

Financial Results of FY 2022 Q1

(January to March)

Pigeon Corporation

(Securities Code: 7956)

May 12, 2022

Celebrate babies the way they are



Fiscal Year 2022 Q1

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Agenda

Latest Update of Covid-19 in China① Impact on Q1 Results

- Sales were almost in line with our budget until February YTD.
- Due to a local lockdown that began in mid-March, **10-15% of our March sales forecast could not be shipped in Q1**. Also, delays and cancellations of shipments from our distributors and retailers (EC and offline) also affected Sell-out.

Local Lockdown (Mid-March to today)

Lockdown areas	<ul style="list-style-type: none">• North China area, Northeast area, etc.• Shaanxi, Fujian, Yunnan, Tianjin and other areas experienced 14 - 60 days of local lockdown
Impact on logistics, retailers, and consumers	<ul style="list-style-type: none">• Key warehouses of our distributors were closed for several days, causing intermittent shipping delays.• Many department stores and chain baby stores in the lockdown area temporarily closed.• EC retailers were unable to fill the stocks to local warehouses, causing delivery delays.• Delays in e-commerce deliveries have resulted in an increase in customer returns and order cancellations.

Impacts on our group companies in China

Sales Office (Shanghai)	Two important warehouses of our distributors were closed for several days, intermittently halting our shipments.
Factory (Shanghai)	<ul style="list-style-type: none">• Operated normally until End of March.• Build up inventory prepared for Shanghai lockdown
Factory (Changzhou, Jiangsu Province)	Six-day outage due to lockdown in Changzhou city

Latest Update of Covid-19 in China② Shanghai Lockdown

- Since April, the Shanghai lockdown has had a greater impact on both sales office and factories than in Q1.
- Shipments and production have partially resumed since the end of April; **our China group was operating at only about 20-30% of normal levels as the end of April.**
- Shanghai lockdown is still in effect as of May, and the impact on earnings is currently being estimated.

Shanghai Lockdown (Since end of March)

Calendar	April 1 to 10	April 11 to 17	April 18 to 24	April 25 to May 1
Local lockdown	Local lockdowns are ongoing			
Logistics in Shanghai	Distribution from Shanghai to other provinces suspended. Shanghai warehouses of our distributors and EC retailers are closed. Offline stores temporarily closed.			
Logistics in other areas	Distribution to Shanghai city suspended. Local warehouses of our distributors and EC retailers are experiencing shortages of merchandise. Some offline stores outside of the blocked areas are open.			
Sales Office (Shanghai)				
Shipment	shipping the merchandise almost suspended			Resumed shipment of some products to distributors via Changzhou factory etc.
Business activities	All employees shifted to remote work. very limited work in R&D and other activities. Some scheduled marketing activities and events were also postponed			
Factory (Shanghai)				
Production	Factory operation suspended			Resumed operation (Approx. 20% of operation)
Shipment				
Factory (Changzhou)				
Production	The factory operated normally. Shipments from Changzhou plant available, but very limited due to lockdown of shipping destination.			
Shipment				

2022 Q1 Results - Consolidated

Sales : Increased. Overseas markets led the growth. Sales increased 101.7% y-o-y due to sales growth of new model of nursing bottles and favorable FX rates

Profit : Increased. Gross margin increased 0.6 pt y-o-y and operating margin increased 0.4 pt due to improved profitability from new products, etc.

Raw material prices : Although the yen weakened more than expected, the impact of raw material price hikes on 1Q results was within expectations.

(Unit: Million JPY)	2021 Q1		2022 Q1		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	21,359	100.0%	21,714	100.0%	101.7%
Cost of Sales	11,190	52.4%	11,243	51.8%	100.5%
Gross Profit	10,168	47.6%	10,470	48.2%	103.0%
SG&A Expenses	7,307	34.2%	7,475	34.4%	102.3%
Operating Income	2,861	13.4%	2,994	13.8%	104.7%
Ordinary Income	3,454	16.2%	3,971	18.3%	115.0%
Net Income Attributable to Owners of Parent	2,008	9.4%	2,617	12.1%	130.3%

2022 Q1 Results - By Business Segment

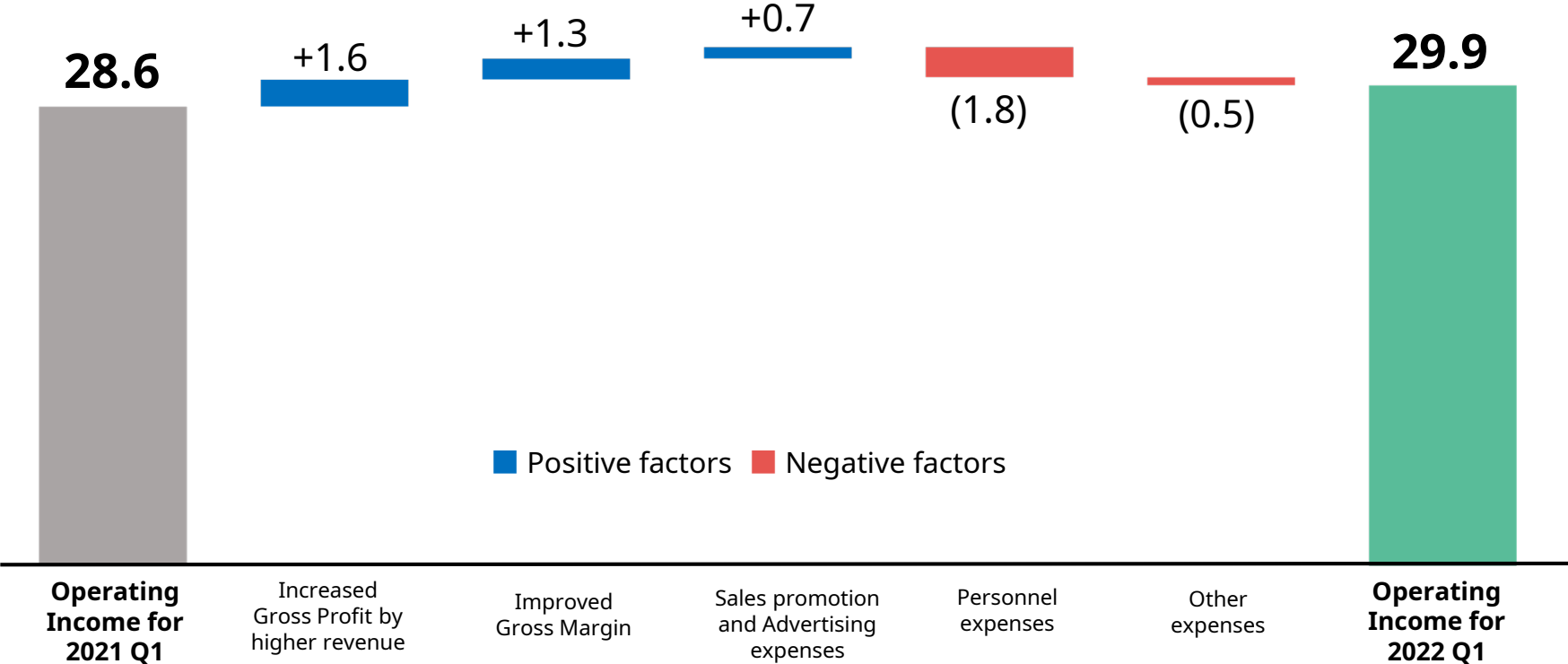
(Unit: Million JPY)	2021 Q1				2022 Q1				
	Sales	% of Total	Gross Margin	Segment Profit	Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	21,359	100.0%	47.6%	2,861	21,714	100.0%	101.7%	48.2%	2,994
Japan Business	9,717	45.5%	35.6%	603	8,846	40.7%	91.0%	35.8%	543
China Business	7,685	36.0%	51.4%	2,434	7,892	36.3%	102.7%	52.4%	2,532
Singapore Business	2,869	13.4%	36.4%	356	3,069	14.1%	106.9%	41.3%	514
Lansinoh Business	3,117	14.6%	56.4%	318	3,551	16.4%	113.9%	52.1%	168
Elimination of inter-segment transactions	(2,030)	(9.5%)	—	—	(1,645)	(7.6%)	—	—	—

Ref. : The breakdown of Japan business segment

(Unit: Million JPY)	2021 Q1				2022 Q1				
	Sales	% of Total	Gross Margin	Segment Profit	Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby Care	6,309	—	42.3%	600	6,244	—	99.0%	40.6%	648
Child Care Services	948	—	18.5%	75	892	—	94.1%	16.0%	52
Health & Elder Care Business	1,606	—	28.8%	156	1,176	—	73.2%	31.0%	86

2022 Q1 - Analysis of Change in Operating Income (YoY)

Increased 130 million yen of Operating Income due to higher gross profit from increased sales and contributions from sales of new model of nursing bottles in China and Japan.



Summary of Results by Segment

*Sales: Sell-in at local currency

Japan Business

Baby care business flat YoY. Nursing bottles grew by new model but consumables struggled

- Sales in major channels such as baby specialty stores and drugstores increased YoY due to the introduction of new products however sales in e-commerce and other channels struggled.
- Sales of Nursing bottles and Breast pumps were strong. Sales of bottles increased 51% YoY due to the switch to new models. In the skincare business, sales of renewed products of the standard series were strong, but sales of the high-margin Momo-no-ha (Peach Leaves) series were weak.
- Sales of consumable products such as Wet tissues and Nursing pads struggled due to growing consumer demand for low-priced products.
- Gross margin for baby care business declined by 1.7pt YoY. This was due to the impact of yen depreciation and the product mix in the skincare category.
- Sales of Health & Elder Care declined by 4 million yen YoY due to the restructuring of product portfolio, but progressed almost as expected. Profit margin improved.

China Business

Zero-Tolerance Covid-19 policy has impacted business activities in various regions since mid-March

- Mainland sales -14% YoY; local lockdowns since mid-March impacted manufacturing, sales, and distribution. (See p.3 - 4 for details)
- Sell-out was +2% YoY. EC was flat but offline was +7% YoY, EC ratio was 61%.
- Sales of Nursing bottles slightly declined YoY due to the impact of the lockdown from March, although the switch to new models was progressing as planned both in EC and offline.
- Gross margin improved by 1.0pt YoY due to contributions from new models of Nursing bottles and skincare products.
- Sales of Pigeon products started on major North American e-commerce sites in March

Summary of Results by Segment

*Sales: Sell-in at local currency

Singapore Business

Strong sales in major countries, good start toward full recovery from Covid-19

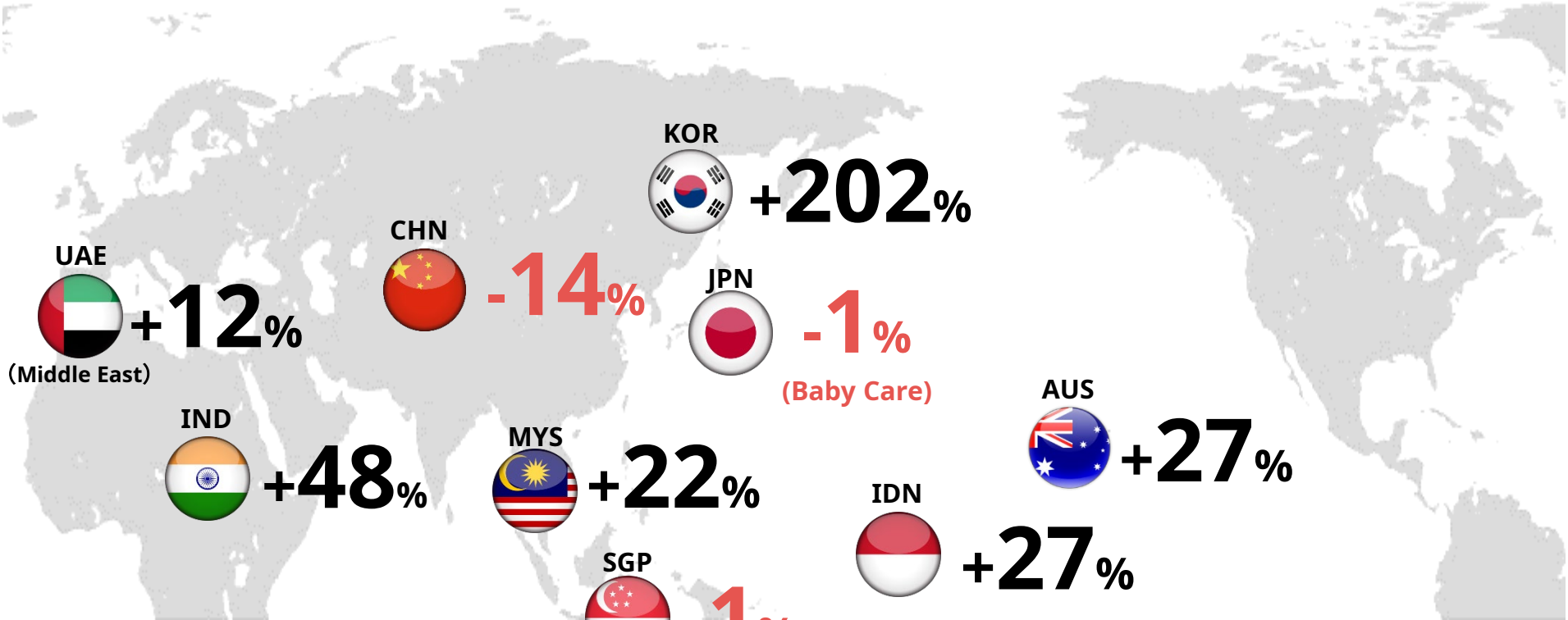
- Sales +48% YoY in India, +22% in Malaysia, +27% in Indonesia.
- Strong sales in Australia and the Middle East in export market.
- Sales (in Japanese yen) of core products (Nursing bottles, Breast pumps, Skincare, and Oral care) were strong with double-digit growth YoY
- Shipment of new skincare series (Natural Botanical) was strong. It is now sold in Singapore, Indonesia, Malaysia, Vietnam, the Middle East and other markets.
- Gross profit increased by 21% YoY due to increased sales at sales companies, improved product mix at factories, and foreign exchange effects. Gross margin also improved by 4.9pt.

Lansinoh Business

Sales remain strong, but higher-than-expected distribution costs squeeze profits

- Lansinoh Group sales increased 6% YoY. Sales in North America were +8% and strong both online and offline.
- In Europe, Benelux, UK, Turkey, etc. performed well. Sales in Germany ended below YoY due to some shortage of the stock despite increased demand.
- Sales of nipple cream and breast pumps, our main products, increased YoY. Birth Prep & Postpartum care products exceeded the plan.
- Gross margin declined by more than 4pt from the previous year due to the procurement and logistics costs (cost factor), which have continued to soar since the 2H of the previous year. Operating income was squeezed by higher-than-expected logistics costs at the beginning of the period.

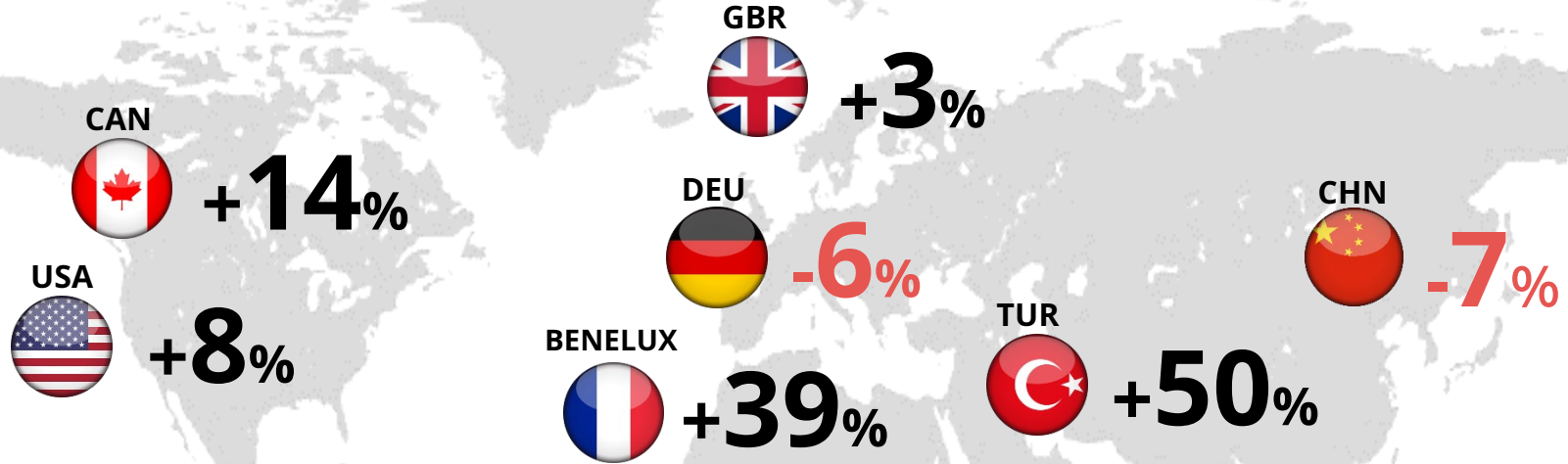
Pigeon Sales by Region* (YoY)



*Sell-in (at local currency)

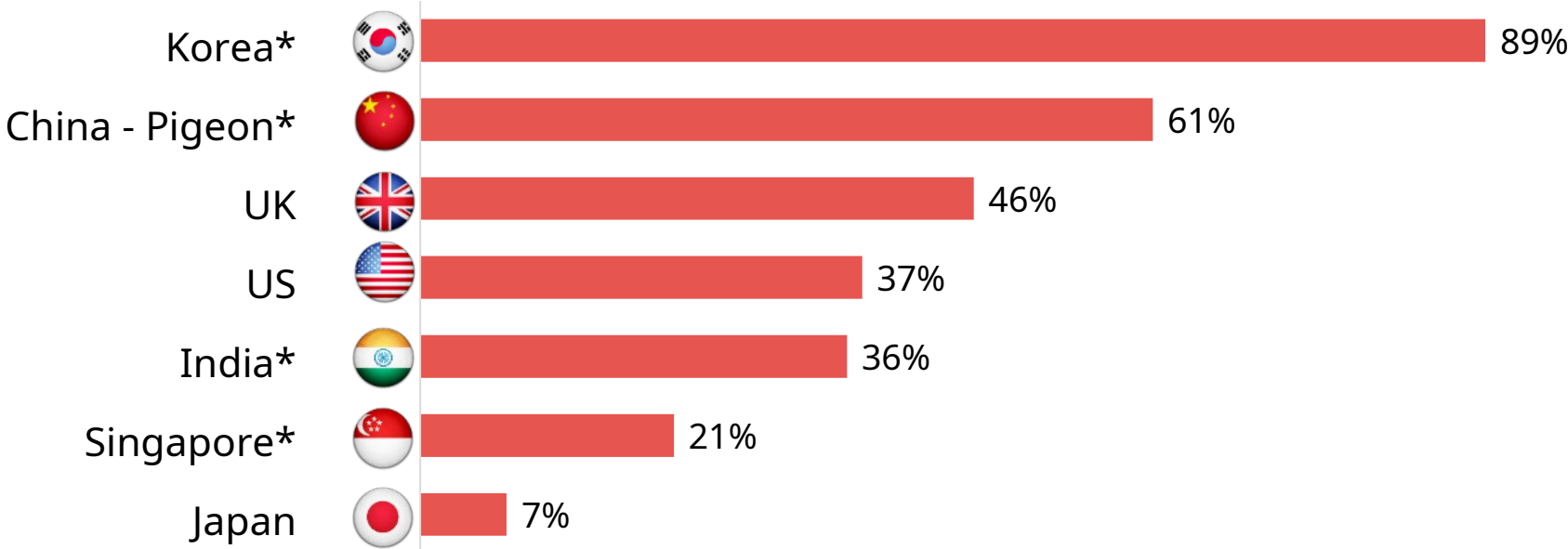
Lansinoh Sales by Region* (YoY)

Lansinoh



E-Commerce Ratio in Key Markets

EC sales ratio of Pigeon / Lansinoh products



*: Sell-out Others: Sell-in

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