

Financial Results of FY 2023 Q1

(January to March)

Pigeon Corporation

(Securities Code: 7956)

May 11, 2023

Celebrate babies the way they are



Q1 / December 2023 (FY 67th)

Q1 Financial Results

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Sales by Region, EC ratio in Key Markets

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Agenda

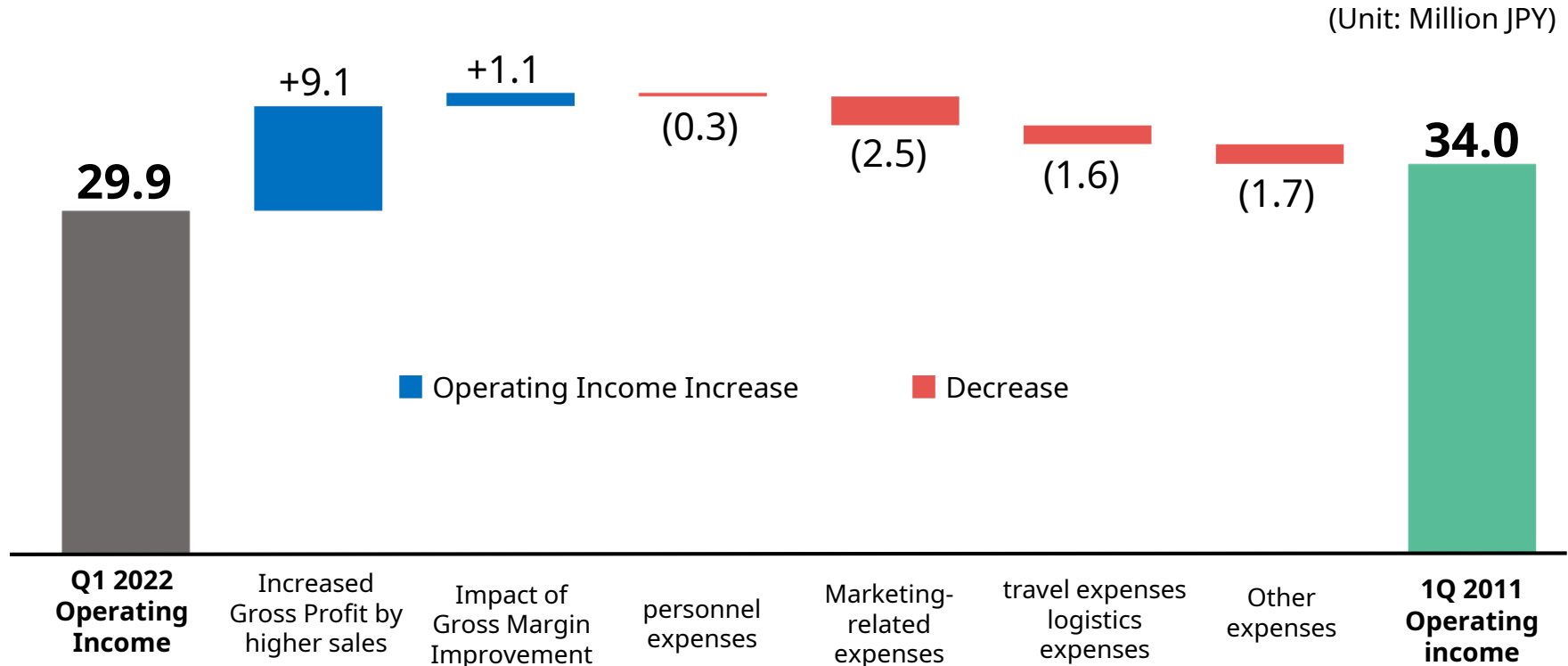
2023 Q1 Results - Consolidated P/L

- Both net sales and gross profit grew in the high single digits year-on-year. In addition to the increase in sales from the China and Lansinoh businesses, the impact of FX rates was also favorable.
- Operating income increased by 13.7% yoy. Increase in SG&A expenses (+8.2%) offset by increase in sales.
- Ordinary income decreased by 4.5% yoy due to the impact of foreign exchange gains/losses from the previous year.

| (Unit: Million JPY) | Q1 / Dec. 2022 | | Q1 / Dec. 2023 | | |
|---|----------------|------------|----------------|------------|------------|
| | Actual | % of Total | Actual | % of Total | YoY Change |
| Net Sales | 21,714 | 100.0% | 23,613 | 100.0% | 108.7% |
| Cost of Sales | 11,243 | 51.8% | 12,122 | 51.3% | 107.8% |
| Gross Profit | 10,470 | 48.2% | 11,490 | 48.7% | 109.7% |
| SG&A Expenses | 7,475 | 34.4% | 8,086 | 34.2% | 108.2% |
| Operating Income | 2,994 | 13.8% | 3,404 | 14.4% | 113.7% |
| Ordinary Income | 3,971 | 18.3% | 3,791 | 16.1% | 95.5% |
| Net Income Attributable to Owners of Parent | 2,617 | 12.1% | 2,438 | 10.3% | 93.1% |

2023 Q1 Analysis of Change in Operating Income (YoY)

Operating income increased ¥0.4, higher sales covered higher SG&A associated with the reopening.
(Some of the sales promotion expenses, etc. have not yet been spent in Q1 as planned, will be carried over in Q2.)



2023 Q1 Results - By Business Segment

| (Unit: Million JPY) | Q1 / Dec. 2022 | | | | Q1 / Dec. 2023 | | | | |
|---|----------------|------------|--------------|----------------|----------------|------------|------------|--------------|----------------|
| | Sales | % of Total | Gross Margin | Segment Profit | Sales | % of Total | YoY Change | Gross Margin | Segment Profit |
| Consolidated Net Sales | 21,714 | 100.0% | 48.2% | 2,994 | 23,613 | 100.0% | 108.7% | 48.7% | 3,404 |
| Japan Business | 8,846 | 40.7% | 35.8% | 543 | 8,873 | 37.6% | 100.3% | 33.9% | 439 |
| China Business | 7,892 | 36.3% | 52.4% | 2,532 | 8,600 | 36.4% | 109.0% | 54.1% | 2,669 |
| Singapore Business | 3,069 | 14.1% | 41.3% | 514 | 3,491 | 14.8% | 113.8% | 38.9% | 606 |
| Lansinoh Business | 3,551 | 16.4% | 52.1% | 168 | 4,538 | 19.2% | 127.8% | 52.8% | 347 |
| Elimination of inter-segment transactions | (1,645) | (7.6%) | — | — | (1,890) | (8.0%) | — | — | — |

[Reference] Breakdown of Japan Business Segment

| (Unit: Million JPY) | Q1 / Dec. 2022 | | | | Q1 / Dec. 2023 | | | | |
|---------------------|----------------|------------|--------------|----------------|----------------|------------|------------|--------------|----------------|
| | Sales | % of Total | Gross Margin | Segment Profit | Sales | % of Total | YoY Change | Gross Margin | Segment Profit |
| Baby Care | 6,244 | — | 40.6% | 648 | 6,176 | — | 98.9% | 39.8% | 579 |
| Child Care Services | 892 | — | 16.1% | 52 | 895 | — | 100.3% | 15.9% | 56 |
| Health & Elder Care | 1,176 | — | 31.0% | 86 | 1,146 | — | 97.5% | 28.8% | 60 |

2023 Q1 Summary of Results by Business Segment

Japan business

Baby care sales slightly declined due to the bottle renewal in 2022, despite strong sales of consumables

- Baby care sales declined 1.1% yoy.
- Sales of baby food, beverages, wet tissues and other consumables increased yoy. On the other hand, sales of Nursing bottles and Nipples declined due to a rebound of the initial shipments of new models in Q1 of the previous year. Sales of Skincare were almost flat yoy due to increased demand for the Momo-no-ha series, despite a rebound of the renewal of the basic skincare series in Q1 of 2022.
- A new category, “ME. by Pigeon” was launched at the end of February. Five products of pre-natal and post-partum perineal care products such as massage oil are now on the market.
- Gross profit margin for Baby care decreased by 0.8 pt yoy. Factors included increased procurement costs due to yen depreciation and raw material price hikes.
- Price revisions in baby-related products including Nursing bottles and nipples, as well as some Health & Elder care products, effective from February.

China business

Business activity on the mainland was affected by the Covid re-expansion in January, but has been recovering since February

- Mainland China sales* +0.6% yoy
- Distribution of new models of Nursing bottles has spread throughout the land, and replacement demand for Nipples has completely shifted to new models.
- Gross profit margin (JPY) of China business improved by 1.7 pt yoy due to higher sales of Nursing bottles and Nipples, and Skincare.
- New products; Skincare for Kids launched in Q4 of previous year sold very well. Implemented interactive customer communication through Social media (Live commerce, etc.) and Offline channels.
- Sell-out was down 6% yoy, +3% at EC channels, -21% at offline, current EC sales ratio: 67%. Major EC channels were down yoy, while our strategic EC channels such as Tiktok continued to grow.
- Korea market: Renewed our domestic business structure and started full-scale sales activities under the new structure. Q1 sales* increased 33% yoy, great start as planned.

2023 Q1 Summary of Results by Business Segment

Singapore Business

Net sales and income increased yoy, but profit margin declined due to soaring raw material prices.

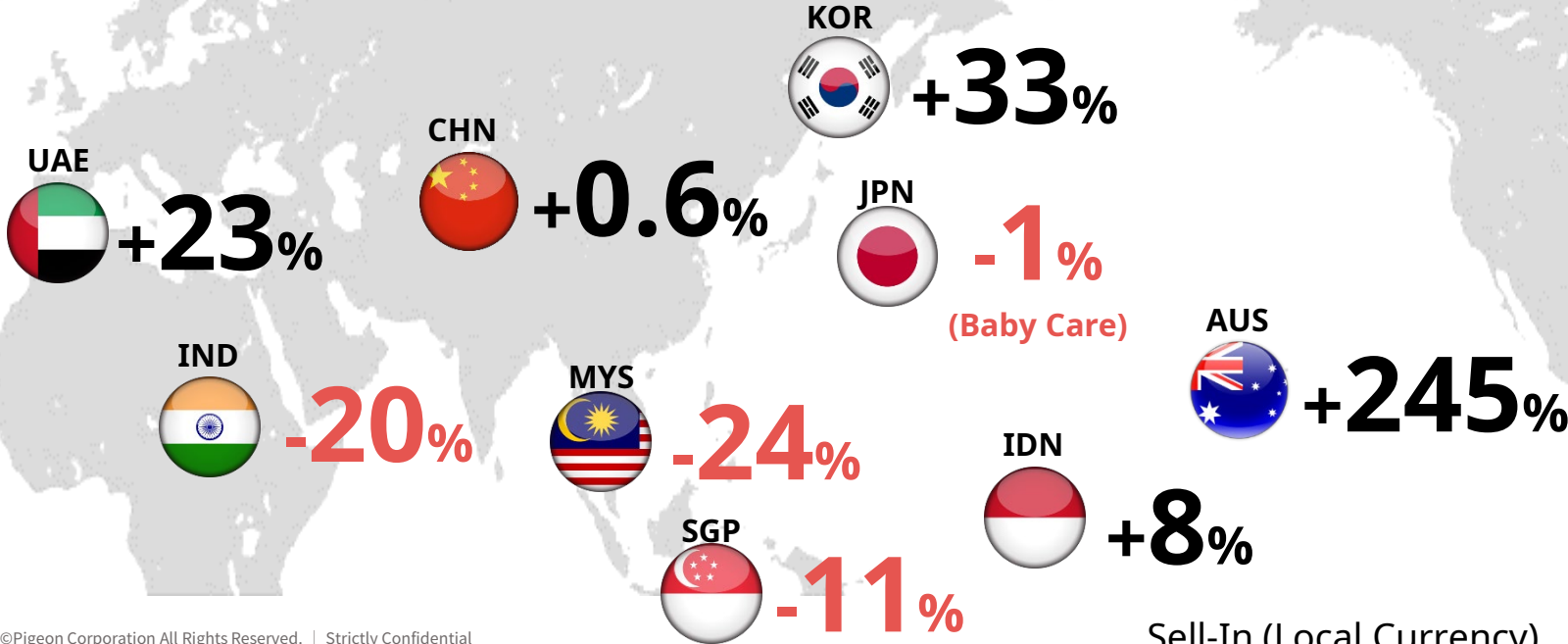
- Net sales (JPY) increased by double digits compared to the previous year, partly due to the impact of FX rates.
- Sales* in major countries were strong in the Middle East, Australia, and Indonesia. On the other hand, domestic sales in India were down 20%, Malaysia down 24% yoy. Inventory reduction trend is seen in some retailers.
- Sales ratio of Wide-neck Nursing bottles increased yoy due to strengthened branding of SofTouch (The model name of Wide-neck nursing bottles) and SKU expansion.
- Gross profit of Singapore business (JPY) increased by 7% yoy. On the other hand, gross profit margin deteriorated by 2.4 pt due to lower sales at factories and soaring raw material prices.

Lansinoh Business

Strong sales in North America and other markets. Profits also increased due to a large increase in sales.

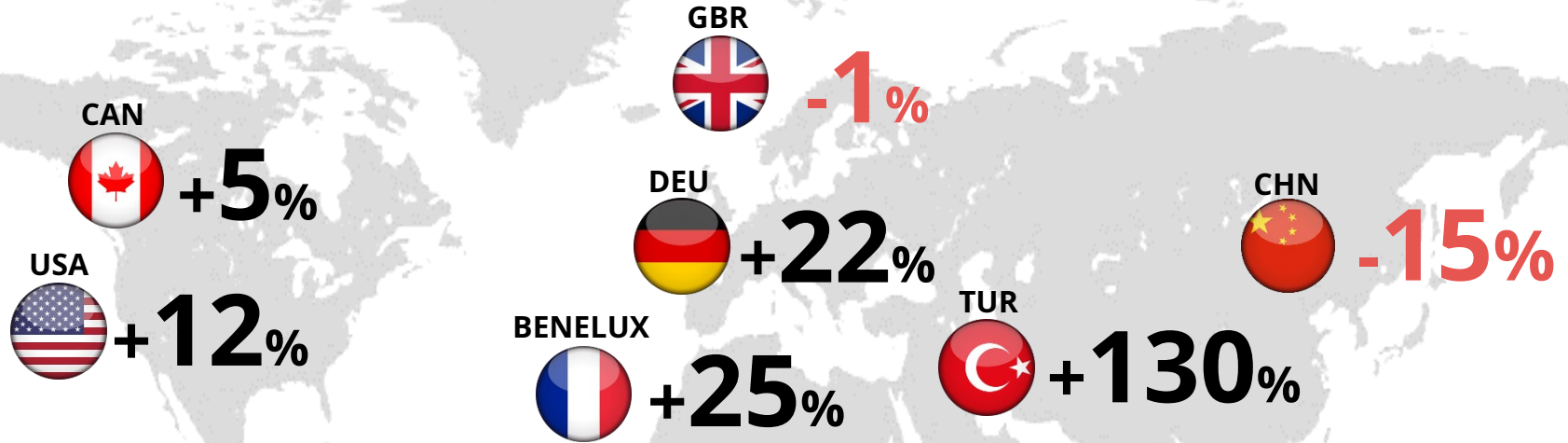
- Lansinoh Group sales* grew 12% yoy. North America +12% yoy.
- In Europe, sales* in Benelux and Germany grew yoy. UK sales were flat yoy.
- As for sales* of main products, sales of Nipple creams and Breast pumps decreased yoy due to a rebound from Q1 last year, but sales of Milk Storage Bags grew substantially due to the baby formula shortage in North America.
- Sales of pre/post-partum care products increased mainly in North America, resulting in double-digit yoy growth in Lansinoh group sales.
- Gross profit (JPY) increased significantly yoy due to the impact of increased sales. Gross profit margin (JPY) also improved by 0.7 pt yoy due to a higher sales and change in the product mix.

2023 Q1 Pigeon Sales by Regions (YoY)



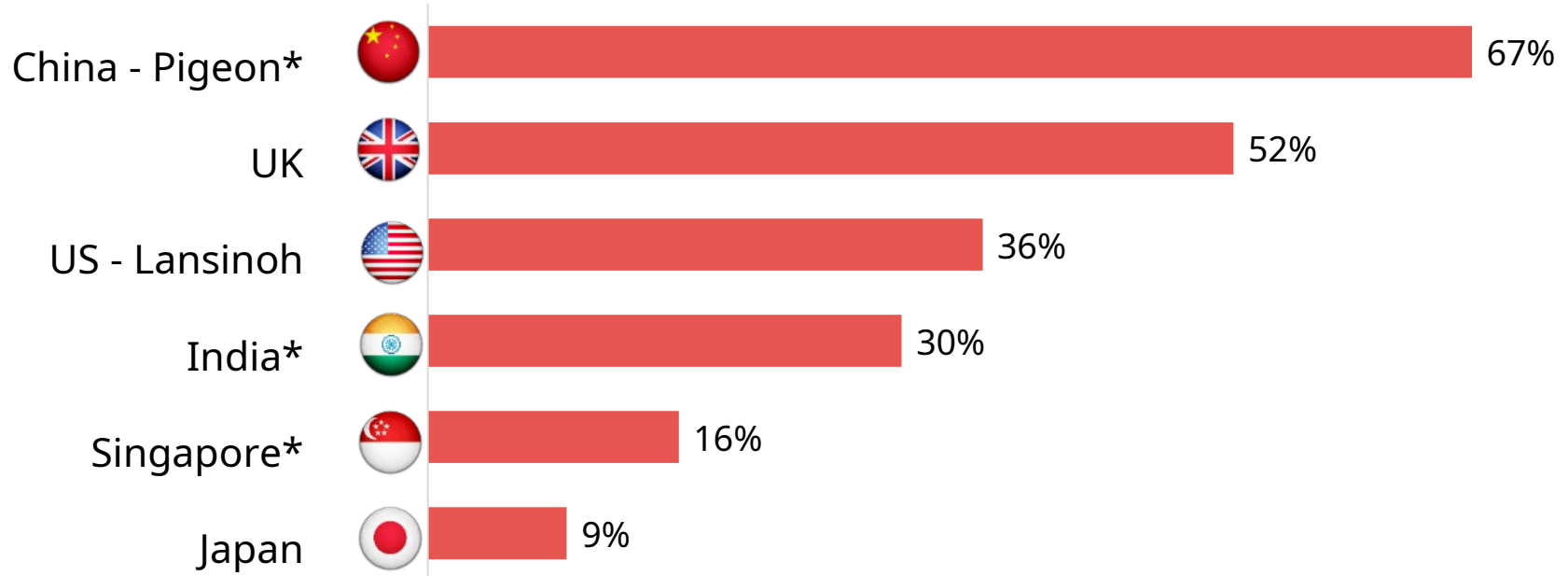
2023 Q1 Lansinoh Sales by Regions (YoY)

Lansinoh



2023 Q1 E-commerce Sales Ratio in Key Markets

[EC sales ratio of Pigeon / Lansinoh products]



*: Sell-out Others: Sell-in

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.

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