

Financial Results of FY 2022 Q3

(January to September)

Pigeon Corporation

(Securities Code: 7956)

November 8, 2022

Celebrate babies the way they are



Q3 / December 2022 (FY66th)

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Agenda

2022 Q3 Results - Consolidated P&L

Overall: Sales increased but profits decreased.

Net sales: Increased by +1.8% yoy, driven by core products mainly in the U.S., Europe, and ASEAN markets as well as the impact of yen depreciation.

Gross profit: GP margin declined 0.9 points yoy due to higher raw material prices and marine transportation costs.

SG&A: Increased by +6.0% due to higher overseas labor costs, logistics costs, and sales promotion costs associated with the reopening economy.

(Unit: Million JPY)	Q3 / Dec. 2021		Q3 / Dec. 2022		
	Actual	& of Total	Actual	% of Total	YoY Change
Net Sales	69,426	100.0%	70,707	100.0%	101.8%
Cost of Sales	36,247	52.2%	37,510	53.1%	103.5%
Gross Profit	33,179	47.8%	33,197	46.9%	100.1%
SG&A Expenses	22,735	32.7%	24,093	34.1%	106.0%
Operating Income	10,444	15.0%	9,103	12.9%	87.2%
Ordinary Income	11,774	17.0%	10,774	15.2%	91.5%
Net Income Attributable to Owners of Parent	7,185	10.3%	6,948	9.8%	96.7%

2022 Q3 Results - By Business Segment

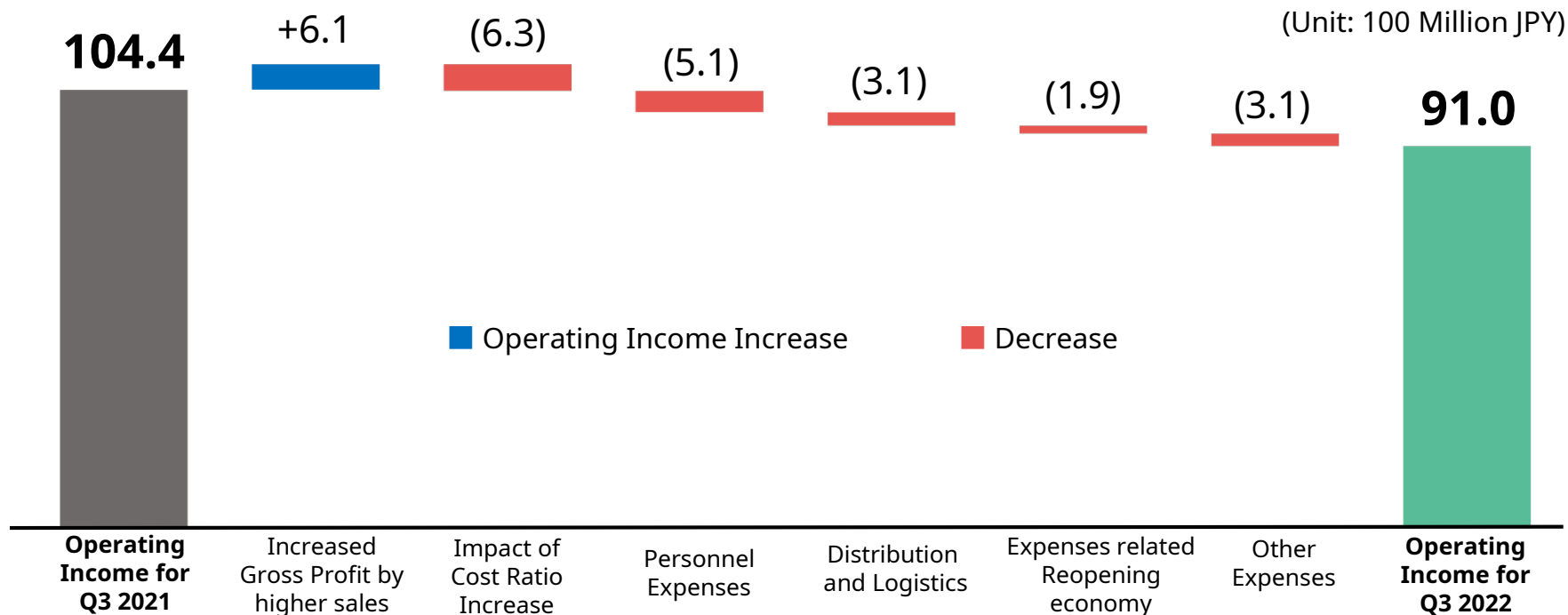
(Unit: Million JPY)	Q3 / Dec. 2021				Q3 / Dec. 2022				
	Sales	% of Total	Gross Margin	Segment Profit	Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	69,426	100.0%	47.8%	10,444	70,707	100.0%	101.8%	46.9%	9,103
Japan Business	29,267	42.2%	34.6%	1,686	26,726	37.8%	91.3%	32.7%	924
China Business	27,640	39.8%	51.9%	9,161	26,220	37.1%	94.9%	52.3%	8,100
Singapore Business	9,170	13.2%	38.7%	1,354	10,772	15.2%	117.5%	41.4%	1,978
Lansinoh Business	9,562	13.8%	54.4%	718	12,384	17.5%	129.5%	51.1%	476
Elimination of inter-segment transactions	(6,214)	(9.0%)	—	—	(5,396)	(7.6%)	—	—	—

[Reference] Breakdown of Japan Business Segment

(Unit: Million JPY)	Q3 / Dec. 2021				Q3 / Dec. 2022				
	Sales	% of Total	Gross Margin	Segment Profit	Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby Care	19,548	—	41.1%	1,874	18,694	—	95.6%	37.1%	1,213
Child Care Services	2,625	—	15.5%	105	2,577	—	98.2%	15.6%	141
Health & Elder Care	4,315	—	29.9%	379	3,686	—	85.4%	31.3%	352

2022 Q3 - Analysis of Change in Operating Income (YoY)

- Increase in gross profit due to higher sales but offset by higher cost ratio.
- SG&A expenses are mainly labor costs (China business, and Lansinoh business including the impact of Fx rates) and distribution costs (Lansinoh) increased.
- SG&A expenses increased due to the reopening economy including sales promotion, marketing, and travel expenses (excluding China)



2022 Q3 Summary of Results by Business Segment

Japan Business

New model of nursing bottles are performing well but consumables continue to struggle

- Baby care YTD sales declined 4.4% yoy.
- YTD Sales of Nursing bottles increased 23% yoy, continuing the effect of the renewal. Sales of skincare products fell below the previous year's level due to a continued decline in overseas demand (e.g., cross-border EC) for the Momo-no-ha series.
- Consumables (Wet tissues and Disposable nursing pads) continued to struggle since Q1 of this year due to rising consumer demand for low-priced products.
- Expanded product range in new categories, including the disaster prevention product series “Sonaetta”, and "POCHItto" the steam sterilizer and dryer of Nursing bottles.
- The gross profit margin of Baby Care business decreased by 4.0pt yoy YTD. Factors included an increase in procurement costs due to yen depreciation and raw material price hikes.
- Health & Elder Care: YTD net sales declined 0.6 billion yen yoy due to the restructuring of the product portfolio but gross profit margin improved by +1.4 pt yoy.

China Business

Mainland sales grew YoY in Q3 alone, but the impact of the Shanghai lockdown still remains

- Sales in the mainland increased by 8% yoy in the Q3 alone, but -19% yoy YTD.
- Although sales of Nursing bottles and skincare products were on a recovery trend in the Q3 alone, YTD sales fell below the previous year's level. Consumables such as Wet tissues and Baby diapers continued to struggle.
- Gross profit margin (JPY / YTD) of China business improved by 0.4pt yoy due to contributions from new nursing bottles and skincare products
- launched skincare products for kids aged 3 and up. Aiming to increase Lifetime Value (LTV) by leveraging our intensive research on baby's skin.
- Sell-out was down 11% yoy; -10% at EC, -14% at Offline, and current EC ratio is 68%. Tiktok and other new EC channels performed well, while major EC channels were down yoy

2022 Q3 Summary of Results by Business Segment

Singapore Business

Sales companies continue to perform well, expecting to recover to pre-Covid levels with the introduction of new Nursing bottles

- Sales in major countries were strong. YTD sales in India increased by +31%, Malaysia +27%, and Indonesia +20%.
- The Middle East, Australia and Vietnam grew yoy in export markets.
- Continued high growth in YTD sales (in Japanese yen) of core products* yoy. New nursing bottles were launched in Singapore, Malaysia, Vietnam, and other major markets in August.
- The new skincare range (Natural Botanical) is expanding both online and offline
- Gross profit (JPY / YTD) of Singapore business increased by 25% yoy due to an increase in sales at sales companies and the impact of foreign exchange rates. Gross profit margin improved by +2.7pt yoy.

*Core Products: Nursing Bottles, Breast Pumps, Baby Skincare, and Oral care products

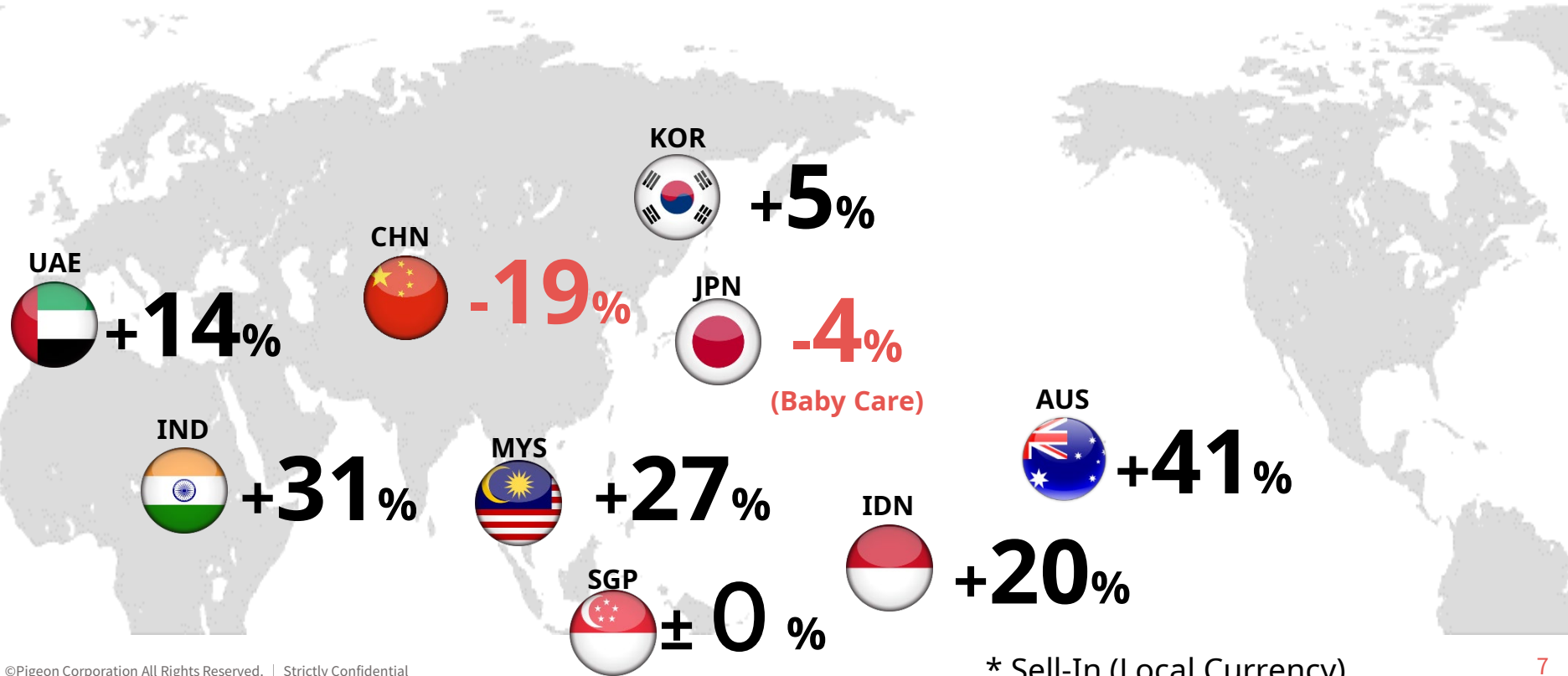
Lansinoh Business

While the North American market drove sales growth, profit declined due to the continued impact of soaring logistics costs.

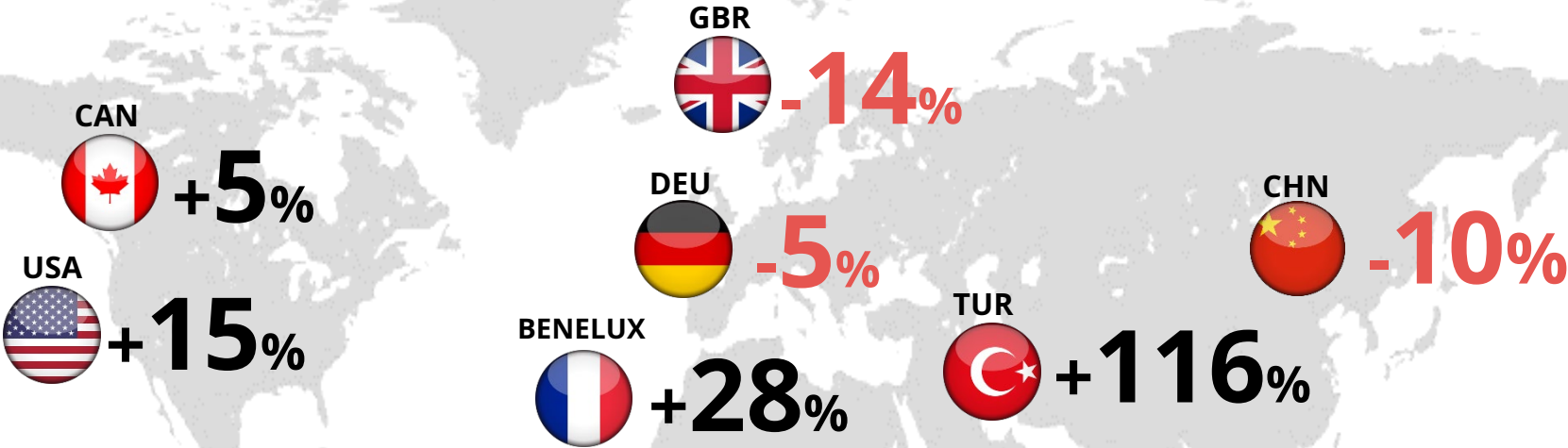
- Lansinoh Group sales up 9% yoy (YTD). Sales in North America up 15% yoy.
- In Europe, Benelux and Turkey performed well with YTD, but UK and Germany fell below the past year due to economic deterioration caused by inflation and some stockout.
- YTD sales of mainstay products, nipple cream and breast pumps, increased yoy. Sales of breastmilk storage bags increased significantly due to the shortage of formula milk in North America.
- Sales of prenatal and postpartum care products are expanding at a faster pace than in the past year, mainly in North America.
- The gross profit margin (JPY / YTD) of Lansinoh business was down 3.3 pts yoy. Soaring procurement and logistics costs (a cost factor) continued due to logistics disruptions, pushing down gross profit. In addition, the high level of distribution costs in the U.S. (SG&A expenses) also had an impact on the decline in operating income.

*Sales: Sell-in at local currency

2022 Q3 Pigeon Sales by Regions* (YoY)

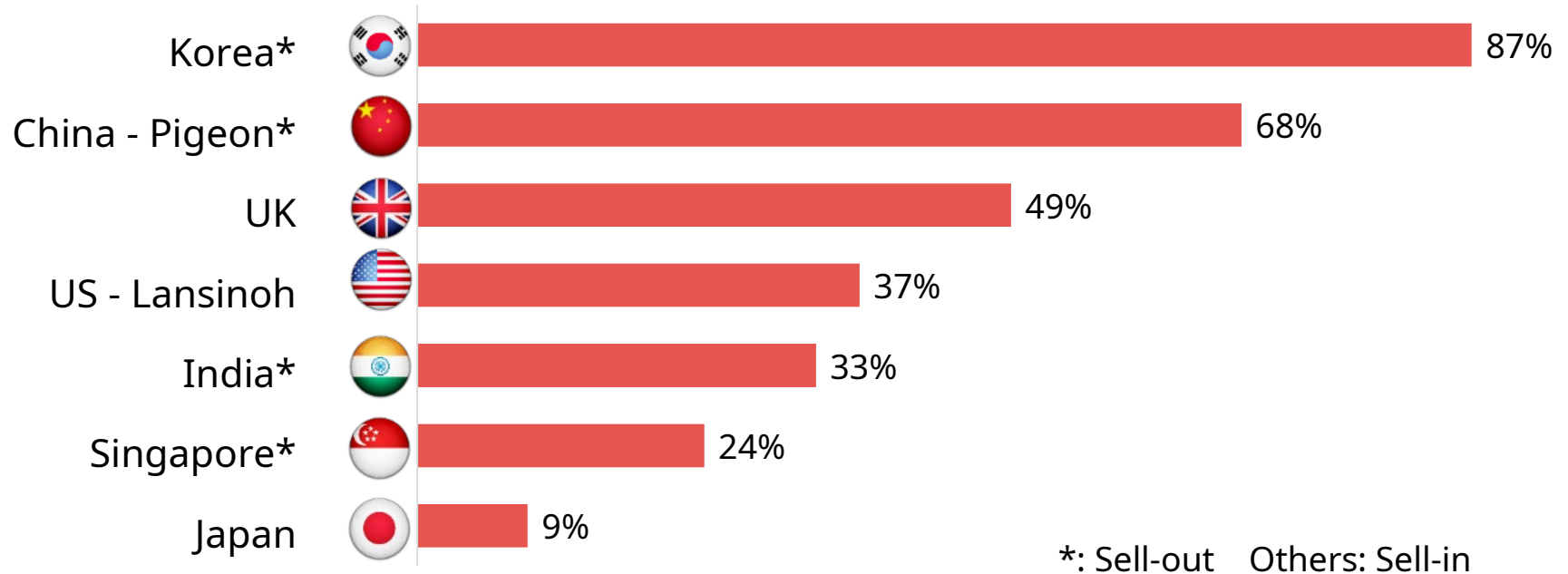


2022 Q3 Lansinoh Sales by Regions* (YoY)



2022 Q3 E-Commerce Ratio in Key Countries

EC sales ratio of Pigeon / Lansinoh products



Highlight: Disposable Feeding Cup Wins “Good Design Award”



pigeon News Release

2022年9月1日
ビジョン株式会社

ソナエッタ
ビジョン初の赤ちゃん向け防災用品シリーズ『sonaetta』
8自治体へ1500世帯分の商品無償提供を実施
「赤ちゃんの防災」に関する社会への定着化に向けた取り組みとして
「あかちゃんとそなの輪 推進プロジェクト」を宣言！

ビジョン株式会社（本社：東京、社長：北澤 憲政）は、“日常の子育てのなかで自然にそなえができていく”をコンセプトに、ビジョン初となる赤ちゃんの防災用品シリーズ『sonaetta（ソナエッタ）』を、2022年8月1日（月）より全国のベビー用品専門店・ドラッグストア、オンラインストアにて販売を1しています。
このたび8自治体を対象に、社会における赤ちゃんの防災の重要性と備蓄の意識付け促進を目的として、水が十分に使えない災害時にも使用可能な「災害用授乳カップ」「抗菌・抗ウイルス機能付き コンパクトベッド」などの『sonaetta（ソナエッタ）』シリーズの無償提供をいたします。※1「抗菌・抗ウイルス機能付き コンパクトベッド」のみ2022年9月1日（木）発売予定。

◆「あかちゃんの防災」特設サイト：<https://baby-bousai.info/>

ソナエッタ
sonaetta

大阪府泉南市における対談の様子

赤ちゃんの防災用品シリーズ『sonaetta（ソナエッタ）』は、子ども、特に赤ちゃんの防災用品においては、日常の延長からの備えが必要であると考え、いざという時に役に立つ防災用品としてはもちろん、成長に合わせて日常から使用できる“自然な備え”を実現するアイテムとして展開しています。
このたび8自治体に対して、『sonaetta（ソナエッタ）』シリーズより、少ない水でも衛生的に栄養摂取ができる『災害用授乳カップ』、避難所などで赤ちゃんの空間が提供できる『抗菌・抗ウイルス機能付き コンパクトベッド』無償提供いたします。

また、新たに「あかちゃんとそなの輪 推進プロジェクト」の宣言を行い、宣言に賛同いただける自治体や企業と協働し、「赤ちゃんの防災」に関する社会への定着化を目指した活動を行ってまいります。

Celebrate babies the way they are

一歩の方からの問い合わせ先 〃 お客様相談室 Tel: 0120-741-887 URL: <https://support.pigeon.co.jp/>

See details about good design award: <https://www.g-mark.org/award/describe/53111>
See our “sonaetta” product series: https://www.pigeon.com/news/files/pdf/20220721_en.pdf

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