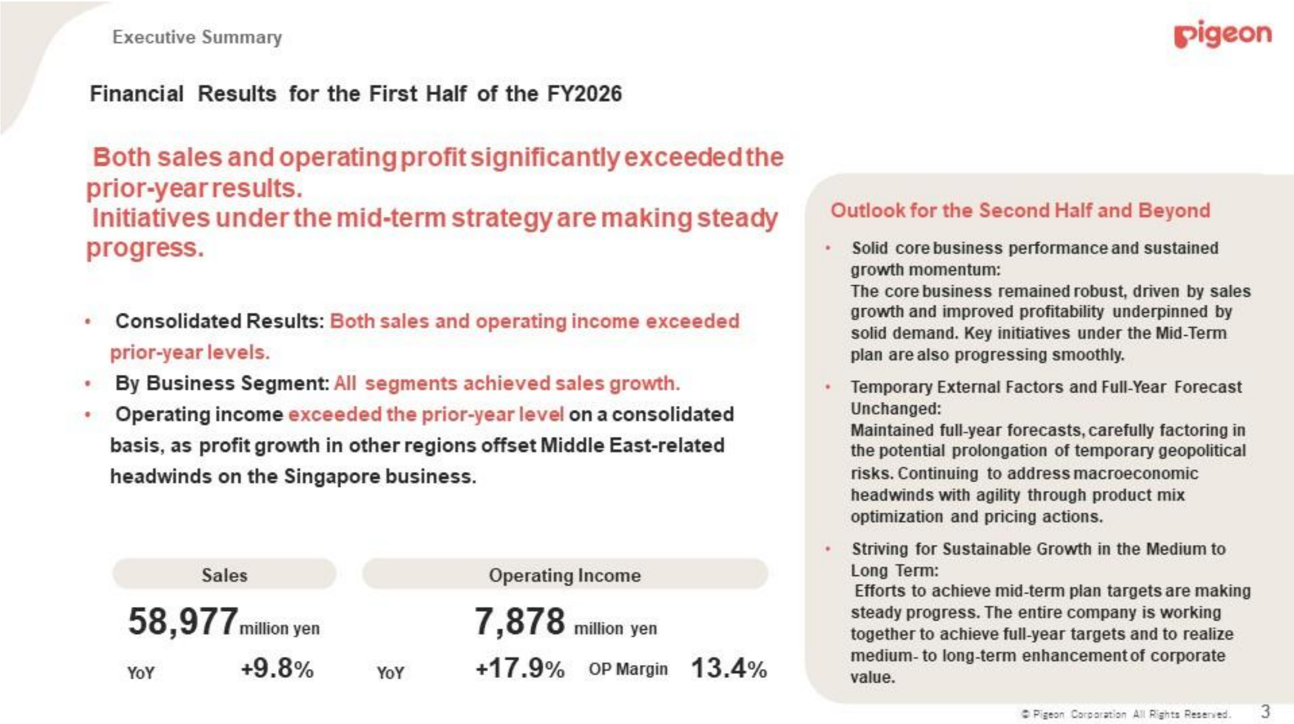
Summary of the Financial Results Briefing for Q2 FY Dec. 2026 (YTD 6 months)

Note: This "Briefing Summary" is a summary of presentation and Q&As 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.
In the event of discrepancy between the English version and the Japanese version of the summaries, the Japanese-language version shall prevail.

[Date & Time]. Friday, August 7, 2026 9:30 - 10:50 JST

[Speakers] 4

Ryo Yano	President and CEO
Tadashi Itakura	Director, Senior Managing Executive Officer, Chief Product ＆ Supply Chain Officer (CPO/CSCO)
Nobuo Takubo	Director, Managing Executive Officer, Chief Strategy Officer (CSO)
Takashi Arai	Chief Financial Officer (CFO)



Yano:

Thank you all for taking the time out of your busy schedules to join our financial results briefing today. I will now walk you through our results for the first half of the fiscal year.

Let's begin with the executive summary.

Building on the momentum from the first quarter, both net sales and operating profit for the first half significantly exceeded our results from the same period last year. We are also making steady progress on the various strategic initiatives outlined in our 9th Mid-Term Management Plan, which we launched this year.

Despite initial concerns regarding the potential impact of the situation in the Middle East during the first half, we successfully achieved sales growth across all of our business segments. Even in our Singapore operations, which are particularly exposed to these geopolitical factors, we were able to offset the headwinds through strong sales in other regions, ultimately securing top-line growth.

Consolidated net sales grew by 9.8% YoY, demonstrating sustained growth, while operating income increased by approximately 18% YoY, outpacing our sales growth. While our operating margin generally hovered around the 12% level last year, it improved to the 13% range in both the first and second quarters of this fiscal year.

Looking ahead to the second half of the fiscal year and beyond, we are highly confident in our ability to deliver solid results. We aim to achieve this by sustaining the robust performance of our core business, which underpinned our strong first-half results, and by firmly maintaining our overall growth trajectory.

FY2026 1H Results - Consolidated P&L (YTD 6 months)

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Sales and operating income exceeded both prior-year results and plan

Achieved YoY growth in net sales and at all profit levels, driven by top-line growth and improved profitability across all business segments.

	1H / Dec. 2025		1H / Dec. 2026		
(Unit: Million JPY)	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	53,734	100.0%	58,977	100.0%	109.8%
Cost of Sales	26,500	49.3%	28,868	48.9%	108.9%
Gross Profit	27,234	50.7%	30,108	51.1%	110.6%
SG&A Expenses	20,549	38.2%	22,230	37.7%	108.2%
Operating Income	6,684	12.4%	7,878	13.4%	117.9%
Ordinary Income	6,875	12.8%	7,986	13.5%	116.2%
Net Income Attributable to Owners of Parent	4,624	8.6%	5,221	8.9%	112.9%

* Currency Rates: FY2026 1H results: US$1 = JPY 158.13, CNY 1 = JPY 23.04; FY2025 1H results: US$1 = JPY 148.50, CNY 1 = JPY 20.47

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Turning now to our consolidated results for the first half of the fiscal year.

Net sales grew by 9.8% YoY. Gross profit increased by 10.6% YoY, outpacing our sales growth. Meanwhile, we successfully contained the rise in SG&A expenses to just an 8.2% increase YoY. As a result, operating profit surged by 17.9% YoY, marking a significant increase.

FY2026 1H Results – By Business Segment

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Achieved YoY sales growth across all business segments

The Baby Care segment in Japan also posted strong revenue growth despite a decline in the birth rate.
Profit growth in other regions offset Middle East-related headwinds on the Singapore business, resulting in a YoY increase in consolidated operating income.

(Unit: Million JPY)	1H / Dec. 2025				1H / Dec. 2026				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	53,734	–	50.7%	6,684	58,977	–	109.8%	51.1%	7,878
Japan Business	18,476	34.4%	34.4%	1,107	19,780	33.5%	107.1%	35.1%	1,744
China Business	21,274	39.6%	56.4%	5,696	24,072	40.8%	113.2%	55.0%	6,136
Singapore Business	7,200	13.4%	42.2%	1,113	7,287	12.4%	101.2%	43.5%	1,059
Americas and Europe Business	10,613	19.8%	55.6%	486	12,239	20.8%	115.3%	55.7%	928
Elimination of inter-segment transactions	(3,829)	(7.1%)	–	–	(4,402)	(7.5%)	–	–	–
[Reference] Breakdown of Japan Business									
Baby Care	13,879	–	38.3%	1,191	14,908	–	107.4%	39.8%	1,814
Childcare Services	1,696	–	17.6%	59	1,667	–	98.3%	14.9%	55
Health & Elder Care	1,940	–	33.9%	121	2,011	–	103.7%	32.6%	107

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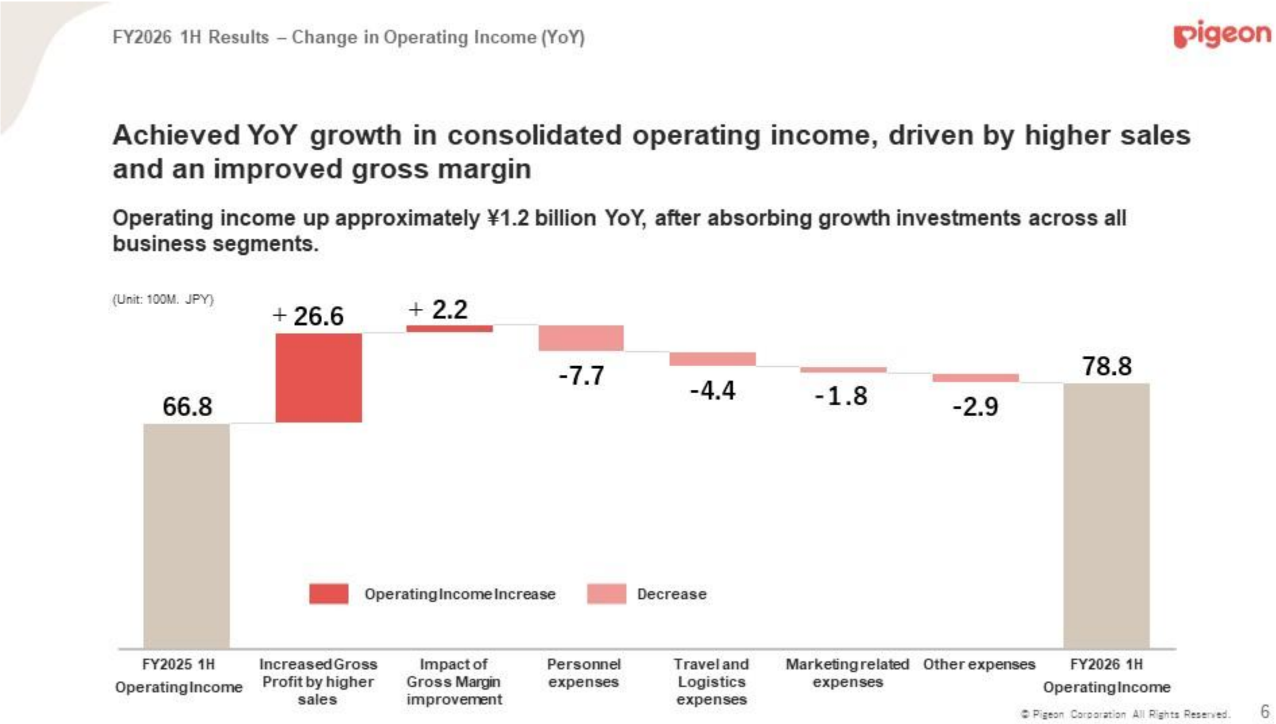
Moving on to our performance by business segment.

Sales in our Japan Business increased by 7.1% YoY. As I will elaborate on shortly, operating profit in this segment also demonstrated steady growth.

Looking at our international sales, both our China Business and our Americas and Europe Business, regions where we have strategically accelerated our investments this year, achieved double-digit growth. Specifically, sales in China grew by over 13% YoY, while sales in the Americas and Europe grew by over 15% YoY.

As for our Singapore Business, although shipments to the Middle East were delayed due to the geopolitical situation in that region, we successfully offset this impact with robust sales in other regions. Consequently, sales for this segment still posted a 1.2% increase YoY.



Next, I would like to walk you through the key factors driving the change in consolidated operating profit YoY.

The growth in operating profit was predominantly driven by higher gross profit, which expanded alongside our top-line sales growth. Conversely, SG&A expenses increased, primarily due to higher personnel and logistics costs.

The increase in personnel costs stems from our proactive investments in human capital, specifically the strategic hiring of highly specialized talent to strengthen our key functional departments. Logistics costs were impacted not only by the broader, industry-wide surge in freight rates, but also by the growing share of our e-commerce sales.

Nevertheless, the top-line growth and the resulting expansion in gross profit more than absorbed this rise in SG&A expenses, enabling the Group as a whole to deliver a solid increase in operating profit.

FY2026 1H Results – Consolidated Balance Sheet (Highlights)

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Inventories increased from the prior fiscal year-end

Going forward, we aim to improve efficiency and CCC through enhanced monitoring.

(Unit: 100M. JPY)	End of FY2025	FY2026 Q2			
	Actual	Actual	YoY Change (Amount)	YoY Change (%)	YoY Change (Amount) w/o impacts of FX rates
Cash and Deposits	39,609	36,271	(3,338)	91.6%	(4,232)
Notes and Accounts Receivable - Trade	18,642	23,548	+4,906	126.3%	+3,969
Inventories	16,265	18,690	+2,424	114.9%	+1,839
Notes and Accounts Payable - Trade	5,121	6,606	+1,484	129.0%	+1,345
Electronically Recorded Obligations - Operating	366	506	+140	138.4%	+140
Borrowings	–	–	0	–	–
Net Assets	85,887	88,333	+2,445	102.8%	+355
Total Assets	110,088	115,267	+5,178	104.7%	+2,122
Equity Ratio	75.3%	74.1%	–	–	–

* Currency Rates: FY2026 Q2 results: US$1 = JPY 158.13, CNY 1 = JPY 23.04

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Turning next to the highlights of our balance sheet.

While cash and deposits decreased, notes and accounts receivable increased. Furthermore, inventory levels saw a slight uptick. This increase in inventory was primarily driven by our proactive measures to secure the necessary volume of naphtha-derived raw materials, ensuring a stable supply amidst the geopolitical uncertainties in the Middle East.

Under the new CxO structure implemented this year, Mr. Itakura, Senior Managing Executive Officer, now oversees both the Development and Supply Chain divisions. This organizational framework facilitates rapid, cross-functional information sharing and the formulation of agile countermeasures. I will elaborate on this structure in more detail later in the presentation.

Turning now to Japan Business.

Despite a challenging business environment characterized by the weak yen, we achieved growth in both sales and profit. This was driven by further sales expansion in baby care appliances and baby food, alongside continued robust performance in our flagship nursing bottles and nipples, where we already command a high market share.

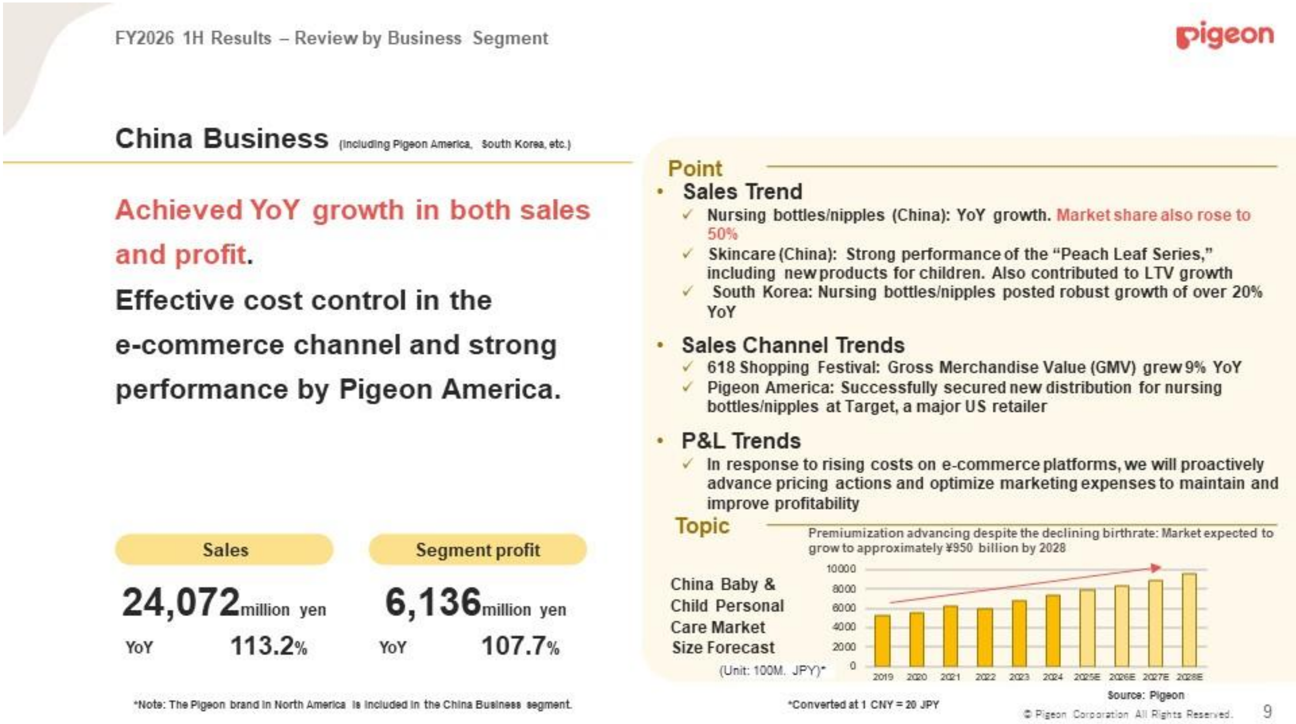
Notably, segment profit surged by 57.5% YoY. We attribute this significant increase to the "commitment to operating profit and profit margins" emphasized in our new Mid-Term Management Plan, a mindset that has now been thoroughly instilled across the organization, right down to our frontline employees.

Regarding specific sales initiatives, alongside the active rollout of new, high-value-added products, we have intensified our promotional efforts for high-margin items within our existing core product lineups, yielding solid results.

Furthermore, in the baby food category, an area where securing profitability has historically been challenging, we expect profit margins to steadily improve following the price revisions we implemented in March of this year.

In other updates, as part of an ongoing review of our business portfolio, we previously announced our withdrawal from the large childcare equipment business, which includes items such as strollers and bouncers.

Ultimately, our ability to strategically identify areas for growth and areas for divestment, coupled with disciplined business execution, has underpinned the strong performance of our Japan Business.



Moving on to China Business.

We achieved growth in both sales and profit, with sales increasing by 13.2% YoY and segment profit growing by 7.7% YoY. While the profit growth rate slightly trailed our top-line sales growth, our underlying business operations are demonstrating steady progress.

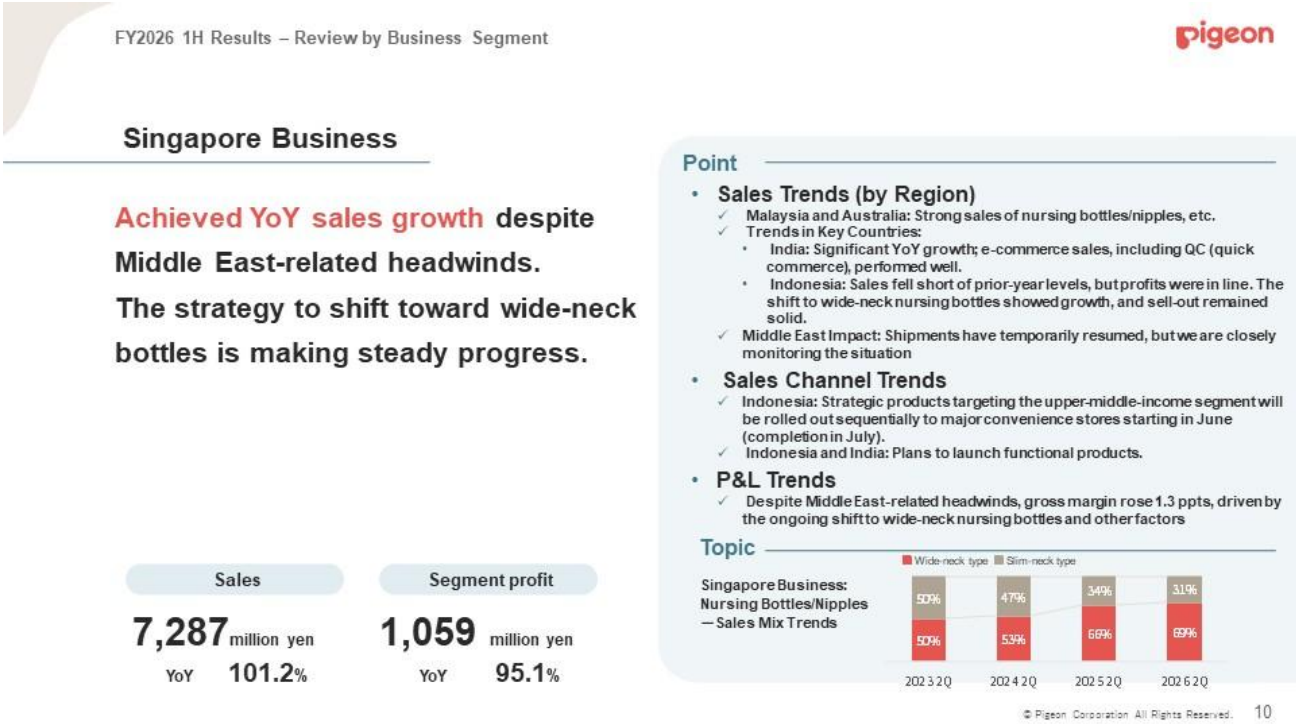
As a concrete achievement, our estimated market share for nursing bottles and nipples in China, a long-standing goal of ours, has expanded to a level approaching 50%. Additionally, as part of our "Age-Up" strategy designed to maximize Lifetime Value (LTV), we launched new children's products under our popular "Peach Leaf" series, which have been generating steady sales.

In South Korea, which are managed under the China Business, sales of nursing bottles and nipples grew by a solid 10% YoY, despite a challenging market environment. We view these robust results as clear evidence that the key product initiatives outlined as priorities in our Mid-Term Management Plan have been thoroughly executed on the ground.

Regarding our performance in mainland China, sales grew steadily by 9% YoY during the major "618" e-commerce shopping festival.

Furthermore, leveraging the advanced digital marketing and e-commerce expertise cultivated through our China Business, we are actively accelerating the expansion of the Pigeon brand into the North American market. While Lansinoh products continue to perform strongly in North America, the Pigeon brand is also experiencing significant sales growth in this region, which I will elaborate on shortly.

Looking ahead to the Chinese market, while there are broader concerns regarding a rapid decline in the birth rate, we project that the market size in value terms will continue to expand, driven by an ongoing shift toward higher-value-added products. We are confident that by consistently delivering these high-value-added offerings, we can sustain steady growth moving forward.



Next, looking at our Singapore Business.

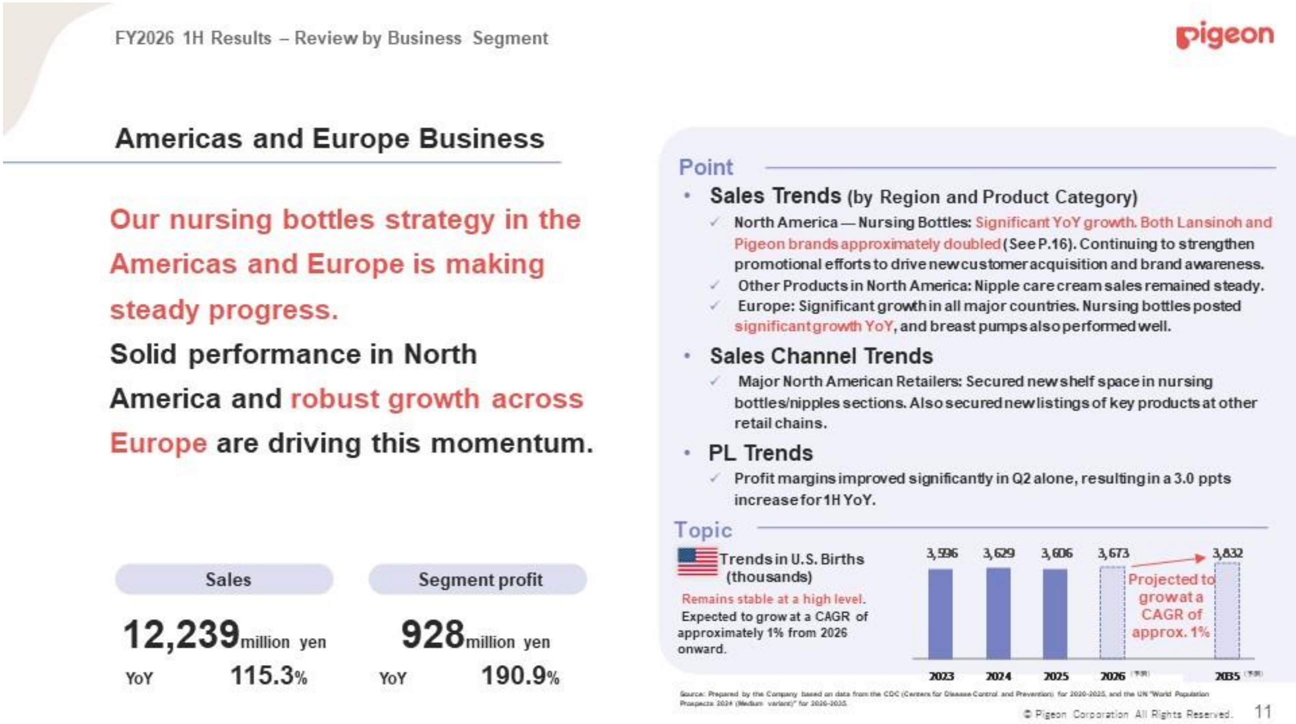
Sales increased by 1.2% YoY. However, segment profit declined by 4.9% YoY. This decrease was primarily due to shipment delays to the Middle East caused by the geopolitical situation in the region, which disproportionately affected sales of our high-margin nursing bottles and nipples.

Despite these headwinds, sales in India and Indonesia, regions we have identified as strategic focus markets, continue to progress steadily.

In the Indian market, our initiatives to strengthen brand presence across e-commerce and modern trade (MT) channels have proven highly successful. We are seeing strong sales momentum in the rapidly growing "quick commerce" segment within the e-commerce channel. Furthermore, a virtuous cycle has emerged where increased brand awareness in e-commerce and MT is positively driving sales growth in general trade (GT) as well. As a result, our overall business in the Indian market achieved remarkable growth of over 50% YoY.

In the Indonesian market, while sell-in faced some challenges, sell-out continued to grow steadily. Additionally, toward the end of the first half, we launched a new nursing bottle product, the "Wide-Neck Essential." Developed through a "market-down" strategy that leverages our existing technologies and product designs, this model enables us to offer the product through the optimal channels and at price points tailored for the growing middle-class demographic, all while securing our profitability. We have already completed distribution to approximately 17,000 chain stores and expect this to expand to 20,000 stores in the near future. Consequently, we have high expectations for this product's contribution to sales in the second half of the fiscal year and beyond.

Across our Singapore Business as a whole, we are actively driving the shift toward wide-neck nursing bottles with the aim of enhancing customer value and further improving our profit margins. Although there were negative factors such as the aforementioned shipping delays to the Middle East, our strategic efforts are yielding steady progress, with the proportion of wide-neck bottles in our sales mix now rising to approximately 70%.



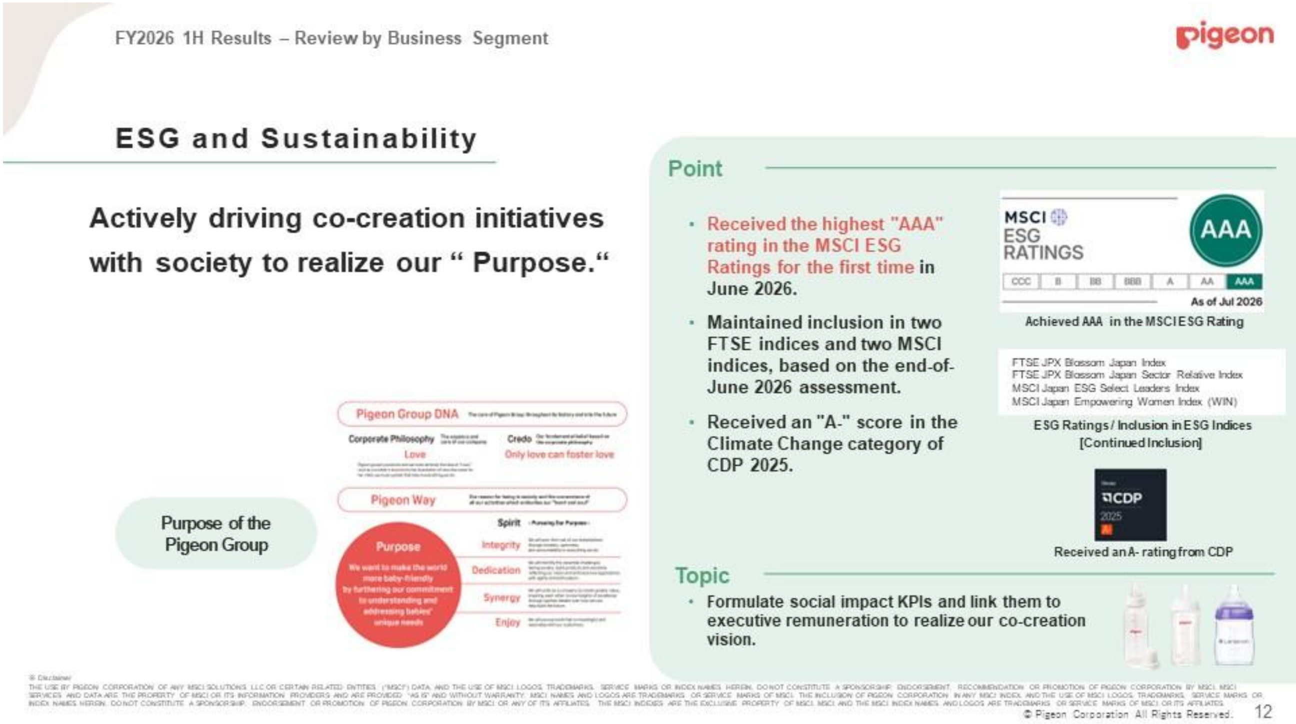
Moving on to Americas and Europe Business.

In this segment, our strategies to accelerate sales of nursing bottles and nipples proved highly successful across both regions. This resulted in a 15.3% increase in net sales YoY and a 90.9% surge in segment profit YoY. This represents a significant top- and bottom-line expansion, with segment profit nearly doubling compared to the previous year.

In Europe, in particular, our recent marketing and branding initiatives are steadily bearing fruit. We continue to experience robust momentum, achieving double-digit sales growth across all countries where we operate.

Looking at performance by category, sales of nursing bottles in North America more than doubled YoY. Additionally, sales of the Lansinoh brand’s flagship product, nipple care cream, continue to perform strongly. Regarding breast pumps, while we are seeing steady sales growth in Europe, we are currently facing some headwinds in the U.S. market. Heading into the second half of the fiscal year, our focus will be on driving a sales recovery in the U.S. We aim to further elevate our brand value while sustaining our growth trajectory in the nursing bottles category.

Turning to our market outlook and key strategic priorities, North America remains a critical market where birth rates are projected to remain stable or even increase in the future. We will continue to make strategic investments to expand our market share in this region. Meanwhile in Europe, although birth rates are holding steady or showing a slight downward trend, the region still holds significant untapped potential for our company. We have determined that there is ample room to expand sales of our nursing bottles, and our overarching policy of actively driving the further expansion of our operations across the Americas and Europe remains completely unchanged.



Turning now to our ESG and sustainability initiatives.

As previously announced, in June of this year, we were awarded the highest possible rating of "AAA" in the MSCI ESG Ratings. We view this as strong external validation of our ongoing efforts driven by our Corporate Purpose: "We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs."

Moving forward, we will not only advance our ESG-related activities but also actively work to quantify the social impact of our business operations and enhance our disclosures to stakeholders. Furthermore, to ensure the effectiveness of our sustainability targets, we are currently implementing measures to link these strategic plans and their associated KPIs directly to executive compensation.

Turning next to the progress of our 9th Mid-Term Management Plan and our outlook for the future.

While we currently hold the top global market share in nursing bottles, we have established a strategic vision to become the "unrivaled global No. 1," targeting a 20% global market share by 2035. Although our current leading market share is primarily driven by our strong performance in Asia, we are now aggressively accelerating our expansion into the European and North American markets to truly establish ourselves as a universally recognized top global brand.

To achieve this goal, we will focus on three key strategic pillars over the three-year period of this Mid-Term Management Plan: "Product Strategy," "Regional Strategy," and "Strengthening the Management Foundation."

The first pillar, our "Product Strategy" for nursing bottles, represents the very core of our business. It provides us with a formidable competitive advantage, backed by 70 years of dedicated research and development. In addition to securing high profit margins through our integrated in-house R&D and production systems, the recent expansion of our age-specific product lineups has successfully driven an increase in Customer LTV.

Moving to the second pillar, "Regional Strategy." Building upon our overwhelming business foundation in Asia, we will accelerate growth in markets with significant untapped potential, namely Europe, the Americas, and India. With these markets already demonstrating solid growth, our aim is to transform our business portfolio from one reliant on specific regions into one powered by diverse, global growth drivers.

Regarding the third strategy, "Strengthening the Management Foundation." Under the new CxO system implemented this year, we are delegating authority to respective operational areas while simultaneously building an organizational framework that enables agile, cross-functional collaboration and execution across the entire Group. Leveraging this robust structure, we will actively drive the successful achievement of the goals set forth in our Mid-Term Management Plan.

I would now like to elaborate on our strategic focus on nursing bottles and the strong results this approach has yielded.

Because nursing bottles are typically the first items purchased in preparation for childbirth and come into direct contact with a baby’s mouth, this is a category where consumers exercise the utmost caution in their purchasing decisions. Consequently, strong brand equity and positive word-of-mouth, driven by proven product quality, are absolutely essential. This makes it a product category where the hurdle for achieving market growth is exceptionally high.

Our company possesses an overwhelming competitive advantage in product quality, backed by 70 years of dedicated R&D, along with the highly efficient production systems that underpin it. We firmly believe that by fully leveraging these strengths and our current position as the market leader, we can drive further sustainable growth.

Furthermore, the strong brand equity we have cultivated through our nursing bottles translates seamlessly into cross-selling opportunities across other related product categories. In Japan, where we already hold an approximate 80% share of the nursing bottle market, we are making steady progress in extending our reach into these adjacent categories. In our international markets, conversely, our strategy is to first establish nursing bottles as our core offering to powerfully elevate the Pigeon brand value on a global scale.

As a concrete result of this approach, we have defined a "core product group"—consisting of four "core products" and four "sub-core products"—as the primary drivers of our growth. During the first half of this fiscal year, while overall company-wide sales grew by 9.8% YoY, sales within this core product group, where we have strategically concentrated our investments, surged by 15.3% YoY. This represents significant growth that comfortably outpaced our company-wide average.

As these figures demonstrate, our strategy of selectively concentrating investments into our key product lines is directly translating into robust business growth.

Next, I will explain our regional strategies for the Americas and Europe.

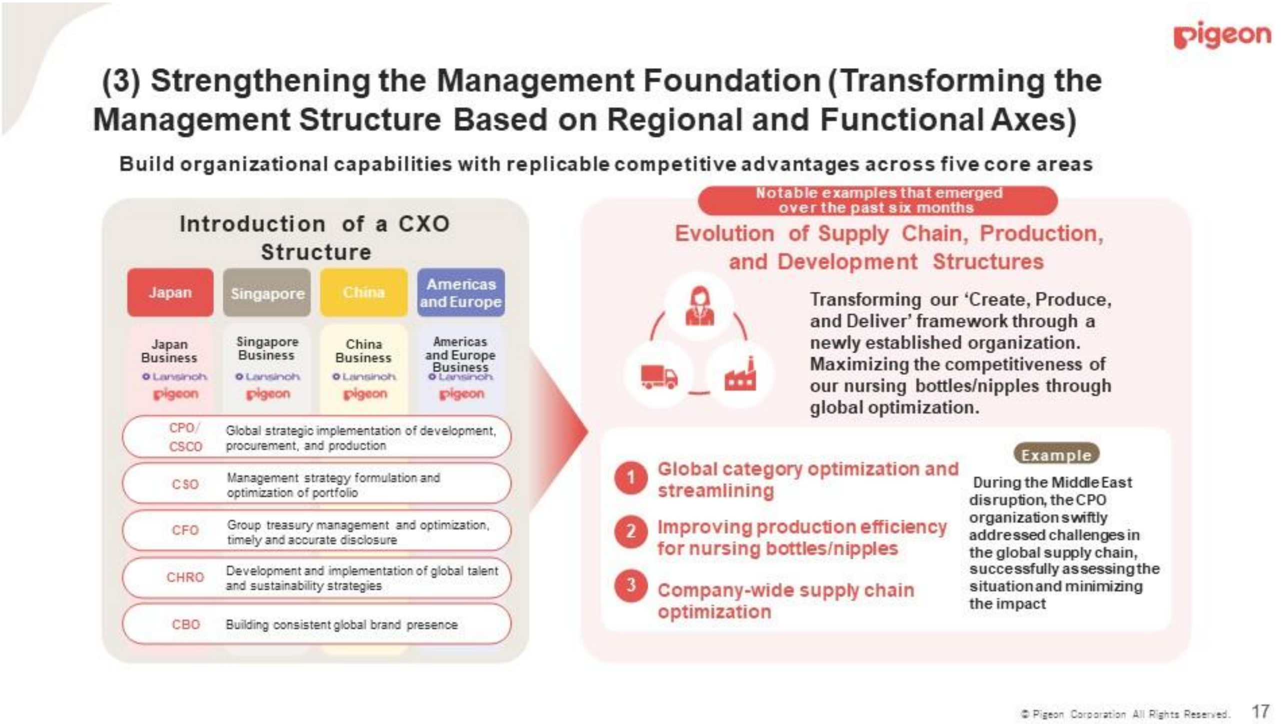
In the North American market, sales of nursing bottles and nipples under both the Lansinoh and Pigeon brands have been expanding rapidly since last year, and we continued to achieve extremely high growth rates in the first half of this fiscal year.

We occasionally receive questions expressing concern about internal competition or inefficiencies resulting from offering two brands of nursing bottles in the same market. However, the roles of the two brands are clearly distinct.

Lansinoh is positioned as a "maternity and mom brand." Its nursing bottles, in conjunction with Lanolin cream and breast pumps, serve as "devices" designed to deliver a mother’s breast milk to her baby.

On the other hand, the Pigeon brand aims to establish itself in the U.S. market as a "baby products brand"—starting with nursing bottles but ultimately expanding into skincare, healthcare, and other adjacent categories to grow its sales.

In this way, we are currently building a framework in North America that enables us to provide end-to-end value. Going forward, the next step toward growth in this business will be determining how to horizontally expand this established business model into our various European markets.



Finally, I would like to explain the specific initiatives related to our third pillar: "Strengthening the Management Foundation."

Since 2019, we have been working to strengthen each of our business divisions while also establishing the GHO to promote cross-functional collaboration and talent development. Starting this year, we have further evolved this structure by appointing CxOs with clear authority in their respective areas, and we have begun full-scale, agile business operations across the entire Group.

The results of this new structure are already evident in our supply chain's response to recent events, such as the situation in the Middle East. Within the production, development, and supply chain framework overseen by Mr. Itakura, our CPO and CSCO, the clarification of accountability has enabled a rapid response system. This has significantly improved the speed of information sharing and decision-making across our various business divisions.

In terms of our organizational structure, in addition to our CSO and CFO, who are present at today's briefing, we have established a CHRO to oversee human capital, which is a critical management resource. We have also appointed a CBO to further expand and increase the penetration of the Pigeon brand globally, building on its strongly established presence in Japan and China.

Through this CxO structure, which provides leadership across these diverse areas of expertise, we will ensure the success of our mid- to long-term growth strategy.

Next, I will explain our key initiatives for the second half of the fiscal year.

In our Japan Business, alongside the launch of new baby food products, we will expand our lineup of baby care appliances. These products have been highly well-received on social media and other platforms, and we aim to steadily grow our sales in these new categories.

In our China Business, although we experienced some impact on sell-in across certain e-commerce platforms during the first half, sell-out remained above the previous year's level, and we view this as a temporary challenge. Furthermore, even on platforms where securing profitability had historically been a challenge, our continued accumulation of operational know-how enabled us to successfully improve profit margins during the first half. Moving into the second half, the continued improvement of profit margins in these channels will remain a key focus.

Additionally, regarding the expansion of the Pigeon brand in North America, an initiative currently spearheaded by our China Business, we will continue to strive for sales growth. To ensure greater clarity for our investors, we are making adjustments so that the financial results related to this initiative will be reported as part of our Americas and Europe operations starting next fiscal year.

In our Singapore Business, although the business environment in the Middle East remains challenging, we have established a resilient structure capable of steadily offsetting this impact through sales in other regions. In Indonesia, the distribution of our new products is progressing smoothly, and we anticipate full-scale sales expansion beginning in the second half of the fiscal year. In India, sell-out performance remains strong. Having resolved past challenges, we plan to further accelerate our growth in this market going forward.

Another noteworthy point is that drinking cups have grown to become the third pillar of this business. As a result of introducing them across all sales regions under our "Age-Up" strategy, the quality of our straws, backed by our proprietary research and evidence, has become a key differentiator, earning a high level of trust from our customers. Our efforts to promote wide-neck nursing bottles and subsequently transition customers seamlessly to our drinking cups are clearly beginning to bear fruit.

Finally, in our Americas and Europe Business, we will continue to focus on expanding sales of nursing bottles. While Europe continues to perform well, in the Americas, we will maintain steady sales of nipple cream while focusing our efforts on recovering sales of breast pumps in the second half of the fiscal year.

Regarding our response to the situation in the Middle East, while the situation appears to be becoming protracted, we are continuously monitoring developments and implementing appropriate measures. At this time, we do not anticipate any significant factors that would adversely impact our business performance. Since the impact remains within manageable limits, we will continue to steadily manage the situation in the second half of the fiscal year.

Finally, I would like to conclude with a few words regarding our Corporate Purpose.

Our Purpose is: "We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs." This serves as the universal foundation for all business activities across the Pigeon Group—not only for the three years of our Mid-Term Management Plan, but for the next 10 years and beyond.

According to our most recent survey, over 90% of our employees share this sense of purpose. Moving forward, we will continue to harness this enthusiasm as a driving force to pursue further business growth, as we strive to realize our Purpose and sustainably enhance our corporate value.

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[Reference] FY Dec. 2026 Earnings Forecast - Consolidated P&L

	FY Dec. 2025		FY Dec. 2026		
(Unit: Million JPY)	Actual	% of Total	Forecast	% of Total	YoY Change
Net Sales	109,170	100.0%	113,500	100.0%	104.0%
Cost of Sales	54,331	49.8%	55,000	48.5%	101.2%
Gross Profit	54,839	50.2%	58,500	51.5%	106.7%
SG&A Expenses	41,680	38.2%	44,600	39.3%	107.0%
Operating Income	13,158	12.1%	13,900	12.2%	105.6%
Ordinary Income	13,681	12.5%	14,150 *2	12.5%	103.4%
Net Income Attributable to Owners of Parent	8,570	7.9%	9,140 *2	8.1%	106.7%

* Currency Rates: FY2026/12 (Forecast): US$1 = JPY 150.00, CNY 1 = JPY 21.50; FY2025/12 (Actual): US$1 = JPY 149.66, CNY 1 = JPY 20.82

*2 Subsidy income not included

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We have issued our current earnings forecast after carefully assessing the business environment and other factors. At the same time, given our recent solid performance, and assuming the various initiatives planned for the second half of the fiscal year proceed smoothly, we believe we can not only meet but exceed the targets set forth in this plan.

We will continue to strive to drive our business forward so that we can surpass this published forecast.

FY Dec. 2026 Earnings Forecast

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FY Dec. 2026 Shareholder Returns and Investment Initiatives

Dividends	FY Dec. 2024		FY Dec. 2025		FY Dec. 2026	
	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	108.7%		106.1%		99.5%	

【Reference】 Investment-related indicators (consolidated) (Unit: Million JPY)	FY Dec. 2024		FY Dec. 2025		FY Dec. 2026	
	Interim (Actual)	Full-year (Actual)	Interim (Actual)	Full-year (Actual)	Interim (Actual)	Full-year (Forecast)
Capital investment (*1)	1,408	3,760	1,315	3,360	2,396	4,700
Depreciation and amortization (*2)	2,448	4,876	2,301	4,601	2,395	4,500
R&D expenses (*3)	2,200	4,286	2,100	4,065	2,523	4,600

*1 Includes tangible and intangible fixed assets (including long-term prepaid expenses) and lease assets.
*2 Depreciation and amortization include amortization of goodwill and lease.
*3 Both plan and actual numbers are "Monozukuri expenses" aggregated by Pigeon.

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Finally, I would like to touch upon our shareholder returns.

We will pay our dividends as originally planned. Furthermore, while our dividend payout ratio has consistently exceeded 100% in recent years, it is now projected to fall below 100%, driven by the recent improvement in our business performance.

While lowering the dividend payout ratio is not an end in itself, we remain focused on improving our profit margins and driving sustainable growth in corporate value through steady business expansion.

This concludes my presentation. Thank you very much for your time and attention today.

Q&A Summary

*Questions and answers are listed by topic and business segment.

[Overall]

Q. Could you please explain your current assessment of profitability (specifically the flow-through from sales to profit) in the China Business, as well as your company-wide business strategy?

A. The direction of our fundamental strategy under the Mid-Term Management Plan is to reduce the relative weight of our China Business, by leveraging the stability of our Japan Business and the growth of our Americas and Europe Business and Singapore Business, thereby optimizing our regional portfolio so that we do not become overly dependent on any specific region. In the first half of the fiscal year, a highly replicable framework is taking shape faster than anticipated, one in which our Japan Business and Americas and Europe Business can sufficiently absorb and offset temporary fluctuations in the performance of our China Business.

[Americas and Europe Business]

Q. What were the factors behind the significant improvement in the operating profit margin during the second quarter? Also, can we expect these high profit margins to continue into the second half of the fiscal year and beyond?

A. There are two main factors behind this improvement. First, we streamlined our sales promotions for major retailers in the Americas and Europe Business by optimizing capital allocation based on a rigorous evaluation of ROI. Second, we achieved structural reforms by closing the unprofitable Lansinoh office in China.

While we will continue to target medium- to long-term improvements in our operating profit margins, we intend to continue making necessary marketing investments in a flexible and proactive manner, to expand our market share for nursing bottles and nipples in the Americas and Europe Business. Furthermore, in the European market, where our brand has established a strong presence, we expect to maintain our current robust momentum.

Q. Could you share an update on sales performance at major U.S. retailers, as well as your response to and strategic utilization of the microplastics issue currently under discussion in North America?

A. Sales of Pigeon-brand nursing bottles and nipples, which we began selling at major retailers in March of this year, have been exceptionally strong, exceeding our expectations. Sales of glass nursing bottles, in particular, have been extremely robust. Regarding the microplastics issue, while we have no intention of conducting promotions or issuing warnings that might stoke consumer anxiety, we will maintain a supply system and product lineup that ensures consumers can always choose high-quality products when considering a shift from plastic to glass products across our major distribution channels. Our policy is to reliably meet customer needs through the provision of appropriate information and thereby expand our market share.

[China Business]

Q. What factors are driving current sales trends in mainland China, specifically the gap between sell-in and sell-out, and where does the company stand within the competitive landscape?

A. Regarding the gap between sell-in and sell-out in our China Business, the primary factor was a temporary reduction and optimization of distribution inventory at major e-commerce channels platforms. As of the end of June, these inventory adjustments were fully completed, and we expect a return to a normal shipping structure aligned with robust end-user demand (sell-out) in the second half of the fiscal year.

In terms of the competitive landscape, as the overall market becomes increasingly polarized, there is a clear trend toward market consolidation around top-tier brands that command high consumer trust. Our company holds an estimated 50% share of the nursing bottle market in China, maintaining an unshakable position even within this fiercely competitive environment, thanks to our overwhelming brand equity and quality advantage.

Q. Could you outline the measures you are taking to expand sell-out on the major platform where the temporary inventory adjustment was implemented, along with current competitor trends?

A. Because we maintain a direct business relationship with this platform, we are implementing swift and direct measures, such as proposing new marketing initiatives and co-investing in sales promotions. At the same time, we are working to enhance our digital marketing, from customer acquisition via social media to the point of purchase, while strengthening our purchase data analytics.

Regarding competitor trends, even during the recent major e-commerce event, the "618 Shopping Festival," our market share in the nursing bottles and nipples category in our China Business continued to grow, and the market is steadily consolidating around top-tier major brands.

Q. What is the background behind the inventory adjustment on the major platform? Additionally, could you update us on the progress of your e-commerce channel strategy and efforts to add value to your products?

A. While we will refrain from disclosing specific contractual terms, the revision and renewal of our contract with this platform have been successfully completed, and we have established a favorable cooperative framework heading into the second half of the fiscal year.

Regarding our channel strategy, through our ongoing analysis, we have established a framework to ensure optimal product offerings tailored to each channel’s unique characteristics and to secure high profit margins.

To enhance product value and improve profitability, rather than relying solely on price increases or introducing high-end products, we place the highest priority on curbing excessive discounting and preserving the inherent brand value and retail price integrity of our products. Our policy is to drive further improvements in profit margins through rigorous management of retail prices.

Q. How do you view the earnings outlook for the China Business in the second half of the fiscal year, and as CEO, which metrics are you prioritizing most?
A. Looking ahead to the second half of the fiscal year, we are building an operational structure that enables our local e-commerce team to adjust strategies in a nimble and flexible manner in response to the rapidly changing market environment. We view the September sales campaign (Double Ninth Festival) as a preliminary test, and our plan is to leverage purchasing trends and validation results from that campaign to maximize sales and profits during "Double Eleven" (November 11), our largest annual sales event.

As top management, the metric I prioritize most is "sell-out" (actual consumer sales). With the increasing proportion of direct transactions, we have established an environment that allows us to directly monitor and analyze real-time consumer purchasing trends and feedback. I believe that rapidly executing the marketing PDCA cycle, centered on our core products and driven by this sell-out data, will propel the fundamental and sustainable growth of our China Business.

Q. Regarding the strong performance of drinking cups in the China Business, could you please explain their profitability compared to nursing bottles and their future outlook?
A. In terms of profitability, while this category does not match the overwhelming profit margins of the nursing bottles and nipples category, it has the potential to achieve high profit margins on par with those of skincare products. The strategic objective of expanding this category is to retain and build upon the customer base that has outgrown nursing bottles, thereby maximizing customer lifetime value (LTV). During the initial phase of our market entry last year (the brand awareness phase), profit margins remained temporarily low due to aggressive promotional spending as an upfront investment. However, as brand awareness has taken hold, promotional efficiency has improved significantly. We have shifted to a virtuous cycle where sales are expanding organically, leading to a marked improvement in profit margins.

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