

Financial Results of FY Dec. 2020 (64th Fiscal Year)

Pigeon Corporation

(Securities Code : 7956)

Norimasa Kitazawa

President and CEO

February 10, 2021

Celebrate babies the way they are



FY Dec. 20 (FY64)

- Highlights P. 2 - 6
- Results for FY Dec. 2020 P. 7 - 19
- Business Plan for FY Dec. 2021 P. 20 - 27
- Revision of the 7th Mid-term Business Plan P. 28 - 35
- ESG Initiatives P. 36 - 38

Agenda

Highlights

Highlights: 7th Mid-term Business Plan / Regional Strategy*

- Sales and marketing activities of baby strollers and baby slings for the Japanese market have been in progress even amid the COVID-19 pandemic.
- New initiatives such as new category development and premiumization helped the growth despite a low birth rate.

nautR



- “nautR” launched in Oct. 2020
- Our first premium model with a price of over 70,000 yen
- Successful cultivation of the premium market by achieving the debut of our baby strollers in department stores. Favorable sales.

caboo



- “caboo,” a baby sling originally developed in the U.K., featuring a gentle fit and a high position
- With more time spending at home under the pandemic, proposing a new approach: “Carrying your baby at home.”
- Winner of the Parenting Award 2020 as a hot child-rearing product

Highlights: Support for Human Milk Banks

- The “Nihonbashi Human Breast Milk Bank” was opened on the first floor of our headquarters in Tokyo as the second such facility in Japan.
- This initiative was awarded in the ESG Investment category of the Tokyo Financial Award 2020 hosted by the Tokyo Metropolitan Government.



Approx.

6 times

Increase in the capacity to pasteurize human milk with the opening of the second facility
(compared with that of the Toyosu Human Milk Bank)



162 babies

Received donor milk
(2-facility total: Sept. through Dec, 2020)



Estimated reach*

12.8 million

Social media exposure of our support activities incl. donation through our products*

Highlights: Support for Human Milk Banks

Enhancing social value in tandem with economic value will lead to the achievement of our purpose.

Enhancing Social Value

- Save the lives of premature babies
- Contribute to raising awareness about human milk banks

Enhancing Economic Value

- Gained No. 1 share in the 2020 nursing pads market during a donation campaign
- Chosen by more consumers who bought into this support initiative

[Consumer feedback on social media]

- As my baby received support from a human milk bank, I want to do what little I can by purchasing Pigeon products.
- I want to buy products from a manufacturer mindful of its philosophy like Pigeon.



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**



Results for FY Dec. 2020

Results (Consolidated PL, 11 months for Japan Domestic*)

(Unit: Million JPY)	FY Dec. 2019 (11 months for Japan Dom.)		FY Dec. 2020			Currency-Neutral basis
	Actual	% of total	Actual	% of total	YoY Change	YoY Change
Net Sales	100,017	100.0%	99,380	100.0%	99.4%	100.6%
Cost of Sales	49,216	49.2%	49,459	49.8%	100.5%	
Gross Profit	50,800	50.8%	49,921	50.2%	98.3%	99.1%
SG&A expenses	33,727	33.7%	34,605	34.8%	102.6%	
Operating Income	17,072	17.1%	15,316	15.4%	89.7%	
Ordinary Income	17,284	17.3%	16,113	16.2%	93.2%	94.0%
Net Income Attributable to Owners of Parent	11,538	11.5%	10,643	10.7%	92.2%	

*The fiscal period has changed from the year ending January 31 to the year ending December 31 since FY Dec. 2019 (FY 63)

[Currency Rates]

Dec. 2020 (FY 64) Actual : US\$1 = JPY 106.77 CNY 1 = JPY 15.47

Dec. 2019 (FY 63) Actual : US\$1 = JPY 109.02 CNY 1 = JPY 15.77

Results (Consolidated PL, 12-month Adjusted for Japan Domestic)

(Unit: Million JPY)	FY Dec. 2019 (12-month Adjusted for Japan)		FY Dec. 2020			Currency-Neutral basis
	Actual	% of total	Actual	% of total	YoY Change	YoY Change
Net Sales	103,513	100.0%	99,380	100.0%	96.0%	97.2%
Cost of Sales	51,096	49.4%	49,459	49.8%	96.8%	
Gross Profit	52,418	50.6%	49,921	50.2%	95.2%	96.1%
SG&A expenses	35,205	34.0%	34,605	34.8%	98.3%	
Operating Income	17,213	16.6%	15,316	15.4%	89.0%	
Ordinary Income	17,366	16.8%	16,113	16.2%	92.8%	93.6%
Net Income Attributable to Owners of Parent	11,593	11.2%	10,643	10.7%	91.8%	

[Currency Rates]

Dec. 2020 (FY 64) Actual : US\$1 = JPY 106.77 CNY 1 = JPY 15.47

Dec. 2019 (FY 63) Actual : US\$1 = JPY 109.02 CNY 1 = JPY 15.77

Results (Net Sales by Business Segment, 12-month Adjusted for Japan)

Overseas Sales Ratio : 57.6% (56.0% FY Dec. 2019*)

(Unit: Million JPY)	FY Dec. 2019 (12-month Adjusted for Japan)				FY Dec. 2020				
	Actual	% of Total	Gross Margin	Segment Profit	Actual	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	103,513	100%	50.6%	17,213	99,380	100%	<u>96.0%</u>	<u>50.2%</u>	15,316
Japan Business	48,421	46.8%	40.0%	4,311	44,977	45.3%	92.9%	39.5%	3,008
China Business	37,306	36.0%	54.2%	12,687	37,732	38.0%	101.1%	54.3%	12,600
Singapore Business	13,600	13.1%	37.8%	2,064	12,184	12.3%	89.6%	38.4%	1,647
Lansinoh Business**	13,207	12.8%	58.2%	1,741	12,473	12.6%	94.4%	55.6%	1,370
Elimination of Inter-Segment Transactions	(9,022)	(8.7%)	—	—	(7,986)	(8.0%)	—	—	—

*12 months adjusted for Japan (Estimated)

**The Lansinoh business has a different revenue recognition standard of the earnings between FY Dec. 2020 and FY Dec. 2019. Under the new standard in FY Dec. 2020, rebates, incentives, and other expenses that were previously recorded in SG&A expenses are now deductible from sales in this fiscal year.

Summary of Results by Business Segment (Net Sales in Local Currency)

Japan Business

Loss of demand from inbound travelers affected the Domestic Baby & Mother Care Business.

Net sales YoY in each of the former business segments: Domestic Baby and Mother Care: 91.9%; Child Care Service: 94.1%; Health and Elder Care: 105.2%

China Business

COVID-19 affected the only during Q1. In mainland China, net sales grew year on year driven mainly by e-commerce sales.

Net sales YoY in mainland China: 106.7%
<Ref.> E-commerce sales accounted for 62.5% of total sales. (53.6%, Dec. 2019)

Singapore Business

Net sales increased slightly in Singapore domestic, although the business was affected by lockdown in some countries.

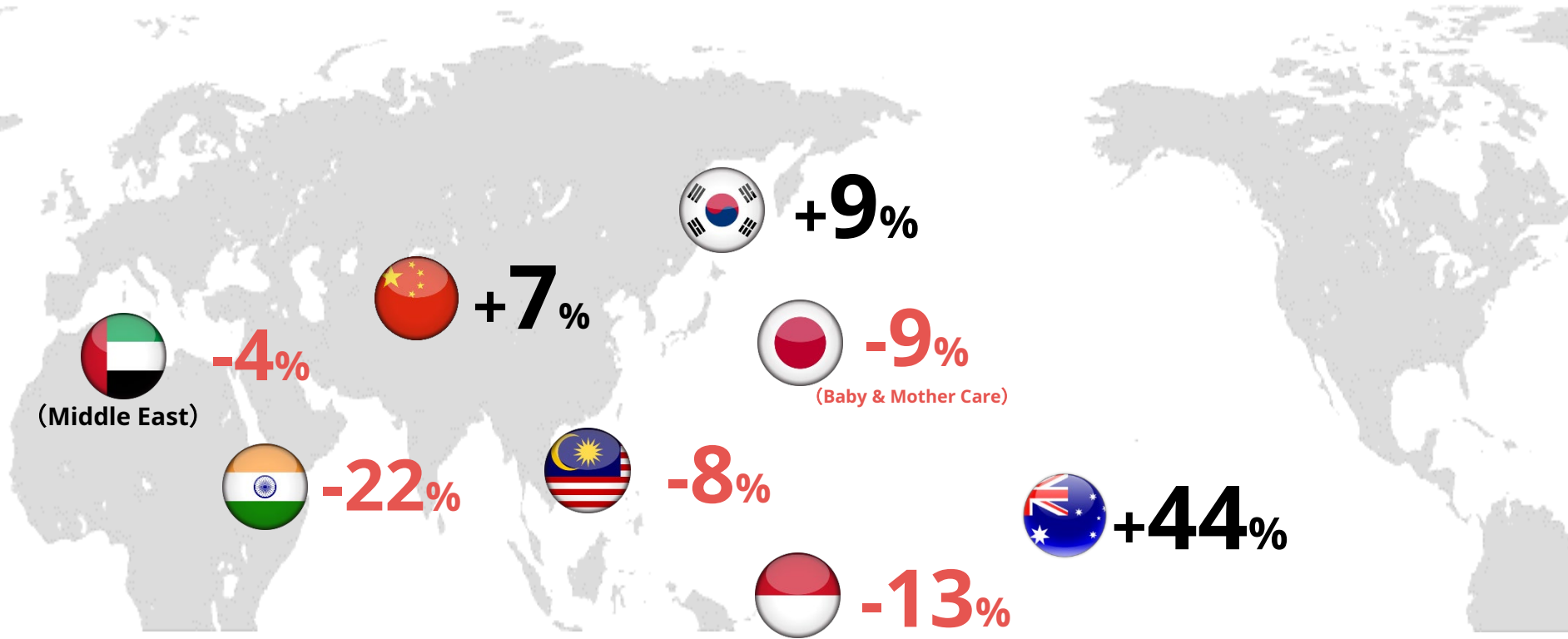
Net sales YoY in Singapore domestic: 103.0% (including 98.2% for the export business)
India: 78.0%; **Malaysia:** 91.7%

Lansinoh Business

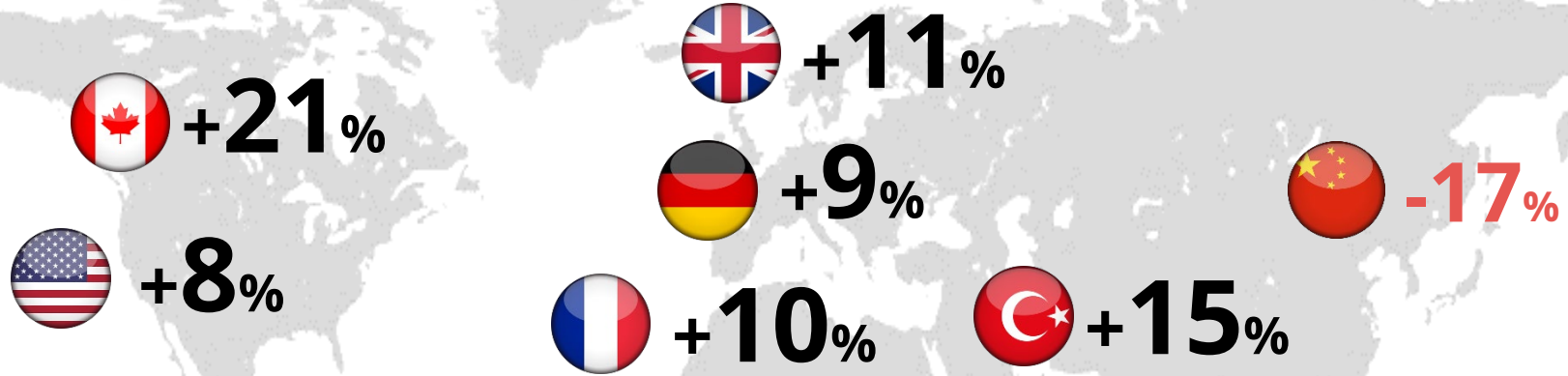
Net sales grew year on year, driven by e-commerce sales in the U.S. and European countries where COVID-19 remains rampant.

Net sales YoY under the same revenue recognition standard:
Lansinoh Business: 104.6% (including 108.3% for North America)

Pigeon Sales by Regions* (Dec. 20 / YoY / Local Currency)



Lansinoh Sales by Regions* (Dec. 20 / YoY / Local Currency)



Even amid unprecedentedly challenging business conditions, Pigeon recorded only a minimal decline in net sales year on year, underpinned by our brand power and strength as a “Total baby care products brand”

Achievements / Points to be evaluated positively

- The Group has reaffirmed that the demand for baby goods remains solid and our brand is resilient in the face of an unexpected crisis.
- Sales and market shares of our mainstay products, including nursing bottles, expanded in many regions.
- Even amid the COVID-19 crisis, sales of the China and Lansinoh businesses grew, driven by ecommerce sales.
- Our strength as a “Total baby care products brand” helped ease sales declines in a wide range of products.

Challenges / Targets unachieved

- The Group missed its earnings targets in the very first year of the 7th Medium-Term Business Plan.
- Sales stagnated in Japan and South East Asia where the ratio of e-commerce sales is relatively small.
- Development of new products has delayed due to COVID-19.
- COVID-19 has evidently revealed that the growth of the Japan Business is structurally dependent on demand from inbound travelers.

Summary of Results by Business Segment

The Pigeon brand has maintained its outright leading position in Japan, despite loss of demand from inbound travelers.

- Sales of nursing bottles and skincare products, which are high-margin and popular among inbound travelers, declined significantly.
- The market share of nursing bottles expanded to 86*, and those of other core products also expanded further.
- Special demand for consumables amid COVID-19 helped partially offset the decline in sales to inbound travelers (thanks to our strength as a Total baby care products brand).
- Sales of outing goods, such as baby strollers, struggled (as the baby stroller market itself shrank 19% year on year).
- Although e-commerce sales account for only 9% of overall sales, the segment will strengthen digital marketing to drive e-commerce sales.



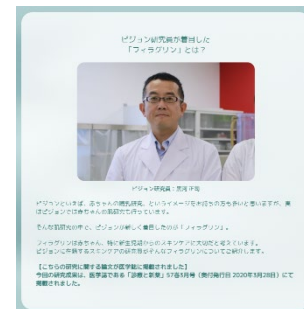
Market share of nursing bottles* (Q4 2020)



- ▲ Implemented consumer participation-type sales campaign on social media and marketed online-exclusive products in our official online store



- ▲ Pigeon's strengths lie in its ability to provide diverse contents focused on a range of themes, such as fun and specialty, thereby providing total solutions to support baby care.



Sales grew strongly even amid COVID-19 crisis, led by sales growth in e-commerce channels.

- During the Double Eleven campaign period in November, overall e-commerce sales grew 20% year on year. Pigeon's nursing bottles/related goods and skincare products marked the largest sales at JD.
- Sales of nursing bottles, skincare products and oral care products (core products) grew 20% year on year, and the market share of nursing bottles reached 44%.
- While online sales increased 24% year on year, offline sales were down 14% year on year. Offline sales have continued to dwindle.
- Both online and offline markets have become more competitive. Recently, the competition has been increasingly fierce, fueled by harsher price competition.
- Business in mainland China has been growing steadily, but exports to neighboring nations have stalled amid the COVID-19 crisis.



44%

Market share of nursing bottles* (Q4 2020)



63%

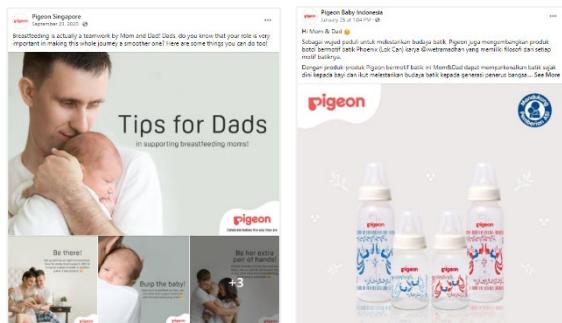
Ratio of sales via e-commerce channels (Q4 2020 / sell-out)



- ▲ Pigeon has rolled out many high added-value products, such as products available exclusively on e-commerce channels, products themed on new concepts, and special versions of existing products.

All kinds of activities delayed due to lockdowns, but the rate of sales decline was as small as 10%.

- In Malaysia and India, **our local offices and factory were closed for more than eight weeks.**
- Loss of demand from inbound travelers in Japan **affected the earnings of factories in Thailand (manufacturing nursing bottles), driving down both sales and profits.**
- Temporary or permanent closure of retail stores affected earnings of this business segment, as **offline sales (at physical stores) account for most sales in many markets.**
- **Important activities**, such as breastfeeding seminars, **have swiftly shifted online.**
- The segment has **enhanced its digital marketing resources** towards driving sales via e-commerce channels.



- ▲ Transformed into a completely new brand style and enhanced original content in each country



- ▲ Also worked on a range of activities to recover sales in India and Malaysia



- ▲ Started activities to recycle plastic nursing bottles in Singapore. Recycled a total of about 9,000 bottles in 2020. Plan to start the recycling in neighboring nations going forward.

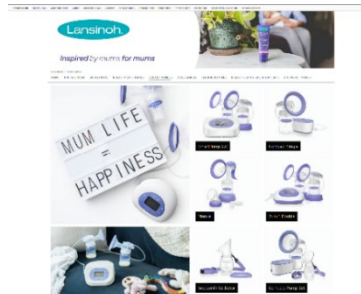
Summary of Results by Business Segment

Overall sales of the segment grew year on year, driven by sales in North America, one of the regions hardest-hit by COVID-19.

- On a local currency basis, sales grew in all regions except China. In North America, sales grew 8% year on year.
- Lansinoh products are categorized as "Essential supplies" by major EC platform. Our products are placed priority on this category, and this helped Lansinoh to smoothly deliver its products to customers even amid the COVID-19 pandemic.
- Nipple cream and breast pumps recorded strong sales in the U.S. The market share* of nipple cream expanded further to 76%.
- Logistics costs surged towards the end of the year due to the second wave of COVID-19, but Lansinoh stocked up on its products in Q3 to prevent stockout.
- E-commerce sales account for 35% of overall sales in the U.S. (30% last year)



Market share of mainstay products in the U.S. *



- ▲ Lansinoh created its brand page for major EC platform to effectively showcase the attractiveness of its products and its brand value.

Lansinoh Organic Nipple Cream for Breastfeeding, 2 Ounces

Visit the Lansinoh Store
★★★★★ 5,679 ratings | 13 answered questions



- ▲ Lansinoh's Organic Nipple Balm is rated 4.7/5 on the biggest EC platform, with the number of customer reviews exceeding 5,600.

Consolidated Balance Sheet

(Unit: Million JPY)	End of FY Dec. 2019 (11 months for Japan)	End of FY Dec. 2020		
	Actual	Actual	YoY Change (Amount)	YoY Change (%)
Cash and deposits	32,416	37,163	+ 4,747	<u>114.6%</u>
Notes and Accounts Receivable - Trade	16,588	15,085	(1,502)	90.9%
Inventories	11,211	11,376	+ 164	101.5%
Notes and Accounts Payable - Trade	4,900	4,757	(142)	97.1%
Electronically Recorded Obligations - Operating	2,009	1,670	(338)	83.1%
Borrowings	—	—	—	—
Net Assets	70,463	72,625	+ 2,162	103.1%
Total Assets	90,491	93,472	+ 2,980	103.3%
Equity Ratio	74.8%	74.8%	—	—

Business Plan for FY Dec., 2021 (65th Fiscal Year)

Business Plan for Dec. 2021 (Consolidated PL)

(Unit: Million JPY)	FY Dec. 2020		FY Dec. 2021		
	Actual	% of total	Budget	% of total	YoY Change
Net Sales	99,380	100.0%	106,500	100.0%	<u>107.2%</u>
Cost of Sales	49,459	49.8%	51,300	48.2%	103.7%
Gross Profit	49,921	50.2%	55,200	51.8%	110.6%
SG&A Expenses	34,605	34.8%	38,500	36.2%	111.3%
Operating Income	15,316	15.4%	16,700	15.7%	<u>109.0%</u>
Non-operating Income (Expenses)	798	0.8%	0	0.0%	0.0%
Ordinary Income	16,113	16.2%	16,700	15.7%	<u>103.6%</u>
Extraordinary Income (Losses)	(277)	(0.3%)	0	0.0%	0.0%
Net Income Attributable to Non-controlling Interests	216	0.2%	200	0.2%	92.6%
Net Income Attributable to Owners of Parent	10,643	10.7%	11,100	10.4%	104.3%

[Currency Rates]

Dec. 2021 (FY 65) Budget : US\$1 = JPY 104.00 CNY 1 = JPY 16.00 ⇐ Dec. 2020 (FY 64) Actual : US\$1 = JPY 106.77 CNY 1 = JPY 15.47

Business Plan for Dec. 2021 (Net Sales by Business Segment)

(Unit: Million JPY)	FY Dec. 2020				FY Dec. 2021				
	Actual	% of Total	Gross Margin	Segment Profit	Budget	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	99,380	100.0%	50.2%	15,316	106,500	100.0%	<u>107.2%</u>	51.8%	16,700
Japan Business	44,977	45.3%	39.5%	3,008	45,000	42.3%	100.1%	40.3%	3,050
China Business	37,732	38.0%	54.3%	12,600	44,200	41.5%	<u>117.1%</u>	56.0%	14,250
Singapore Business	12,184	12.3%	38.4%	1,647	12,900	12.1%	105.9%	38.4%	1,750
Lansinoh Business	12,473	12.6%	55.6%	1,370	12,800	12.0%	102.6%	57.0%	1,400
Elimination of Inter-Segment Transactions	(7,986)	(8.0%)	-	-	(8,400)	(7.9%)	105.1%	-	-

FY Dec. 2021 - Key Agendas for Each Business Segment

Japan Business

- Tap new demand further in Japan and expand large-size products (for babies)
- Rebuild platforms for three businesses in Japan

External environment

- Concern over a steep decline in births
- Uncertainty over the outlook for demand from inbound travelers
- Deteriorating economy and consumer sentiment, and their delayed recovery

Strategic priorities

- Creating new products and novel categories
- Appealing new value propositions, and proposing new use scenes
- Restructuring of the Health and Elder Care Business

New products*

- magmag coron
- Premium Baby Wipes (Super Thick)
- Other core products, large-sized products, and products in novel categories also slated for launch

*: Including renewed products



▲ Easy-to-use and cute magmag coron



▲ The segment has launched, in the oral care category (core categories), an electric toothbrush developed jointly with dentists.

FY Dec. 2021 - Key Agendas for Each Business Segment

China Business

Continue to grow through selection and focus

External environment

- Concern over declining births
- Intensifying market competition
- Export business – deteriorating economy and consumer sentiment, and their delayed recovery

Strategic priorities

- Further driving sales of nursing bottles and skincare products, which boast high market share and high margin
- Investing in R&D, design, and collaborations with other companies
- Preparing for scheduled product launch in Canada and on EC platform (US)

New products*

- Launching a new model of nursing bottles in China ahead of other markets in the world (around fall of 2021)
- Launching skincare series themed on a new concept
- Also launching more than 80 items, primarily core category products

*: Including renewed products



▲ Avocado-based skincare series (launched in November 2020)



New nursing bottle models under development

FY Dec. 2021 - Key Agendas for Each Business Segment

Singapore Business

Get back on a growth trajectory by expanding breadth of products targeted at middle-class consumers, and strengthening e-commerce channels

External environment

- Deteriorating economy and consumer sentiment, and their delayed recovery

Strategic priorities

- Sales recovery of nursing bottles
- Driving digitalization (brand communication & e-commerce)
- Automating factories, and improving productivity through digitalization

New products*

- Adding a new design to nursing bottles for middle-class consumers
- Launching new skincare series (with formula varying from region to region)
- Launching more than 70 items, primarily mainstay products

*: Including renewed products

▼ **Halal-compliant** skincare series currently on the market in Indonesia



▲ Skincare series tailored to the needs of consumers in each country slated for launch

FY Dec. 2021 - Key Agendas for Each Business Segment

Lansinoh Business

Revitalize core products and create new categories

External environment

- Transition to e-commerce accelerating
- Competition intensifying given commoditization of consumables
- Concern over declines in births in the post-coronavirus world

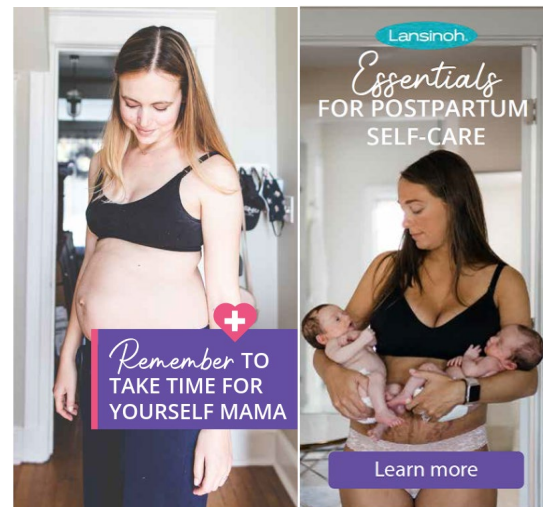
Strategic priorities

- Focusing on core products and breast pumps
- Raising brand awareness and brand loyalty
- Entering the "postpartum self-care" market, a new category

New products*

- Launching seven new postpartum self-care products in May
- Developing new products tailored for the Chinese market
- Developing sustainable/eco-friendly products

*: Including renewed products



▲ Postpartum self-care, a new category, traces its origin back to North America.

Shareholder Return and Investment-Related Indicators

[Shareholder return indicators under the 7th Medium-Term Business Plan]

Achieving the consolidated total shareholder return ratio of approx. 55% with a year-on-year increase in dividends for each fiscal year.

Dividends	Jan. 2019		Dec. 2019		Dec. 2020		Dec. 2021	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Scheduled)	Interim (Expected)	Year-end (Expected)
Dividend per Share (JPY)	34	34	35	35	36	36	37	37
Dividend Payout Ratio	57.2%		72.7%		81.0%		79.8%	

<Ref.> Investment-related Indicators (Consolidated)

(Unit: Million JPY)	Jan. 2019		Dec. 2019		Dec. 2020		Dec. 2021
	Mid-year (Actual)	Full-year (Actual)	Mid-year (Actual)	Full-year (Actual) *4	Mid-year (Actual)	Full-year (Actual)	Full-year (Forecast)
Capex (*1)	2,795	5,376	2,009	3,869	1,690	4,184	4,424
Depreciation (*2)	1,383	2,804	1,966	3,372	1,968	3,971	3,990
R&D Expenses (*3)	1,479	3,119	1,536	3,059	1,430	3,115	3,875 (+24% YoY)

*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 : 11 months actual for Japan Domestic

Revision of the 7th Mid-term Business Plan

Revision to the 7th MTBP (Strategy)

FY2020 Summary

- Demonstrated brand strength and enjoyed strong consumer acceptance
- Saw a further increase in shares of nursing bottles and other high-margin, core products
- Partially offset sales declines by widely deploying products that fit market characteristics and consumer preference

Basic Strategy

Continue to focus on three themes:
Brand strategy, Core products strategy and
Regional strategy

- ▼ Baby face mask (Launched in Feb. 2021 in Japan)



What we learned from COVID-19

Reinforcing the spirit of *Monozukuri* (craftsmanship)

- Improved and expanded emergency supplies for babies
- Promptly implemented all processes from planning to sales to respond to the rapidly changing e-commerce market
- Increased eco-friendly products that can achieve sustainable growth, and created a new category

Revised 7th Mid-term Business Plan (Consolidated PL)

(Unit: Million JPY)	Dec. 2019 Act. (12-month Adj)	Dec. 2020 Actual	Dec. 2021 Revised Budget	Dec. 2022 Revised Budget	Original MTP Yr 2019 - 22 CAGR	Revised MTP Yr 2020 - 22 CAGR
Net Sales	103,513	99,380	106,500	114,500	6.8%	<u>7.3%</u>
Gross Profit	52,418	49,921	55,200	59,700	8.2%	9.4%
Operating Income	17,213	15,316	16,700	18,600	10.3%	10.2%
Net Income Attributable to Owners of Parent (yen)	11,593	10,643	11,100	12,300	12.0%	7.5%
EPS (yen)	96.37	88.93	92.75	102.78		
Gross Margin	50.6%	50.2%	51.8%	52.1%		
Operating Margin	16.6%	15.4%	15.7%	16.2%		
Net income attributable to owners of parent margin	11.2%	10.7%	10.4%	10.7%		

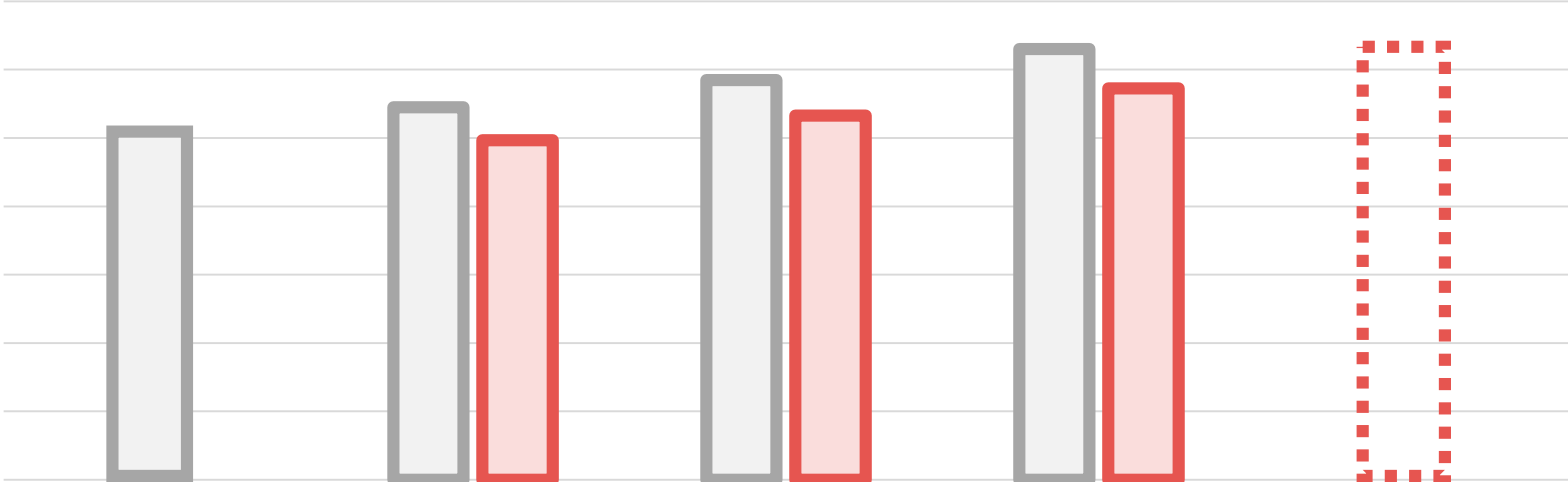
Revising 7th Medium-Term Business Plan (CAGR of Net Sales)

We will achieve the net sales CAGR target in the revised plan one year behind of original MTBP.

Original MTBP (2019 - 2022)
CAGR: 6.8%



Revised MTBP (2020 - 2022)
CAGR: 7.3%



FY12/19 Actual
(12 months)

FY12/20

FY12/21

FY12/22

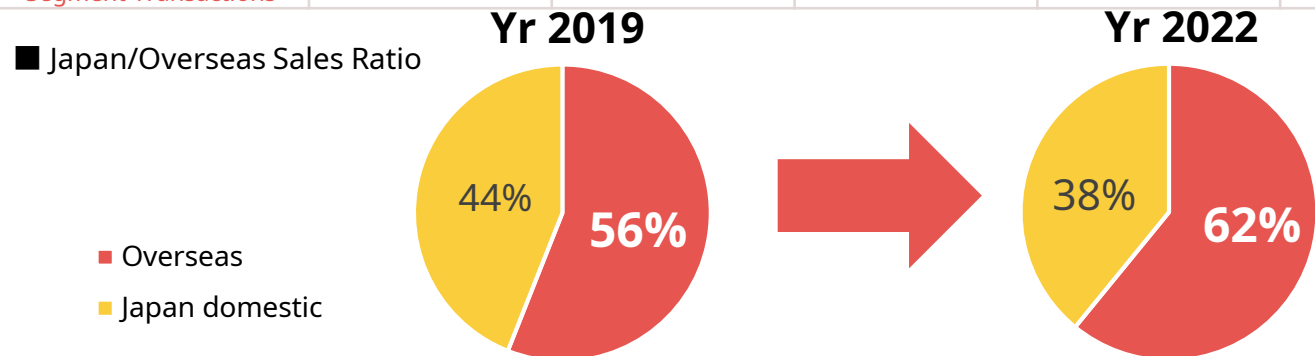
FY12/23

Original MTBP
(released in Feb. 2020)

Revised MTBP

Revised 7th Mid-term Business Plan (Net Sales by Business Segment)

(Unit: Million JPY)	Dec. 2019 Act. (12-month Adj)	Dec. 2020 Actual	Dec. 2021 Revised Budget	Dec. 2022 Revised Budget	Original MTP Yr 2019 - 22 CAGR	Revised MTP Yr 2020 - 22 CAGR
Consolidated Net Sales	103,513	99,380	106,500	114,500	<u>6.8%</u>	<u>7.3%</u>
Japan Business	48,421	44,977	45,000	46,600	2.5%	1.8%
China Business	37,306	37,732	44,200	48,300	9.6%	<u>13.1%</u>
Singapore Business	13,600	12,184	12,900	14,300	9.0%	<u>8.3%</u>
Lansinoh Business*	13,207	12,473	12,800	14,000	9.6%	5.9%
Elimination of Inter- Segment Transactions	(9,022)	(7,986)	(8,400)	(8,700)	-	-



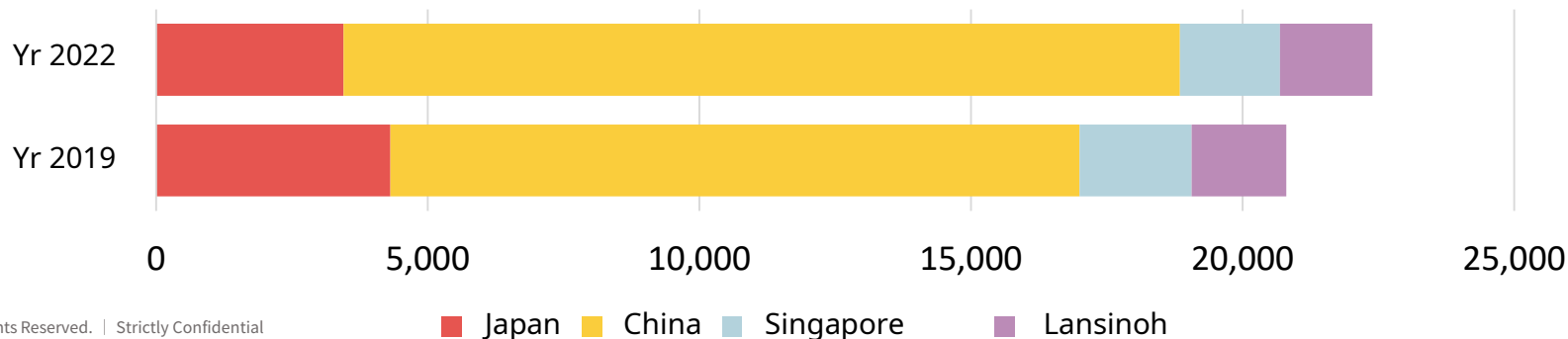
[Currency Rates]

Dec. 2021 (FY 65) Budget : US\$1 = JPY 104.00 CNY 1 = JPY 16.00 ⇐ Dec. 2020 (FY 64) Actual : US\$1 = JPY 106.77 CNY 1 = JPY 15.47

Revised 7th Mid-term Business Plan (Operating Income by Business Segment)

(Unit: Million JPY)	Dec. 2019 Act. (12-month Adj)	Dec. 2020 Actual	Dec. 2021 Revised Budget	Dec. 2022 Revised Budget	Original MTP Yr 2019 - 22 CAGR	Revised MTP Yr 2020 - 22 CAGR
Consolidated Net Sales	17,213	15,316	16,700	18,600	<u>10.3%</u>	<u>10.2%</u>
Japan Business	4,311	3,008	3,050	3,450	1.2%	<u>7.1%</u>
China Business	12,687	12,600	14,250	15,400	10.0%	<u>10.6%</u>
Singapore Business	2,064	1,647	1,750	1,840	10.0%	5.7%
Lansinoh Business	1,741	1,370	1,400	1,700	13.4%	11.4%

■ Operating Income by Business Segment (Million JPY)



FY Dec. 2021 - Adoption of New Revenue Recognition Standard

■ Background

Companies in China and Japan are basically required to adopt the new revenue recognition standard, equivalent to IFRS, according to the following schedule:

China: Applicable from the fiscal year commencing **on or after January 1, 2021**

Japan: Applicable from the fiscal year commencing **on or after April 1, 2021**

■ What Pigeon will do

- Both the Japan Business and the China Business will transition to the new revenue recognition standard from the current fiscal year (ending December 31, 2021).
 - Pigeon ensures the transparency of its consolidated financial statements by bringing forward one year the transition of the Japan Business to the new standard to align the transition timing of the China business, thereby unifying the revenue recognition standard across the Group.
- The transition to the new revenue recognition standard will reduce net sales of the both segments as follows: (estimated based on the business plan for the fiscal year ending Dec. 2021)
- | | |
|----------------------------|----------------------------|
| Japan: (3,500) million yen | China: (2,100) million yen |
|----------------------------|----------------------------|

FY Dec. 2021 Business Plan under the New Revenue Recognition Standard

(Unit: Million JPY)	«Previous standard»		«New Revenue Recognition Standard»		
	FY Dec. 20		FY Dec. 21		
	Actual	% of total	Budget	% of total	YoY Change
Consolidated Net Sales	99,380	100.0%	100,800	100.0%	<u>101.4%</u>
Cost of Sales	49,459	49.8%	51,300	50.9%	103.7%
Gross Profit	49,921	50.2%	49,500	49.1%	99.2%
SG&A Expenses	34,605	34.8%	33,000	32.7%	95.4%
Operating Income	15,316	15.4%	16,500	16.4%	<u>107.7%</u>
Non-operating Income (Expenses)	798	0.8%	200	0.2%	25.1%
Ordinary Income	16,113	16.2%	16,700	16.6%	<u>103.6%</u>
Extraordinary Income (Losses)	(277)	(0.3%)	0	0.0%	0.0%
Net Income Attributable to Non-controlling Interests	216	0.2%	200	0.2%	92.6%
Net Income Attributable to Owners of Parent	10,643	10.7%	11,100	11.0%	104.3%

Note: See the page# 55 to compare FY12/20 actual and FY12/21 budget under the new revenue recognition standard

ESG Initiatives

ESG – Major Initiatives in 2020

Reduce environmental impact

“Leave a rich earth for the future of babies born tomorrow”

System to contribute through eco-friendly *monozukuri*

- Formulated policies on environment, biodiversity, sustainable development and CSR procurement
- Joined the Roundtable on Sustainable Palm Oil (RSPO)



Solve social issues surrounding babies and mothers

“Create a world that celebrates babies the way they are”

Support for all babies coming to birth

- Supported the opening of the Human Milk Bank (Japan)
- Provided products exclusively developed for premature and low birthweight babies
- Established the Pigeon Support Fund for Premature Babies (China)
- Supported babies with cleft lip and cavity (Thailand and other countries)



Build a strong management foundation

“Support sustainable growth to stay close to the baby”

Ensure business continuity across the world while putting our employees' safety first

- Established a business continuity platform through swift decision-making by each business unit
- Delivered products to consumers in Japan and overseas without any major disruptions to business activities

ESG – “Pigeon Eco-Label” to start in 2021

To identify eco-friendly products more easily,
Pigeon will start environmental labeling
in February 2021 in a phased manner.



Pigeon Eco-Label standards

Based on the life-cycle assessment (LCA) methodology that quantitatively evaluates the environmental burdens associated with each stage of a product's life from raw material procurement, manufacturing, transportation and use right through to final disposal.

(For more information on the Pigeon Eco-Label, see our website.)

We will aim to put Pigeon Eco-Label on
100% of our products distributed in Japan by 2025.

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.

Pigeon Corporation

Head Office

4-4, Nihonbashi-Hisamatsucho, Chuo-ku, Tokyo
103-8480, Japan

URL <http://www.pigeon.co.jp/>
<http://www.pigeon.com/>

Appendix



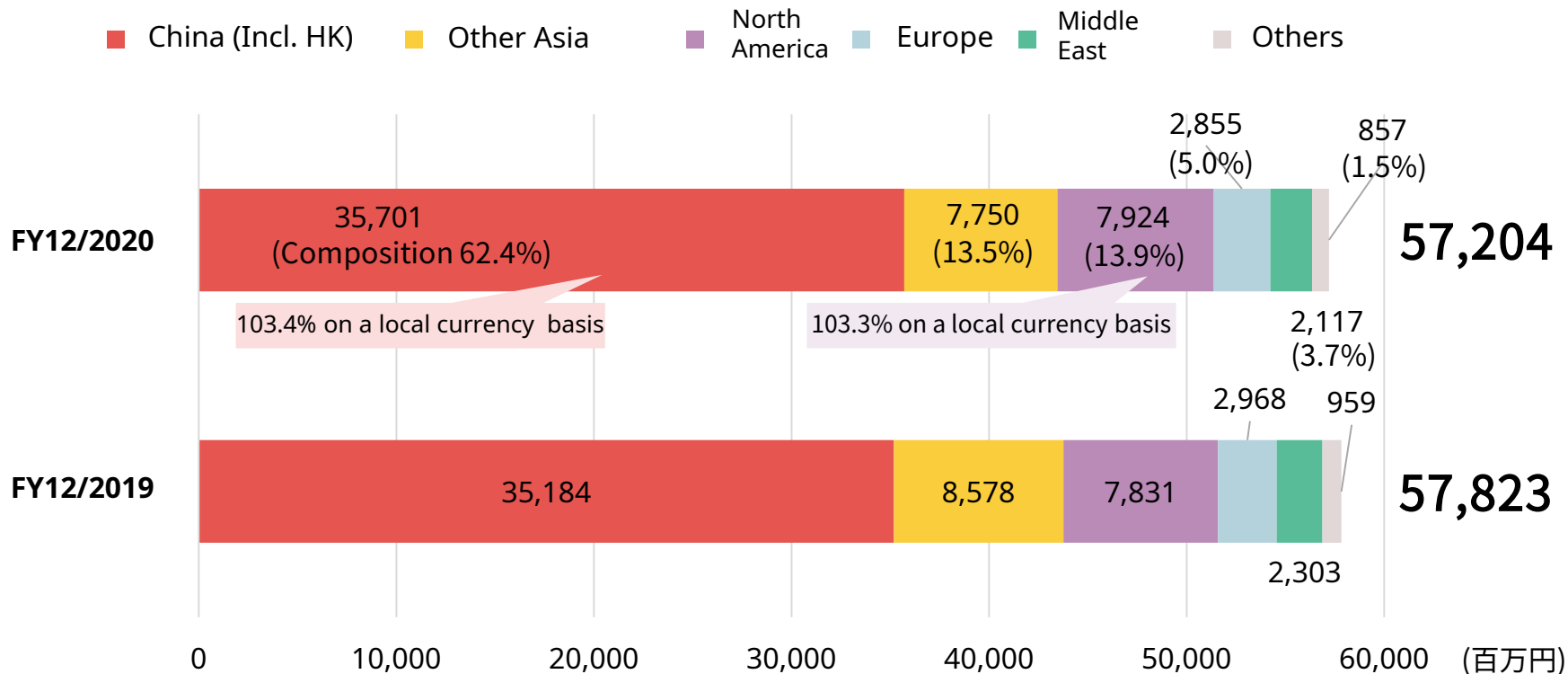
1. Results and Business Plan under Previous Revenue Recognition Standard

« Previous Standard » Financial Highlights (Consolidated)

(Unit: Million JPY)	« Previous standard » FY Dec. 19		« Previous standard » FY Dec. 20		
	Actual	% of total	Actual	% of total	YoY
Net Sales	100,017	100.0%	99,380	100.0%	99.4%
Operating Income	17,072	17.1%	15,316	15.4%	89.7%
Ordinary Income	17,284	17.3%	16,113	16.2%	93.2%
Net Income Attributable to Owners of Parent	11,538	11.5%	10,645	10.7%	92.2%
Net assets	70,463	—	72,625	—	103.1%
Total assets	90,491	—	93,472	—	103.3%
EPS (yen)	96.37	—	88.93	—	92.3%
BPS (yen)	565.64	—	607.06	—	107.3%
ROE*	17.5%	—	15.5%	—	—
ROIC**	17.4%	—	15.0%	—	—

*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

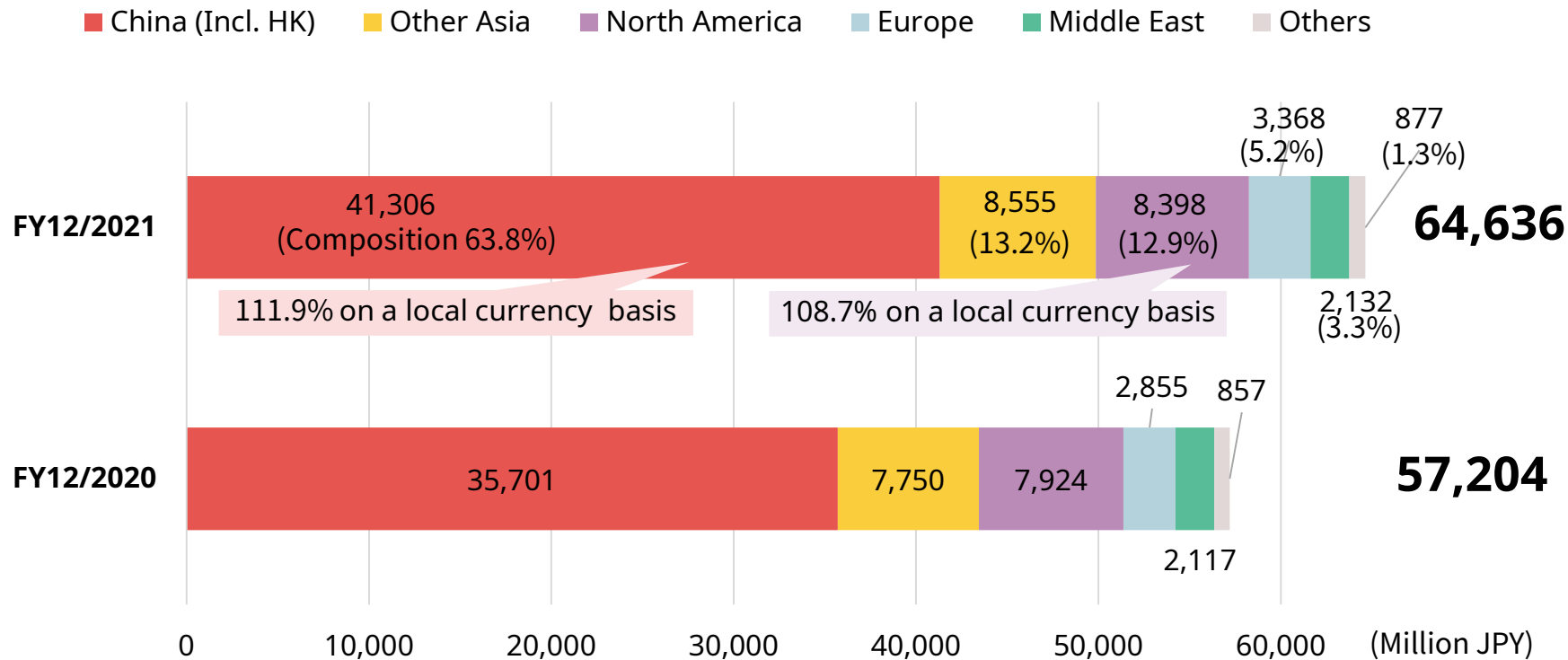
《Previous Standard》 Results for FY12/2020 : Sales by Geographic Area



Currency rates

FY12/2020 (FY64): US\$1 = JPY 106.77 CNY 1 = JPY 15.47 ⇐ FY12/2019 (FY63): US\$1 = JPY 109.02 CNY 1 = JPY 15.77

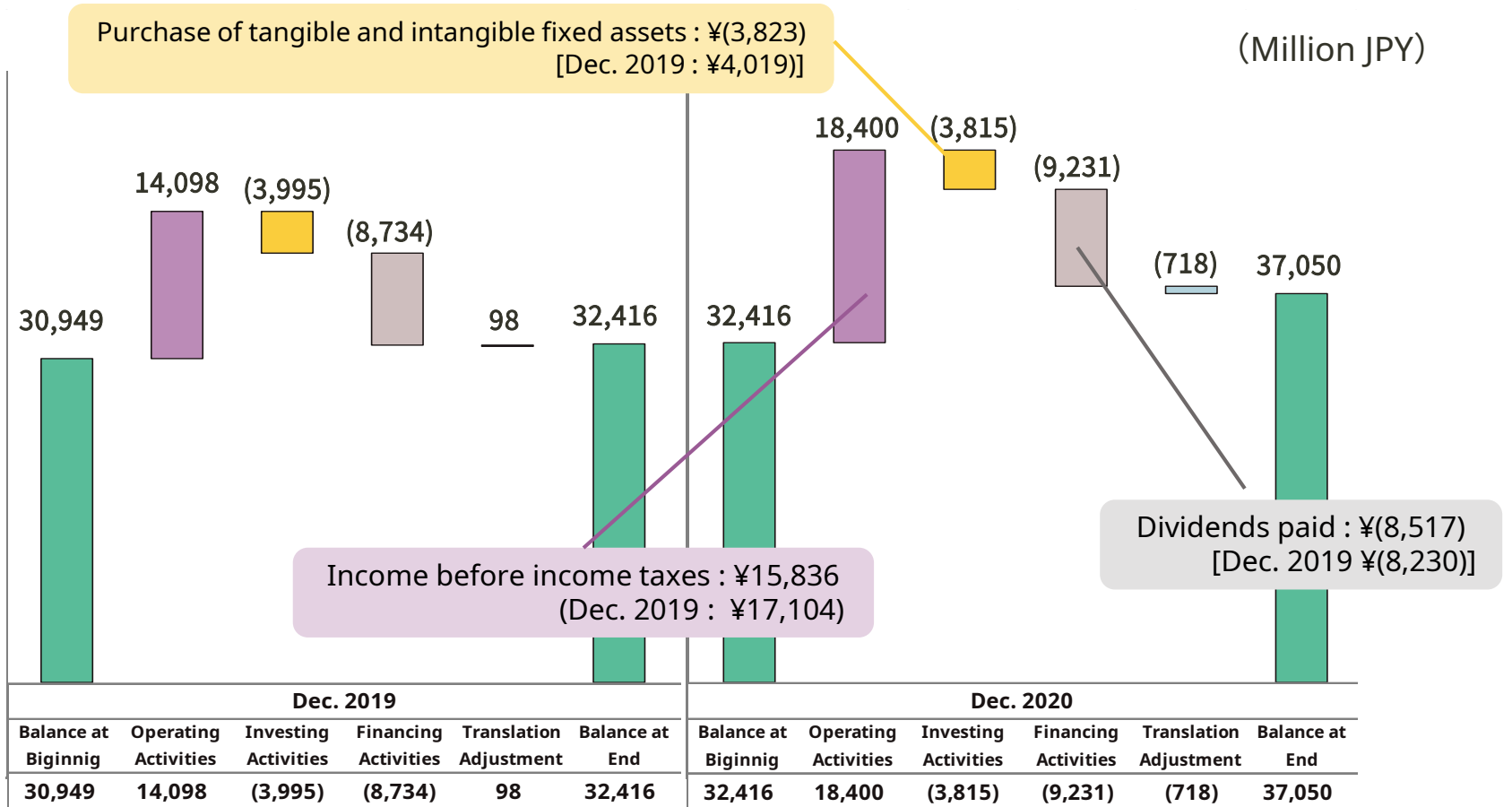
«Previous Standard» Plan for FY12/2021 : Sales by Geographic Area



Currency rates

FY12/2021 (FY65): US\$1 = JPY 104.00 CNY 1 = JPY 16.00 ⇐ FY12/2020 (FY64): US\$1 = JPY 106.77 CNY 1 = JPY 15.47

Cash Flows (Consolidated)



« Previous Standard » Results (Breakdown of Japan Business Segment)

(Breakdown of Japan business segment was estimated by Pigeon for your reference)

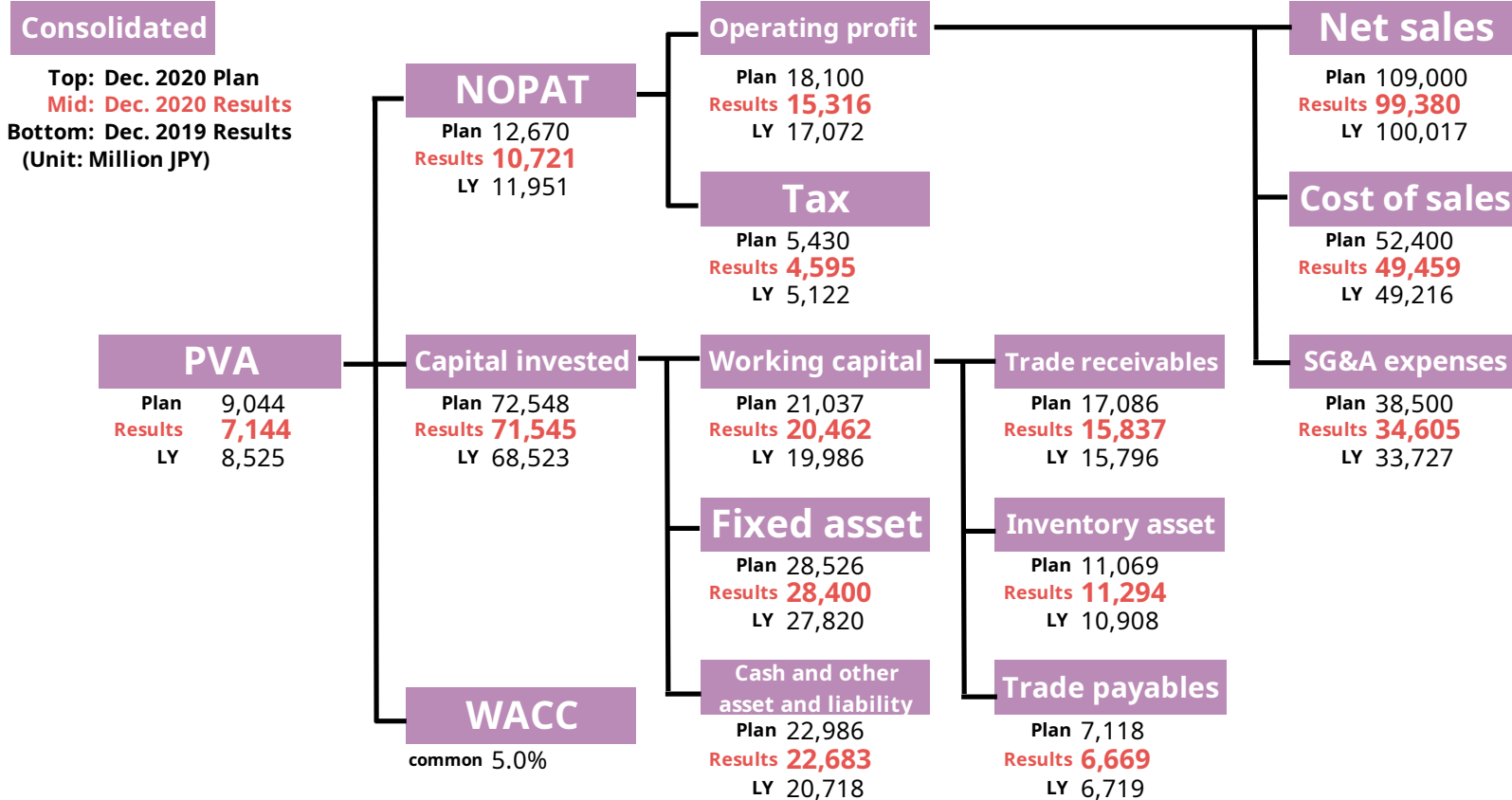
(Unit: Million JPY)	« Previous Standard » FY Dec. 19 (12-month Adjusted)				« Previous Standard » FY Dec. 20				
	Actual	% of total	Gross Margin	Segment Profit	Actual	% of total	YoY Change	Gross Margin	Segment Profit
Japan Business	48,421	46.8%	40.0%	4,311	44,977	45.3%	92.9%	39.5%	3,008
Domestic Baby and Mother care	33,205	32.1%	49.0%	5,063	30,518	30.7%	91.9%	46.8%	3,210
Child Care Services	3,816	3.7%	13.0%	78	3,592	3.6%	94.1%	14.5%	109
Health & Elder Care Business	7,094	6.9%	31.5%	413	7,466	7.5%	105.2%	33.4%	690

« Previous Standard » FY12/2021 Plan (Breakdown of Japan Business Segment)

(Breakdown of Japan business segment was estimated by Pigeon for your reference)

(Unit: Million JPY)	« Previous Standard » FY Dec. 20				« Previous Standard » FY Dec. 21				
	Actual	% of total	Gross Margin	Segment Profit	Budget	% of total	YoY Change	Gross Margin	Segment Profit
Japan Business	44,977	45.3%	39.5%	3,008	45,000	42.3%	100.1%	40.3%	3,050
Domestic Baby and Mother care	30,518	30.7%	46.8%	3,210	31,570	29.6%	103.4%	46.8%	3,669
Child Care Services	3,592	3.6%	14.5%	109	3,583	3.4%	99.7%	16.0%	177
Health & Elder Care Business	7,466	7.5%	33.4%	690	5,877	5.5%	78.7%	40.2%	435

« Previous Standard » PVA Tree: Consolidated Results in FY12/2020 (FY64)

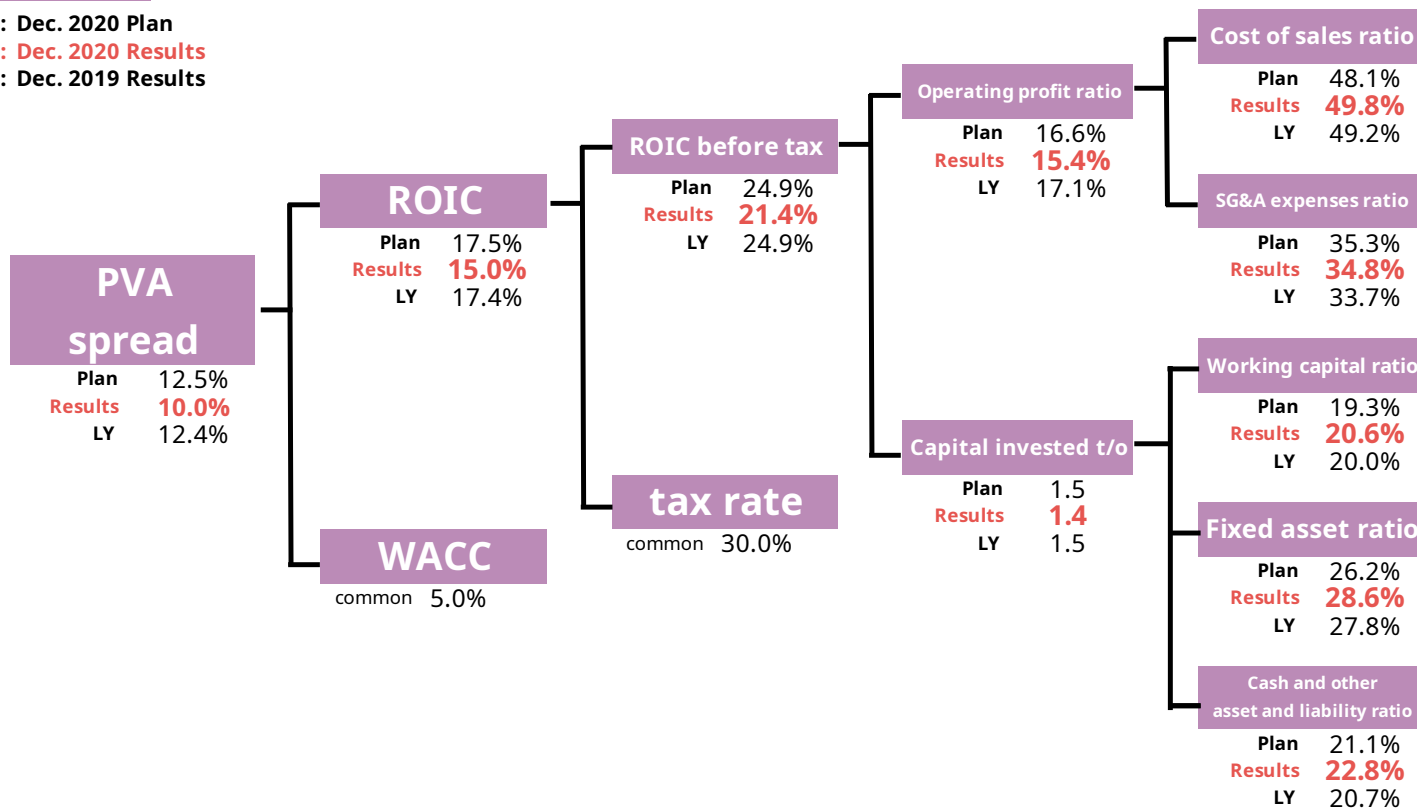


* From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.
 * The figures for Dec. 2019 are those for 11 months for Japan.

« Previous Standard » PVA Tree: Consolidated Results in FY12/2020 (FY64)

Consolidated

Top: Dec. 2020 Plan
 Mid: Dec. 2020 Results
 Bottom: Dec. 2019 Results

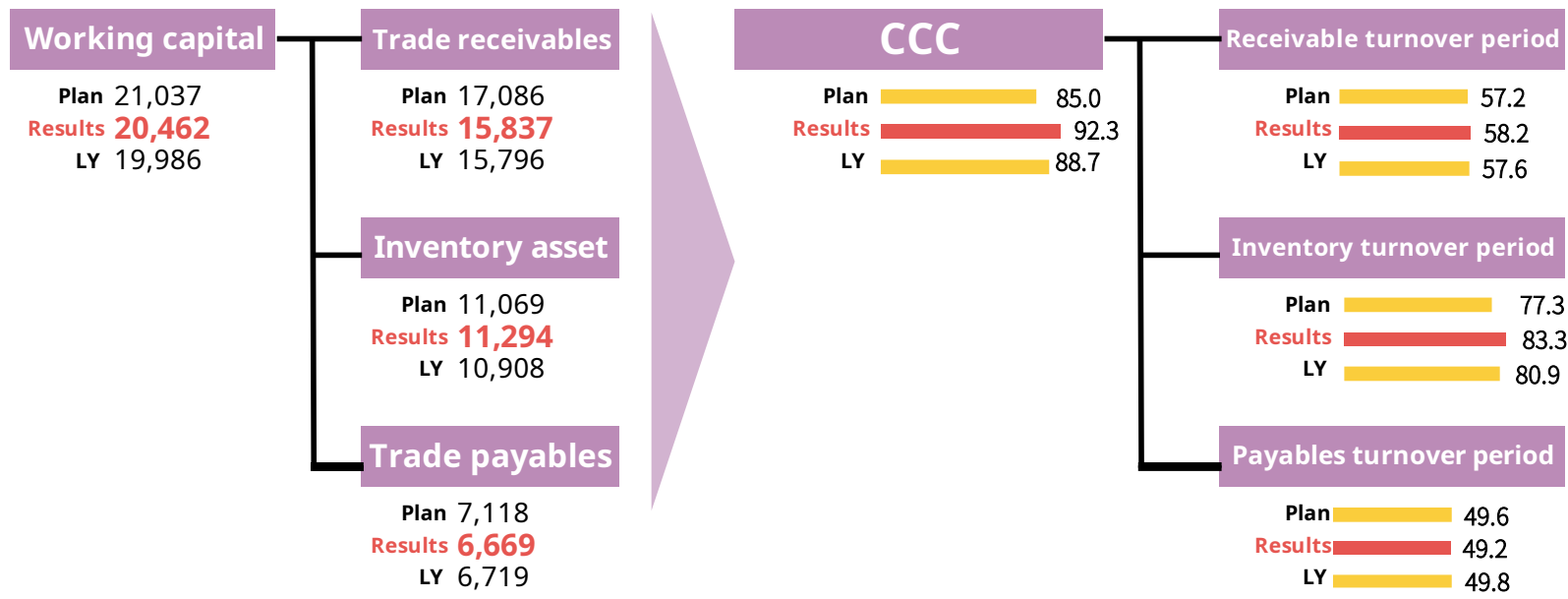


* From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.
 * The figures for Dec. 2019 are those for 11 months for Japan.

«Previous Standard» PVA Tree: Consolidated Results in FY12/2020 (FY64)

Consolidated

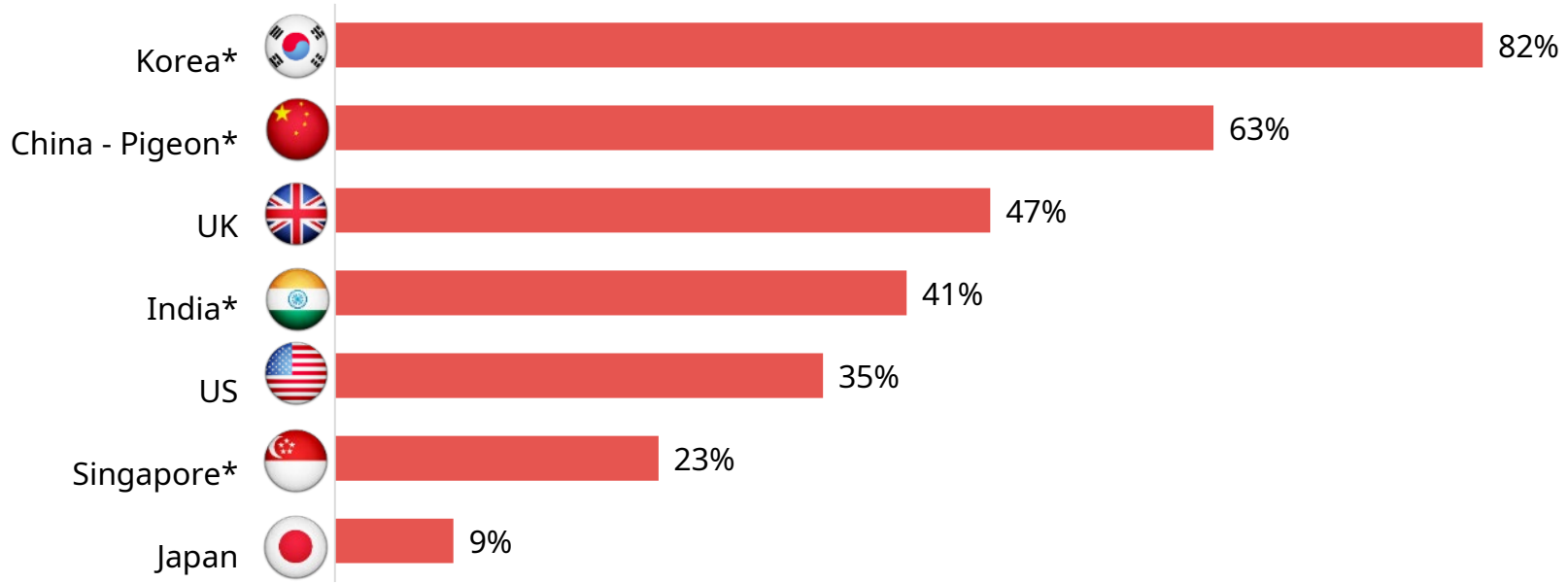
Top: Dec. 2020 Plan
 Mid: Dec. 2020 Results
 Bottom: Dec. 2019 Results
 (Unit: Million JPY)



* From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.
 * The figures for Dec. 2019 are those for 11 months for Japan.

E-commerce Ratio in Key Countries (FY12/2020)

EC sales ratio of Pigeon / Lansinoh products



* : Sell-out Others : Sell-in

Key Theme : 7th Medium-Term Business Plan

Expand the Key Success Factors (KSF) of Chinese market globally and achieve healthy business growth and profitability in all regions.

Brand strategy:

Develop a brand “chosen by consumers who buy into a business” rather than a brand “chosen by customers who buy a product.”

Product strategy:

Accelerate growth in our Core products which we can have a unique competitive advantages in global market.

Regional strategy:

Develop and implement agilely a cycle of “Product development, production and sales” that fits market characteristics and consumer preference of each region.



2. Results and Business Plan under New Revenue Recognition Standard

«New Standard» FY12/2021 Business Plan (Consolidated PL)

(Results of FY12/2020 in New Revenue Recognition Standard was estimated by Pigeon for your reference)

(Unit: Million JPY)	«New Standard» FY Dec. 20		«New Standard» FY Dec. 21		
	Actual	% of total	Budget	% of total	YoY Change
Net Sales	94,021	100.0%	100,800	100.0%	<u>107.2%</u>
Cost of Sales	49,459	52.6%	51,300	50.9%	103.7%
Gross Profit	44,562	47.4%	49,500	49.1%	111.1%
SG&A Expenses	29,482	31.4%	33,000	32.7%	111.9%
Operating Income	15,080	16.0%	16,500	16.4%	<u>109.4%</u>
Non-operating Income (Expenses)	1,035	1.1%	200	0.2%	19.3%
Ordinary Income	16,113	17.1%	16,700	16.6%	<u>103.6%</u>
Extraordinary Income (Losses)	(277)	(0.3%)	-	-	-
Net Income Attributable to Non-controlling Interests	216	0.2%	200	0.2%	92.6%
Net Income Attributable to Owners of Parent	10,643	11.3%	11,100	11.0%	104.3%

«New Standard» FY12/2021 Business Plan (By Business Segment)

(Results of FY12/2020 in New Revenue Recognition Standard was estimated by Pigeon for your reference)

(Unit: Million JPY)	«New Standard» FY Dec. 20				«New Standard» FY Dec. 21				
	Actual	% of total	Gross Margin	Segment Profit	Budget	% of total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	94,021	100.0%	47.4%	15,080	100,800	100.0%	107.2%	49.1%	16,500
Japan Business	41,231	43.9%	34.0%	2,772	41,500	41.2%	100.7%	35.3%	2,850
China Business	36,121	38.4%	52.3%	12,600	42,000	41.7%	116.3%	53.7%	14,250
Singapore Business	12,184	13.0%	38.4%	1,647	12,900	12.8%	105.9%	38.4%	1,750
Lansinoh Business	12,473	13.3%	55.6%	1,370	12,800	12.7%	102.6%	57.0%	1,400
Elimination of Inter-Segment Transactions	(7,986)	(8.5%)	-	-	(8,400)	(8.3%)	105.1%	-	-

«New Standard» Revised 7th Mid-term Business Plan (Consolidated PL)

(Results of FY12/2019 and FY12/2020 in New Revenue Recognition Standard was estimated by Pigeon for your reference)

(Unit: Million JPY)	Dec. 2019 Act. (12-month Adj)	Dec. 2020 Actual	Dec. 2021 Revised Budget	Dec. 2022 Revised Budget	Original MTP Yr 2019 - 22 CAGR	Revised MTP Yr 2020 - 22 CAGR
Net Sales	98,193	94,021	100,800	108,600	6.8%	<u>7.5%</u>
Gross Profit	47,097	44,562	49,500	53,800	8.2%	9.9%
Operating Income	16,959	15,080	16,500	18,300	10.3%	10.2%
Net Income Attributable to Owners of Parent	11,593	10,643	11,100	12,300	12.0%	7.5%
EPS (yen)	96.37	88.93	92.75	102.78		
Gross Margin	48.0%	47.4%	49.1%	49.5%		
Operating Margin	17.3%	16.0%	16.4%	16.9%		
Net income attributable to owners of parent margin	11.8%	11.3%	11.0%	11.3%		

«New Standard»

Revised 7th Mid-term Business Plan (Net Sales By Business Segment)

(All data in New Revenue Recognition Standard was estimated by Pigeon for your reference)

(Unit: Million JPY)	Dec. 2019 Act. (12-month Adj)	Dec. 2020 Actual	Dec. 2021 Revised Budget	Dec. 2022 Revised Budget	Original MTP Yr 2019 - 22 CAGR	Revised MTP Yr 2020 - 22 CAGR
Consolidated Net Sales	98,193	94,021	100,800	108,600	6.8%	<u>7.5%</u>
Japan Business	44,534	41,231	41,500	43,000	2.5%	2.1%
China Business	35,873	36,121	42,000	46,000	9.6%	12.9%
Singapore Business	13,600	12,184	12,900	14,300	9.0%	8.3%
Lansinoh Business	13,207	12,473	12,800	14,000	9.6%	5.9%
Elimination of Inter- Segment Transactions	(9,022)	(7,987)	(8,400)	(8,700)	-	-

«New Standard»

Revised 7th Mid-term Business Plan (Operating Income By Business Segment)

(All data in New Revenue Recognition Standard was estimated by Pigeon for your reference)

(Unit: Million JPY)	Dec. 2019 Act. (12-month Adj)	Dec. 2020 Actual	Dec. 2021 Revised Budget	Dec. 2022 Revised Budget	Original MTP Yr 2019 - 22 CAGR	Revised MTP Yr 2020 - 22 CAGR
Consolidated Net Sales	16,959	15,080	16,500	18,300	10.3%	10.2%
Japan Business	4,057	2,772	2,850	3,150	1.2%	6.6%
China Business	12,687	12,600	14,250	15,400	10.0%	10.6%
Singapore Business	2,064	1,647	1,750	1,840	10.0%	5.7%
Lansinoh Business	1,741	1,370	1,400	1,700	13.4%	11.4%