

Financial Results of Q2 / Dec. 2023

(January to June)

Pigeon Corporation

(Securities Code : 7956)

Norimasa Kitazawa

President and CEO

August 10, 2023

Celebrate babies the way they are



Q2 / December 2023 (FY 67th)

Q2 Financial Results

P. 3 - 13

Full-Year Forecast

P. 14 - 20

Agenda

Financial Results of Q2 / Dec. 2023



FY 2023 Q2 Results - Consolidated P&L

Net sales increased 6.0% y-o-y, driven by Japan and China businesses. In addition to higher profits due to increased revenue, improved gross margin absorbed increased SG&A expenses, resulting in higher operating income.

Unit: Million JPY	Q2 / Dec. 2022		Q2 / Dec. 2023		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	45,292	—	48,002	—	106.0%
Cost of Sales	24,543	54.2%	24,700	51.5%	100.6%
Gross Profit	20,749	45.8%	23,301	48.5%	112.3%
SG&A Expenses	15,631	34.5%	16,789	35.0%	107.4%
Operating Income	5,118	11.3%	6,511	13.6%	127.2%
Ordinary Income	6,404	14.1%	7,117	14.8%	111.1%
Net Income Attributable to Owners of Parent	3,990	8.8%	4,566	9.5%	114.4%

[Currency Rates] 2023 Q2 Results: US\$1 = JPY 134.95 CNY 1 = JPY 19.46
 2022 Q2 Results: US\$1 = JPY 123.15 CNY 1 = JPY 18.97

FY 2023 Q2 Results - By Business Segment

Unit: Million JPY	Q2 / Dec. 2022				Q2 / Dec. 2023				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	45,292	—	45.8%	5,118	48,002	—	106.0%	48.5%	6,511
Japan Business	17,904	39.5%	32.6%	592	18,408	38.3%	102.8%	34.4%	1,182
China Business	16,238	35.9%	49.3%	4,609	18,061	37.6%	111.2%	54.2%	5,497
Singapore Business	6,924	15.3%	40.6%	1,210	6,607	13.8%	95.4%	38.5%	840
Lansinoh Business	7,814	17.2%	51.5%	252	8,728	18.2%	111.7%	52.2%	345
Elimination of inter-segment transactions	(3,588)	(7.9%)	—	—	(3,803)	(7.9%)	—	—	—

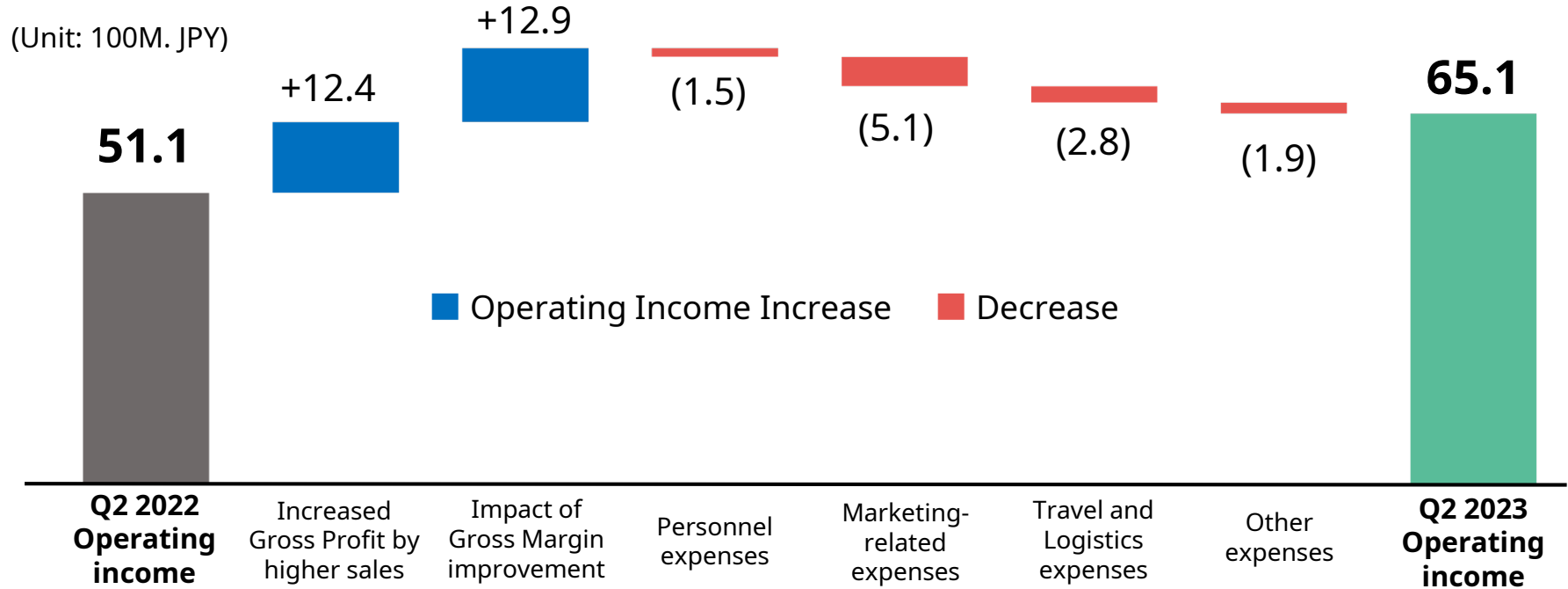
[Reference] Breakdown of Japan Business

Unit: Million JPY	Q2 / Dec. 2022				Q2 / Dec. 2023				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net Sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby care	12,471	—	36.7%	717	12,937	—	103.7%	39.8%	1,342
Childcare Services	1,738	—	16.3%	107	1,741	—	100.2%	16.8%	122
Health & Elder Care	2,486	—	31.7%	255	2,394	—	96.3%	31.1%	202

FY 2023 Q2 - Analysis of Change in Operating Income (YoY)

Same trend as Q1, SG&A expenses increased 1.15 bn yen y-o-y due to increase in sales promotion and logistics costs associated with the reopening. Operating income increased by 1.39 billion yen y-o-y due to increased revenue and improved gross margin.

(Some of the sales promotion expenses, etc. have not yet been spent in Q2 YTD as planned, will be carried over in the second half.)



FY 2023 Q2 - Consolidated Balance Sheet (Highlight)

Unit: Million JPY	End of FY Dec. 2022	Q2 / FY Dec. 2023			
	Actual	Actual	YoY Change (Amount)	YoY Change (%)	YoY Change (Amount) w/o impacts of FX rates
Cash and Deposits	34,283	32,480	(1,802)	94.7%	(3,051)
Notes and Accounts Receivable - Trade	15,975	17,145	1,170	107.3%	427
Inventories	15,318	16,839	1,521	109.9%	652
Notes and Accounts Payable - Trade	5,066	4,647	(419)	91.7%	(594)
Electronically Recorded Obligations - Operating	1,542	2,138	596	138.6%	596
Borrowings	—	67	67	—	61
Net Assets	79,952	83,056	3,103	103.9%	587
Total Assets	101,733	105,091	3,357	103.3%	(782)
Equity Ratio	75.4%	75.7%	—	—	—

Announced in Feb. 2023 : 8th MTP Key Actions

Implementation of structural reforms

Sustained growth in “Existing areas” and exploration and cultivation of “New areas”

Existing Business Areas

- **Strengthen nursing bottles and baby skincare which we have a strong competitive edge.**
- **Structural reforms in each business**
 - Lansinoh and Singapore business: Accelerating Growth
 - China business: From "High-Growth" to "Stable-Growth"
 - Japan Business: Improve the profitability

New Business Areas

- **Expansion of core customer target group**
 - Toddlers
 - Mothers To Be
 - Fathers
- **Expansion of our target market**
 - North America (Pigeon brand)
 - Africa region

[Common in Existing and New areas] Strengthen Brand strategy and “Monozukuri”

FY 2023 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Japan business

Domestic demand recovered after the “Reopening”. Core products remained strong even after the price revision in February, resulting in increased sales and profit

- Baby care sales are on a steady recovery trend with a y-o-y increase of +3.7% YTD.
- Sales of nursing bottles and skincare increased y-o-y. Sales remained stable after the price revision and maintained No.1 market share.
- “ME. by Pigeon”, the new category of the prenatal and postpartum care products launched in February is now available in Feminine care shelf of offline stores.
- Inbound demand remained flat, but sales of the Momo-no-ha skincare grew y-o-y due to the increase of overseas demand.
- Gross margin of Baby care improved by +3.1pts y-o-y YTD; price revision in February also contributed.
- Health and elder care promoted new product “Mist for bottom wipe” and renewed “Liquid Thickening”.

New Category: ME. by Pigeon

Available at 2,000+ Tsuruha Drug stores



Monozukuri : New Products in 1H 2023

Strollers for use up to 4 years old



Brand: Communication

Offline events are back after reopening

Promotion of strollers



The 37th Tree Raising Campaign



FY 2023 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

China business

In mainland China, sales and income increased y-o-y driven by the growth in nursing bottles and skincare

- Sales in mainland China grew steadily, +5% YTD y-o-y.
- Nursing bottle sales increased +28%, skincare increased +6% y-o-y.
- Products for toddlers (skincare) are expanding sales both offline and through EC.
- In June, new model of nursing bottle for infants with new straw nipples (Against competitors) was launched.
- Gross margin of China business (JPY) improved by +4.9pts y-o-y due to increase in sales composition of nursing bottle and skincare.
- Sell-out was down 3% YTD y-o-y. Offline: -16%, EC sales grew by 3% y-o-y especially Tiktok and Pinduoduo achieved double-digit growth. EC ratio expanded to 73%.

New Area: Skincare for toddlers

Sales are expanding both offline and in EC



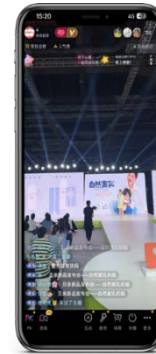
Monozukuri : New Products in 1H 2023

Launched new bottle series, panda drinking cups, etc



Brand: Communication

Implemented Live-streamed factory tour and new product launch event on the key social media



FY 2023 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Singapore business

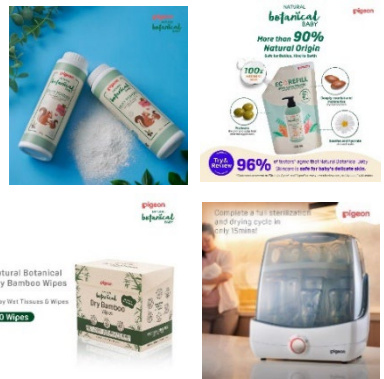
Sales in major countries declined, mainly due to the rebound from the sharp recovery in the previous year

- YTD sales* in India -31%, Malaysia -12%, Indonesia -11%, Middle East -15%.
- Sellout in India, Australia, and Thailand grew y-o-y. Indonesia also saw y-o-y growth in core products.
- New model of wide-neck nursing bottle have been launched in almost all markets. We will further strengthen our communication activities to expand sales of wide-neck bottles, and at the same time, we will further increase the number of new products, including for infants.
- Skincare launched new products (baby powder and body soap refill) in the Natural Botanical series.
- Gross margin of Singapore business deteriorated by -2.1pts y-o-y due to sales decline at sales companies and soaring raw material prices

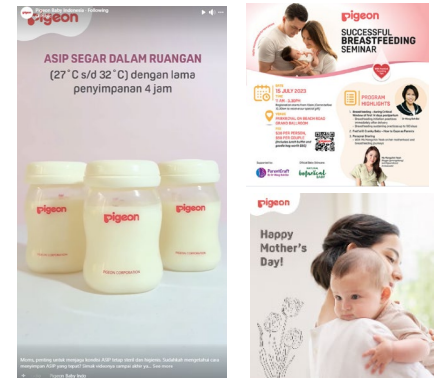
Strengthening core products: wide-neck nursing bottle
Strengthening sales in both offline and e-commerce



Monozukuri : New Products in 1H 2023
New products in the Natural Botanical series and New bottle sterilizer/dryer



Brand: Communication
Implemented online Breastfeeding seminars and product review to focus on promoting the value of wide neck bottles



FY 2023 Q2 Results - Business Summary By Segment

*Sales: Sell-in on a local currency basis

Lansinoh Business

Sales in North America fell below the previous year's level, but sales in Europe and China increased. Procurement and logistics cost outlook still uncertain

- Lansinoh Group sales* increased +2% YTD y-o-y. Sales in North America were down 6% y-o-y due to shipping delays requested by customers and delays in the launch of some new products, but sales in Europe (Germany, UK, and France) grew driven by nipple cream and other core products.
- Sales of prenatal and postpartum care products grew by double digits y-o-y led by strong sales in North America, UK, Germany and Benelux
- Announced new global brand vision "Stand with the mothers".
- New products in Q2: Soothies® C-section Recovery Pads and stackable breastmilk storage bottles.
- Gross margin improved by +0.7pts y-o-y, partly due to lower ocean freight rates (COGS factor), but distribution costs in the U.S. (SG&A factor) continued to soar. Operating income growth slowed down due to aggressive investment in SG&A expenses such as brand renewal and reopening in China.

Brand: Vision Renewal

While keeping Lansinoh's core values, Evolving into a brand that is closer to moms



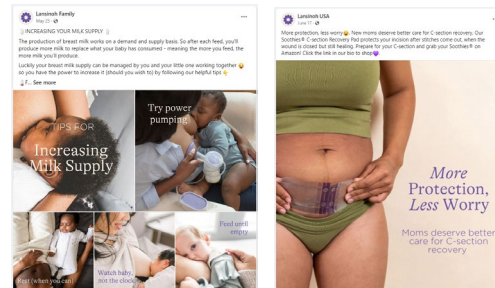
Monozukuri : New Products in 1H 2023

Launched new prenatal and postpartum care products, etc.



Communication

Strengthening digital communication through key social media in all market. (Breastfeeding support, and Pericare)

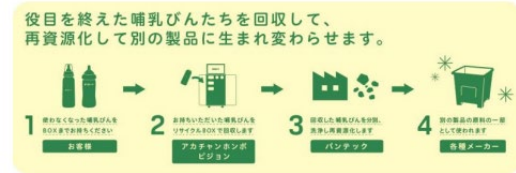


FY 2023 Q2 Results - ESG and Sustainability

ESG

Working to co-create value with society to realize a “Vision of a Baby-Friendly Future”

- Approximately 400 kg of plastic, glass, and nipples (silicone) were collected for recycle at 124 Akachan-Honpo stores nationwide.
- Supporting mothers and newborns in need with the donation of baby care products (Germany - Lansinoh)
- Providing "Lesson for learning about babies: For a baby-friendly future"
- Selected as a component of "Morningstar Japan ex-REIT Gender Diversity Tilt Index"



Amount collected in 3 months

Approx. 400 kg

Collection and Recycle box of Pigeon nursing bottle (Japan)



Lansinoh.



Donation of baby care products to the “Welcome-Baby-Bags” project (Germany)



Provide educational programs to get junior high school students interested in babies (Japan)

Full-Year Forecast / FY Dec. 2023



FY 2023 Full-year Forecast - Unchanged

No change in the full-year forecast. Steady implementation of key themes to achieve the initial year of the 8th Mid-Term Plan
 The carry-over of SG&A expenses will be spent to boost sales in the Singapore business and to strengthen sales of new products that delayed its launch, etc.

Unit: Million JPY	FY Dec. 2022		FY Dec. 2023 Outlook		
	Actual	% of Total	Forecast	% of Total	YoY Change
Net Sales	94,921	100.0%	100,000	100.0%	105.4%
Cost of Sales	50,087	52.8%	51,800	51.8%	103.4%
Gross Profit	44,834	47.2%	48,200	48.2%	107.5%
SG&A Expenses	32,638	34.4%	35,800	35.8%	109.7%
Operating income	12,195	12.8%	12,400	12.4%	101.7%
Ordinary income	13,465	14.2%	12,400*	12.4%	92.1%
Net Income Attributable to Owners of Parent	8,581	9.0%	8,100	8.1%	94.4%

* Subsidy income not included

[Currency rates] FY Dec. 2022 Results: US\$1 = JPY 131.55 / CNY 1 = JPY 19.50
 FY Dec. 2023 Budget: US\$1 = JPY 130.00 / CNY 1 = JPY 19.50

FY Dec. 23 - New Products and Topics for the Second Half

New products in 2H

Japan

SHUPOT the electric nasal aspirator, Parts for nursing bottles (Lid, Straw), etc.

China

New series of drinking cups, baby skincare ocean series, etc.

Singapore

Additional design of the wide-neck nursing bottle (including eco-friendly materials), electric breast pump (Go Mini Plus), etc.

Lansinoh

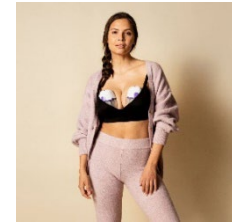
Wearable breast pump, etc.



Nursing bottle parts
Reached 600K+ on social media
even before launch



Electric nasal aspirator: SHUPOT
redesigned our 200,000 units
sold nasal aspirator



Wearable breast pump
Group's first hands-free model launched

Other Key Topics

- Full-scale operation of new Fuji plant (Japan, September)
- Second product price revision in the Japanese market (scheduled for September)
- Preparing for the Pigeon brand to enter the African market (Kenya)

FY Dec. 2023 : Shareholder Returns and Investment

Dividends	Dec. 2021		Dec. 2022		Dec. 2023	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Scheduled)	Year-end (Forecast)
Dividend per Share (yen)	37	37	38	38	38	38
Dividend payout ratio	100.9%		106.1%		112.4% (Full-year Forecast / Year-end)	

Investment-related Indicators (Consolidated) Unit: Million JPY	Dec. 2021		Dec. 2022		Dec. 2023	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	interim (Actual)	Full-year (Forecast)
Capex (*1)	2,013	6,735	2,814	7,259	3,775	5,600
Depreciation (*2)	1,986	4,161	2,381	4,947	2,518	5,100
R&D Expenses (*3)	1,709	3,603	1,802	3,792	2,000 (*4)	4,800 (*4)

*1: Property, plant and equipment and intangible assets (including long-term prepaid expense)

*2 : Depreciation (including amortization of goodwill)

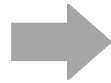
*3 : Total expenses of R&D activities, including personnel costs

*4 : Monozukuri expense for FY Dec. 2023

For Sustainable Growth: The Source of Pigeon's Competitiveness

Research and Development Activities - Skincare

Construction and Utilization of Baby's 3D skin model



Define the proper skincare for babies

Establishing a position as a rule maker (proprietary quality and safety evaluation method)

Development of high-function products to meet all the needs of growing babies (by age, for atopic, eczema, sensitive skin, etc.)

Development of proprietary raw materials (Expansion of business opportunities as a supplier of functional raw materials)



Further uniqueness and competitive advantage. Building Barriers to Entry.



For Sustainable Growth: The Source of Pigeon's Competitiveness

Promoting research and development of baby skincare products in Japan and China that only Pigeon can provide

● Pigeon Home Products (Japan)



- The new plant will start operation in September 2023
- Production capacity expansion
- Strengthening of baby skin research and R&D capability
- Challenging new fields such as D2C and products unique to Japan

● Pigeon Manufacturing (Shanghai)



- Leading the Pigeon Group's skincare research
- In June 2022, we established the "Cellular and Molecular Biology Research and Testing Laboratory" to further deepen our skincare research and develop baby's 3D skin model
- Publicize our research widely through multiple publications.

For Sustainable Growth: The Source of Pigeon's Competitiveness

Collaboration with hospitals and healthcare professionals

Hospital Activities

Roots of our strength since the Pigeon founded

re-strengthening since Covid-19 reopening

Having a joint research and development in-hospital use products with obstetricians, and NICUs, etc.

Providing information to healthcare professionals (Introducing research results and holding study sessions)

Enhancement of breastfeeding support environment (Support for setting up in-hospital breastfeeding rooms)

Collaboration and relationship building with related organizations (e.g., Breast milk banks in Japan and overseas)

- Deepen research and product development capabilities
- Horizontal deployment of knowledge within the Group
- Gaining the trust of healthcare professionals
- Recommendation of our products to customers



Create a strong presence as a global brand



口唇口蓋裂児用 哺乳器セット



細口哺乳器 セット



弱吸専用乳首



早期産児おしゃぶり
Premie Care

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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Appendix



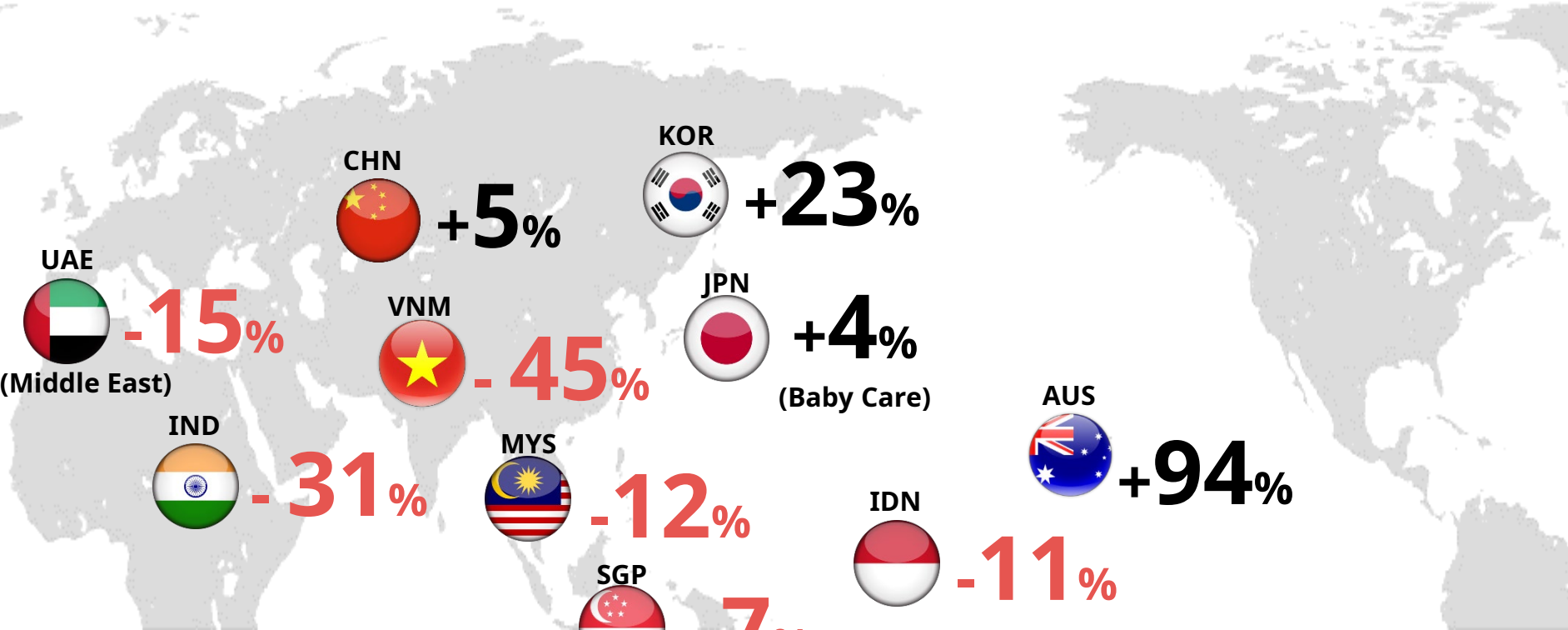
FY 2023 Q2 Results - Financial Highlights (Consolidated)

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Ordinary Income	6,404	14.1%	7,117	14.8%	111.1%
Net Income Attributable to Owners of Parent	3,990	8.8%	4,566	9.5%	114.4%
Net Assets	81,875	—	83,056	—	101.4%
Total Assets	104,274	—	105,091	—	100.8%
EPS (yen)	33.35	—	38.17	—	114.5%
BPS (yen)	684.25	—	665.23	—	97.2%
ROE *	10.5%	—	11.2%	—	—
ROIC *	9.0%	—	11.2%	—	—

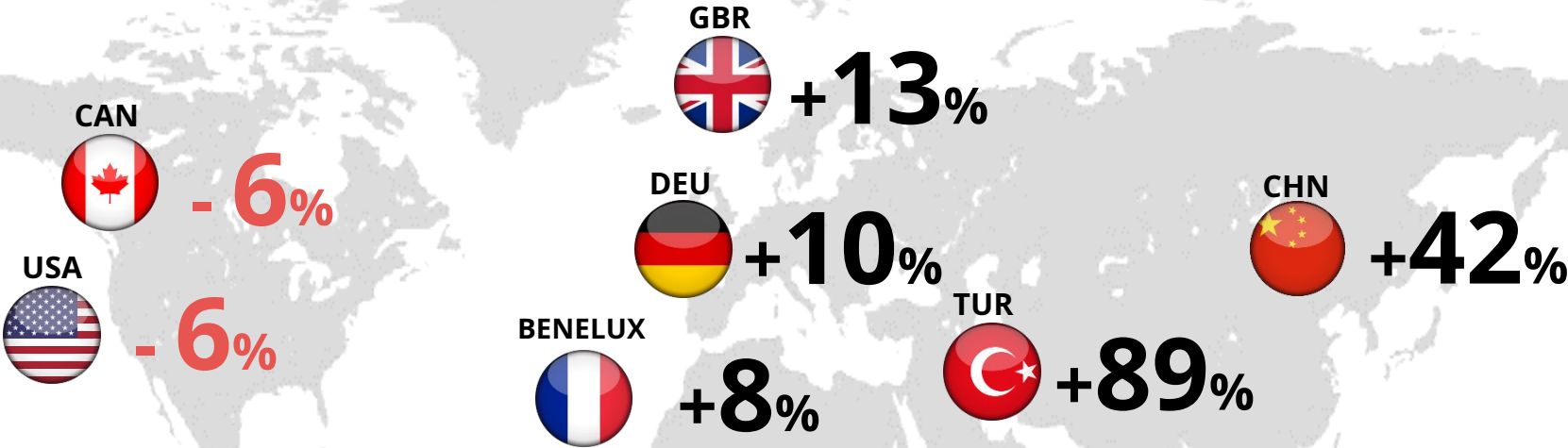
* ROE: Return on Equity (shareholders' equity + accumulated other comprehensive income), calculated with equity being the average of the beginning and ending balances

* ROIC: Return on Invested Capital (NOPAT/Invested capital, calculated with a tax rate of 30.0% and invested capital being the average of the beginning and ending balances)

FY 2023 Q2 Results - Pigeon Sales by Region (YoY)

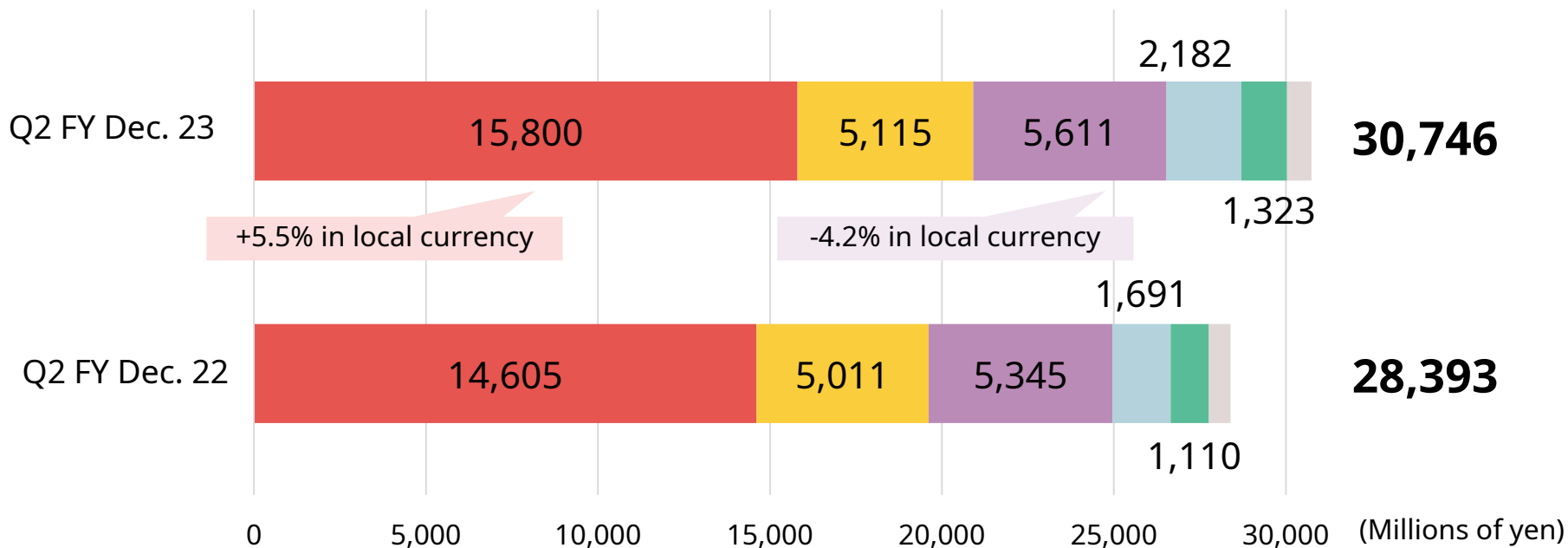


FY 2023 Q2 Results - Lansinoh Sales by Region (YoY)



FY 2023 Q2 Results - Overseas Sales by Region

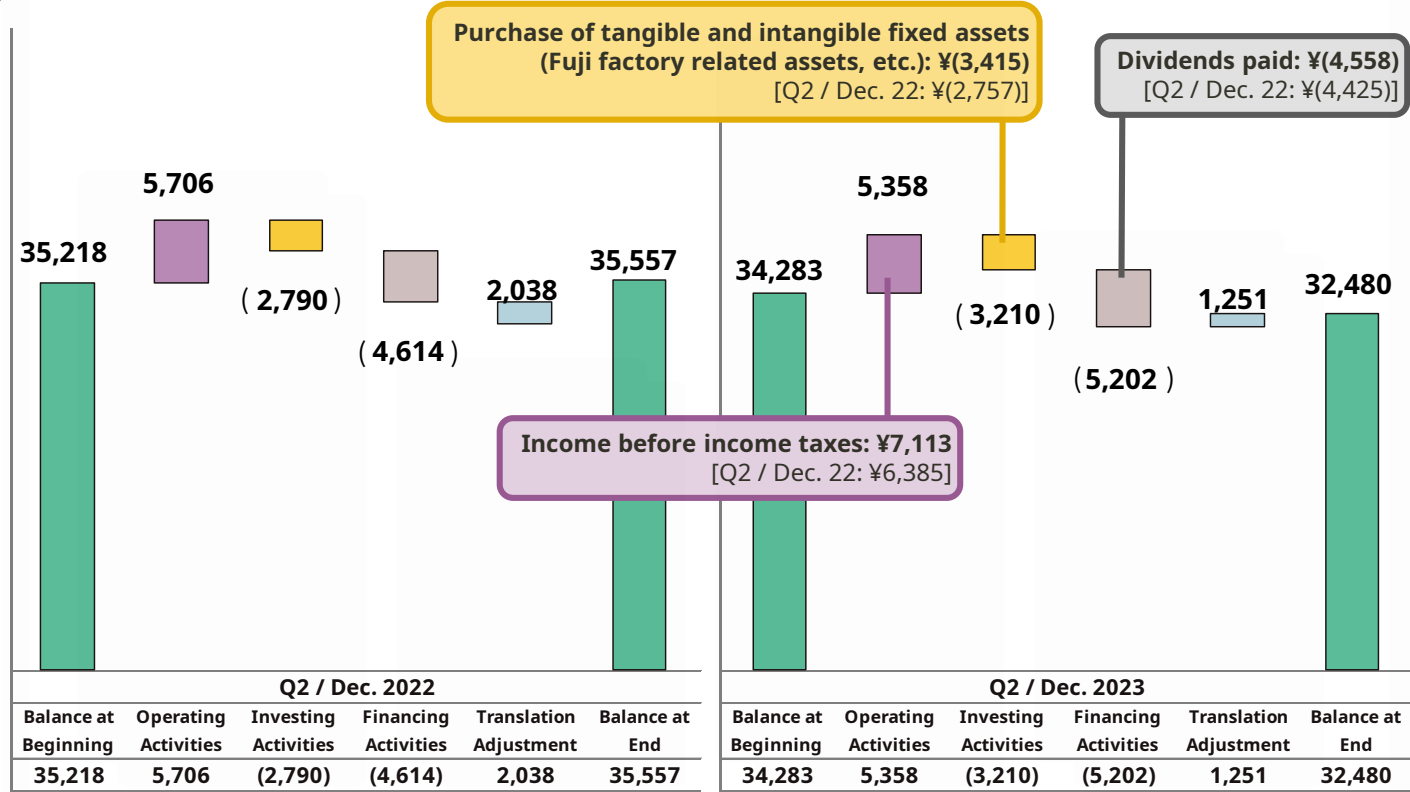
■ China (including Hong Kong)
 ■ Other Asia
 ■ North America
 ■ Europe
 ■ Near and Middle East
 ■ Other areas



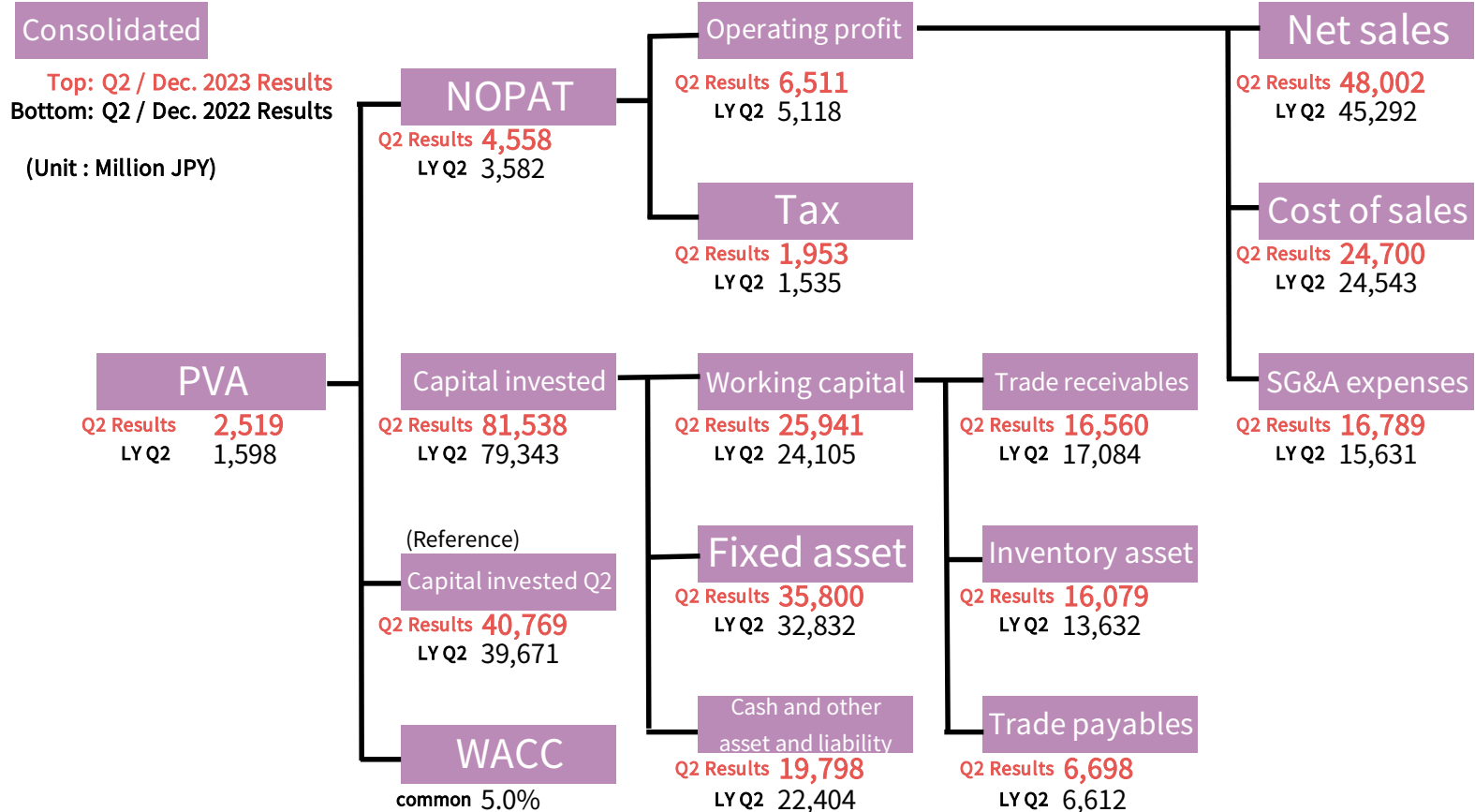
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FY 2023 Q2 Results - Consolidated Cash Flow Comparison

(Millions of yen)



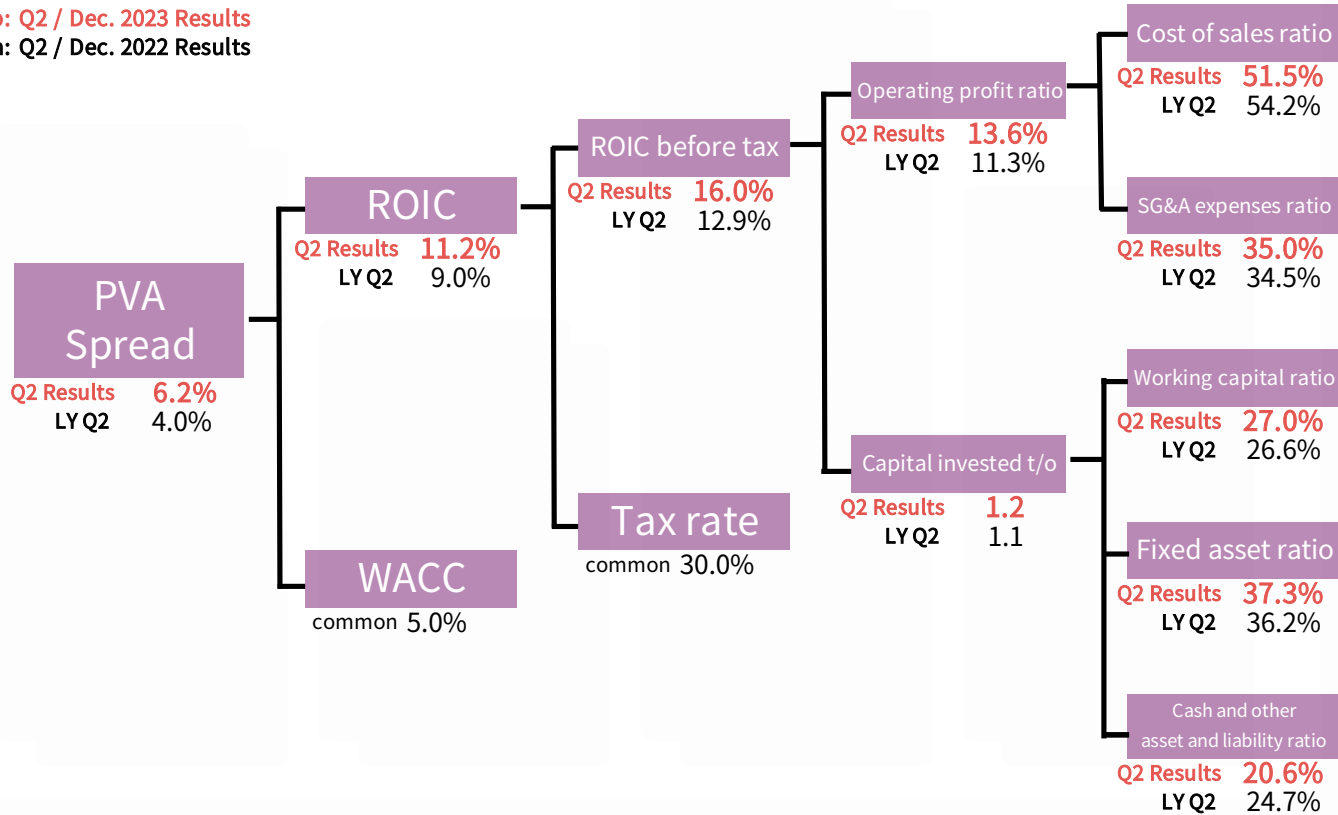
FY 2023 Q2 - Consolidated PVA Tree (Breakdown of PVA)



FY 2023 Q2 - Consolidated PVA Tree (PVA Spread)

Consolidated

Top: Q2 / Dec. 2023 Results
Bottom: Q2 / Dec. 2022 Results



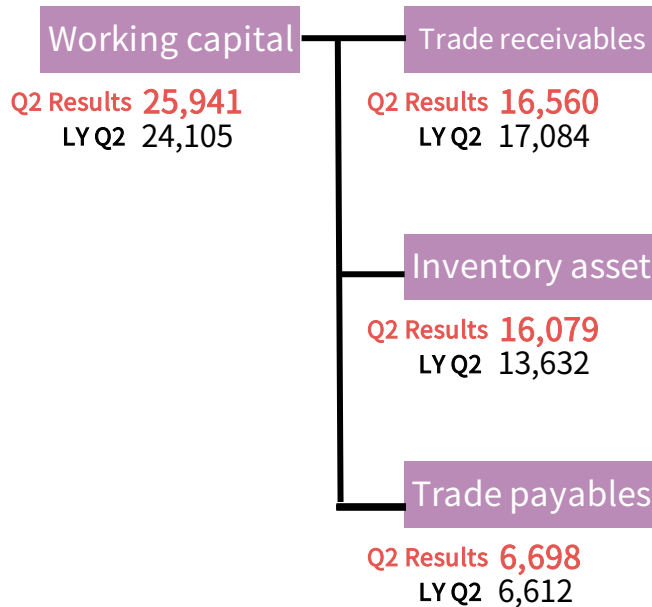
FY 2023 Q2 - Consolidated PVA Tree (Breakdown of CCC)

Consolidated

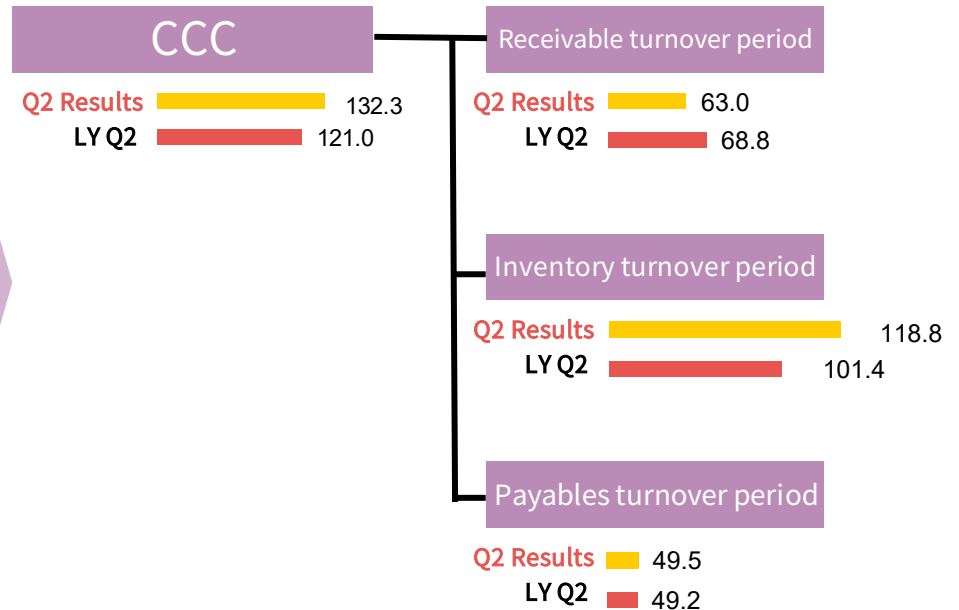
Top: Q2 / Dec. 2023 Results

Bottom: Q2 / Dec. 2022 Results

(Unit : Million JPY)

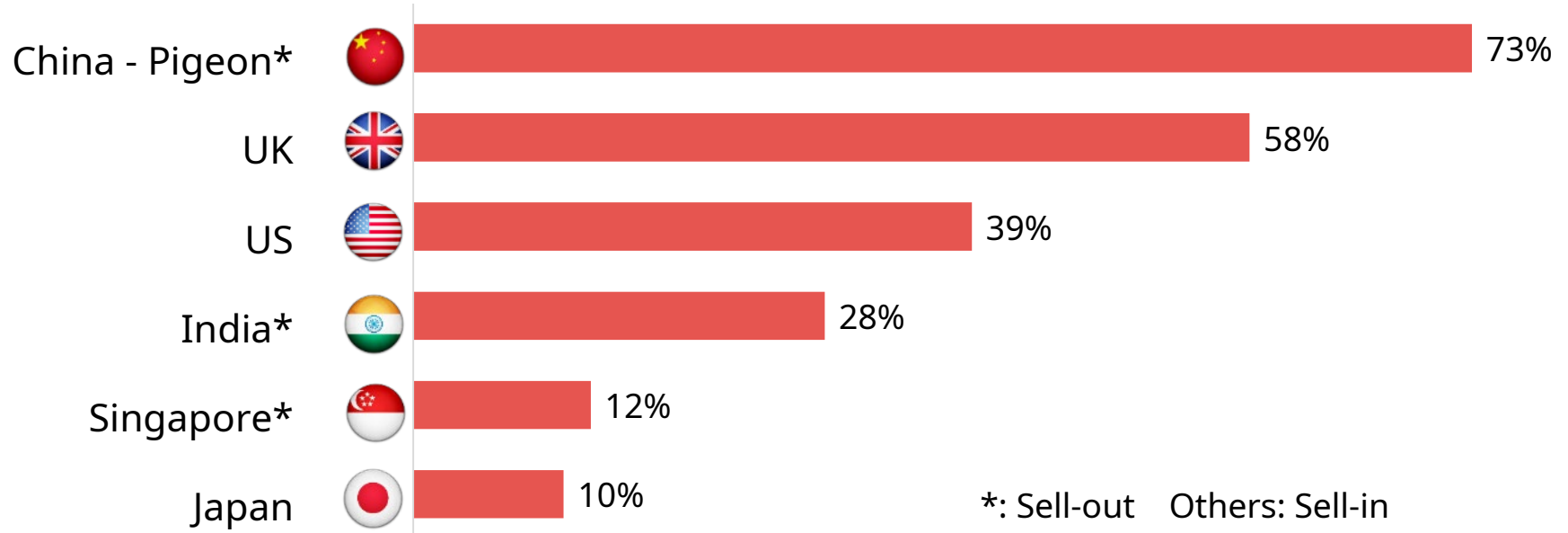


(Unit : Days)



FY 2023 Q2 Results - E-commerce Sales Ratio in Key Markets

[EC sales ratio of Pigeon / Lansinoh products]





Purpose

Our reason for being and the role we should play in society

**We want to make the world more
baby-friendly by
furthering our commitment
to understanding and addressing babies'
unique needs**



Key Issues for Pigeon over the Mid and Long-term (Materiality)



Enhancing Business Competitiveness and Resilience

Becoming essential to society by expanding our corporate value over the medium to long term

Supporting nursing babies

Supporting healthy baby skin development

Creating new businesses

Releasing products that exceed customer expectations

Building resilient distribution systems



Reducing our Environmental Impact

Practicing eco-friendly *monozukuri* and leaving a rich earth for the future of babies born tomorrow

Reducing greenhouse gas emissions (Scope 1, 2 & 3)

Circular manufacturing

Using sustainable resources (paper & palm oil)



Contributing to the Resolution of Social Issues

Helping to resolve the social issues that affect babies and families

New products and services for babies needing support

Expanding use of products designed for maternity hospitals

Promoting responsible procurement

Participating in and supporting communities



Managing talent and Cultivating the Right Culture for our Purpose

Cultivating an organizational culture in which all employees can shine as they embrace new challenges

Working environments that achieve self-fulfillment and growth

Ambitious organizational culture

Enriched investment in human resource development

Promoting Diversity & inclusion



Establishing solid management foundations

Securing a structural basis for bold and ambitious endeavors that will improve medium- to long-term corporate value

Reinforcing group governance

Reinforcing compliance

Reinforcing risk management

Dialogue with stakeholders

8th MTP Themes and Key Strategy

For Sustainable Growth

Restructuring of business structure in response to global economic, political, and environmental changes

Key Strategy (deepening the ones of the 7th MTP)

Brand Strategy

Centered on “Purpose” for our business activities and strengthening brand power through products

Product Strategy

Strengthen “*Monozukuri*”, focus on core categories (Nursing bottles and Skincare), and explore the “New areas”

Regional Strategy

- Strengthen autonomous business operation by each SBU.
- Implement the drastic structural reform to establish production and sales systems tailored to market characteristics, improve efficiency and profitability, stabilize the supply chain, and prepare for the expansion of the new markets.

Vision of a Baby-Friendly Future



Six specific faces of society



Babies are part of everyone's everyday life



Loose, friendly ties facilitating easy cooperation around raising children



Creativity from babies brings excitement to society



No barriers to raising children



All babies are helped to develop and grow, regardless of the conditions of their birth



A comfortable world where babies are not troubled by environmental risks

We formulated Vision of a Baby-Friendly Future by describing, in terms of six specific faces of society, the “baby-friendly” world envisaged in that Purpose. In order to realize its Vision of a Baby-Friendly Future, Pigeon will move forward step by step, seeking to increase the number of people in society who empathize with the vision and co-creating and taking action with a diverse range of stakeholders.

Vision of a Baby-Friendly Future website: <https://www.pigeon.com/vision-of-a-baby-friendly-future/>

The Pigeon Group seeks to maximize economic and social value through communications with all stakeholders, including shareholders and other investors.
Please check our corporate website to understand our latest management strategies, business results and ESG activities.



Integrated Report

<https://www.pigeon.com/ir/library/factbook/>

Sustainability

<https://www.pigeon.co.jp/sustainability/>

ESG Data Book

<https://www.pigeon.co.jp/sustainability/databook/>

Celebrate babies the way they are

