

Financial Results of Q3 / Dec. 2024

(YTD 9 months - January to September)

Pigeon Corporation

(Securities Code: 7956)

November 7, 2024

Celebrate babies the way they are



Q3 / December 2024

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Agenda

FY2024 Q3 Results - Consolidated P&L (YTD 9 months)

Net sales increased 4.2% YoY driven by Lansinoh, China, and Singapore business partly due to the favorable impact of FX rates. Income decreased due to aggressive growth investment for sales recovery in mainland China, while gross profit increased driven by higher sales.

Unit: Million JPY	Q3 / Dec. 2023 YTD		Q3 / Dec. 2024 YTD		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	72,942	100.0%	76,037	100.0%	104.2%
Cost of Sales	37,016	50.7%	38,485	50.6%	104.0%
Gross Profit	35,925	49.3%	37,551	49.4%	104.5%
SG&A Expenses	25,741	35.3%	29,069	38.2%	112.9%
Operating Income	10,183	14.0%	8,481	11.2%	83.3%
Ordinary Income	11,149	15.3%	8,833	11.6%	79.2%
Net Income Attributable to Owners of Parent	7,281	10.0%	5,426	7.1%	74.5%

[Currency Rates] 2024 Q3 Results: US\$1 = JPY 151.15 CNY 1 = JPY 20.99
 2023 Q3 Results: US\$1 = JPY 138.17 CNY 1 = JPY 19.62

FY2024 Q3 Results - By Business Segment (YTD 9 months)

Japan business lower sales and profits, but Baby care sales remained on par with previous year. China business ended with higher revenues and lower income due to aggressive investment in sales growth. Singapore and Lansinoh business ended with increased revenue and profit.

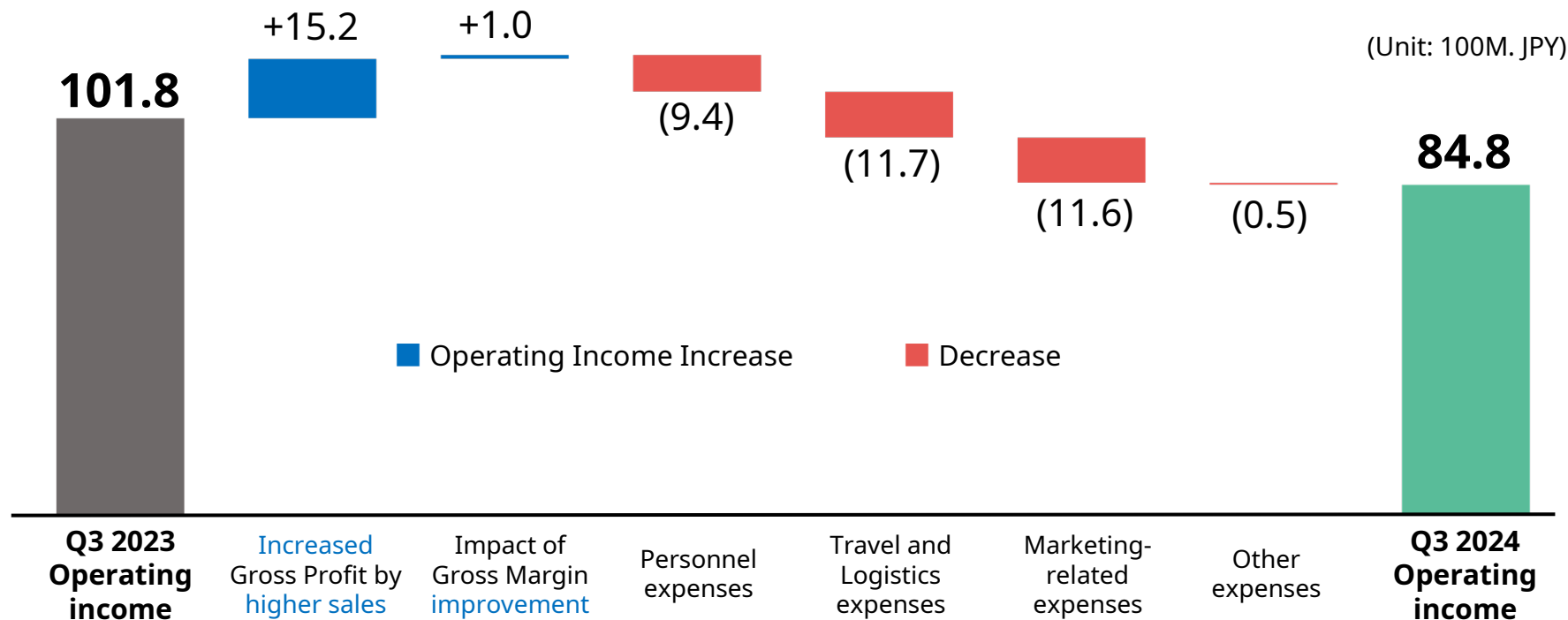
Unit: Million JPY	Q3 / Dec. 2023 YTD				Q3 / Dec. 2024 YTD				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	72,942	100.0%	49.3%	10,183	76,037	100.0%	104.2%	49.4%	8,481
Japan Business	27,572	37.8%	34.2%	1,638	26,642	35.0%	96.6%	32.9%	1,385
China Business	27,301	37.4%	55.8%	8,613	28,466	37.4%	104.3%	56.6%	7,439
Singapore Business	10,118	13.9%	38.2%	1,225	10,694	14.1%	105.7%	40.3%	1,354
Lansinoh Business	13,651	18.7%	54.0%	881	15,597	20.5%	114.3%	54.4%	888
Elimination of inter-segment transactions	(5,702)	(7.8%)	—	—	(5,364)	(7.1%)	—	—	—

▼[Reference] Breakdown of Japan Business

Unit: Million JPY	Q3 / Dec. 2023 YTD				Q3 / Dec. 2024 YTD				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby Care	19,442	—	39.4%	1,897	19,441	—	100.0%	36.6%	1,385
Childcare Services	2,574	—	15.5%	140	2,536	—	98.5%	13.9%	97
Health & Elder Care	3,592	—	31.5%	307	3,257	—	90.7%	34.4%	312

FY2024 Q3 Results - Change in Operating Income (YoY)

While gross profit increased due to higher sales, SG&A expenses were increased by aggressive investment mainly for sales and market share recovery in mainland China. As a result, operating income decreased by 1.7 billion yen YoY.



FY2024 Q3 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Japan business

While strong sales in new areas such as baby care appliances, sales and income down due to weak overseas demand and soaring COGS

- Q3 YTD sales of Baby care ended on par with previous year. Overseas demand such as exports and cross-border EC remained weak.
- Q3 YTD sales of bottles and nipples ended on par with previous year. Domestic demand for baby skincare was stable, but lower overseas demand made skincare sales below the previous year's level.
- Launched a new product, "Baby Electric Nail File" on August to expand our product lineup of baby care appliances, which has been performing well. Other several new products such as baby food and baby dental care were launched, and Lansinoh nipple cream finally launched in Japan market as scheduled.
- Q3 YTD gross margin of Baby care deteriorated by 2.8 pt YoY mainly due to the impact of higher COGS reflecting the weaker Japanese yen.
- Pigeon group transferred all shares of Pigeon Manaka Corporation, which operates elder care service business, to Marumitsu Corporation on April 1 2024, and excluded it from the Group company since Q2 of this year (Annual sales of Pigeon Manaka is about 900 million yen).

New area: Babycare appliances

Following the release of SHUPOT and POCHITto, "Baby Electric Nail File" was launched in August.



Price 3,800 yen (w/o tax)



Strengthening of existing areas

Capturing lifestyle changes, launched several new products to solve "difficulties of baby care" even in existing areas.



FY2024 Q3 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

China business

Increased sales and decreased profit. Online continues to perform well, but offline continues to struggle

- Q3 YTD sales of mainland china (CNY) ended with -4% YoY. Q3 YTD sellout grew by 10% YoY.
- Q3 YTD sales of bottles and nipples increased by 8% YoY driven by the Natural Weaning Series, etc.
- Baby skincare saw a reactionary sales decline from the strong Q2, but prepared for Double Eleven in products and sales.
- Launched new products such as “Baby Ultra Facial Cream” and “Thermal mug for kids”.
- Q3 YTD UV and GMV continued double-digit growth through strengthening of brand exposure and communication.
- Q3 YTD sellout grew by 10% YoY, with EC sales up 19% and offline sales down 12% YoY. Strong sales through EC including our own flagship stores. Latest EC ratio is 78%.
- Market share of bottles and nipples remained unchanged since Q2.
- Q3 YTD gross margin of China business (JPY) improved by 0.8pt YoY due to an increase in the sales composition of high-margin bottle and nipple products.

Strengthening of existing areas

New product launch in Baby Skincare
(September)



New area: Age-Up products

Strengthening sales in
both offline and e-commerce



Brand: Pigeon Nipple 3S Model

Received the “Neonatal Feeding Technology Innovation Award” sponsored by CBME*.



FY2024 Q3 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Singapore business

Sales and profit increased due to the favorable FX rates. Implemented brand renewal of “SofTouch” Wide-neck bottles/nipples in key countries

- Q3 YTD sales* in India +8% YoY, Malaysia +16%, Indonesia -8%, and Middle East -9%.
- Q3 YTD sellout grew YoY in Australia, Vietnam, and Thailand. India and the Middle East are still in the process of recovery.
- Distribution inventories in major markets remain at healthy levels.
- Continued to strengthen sales of core products. Implemented brand renewal of the SofTouch™ series of bottles and nipples in key markets.
- New products, “SofTouch™ Drinking Straw Set” and “SofTouch™ Training Straw Set” released in Singapore and other key markets in July. Natural Botanical skincare launches “Natural Botanical Maternity” series for mothers.
- Q3 YTD gross margin of Singapore business (JPY) improved by 2.1 pt YoY, partly due to sales growth of factories and the favorable impact of FX rates.

Strengthening core products: SofTouch Wide-neck bottles

Brand renewal of "SofTouch™" series in major countries,
Age-up product launched in Q3



Strengthening core products: Baby skincare

Increased exposure and launched new series of
“Natural Botanical Maternity”



FY2024 Q3 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

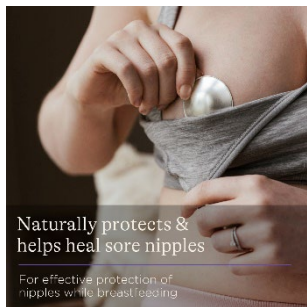
Lansinoh Business

Sales continued to be strong driven by new products. Both sales and profit increased due to the favorable FX rates

- Q3 YTD sales (US\$) of Lansinoh Group ended +4.5% YoY.
- Q3 YTD sales in North America increased 7% YoY driven by a new breast pump (Discreet Duo), however the sales of Milk Storage Bags decreased due to the disappearance of special demand.
- Sales growth in Europe driven by nipple cream, etc. Sales in mainland China were weak due to intensified competition in consumables.
- New products include “Silverette Nursing Cups” launched in the UK. In North America, organic herbal tea for maternity and mothers launched on September such as “Morning Rescue Pregnancy Tea” and other 2 items.
- Q3 YTD sales of postpartum and recovery care grew by more than 40% YoY. Continued double-digit growth in major markets including North America, UK, and Germany.
- Q3 YTD gross profit margin (JPY) for Lansinoh business improved by +0.4pt. On the other hand, segment profit margin declined -0.8pt YoY due to higher labor costs and aggressive growth investments in new categories, etc.

Strengthening of existing areas

Launched new products in breastfeeding-related products



Naturally protects & helps heal sore nipples

For effective protection of nipples while breastfeeding

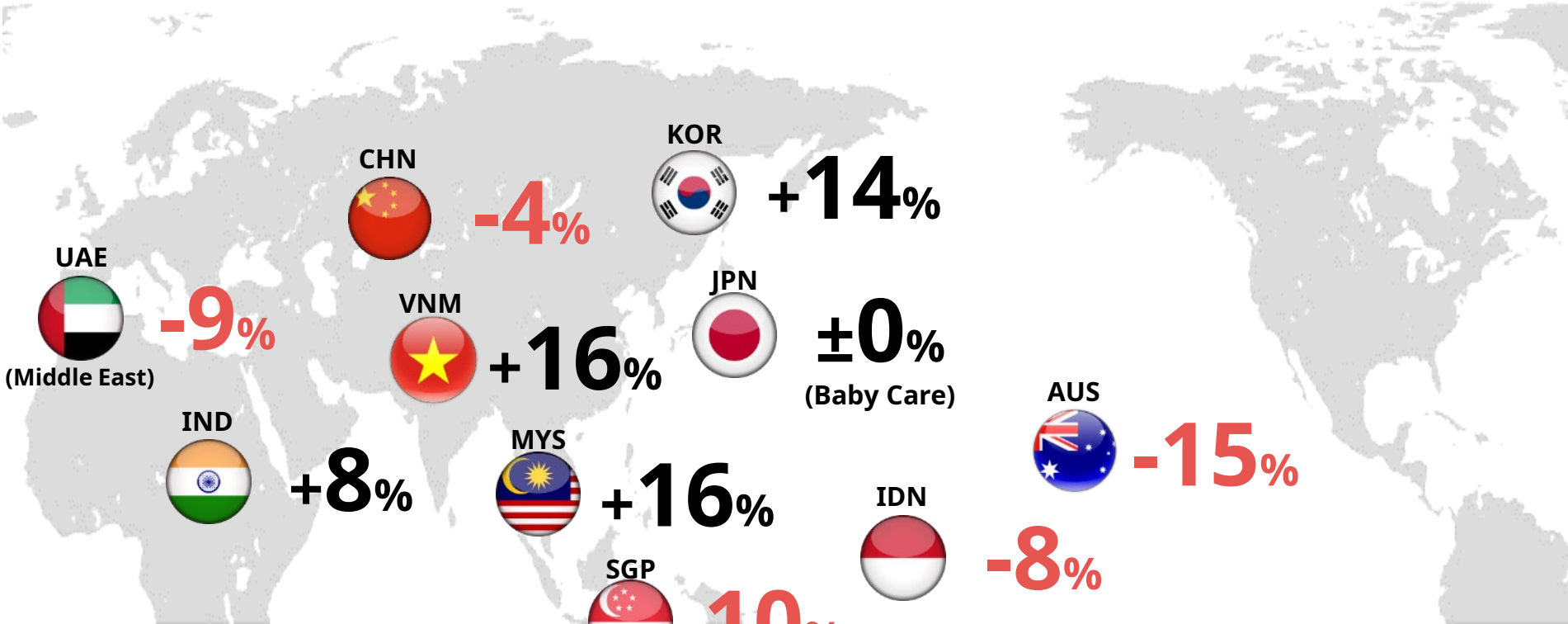


New area: Expansion into the “Nutrition” category

Further expansion of the brand's product lineup

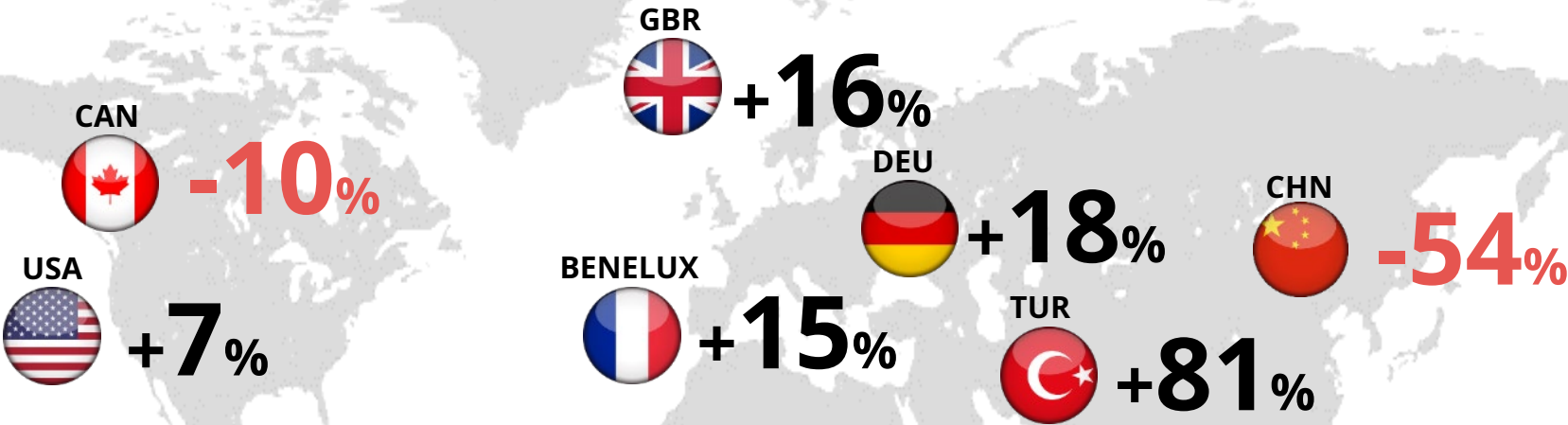


FY2024 Q3 Results - Pigeon Sales* by Region (YoY)



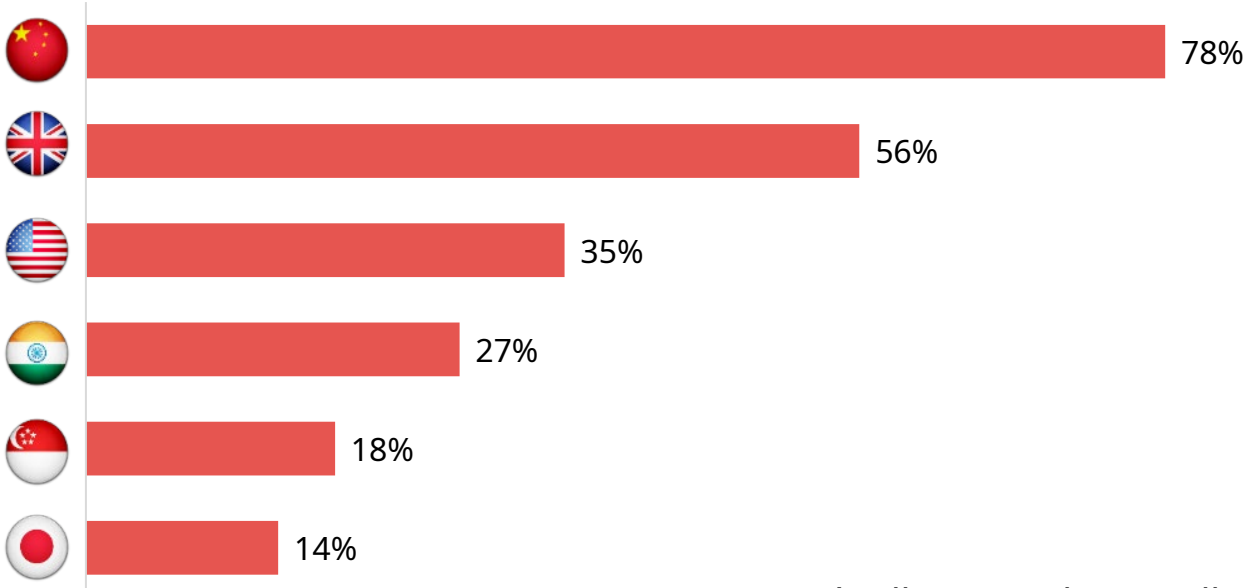
*Sell-In (Local Currency)

FY2024 Q3 Results - Lansinoh Sales* by Region (YoY)



FY2024 Q3 Results - EC Sales Ratio in Key Markets

[E-commerce sales ratio of Pigeon / Lansinoh]



*Sell-out Others: Sell-in

FY2024 Full-Year Forecast - Unchanged

No change in full-year forecasts. Continue efforts to strengthen existing areas and expand into new areas globally, aim to increase group sales and profits by thoroughly investing in growth to recover sales in China business in the second half of FY2024.

Unit: Million JPY	Dec. 2023		Dec. 2024		
	Actual	% of Total	Forecast	% of Total	YoY Change
Net Sales	94,461	100.0%	101,000	100.0%	106.9%
Cost of Sales	49,008	51.9%	50,200	49.7%	102.4%
Gross Profit	45,452	48.1%	50,800	50.3%	111.8%
SG&A Expenses	34,726	36.8%	39,400	39.0%	113.5%
Operating income	10,726	11.4%	11,400	11.3%	106.3%
Ordinary income	11,522	12.2%	11,400[*]	11.3%	98.9%
Net Income Attributable to Owners of Parent	7,423	7.9%	7,600	7.5%	102.4%

* Subsidy income not included

[Currency Rates]

2024 Forecast: US\$1 = JPY 135.00

2023 Results: US\$1 = JPY 140.58

CNY 1 = JPY 19.50

CNY 1 = JPY 19.83

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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