan was over 2 million in Yr 1973 and has been declining for the next 50 years, dropping to the 800,000 level by Yr 2020, but we have been able to increase our sales during this period. We also believe that growth through horizontal expansion of our products is possible, as we will be expanding our target customers in Japan, such as toddlers and mother care. In addition, although the number of births in Japan has declined by about 15% from Yr 2017 to 2022, due in part to changes in people's lifestyles and baby-care needs, a comparison of the last five years shows that, for example, the experience rate of purchasing nursing bottles, the number of

bottles owned, and the allowable unit price per bottle are increasing. The amount of money spent per baby has also increased significantly over the past five years, making it easier to sell high unit price products such as electric nasal aspirator. Considering these changes in the environment, we believe that the market opportunity remains large despite the decline in the number of births, and that we can continue to grow our business in Japan by further expanding our lineup of unique products that provide solutions to the problems of baby care for our Japanese customers.

[China Business]

Q. Summarize 1H performance and 2H key activities.

A. The business environment in China may be more difficult than assumed at the beginning of this year, as the decline in the number of births has accelerated due to the Covid-19 pandemic, and there are concerns that the decline in the number of births may further accelerate in the Yr 2023. In the first half of the year, sales on the China mainland grew by 5% y-o-y by concentrating on our core products, nursing bottles and nipples and skincare. Sales of nursing bottles and nipples recovered to the Yr 2019 (pre-Covid) level and skincare sales increased to 1.5 times of the Yr 2019, while market share also increased. Sales of nursing bottles and nipples recovered to the pre-Covid level because we focused on our resources in 1H, however, it was less active in consumables such as liquid cleanser, etc. resulting in lower-than-expected sales of consumables.

In the second half of the year, in addition to solid growth of the new “Natural Weaning” series and toddler skincare products, and we have already begun preparations to increase production capacity of the “Natural Weaning” products by the end of the year because it has been received great feedback from customers in the test marketing period.

In addition, although the consumables category is not highly profitable, if we continue to shrink it, the negative impact on sales will be significant, so we will consider taking steps to recover sales of consumables. However, we would like to consider investing expenses not on a scale that would push down the profit margin of the China business as a whole, but only to recover sales of consumables to some extent.

Q. Tell us about the product features of the newly launched “Natural Weaning” Series.

A. The Natural Weaning Series, which will be launched for the first time in China, is a feeding bottle equipped with two types of "nipple-shaped straws" newly developed, each of which can be used from 6 months and 12 months old. These products were developed based on the knowledge gained from our many years of babies' feeding research. The main feature of these products is that by using the nipple-shaped straws, babies can make the natural transition from bottle drinking to straw

drinking while supporting their oral development after they shift from a nursing bottle to a drinking cup.

In the current Chinese market, while we have a very high market share of over 60% for nursing bottle and nipple products, especially among customers with newborns, we know that many customers are shifting from our nipples to competitor's straw cups as their babies get older. Since we have seen good results from the test-market in June, we will invest in additional molds in the second half of this fiscal year to strengthen our production system, which will lead to significant growth in the nursing bottle and nipple category from next year onward. We are planning to invest in additional molds in the second half of this fiscal year to strengthen our production.

Q. What is the medium- to long-term outlook for the offline channel (brick-and-mortar store)?

A. Sell-outs in the offline channel continued to be difficult, down -16% y-o-y in the first half year-to-date. With the rapid shift to e-commerce in the three years since the Covid-19 pandemic, the trend of small stores such as so-called "mom and pop shop" and local chain baby stores shrinking may unfortunately be difficult to stop. However, we remain aware that brick-and-mortar stores are still an important channel for us, and we will continue to value them as shopping destination where customers can experience our brands and products firsthand, especially the two major national chain baby stores.

On the other hand, to cover the shrinking number of local baby stores, we are now focusing on Pinduoduo to reach out to local customers. Although sales are still small, Pinduoduo is growing at twice the rate every year. And like Tiktok, we aggressively investing in and nurturing Pinduoduo as one of its new channels of focus.

Q. What is the outlook for the number of births and any future steps you are taking to achieve growth even in the face of declining births?

A. Since we only have access to official birthrate information from China's population statistics, which are released once a year, it is difficult to determine the certainty of the information currently being reported that the number of births in China in 2023 may decrease by 20% from the previous year, and we have no idea of the outlook for the number of births.

In the 8th Mid-term Business Plan announced in February, the Chinese market was planned based on the assumption that the number of births would decline every year. However, we are reorganizing our business plan for 2024 and beyond to include the possibility that the decline in the number of births will accelerate beyond our expectations. For example, the natural weaning series, which we began selling in June, has had very good preliminary sales results, and we will expand the production capacity to boost the sales in 2024 and beyond. Also, the toddler skincare series,

which has been steadily increasing sales, will accelerate its growth by bringing forward the launch of additional new products originally planned. In addition, we will invest resources in new products, such as skincare (ocean series) scheduled for launch in the second half of the current fiscal year and a new series of drinking cup jointly developed with a famous outside designer, to boost sales. Even if the number of births declines more than our expectation, we will take various measures to achieve the stable growth in the China market.

[Singapore Business]

Q. Summarize 1H performance and 2H key activities.

A. Amid expectations of a sharp recovery from the Covid-19 pandemic in Southeast Asian countries last year, our distributors and major retailers in each country aggressively purchased new nursing bottles and skincare products, but sellout did not grow as much as expected and our sales (sell-in) fell short of the previous year due to adjustments in distribution inventory. On the other hand, sellout in major markets such as India, Indonesia, and Malaysia has been gradually improving in Q1 and Q2. In the second half of the year, however we believe that it will take some time to adjust distribution inventories, we will continue to prepare additional new products in nursing bottles and skincare, as well as focus on brand activities that resumed at the dawn of the Covid-19 pandemic, in order to get back on a growth path again.

[Lansinoh Business]

Q. Summarize 1H performance and 2H key activities.

A. Sales grew in all markets except North America. There are clear reasons for the weak sales in North America: shipments to a major EC were carried over to July, and the launch of a new product, the wearable breast pump, was delayed. In the second half of the fiscal year, we plan to increase sales of the wearable breast pump by investing in advertising and other measures.

[END]