

Financial Results of Dec. 2022 (FY 66th) and 8th Mid-Term Management Plan

Pigeon Corporation

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President and CEO

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Celebrate babies the way they are



FY December 2022 (FY 66th)

FY Dec. 2022 Highlights	P. 3 - 6
Review of the FY Dec. 2022 Results and the 7th MTP	P. 7 - 18
Pigeon Group Business Activity Guidelines	P. 19 - 23
The 8th Medium-Term Management Plan	P. 24 - 50
Earnings Forecast for FY Dec. 2023	P. 51 - 54

Agenda

FY Dec. 2022 Highlights

The image features a solid red background. At the bottom, there is a large, white, wavy shape that resembles a stylized wave or a decorative border. The text "FY Dec. 2022 Highlights" is positioned in the upper left quadrant of the red area.

#1: Selected the FTSE Russell's Investment Index

Selected for the first time in the FTSE4Good Index Series and the FTSE Blossom Japan Index, global ESG (environmental, social and governance) investment indexes designed by FTSE Russell (UK)

of selected companies

1,658 companies worldwide*.



FTSE4Good

of selected companies

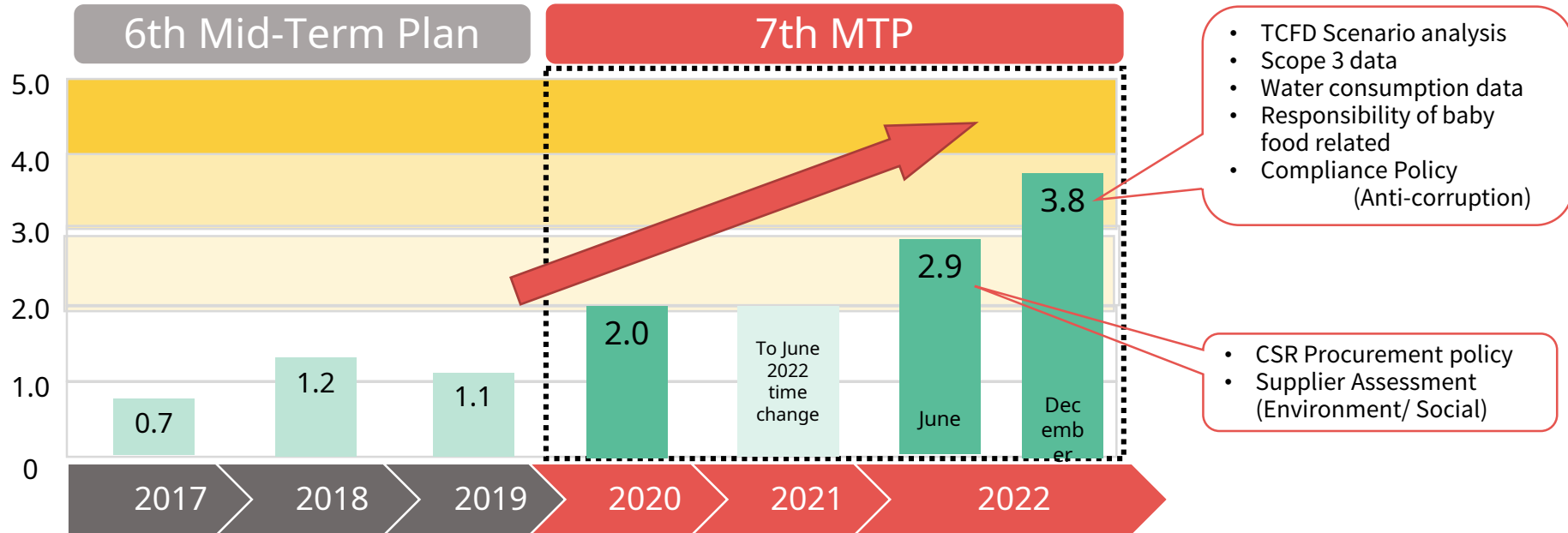
Japan 255 companies*.
(Our company is in the top 66)



**FTSE Blossom
Japan Index**

#2: Improved FTSE ESG Rating (Yr 2017-2022)

The Pigeon Group's reputation has improved significantly by strengthening "Corporate Social Responsibility (Environmental/Social)" actions and disclosures

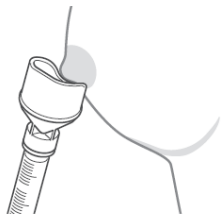
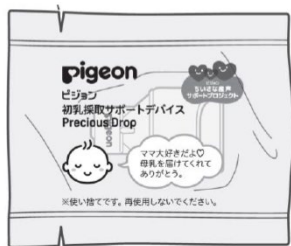


#3: Commercialization from PFA project

What is the Pigeon Frontier Awards (PFA)?

PFA encourages and rewards employees for out-of-the-box ideas for our future growth. Once a year, we are gathering any new business ideas and concepts from our passionate employees, and the proposals that are awarded as excellent initiatives got an opportunity to commercialize.

Precious Drop Colostrum collection support device



Welcomed by medical professionals and now expanding distribution to Perinatal Medical Centers, hospitals, and clinics throughout Japan.

Pigeon's Parenting (Comic Essay)



A book based on "childcare reports" written by hundreds of Pigeon employees is now on sale from KADOKAWA Co.

Full Year Results of FY Dec. 2022

Changes in the External Environment and Challenges for the Pigeon Group

Global Environmental Changes

- Establishment of “With Covid” lifestyle
- Signs of stagflation
(Economic Recession and Inflation)
- Rapid exchange rate fluctuations
- Sustainability Awareness rise
- Increased geopolitical risk

Challenges for Pigeon Group

- Decrease in the number of births
In Japan and mainland China, which
are our mainstay markets
- Slowdown in growth at Japan and
China business
- Increased competition in each market
(Rise of new and local brands)

Pandemic of Covid-19 Rapidly Changes Our Business Environment

FY Dec. 2022 Results : Consolidated P&L

Announced downward revision of Full-year forecast in August due to the impact of Covid-19 pandemic in mainland China.
Consolidated group net sales and operating income for the full-year of 2022 ended on par with the revised forecast.

Unit: Million JPY	Forecast for FY Dec. 2022		FY Dec. 2022 Actual				
	Original Forecast	Revised Forecast	Actual	% of Total	vs Original Forecast	vs Revised Forecast	YoY Change
Net Sales	98,700	95,000	94,921	100.0%	96.2%	99.9%	102.0%
Cost of Sales	50,600	50,700	50,087	52.8%	99.0%	98.8%	102.2%
Gross Profit	48,100	44,300	44,834	47.2%	93.2%	101.2%	101.7%
SG&A Expenses	33,900	32,300	32,638	34.4%	96.3%	101.0%	106.2%
Operating Income	14,200	12,000	12,195	12.8%	85.9%	101.6%	91.4%
Ordinary Income	14,300	13,000	13,465	14.2%	94.2%	103.6%	91.9%
Net Income Attributable to Owners of Parent	9,500	8,550	8,581	9.0%	90.3%	100.4%	97.7%

[FY Dec. 2022 Currency Rates] Budget: US\$1 = JPY 112.00 / CNY 1 = JPY 17.50
Full year Results: US\$1 = JPY 131.55 / CNY 1 = JPY 19.50
(Reference) FY 2021 Results: US\$1 = JPY 109.85 / CNY 1 = JPY 17.03

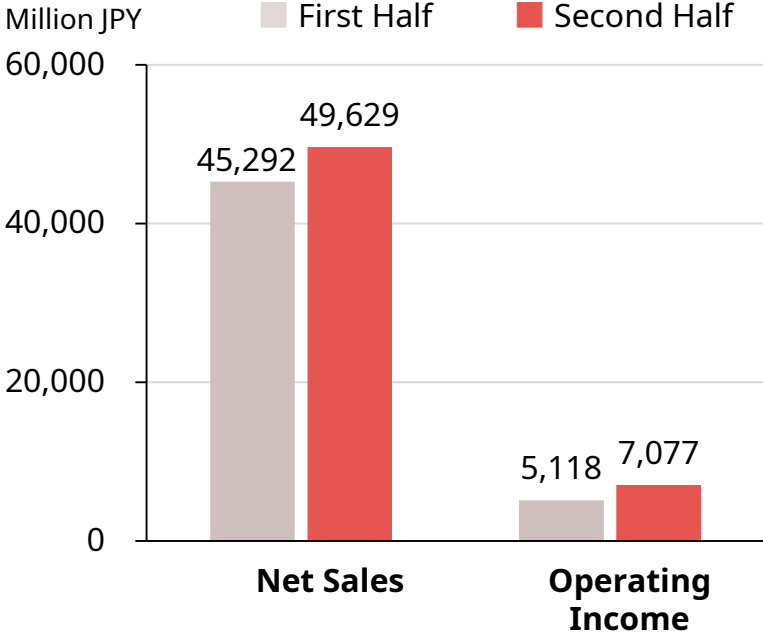
FY Dec. 2022 Results : Consolidated P&L

In FY Dec. 2022, our business were on a recovery trend through the second half of the year, and ended the year with a 2% increase in net sales over the previous year.

[FY Dec. 2022 Results - YoY performance]

	Net sales	Operating income
First Half	95.8%	67.4%
Second Half	108.4%	123.2%
YTD total	102.0%	91.4%

[Results of FY Dec. 2022 by half-year period]



FY Dec. 2022 Results : by Business Segment

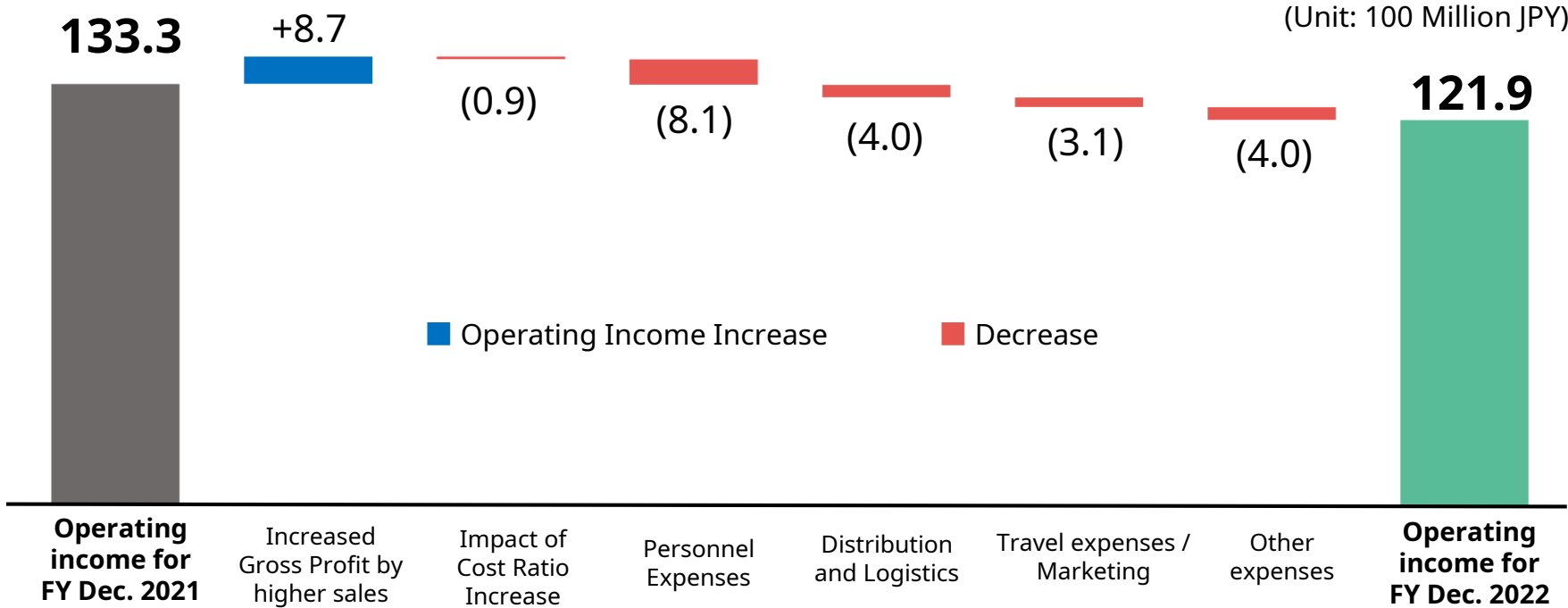
Unit: Million JPY	FY Dec. 2021 Actual				FY Dec. 2022 Actual				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	93,080	100.0%	47.3%	13,336	94,921	100.0%	102.0%	47.2%	12,195
Japan Business	38,264	41.1%	34.3%	2,065	36,323	38.3%	94.9%	32.4%	1,491
China Business	37,239	40.0%	50.9%	11,792	34,776	36.6%	93.4%	52.5%	10,408
Singapore Business	12,619	13.6%	38.7%	1,811	14,153	14.9%	112.2%	40.9%	2,140
Lansinoh Business	13,320	14.3%	53.5%	953	16,917	17.8%	127.0%	52.9%	1,154
Elimination of inter-segment transactions	(8,363)	(9.0%)	-	-	(7,248)	(7.6%)	-	-	-

[Reference] Breakdown of Japan Business

Unit: Million JPY	FY Dec. 2021 Actual				FY Dec. 2022 Actual				
	Net sales	% of Total	Gross Margin	Segment Profit	Net sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby care	25,701	-	40.4%	2,359	25,287	-	98.4%	36.8%	1,787
Childcare Services	3,504	-	16.1%	159	3,444	-	98.3%	15.8%	199
Health & Elder Care	5,616	-	30.4%	504	5,062	-	90.1%	30.9%	497

FY Dec. 2022 Results : Operating Income YoY Changes

Operating income decreased from the previous year due to an increase in personnel expenses (Lansinoh business and China business including the impact of FX rates), logistics expenses (Lansinoh business) as well as travel expenses and marketing-related expenses.



FY Dec. 2022 : Consolidated Balance Sheet (Highlights)

Unit: Million JPY	End of FY Dec. 2021	End of FY Dec. 2022			
	Actual	Actual	YoY Change (Amount)	YoY Change (%)	YoY Change (Amount) w/o impacts of FX rates
Cash and Deposits	35,218	34,283	(934)	97.3%	(2,408)
Notes and Accounts Receivable-Trade	16,253	15,975	(277)	98.3%	(1,181)
Inventories	12,706	15,318	+2,611	120.5%	(1,587)
Notes and Accounts Payable-Trade	4,087	5,066	+979	124.0%	805
Electronically Recorded Obligations - Operating	1,623	1,542	(81)	95.0%	(81)
Borrowings	—	—	—	—	—
Net Assets	76,810	79,952	+3,142	104.1%	(123)
Total Assets	98,042	101,733	+3,691	103.8%	(1,021)
Equity Ratio	75.4%	75.4%	—	—	—

FY Dec. 2022 : Summary by Business Segment

*Sales: Sell-in on a local currency

Japan business

Renewal of the Nursing bottles marks higher growth throughout the year and consumables struggled. Increased procurement costs put pressure on profits throughout the year.

- Baby care YTD sales declined 1.6% yoy. But Q4 alone sales increased 7.2% yoy and see some recovery trend.
- YTD Sales of the Nursing bottles increased 23% yoy. YTD sales of Baby skincare declined yoy, but grew by double digits in the Q4 alone because of launch of new products and successful in-store promotions. Sales of consumables struggled throughout the year due to increased demand for low-priced products.
- Gross margin of Baby Care decreased by 3.6pt yoy in YTD driven by increased procurement costs due to yen depreciation and raw material price hikes.
- YTD sales of Health and Elder Care declined by 0.5 billion yen yoy due to a review of the product portfolio, but gross margin improved by 0.5 pt.

China business

Covid spreads in mainland China in Q4 delayed market recovery, but market share of our Nursing bottles recovered to 44%.

- Mainland sales (YTD): -19% yoy due to the impact of the Shanghai lockdown in Q2 that remained through the full year.
- Our mainstay products are #1 in the brand ranking of Double-Eleven however weak consumer spending compared to previous years.
- Gross margin improved by 1.6 pt yoy in YTD due to increased sales mix of the Nursing bottles (complete replacement to the new models) and Baby skincare.
- Sell-out was down 12% yoy in YTD. EC was down 8% yoy, Tiktok grew significantly however major EC channels were down.



你好3岁+
萌肌不“娇燥”

萌童洗护系列 全新上市



FY Dec. 2022 : Summary by Business Segment

Singapore business

Major markets performance exceeds pre-Covid level (Yr 2019). Strengthening business activities for further growth

- YTD sales in India +23% yoy, Malaysia +19% yoy, Indonesia +19% yoy, Middle East +10% yoy.
- YTD sales (JPY) of Core products (Nursing bottles, Breast pumps, Baby skincare, and Oral care) grew by more than 20% yoy. New products in Nursing bottles and Baby skincare also contributed significantly for growth.
- Gross profit (JPY) in YTD increased by 18% yoy due to increased sales by sales companies and the effect of FX rates, etc. Gross margin also improved by 2.1pt yoy.

Lansinoh Business

Sales remained strong, although profits were weak due to the continued impact of rising logistics costs throughout the year.

- Lansinoh Group sales up 5% yoy in YTD.
- Sales in North America were strong (+10% yoy), but Europe struggled due to inflation and economic downturn.
- Mainstay products performed well especially in North America. Maintained dominant market share in North American market for four products: Nipple cream, Manual breast pump, Breast milk storage bag, and Nursing pads.
- Gross margin in YTD was down 0.6 pt yoy due to the continued impact of higher logistics costs throughout the year and pushing down gross profit.



Review of the 7th Mid-Term Management Plan



Review of the 7th MTP: Summary

Not achieved financial targets because of the intermittent COVID-19 impacts in each region throughout the three years. However, there were still certain achievements such as promotion of key strategies, achievement of non-financial targets, and ESG-related awards.

Brand strategy

- New branding penetrates globally.
- Promote unique activities (Support for breast milk banks)
- Ranked #65 in Best Japan Brands

Product Strategy

- Launched new model of the Nursing bottles in major markets
- △ Growth of core products are not as strong as our expectation due to the Covid

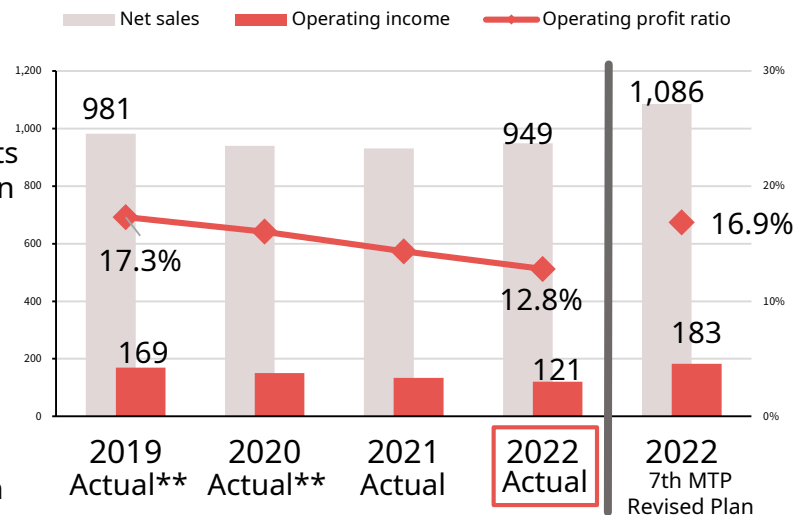
Regional strategy

- Launched more than 250 SKUs of new products* each year
- △ Japan unable to cover the loss of inbound demand

ESG

- Non-financial KPIs were achieved
- Reputation of our ESG activities improved due to progress in initiatives and enhanced disclosure.
- Received awards in various areas of ESG

(Unit: Million JPY) [7th Mid-Term Business Plan]



● 森林×脱炭素
チャレンジ2022 優秀賞



● Corporate Governance of the Year



● 消費者志向経営



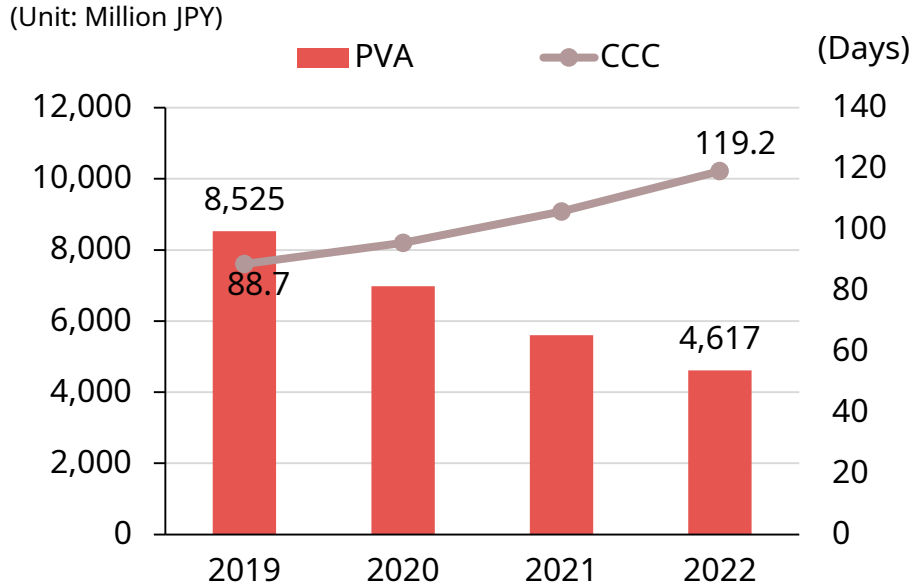
● Forbes JAPAN WOMEN AWARD 2021



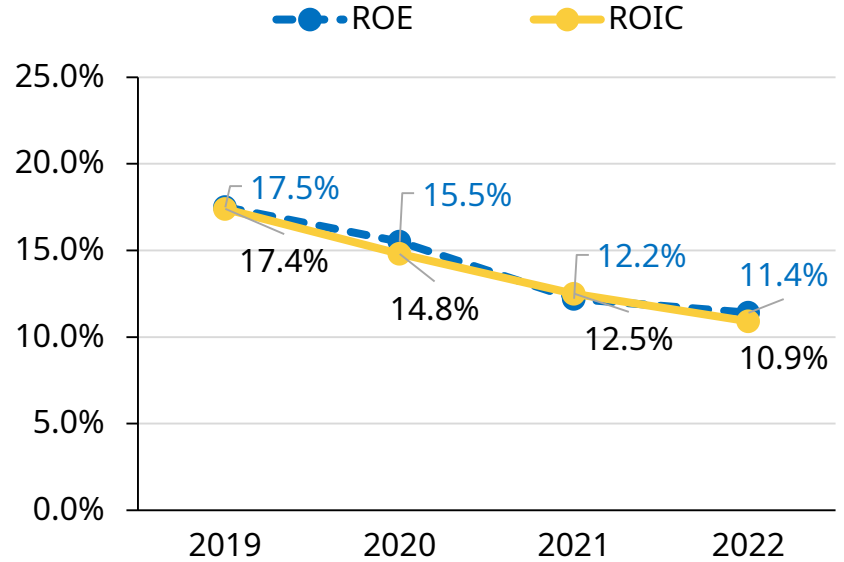
Review of the 7th MTP: Key KPIs

Key management indicators such as PVA, CCC, ROE and ROIC are ended lower than the final year of the 6th Medium-Term Management Plan

[PVA and CCC performance trends]



[ROE and ROIC performance trends]



Pigeon Group Business Activity Guidelines under the rapidly changing environment

Three Key Elements in our Business Activities



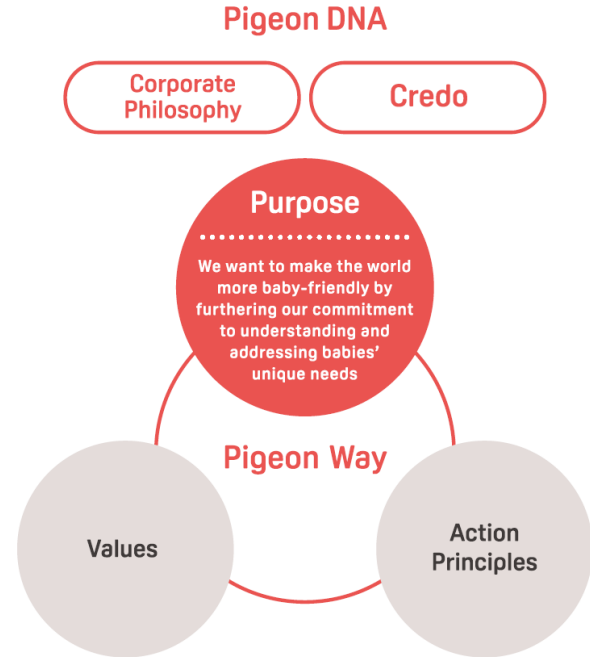
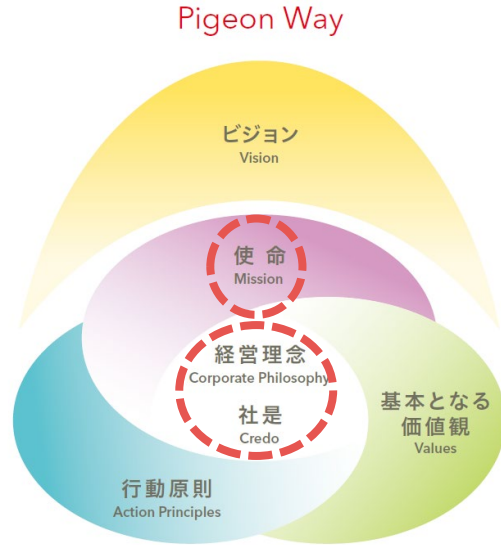
Pigeon Way

Purpose

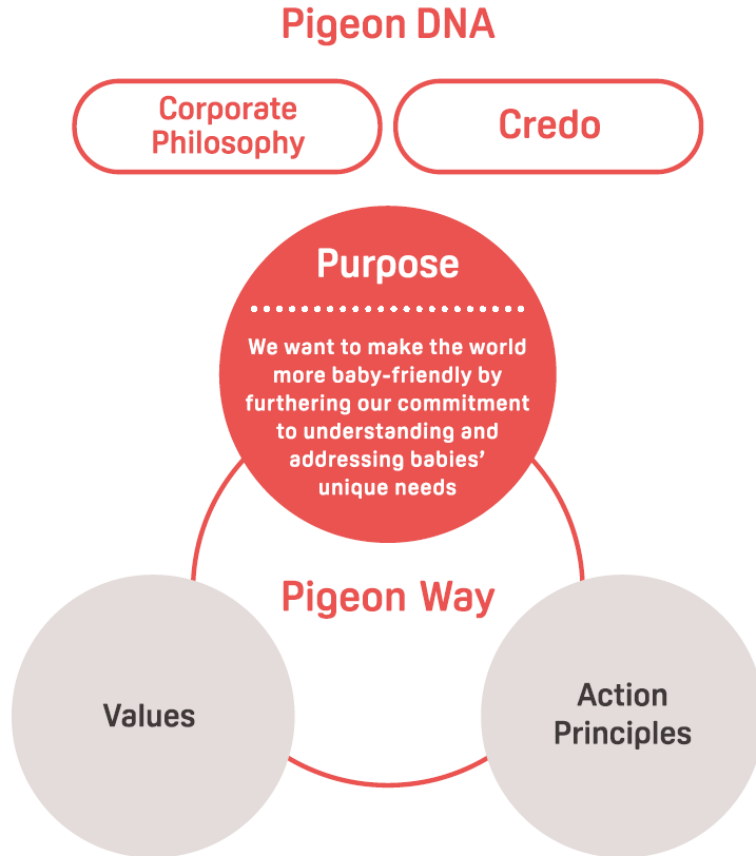
**Key Issues
(Materiality)**

Update of Pigeon Way

- Separate out our Corporate Philosophy and Credo as independent, unchanging elements
- Make our Purpose the core of the Pigeon Way



Update of Pigeon Way



Pigeon DNA

The core of Pigeon throughout its history and into the future

Corporate Philosophy

The essence and core of our company

Love

Credo

Our fundamental belief based on the corporate philosophy

Only love can beget love

Pigeon Way

The cornerstone of all our activities. It embodies our "heart and soul" and sets the grounds for our actions to stream from this core.

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

Values

Important attributes for all Pigeon employees

- Integrity
- Communication, Consent, Trust
- Passion

Action Principles

The basic guideline for driving all of our actions

- Agility
- Keep sight of consumers
- Global collaboration among competent individuals
- Leadership and logical working style
- Willingness to change

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

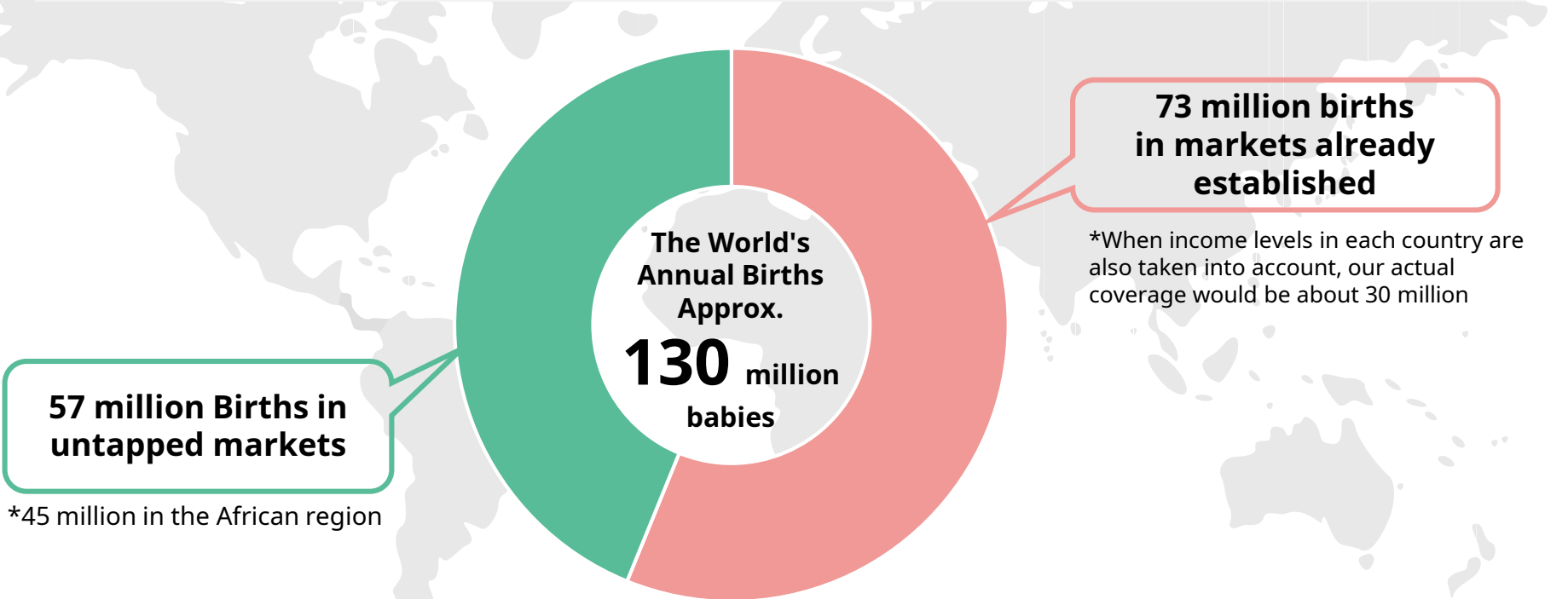
The 8th Medium-Term Management Plan

“For Sustainable Growth”

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

Current birth coverage (estimated under the Pigeon brand)

While the number of births is declining worldwide, our global coverage of births is still around 50%. Considering income levels and other factors in each country, future market opportunities remain large even in markets where we have already established a presence.



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.

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”


Brand Strategy

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

Brand Strategy: What we aim for at the 8th MTP

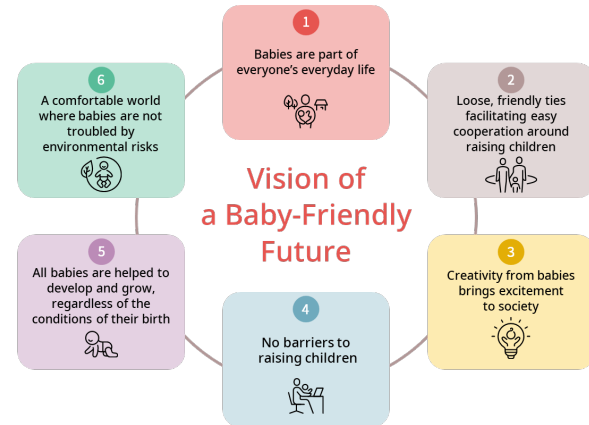
Centered on “Purpose” for our business activities and strengthening brand power through products

We draw up the future community which Pigeon aim for from a long-term perspective and promote business activities aimed at **realizing our Purpose**



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

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



Brand Strategy: What we aim for at the 8th MTP

Points to be strengthen

Most important



Distinctiveness



Sharpen “distinctiveness of Pigeon”

Embody strength and distinctiveness of Pigeon through products and services. Impress customers with distinctive brand experience.



Coherence

Provide a consistent brand experience

Ensure consistent communication at all points of contact with customers.



Participation

Engage in collaboration with customers and society

Generate dialogue with customers. Actively incorporate customers' opinion into products and services.

Engage in collaboration with society to realize “Baby-friendly future”.

Product Strategy

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

Product Strategy: Strengthen our “Monozukuri”

Monozukuri expenses* in the final year of the 8th MTP are planned to increase to about 1.5 times the 2022. Strengthen lifestyle proposals, new materials, response to local needs and new areas, etc.

*What are “Monozukuri expenses” ?

Total amount of all expenses related to our “monozukuri” activities. In addition to conventional R&D expenses, this includes expenses for product planning, etc.

Example of strengthen our “Monozukuri”

1) Baby bottle steam sterilization dryer
POCHItto (Japan)



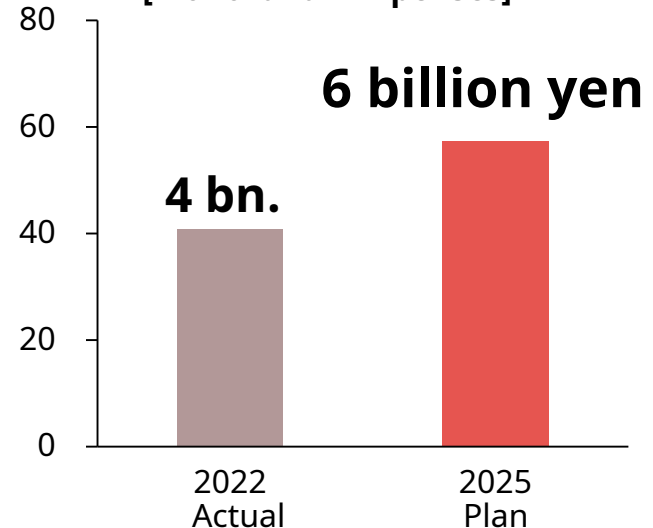
▲A new proposal for sterilizing baby bottles that has never been seen before in Japan, and the convenience of fully automated sterilization, drying, and storage has been well received. Highly rated 4.9 stars on a major e-commerce.

2) SLIM NECK STEEL
FEEDING BOTTLE (India)



▲Stainless steel tableware is widely used in India. Stainless steel baby bottle developed with a focus on Indian culture. Sales exceeded expectations.

[Monozukuri Expenses]



Product Strategy: Nursing Bottles and Nipples

Aiming to increase global sales volume and value of wide-neck nursing bottles.

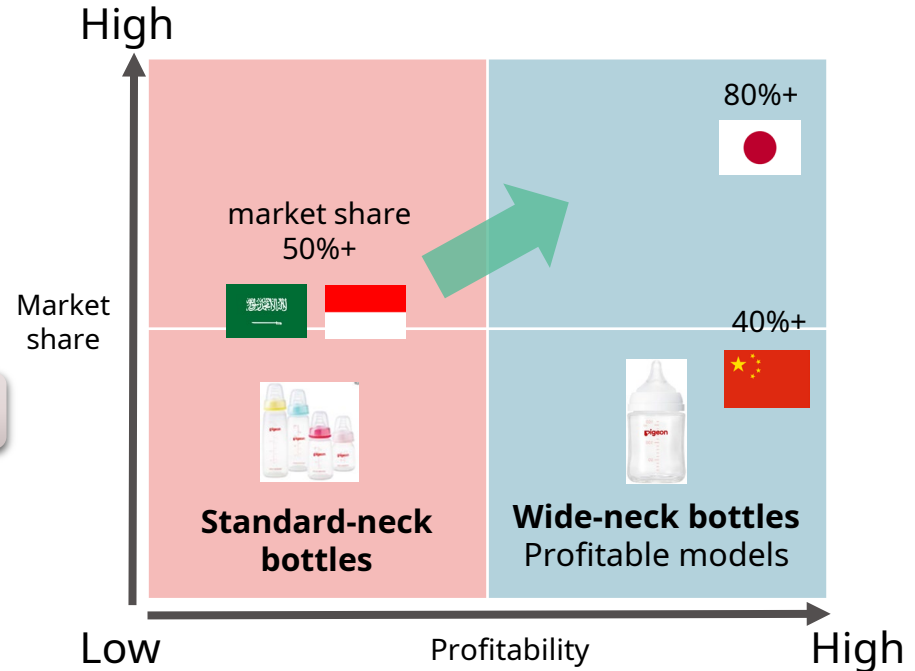
Great opportunities for growth in Indonesia and the Middle East, where we have the largest market share in the market by expanding sales of wide-neck bottles.

1. Expand sales of wide-neck bottles

Strengthening the brand on the strength of "research" and Continue to create strong reasons for our products to be chosen.

2. Improvement of WTP* through value-added increase

Adding value to the nursing bottles with attractive design and improved usability



Product Strategy: Skincare

Still significant room for expansion of market share in the skincare category worldwide. Each business will develop unique products by taking into account consumers' local needs.

[Reference: Value market share of Baby skincare (Pigeon survey)]



Approx.
30%



Approx.
10%

Singapore
Business

Very
little

Existing areas

Expand market share
by strengthening Basic Series



New areas

Capture new market opportunities through
development of new area such as Skincare for Toddlers



Product Strategy: Explore and Cultivate New Areas

We will also focus on exploring and nurturing new growth areas where we can leverage our expertise.
Aiming for sales in excess of approximately 10 billion yen in new areas by 2025.

In three years
Sales growth

New Area
+10 billion yen

Existing Area
+9 billion yen

Age-up
(For toddlers
and beyond)

6 billion

Skincare, Oral development support, etc.

**Women's
Care**

1.5 billion

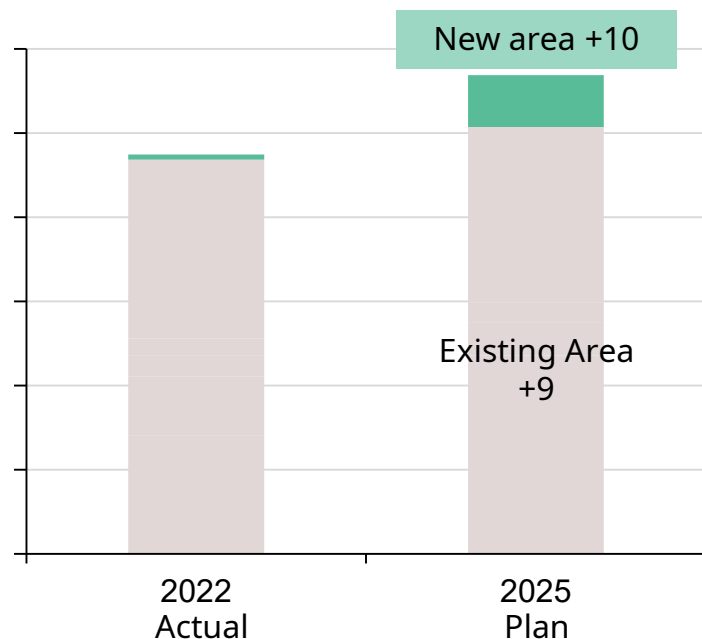
Prenatal and postpartum care
Pregnancy care, etc.

Others

2.5 billion

Next-generation healthcare
and Lifestyle proposals, etc.

[Sales image of New Areas] (Billion JPY)



Regional Strategy

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.

Regional Strategies: Japan Business

Japan Business 3-year CAGR

Net sales: **+2.0%**

Operating income: **+8.4%**

Priority Strategy (Baby Care)

1. Improve profitability through price revision and product portfolio review

Focus on Bottles and Nipples, Breastfeeding support, and Skincare

2. Creation of new categories (total sales over 3 years: over 5 billion yen)

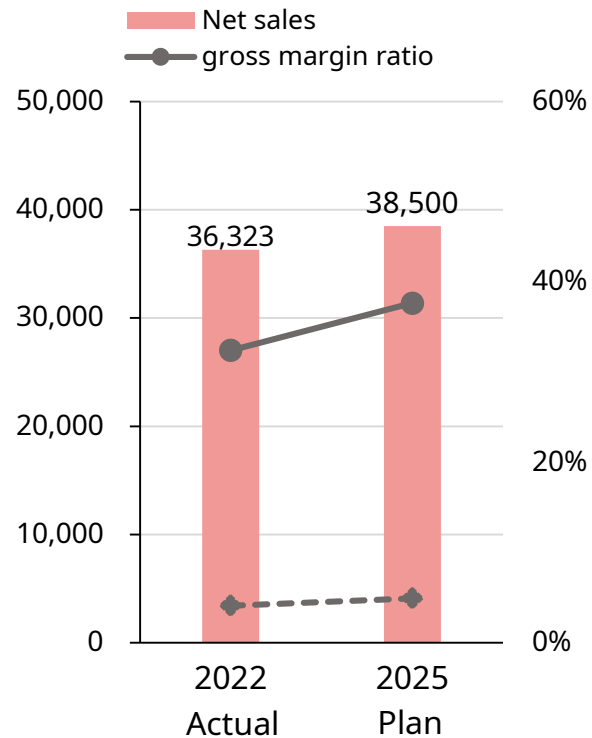
New areas in baby (Next generation healthcare, age-up, etc.)

New areas other than baby (e.g., Women's care, Father care, etc.)

3. Strengthen our own e-commerce platform (Target sales in 2025: 4 times the 2022 level)

Positioned our own EC platform as a major channel for new category products

[Japan Business plan]



Unit: Million JPY

Japan Business Initiatives: Completion of New Fuji plant (scheduled for August 2023)



Production capacity expansion
Strengthening of baby skin research and development system
Tackling new fields such as unique products as well as D2C, etc.

Regional Strategies: China Business

China Business 3-year CAGR

Net sales: **+8.4%**

Operating income: **+8.5%**

Priority Strategies

1. further enhancement of baby bottle/nipple and baby skin care

Expanding products for 12+ months babies to achieve 50% market share of the Nursing bottles.

Expansion of unique skincare product series following avocado and yuzu

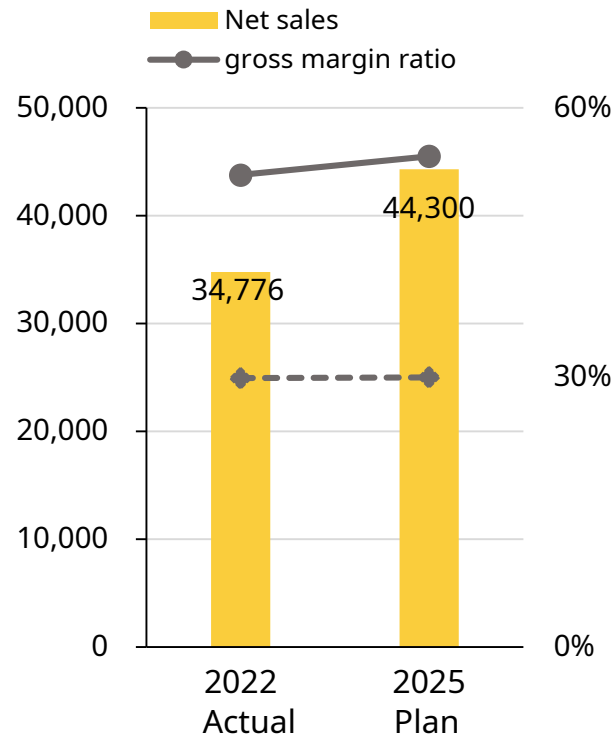
2. Creation of new categories

Developing new markets such as women's care, fathercare, and age-appropriateness

3. Restructuring by reviewing the supply chain

Improved profitability of factories and shift to own direct sales system in Korea

[China Business plan]



Unit: Million JPY

Regional Strategy: Singapore Business

Singapore Business 3-year CAGR

Net sales: **+7.9%** (*3-year CAGR for external sales is +10.0%)

Operating income: **+6.7%**

Priority Strategies

1. Accelerate business growth centered on Nursing bottles and Skincare

Double-digit annual growth targeted for Indonesia, India, and other major countries

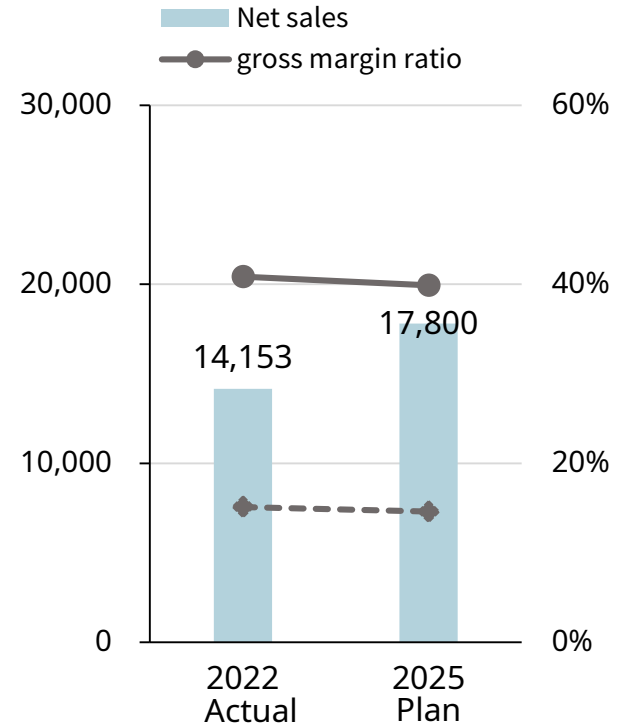
2. Strengthen manufacturing for upper-middle to premium class

Strengthen in-house planning and development systems and utilize promising local partners

3. Business restructuring by reviewing supply chains, etc.

Review of sales structure in existing markets, restructuring of Thai plants

[Singapore Business plan]



Unit: Million JPY

Regional Strategy: Lansinoh Business

Lansinoh Business 3-year CAGR

Net sales: **+6.4%**

Operating income: **+6.7%**

Priority Strategies

1. Strengthening and fostering of anesthetics, prenatal and postpartum care

Introduced a new model of breast pump, making prenatal and postpartum care the next growth category

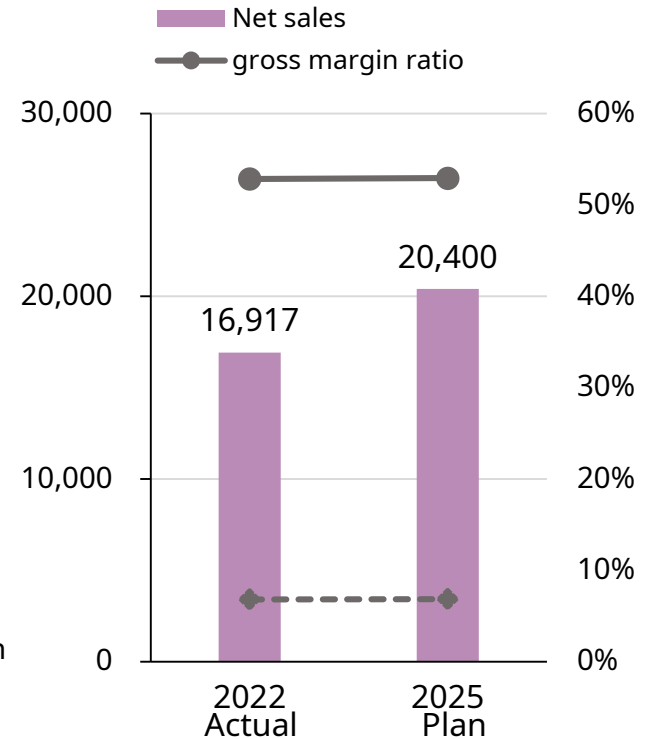
2. Development of new products and categories utilizing "Bio-design"

Expansion the brand from "breastfeeding" to "Women's Health"

3. Business restructuring through review of sales structure, etc.

Improving the efficiency of European operations, including reviewing the distribution networks

[Lansinoh Business plan]

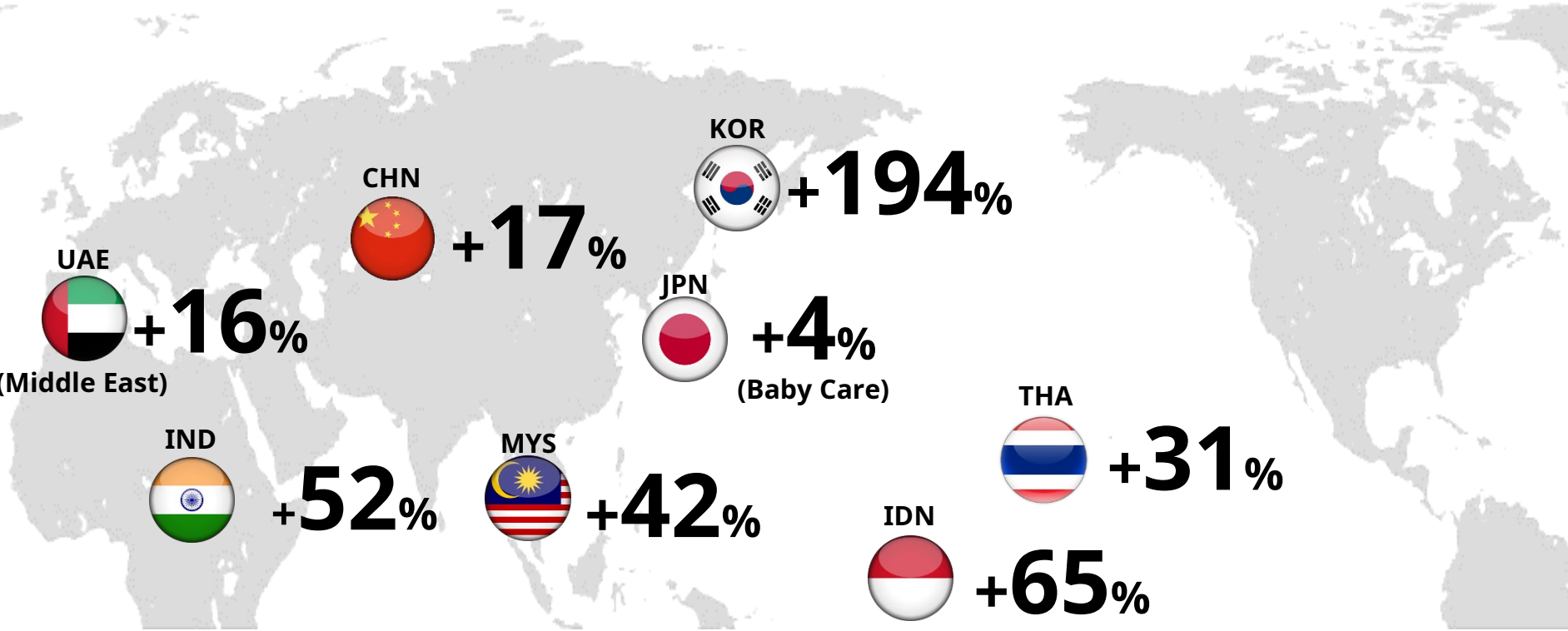


Unit: Million JPY

Pigeon: Sales Growth by Area (2022 vs. 2025)



Besides Japan and China, the Middle East and Southeast Asian countries are also expected to grow significantly.

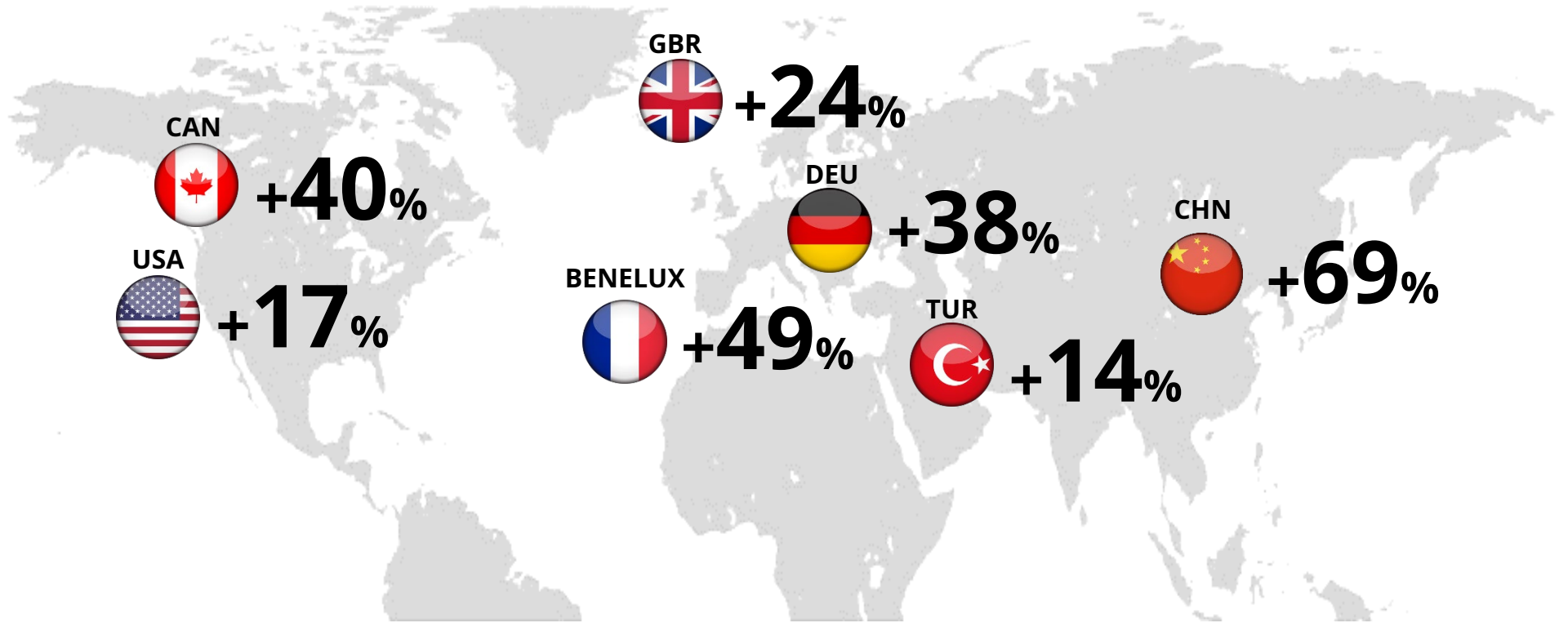


*Sell-in plan (local currency basis)

Lansinoh Sales Growth by Area (2022 vs. 2025)



In addition to the mainstay U.S. market, impressive sales growth is planned in Europe and China.



Financial Targets and KPIs of the 8th MTP

8th Mid-Term Management Plan : Financial Targets

Group
consolidation
3-year CAGR

Net Sales: +6.2%

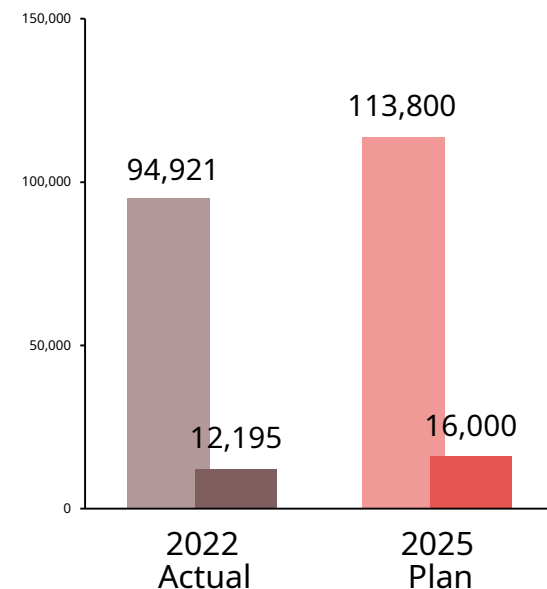
Operating Income: +9.5%

Unit: Million JPY

Unit: Million JPY	FY Dec. 2022		FY Dec. 2025 (Final year of the 8th MTP)		
	Actual	% of Total	Plan	% of Total	3-year CAGR
Net Sales	94,921	100.0%	113,800	100.0%	6.2%
Cost of Sales	50,087	52.8%	57,300	50.4%	4.6%
Gross Profit	44,834	47.2%	56,500	49.6%	8.0%
SG&A Expenses	32,638	34.4%	40,500	35.6%	7.5%
Operating income	12,195	12.8%	16,000	14.1%	9.5%
Ordinary income	13,465	14.2%	16,000	14.1%	5.9%
Net Income Attributable to Owners of Parent	8,581	9.0%	10,400	9.1%	6.6%

[Three-Year Growth Image]

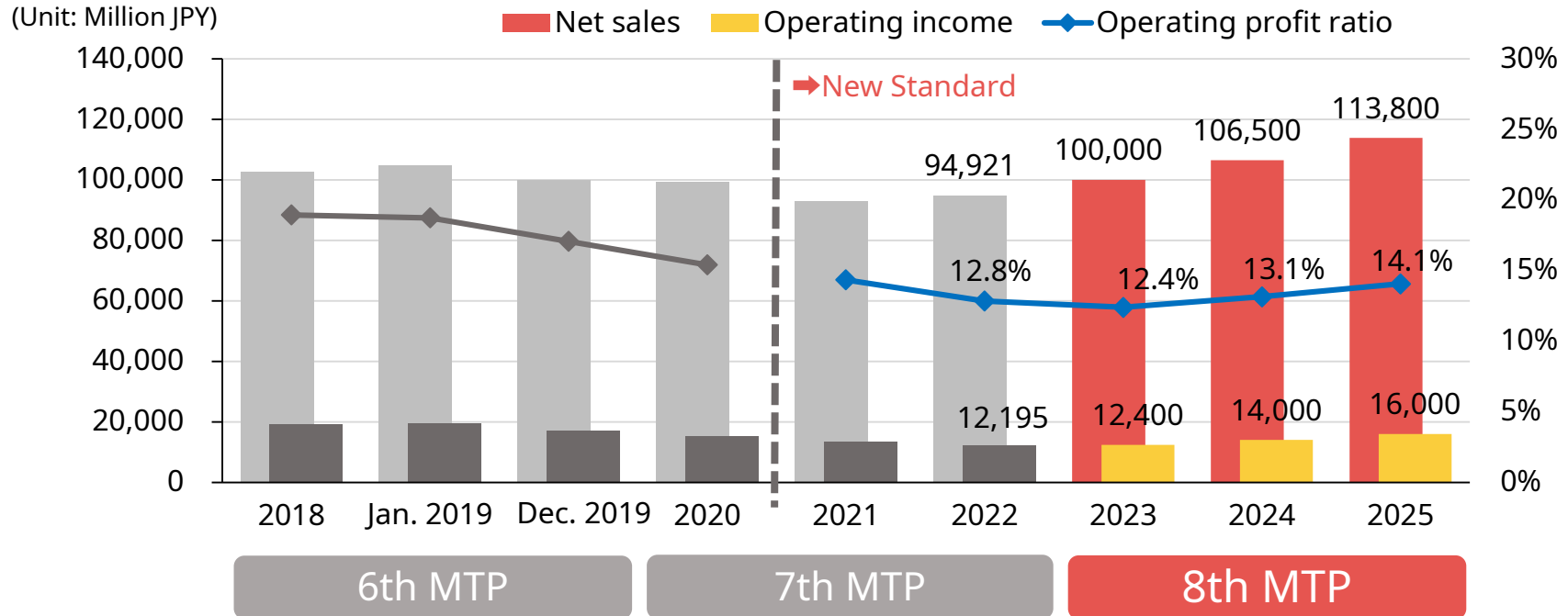
Net sales Operating income



[Currency rates] FY Dec. 2022 Results: US\$1 = JPY 131.55 / CNY 1 = JPY 19.50
8th Mid-term Plan: US\$1 = JPY 130.00 / CNY 1 = JPY 19.50

8th MTP : Growth Image (Group Consolidated)

Aim to achieve record-high sales and improve operating margin in the final year of the 8th MTP
(*Revenue recognition standard was changed since FY Dec. 2021)

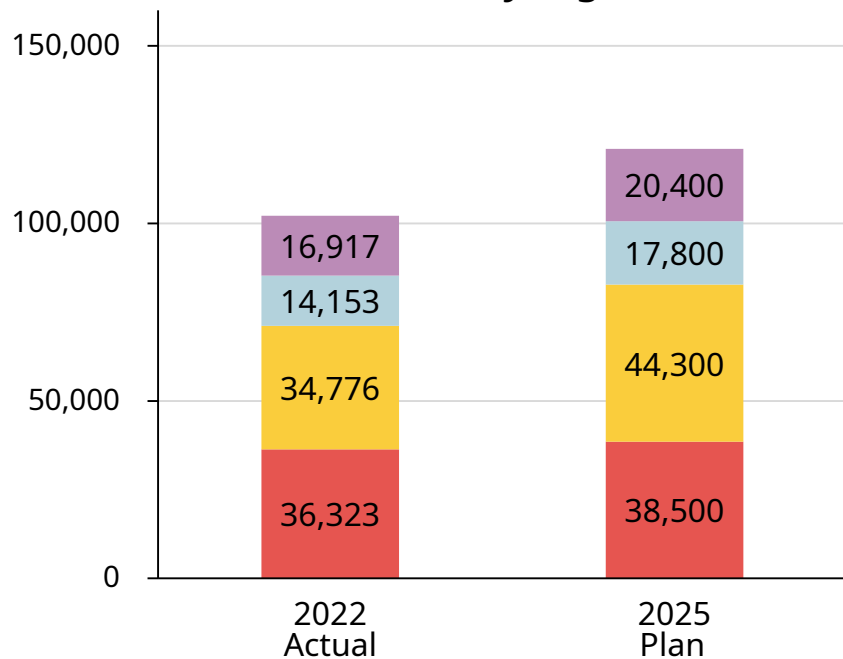


8th MTP : Growth Image (by Business Segment)

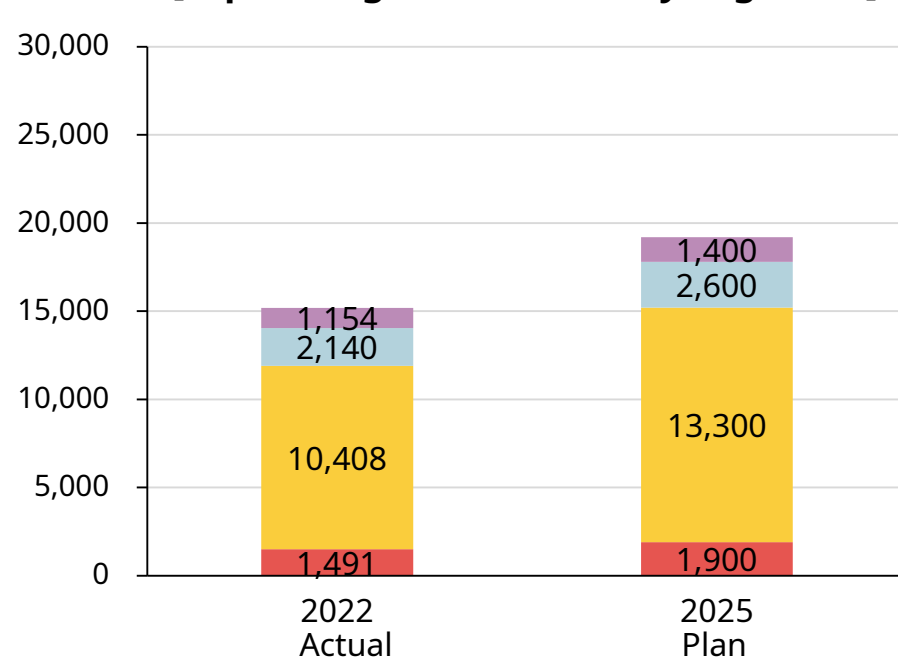
■ Japan Business ■ China Business ■ Singapore Business ■ Lansinoh Business

(Unit: Million JPY)

[Sales Plan by Segment]



[Operating Income Plan by Segment]



8th MTP : Capital Policy and Shareholder Returns

[Cash flows]

Increase in operating cash flow (3 years): Approx. 34 billion yen

[Investment]

Investment for growth (3 years): Approx. 12 billion yen

[KPI targets at final year of the 8th MTP]

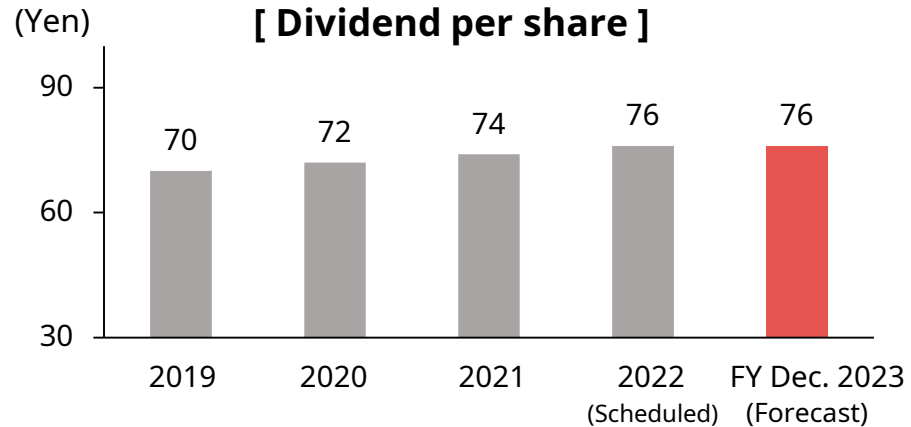
ROE **14.0% or more**

ROIC **15.0% or more**

PVA **7 billion yen or more**

Shareholder Return Policy






Continue stable dividend payments by maintaining current dividend levels along with further improvement in consolidated performance and financial condition.



*ROE: Calculated with equity being the average of the beginning and ending balances

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

Final Draft of Key Issues (Materiality) & Individual Issues

5 Key Issues (Materiality)	What We Aim to Achieve	20 Individual issues to be realized			
 <p>1. Enhancing business competitiveness and resilience</p>	<p>Building a resilient distribution systems that can 'create', 'produce' and 'deliver', expand our corporate value over the medium to long term, and become essential to society</p>	Supporting nursing babies	Supporting healthy baby skin development	Creating new businesses	
 <p>2. Reducing our environmental impact</p>	<p>Implementing the Pigeon Green Action Plan, which aims for decarbonization, circular society and coexistence with nature in order to leave a rich earth for the future of babies born tomorrow</p>	Reducing greenhouse gas emissions (Scope 1, 2 & 3)		Circular manufacturing	Using sustainable resources (paper & palm oil)
 <p>3. Contributing to the resolution of social issues</p>	<p>Helping to resolve the social issues that affect babies and families</p>	New products and services for babies needing support		Expanding use of products designed for maternity hospitals	
		Promoting responsible procurement		Participating in and supporting communities	
 <p>4. Managing talent and cultivating the right culture for our Purpose</p>	<p>Managing talent and cultivating the right culture in which diverse human resources share the Pigeon Way and Purpose, are proud of the company, organization and their work, are motivated to contribute voluntarily, and continue to take on challenges to be themselves</p>	Working environments that achieve self-fulfillment and growth		Ambitious organizational culture	
		Enriched investment in human resource development		Promoting Diversity & inclusion	
 <p>5. Establishing solid management foundations</p>	<p>Reinforcing the GHO/4SBU structure and Enhancing corporate governance system capable of taking on aggressive challenges in order to increase corporate value over the medium to long term</p>	Reinforcing group governance	Reinforcing compliance	Reinforcing risk management	Dialogue with stakeholders



Pigeon Green Action Plan

Leaving a rich earth for the future of babies born tomorrow



Decarbonization

2050—Scope 1 & 2 GHG emissions: **Net Zero**

2030—Scope 1 & 2 GHG emissions: **50%** reduction (compared to FY2018)

Scope 3 GHG emissions: Reductions with Science-Based Targets (to be finalized)



Circular society

2030—Plant-derived or recycled materials in packaging: **50%** by weight

2030—Reusable/recyclable/compostable packaging: **100%**



Coexistence with nature

2030—Sustainable paper usage rate in packaging: **100%**

2030—RSPO-certified sustainable palm oil usage rate in Pigeon-manufactured skincare/washing/cleaning products: **100%** (including RSPO Credits)

Forecast for FY Dec. 2023 (FY 67th)

FY Dec 2023 Business Plan : Consolidated P&L

In FY Dec. 2023 (the first year of the 8th MTP), we strengthen “Monozukuri” and implement key structural reforms in each business segment that will lead to improve profitability in 2024 and beyond

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%

[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 2023 Business Plan : by Business Segment

Unit: Million JPY	FY Dec. 2022 Actual				FY Dec. 2023 Forecast				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net sales	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	94,921	100.0%	47.2%	12,195	100,000	100.0%	105.4%	48.2%	12,400
Japan Business	36,323	38.3%	32.4%	1,491	36,800	36.8%	101.3%	33.4%	1,200
China Business	34,776	36.6%	52.5%	10,408	37,700	37.7%	108.4%	54.4%	11,300
Singapore Business	14,153	14.9%	40.9%	2,140	15,400	15.4%	108.8%	40.3%	2,100
Lansinoh Business	16,917	17.8%	52.9%	1,154	18,200	18.2%	107.6%	52.2%	1,300
Elimination of inter-segment transactions	(7,248)	(7.6%)	—	—	(7.3%)	—	—	—	—

[Reference] Breakdown of Japan Business

Unit: Million JPY	FY Dec. 2022 Actual				FY Dec. 2023 Forecast				
	Net Sales	% of Total	Gross Margin	Segment Profit	Net sales	% of Total	YoY Change	Gross Margin	Segment Profit
Baby care	25,287	—	36.8%	1,787	25,552	—	101.0%	38.5%	1,834
Childcare Services	3,444	—	15.8%	199	3,200	—	92.9%	17.0%	170
Health & Elder Care	5,062	—	30.9%	497	5,269	—	104.1%	29.5%	374

FY Dec 2023 : Shareholder Returns and Investment

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

<Ref.> Investment-related Indicators (Consolidated)	Dec. 2021		Dec. 2022		Dec. 2023
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Full-year (Forecast)
Capex (*1)	2,013	6,735	2,814	7,259	5,600
Depreciation (*2)	1,986	4,161	2,381	4,947	5,100
R&D Expenses (*3)	1,709	3,603	1,802	3,792	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 is planned for FY Dec., 2023

Celebrate babies the way they are



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



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/>

Appendix - FY Dec. 2022 Results

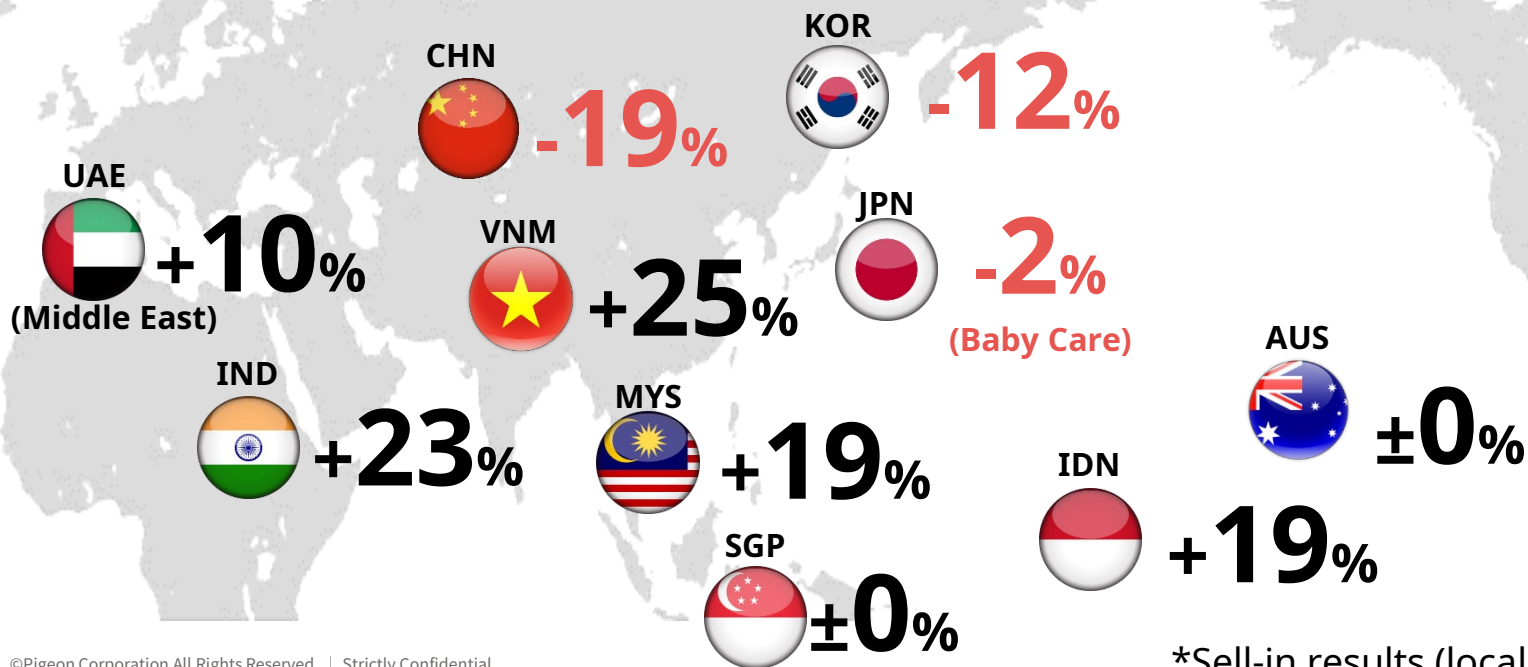
FY Dec. 2022 Results : Financial Highlights (Consolidated)

Unit: Million JPY	FY Dec. 2021 Actual		FY Dec. 2022 Actual		
	Actual	% of Total	Actual	% of Total	YoY Change
Net sales	93,080	100.0%	94,921	100.0%	102.0%
Operating Income	13,336	14.3%	12,195	12.8%	91.4%
Ordinary Income	14,648	15.7%	13,465	14.2%	91.9%
Net Income Attributable to Owners of Parent	8,785	9.4%	8,581	9.0%	97.7%
Net Assets	76,810	—	79,952	—	104.1%
Total assets	98,042	—	101,733	—	103.8%
EPS (yen)	73.44	—	71.72	—	97.7%
BPS (yen)	617.59	—	640.96	—	103.8%
ROE *	12.2%	—	11.4%	—	—
ROIC *	12.5%	—	10.9%	—	—

*ROE: Calculated with equity being the average of the beginning and ending balances

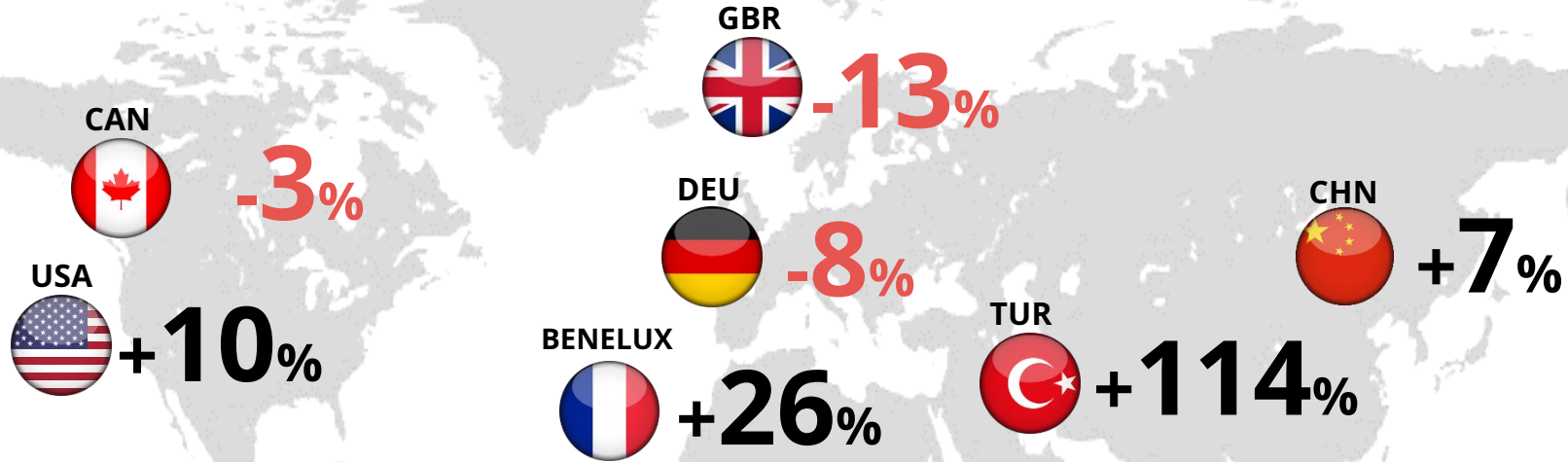
*ROIC: NOPAT/Invested capital, calculated with a tax rate of 30.0% and invested capital being the average of the beginning and ending balances

FY Dec. 2022 Results : Pigeon Sales by Region* (YoY)

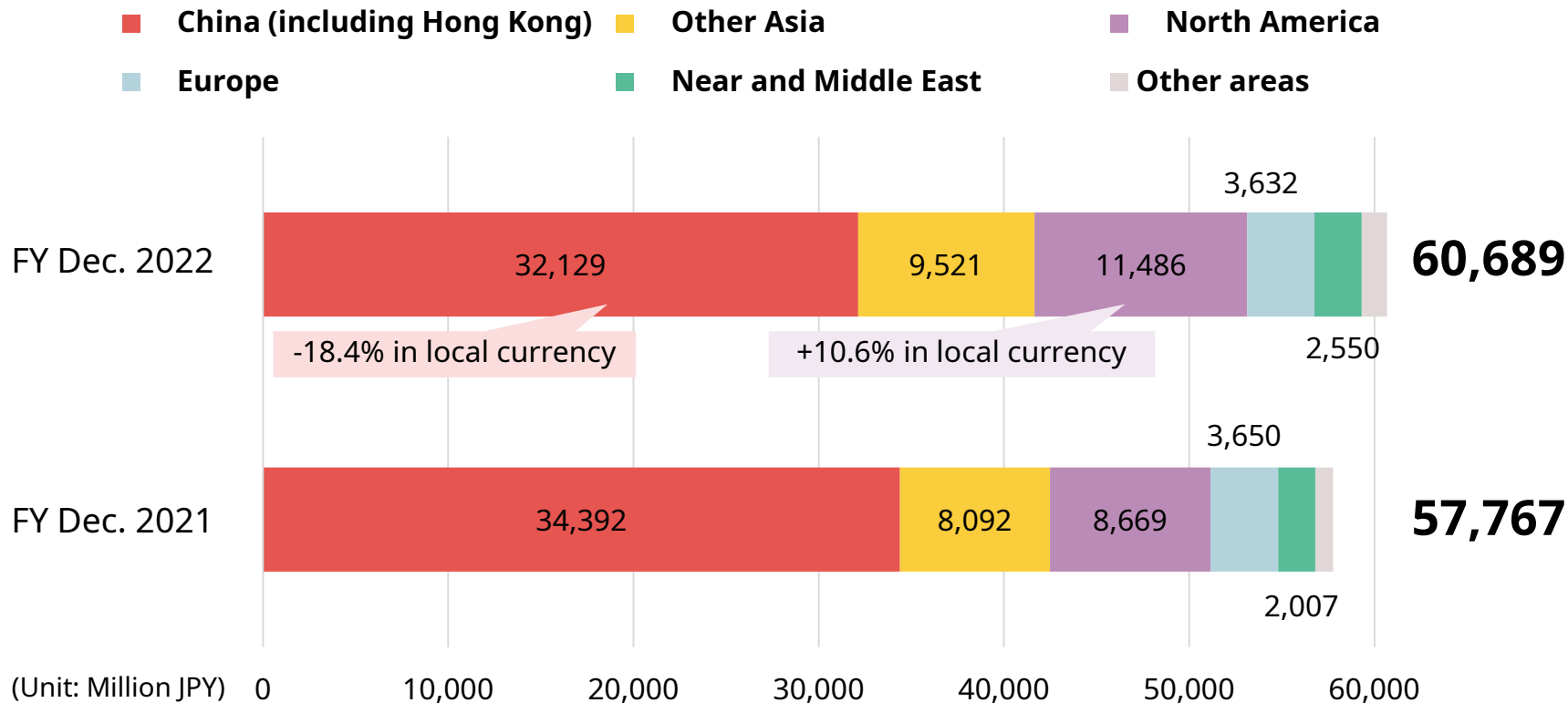


FY Dec. 2022 Results : Lansinoh Sales by Region* (YoY)

Lansinoh



FY Dec. 2022 Results : Overseas Sales by Region

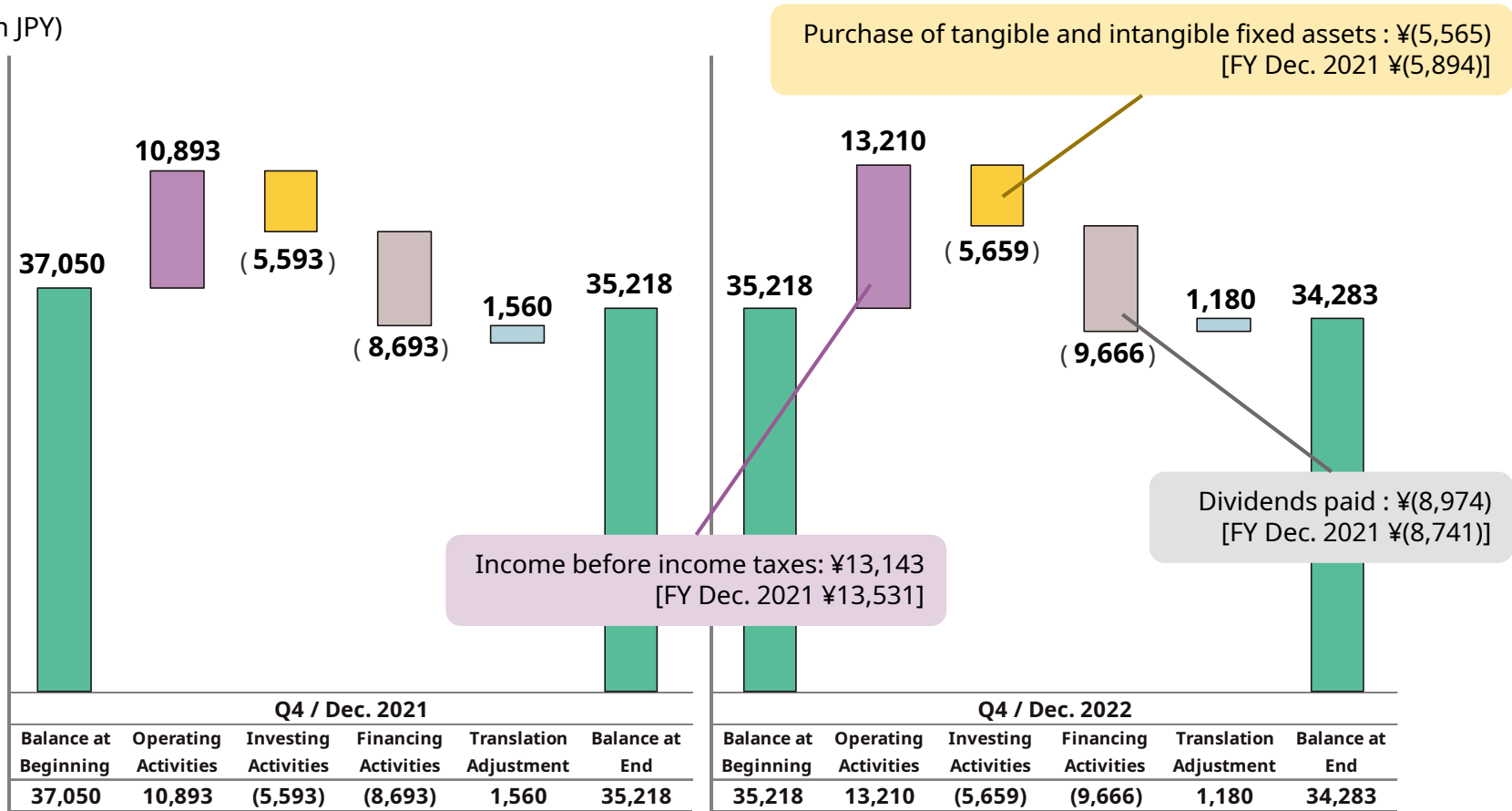


[Currency Rates]

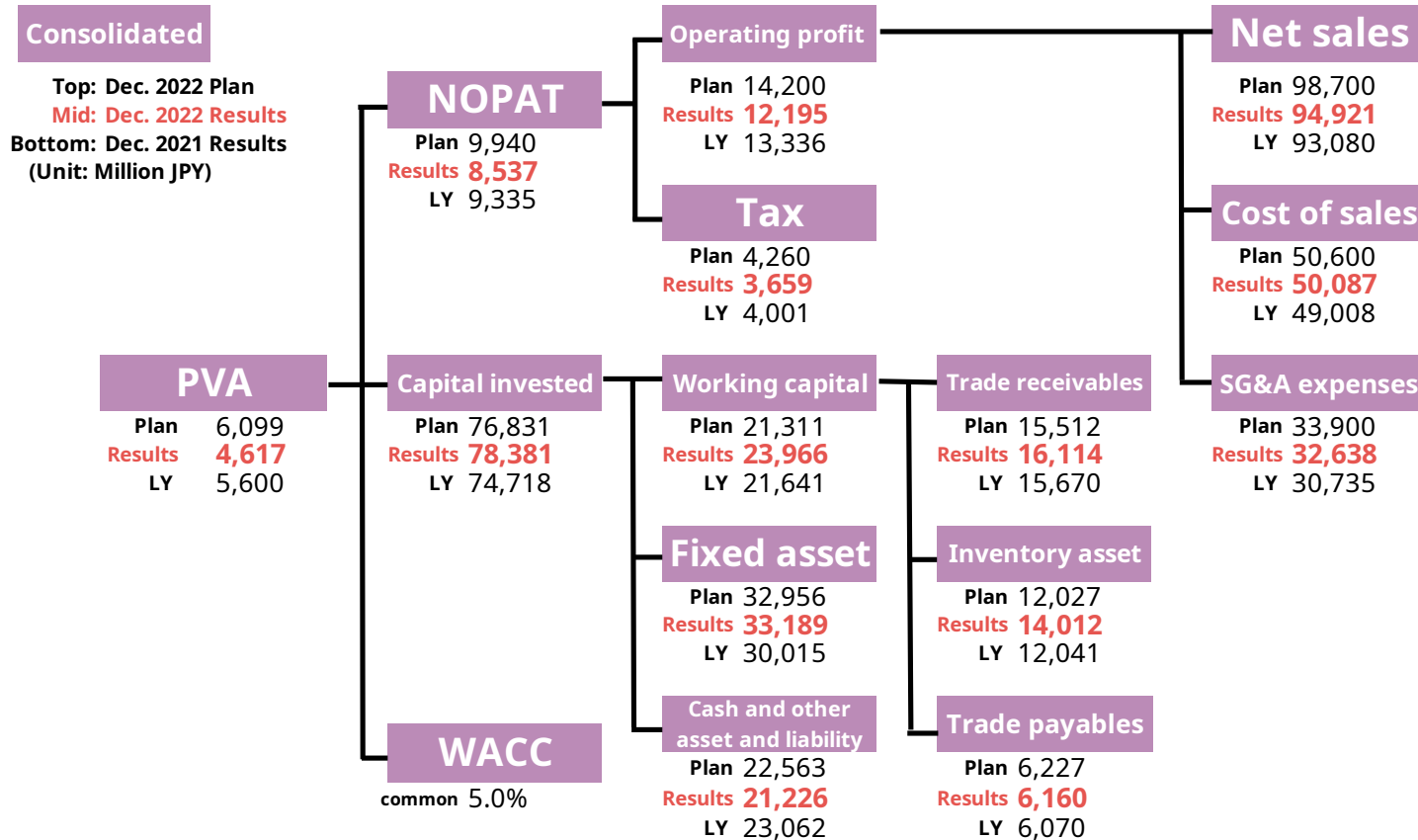
FY Dec. 2022 Results: US\$1 = JPY 131.55 / CNY 1 = JPY 19.50
 FY Dec. 2021 Results: US\$1 = JPY 109.85 / CNY 1 = JPY 17.03

FY Dec. 2022 Results : Consolidated Cash Flow Comparison

(Unit: Million JPY)



FY22/12 (66th period) PVA tree (Group consolidated)

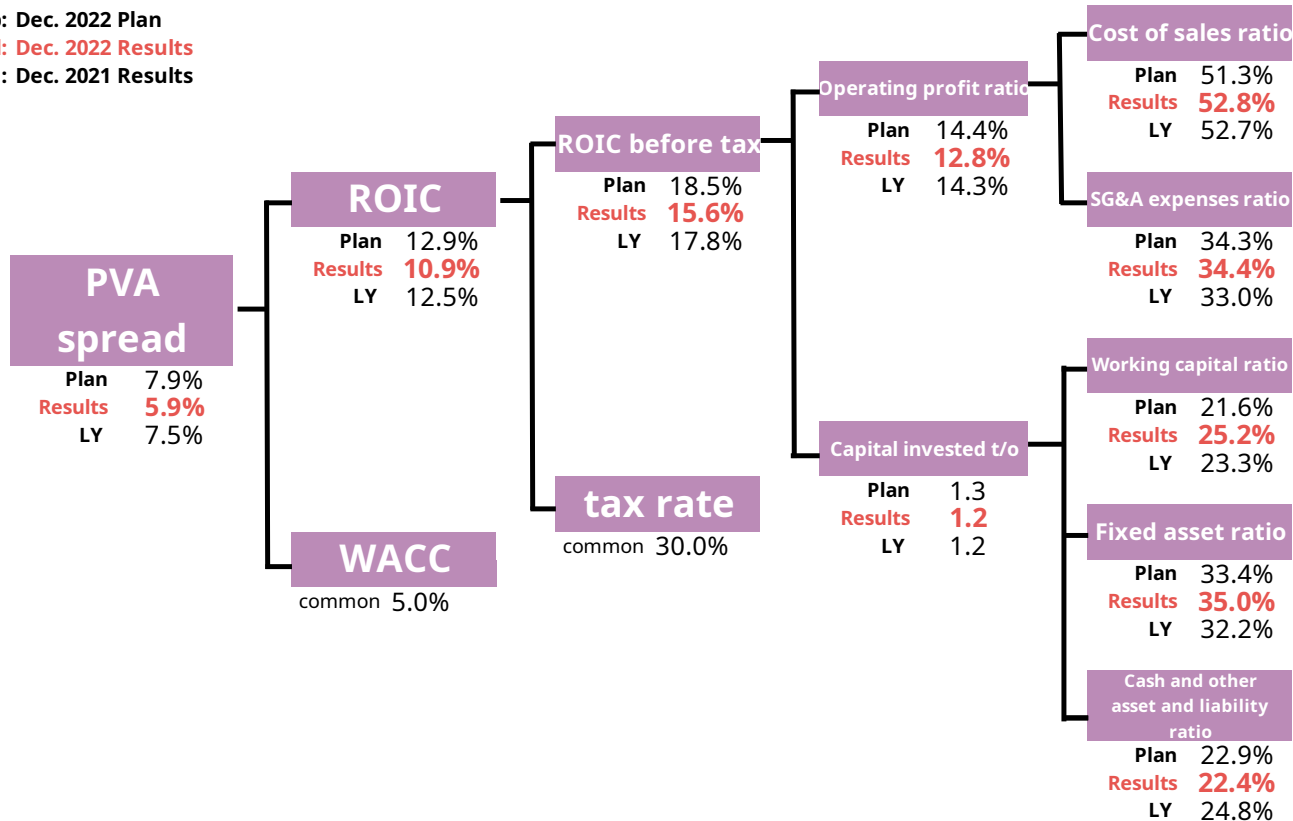


Starting from the 60th term (fiscal year ended January 31, 2005), the average of the beginning and the end of the term is used for the B/S items when calculating CCC.

FY22/12 (66th period) PVA tree (Group consolidated)

Consolidated

Top: Dec. 2022 Plan
 Mid: Dec. 2022 Results
 Bottom: Dec. 2021 Results



FY22/12 (66th period) PVA tree (Group consolidated)

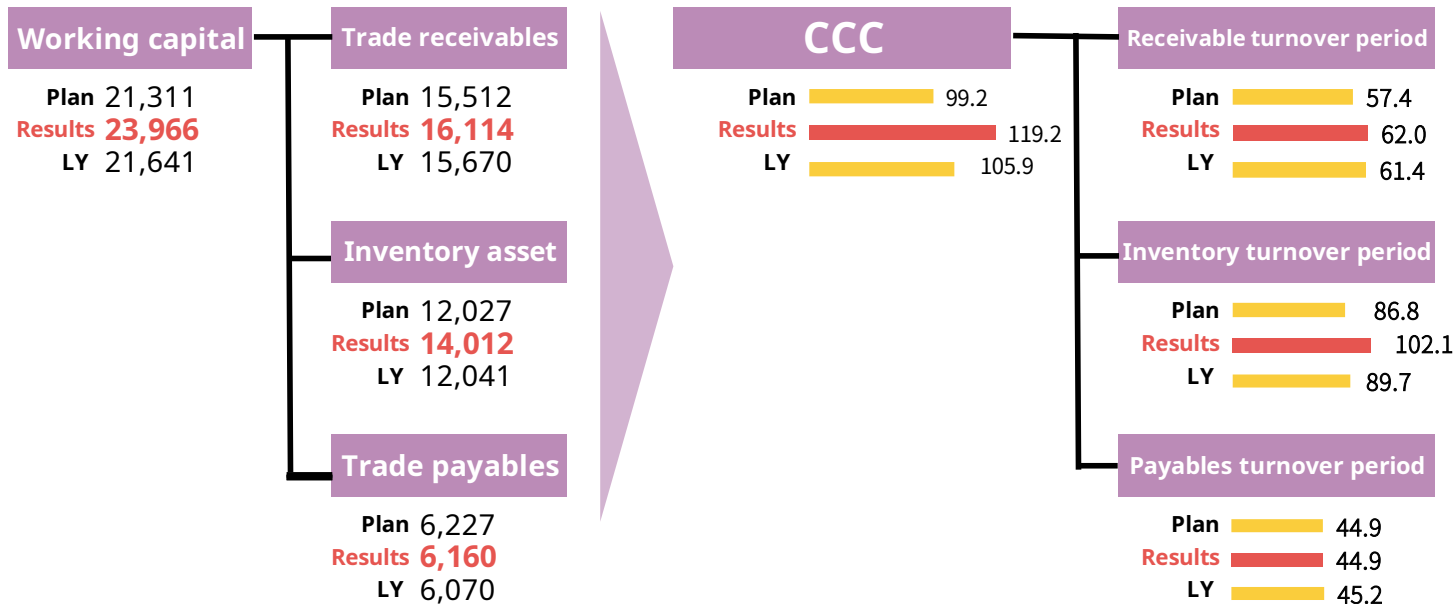
Consolidated

Top: Dec. 2022 Plan

Mid: Dec. 2022 Results

Bottom: Dec. 2021 Results

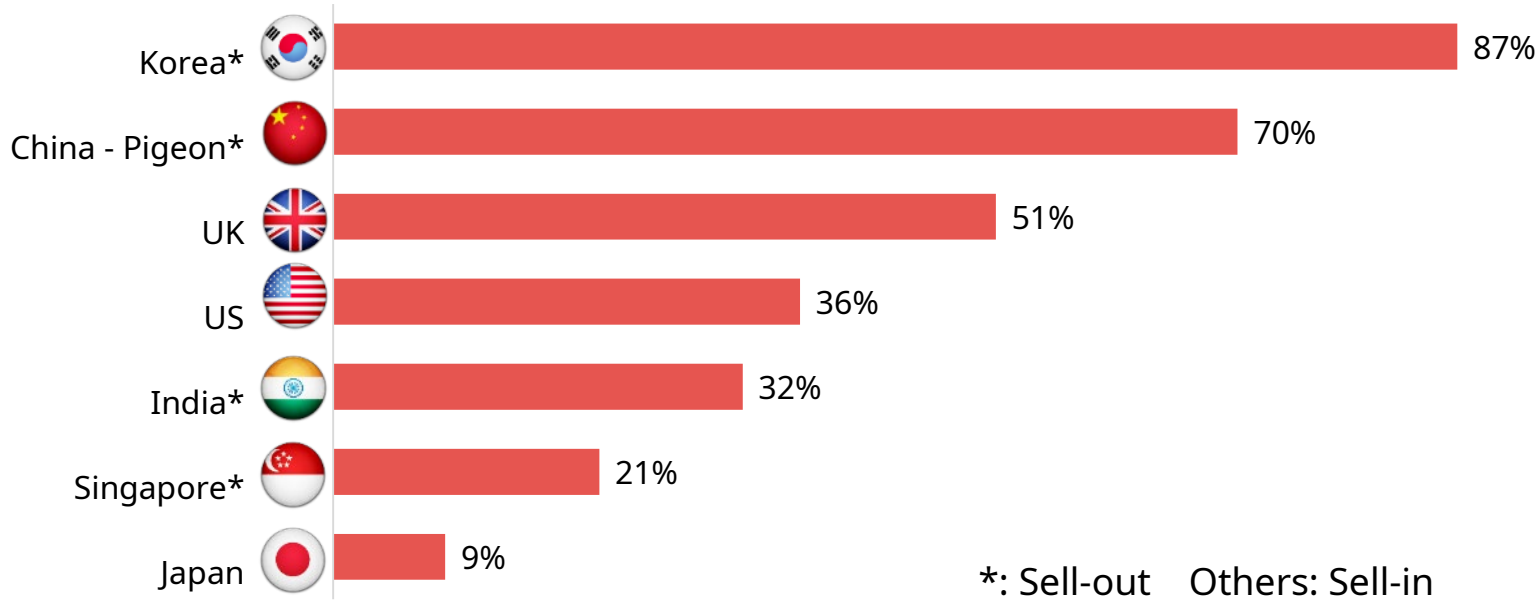
(Unit: Million JPY)



Starting from the 60th term (fiscal year ended January 31, 2005), the average of the beginning and the end of the term is used for each B/S item in the CCC calculation.

FY Dec. 2022 Results : E-Commerce Ratio in Key Markets

[E-commerce sales ratio of Pigeon Lansinoh products]



Appendix : 8th MTP

8th MTP : Financial Targets (Consolidated / three years)

Unit: Million JPY	FY Dec. 2022 Actual	FY 2023 Forecast	FY 2024 Plan	FY 2025 Plan
Net Sales	94,921	100,000	106,500	113,800
Cost of Sales	50,087	51,800	54,600	57,300
Gross Profit	44,834	48,200	51,900	56,500
SG&A Expenses	32,638	35,800	37,900	40,500
Operating Income	12,195	12,400	14,000	16,000
Net Income Attributable to Owners of Parent	8,581	8,100	9,100	10,400
EPS (yen)	71.72	67.70	76.05	86.92
Gross Margin	47.2%	48.2%	48.7%	49.6%
Operating Margin	12.8%	12.4%	13.1%	14.1%
Net Income Attributable to Owners of Parent Margin	9.0%	8.1%	8.5%	9.1%

[Currency rates] FY Dec. 2022 Results: US\$1 = JPY 131.55 / CNY 1 = JPY 19.50
8th Mid-term Plan: US\$1 = JPY 130.00 / CNY 1 = JPY 19.50

8th MTP : Financial Targets (by Segment / three years)

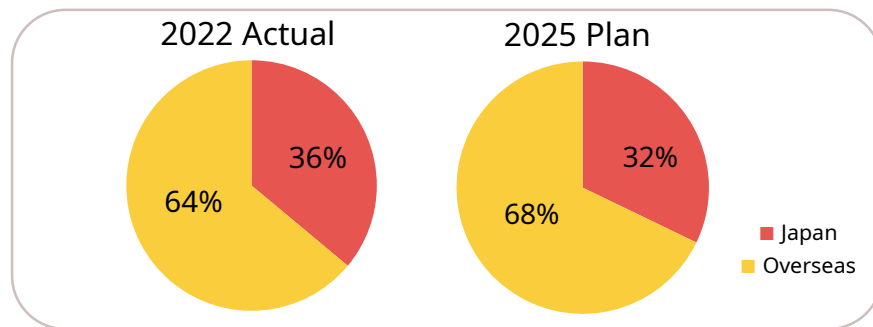
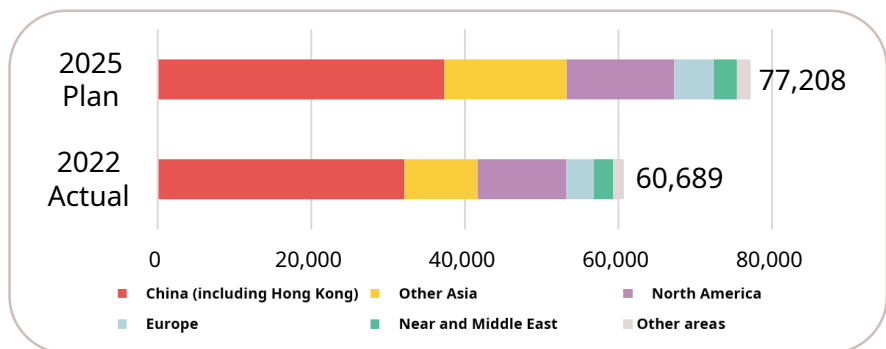
Net sales	Unit: Million JPY	FY Dec 2022 Actual	FY 2023 Forecast	FY 2024 Plan	FY 2025 Plan	3-year CAGR	Growth in Amount (FY25 vs. FY22)
	Consolidated	94,921	100,000	106,500	113,800	+6.2%	+18,879
	Japan Business	36,323	36,800	37,000	38,500	+2.0%	+2,177
	China Business	34,776	37,700	41,400	44,300	+8.4%	+9,524
	Singapore Business	14,153	15,400	16,200	17,800	+7.9%	+3,647
	Lansinoh Business	16,917	18,200	19,300	20,400	+6.4%	+3,483
	Elimination of intersegment transactions	(7,248)	(8,100)	(7,400)	(7,200)	—	—

Operating Income	Unit: Million JPY	FY Dec 2022 Actual	FY 2023 Forecast	FY 2024 Plan	FY 2025 Plan	3-year CAGR	Growth in Amount (FY25 vs. FY22)
	Consolidated	12,195	12,400	14,000	16,000	+9.5%	+3,806
	Japan Business	1,491	1,200	1,600	1,900	+8.4%	+409
	China Business	10,408	11,300	12,400	13,300	+8.5%	+2,892
	Singapore Business	2,140	2,100	2,200	2,600	+6.7%	+460
	Lansinoh Business	1,154	1,300	1,300	1,400	+6.7%	+246

[Currency rates] FY Dec. 2022 Results: US\$1 = JPY 131.55 / CNY 1 = JPY 19.50
8th Mid-term Plan: US\$1 = JPY 130.00 / CNY 1 = JPY 19.50

8th MTP : Financial Targets (by Region / three years)

Unit: Million JPY	FY Dec 2022 Actual	FY 2023 Forecast	FY 2024 Plan	FY 2025 Plan	3-year CAGR	3 yr Growth (FY25 vs. FY22)
Overseas Total	60,689	65,433	71,614	77,208	+8.4%	127.2%
China (incl. Hong Kong)	32,129	32,959	35,564	37,286	+5.1%	116.1%
Other Asia	9,521	11,992	13,917	15,963	+18.8%	167.6%
North America	11,486	11,911	12,899	14,005	+6.8%	121.9%
Europe	3,632	4,371	4,859	5,146	+12.3%	141.7%
Near and Middle East	2,550	2,647	2,784	2,995	+5.5%	117.4%
Others	1,371	1,553	1,592	1,813	+9.8%	132.4%



Celebrate babies the way they are

