

Summary of the Financial Results Conference Call for Q3 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 considering 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]. Thursday, November 7, 2024 16:50 - 17:30 JST

[Speakers] 3

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

FY2024 Q3 Results - Consolidated P&L (YTD 9 months)

Net sales increased 4.2% YoY driven by Lansinoh, China, and Singapore business partly 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	Q3 / Dec. 2023 YTD		Q3 / Dec. 2024 YTD		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	72,942	100.0%	76,037	100.0%	104.2%
Cost of Sales	37,016	50.7%	38,485	50.6%	104.0%
Gross Profit	35,925	49.3%	37,551	49.4%	104.5%
SG&A Expenses	25,741	35.3%	29,069	38.2%	112.9%
Operating Income	10,183	14.0%	8,481	11.2%	83.3%
Ordinary Income	11,149	15.3%	8,833	11.6%	79.2%
Net Income Attributable to Owners of Parent	7,281	10.0%	5,426	7.1%	74.5%

[Currency Rates] 2024 Q3 Results: US\$1 = JPY 151.15 CNY 1 = JPY 20.99
2023 Q3 Results: US\$1 = JPY 138.17 CNY 1 = JPY 19.62

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3

Hiratsuka: Consolidated results for the cumulative third quarter (hereafter Q3) ended with an increase in sales and a decrease in profit.

Net sales were 76.037 billion yen, up +4.2% from the previous year. Gross profit was 37.551 billion yen, an increase of +4.5% over the previous year. On the other hand, operating income ended at 8.481 billion yen, down -16.7% from the previous year. Ordinary income and net income also ended lower than the previous year.

FY2024 Q3 Results - By Business Segment (YTD 9 months)

Japan business lower sales and profits, but Baby care sales remained on par with previous year. China business ended with higher revenues and lower income due to aggressive investment in sales growth. Singapore and Lansinoh business ended with increased revenue and profit.

Unit: Million JPY	Q3 / Dec. 2023 YTD				Q3 / Dec. 2024 YTD				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	72,942	100.0%	49.3%	10,183	76,037	100.0%	104.2%	49.4%	8,481
Japan Business	27,572	37.8%	34.2%	1,638	26,642	35.0%	96.6%	32.9%	1,385
China Business	27,301	37.4%	55.8%	8,613	28,466	37.4%	104.3%	56.6%	7,439
Singapore Business	10,118	13.9%	38.2%	1,225	10,694	14.1%	105.7%	40.3%	1,354
Lansinoh Business	13,651	18.7%	54.0%	881	15,597	20.5%	114.3%	54.4%	888
Elimination of inter-segment transactions	(5,702)	(7.8%)	—	—	(5,364)	(7.1%)	—	—	—

▼[Reference] Breakdown of Japan Business

Unit: Million JPY	Q3 / Dec. 2023 YTD				Q3 / Dec. 2024 YTD				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby Care	19,442	—	39.4%	1,897	19,441	—	100.0%	36.6%	1,385
Childcare Services	2,574	—	15.5%	140	2,536	—	98.5%	13.9%	97
Health & Elder Care	3,592	—	31.5%	307	3,257	—	90.7%	34.4%	312

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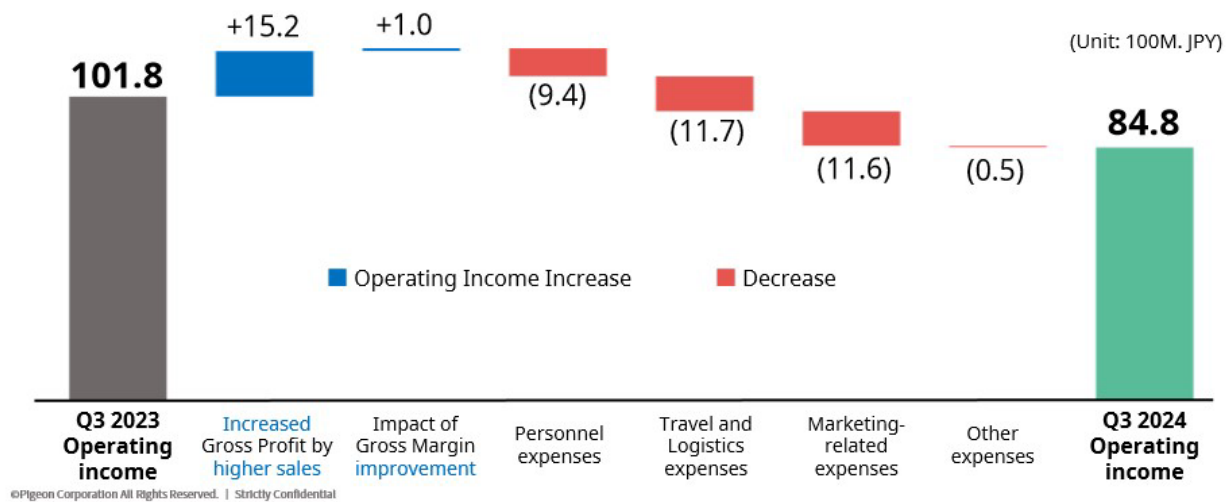
4

Profit and loss by business segment.

In the nine months ended December 31, 2024, the Japan business posted lower sales and profits compared to the previous year, the China business posted higher sales and profits, and the Lansinoh and Singapore businesses ended the period with higher sales and profits. As for the breakdown of the Japan business, sales in Baby Care remained at the same level as the previous year. In addition, Health and Elder Care ended with declines in both revenue and income.

FY2024 Q3 Results - Change in Operating Income (YoY)

While gross profit increased due to higher sales, SG&A expenses were increased by aggressive investment mainly for sales and market share recovery in mainland China. As a result, operating income decreased by 1.7 billion yen YoY.



5

This is the reason for the increase or decrease in consolidated operating income in the Q3 YTD.

While gross profit increased by +1.6 billion yen YoY, partly due to increased revenue and improved gross margin, SG&A expenses increased by +3.3 billion yen YoY, partly due to the impact of FX rates. SG&A expenses included higher personnel costs and aggressive marketing expenditures in China business and Lansinoh businesses, resulting in an operating income of 8.48 billion yen, down -1.7 billion yen from the previous year.

FY2024 Q3 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Japan business

While strong sales in new areas such as baby care appliances, sales and income down due to weak overseas demand and soaring COGS

- Q3 YTD sales of Baby care ended on par with previous year. Overseas demand such as exports and cross-border EC remained weak.
- Q3 YTD sales of bottles and nipples ended on par with previous year. Domestic demand for baby skincare was stable, but lower overseas demand made skincare sales below the previous year's level.
- Launched a new product, "Baby Electric Nail File" on August to expand our product lineup of baby care appliances, which has been performing well. Other several new products such as baby food and baby dental care were launched, and Lansinoh nipple cream finally launched in Japan market as scheduled.
- Q3 YTD gross margin of Baby care deteriorated by 2.8 pt YoY mainly due to the impact of higher COGS reflecting the weaker Japanese yen.
- Pigeon group transferred all shares of Pigeon Manaka Corporation, which operates elder care service business, to Marumitsu Corporation on April 1 2024, and excluded it from the Group company since Q2 of this year (Annual sales of Pigeon Manaka is about 900 million yen).

New area: Baby care appliances

Following the release of SHUPOT and POCHITTO, "Baby Electric Nail File" was launched in August.



Price 3,800 yen (w/o tax)

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Strengthening of existing areas

Capturing lifestyle changes, launched several new products to solve "difficulties of baby care" even in existing areas.



6

Summary by business segment. In the Japan business, sales in new areas such as baby care appliances were strong in the baby care business, but sales and earnings declined due to lower sales resulting from weak overseas demand and deteriorating profit margins caused by soaring COGS and other factors.

In the baby care business, cumulative sales of nursing bottles and nipples were on par with the previous year, while sales of skincare products were below the previous year due to weak overseas demand, despite strong domestic demand.

As for new products, "Baby Electric Nail File" was launched in August, expanding the product lineup of baby care appliances that have been performing well. In addition, several new products such as baby food and baby dental care were launched, and Lansinoh brand nipple cream was launched in Japan in August.

The gross margin for the baby care business deteriorated by -2.8 percentage points from the previous fiscal year, mainly due to the impact of soaring COGS, mainly reflecting the yen's depreciation, which has continued since the beginning of the fiscal year.

Pigeon Manaka, which operates a nursing care service business was excluded from the Group's scope of consolidation from this Q2 period because shares of Pigeon Manaka were transferred to Marumitsu Corp. on April 1, 2024.

FY2024 Q3 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

China business

Increased sales and decreased profit. Online continues to perform well, but offline continues to struggle

- Q3 YTD sales of mainland china (CNY) ended with -4% YoY. Q3 YTD sellout grew by 10% YoY.
- Q3 YTD sales of bottles and nipples increased by 8% YoY driven by the Natural Weaning Series, etc.
- Baby skincare saw a reactionary sales decline from the strong Q2, but prepared for Double Eleven in products and sales.
- Launched new products such as "Baby Ultra Facial Cream" and "Thermal mug for kids".
- Q3 YTD UV and GMV continued double-digit growth through strengthening of brand exposure and communication.
- Q3 YTD sellout grew by 10% YoY, with EC sales up 19% and offline sales down 12% YoY. Strong sales through EC including our own flagship stores. Latest EC ratio is 78%.
- Market share of bottles and nipples remained unchanged since Q2.
- Q3 YTD gross margin of China business (JPY) improved by 0.8pt YoY due to an increase in the sales composition of high-margin bottle and nipple products.

Strengthening of existing areas New product launch in Baby Skincare (September)



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New area: Age-Up products Strengthening sales in both offline and e-commerce



Brand: Pigeon Nipple 3S Model Received the "Neonatal Feeding Technology Innovation Award" sponsored by CBME*.



*Children Baby Maternity Expo

7

The China business ended the year with higher revenues and lower profits. The mainland continues to perform well online, but offline continues to struggle.

Mainland China ended the Q3 YTD sales growth of -4% compared to the previous quarter. Sellouts, on the other hand, grew year-to-date by +10% over YoY.

Sales of nursing bottles and nipples increased by +8% YoY, partly due to the contribution of the natural weaning series and other products. On the other hand, sales of baby skincare products showed a reactionary decline from the strong Q2, but the company prepared for the "Double-Eleven shopping event" in November in terms of products and sales.

New products include Baby Ultra Facial Cream, a skin care product, and Thermal Mugs for Kids. Continuing to show double-digit YoY growth of UV and GMV in the Q3 YTD.

Q3 YTD sellout grew +10% YoY, with EC sales up +19% and offline sales down -12%. EC sales strong at our flagship stores. And EC sales ratio is now 78% in the Q3.

The market share of nursing bottles and nipples has remained generally unchanged since the Q2.

The gross margin of the China business improved by +0.8 percentage points from the previous year due to an increase in the sales composition of highly profitable nursing bottles and nipples.

FY2024 Q3 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. Implemented brand renewal of "SofTouch" Wide-neck bottles/nipples in key countries

- Q3 YTD sales* in India +8% YoY, Malaysia +16%, Indonesia -8%, and Middle East -9%.
- Q3 YTD sellout grew YoY in Australia, Vietnam, and Thailand. India and the Middle East are still in the process of recovery.
- Distribution inventories in major markets remain at healthy levels.
- Continued to strengthen sales of core products. Implemented brand renewal of the SofTouch™ series of bottles and nipples in key markets.
- New products, "SofTouch™ Drinking Straw Set" and "SofTouch™ Training Straw Set" released in Singapore and other key markets in July. Natural Botanical skincare launches "Natural Botanical Maternity" series for mothers.
- Q3 YTD gross margin of Singapore business (JPY) improved by 2.1 pt YoY, partly due to sales growth of factories and the favorable impact of FX rates.

Strengthening core products: SofTouch Wide-neck bottles

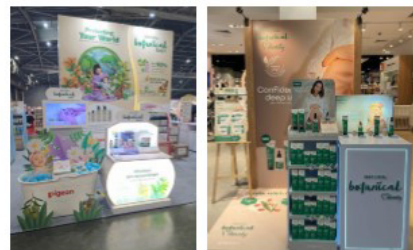
Brand renewal of "SofTouch™" series in major countries,
Age-up product launched in Q3



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Strengthening core products: Baby skincare

Increased exposure and launched new series of
"Natural Botanical Maternity"



8

The Singapore business ended the period with higher sales and profit thanks to the tailwind of yen depreciation, and from Q3 we have been focusing on implementing brand renewal of wide-neck nursing bottles in major markets.

Cumulative sales in the major markets were up +8% from the previous year in India, +16% in Malaysia, -8% in Indonesia, and -9% in the Middle East. Sellout, on the other hand, grew YoY in Australia, Vietnam, and Thailand. India and the Middle East are still on the way of recovering.

We have been able to maintain appropriate levels of distribution inventory in key markets. And we are continuing to strengthen sales of our core products: from Q3, we are focusing on implementing brand renewal of SofTouch™ series of nursing bottles and nipples in key markets.

As for new products, the SofTouch™ Drinking Straw Set and SofTouch™ Training Straw Set (the same products as the Natural Weaning Series sold in mainland China) were launched in Singapore and other markets in July. In addition, Natural Botanical skincare, a focus of the Singapore business, began rolling out a new line for mothers, Natural Botanical Maternity, in addition to baby products.

The gross margin of the Singapore business improved by +2.1 percentage points from the previous year, partly due to sales growth at the plant and the impact of FX rates.

FY2024 Q3 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

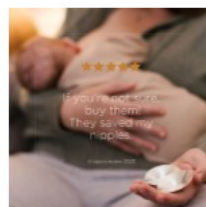
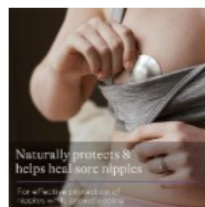
Lansinoh Business

Sales continued to be strong driven by new products. Both sales and profit increased due to the favorable FX rates

- Q3 YTD sales (US\$) of Lansinoh Group ended +4.5% YoY.
- Q3 YTD sales in North America increased 7% YoY driven by a new breast pump (Discreet Duo), however the sales of Milk Storage Bags decreased due to the disappearance of special demand.
- Sales growth in Europe driven by nipple cream, etc. Sales in mainland China were weak due to intensified competition in consumables.
- New products include "Silverette Nursing Cups" launched in the UK. In North America, organic herbal tea for maternity and mothers launched on September such as "Morning Rescue Pregnancy Tea" and other 2 items.
- Q3 YTD sales of postpartum and recovery care grew by more than 40% YoY. Continued double-digit growth in major markets including North America, UK, and Germany.
- Q3 YTD gross profit margin (JPY) for Lansinoh business improved by +0.4pt. On the other hand, segment profit margin declined -0.8pt YoY due to higher labor costs and aggressive growth investments in new categories, etc.

Strengthening of existing areas

Launched new products in breastfeeding-related products



New area: Expansion into the "Nutrition" category

Further expansion of the brand's product lineup



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9

Sales in the Lansinoh business continued to be strong, driven by new products. In addition, the business ended the year with increased sales and profit, due in part to the effect of yen depreciation.

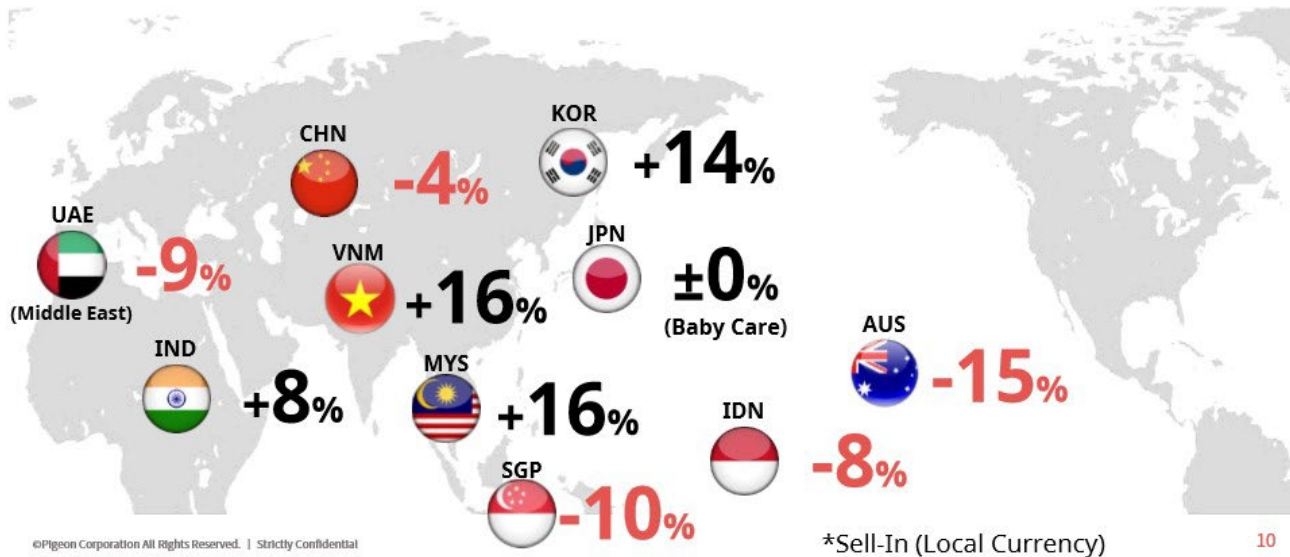
Cumulative sales of the Lansinoh Group were up +4.5% from the previous year. Among them, sales in the mainstay North American market grew by +7%. By category, sales of breastmilk storage bags fell below the previous year's level due to the disappearance of special demand. On the other hand, sales of breast pumps, "Discreet Duo," launched in February this year, were strong, contributing to sales growth in North America. Sales in Europe also grew, centering on nipple cream, a core product.

New products include "Silverette Nursing Cups" launched in the UK in September. In North America, a total of three products were launched in September, including Morning Rescue Pregnancy Tea, an organic herbal tea for maternity mothers.

Sales in the new area of prenatal and postpartum care grew by more than 40% year-on-year on a cumulative basis and continued to grow by double digits not only in North America but also in the UK, Germany, and other major markets.

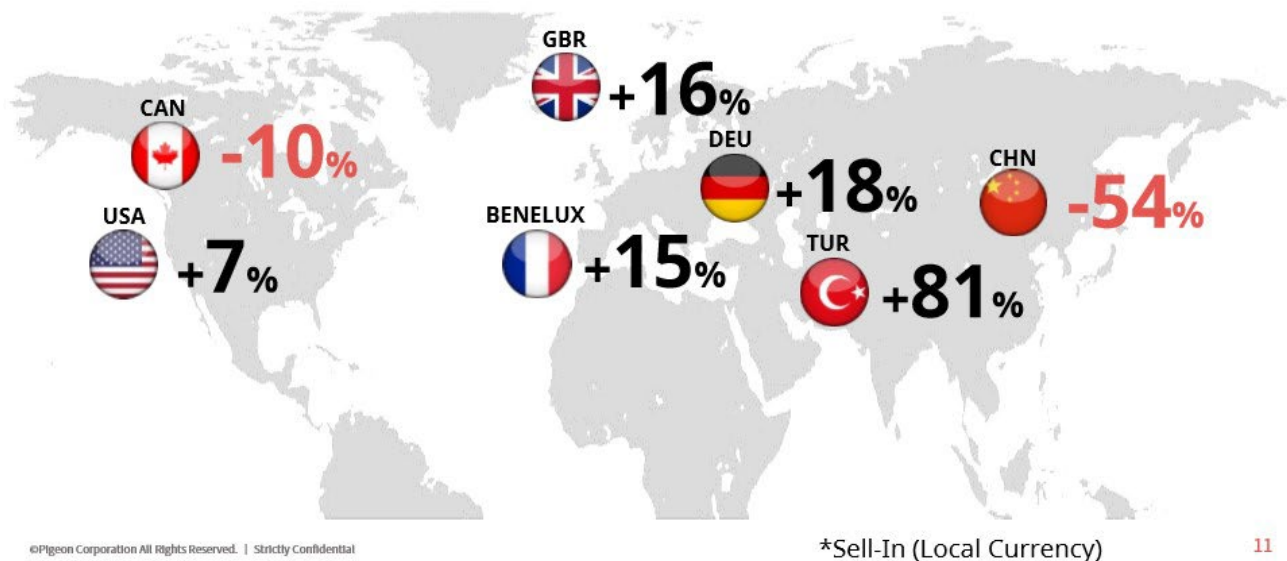
The gross margin for the Lansinoh business improved by +0.4 percentage points from the previous year. On the other hand, the segment profit margin deteriorated by -0.8 points from the previous year, due in part to higher labor costs and aggressive growth investments in new categories.

FY2024 Q3 Results - Pigeon Sales* by Region (YoY)



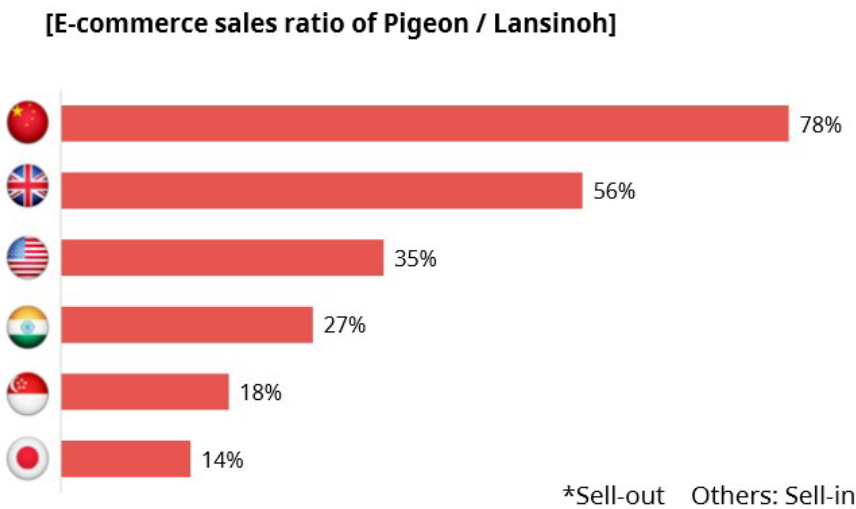
10

FY2024 Q3 Results - Lansinoh Sales* by Region (YoY)



11

FY2024 Q3 Results - EC Sales Ratio in Key Markets



For pages 10 to 12, please refer to the cumulative sales of Pigeon and Lansinoh brands in major regions, as well as the e-commerce ratios in key markets.

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

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13

Finally, we would like to share with you the outlook for the 2024 full-year forecast.

There is no change in the full-year forecast from the initial budget announced in February of this year. In the Q4 of this year, we will continue our efforts to achieve full-year sales of 101.0 billion yen, operating income of 11.4 billion yen, and net income of 7.6 billion yen by strengthening existing areas and expanding new areas globally, in addition to the recovery of sales in the Chinese market.

This is a summary of the third quarter results.

Questions and Answers

*Questions and answers are listed by business segment.

Group Consolidated

Q. How much was the impact of FX rates on consolidated results in the Q3 YTD?

A. In the Q3 YTD, FX rate had a positive impact of about 3 billion yen on consolidated net sales, about 1.7 billion yen on gross profit, and about 350 million yen on ordinary income compared to the previous year's exchange rate.

Q. How does the company evaluate its performance at the end of the Q3 YTD?

A. Consolidated net sales and gross profit for the cumulative Q3 were almost in line with the company's forecast, including the positive impact of FX rate. On the other hand, SG&A expenses were several hundred million yen higher than expected due to investments for growth in China and the impact of FX rates, and this is expected to have a negative impact on operating income.

China Business

Q. How much was the Q3 alone (July-September) sell-in and sell-out in mainland China compared to the previous year?

A. Sell-in in mainland China in the Q3 alone was -14% YoY, while sell-out grew by +23% YoY. In sellout, e-commerce was up +35% YoY, while offline was about -10% YoY.

The reason for sell-in of the Q3 alone declined was that we adjusted our sell-in, considering the usual trend that sell-out is difficult to grow in the Q3 after the good results of 618 shopping event in EC and the offline situation where sell-out continues to fall below the previous year's level this year. As a result, contrary to our expectations, we positively evaluated the double-digit growth in sellout in the Q3 alone as well.

Q. Are we achieving sales growth as we invested and expected?

A. Regarding nursing bottles and nipples, sell-in also grew by +8% over the previous year, and we assess that the effect is favorable. On the other hand, skincare has not yet been as effective as expected and is currently in the trial-and-error stage.

Q. Tell us about trends in nursing bottles and nipples by series (existing products for newborns and new products for older babies such as natural weaning series).

A. Although sales and market share of existing bottles mainly for newborns dropped sharply after the ALPS treated water issue in the Q4 last year, it has recovered steadily to the level before the event, partly due to enhanced brand exposure. On the other hand, the current growth driver in the nursing bottles and nipples is new products, the natural weaning series which has grown to account for more than 10% of the nursing bottles and nipples category sales as of the end of Q3 YTD.

Q. Do you plan to invest aggressively for sales growth in mainland China this fiscal year, other than the big shopping event season such as “618” and “Double Eleven”?

A. In China this fiscal year, in addition to spending during the sales season as in previous years, we are focusing on increasing brand exposure to recover sales, and plan to aggressively invest in growth related to branding throughout the year, focusing on social media such as Tiktok (抖音) and Redbook (小紅書). We are focusing on creating and spreading video content, and has seen ripple effects across platforms, such as customers purchasing products on T-mall, JD, and other platforms after viewing contents on Tiktok and Redbook. So, we believe that growth investments in branding are having a positive impact on both existing and new platforms.

Q. How much are you confident that the China business will achieve its full-year budget?

A. For the full year, our initial budget for sell-in in mainland China is for a +14% YoY increase. Considering the current market environment in China (domestic economy, number of births, etc.), this is not an easy task. But considering that sell-in was halved in the Q4 alone (October-December) last year due to the impact of ALPS treated water and considering the distribution inventory situation in this Q3 of this year, where sell-out preceded sell-in, we are confident that we can first surpass the previous year's hurdle for sure.

The double-eleven sales event in November will be the key to achieving the full-year budget, and we are currently preparing for it, so we will work to achieve results there and work toward achieving the full-year sell-in budget.

Japan Business

Q. Sell-in of nursing bottles and nipples were up about +5% YoY at the end of the first half but have fallen to the on par with the previous year in the Q3 YTD. What's behind?

A. We understand that the sales increase due to the price revisions implemented in February and September last year have now fully subsided. Also, there might have been a surge in demand before the price revision in September. Anyway, sales of nursing bottles and nipples is progressing as expected internally.

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