

Financial results of Q4/2019 Dec. and 7th Medium-Term Business Plan

February 13, 2020

PIGEON CORPORATION (Securities Code: 7956)

President & CEO

Norimasa Kitazawa

Celebrate babies the way they are



Results for Fiscal Year Ended Dec. 2019

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7th Medium-Term Business Plan

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Business Plan for Fiscal Year Ending
Dec. 2020

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Agenda

Results for Fiscal Year Ended Dec. 2019

4Q Highlights: Double 11 and Full-Year Results in China

天下网商

天猫全球狂欢节
2019

过亿品牌俱乐部299个
(排名不分先后)

截止北京时间11月11日24时

Apple/苹果、Midea/美的、Haier/海尔、Huawei/华为、Nike/耐克、Xiaomi/小米、adidas/阿迪达斯、象、兔宝宝、Rinnai/林内、金可儿、Peak/匹克、AUPRES/欧珀莱、Visney/卫诗理、**Pigeon/贝亲**、Marubi/丸美、Bear/小熊、Abbott/雅培、TOTO、启

Ranked in the “100 million-yuan club” for the first time

Sales in T-mall
(Flagship stores) CNY **100** mill.

Achieved a strong growth in FY Dec. 2019

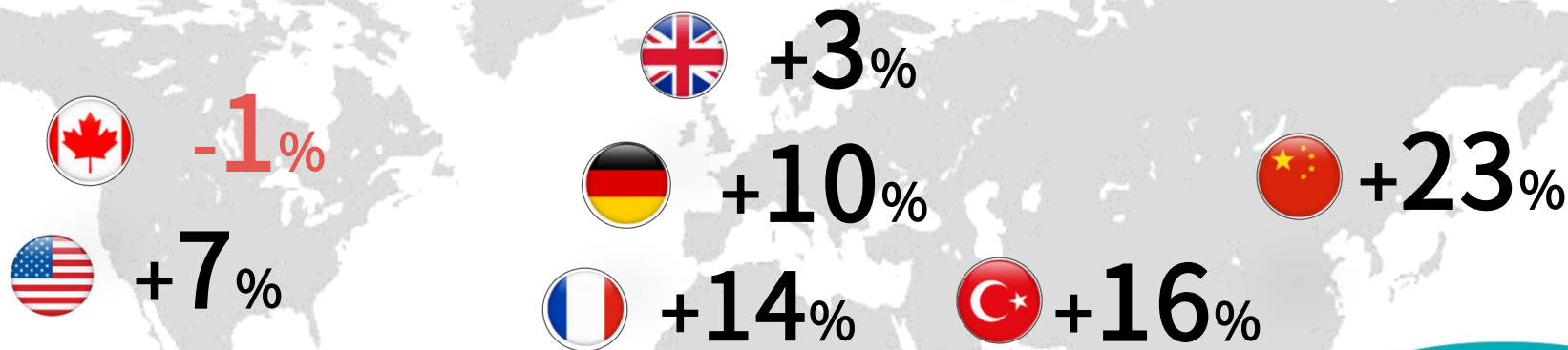
YoY Change
in Sales^{*1} Almost **11%**

*1: Sell-in results excluded Korea (on a local currency basis)

4Q Highlights: Sales in Lansinoh Business (Year-on-Year)

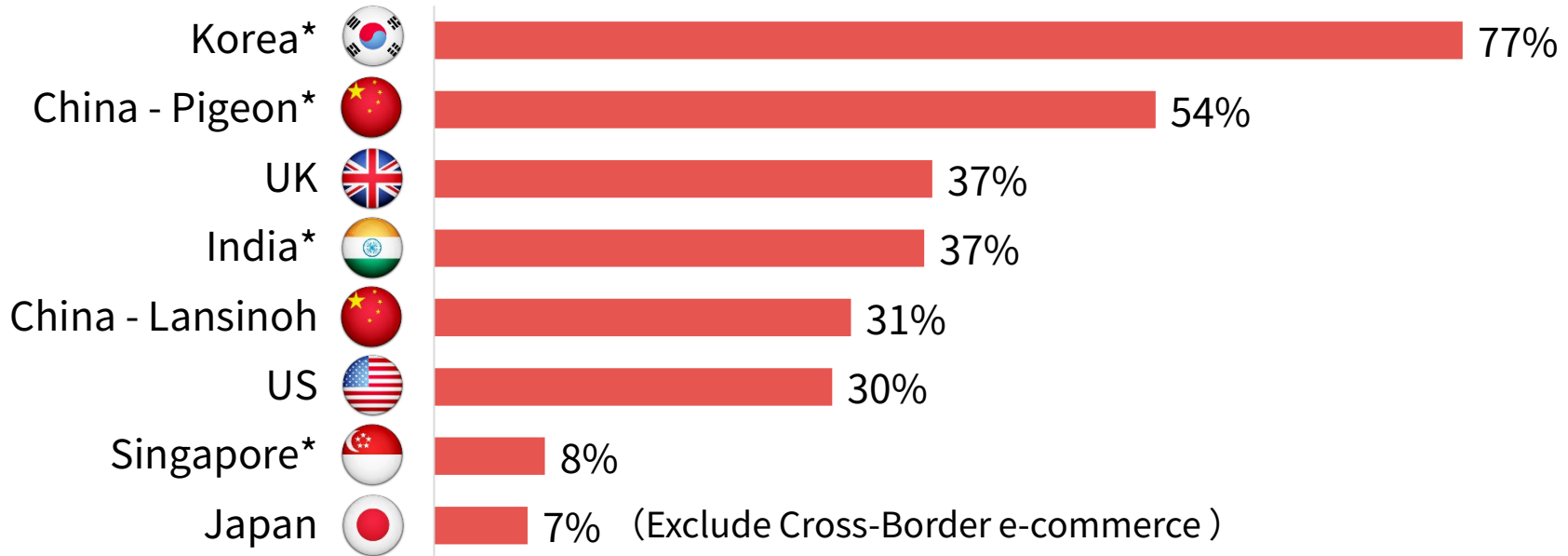
Sales grew all over the world

(on a local currency basis)



4Q Highlights: EC Ratio in Key Countries (FY Dec. 2019)

EC sales ratio of Pigeon / Lansinoh products



* : Sell-out Others : Sell-in

4Q Highlights: New Activities as the Industry Leader (Japan)

Support to establish the “Breastmilk Bank”

Wishing to deliver “Donor milk” to premature and low birth weight babies.

- The second breast milk bank in Japan
- Opening in 2020

What is a Breastmilk Bank?

An institution providing donated and processed “donor milk” to premature and extremely low birth weight babies who cannot have milk from their mothers.

* The image is for illustrative purposes only. 6

Results (Consolidated PL, 11 months for Japan Domestic)

(Unit: Millions of yen)	Dec./2019 Initial Budget	Dec./2019 Downward Revised Forecast	Dec./2019 Actual (11 months for Japan)	vs Initial Budget	vs Revised Forecast
Net sales	106,200	99,000	100,017	▲6,182	1,017
Cost of sales	50,900	48,500	49,216	▲1,683	717
Gross profit	55,300	50,500	50,800	▲4,500	300
SG&A expenses	35,300	33,700	33,727	▲1,573	27
Operating income	20,000	16,800	17,072	▲2,927	273
Ordinary income	20,000	16,900	17,284	▲2,715	385
Net Income Attributable to Owners of Parent	14,300	11,800	11,538	▲2,762	▲262

* [Currency rates] Dec. 2019: US\$1=¥109.02 CNY1=¥15.77 ← Jan. 2019: US\$1=¥110.43 CNY1=¥16.70

Reference: Results (Consolidated PL, **12 Months** Adjusted for Japan Dom.)

(Unit: Millions of yen)	Jan. 2019 Actual		Dec. 2019 Actual (12-Month Adjusted for Japan)		
	Actual	% of Total	Actual	% of Total	YoY Change
Net sales	104,747	100.0%	103,513	100.0%	98.8%
Cost of sales	50,889	48.6%	51,095	49.4%	100.4%
Gross profit	53,858	51.4%	52,418	50.6%	97.3%
SG&A expenses	34,246	32.7%	35,205	34.0%	102.8%
Operating income	19,612	18.7%	17,213	16.6%	87.8%
Ordinary income	20,398	19.5%	17,366	16.8%	85.1%
Net Income Attributable to Owners of Parent	14,238	13.6%	11,593	11.2%	81.4%

* [Currency rates] Dec. 2019: US\$1=¥109.02 CNY1=¥15.77 ← Jan. 2019: US\$1=¥110.43 CNY1=¥16.70

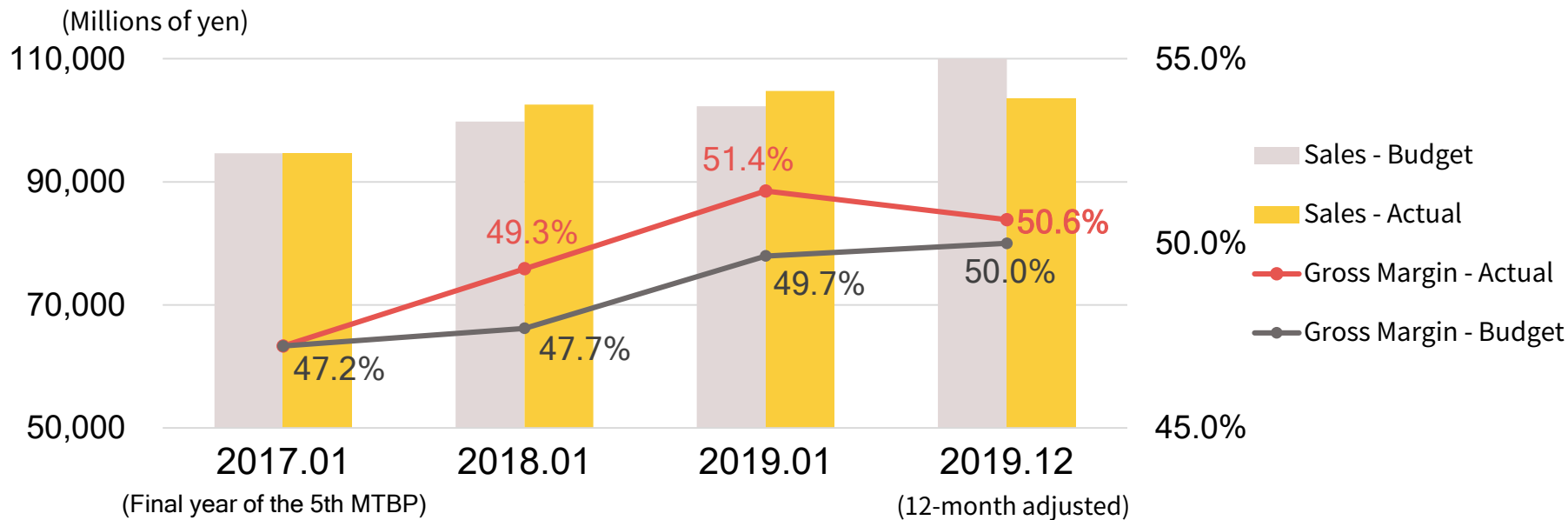
Reference: Results (Net Sales by Business Segment 12-Month Adjusted for Japan)

(Unit: Millions of yen)	Jan. 2019				Dec. 2019 (12-Month Adjusted in Japan)				
	Actual	% of Total	Gross Margin	Segment Profit	Actual	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated net sales	104,747	100.0%	51.4%	19,612	103,513	100.0%	98.8%	50.6%	17,213
Domestic Baby & Mother Care Business	35,593	34.0%	48.6%	6,096	33,205	32.1%	93.3%	49.0%	5,063
Child Care Service Business	4,472	4.3%	14.0%	169	3,816	3.7%	85.3%	13.0%	77
Health & Elder Care Business	6,986	6.7%	32.4%	353	7,094	6.9%	101.6%	31.5%	412
China Business	35,581	34.0%	56.0%	11,972	36,784	35.5%	103.4%	55.5%	12,510
Singapore Business	12,133	11.6%	49.3%	2,744	11,494	11.1%	94.7%	45.0%	1,975
Lansinoh Business	12,753	12.2%	59.5%	1,576	13,206	12.8%	103.6%	58.3%	1,803
Elimination of inter-segment transactions	(4,176)	(4.0%)	—	—	(3,531)	(3.4%)	84.6%	—	—
Other	1,402	1.3%	13.1%	142	1,441	1.4%	102.8%	8.9%	73

7th Medium-Term Business Plan

The 6th MTBP: Trends on PL Results

Profits steadily grew until FY Jan. 2019, but fell short of the target in FY Dec. 2019



Good: The China Business grew as planned.

Not Good:

- Huge decline of birth rate in Japan. Rise and fall of special inbound demand from overseas tourists.
- The Singapore Business slowed down sales expansion into the Indian and Indonesian markets.

The 6th MTBP: Achievements and Challenges

Achievements

Improved consolidated Gross margin

Achieved **50.6%** (12-month adjusted for FY Dec. 2019) * Hitting the 6th MTBP target of 50%

Prepared for changing market trend

Established a new structure to delegate authority from Head Office in Japan to local operations in each region.

Challenges

Address intensified competition due to the expansion of the EC market

- New competitors surging ahead as a result of the lowering of entry barriers.
- Competition with PB products at retail shops.

Shorten lead time to launch new products

The 6th MTBP: Achievements and Challenges by Business Segment

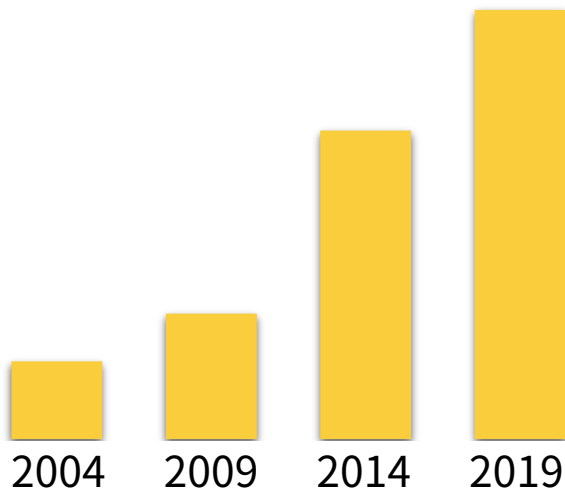
	Achievements	Challenges
Japan	<ul style="list-style-type: none"> Increased the market share of Nursing bottles. Launched new products in large-sized category such as Strollers and Baby carriers. 	<ul style="list-style-type: none"> Shrinkage of the market (Estimated 5% reduction every year). <u>Increase the market share of the large-sized products category.</u> (The 6th MTBP target of 25% has not been achieved.)
China	<ul style="list-style-type: none"> Rapid growth of EC sales. Started local production of Peach-Leave lotions. R&D department demonstrated technological advancement (through conference presentations on skin research). 	<ul style="list-style-type: none"> <u>Establish a <i>Monozukuri</i> (craftsmanship) system that appeals to the new generation of consumers (Gen. Z).</u> Strengthen Offline channel.
Singapore	<ul style="list-style-type: none"> Prepared for conquering the Indonesian market. <ul style="list-style-type: none"> Acquired 100% ownership of Pigeon Indonesia factory (in 2017) . Established a distribution company (in 2019). India : Distributed over 50,000 drug stores. 	<ul style="list-style-type: none"> <u>Launch the products with competitive price that can fit to the emerging markets.</u> Effective use of our own production facilities in local. Further expand India and Indonesian businesses.
Lansinoh	<ul style="list-style-type: none"> Steady growth in each region. Strong growth of the new DME channel in US. 	<ul style="list-style-type: none"> Establish a leading position in Breast pump category. Commoditization of the core products due to the rise of Private Labels. (Ex. Breast pads, Breastmilk Storage Bags) <u>Develop a new categories for medium-term growth.</u>

China Business: Key Success Factors

Sales:

5.5 times in **15** years

China Business (2004 - 2019)



Evolution of the brand



Establishment of local product development and manufacturing systems



Acceleration of decision making through delegation of authority

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.



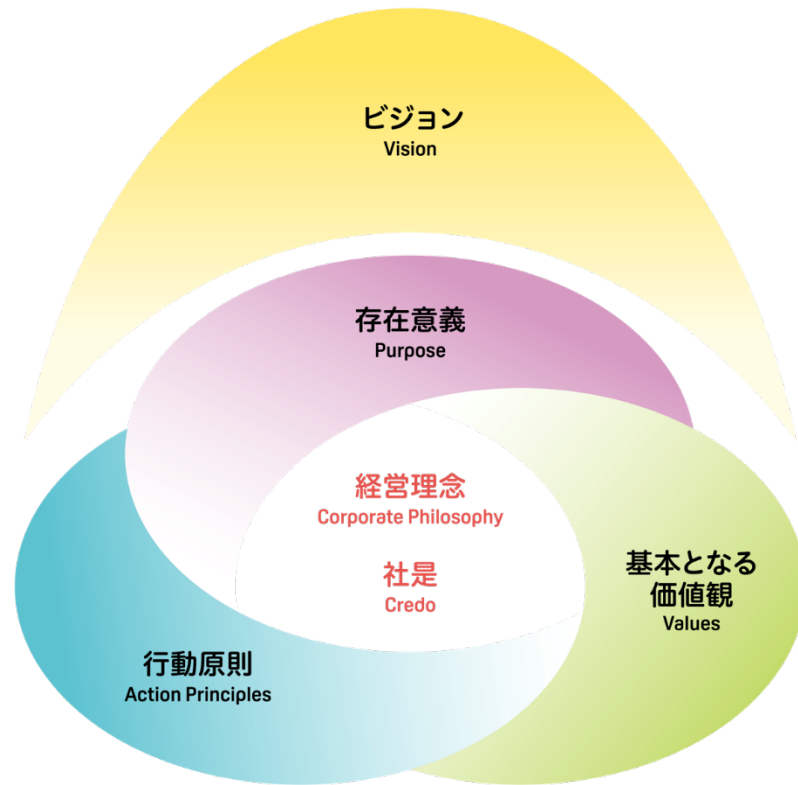
Developing a Brand Chosen by Consumers who Buy into a Business

Brand Strategy



Pigeon Way

The “Pigeon Way” is the cornerstone of all activities and embodies our “heart and soul” and sets the grounds for our actions to stream from this core.





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 Promise:


**Celebrate babies
the way they are**



“Manufactured messaging is transparent to us. We demand evidence, not rhetoric.”

GENERATION Z*

Post-millennial generation (born in the late 1990's to 2000's)

A photograph of a crowd at a concert. The scene is filled with warm, golden light from stage lights, creating a bokeh effect in the background. Many people's hands are raised in the air, some holding up smartphones to capture photos or videos. The overall atmosphere is energetic and celebratory.

“This group is hands-on, results driven and pragmatic, which means they want authenticity and consistency.”

GENERATION Z



Brand Promise:

**Celebrate babies
the way they are**



Products & Services



People and activities

Celebrate babies the way they are



Space and environment channel



Communication



Simple and intuitive design



Out-of-the-box thinking

Celebrate babies the way they are



Create a space that resonates with customers' five senses



Capture the baby's natural expression

From

**Buying
a product**

To

**Buying into
a business**

Updates: Pigeon China donated 32,000 units of Hand sanitizer to support the prevention of Coronavirus outbreak



**举“手”之劳
支援防疫**

贝亲在行动

贝亲向北京春苗慈善基金会
捐赠32000瓶抑菌免洗洗手液
为防疫工作积极提供日常防护

pigeon



Accelerate Growth in Our Core Products which
We Can Have a Unique Competitive Advantages in
Global Market

Product Strategy

Core Products - Our Advantages



Nursing bottles / Nipples

Product development based on our Core asset of “Babies’ sucking research”



Breast pumps

Essential for breastfeeding support, strong presence in the market by Lansinoh brand



Skincare

Product development based on our vast market experience and the fundamental research of “Babies’ skin”



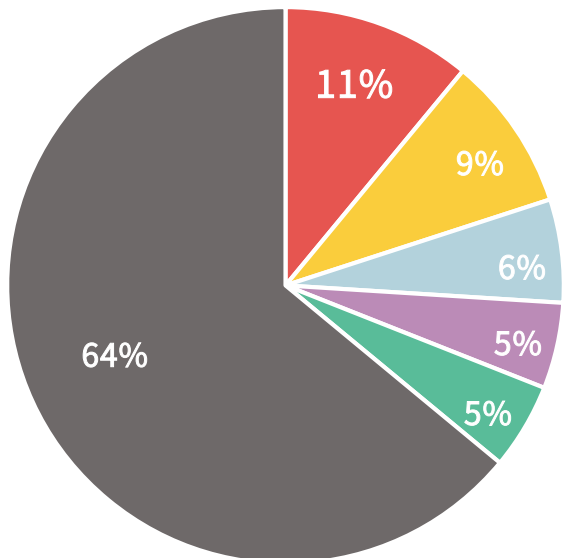
Oral care

Product development by utilizing our unique fundamental research outcome of “Babies’ oral development”, “Babies’ sucking” and “Breastfeeding”

Core Products - Nursing Bottles / Nipples

We should be able to continue to grow our global market share.
Giving consumers a wider range of products with different models, designs and prices.

2017 world market share (Research by Pigeon)



- Pigeon
- Company A
- Company B
- Company C
- Company D
- Other

Target of Global market share

Yr 2019



2022

11.0%

12.7%

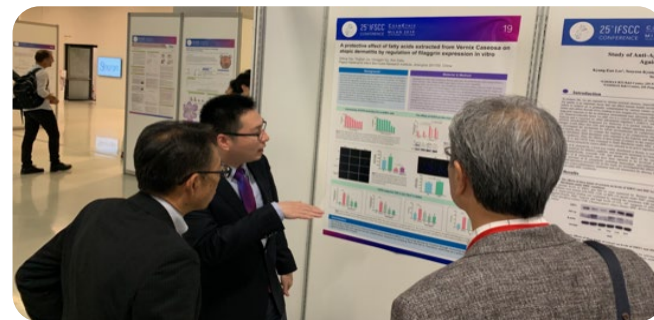
+1.7pt



Core Products - Skincare

We will offer the products developed based on the fundamental research of “Babies’ skin”.
A new product (Ssence) will develop a new business model for Pigeon.

Presented our research results on infant skin at IFSCC (International Federation of Societies of Cosmetic Chemists) Conference held in Milan, Italy in October 2019

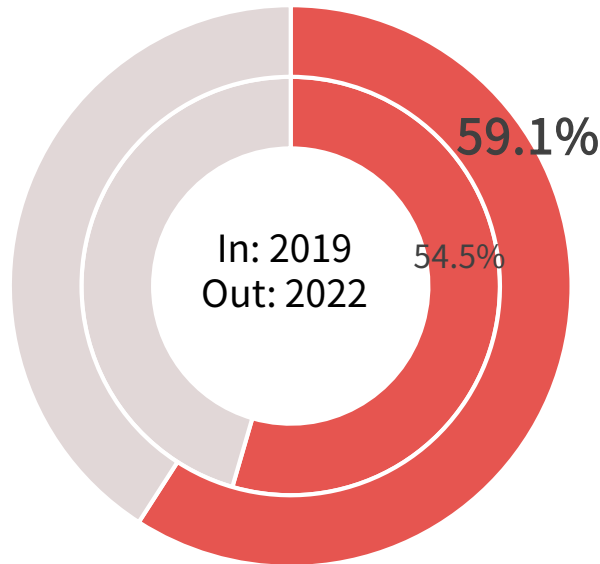
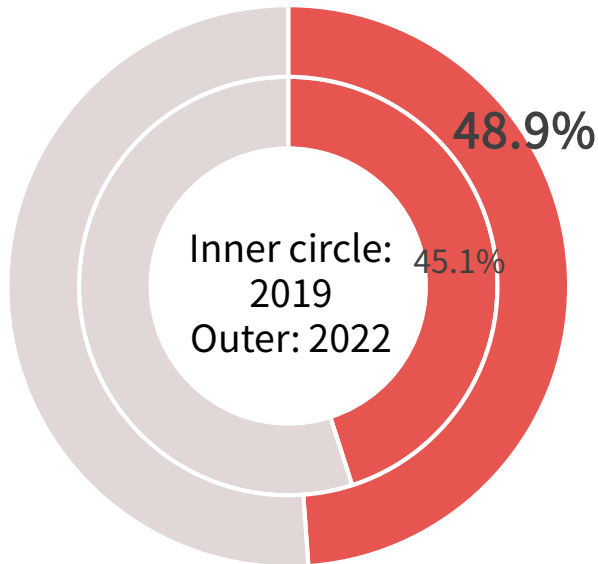


Position of Core Product Categories in 7th MTBP

These categories will also continue to contribute significantly to the Group's growth in Sales and Gross profit

Sales composition ratio

Gross profit composition ratio



■ Core products ■ Other

■ Core products ■ Other

Net sales
CAGR 9.7%

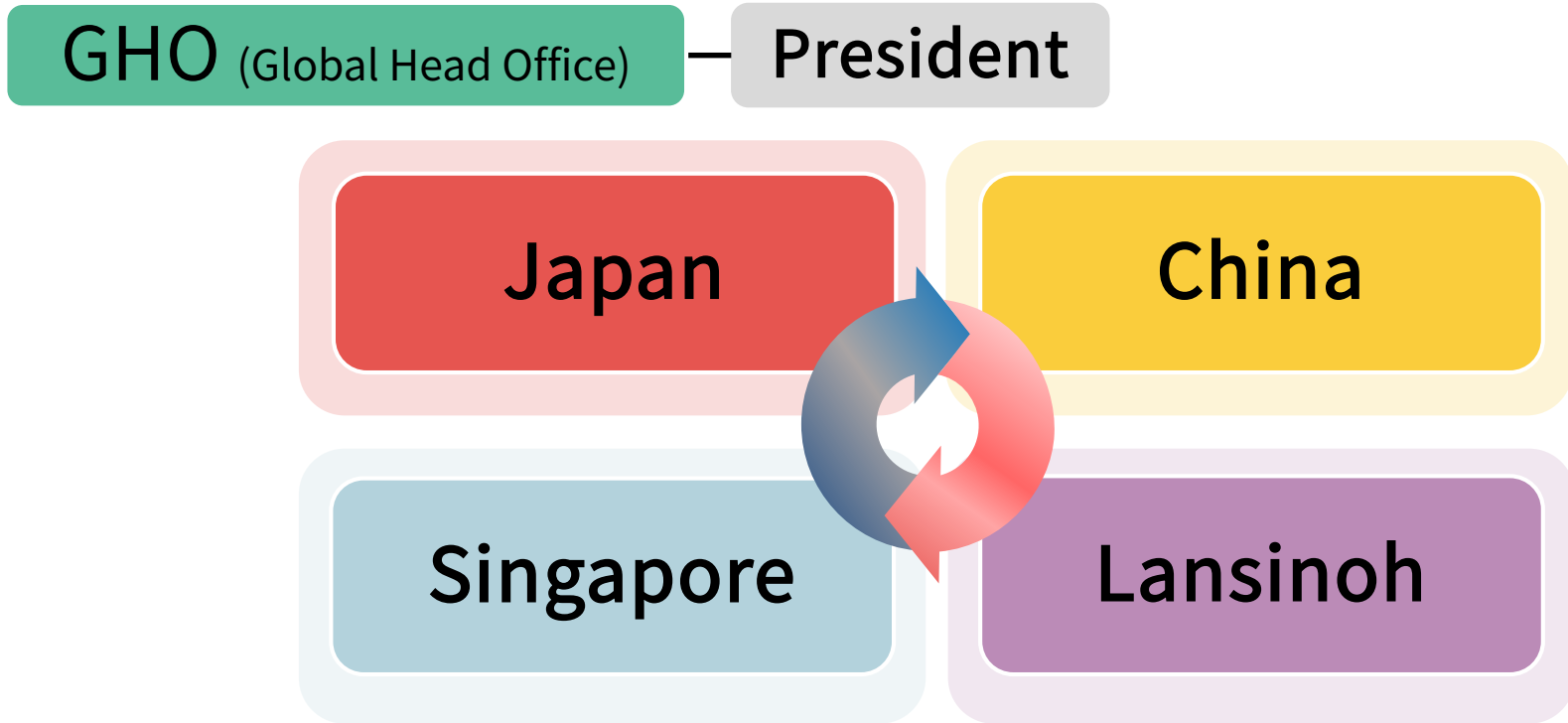
Gross profit
CAGR 11.1%

Develop and Implement Agilely a Cycle of “Product development, Production and Sales” that Fits Market Characteristics and Consumer Preference of Each Region.

Regional Strategy

Organization Design from 2019

Each business unit is responsible for designing its own business.



Case 1: Electric Breast Pump (ASEAN / Emerging markets)

“Good quality with Great price” product for emerging markets

Year 2020
Average monthly sales
(year on year: forecast) *1

2.1 times +



- An Electric breast pump mainly targeting “emerging markets”
- Attractive not only in price but also in function and design
- Will be launched to other emerging markets such as Latin America.

Case 2: Electric breast pump (China)

Product development and manufacture with sharing what each business unit can do best



Model: QA56

2019 sales value of
Model QA56
(year on year) *1

3.8 times

- Joint development of the Lansinoh Business, which has expertise in breast pumps, and the China Business, which has significant market opportunity
- The first “Pigeon” brand products manufactured in the “Lansinoh” factory in Turkey
- This model became a Key revenue growth driver, doubled the sales amount of the entire breast pump category in 2019 on a year-on-year basis

Case 3: Bottle Cleaner (Indonesia)

Offer the “Pigeon quality” product but price competitive against local brands

Annual 2019
Sales (year on year) *1

18 times +



- Switch from import products (made by our factory in Thailand) to the one made by good local supplier in Indonesia.
- This change made us more price competitive and annual sales has rapidly grown to 690,000 units from 40,000,
- Product quality is always our priority, but we will also consider to procure more consumable products working with good local suppliers to be price competitive.

*1: Sell-out results of local distributors in Indonesia

Develop and Implement Agilely a Cycle of “Product development, Production and Sales” that Fits Market Characteristics and Consumer Preference of Each Region.

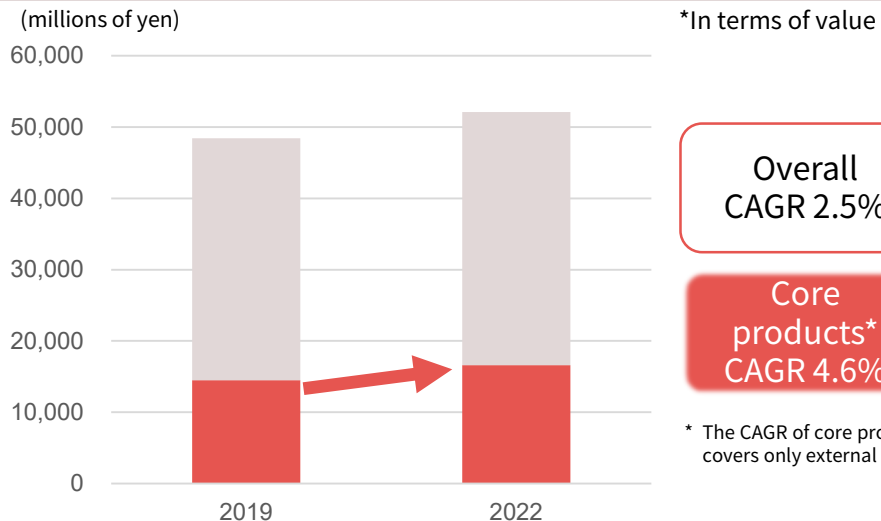
Regional Strategy - By Business Segment

7th MTBP - Japan Business

Key strategy

- Top market share in the stroller market* (6th MTBP 20% ⇒ 7th MTBP 33.4%)
- Investment to strengthen skincare category

Sales target



Overall CAGR 2.5%

Core products* CAGR 4.6%

* The CAGR of core products covers only external sales

ビジョンのベビーカーは
スイスイ動いてのびのび乗れる。

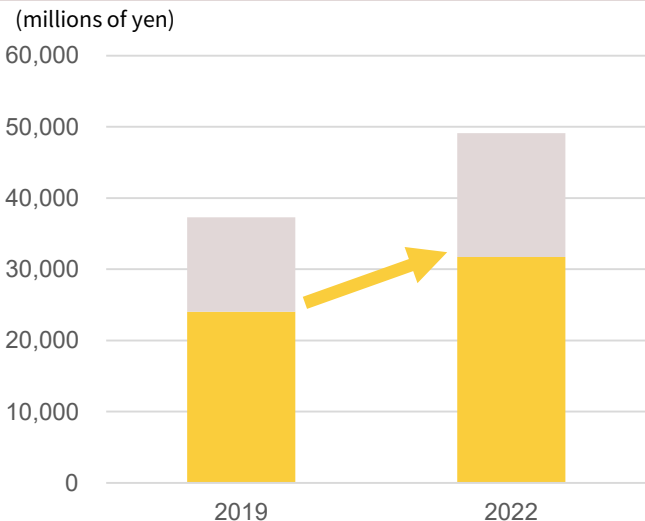


7th MTBP - China Business

Key strategy

- Offering products at higher prices through “*Monozukuri*” spirit
- Build a new business model with “Ssence”
- Establish “Shenzhen Creative Studio”

Sales target



Overall
CAGR 9.6%

Core
products*
CAGR 9.7%

*The CAGR of core products covers only external sales



7th MTBP - Singapore Business

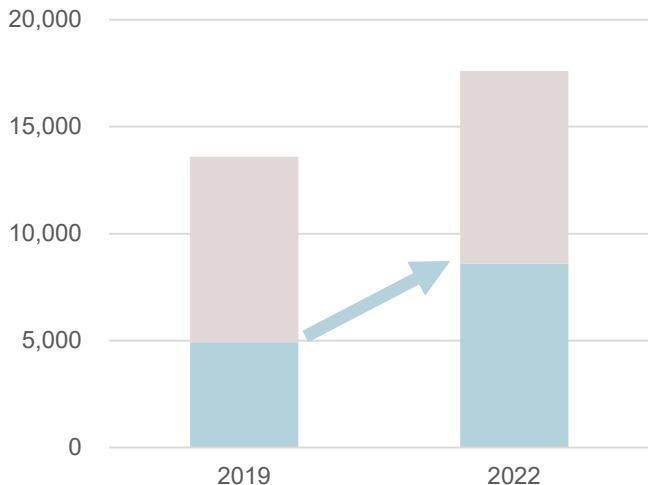
Key strategy

- Increasing production capacity and expanding items handled by expanding the factory in Indonesia
- Expansion of locally procured products in emerging markets (India / Indonesia)



Sales target

(millions of yen)



Overall
CAGR 9.0%

Core
products*
CAGR 20.4%

* The CAGR of core products covers only external sales

“Botanical Baby Skincare”



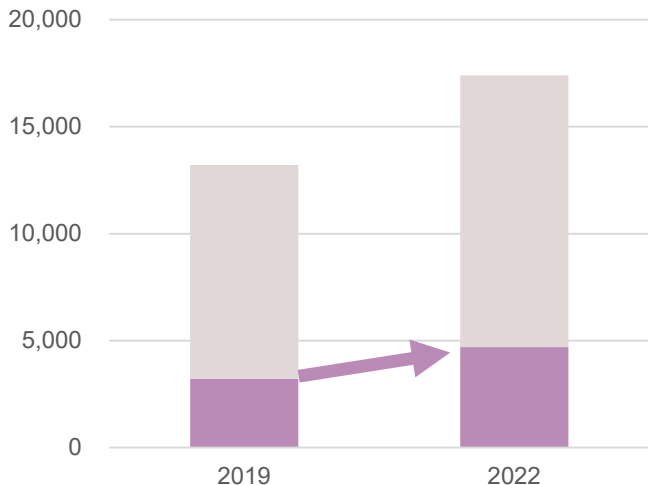
7th MTBP - Lansinoh Business

Key strategy

- Brand extension from “Breastfeeding” to “**Maternal health**”
- Establish position as a breast pump leader (Expansion of products for hospitals and as well as clinical research)

Sales target

(millions of yen)



Overall
CAGR 9.6%

Core products*
CAGR 13.4%

* The CAGR of core products covers only external sales



To Make the World More Baby-Friendly

ESG

Pigeon Sustainable Vision

Celebrate Babies With All

By continuing to truly focus upon babies, we want to make the world more baby-friendly. We aim to achieve sustainable growth as a company by reducing environmental impact and solving social issues surrounding babies and mothers in all countries and regions where we conduct business activities. Together with our stakeholders, we strive to create future, full of joy and freedom, that treasures the amazing brilliance inherent in every baby, that encourages curiosity, and celebrates diversity.

Three Major Goals in Sustainable Vision “Celebrate Babies With All”

Three Major Goals			
	<p>Reduce environmental impact</p> <p>“Leave a rich earth for the future of babies born tomorrow”</p>	<p>Solve social issues surrounding babies and mothers</p> <p>“Create a world that celebrates babies the way they are”</p>	<p>Build a strong management foundation</p> <p>“Support sustainable growth to stay close to the baby”</p>
Commitment	<p>Prevent global warming</p> <ul style="list-style-type: none"> • Reduce CO2 emissions. • Create new Eco-friendly products and packages. <p>Response to marine pollution incidents</p> <ul style="list-style-type: none"> • Reduce plastic use. <p>Resource conservation</p> <ul style="list-style-type: none"> • Reduce waste. • Adopt sustainable resources. 	<p>Develop the products and services as a solution of social issues</p> <ul style="list-style-type: none"> • Solve issues surrounding babies who need special support such as hospitalization in NICU and their families. <ol style="list-style-type: none"> (1) Develop new products and services. (2) Promote our current solution products/services. • Enhance activities to solve issues surrounding babies and their families. <ol style="list-style-type: none"> (1) Promote ongoing activities (such as setting up nursing rooms). (2) Consider and implement new activities. 	<p>Responsible dialogue with shareholders and investors</p> <p>Risk management</p> <p>Promotion of work-life balance*</p> <p>Promotion of diversity*</p> <p style="text-align: right;">* Japan only</p>
	7th MTBP targets	<ul style="list-style-type: none"> • CO2 emission intensity 10% reduction from FY 2018 • Industrial waste 1% reduction per unit per year 	<ul style="list-style-type: none"> • Creation of new products and services

Part of our ESG Activities



PIGEON INDUSTRIES (CHANGZHOU) CO.,LTD.



For a Low-birth-weight babies

A: Nipple for weak sucking babies
B: Nursing bottle for low birth weight infants
C: Nursing bottle for cleft lip and palate



PIGEON MANUFACTURING (SHANGHAI) CO.,LTD.



PIGEON INDIA PVT.LTD.



Eco-friendly package

Quantitative Targets

(* Excluding impacts of new coronavirus outbreak)

Quantitative Targets

(millions of yen)	Dec. 19 Actual (12-month adjusted basis)	Dec. 20 Budget	Dec. 21 Budget	Dec. 22 Budget	CAGR
Net sales	103,513	109,000	116,900	126,000	6.8%
Gross profit	52,418	56,600	61,400	66,400	8.2%
Operating income	17,213	18,100	20,200	23,100	10.3%
Net income attributable to owners of parent	11,593	12,600	14,100	16,300	12.0%
EPS (yen)	96.82	105.23	117.76	136.14	
Gross margin	50.6%	51.9%	52.5%	52.7%	
Operating margin	16.6%	16.6%	17.3%	18.3%	
Net income attributable to owners of parent margin	11.2%	11.6%	12.1%	12.9%	

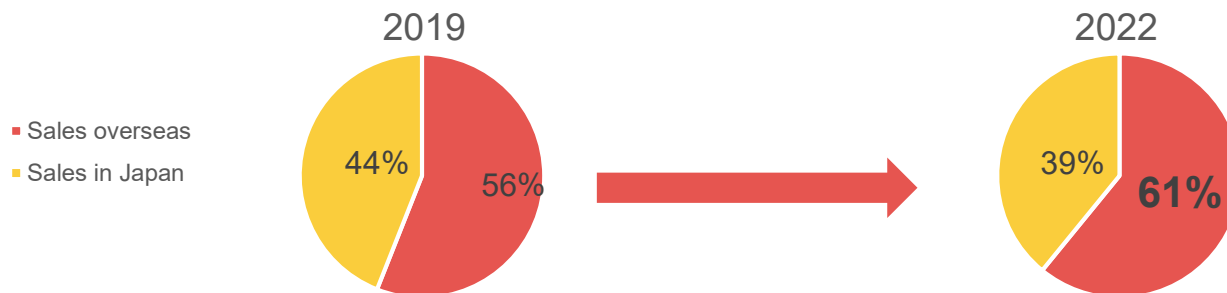


*ROE: Calculated with equity being the average of the beginning and ending balances

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

Quantitative Targets: Net Sales by Business Segment

(millions of yen)	Dec. 19 Actual (12-month adjusted basis)	Dec. 20 Budget	Dec. 21 Budget	Dec. 22 Budget	Dec. 22 Budget Gross Margin	Net sales CAGR
Consolidated	103,513	109,000	116,900	126,000	52.7%	6.8%
Japan	48,421	48,600	50,100	52,100	42.0%	2.5%
China	37,306	40,500	44,600	49,100	56.2%	9.6%
Singapore	13,600	14,400	15,700	17,600	38.0%	9.0%
Lansinoh	13,207	14,350	15,600	17,400	58.6%	9.6%
Inter-segment transactions	(9,022)	(8,850)	(9,100)	(10,200)		4.2%

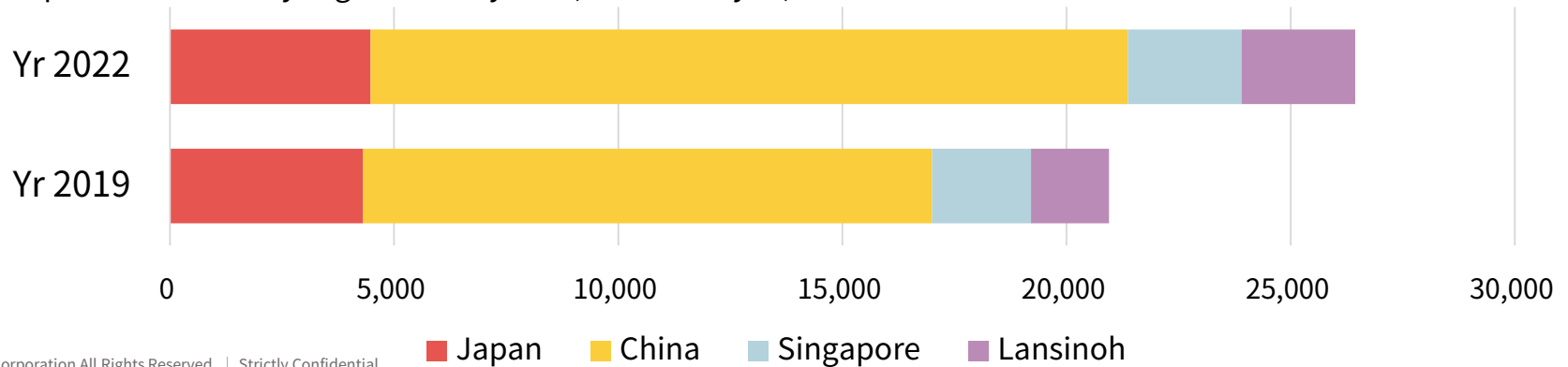


* Currency rates for 7th MTBP: US\$1 = ¥109.00, CNY 1 = ¥16.00 ← Dec/19: US\$1 = ¥109.02, CNY 1 = ¥15.77

Quantitative Targets: Op. Income by Business Segment

(millions of yen)	Dec. 19 Actual (12-month adjusted basis)	Dec. 20 Budget	Dec. 21 Budget	Dec. 22 Budget	Operating Income CAGR
Consolidated	17,213	18,100	20,200	23,100	10.3%
Japan	4,311	4,316	4,599	4,474	1.2%
China	12,687	13,485	14,722	16,898	10.0%
Singapore	2,210	2,145	2,429	2,945	10.0%
Lansinoh	1,741	1,944	2,167	2,537	13.4%

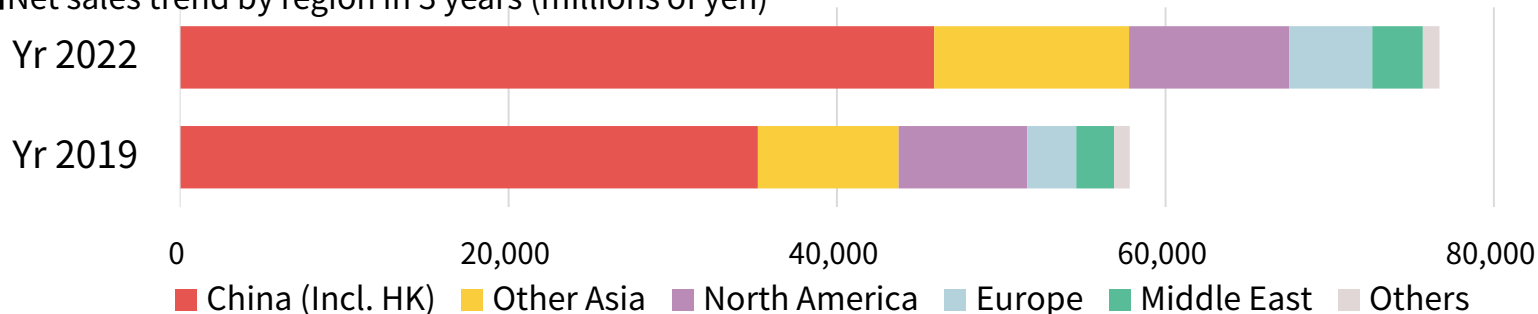
■ Op Income trend by segment in 3 years (millions of yen)



Quantitative Targets: Sales by Region (Overseas)

(millions of yen)	Dec. 19 Actual (12-month adjusted basis)	Dec. 20 Budget	Dec. 21 Budget	Dec. 22 Budget	Net sales CAGR
Overseas total	57,824	63,307	69,171	76,680	9.9%
China (incl. Hong Kong)	35,184	38,177	41,660	45,910	9.3%
Other Asia	8,578	9,601	10,632	11,874	11.5%
Middle East	7,831	8,384	8,952	9,750	7.6%
Europe	2,969	3,959	4,402	5,050	19.4%
North America	2,304	2,379	2,612	3,075	10.1%
Other	958	808	912	1,021	2.1%

■ Net sales trend by region in 3 years (millions of yen)



* Currency rates for 7th MTBP: US\$1 = ¥109.00, CNY 1 = ¥16.00 ← Dec/19: US\$1 = ¥109.02, CNY 1 = ¥15.77

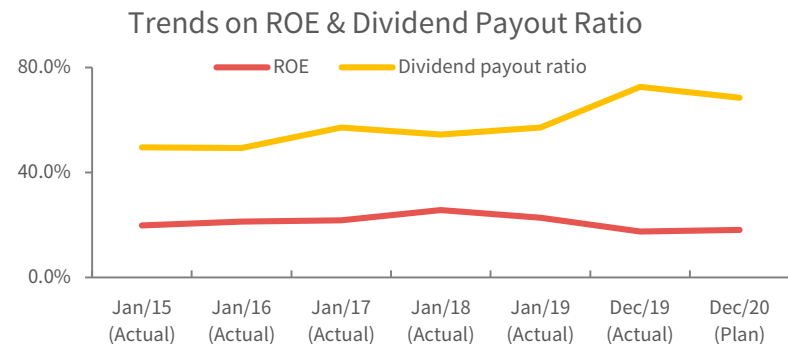
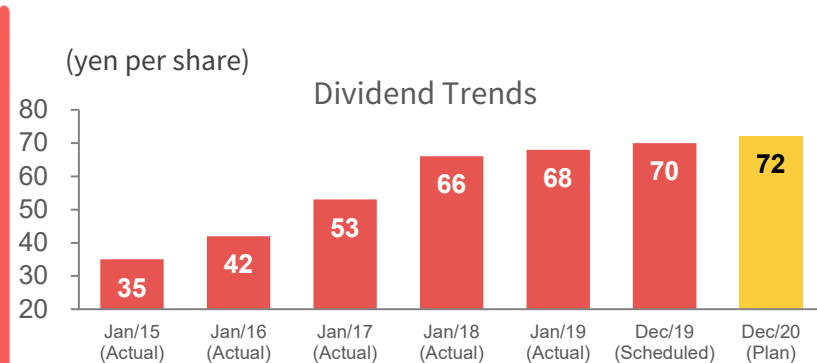
Capital Policy and Shareholder Return

- Estimated increase in operating CF: Approx. 56.0 billion yen in 3 years
- Aggressively making investments for continued growth (incl. M&A)
Breakdown for investments (incl. M&A) (3-year total: Approx. JPY 25.0 bill.)
Overseas business: Approx. 16.0 billion yen
Domestic business: Approx. 9.0 billion yen
- Achieving the consolidated total shareholder return ratio of approx. 55% with a year-on-year increase in dividends for each fiscal year
- Aiming to achieve:

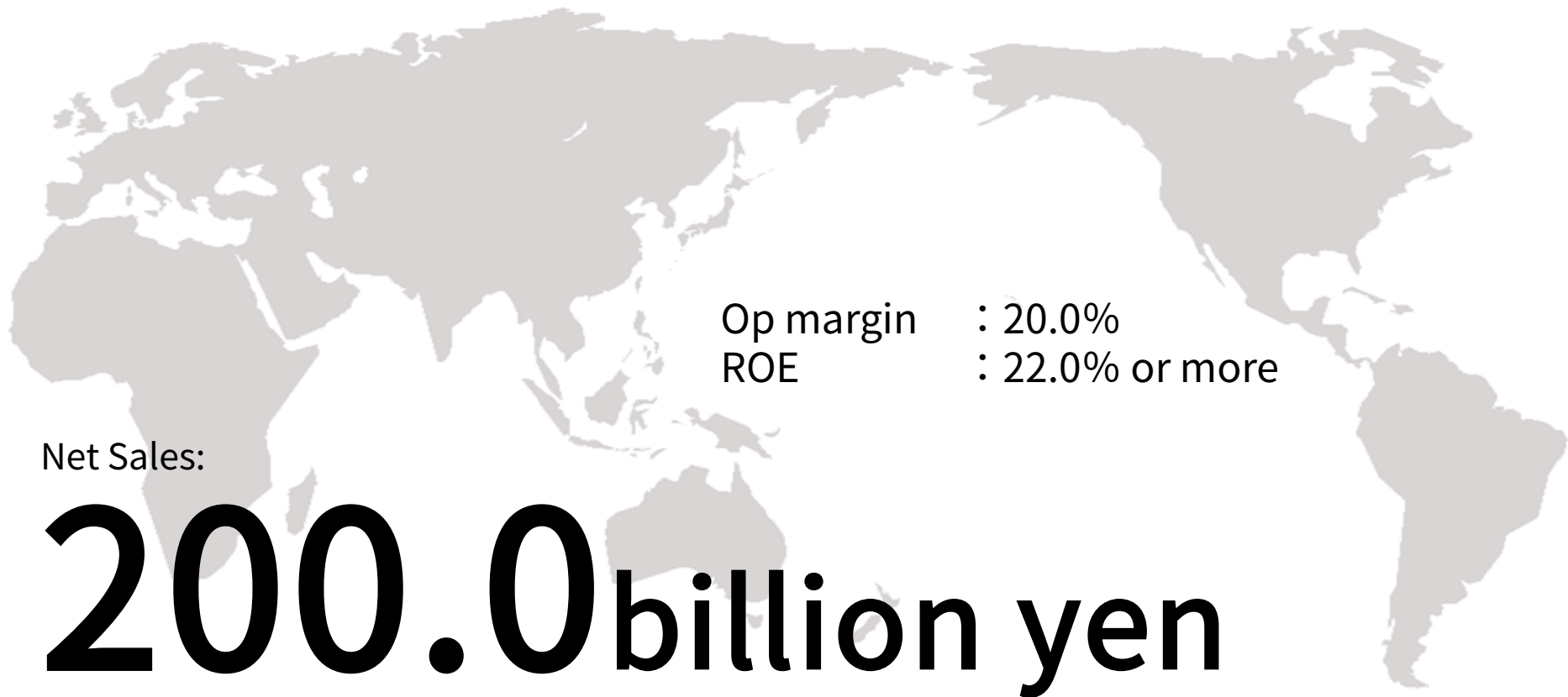
ROE (Return on Equity):	20.0% or more
ROIC (Return on Invested Capital):	19.0% or more

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

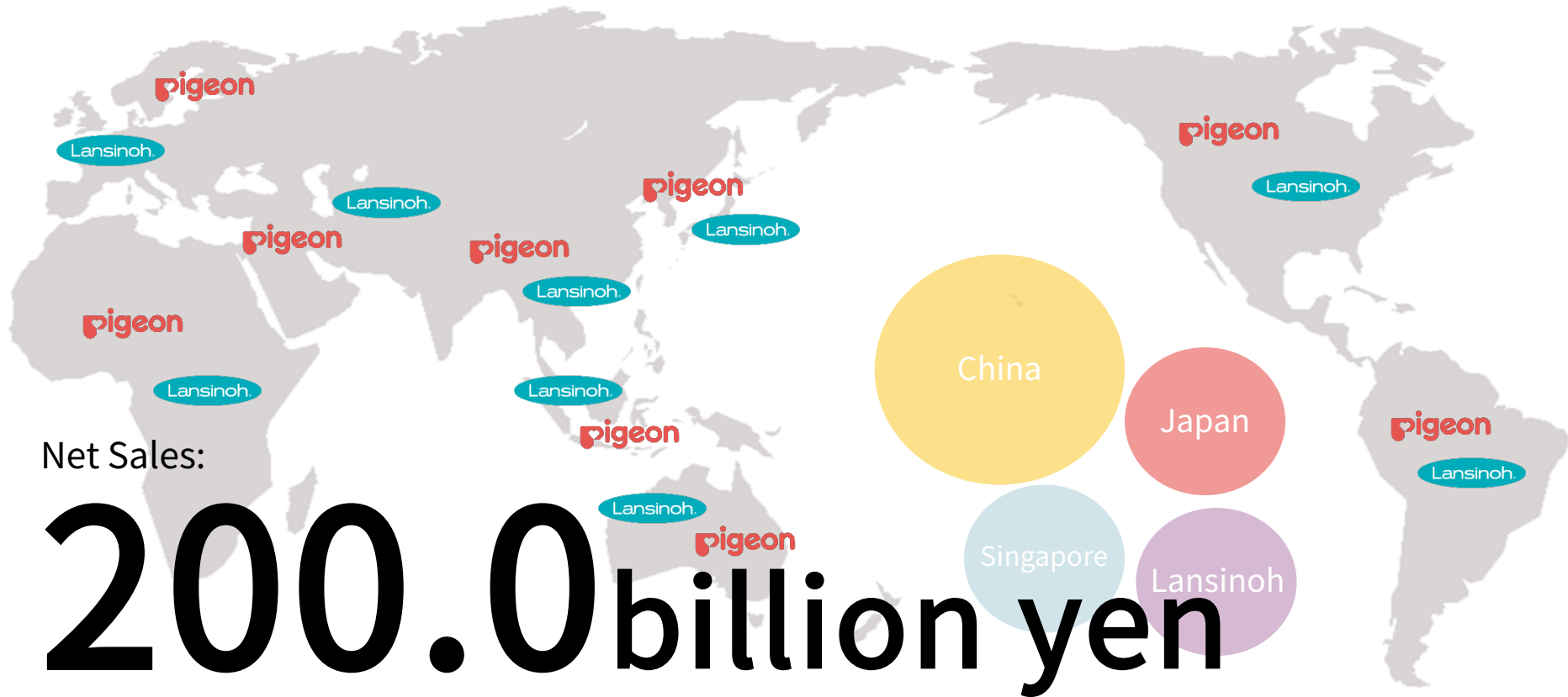
*ROIC: Return on Invested Capital (NOPAT/Invested capital, calculated with a tax rate of 30.0% and invested capital being the average of the beginning and ending balances)



Long-term Vision (in some 10 years' time)



Long-term Vision (in some 10 years' time)



Business Plan for Fiscal Year Ending Dec. 2020

(* Excluding impacts of new coronavirus outbreak)

Business Plan for Dec. 2020: Consolidated PL

(millions of yen)	Dec. 2019 Actual (12-month adjusted for Japan)		Dec. 2020		
	Actual	% of Total	Budget	% of Total	YoY Change
Net sales	103,513	100.0%	109,000	100.0%	105.3%
Cost of sales	51,095	49.4%	52,400	48.1%	102.6%
Gross profit	52,418	50.6%	56,600	51.9%	108.0%
SG&A expenses	35,205	34.0%	38,500	35.3%	109.4%
Operating income	17,213	16.6%	18,100	16.6%	105.2%
Non-operating income (expenses)	153	0.2%	0	0.0%	-
Ordinary Income	17,366	16.8%	18,100	16.6%	104.2%
Extraordinary income (losses)	(180)	(0.2%)	0	0	-
Net Income attributable to non-controlling interests	230	0.2%	200	0.2%	87.0%
Net income attributable to owners of parent	11,593	11.2%	12,600	11.6%	108.7%

Business Plan for Dec. 2020: Net Sales by Segment

(millions of yen)	Dec. 2019 Actual (12-month adjusted for Japan)				Dec. 2020				
	Actual	% of Total	Gross Margin	Segment Profit	Budget	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated	103,513	100.0%	50.6%	17,213	109,000	100.0%	105.3%	51.9%	18,100
Japan	48,421	46.8%	40.0%	4,311	48,600	44.6%	100.4%	41.4%	4,316
China	37,306	36.0%	54.2%	12,687	40,500	37.2%	108.6%	55.8%	13,485
Singapore	13,600	13.1%	37.8%	2,210	14,400	13.2%	105.9%	37.7%	2,145
Lansinoh	13,207	12.8%	58.2%	1,741	14,350	13.2%	108.7%	59.0%	1,944
Elimination of inter-segment transactions	(9,022)	(8.7%)	-	-	(8,850)	(8.1%)	98.1%	-	-

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. 2018		Jan. 2019		Dec. 2019		Dec. 2020	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Scheduled)	Interim (Estimate)	Year-end (Estimate)
Dividend per share (Yen)	31	35	34	34	35	35	36	36
Dividend payout ratio	54.5%		57.2%		72.7%		68.4%	

<Reference> Investment-related indicators

(millions of yen)	Jan. 2019		Dec. 2019		Dec. 2020
	1st Half (Actual)	Full-year (Actual)	1st Half (Actual)	Full-year (Actual)	Full-year (Forecast)
Capex (*1)	2,795	5,376	2,009	3,869	4,200
Depreciation (*2)	1,383	2,804	1,966	3,372	3,600
R&D expenses	1,479	3,119	1,536	3,059	3,400

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

*2 Depreciation (including amortization of goodwill)

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

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Celebrate babies the way they are



Appendix



Results for Fiscal Year Ended Dec. 2019

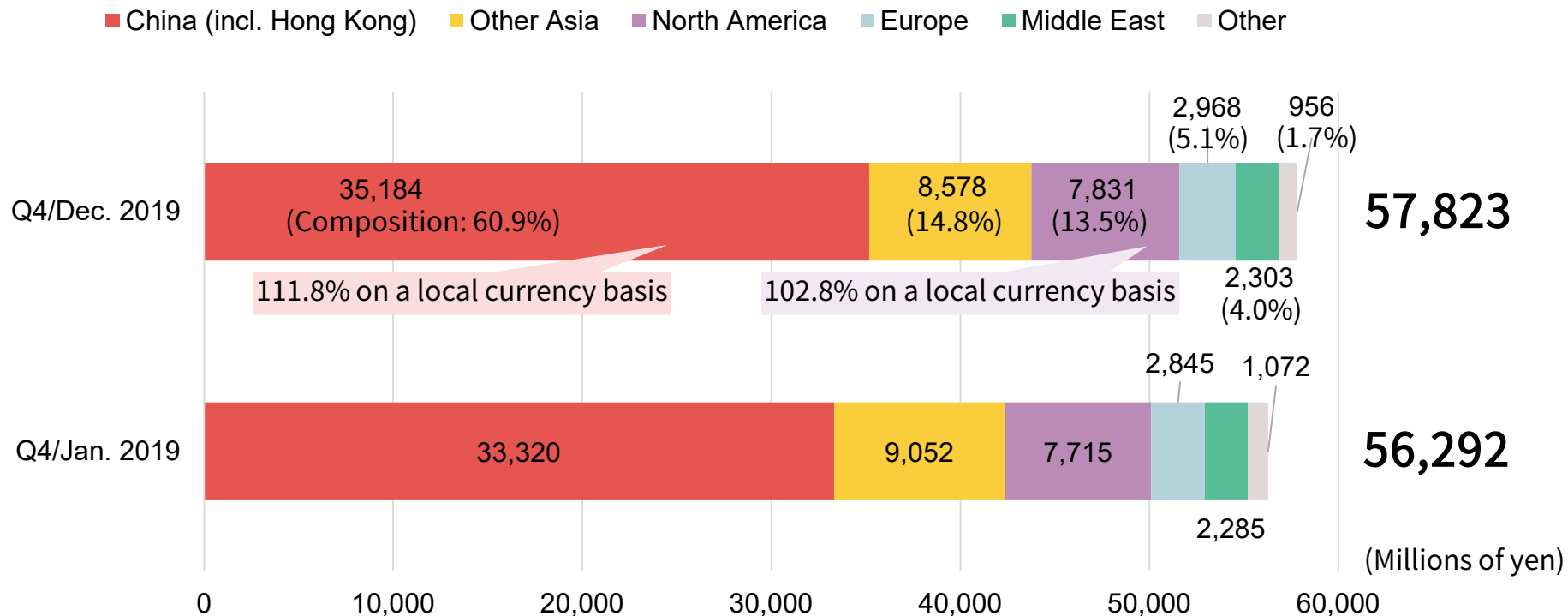
Financial Highlights (Consolidated)

(Millions of yen)	Jan. 2019		Dec. 2019			
	Actual	YoY Change	Initial Budget	Actual	vs Initial Budget	YoY Change
Net sales	104,747	102.1%	106,200	100,017	94.2%	—
Operating income	19,612	101.0%	20,000	17,072	85.4%	—
Ordinary income	20,398	101.3%	20,000	17,284	86.4%	—
Net income attributable to owners of parent	14,238	98.1%	14,300	11,538	80.7%	—
Net assets	66,582	106.0%	72,619	70,463	97.0%	—
Total assets	86,006	101.8%	93,370	90,491	96.9%	—
EPS (yen)	118.89	98.1%	119.40	96.37	80.7%	—
BPS (yen)	536.43	105.8%	585.99	588.53	100.4%	—
ROE	22.8%	—	21.3%	17.5%	—	—
ROIC	21.2%	—	20.1%	17.4%	—	—

*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

Results for Q4/Dec. 2019 : Sales by Geographic Area (Overseas)



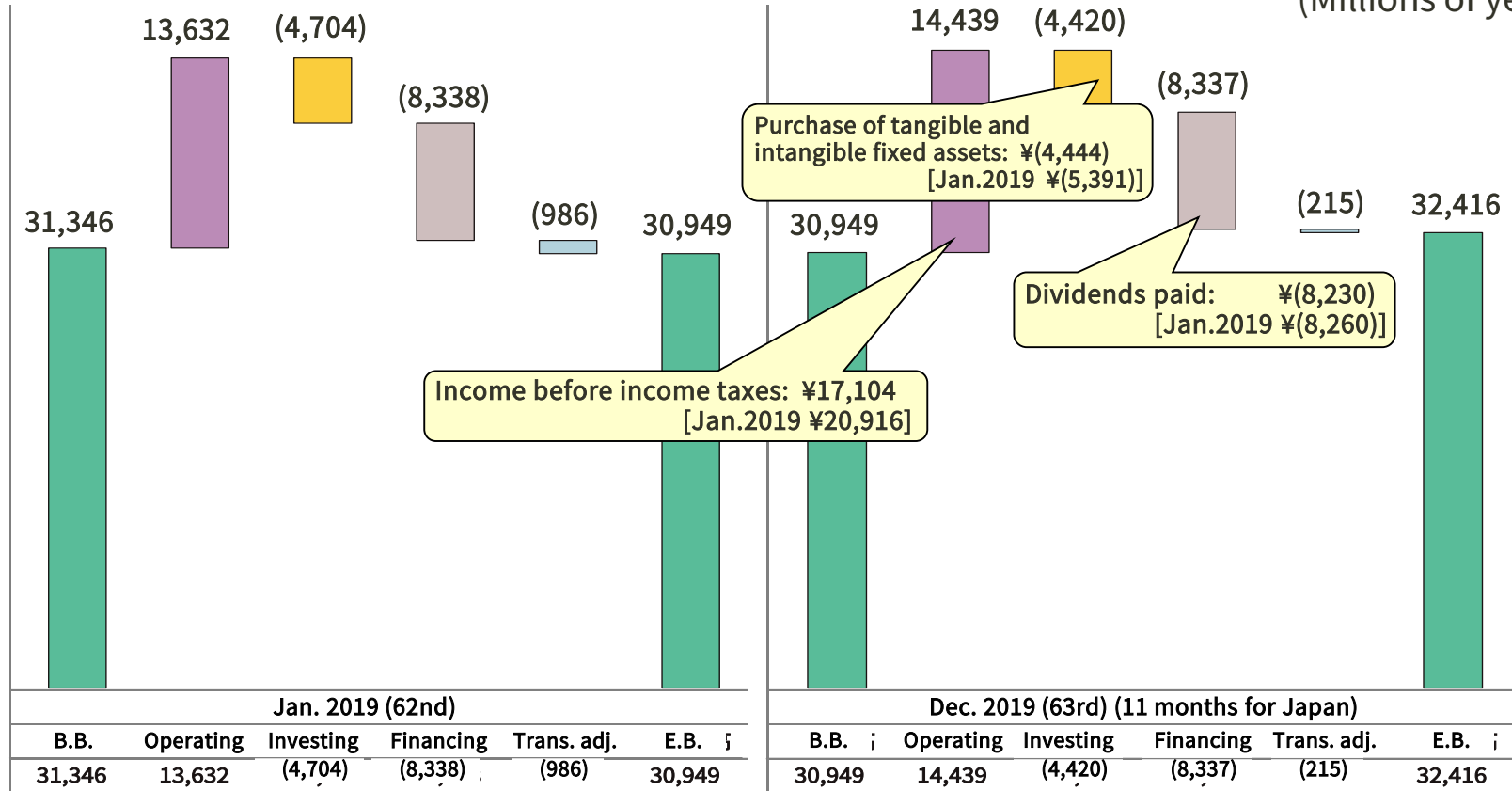
* Currency rates for 7th MTBP: US\$1 = ¥109.00, CNY 1 = ¥16.00 ← Dec/19: US\$1 = ¥109.02, CNY 1 = ¥15.77

<Ref.> Consolidated Balance Sheet (Highlight)

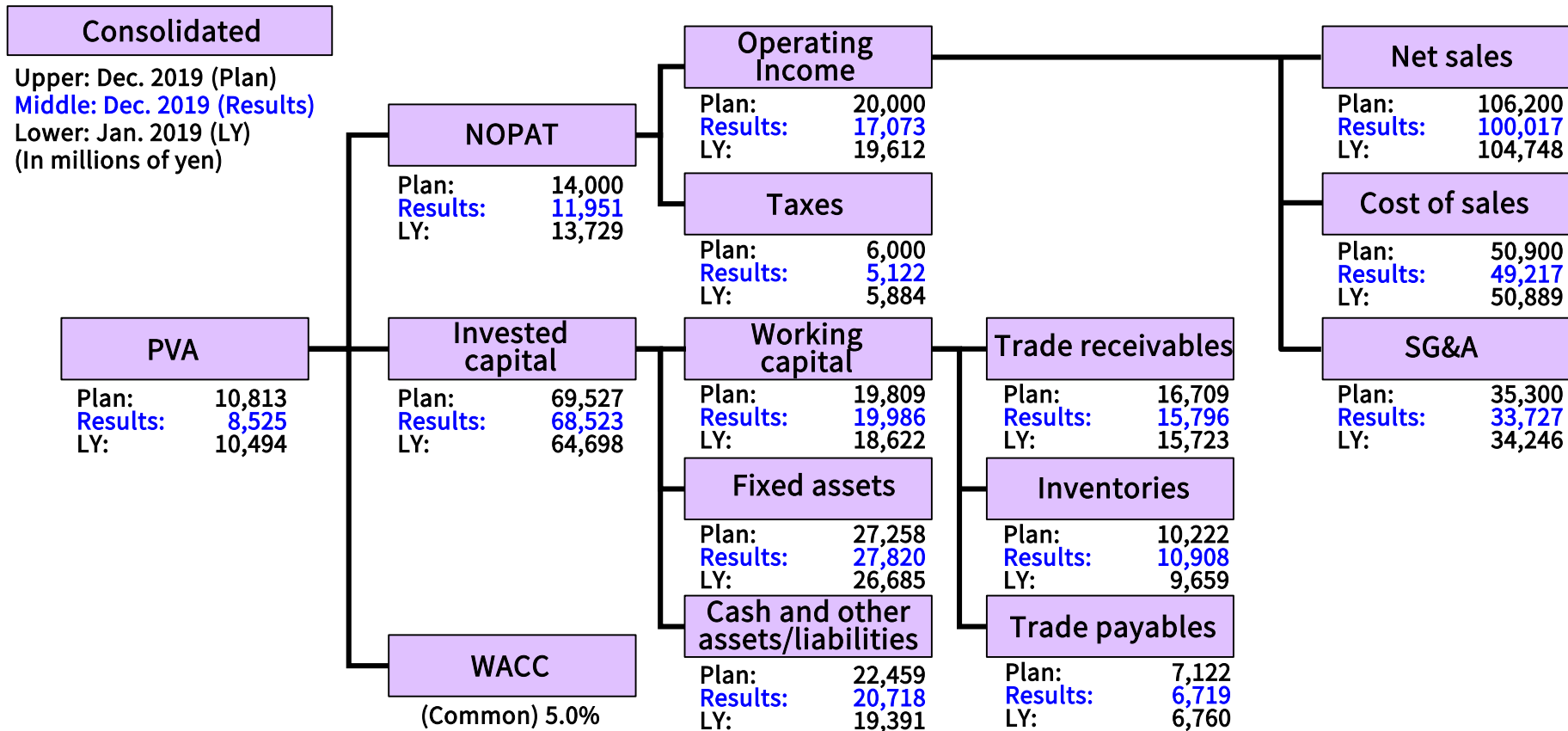
(Millions of yen)	End of Jan. 2019	End of Dec. 2019 (11 months for Japan)		
	Actual	Actual	YoY Change	YoY Change (%)
Cash and deposits	30,949	32,416	+1,467	105.3%
Notes and accounts receivable - trade	15,004	16,588	+1,583	110.6%
Inventories	10,605	11,211	+606	105.7%
Notes and accounts payable - trade	4,567	4,900	+332	107.3%
Electronically recorded obligations - operating	1,960	2,009	+48	102.5%
Borrowings	0	0	—	—
Net assets	66,582	70,463	+3,881	105.8%
Total assets	85,618	90,491	+4,873	105.7%
Equity ratio	75.0%	74.8%	—	(0.2)Pt

<Ref.> Comparison of Cash Flows (Consolidated)

(Millions of yen)



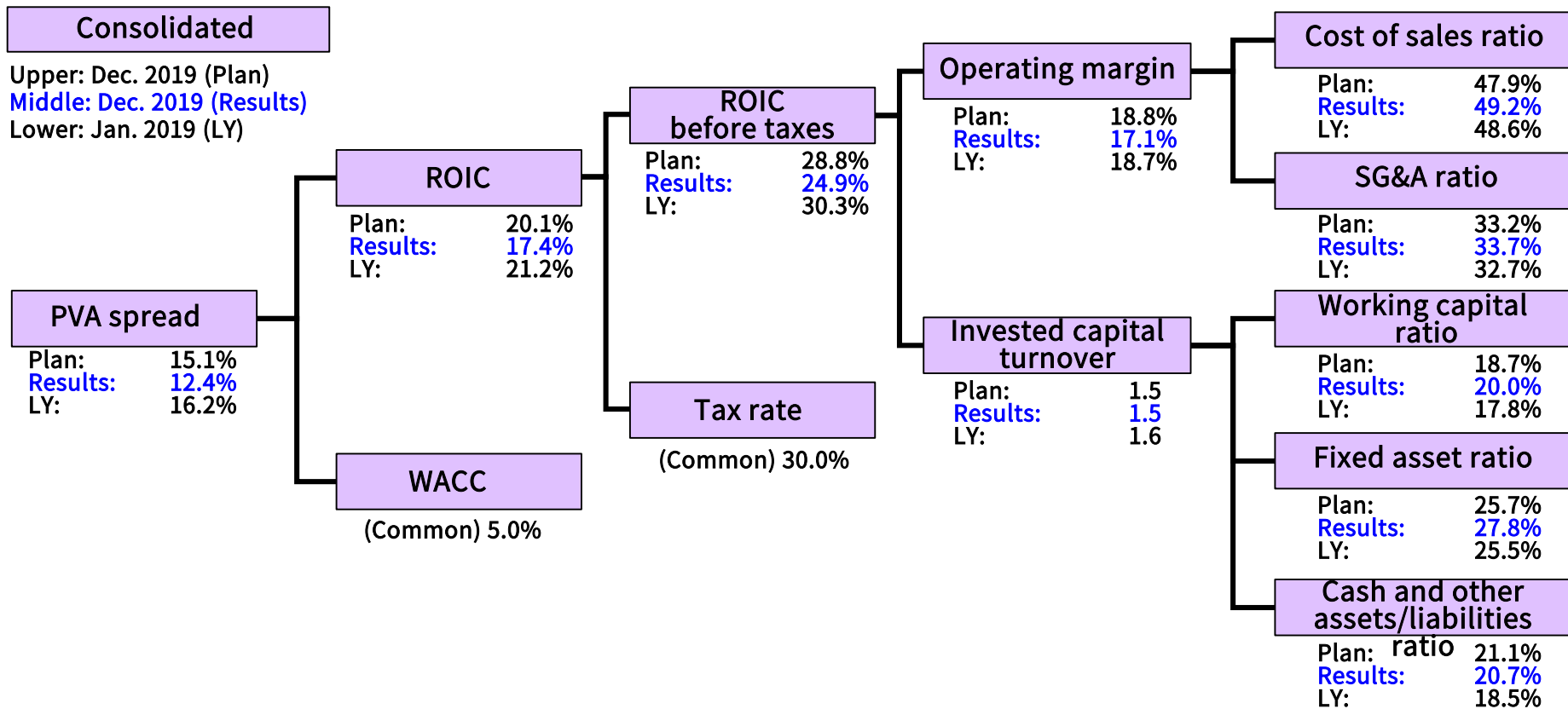
PVA Tree: Consolidated Results for Dec. 2019 (63rd term)



* 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.

PVA Tree: Consolidated Results for Dec. 2019 (63rd term)

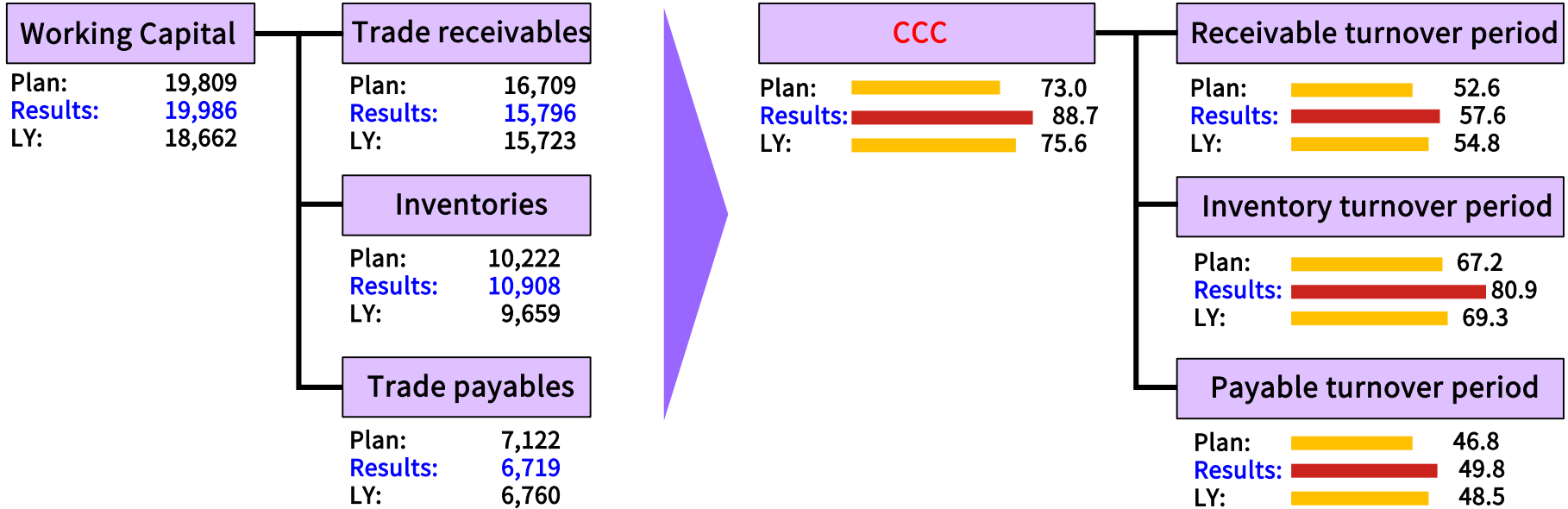


* The figures for Dec. 2019 are those for 11 months for Japan.

PVA Tree: Consolidated Results for Dec. 2019 (63rd term)

Consolidated

Upper: Dec. 2019 (Plan)
 Middle: Dec. 2019 (Results)
 Lower: Jan. 2019 (LY)
 (In millions of yen)



* 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.

- Review of the 6th Medium-Term Business Plan
- Plan of 7th Medium-Term Business Plan

12 Tasks of 6th MTBP



Review of 12 Tasks of the 6th MTBP

ESG

- Set Pigeon's own ESG policy and disclosed it on our website and Integrated Report
- Increased the use of green power generated by solar panels installed at a total of three factories in China and India
- Implemented the "Pigeon Rubella Zero Action" to encourage rubella antibody test and vaccination (Japan)

Global sharing of corporate philosophy & value

- Enhanced the global sharing of the corporate philosophy through internal contents, including global internal newsletters and a video series "My Pigeon Way Story"
- Held the Pigeon Way training program in Indonesia to deepen the employees' understanding

World-class brand power

- Formulated and systematized the new core brand concept
- Held the "Global CS (Customer Satisfaction) Meeting" with an aim to improving the quality of customer service on a global basis
- Held a series of seminars on breastfeeding instructions for healthcare professionals (20 times a year in Japan)

Development capabilities

- Launched a breast pump produced at the Lansihoh factory in China
- Launched a highly designed breast pump "Go Mini"
- Launched a pacifier for low birth weight babies "Preemie Care" that enables babies to keep sucking on in any posture
- Reviewed the development process and started the delegation from Japan to other BUs

Review of 12 Tasks of the 6th MTBP

Business model for success

- Expanded the Indonesia business
- Achieved growth of new sales channels including Lansihoh's DME channels and the Chinese market
- Explored new sales channels in the Chinese market: hospitals, WeChat Mall, postnatal care centers, etc.
- Launched two e-commerce shops in Japan so as to capture the growing demand
- Experienced a deterioration in the cash conversion cycle (CCC) due to excess inventory in Japan (74.4 days in FY Jan. 2017 → 88.7 days in FY Dec. 2019)
- Recorded an improvement in PVA (¥6,584 million in FY Jan. 2017 → ¥8,525 million in FY Dec. 2019)
- Achieved a cost reduction for nonwoven products due to enhanced yield (China)

Cash flow management (PVA)

Global cash management

- Built US-dollar pooling structures in the US and Singapore and started the cash management, centered on the Head Office

Global SCM

- Maintained appropriate inventory levels of nursing bottles and nipples in China
- Improved the productivity at the Thailand factory by increasing the number of cavities of bottle molding machines

Review of 12 Tasks of the 6th MTBP

Diversity/ women in management

- Provided a mindset training program for female employees
- ★ Received Forbes Japan WOMEN AWARD 2018
- Implemented the Telework Program
- * All of the above are initiatives taken by Pigeon Corporation

Global human resource development

- Implemented the Global Trainee Program
Objective: Early find and develop global talent capable of playing an active role anywhere internationally
- * All of the above are initiatives taken by Pigeon Corporation

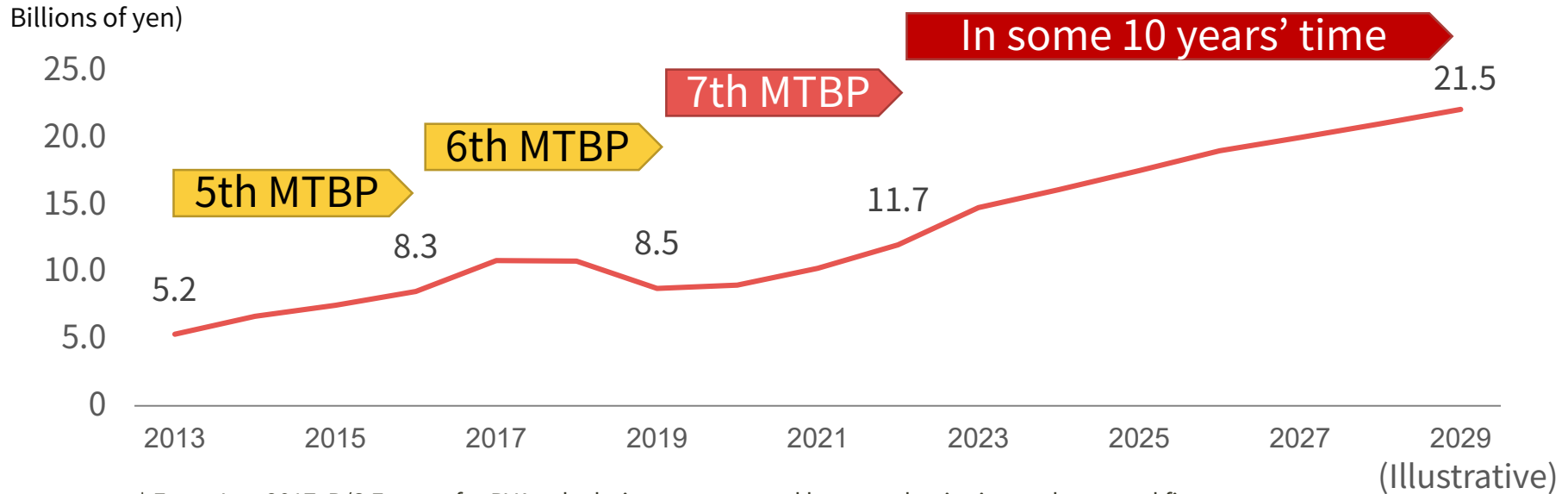
Salary increase

- Achieved an improvement in the paid leave acquisition rate: 69.5% (49% in the final year of the 5th MTBP)
- Recorded a rise in the average annual salary: ¥8.53 million for the 12 months' period (¥7.84 million in the final year of the 5th MTBP)
- * All of the above are achievements made by Pigeon Corporation

Global information system

- Launched the ERP system at seven group companies in Japan
- Operated the EPR systems by linking them among three group companies in China

Long-term Vision (in some 10 years' time): PVA Projection



* From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.

* Assumed tax rate: 30%; WACC: 5%

Initial Plan for Dec. 2020

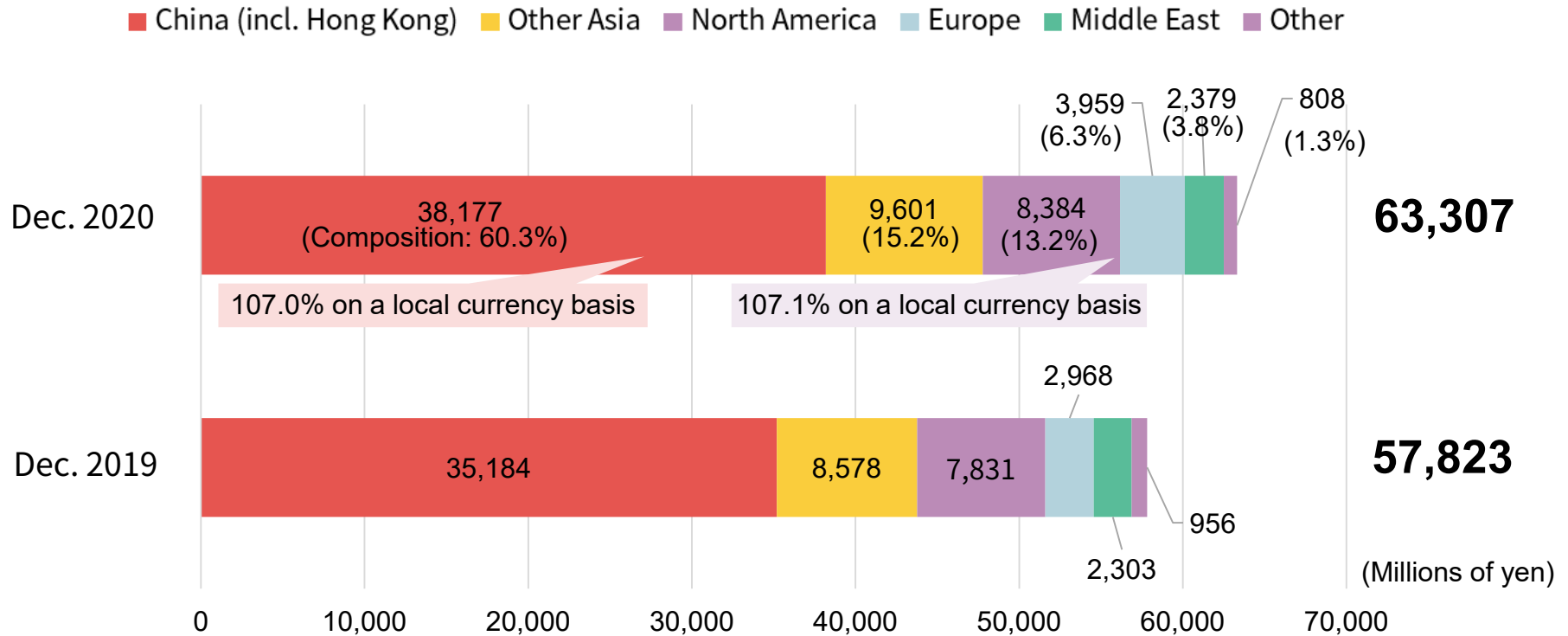
Financial Highlights (Consolidated)

(Millions of yen)	Dec. 2019		Dec. 2020		
	Actual	% of total	Budget	% of total	YoY
Net sales	100,017	—	109,000	100.0%	—
Operating income	17,072	—	18,100	16.6%	—
Ordinary income	17,284	—	18,100	16.6%	—
Net income attributable to owners of parent	11,538	—	12,600	11.6%	—
Net assets	70,463	—	74,560	—	—
Total assets	90,491	—	95,831	—	—
EPS (yen)	96.37	—	105.23	—	—
BPS (yen)	588.53	—	622.76	—	—
ROE	17.5%	—	18.1%	—	—
ROIC	17.4%	—	17.5%	—	—

*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

Plan for Dec. 2020: Sales by Geographic Area (Overseas)



* Currency rates for 7th MTBP: US\$1 = ¥109.00, CNY 1 = ¥16.00 ← Dec/19: US\$1 = ¥109.02, CNY 1 = ¥15.77

Initiatives to be Taken by Each BU in FY Dec. 2020

Japan

[Strengthen large-sized product category]

Baby stroller: Start a sales promotion highlighting the new concept

Baby carrier: Reinforce measures to enhance the brand awareness

[Take measures for inbound/cross-border e-commerce]

Strengthen the SNS-based sales promotion in China with an emphasis on “Japan original”

Singapore

[Develop Indonesia business]

Ensure smooth operation of Pigeon Baby Lab Indonesia (distribution company)

Enhance and expand the local procurement network

[Develop India business]

Boost sales of strategically-priced nursing bottles and skincare products at drugstores

China

[Foster new products]

Launch new products to coincide with China’s major e-commerce festivals, “618” and “Double Eleven”

[Establish a new development base]

Launch “Creative Studio” in Shenzhen

Lansinoh

[Enter new markets]

Expand the market into the Philippines and other Asian markets

[Make efforts toward the new brand image appeal]

Prepare for the shift into a “maternal health” brand

Change in Reportable Segments: Details

Due to the organizational change that took effect on December 16, 2019, we changed the reportable segment structure from six segments applicable for the 63rd term ended December 2019 to four segments applicable for the 64th term ending December 2020 and onwards.

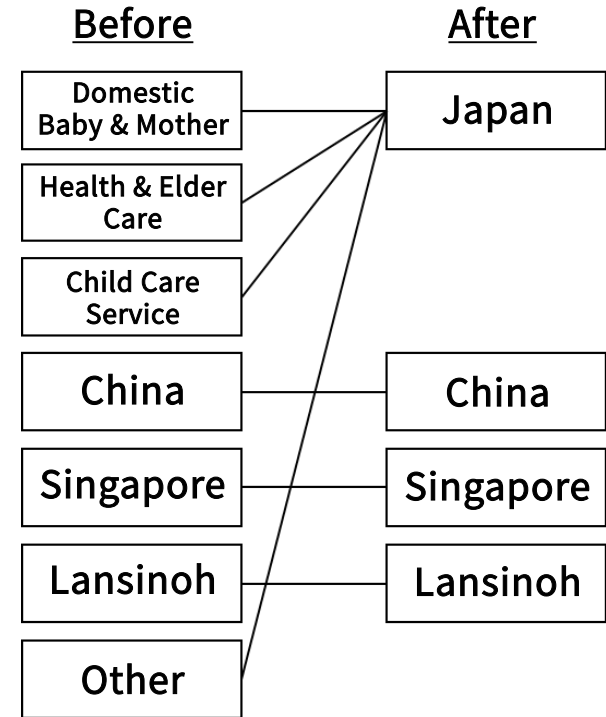
Reportable segments applicable for the 63rd term

- Domestic Baby & Mother Care Business
- Child Care Service Business
- Health & Elder Care Business
- China Business
- Singapore Business
- Lansinoh Business

Reportable segments applicable for the 64th term and onwards

- Japan Business
- China Business
- Singapore Business
- Lansinoh Business

In addition, while a manufacturing and sales business to external customers engaged by manufacturing subsidiaries in Japan is included in the Other Businesses segment for the 63rd term, it will be consolidated into the Japan Business from the 64th term.



* Effective from the 64th term, the Child Care Service Business Division and the Health & Elder Care Business Division will be consolidated into the Related Business Division.

Change in Reportable Segments: Comparison

Before change: Dec. 2019

* The figures are 63rd term actual (11 months for Japan)

(millions of yen)	Domestic Baby & Mother Care	Child Care Service	Health & Elder Care	China	Singapore	Lansinoh	Elimination of inter-segment transactions	Other	Consolidated
Net sales	30,813	3,492	6,546	36,824	11,482	13,213	(3,700)	1,343	100,017
Gross margin	48.8%	12.6%	31.3%	55.3%	45.2%	58.3%		9.1%	50.8%
Segment profit	4,697	49	386	12,483	2,007	1,784		72	17,072

After change: Dec. 2020 and onwards

* The figures are 63rd term actual (11 months for Japan)

(millions of yen)	Japan	China	Singapore	Lansinoh	Elimination of inter-segment transactions	Consolidated
Net sales	44,560	37,350	13,588	13,214	(8,696)	100,017
Gross margin	40.1%	54.0%	37.3%	58.3%	—	50.8%
Segment profit	4,084	12,685	1,965	1,823	—	17,072

* Net sales and segment profit of the three overseas business segments have been changed because the change in the reportable segment structure resulted in reclassifying some intra-group transactions from intra-segment to inter-segment transactions.

Change in Reportable Segments: New Disclosure Format

(millions of yen)	Dec. 2019 Actual (12-Month Adjusted for Japan)				Dec. 2020				
	Actual	% of total	Gross margin	Segment profit	Budget	% of total	YoY (%)	Gross margin	Segment profit
Consolidated	103,513	100.0%	50.6%	17,213	109,000	100.0%	105.3%	51.9%	18,100
Japan Business	48,421	46.8%	40.0%	4,311	48,600	44.6%	100.4%	41.4%	4,316
China Business	37,306	36.0%	54.2%	12,687	40,500	37.2%	108.6%	55.8%	13,485
Singapore Business	13,600	13.1%	37.8%	2,210	14,400	13.2%	105.9%	37.7%	2,145
Lansinoh Business	13,207	12.8%	58.2%	1,741	14,350	13.2%	108.7%	59.0%	1,944
Elimination of inter-segment transactions	(9,022)	(8.7)%	-	-	(8,850)	(8.1)%	-	-	-

* Ref.) Breakdown of the Japan Business (Figures prepared by the Business Strategy Dept. for the purpose of comparing with those under the previous segment structure)

Domestic Baby & Mother Care	33,205	32.1%	49.0%	5,063	34,507	31.7%	103.5%	48.7%	5,152
Child Care Service	3,816	3.7%	13.0%	78	3,633	3.3%	95.2%	15.6%	150
Health & Elder Care	7,094	6.9%	31.5%	413	7,340	6.7%	103.5%	32.4%	402