

Financial Results of Q3/December 2021

Supporting document

Pigeon Corporation

(Securities Code: 7956)

November 4, 2021

Celebrate babies the way they are



Results - Consolidated PL (Q3 YTD) (under New Standard)

(Unit: Million JPY)	Q3 / Dec. 2020		Q3 / Dec. 2021		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	70,127	100.0%	69,426	100.0%	99.0%
Cost of Sales	36,580	52.2%	36,247	52.2%	99.1%
Gross Profit	33,547	47.8%	33,179	47.8%	98.9%
SG&A Expenses	21,065	30.0%	22,735	32.7%	107.9%
Operating Income	12,481	17.8%	10,444	15.0%	83.7%
Ordinary Income	13,569	19.4%	11,774	17.0%	86.8%
Net Income Attributable to Owners of Parent	9,365	13.4%	7,185	10.3%	76.7%

(Results of FY12/2020 under the new revenue recognition standard was estimated by Pigeon for your reference.)

[Currency rates]

Dec. 2021 Results: US\$1 = JPY 108.54 / CNY 1 = JPY 16.77

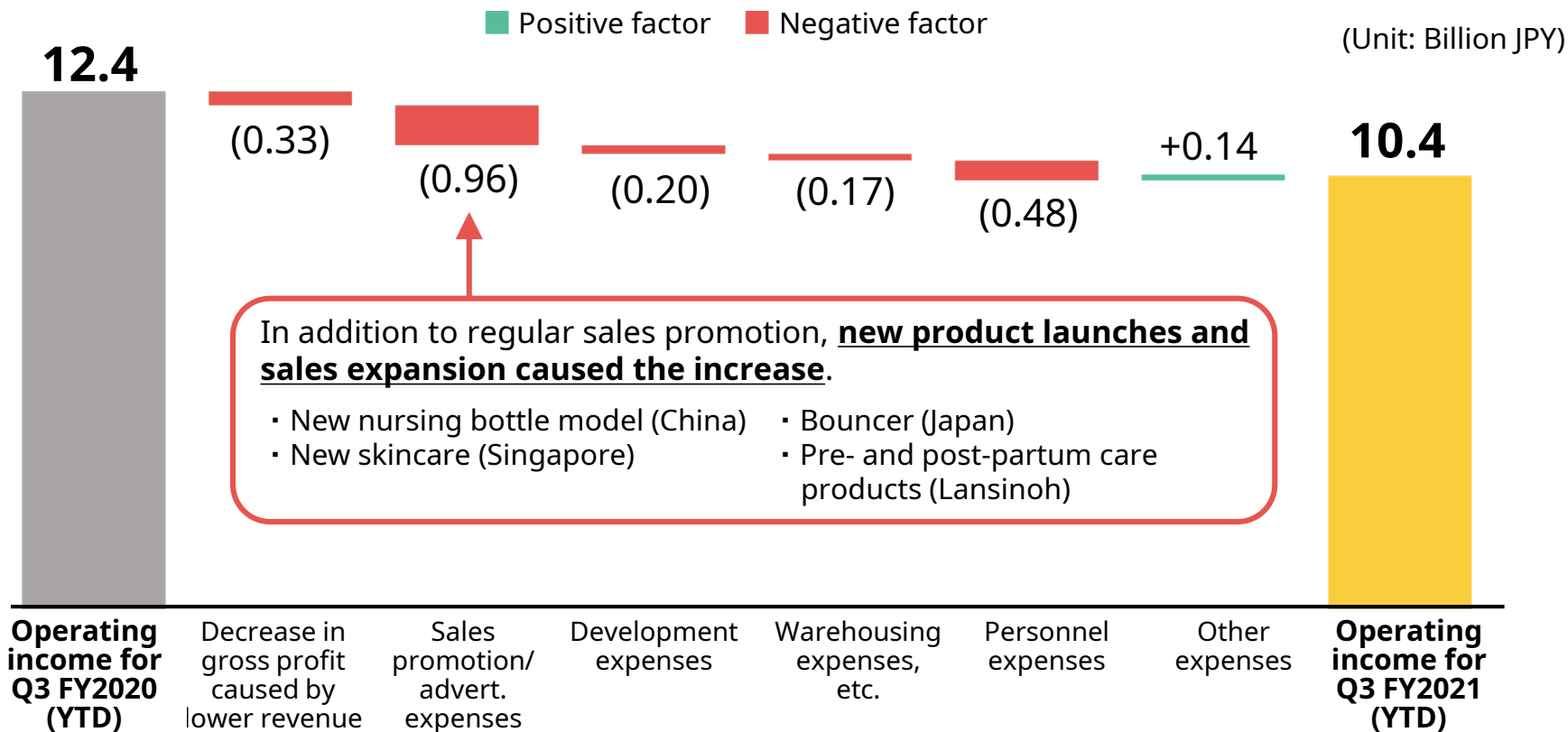
Dec. 2020 Results: US\$1 = JPY 107.55 / CNY 1 = JPY 15.37

Results – by Business Segment (Q3 YTD) (under New Standard)

(Unit: Million JPY)	Q3 / Dec. 2020				Q3 / Dec. 2021				
	Actual	% of Total	Gross Margin	Segment Profit	Actual	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	70,127	100.0%	47.8%	12,481	69,426	100.0%	99.0%	47.8%	10,444
Japan Business	31,214	44.5%	34.1%	2,267	29,267	42.2%	93.8%	34.6%	1,686
China Business	26,324	37.5%	52.9%	9,729	27,640	39.8%	105.0%	51.9%	9,161
Singapore Business	9,617	13.7%	39.4%	1,745	9,170	13.2%	95.4%	38.7%	1,354
Lansinoh Business	9,498	13.5%	56.1%	1,392	9,562	13.8%	100.7%	54.4%	718
Elimination of inter-segment transactions	(6,527)	(9.3%)	—		(6,214)	(9.0%)	—	—	

(Results of FY12/2020 under the new revenue recognition standard was estimated by Pigeon for your reference.)

YoY Change Factors of Consolidated Operating Income (Q3 YTD) (under New Standard)



Summary of Results by Business Segment (Q3 YTD)

Net Sales: Sell-in (at local currency)

Japan Business

Net sales declined due to easing special demand driven by the COVID-19 pandemic and the 5th wave of COVID-19 since July

- Net sales in Domestic Baby & Mother Care Business declined by 5% year on year. In addition to easing special demand for consumables such as bottom wipes driven by the COVID-19, the 5th wave of COVID-19 caused people to stay at home, resulting in a decrease in purchasing frequency.
- Sales of UV care products and baby strollers decreased due to people staying at home and unseasonable weather. On the other hand, sales of baby food, baby dental care products, and breast pumps increased year on year due to stay-at-home consumption.
- Health and Elder Care Business experienced sales decline by 15% year on year because of the streamlining unprofitable products.
- Gross margin improved by +0.5 points due to a decrease in the composition of consumables and an improved margin of health and elder care product mix.

China Business

In Q3, online sales recovered to the same level as the previous fiscal year on a YTD basis by focusing on sell-out increase

- Sell-in results in mainland China decreased by 3% year on year. Temporarily suppressed sell-in and focused on sell-out increase. Online sell-out results for Q3 alone increased year on year.
- Sales of skincare products increased by 18% year on year thanks to contribution of new products including Avocado series and Yuzu series.
- E-commerce sales accounts for 67% of total sales, up 4.0 points from the same period of the previous fiscal year.
- Online flagship stores showed robust sell-out results. On the other hand, overall offline sales decreased year on year although chain baby specialty shops continued to report strong sales.
- Net sales of nursing bottles decreased by 8% year on year. A new product “Ziran Shigan III” first launched at major online and offline shops from the end of September. Initial shipments completed on schedule, off to a good start.

Summary of Results by Business Segment (Q3 YTD)

Net Sales: Sell-in (at local currency)

Singapore Business

Some regions are recovering although the impact of the resurgence of COVID-19 cases in Q2 still remains

- Some regions are showing signs of recovery although the impact of the resurgence of COVID-19 cases still remains.
- Domestic sales in India and Malaysia continued to increase by 14% and 7% year on year respectively.
- In Q3 alone, sales in Singapore, Thailand, and Indonesia increased year on year.
- A new skincare series (Natural Botanical) launched in major countries.
- Loss of demand in Japan dampened the utilization of the factory in Thailand, leading to a decrease in gross margin by 0.7 points.
- Aggressive marketing promotion despite the pandemic put upward pressure on the advertisement and sales promotion expenses.

Lansinoh Business

Net sales increased by 1.4% year on year. Progress as expected, except for the sharp rise in logistics costs.

- Net sales in North America increased by 0.4% year on year. Sales of nipple cream, a main product, reported strong sales.
- Europe, especially Germany, Benelux, and UK increased sales. China, on the other hand, continues to face a difficult situation with a year-on-year decline.
- Sales of pre- and post-partum care products began in North America, European countries, and China, resulting in progress beyond expectations.
- Gross margin shrunk by 1.7 points due to soaring procurement logistics costs (as part of cost of sales). Soaring logistics costs (as part of SG&A) also curbed profit. Nevertheless, progress as expected except for the impact of the sharp rise in logistics expenses.
- New product development and marketing activities conducted almost as planned.

Major New Products Launched in Q3

Aiming for further growth by renewing the nursing bottles for the first time in ten years (launched in China first before global rollout). Japan and Singapore will also develop and market their own new products that best suit their respective markets.



China: New Model of Nursing Bottle



Japan: Wuggy Bouncer



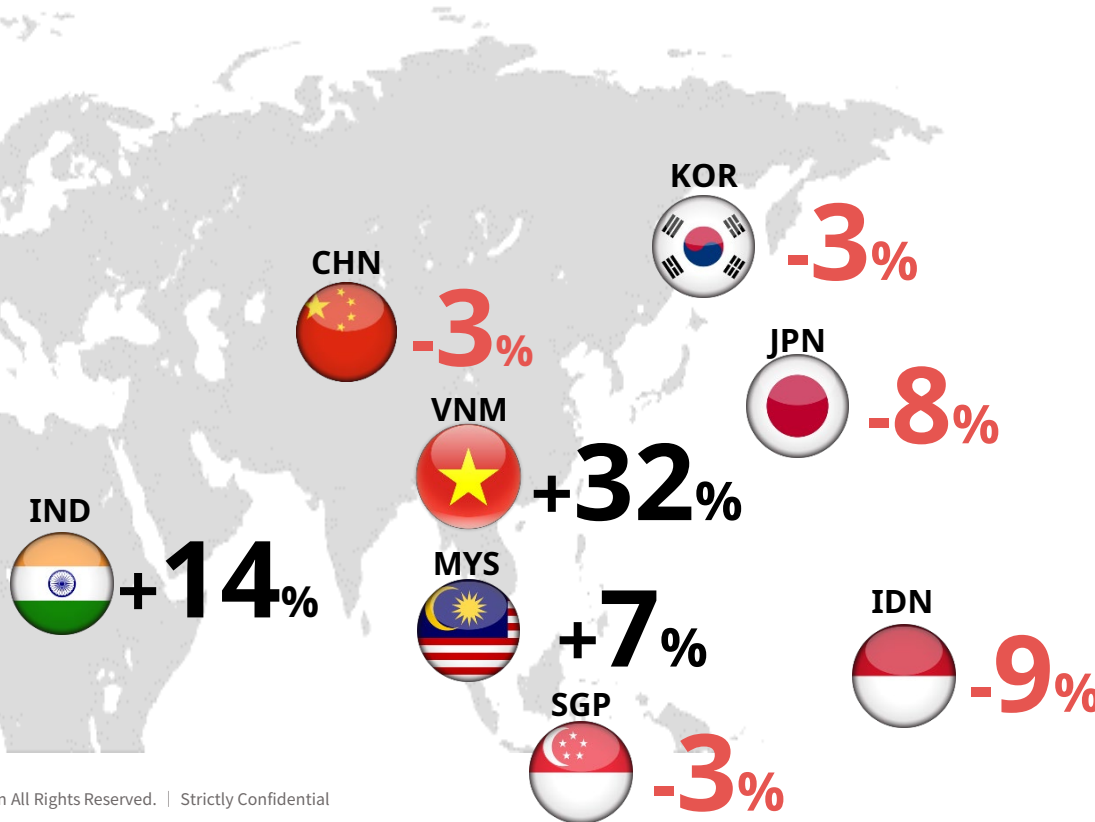
Singapore: Skincare



Pigeon Sales by Regions* (Q3 YTD / YoY) (under Previous Standard)



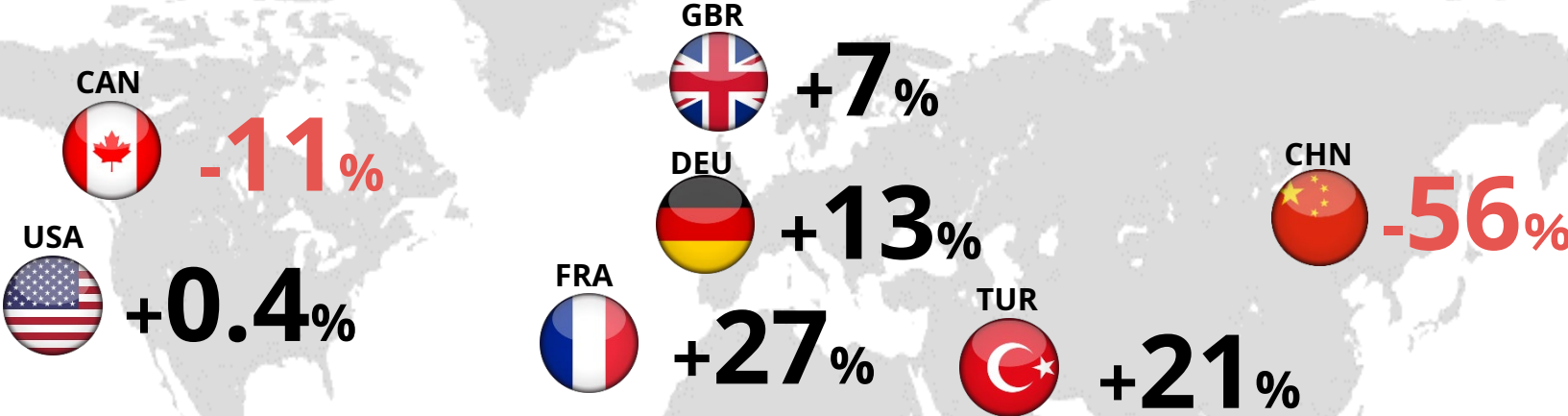
* Net sales: Sell-in (at local currency)



Lansinoh Sales by Regions* (Q3 YTD / YoY) (under Previous Standard)



* Net sales: Sell-In (at local currency)



Revision to Full-year Consolidated Earnings Forecast (under new standard)

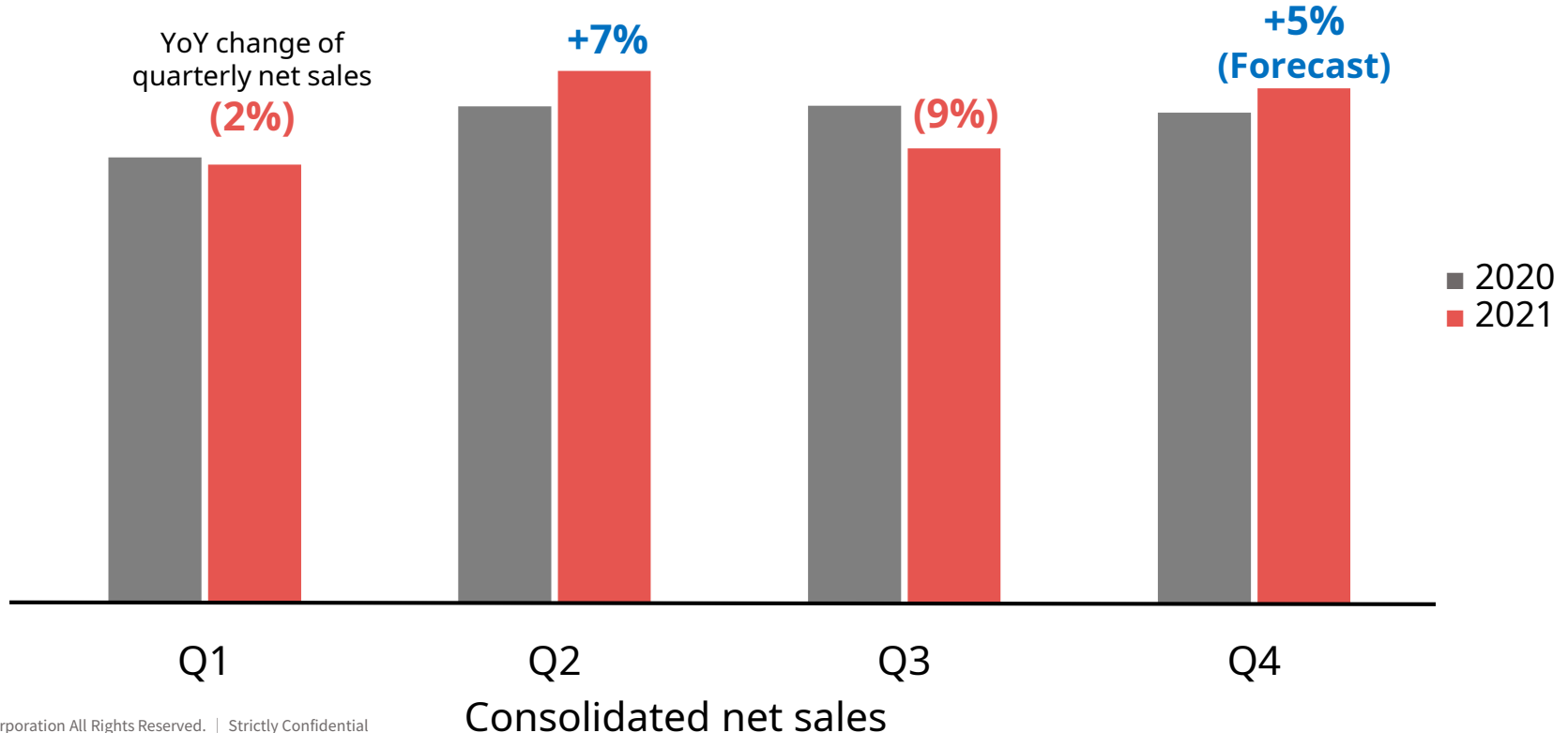
Full-year earnings forecast revised downward based on Q3 (YTD) results.

(Unit: Million JPY)	Dec. 2021 Business Plan Previous Forecast		Dec. 2021 Business Plan Revised Forecast			
	Initial Plan	% of Total	Revised Forecast	% of Total	Change (Amount)	Change (%)
Net Sales	100,800	100.0%	94,300	100.0%	(6,500)	(6.4%)
Cost of Sales	51,300	50.9%	49,500	52.5%	(1,800)	(3.5%)
Gross Profit	49,500	49.1%	44,800	47.5%	(4,700)	(9.5%)
SG&A Expenses	33,000	32.7%	31,600	33.5%	(1,400)	(4.2%)
Operating Income	16,500	16.4%	13,200	14.0%	(3,300)	(20.0%)
Ordinary Income	16,700	16.6%	14,600	15.5%	(2,100)	(12.6%)
Net Income Attributable to Owners of Parent	11,100	11.0%	9,100	9.7%	(2,000)	(18.0%)

[Assumed currency rates] Dec. 2021: US\$1 = JPY 109.22 / CNY 1 = JPY 16.90

Illustrative Earnings Forecast for Q4/Dec. 2021 (under new standard)

Consolidated net sales for Q4 alone are expected to increase year on year while full-year net sales expected to remain the same as the previous year.



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