

Financial Results of Q3 / Dec. 2023

(YTD 9 months - January to September)

Pigeon Corporation

(Securities Code: 7956)

November 8, 2023

Celebrate babies the way they are



Q3 / December 2023 (YTD 9 months)

Q3 Financial Results (YTD 9 months sales)	P. 3
Summary by Business Segment	P. 6
Sales by Region, EC ratio in Key Markets	P. 8
Full-Year Forecast	P. 11

Agenda

FY 2023 Q3 Results - Consolidated P&L (YTD 9 months)

Net sales increased 3.2% YoY driven by Japan, China, and Lansinoh business. In addition to higher profits due to increased revenue, improved gross margin absorbed increased SG&A expenses, resulting in higher operating income.

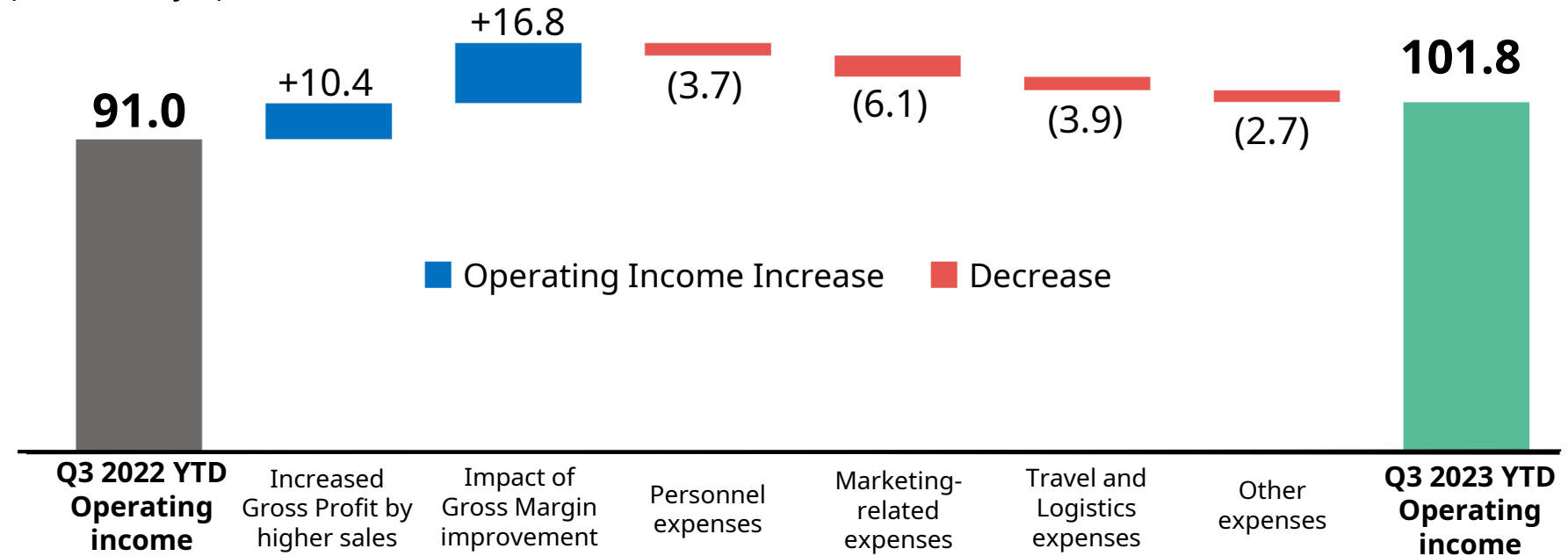
Unit: Million JPY	Q3 / Dec. 2022 YTD		Q3 / Dec. 2023 YTD		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	70,707	—	72,942	—	103.2%
Cost of Sales	37,510	53.1%	37,016	50.7%	98.7%
Gross Profit	33,197	46.9%	35,925	49.3%	108.2%
SG&A Expenses	24,093	34.1%	25,741	35.3%	106.8%
Operating Income	9,103	12.9%	10,183	14.0%	111.9%
Ordinary Income	10,774	15.2%	11,149	15.3%	103.5%
Net Income Attributable to Owners of Parent	6,948	9.8%	7,281	10.0%	104.8%

[Currency Rates] 2023 Q3 Results: US\$1 = JPY 138.17 CNY 1 = JPY 19.62
 2022 Q3 Results: US\$1 = JPY 128.31 CNY 1 = JPY 19.38

FY 2023 Q3 YTD Results - Change in Operating Income (YoY)

SG&A expenses increased by 1.64 billion YoY in Q3 YTD due to the overspent of carry-over activities from the 1H.
Operating income increased by 1.08 billion yen YoY due to increased revenue and improved gross margin.
(Some of the sales promotion expenses, etc. will be carried over in the Q4.)

(Unit: 100M. JPY)



FY 2023 Q3 Results - By Business Segment (YTD 9 months)

Unit: Million JPY	Q3 / Dec. 2022 YTD Results				Q3 / Dec. 2023 YTD Results				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	70,707	—	46.9%	9,103	72,942	—	103.2%	49.3%	10,183
Japan Business	26,726	37.8%	32.7%	924	27,572	37.8%	103.2%	34.2%	1,638
China Business	26,220	37.1%	52.3%	8,100	27,301	37.4%	104.1%	55.8%	8,613
Singapore Business	10,772	15.2%	41.4%	1,978	10,118	13.9%	93.9%	38.2%	1,225
Lansinoh Business	12,384	17.5%	51.1%	476	13,651	18.7%	110.2%	54.0%	881
Elimination of inter-segment transactions	(5,396)	(7.6%)	—	—	(5,702)	(7.8%)	—	—	—

[Reference] Breakdown of Japan Business

Unit: Million JPY	Q3 / Dec. 2022 YTD Results				Q3 / Dec. 2023 YTD Results				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby Care	18,694	—	37.1%	1,213	19,442	—	104.0%	39.4%	1,897
Childcare Services	2,577	—	15.6%	141	2,574	—	99.9%	15.5%	140
Health & Elder Care	3,686	—	31.3%	352	3,592	—	97.5%	31.5%	307

FY 2023 Q3 YTD Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Japan business

Sales and income increased mainly due to growth in core products and steady sales of mainstay products even after the price revision in February.

- Baby care sales are on a steady trend, up 4.0% YoY in Q3 YTD.
- YTD sales of nursing bottles and skincare products increased YoY. Wet tissues and other consumables also performed well.
- New products launched in August, including the electric nasal aspirator “SHUPOT” and “Parts for Bonyu-jikkan bottles (straw and lid)”.
- Inbound demand still remains sluggish despite an upward trend in the number of foreign visitors to Japan.
- YTD Gross margin of Baby Care improved by 2.3 pt YoY. Price revision in February also contributed.
- Another price revisions were implemented for baby-related products and Health & Elder Care products from September.

China business

YTD sales of mainland China was flat YoY, partly due to advance shipments for W11. Sell-out struggled.

- Mainland China sales* were -8.2% in Q3 alone, but flat in Q3 YTD.
- YTD sales of nursing bottles/nipples increased 27% YoY. Baby skincare: -11% YOY. Skincare was particularly affected by headwinds for Japanese brands following the release of ALPS treated water.
- Age-Up products (Natural weaning series and skincare for kids) are expanding sales both offline and through EC.
- YTD Gross margin (JPY) in China business improved by 3.5 pt YoY due to an increase in the sales composition of nursing bottles/nipples.
- YTD Sell-out were down 6% YoY, with EC at almost flat, but offline sales continued to be sluggish at -18% YoY. Sell-out of Tiktok and Pinduoduo, newly focused channels, continued to grow at double-digit YoY rates. EC ratio ended 72% in Q3 YTD.

FY 2023 Q3 YTD Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Singapore business

Sales and income declined. Affected by the reactionary decline in major countries sell-in growth past year. Expenses for sell-out growth will be incurred ahead of schedule.

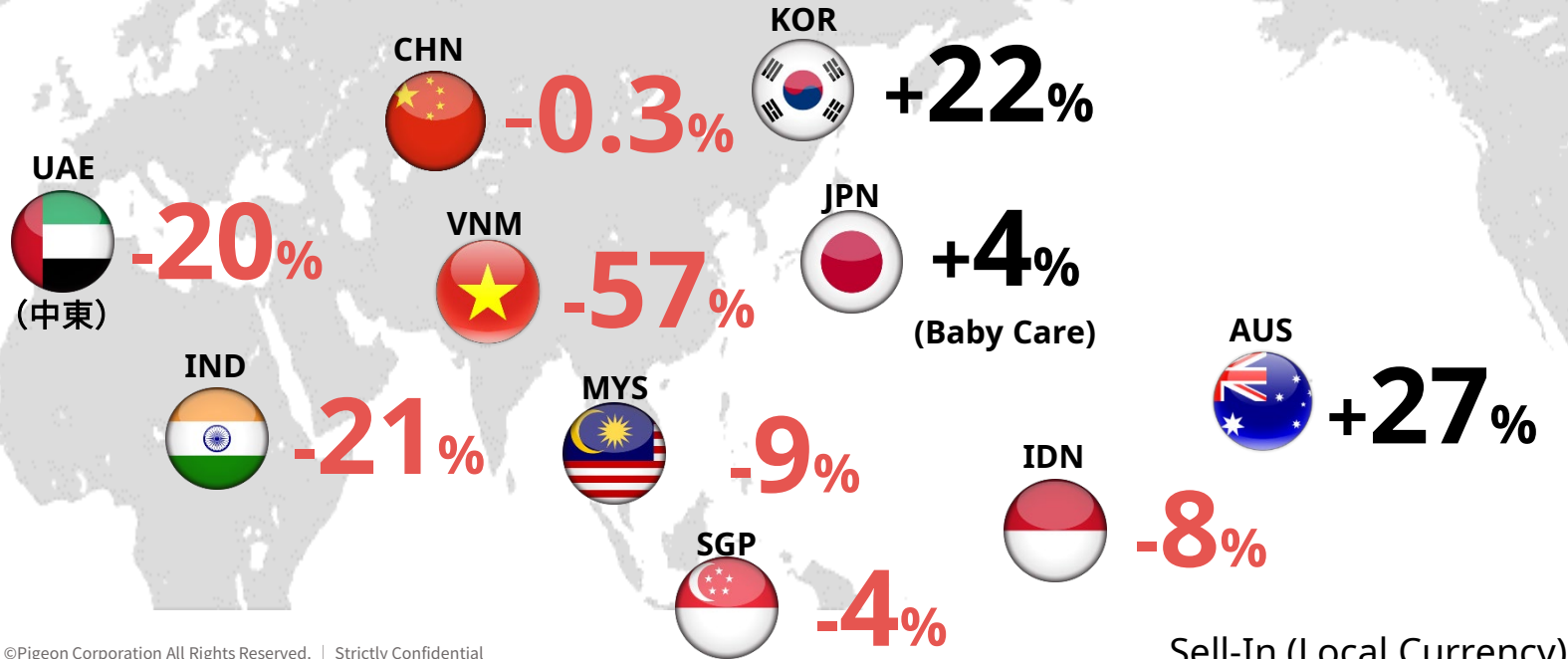
- YTD sales* in India: -21% YoY, Malaysia: -9% YoY, Indonesia: -8% YoY, Middle East: -20% YoY
- YTD Sell-out grew YoY, especially in India, Australia and Thailand driven by nursing bottle and nipple sales growth.
- New products include additional design of nursing bottles and a renewed model of breast pump.
- Continued to strengthen sales of core products (nursing bottles and nipples, skincare); Natural Botanical skincare is gradually expanding sell-out by strengthening brand recognition both in E-commerce and offline stores in key markets.
- YTD Gross margin (JPY) of the Singapore business deteriorated by -3.2 pt YoY due to lower sales at sales companies and factories, etc.

Lansinoh Business

Sales in North America fell below YoY, but sales in Europe and China increased. Lower ocean freight rates contributed to improved gross margin.

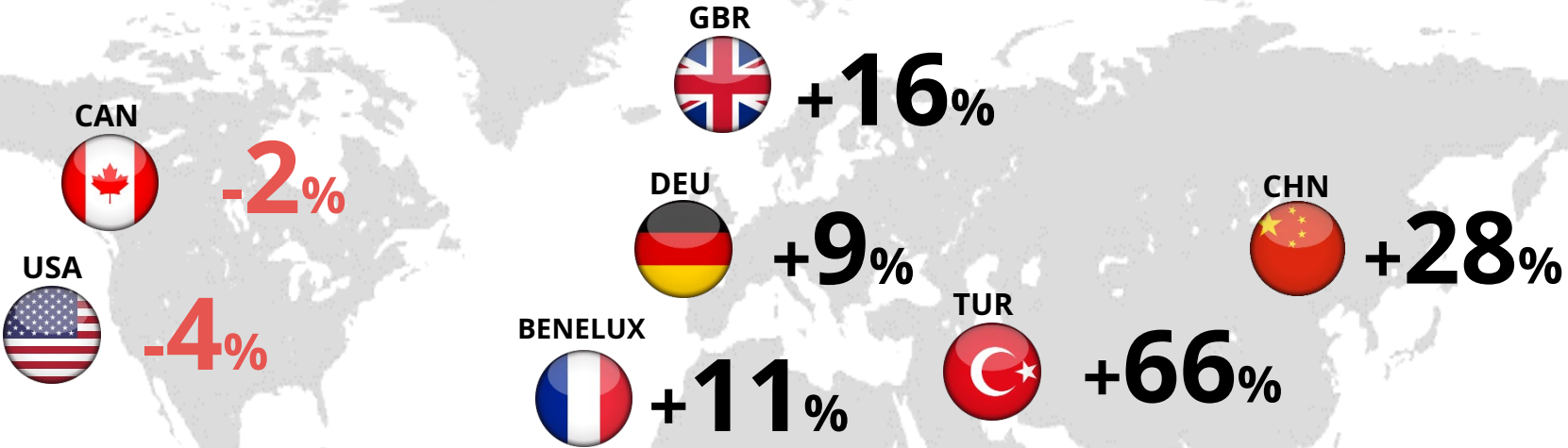
- Lansinoh Group sales* increased 2% YoY (YTD). Sales in North America declined 4% YoY due to the increased competition in the consumables market and a reactionary decline from special demand, while sales in Europe (Germany, UK, and France) increased mainly due to sales growth of core products such as nipple creams.
- YTD Sales of prenatal and postpartum care products grew by double digits YoY. Continued strong sales in North America, UK, Germany and Benelux.
- New product, Wearable Breast Pump is now available at one major US discount store in August. As a result, YTD sales in the breast pump category are gradually recovering.
- YTD Gross margin (JPY) improved by 2.9 pt YoY, partly due to lower ocean freight rates (COGS factor). On the other hand, U.S. distribution costs (SG&A factor) continued to soar.

FY 2023 Q3 YTD Results - Pigeon Sales by Region (YoY)



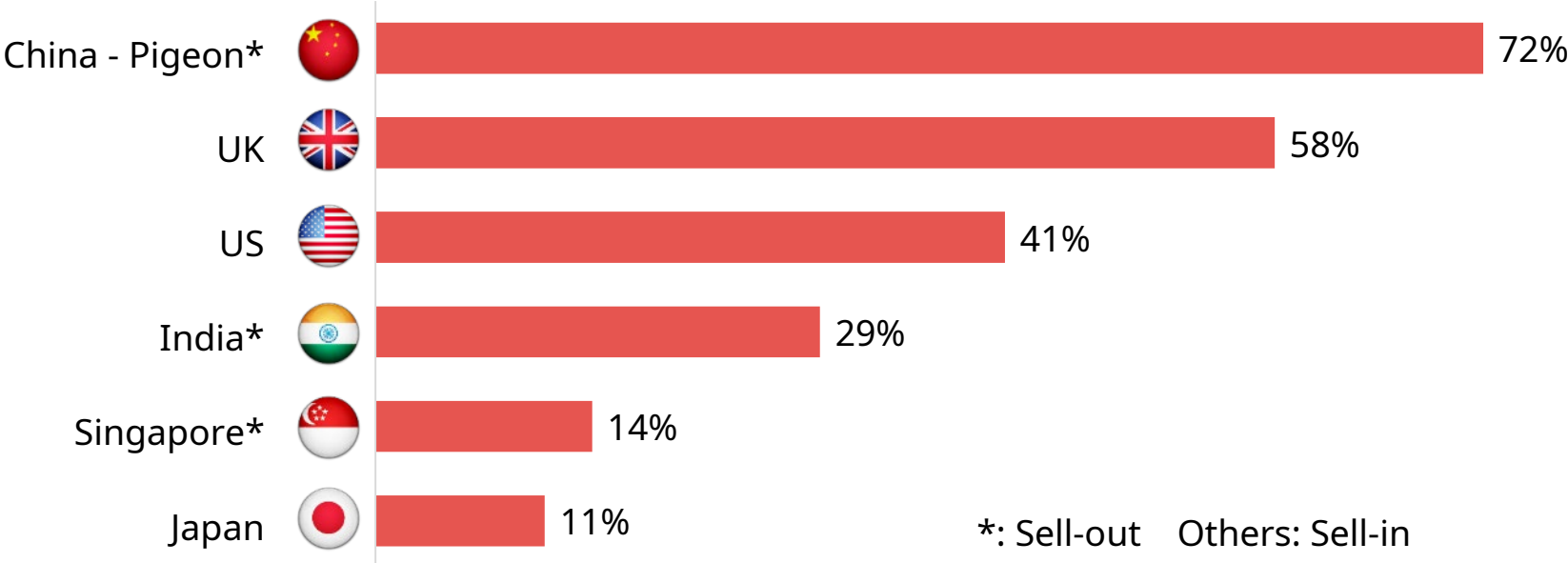
Sell-In (Local Currency)

FY 2023 Q3 YTD Results - Lansinoh Sales by Region (YoY)



FY 2023 Q3 YTD Results - EC Sales Ratio in Key Markets

[E-commerce sales ratio of Pigeon / Lansinoh products]



FY 2023 Full-year Forecast - Unchanged

While the Japan and Lansinoh businesses are growing firmly, the Company also faces growing uncertainty in the China market, needs to strengthen our business activity to recover business conditions in the China and Singapore business, and focuses on achieving its initial plan. In Q4, we plan to spend on implementing measures to accelerate growth in each business and strengthening activities for sustainable growth.

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

Disclaimer on Forward-Looking Statements

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

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

Pigeon Corporation

Head Office

4-4, Nihonbashi-Hisamatsucho, Chuo-ku, Tokyo
103-8480, Japan

URL <http://www.pigeon.co.jp/>
<http://www.pigeon.com/>

Celebrate babies the way they are



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



Integrated Report

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

Sustainability

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

ESG Data Book

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