

Financial Results of Q1 / Dec. 2024

(YTD 3 months - January to March)

Pigeon Corporation

(Securities Code: 7956)

May 14, 2024

Celebrate babies the way they are



Q1 / December 2024

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Agenda

FY 2024 Q1 Results - Consolidated P&L (YTD 3 months)

Net sales and gross profit slightly increased YoY due to the impact of FX rates.

Operating income decreased due to higher personnel expenses and aggressive use of sales & marketing expenses in mainland China and Lansinoh business.

Unit: Million JPY	Q1 / Dec. 2023 YTD		Q1 / Dec. 2024 YTD		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	23,613	—	23,749	—	<u>100.6%</u>
Cost of Sales	12,122	51.3%	12,110	51.0%	99.9%
Gross Profit	11,490	48.7%	11,639	49.0%	<u>101.3%</u>
SG&A Expenses	8,086	34.2%	8,941	37.6%	110.6%
Operating Income	3,404	14.4%	2,697	11.4%	79.2%
Ordinary Income	3,791	16.1%	2,963	12.5%	78.2%
Net Income Attributable to Owners of Parent	2,438	10.3%	1,906	8.0%	78.2%

[Currency Rates] 2024 Q1 Results: US\$1 = JPY 148.43 CNY 1 = JPY 20.65
 2023 Q1 Results: US\$1 = JPY 132.39 CNY 1 = JPY 19.33

FY 2024 Q1 Results - By Business Segment (YTD 3 months)

Lansinoh business increased sales and income. China business showed steady recovery from the Q4 of 2023.

Unit: Million JPY	Q1 / Dec. 2023 YTD Results				Q1 / Dec. 2024 YTD Results				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	23,613	—	48.7%	3,404	23,749	—	100.6%	49.0%	2,697
Japan Business	8,873	37.6%	33.9%	439	8,734	36.8%	98.4%	33.0%	523
China Business	8,600	36.4%	54.1%	2,669	8,356	35.2%	97.2%	<u>55.8%</u>	2,324
Singapore Business	3,491	14.8%	38.9%	606	3,115	13.1%	89.2%	<u>39.8%</u>	353
Lansinoh Business	4,538	19.2%	52.8%	347	5,068	21.3%	<u>111.7%</u>	<u>57.8%</u>	<u>432</u>
Elimination of inter-segment transactions	▲1,890	(8.0%)	—	—	▲1,525	(6.4%)	—	—	—

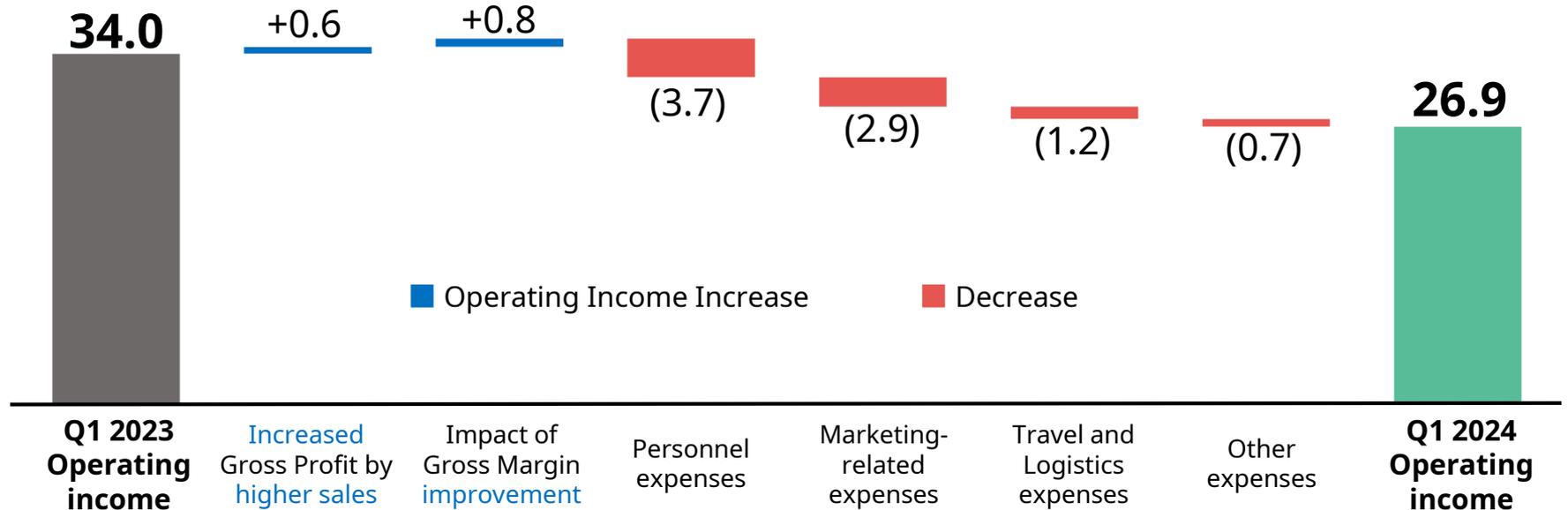
[Reference] Breakdown of Japan Business

Unit: Million JPY	Q1 / Dec. 2023 YTD Results				Q1 / Dec. 2024 YTD Results				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby Care	6,176	—	39.8%	579	6,287	—	<u>101.8%</u>	37.8%	550
Childcare Services	895	—	15.9%	56	880	—	98.3%	11.2%	13
Health & Elder Care	1,146	—	28.8%	60	1,174	—	<u>102.4%</u>	<u>31.0%</u>	93

FY 2024 Q1 Results - Change in Operating Income (YoY)

Gross profit increased by 140 million yen YoY due to increased revenue and improved gross margin.
SG&A expenses increased by 850 million yen YoY (about half the effect of FX rates). The increase in SG&A expenses was due to higher personnel expenses and aggressive sales & marketing spend.
Operating income decreased by 710 million yen YoY.

(Unit: 100M. JPY)



FY 2024 Q1 Results - Review by Business Segment

Strategy for 2024: Continue to improve profitability through new value creation by leveraging our strengths and uniqueness

Japan business

Baby care business performed well in existing and new areas, but overall sales in Japan business declined due to weak overseas demand.

- While Baby Care sales increased 2% YoY, overseas demand such as exports and cross-border EC was weak due to the impact of ALPS treated water.
- Sales of nursing bottles/nipples increased from the previous year. New product “My Bonyu-Jikkan” bottle launched last year performed well, including capturing demand for gift items.
- New product “Moisture mist milky lotion” was launched in February. Strengthened product exposure by developing attractive in-store displays at major offline channels.
- Sales of the electric nasal aspirator “SHUPOT” were strong. The “Baby care appliances” is growing as a new area of business in Japan.
- Gross margin for Baby Care decreased by 2.0 pt. YoY mainly due to higher COGS affected by yen depreciation.
- Health & Elder Care business launched a new product, “Medicated Oral Care Gel Plus” in February.
- Inbound demand is sluggish despite an upward trend in the number of foreign visitors to Japan.



FY 2024 Q1 Results - Review by Business Segment

Strategy for 2024: Thoroughly invest in growth areas with top priority on sales recovery in mainland China. Build a solid position as a #1 brand to achieve sustainable growth.

China business

Despite lower sales and profits YoY, mainland sales steadily recovered from the sharp decline in Q4 of previous year due to the impact of ALPS treated water.

- Mainland China sales* (CNY) ended -10% YoY, but in line with internal plans.
- Sales of baby skincare struggled due to ongoing impact of ALPS treated water, but sales of nursing bottles/nipples increased by 0.4% YoY. Market share of bottles/nipples recovered to the level before the release of ALPS treated water.
- New product launched in Q1, "kids sports straw bottle 500ml".
- Various marketing activities resumed sequentially from Q1. Steady increase in GMV through enhanced brand exposure and communication mainly on digital platforms.
- Gross margin (JPY) of China business improved by 1.7 pt. YoY due to an increase in the sales composition of high-margin nursing bottles/nipples.
- Sell-out -3% YoY, EC +5%, Offline -19%. Tiktok and PDD continue to grow. EC ratio is 73%.

*Sales: Sell-in in local currency



FY 2024 Q1 Results - Review by Business Segment

Strategy for 2024: With normalization of inventory levels, focus on bottles/nipples and skincare to get back on track for growth.

Singapore business

Sales and income down due to ongoing shipment adjustments from the previous year, but distribution inventory normalization in major countries is almost complete.

- Sales* in India +7% YoY, Malaysia +22%, Indonesia -32%, Middle East -49%.
- Sellout grew YoY in India, South Africa and Thailand driven by nursing bottles/nipples.
- Distribution inventory normalization in major markets is almost complete. Some markets done by the end of 1H.
- Continued to strengthen sales of core products (bottles/nipples and Skincare). Pigeon's nursing bottles and breastfeeding products won "Platinum" prize in the Supermom Brand Awards 2024. Natural Botanical Baby skincare won "Product of the Year" in Singapore.
- Gross margin (JPY) of Singapore business improved by 0.9 pt. YoY, partly due to sales increase of factories and the effect of FX rates.

*Sales: Sell-in in local currency



FY 2024 Q1 Results - Review by Business Segment

Strategy for 2024: Stable growth in existing areas and expansion of product categories. Continued investment in growth for brand expansion

Lansinoh Business

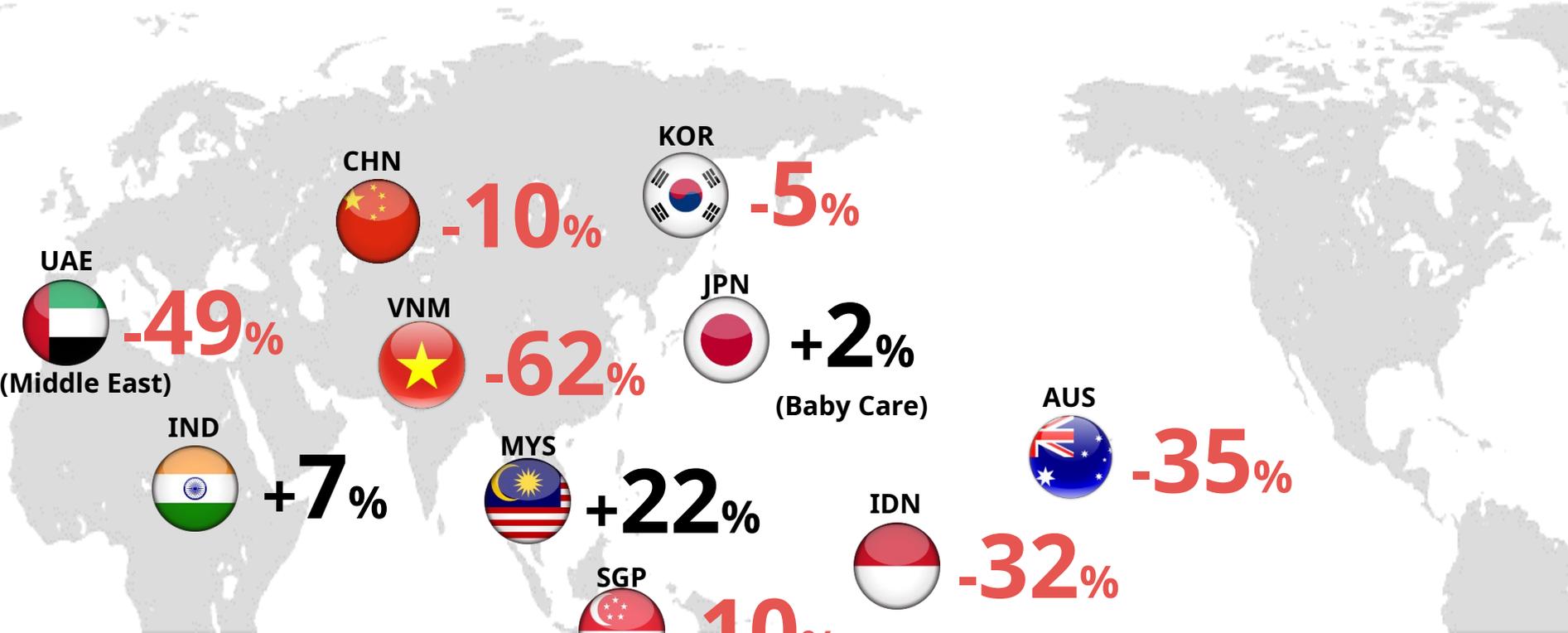
Sales and income increased due to the effect of FX rates and lower marine transportation costs.

- Lansinoh Group sales* (USD) were -0.4% YoY. Although sales in North America declined 0.7% due to a reactionary decline from special demand seen in previous year, sales in Europe (Germany, UK, and France) grew mainly in nipple creams and postpartum & recovery care.
- New hands-free breast pump “Discreet Duo” launched in February (mainly for the DME channel)
- Sales of postpartum & recovery care products were strong in North America as well as in the European market.
- Gross margin (JPY) of Lansinoh business improved by 5.0 pt. YoY due to an improved product mix and lower ocean freight costs (COGS factor), but U.S. domestic sales distribution costs (SG&A factor) remained high.

*Sales: Sell-in in local currency

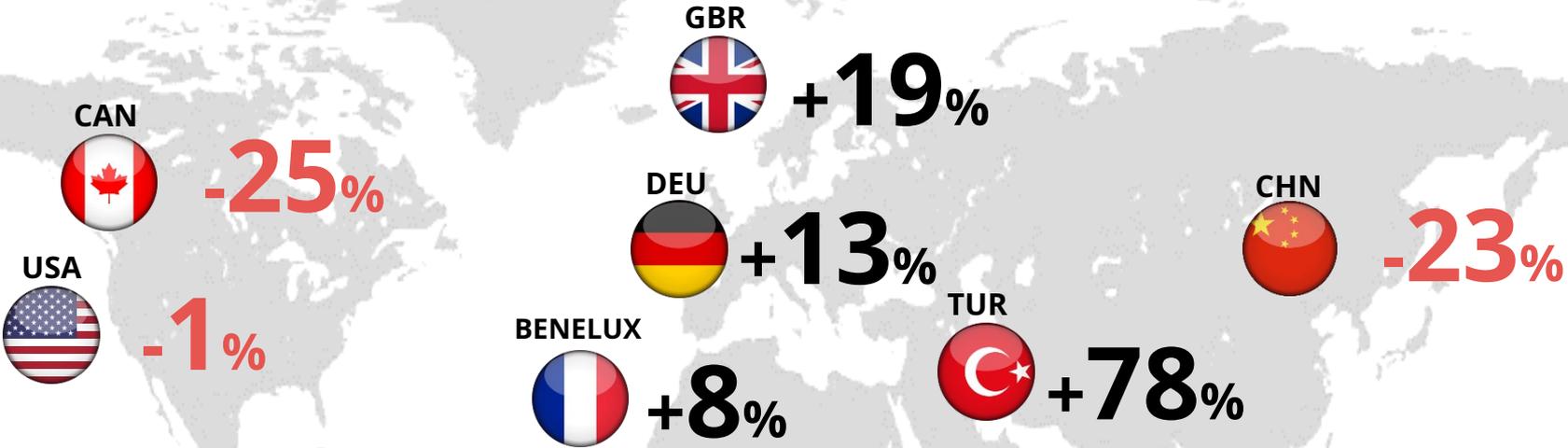


FY 2024 Q1 Results - Pigeon Sales* by Region (YoY)



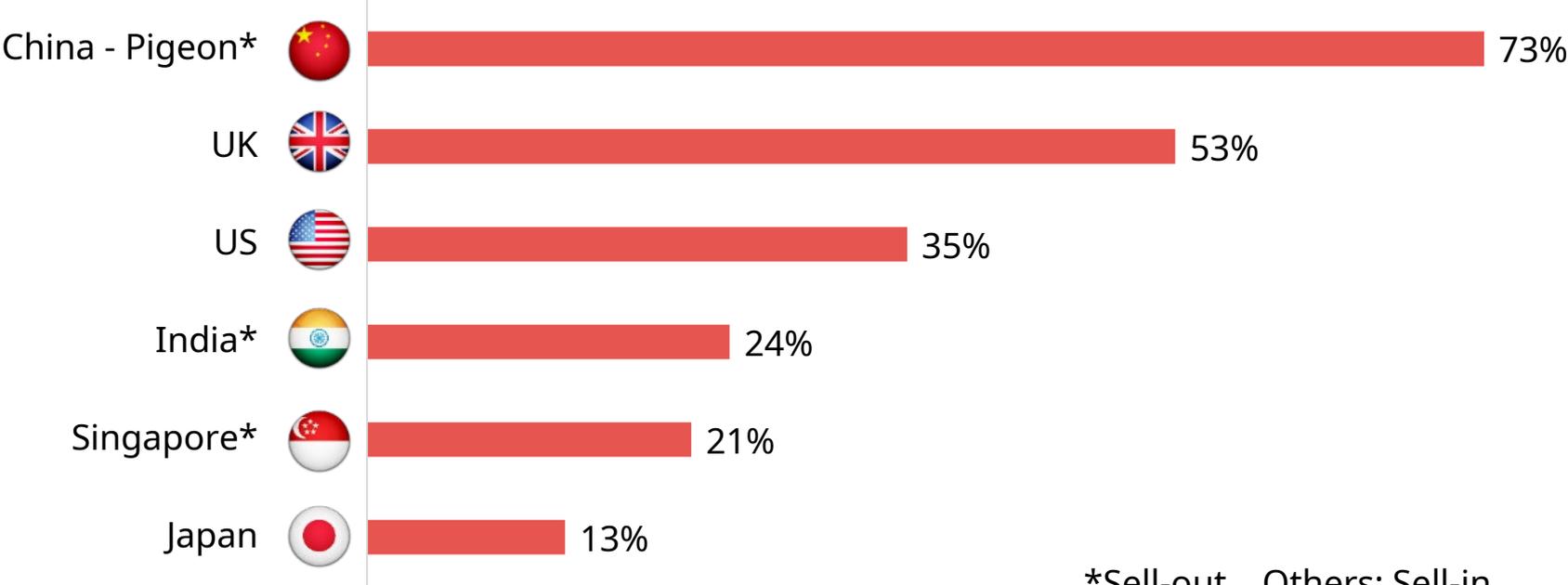
*Sell-In (Local Currency)

FY 2024 Q1 Results - Lansinoh Sales* by Region (YoY)



FY 2024 Q1 Results - EC Sales Ratio in Key Markets

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



Reference: Extraordinary gains and losses in Q1 results

Due to a subsidy from the local government related to the completion of a new plant of Pigeon Home Products Co, Q1 consolidated PL posted subsidy income of 648 million yen as extraordinary income and loss on reduction of fixed assets of 648 million yen related to this subsidy income as extraordinary loss.

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Ordinary Income	3,791	16.1%	2,963	12.5%	78.2%
Extraordinary Income	21	—	680	2.9%	3,144.6%
Extraordinary Loss	25	—	676	2.8%	2,668.6%
Net Income Attributable to Owners of Parent	2,438	10.3%	1,906	8.0%	78.2%

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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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