

Financial Results of FY Dec. 2021 (65th Fiscal Year)

Pigeon Corporation

(Securities Code: 7956)

Norimasa Kitazawa

President and CEO

February 15, 2022

Celebrate babies the way they are



FY Dec. 21 (FY65)

- Highlights for H2/FY Dec. 2021 P. 2–3
- Results for FY Dec. 2021 P. 4–12
- Earnings Forecast for FY Dec. 2022 P. 13–20
- ESG Initiatives P. 21–22

Agenda

Highlights for FY Dec. 2021 (1)

- Named as “Winner Company” at 2021 Corporate Governance of The Year Awards
- Won **Minister of State Commendation** at 2021 Selection of Consumer-Oriented Companies for Best Practice



[Major acknowledged initiatives]

- Advanced initiatives in corporate governance
- Research and development activities to capture consumer requirements (observe breastfeeding of more than 250 pairs of mother and baby in a year)
- Opened human milk bank on the first floor of Pigeon’s headquarters to promote activities to protect very low birth weight infants

We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs. With this purpose of the Company, we operate our businesses from the long-term view, expanding the Group businesses and maximizing enterprise value (both economic value and social value).

Highlights for FY Dec. 2021 (2)

■ Launched a new model of nursing bottle (End of September 2021)

- Ahead of any other region, launched a new model of nursing bottle, "Ziran Shigan III," on the major Chinese EC platforms
- Expanded our market share in value of nursing bottles to 45% as of 4Q/Dec. 2021, up more than 3 points compared to Dec. 2019.

■ Double 11 (Single's Day) Shopping Festival

- Sales rose by 4% from the previous year across the EC channels. When compared with 2019 (pre-pandemic), sales increased by 28%.
- Nursing bottles and skincare products ranked as No.1 by category at JD.com. Nursing bottles also won No.1 at T-mall.

Double 11 :
Ranking at JD.com

No.1



Nursing bottles
Skincare products

Market share of nursing
bottles in mainland China*
Q4 /FY Dec.2021

45%

* Surveys conducted by the Company
(sell-out, in value, includes Nipples)



Results for FY Dec. 2021 (65th Fiscal Year)

Results - Consolidated PL (under New Standard)

(Unit: Million JPY)	FY Dec. 2021 Forecast		FY Dec. 2021			
	Initial Plan	Revised Plan	Actual	% of Total	vs Initial Plan	vs Revised Plan
Net Sales	100,800	94,300	93,080	100.0%	92.3%	98.7%
Cost of Sales	51,300	49,500	49,008	52.7%	95.5%	99.0%
Gross Profit	49,500	44,800	44,072	47.3%	89.0%	98.4%
SG&A Expenses	33,000	31,600	30,735	33.0%	93.1%	97.3%
Operating Income	16,500	13,200	13,336	14.3%	80.8%	101.0%
Ordinary Income	16,700	14,600	14,648	15.7%	87.7%	100.3%
Net Income Attributable to Owners of Parent	11,100	9,100	8,785	9.4%	79.1%	96.5%

[Currency rates for FY Dec. 2021]

Initial Plan: US\$1 = JPY 104.00 / CNY 1 = JPY 16.00

Revised Plan: US\$1 = JPY 109.22 / CNY 1 = JPY 16.90

Results: US\$1 = JPY 109.85 / CNY 1 = JPY 17.03

Results - Consolidated PL (under New Standard)

Net sales: Almost flat compared to the last year due to the sluggish consumption amid the resurgence of pandemic in Japan.

Operating income: Decreased YoY because of lower gross margin from a decline in sales, as well as increased SG&A associated with reopening sales under the pandemic.

(Unit: Million JPY)	FY Dec. 2020*		FY Dec. 2021		
	Actual	% of Total	Actual	% of Total	YoY Change
Net Sales	94,021	100.0%	93,080	100.0%	99.0%
Cost of Sales	49,459	52.6%	49,008	52.7%	99.1%
Gross Profit	44,562	47.4%	44,072	47.3%	98.9%
SG&A Expenses	29,482	31.4%	30,735	33.0%	104.3%
Operating Income	15,080	16.0%	13,336	14.3%	88.4%
Ordinary Income	16,113	17.1%	14,648	15.7%	90.9%
Net Income Attributable to Owners of Parent	10,643	11.3%	8,785	9.4%	82.5%

(Results of FY Dec. 2020 under the new revenue recognition standard was estimated by Pigeon for your reference.)

[Currency rates]

Dec. 2021 Results: US\$1 = JPY 109.85 / CNY 1 = JPY 17.03

Dec. 2020 Results: US\$1 = JPY 106.77 / CNY 1 = JPY 15.47

Results – by Business Segment (under New Standard)

(Unit: Million JPY)	FY Dec. 2020*				FY Dec. 2021				
	Net Sales	% of Total	GP Margin	Segment Profit	Net Sales	% of Total	YoY Change	GP Margin	Segment Profit
Consolidated Net Sales	94,021	100.0%	47.4%	15,080	93,080	100.0%	99.0%	47.3%	13,336
Japan Business	41,231	43.9%	34.0%	2,772	38,264	41.1%	92.8%	34.3%	2,065
China Business	36,121	38.4%	52.3%	12,600	37,239	40.0%	103.1%	50.9%	11,792
Singapore Business	12,184	13.0%	38.4%	1,647	12,619	13.6%	103.6%	38.7%	1,811
Lansinoh Business	12,473	13.3%	55.6%	1,370	13,320	14.3%	106.8%	53.5%	953
Elimination of inter-segment transactions	(7,986)	(8.5)%	—	—	(8,363)	(9.0)%	—	—	—

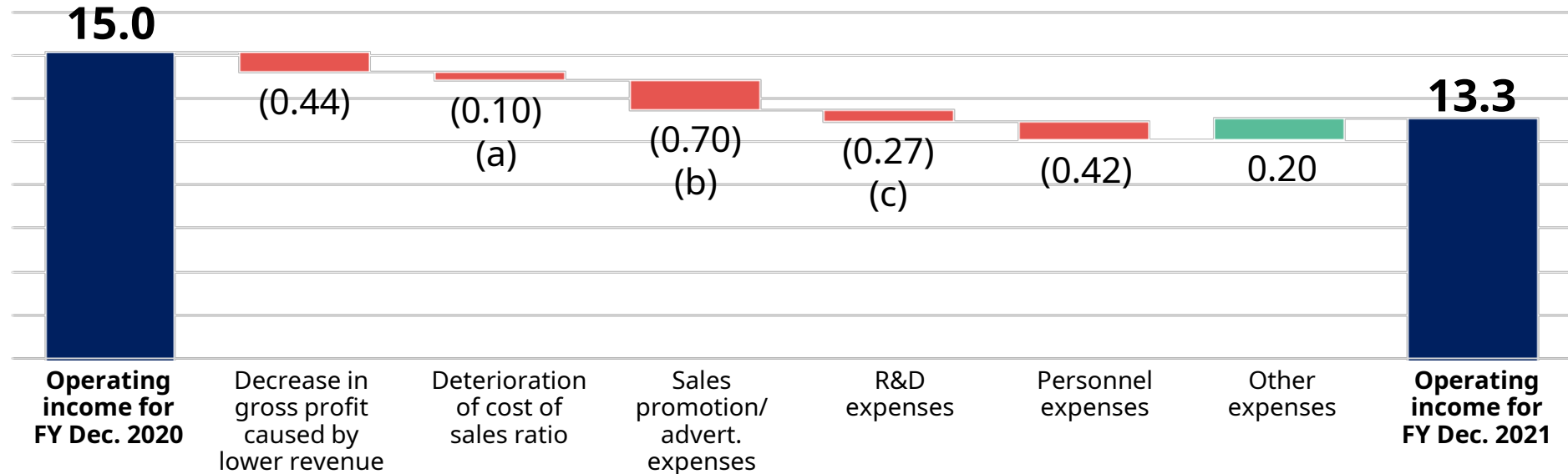
(Results of FY Dec. 2020 under the new revenue recognition standard was estimated by Pigeon for your reference.)

YoY Change Factors of Consolidated Operating Income (Full-year) (under New Standard)

- a. Deterioration of cost of sales ratio: Impact of a surge in logistics expenses of physical supply (Lansinoh) and a change in product mix (China)
- b. Sales promotion and advertising: Associated with promotion activities of the product launched in 2021.
- c. Research and Development: Future-oriented investments in the development of renewed version of our core products

(Unit: Billion JPY)

■ Positive factor ■ Negative factor



Consolidated Balance Sheet (Highlight) (under New Standard)

Increased inventories caused by Lansinoh (inventories on the ocean) and the swelled balance sheet caused by China (increased percentage of E-commerce) and the cheaper yen.

(Unit: Million JPY)	End of FY Dec. 20	End of FY Dec. 21		
	Actual	Actual	YoY Change (Amount)	YoY Change (%)
Cash and Deposits	37,163	35,218	(1,944)	94.8%
Notes and Accounts Receivable - Trade	15,085	16,253	+1,167	107.7%
Inventories	11,376	12,706	+1,330	111.7%
Notes and Accounts Payable - Trade	4,757	4,087	(670)	85.9%
Electronically Recorded Obligations - Operating	1,670	1,623	(47)	97.2%
Borrowings	—	—	—	—
Net Assets	72,625	76,810	+4,184	105.8%
Total Assets	93,472	98,042	+4,570	104.9%
Equity Ratio	74.8%	75.4%	—	—

Summary of Results by Business Segment (Net sales at local currency)

China Business

- Sell-in results in mainland China YTD decreased by 6% year on year.
- Double 11: Slightly increased compared to the last year, but lower than expected due to a reaction to the robust demand last year. It affected sell-in in 4Q, resulting in the gaps between actual and revised plan.
- YTD sell-out decreased by 7% year on year. Online sales expanded to 67% of total sales. (Compared with FY Dec. 2019, total sell-out and online sales increased by 3% and 29%, while offline sales decreased by 27%).
- It took until 4Q to adjust offline distribution inventory, but we reduced it to the level of safety stock.
- In our core products, a unit price increase in “Ziran Shigan III” partly contributed. Skincare products sold well, recording double-digit sales growth year on year thanks to the launch of new products.
- Sales of Avocado skincare series that are exclusively sold at offline shops topped 1 million units within a year from its launch.
- The market share in value of nursing bottles exceeded 45%, representing more than 3 points increase compared to 2019.

Japan Business

- Amid the pandemic where the half of the year was under the state of emergency, customers continue to refrain from going out almost throughout the year.
- Net sales in the Baby Care Business declined 6% YoY. No demand from inbound tourists and easing special demand for consumables driven by the COVID-19 affected sales.
- Products adaptable to new lifestyle, such as breast pump, oral care, electric nasal suction, and microwavable packed soft rice for Babies sold well.
- Core products such as nursing bottle, skincare, breast pump, and oral care expanded their market shares.
- The market share* of nursing bottles stood at 88%. (Calculation method was changed from this fiscal year.)
- Health and Elder Care Business improved its gross margin by 1.9 points by streamlining the product portfolio as planned.

Summary of Results by Business Segment (Net sales at local currency)

Singapore Business

- Domestic sales in India and Malaysia continued to recover from the pandemic, up 8% and 8% YOY, respectively.
- Among export destination, Vietnam and Australia showed strong sales throughout the year. Conversely, net sales in the Middle East were sluggish amid the lingering effect of pandemic.
- Core products such as nursing bottles, skincare, breast pumps, and oral care experienced double-digit sales growth from the previous year.
- Won Best Baby Bottle at Influential Brands and the Asian parent Awards 2021.
- As new skincare series (Natural Botanical) were launched, we boosted marketing activities for further growth.
- Bolstering EC channel contributed to the resilient supply chain even under the pandemic.

Lansinoh Business

- Net sales in North America increased 6% year on year. Sales through both online channel and mass retailers increased.
- Sales of nipple creams, a main product, maintained robust sales. Sales of nursing pads struggled.
- Sales of the “antenatal and postpartum care” products launched in June are exceeding the plan.
- In Europe, especially Germany, Benelux, and the UK increased sales. Sales in China were below the previous year due to an intense competition of consumables.
- In North America, nipple creams, manual breast pumps, and nursing pads maintained top market shares.
- Gross margin shrunk 3.3 points due to escalating procurement and logistics expenses, which were included in cost of sales. Also, a surge in logistics expenses, which were recorded as SG&A, deteriorated operating margin.
- Operating results were in line with the plan, except for the impact of the sharp rise in logistics expenses.

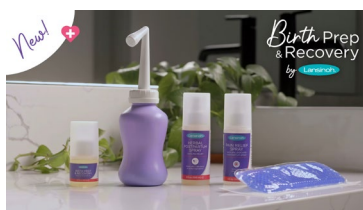
FY Dec. 2021 Progress against 7th Medium-Term Business Plan in Terms of Core Product Strategy and Regional Product Strategy

Our core products maintained strong growth in 2021. Under the Core product strategy and Regional strategy on which we focus in the 7th medium-term business plan, we have marketed competitive products to various regions.

Core products: nursing bottles, skincare, breast pumps, oral care



Regional products: Product lines tailored to each market characteristics



Forecast for FY Dec. 2022 (66th Fiscal Year)

Business Plan for FY Dec. 2022 (Consolidated)

Net sales: Will grow by 6% YoY due to full-scale rollout of the third generation of *Bonyu Jikkan* (Breast bottle realize series) globally including Japan.

Profit: Gross margin and operating margin are expected to increase by 1.4 points and 0.1 points, respectively, due to improved profitability through the launch of new products as well as mark-up of the existing products.

(Unit: Million JPY)	FY Dec. 2021		FY Dec. 2022		
	Actual	% of Total	Plan	% of Total	YoY Change
Net Sales	93,080	100.0%	98,700	100.0%	106.0%
Cost of Sales	49,008	52.7%	50,600	51.3%	103.2%
Gross Profit	44,072	47.3%	48,100	48.7%	109.1%
SG&A Expenses	30,735	33.0%	33,900	34.3%	110.3%
Operating Income	13,336	14.3%	14,200	14.4%	106.5%
Non-operating Income (Expenses)	1,311	1.4%	100	0.1%	7.6%
Ordinary Income	14,648	15.7%	14,300	14.5%	97.6%
Extraordinary Income (Loss)	(1,117)	(1.2)%	—	—	—
Net Income Attributable to Owners of Parent	8,785	9.4%	9,500	9.6%	108.1%

[Currency rates] FY Dec. 2022: US\$1 = JPY 112.00 / CNY 1 = JPY 17.50 ← FY Dec. 2021: US\$1 = JPY 109.85 / CNY 1 = JPY 17.03

Business Plan for FY Dec. 2022 (Consolidated)

(Unit: Million JPY)	FY Dec. 2021		FY Dec. 2022		
	Actual	% of Total	Plan	% of Total	YoY Change
Net Sales	93,080	100.0%	98,700	100.0%	106.0%
Operating Income	13,336	14.3%	14,200	14.4%	106.5%
Ordinary Income	14,648	15.7%	14,300	14.5%	97.6%
Net Income Attributable to Owners of Parent	8,785	9.4%	9,500	9.6%	108.1%
Net Assets	76,810	—	76,850	—	100.1%
Total Assets	98,042	—	97,040	—	99.0%
EPS (yen)	73.44	—	79.41	—	108.1%
BPS (yen)	642.04	—	642.37	—	100.1%
ROE *	12.2%	—	12.9%	—	—
ROIC *	12.5%	—	12.9%	—	—

[Currency rates] FY Dec. 2022: US\$1 = JPY 112.00 / CNY 1 = JPY 17.50 ← FY Dec. 2021: US\$1 = JPY 109.85 / CNY 1 = JPY 17.03

* 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)

Business Plan for FY Dec. 2022 (Business Segment PL)

(Unit: Million JPY)	FY Dec. 2021				FY Dec. 2022				
	Actual	% of Total	GP Margin	Segment Profit	Plan	% of Total	YoY Change	GP Margin	Segment Profit
Consolidated Net Sales	93,080	100.0%	47.3%	13,336	98,700	100.0%	106.0%	48.7%	14,200
Japan Business	38,264	41.1%	34.3%	2,065	38,900	39.4%	101.7%	35.0%	2,350
China Business	37,239	40.0%	50.9%	11,792	41,000	41.5%	110.1%	53.2%	13,000
Singapore Business	12,619	13.6%	38.7%	1,811	12,400	12.6%	98.3%	36.3%	1,300
Lansinoh Business	13,320	14.3%	53.5%	953	14,600	14.8%	109.6%	56.2%	1,050
Elimination of inter-segment transactions	(8,363)	(9.0)%	—	—	(8,200)	(8.3)%	—	—	—

FY Dec. 2022: Topics by Business Segment

Group-wide

- Back to growth track by selecting nursing bottle and skincare as focus areas.
- Strengthen our No.1 nursing bottle brand through the launch of *Bonyu Jikkan* (third generation) globally.
- Enhance productivity such as by reassessing the price of existing products through product renewals and improving product mix.
- Continue to reinforce *monozukuri* (develop and manufacture products) by launching higher-end products of the existing category and entering or creating new categories.
- Reduce the effect of higher material price by marking up the selling price while curbing costs.

China Business

- Sales in mainland China are expected to increase by 7% YoY.
- Plan to complete a switchover to new product “Ziran Shigan III” on the major sales channel, aiming to capture 50% market share of nursing bottles in 2022.
- Bolster EC platforms such as Tiktok, Wechat Mall, and Pinduoduo.
- Start marketing of Pigeon products made in China to North American market
- Accelerate growth by expanding product lineup: Ssence, a baby skincare brand with direct shipment from the factory, and skincare products for babies aged 2 years or older.
- Continue to strengthen offline sales by developing products only for the offline sales channel

FY Dec. 2022: Topics by Business Segment

Japan Business

- No sales from inbound tourists are included in the plan. We assume that annual births are around 800,000.
- Sales of Baby Care business are expected to increase by 3% YoY.
- Profitability is expected to rise from the previous year, driven by launching new *Bonyu Jikkan* (third generation) and expanding our market share due to the renewal of basic skincare products
- Expand the current skincare category and enter into the new business area, powered by an investment in the factory in Fuji (expected to start operation in 2023).

Singapore Business

- Sales to external customers will increase by 10% or more YoY by focusing on the core products (nursing bottles and skincare).
- Launch *Bonyu Jikkan* (third generation) into Southeast Asia markets (2H/Dec. 2022). Raise unit price and secure a position as a premier brand.
- Expand sales of skincare products (Natural Botanical) as the next pillar after the nursing bottles and develop them as an established brand.

Lansinoh Business

- Centering around the core products and antenatal and postpartum care products, net sales are expected to increase by 8% YoY.
- Extend the product line of antenatal and postpartum care with the aim to increase its presence to 4% of total sales.
- Launch new generation of breast pumps.
- Implement a productivity improvement strategy by streamlining product portfolio in the struggling Chinese market.
- Logistics expenses will continue to rise even in 2022.

Environmental Change and the Group's Business Opportunities

Changes in external environment

- Decline in births
- Intensifying market competition
- Changes in customer values

Business opportunities

- Expand the existing categories by deepening the Group's understanding of what parents consider as the most difficult part in raising children, and create new categories such as mother care, FemTech, and the promotion of the father's childcare.
- Strengthen and differentiate the key products (nursing bottles and skincare)
- Enhance customer values in the existing categories by creating more eco-friendly products or higher-end products.
- Tap into underserved markets and regions for both Pigeon and Lansinoh brands
- Strengthen the power of brand for which the next generation of customers feels empathy, and become the brand chosen by customers.



Shareholder Return and Investment Related Indicators

[Shareholder return indicators under 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	Dec. 2019		Dec. 2020		Dec. 2021		Dec. 2022	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Forecast)	Year-end (Forecast)
Dividend per Share (JPY)	35	35	36	36	37	37	38	38
Dividend Payout Ratio	72.7%		81.0%		100.9%		95.8%	

<Ref.> Investment-related Indicators (Consolidated)	Dec. 2019		Dec. 2020		Dec. 2021		Dec. 2022
	Interim (Actual)	Year-end (Actual) ^{*4}	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Full-year (Estimate)
Capex ^(*1)	1,980	4,059	1,690	4,185	2,013	6,735	7,600
Depreciation ^(*2)	1,965	3,587	1,967	3,972	1,986	4,161	4,300
R&D Expenses ^(*3)	1,536	3,059	1,430	3,115	1,709	3,603	3,700

*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: FY Dec. 2019; 11 months actual for Japan Domestic

ESG Initiatives

Major initiatives in 2021

Reduce environmental impact

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



Our own eco label

2021 Actual: **115** SKU
(34% of all our products offered in Japan*)



- Reduced package size by 30%
- Used 100% recycled PET bottles for clear cases & blister packaging
- Adopted FSC®-certified paper for our core product lines

See Appendix for other ESG activities.

*Baby and mother care products

Solve social issues surrounding babies and mothers

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

Products as a solution of social issues

- ✓ Created new products
 - Launched disposable bottles for breastmilk storage & pasteurization
- ✓ Promoted our current solution products



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

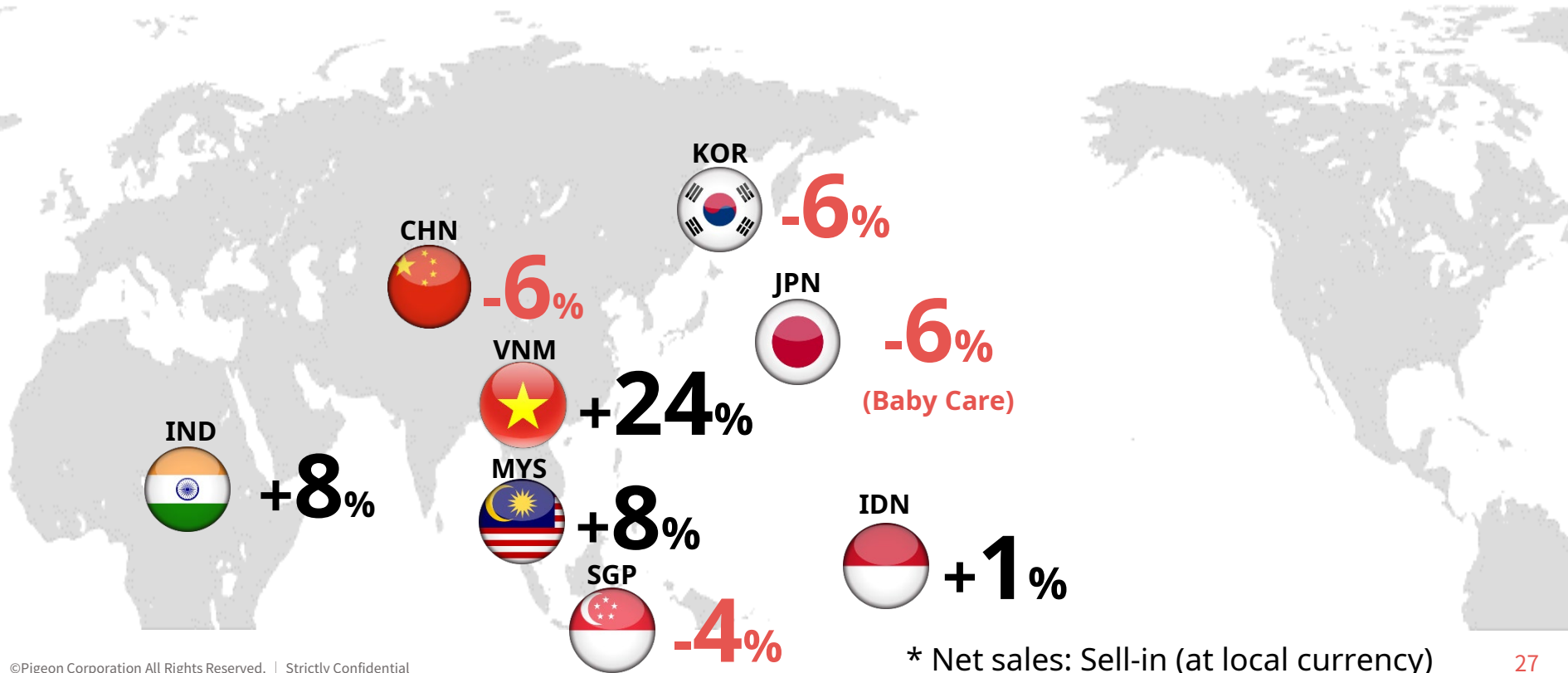


Financial Highlights (Consolidated)(under New Standard)

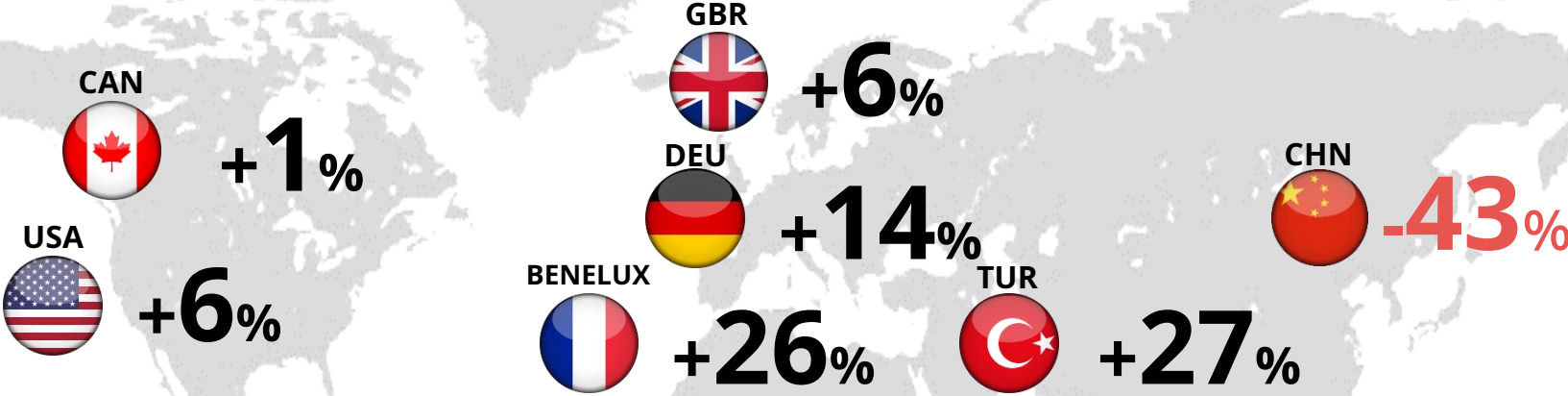
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BPS (yen)	607.06	—	642.04	—	105.8%
ROE *	15.5%	—	12.2%	—	—
ROIC *	14.8%	—	12.5%	—	—

* 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)

Pigeon Sales by Region* (Full-year / YoY) (under Previous Standard)

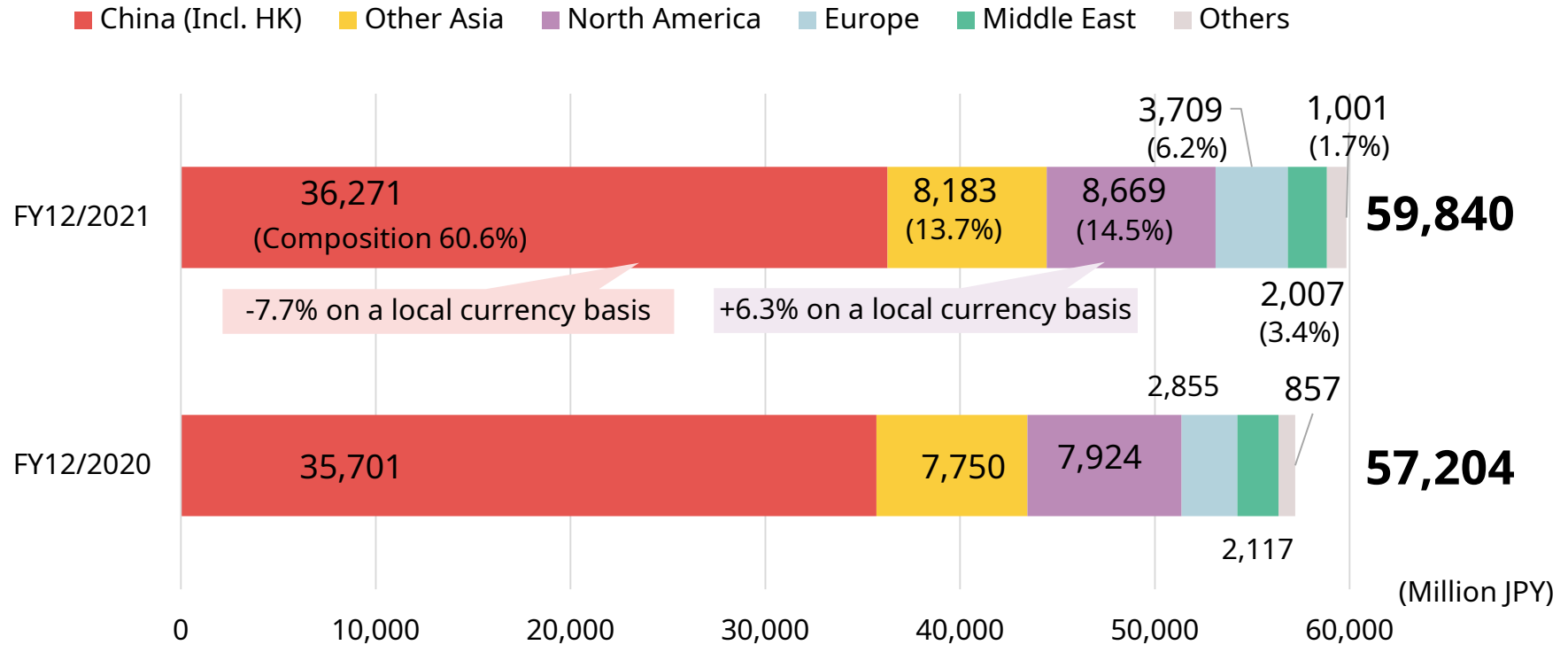


Lansinoh Sales by Regions* (Full-year / YoY) (under Previous Standard)



* Net sales: Sell-in (at local currency)

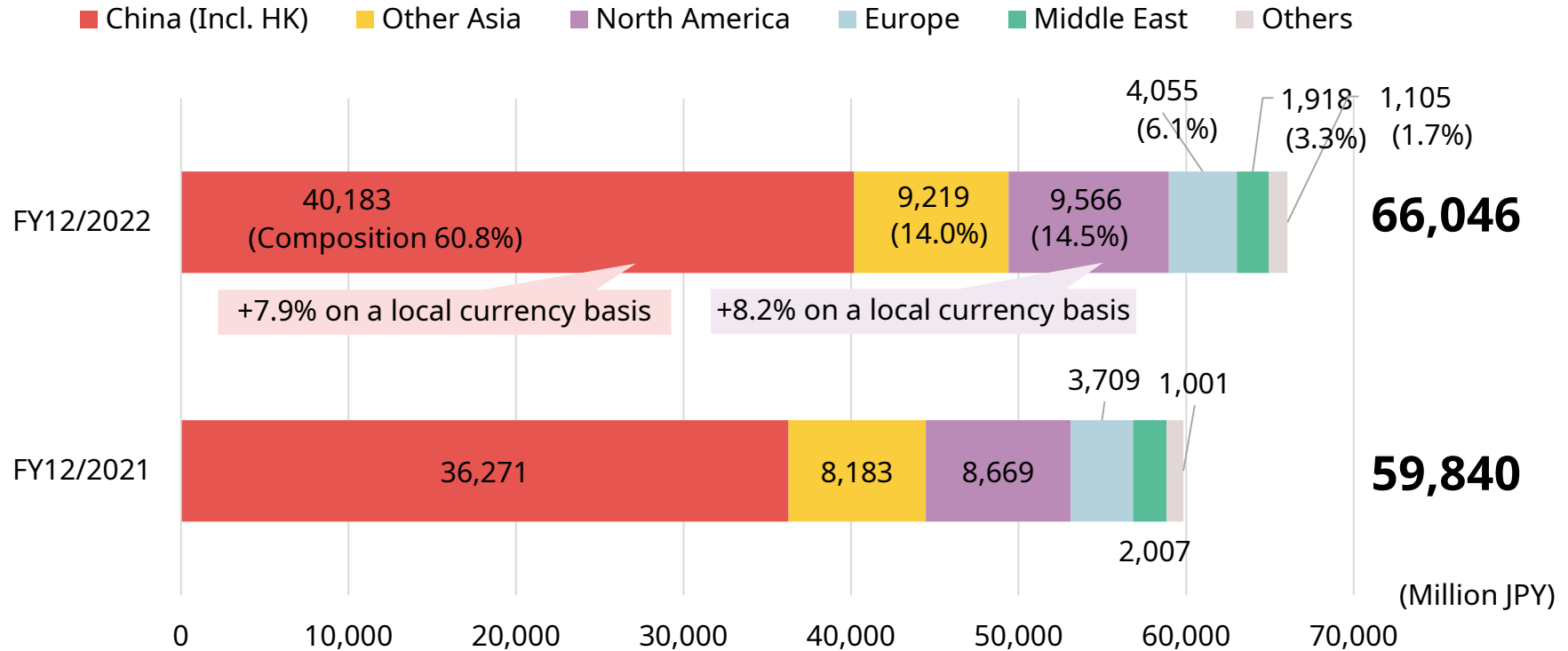
Results for FY12/2021: Sales by Geographic Area (under Previous Standard)



Currency rates

FY12/2021: US\$1 = JPY 109.85 CNY 1 = JPY 17.03 ⇐ FY12/2020: US\$1 = JPY 106.77 CNY 1 = JPY 15.47

Plan for FY12/2022: Sales by Geographic Area (under Previous Standard)

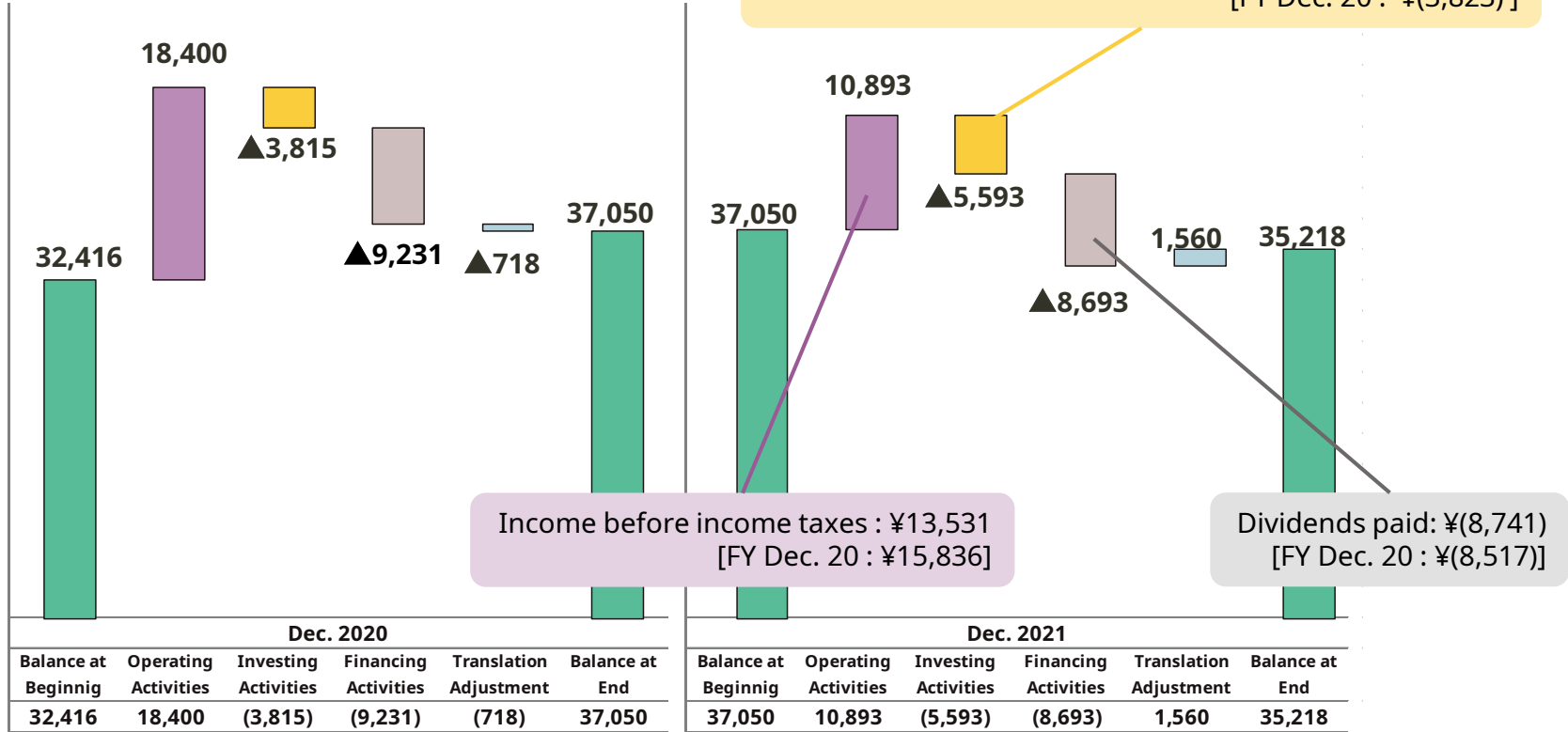


Assumed currency rates

FY12/2022: US\$1 = JPY 112.00 CNY 1 = JPY 17.50 ⇐ FY12/2021: US\$1 = JPY 109.85 CNY 1 = JPY 17.03

Comparison of Cash Flows (Consolidated)

Million JPY



Results for FY12/2021 (Breakdown of Japan Business Segment) (under New Standard)

(The breakdown of Japan business segment was estimated by Pigeon for your reference.)

(Unit: Million JPY)	FY Dec. 2020				FY Dec. 2021				
	Actual	% of Total	GP Margin	Segment Profit	Actual	% of Total	YoY Change	GP Margin	Segment Profit
Japan Business	41,231	43.9%	34.0%	2,772	38,264	41.1%	92.8%	34.3%	2,065
Baby Care^(*)	27,277	29.0%	40.5%	2,994	25,701	27.6%	94.2%	40.4%	2,359
Child Care Services	3,592	3.8%	14.5%	109	3,504	3.8%	97.6%	16.1%	159
Health & Elder Care Business	6,958	7.4%	28.5%	671	5,616	6.0%	80.7%	30.4%	504

* Effective FY Dec. 2022, "Domestic Baby & Mother Care" Business was renamed to "Baby Care" Business.

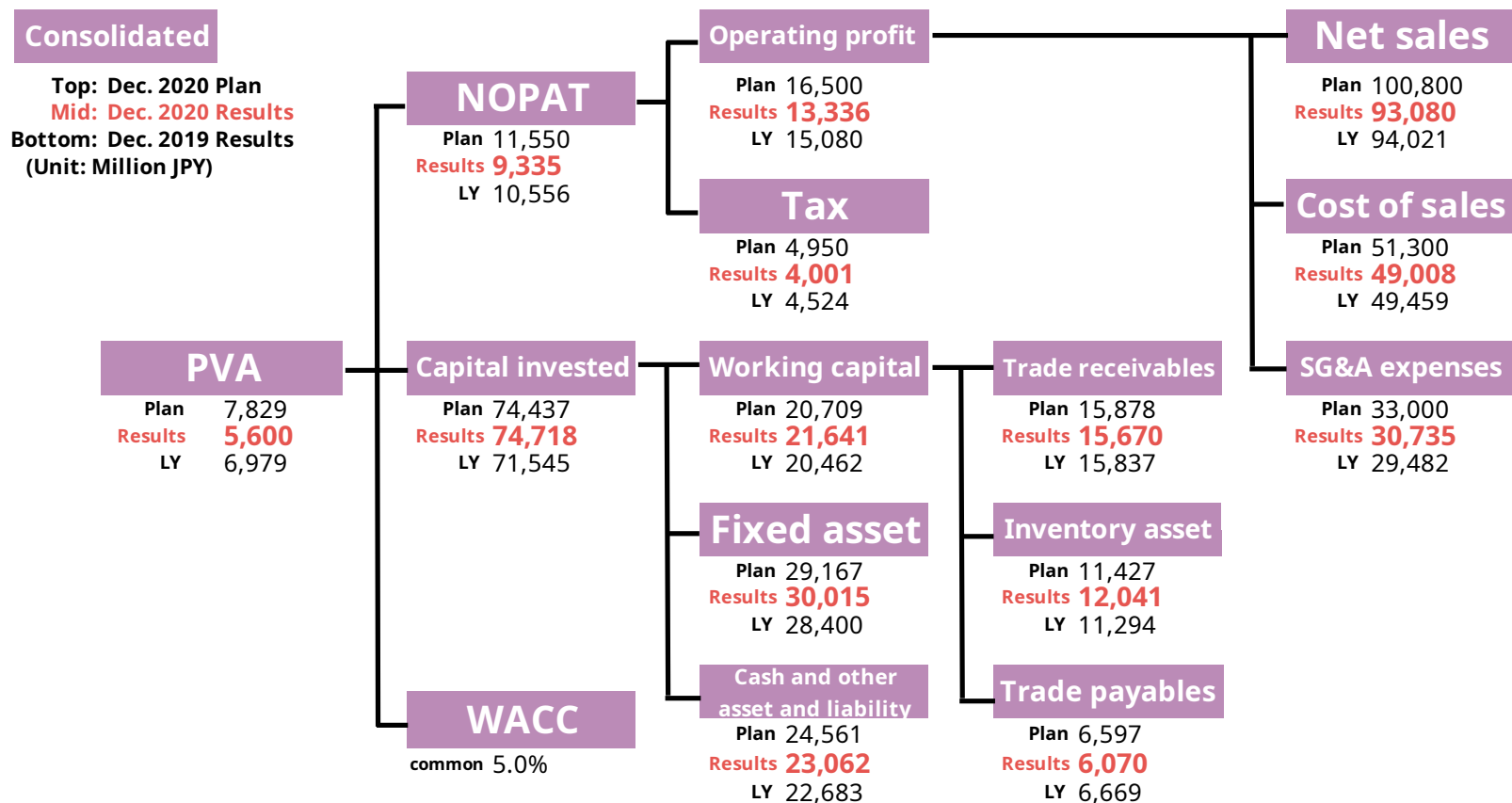
Business Plan for FY12/2022 (Breakdown of Japan Business Segment) (under New Standard)

(The breakdown of Japan business segment was estimated by Pigeon for your reference.)

(Unit: Million JPY)	FY Dec. 2021				FY Dec. 2022				
	Actual	% of Total	GP Margin	Segment Profit	Actual	% of Total	YoY Change	GP Margin	Segment Profit
Japan Business	38,264	41.1%	34.3%	2,065	38,900	39.4%	101.7%	35.0%	2,350
Baby Care^(*)	25,701	27.6%	40.4%	2,359	26,615	27.0%	103.6%	41.5%	3,048
Child Care Services	3,504	3.8%	16.1%	159	3,580	3.6%	102.2%	16.1%	188
Health & Elder Care Business	5,616	6.0%	30.4%	504	5,225	5.3%	93.0%	30.8%	469

* Effective FY Dec. 2022, "Domestic Baby & Mother Care" Business was renamed to "Baby Care" Business.

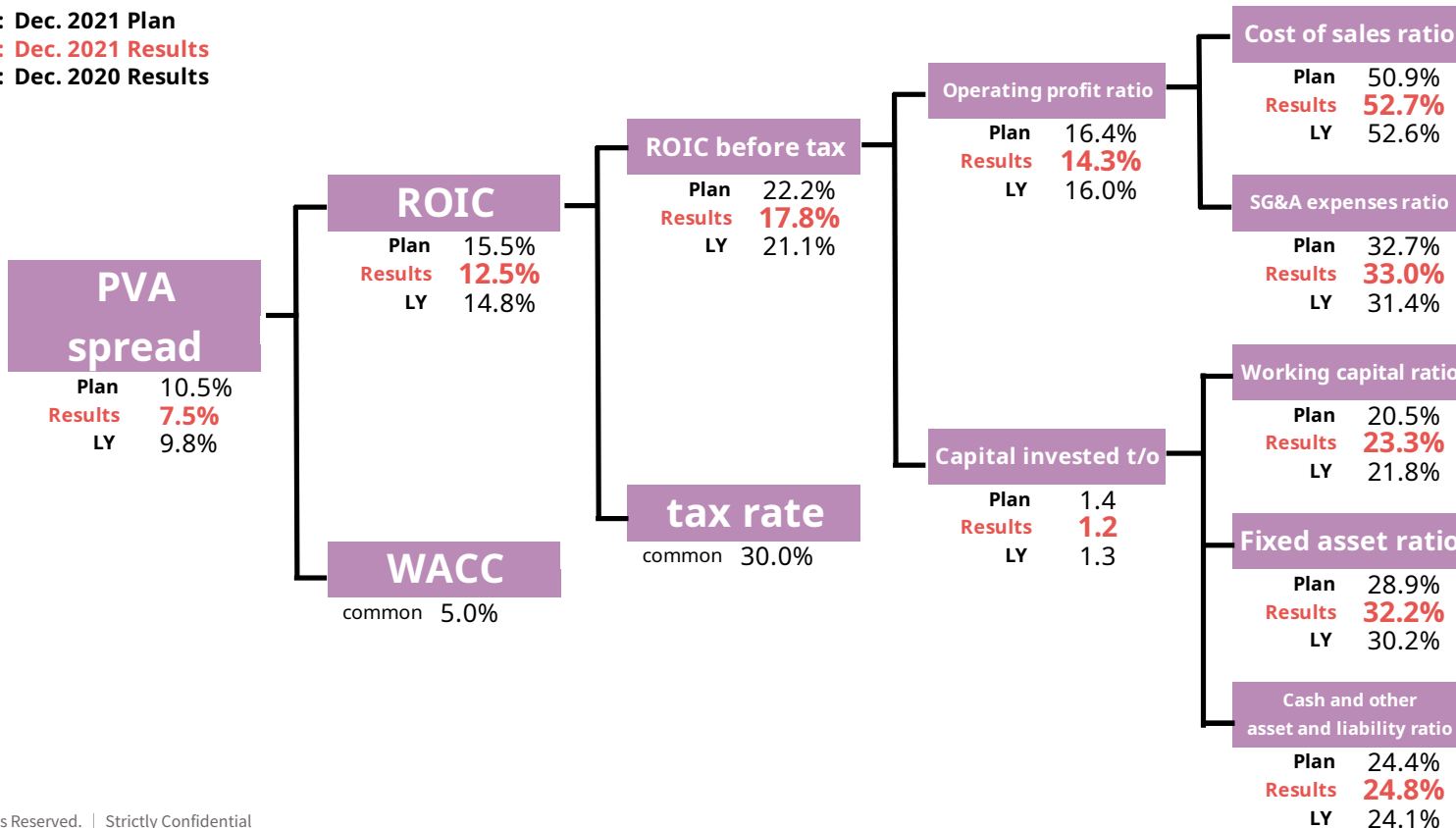
«New Standard» PVA Tree: Consolidated Results in FY12/2021 (FY65)



* From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.
 * Results of FY Dec. 2020 was estimated figures under the new revenue recognition standard.

Consolidated

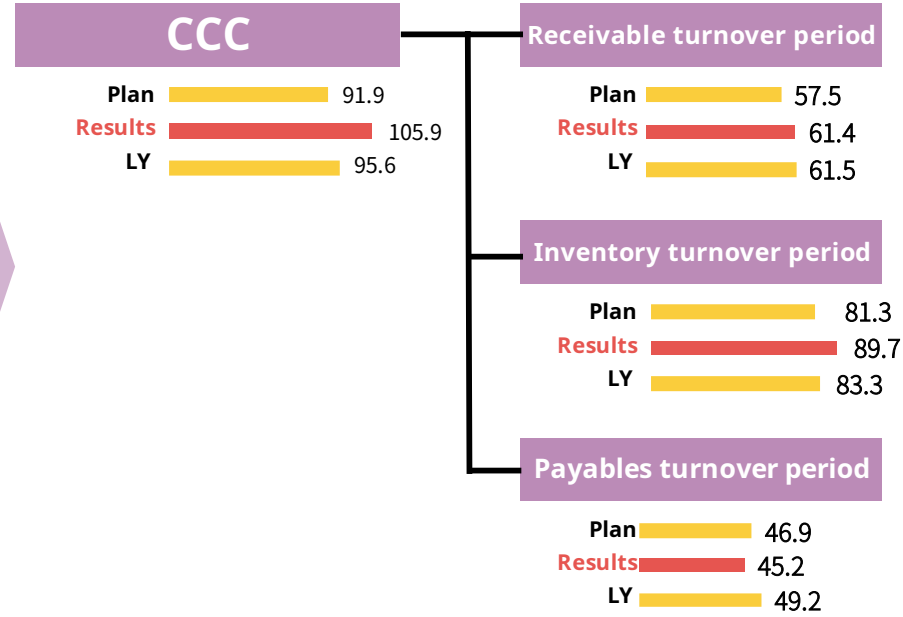
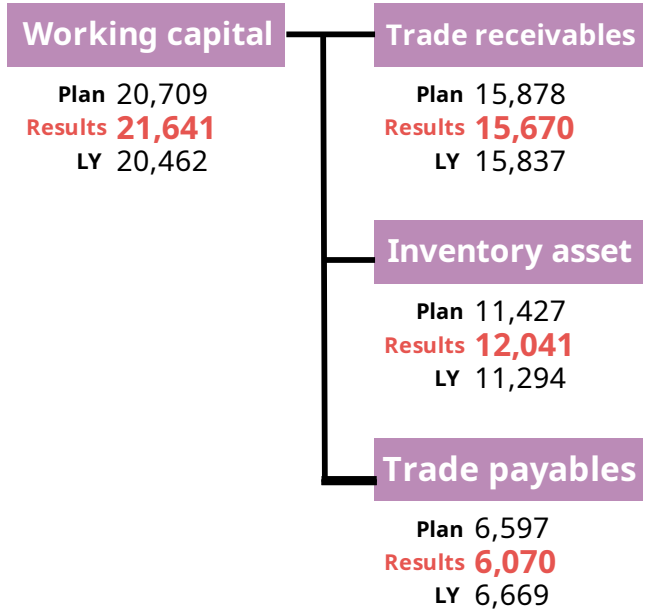
Top: Dec. 2021 Plan
 Mid: Dec. 2021 Results
 Bottom: Dec. 2020 Results



Consolidated

Top: Dec. 2021 Plan
 Mid: Dec. 2021 Results
 Bottom: Dec. 2020 Results
 (Unit: Million JPY)

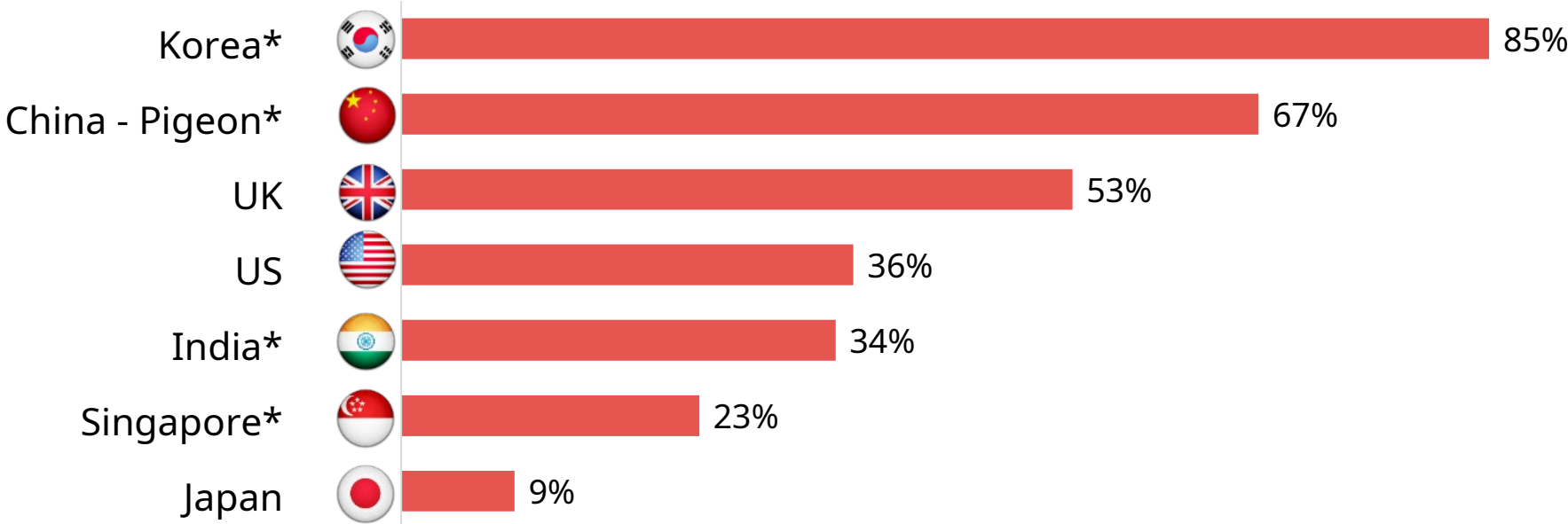
※17/1期（60期）より、CCC算出時B/S項目の各数値は期首・期末平均を使用しております。
 ※20/12期（64期）は新会計基準ベースでの試算値



* From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.
 * Results of FY Dec. 2020 was estimated figures under the new revenue recognition standard.

E-Commerce Ratio in Key Countries (FY12/2021)

EC sales ratio of Pigeon / Lansinoh products



*: Sell-out Others: Sell-in

Pigeon Sustainable Vision “Celebrate Babies with All”

Our purpose is to make the world more baby-friendly by furthering our commitment at all times to understanding and addressing babies’ unique needs.

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.



Reduce environmental impact

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

Solve social issues surrounding babies and mothers

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

Build a strong management foundation

“Support sustainable growth to stay close to the baby”

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

Three Major Goals

Reduce environmental impact

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

Prevent global warming

- Reduce CO2 emissions.
- Create new Eco-friendly products and packages.

Response to marine pollution incidents

- Reduce plastic use.

Resource conservation

- Reduce waste.
- Adopt sustainable resources.

Solve social issues surrounding babies and mothers

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

Develop the products and services as a solution of social issues

- Solve issues surrounding babies who need special support such as hospitalization in NICU and their families.
 - Develop new products and services.
 - Promote our current solution products/services.
- Enhance activities to solve issues surrounding babies and their families.
 - Promote ongoing activities (such as setting up nursing rooms).
 - Consider and implement new activities.

Build a strong management foundation

“Support sustainable growth to stay close to the baby”

Responsible dialogue with shareholders and investors

Risk management

Promotion of work-life balance*

Promotion of diversity*

*Applicable in Japan only

Commitment

7th MTBP targets

- CO2 emission intensity (Scope 1 & 2)
10% reduction compared to FY2018
- Industrial waste
1% reduction per unit per year

- Creation of new products and services

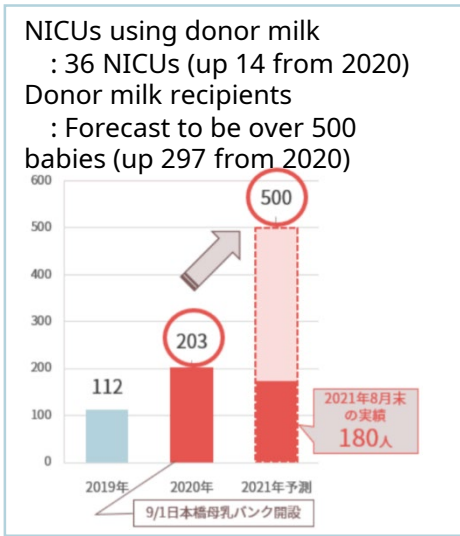
- Reinforcement of dialogue and communication with investors

[Specific Efforts] Support for Human Milk Banks (2021)



Annual pasteurization capacity: **1,600 ㇀**

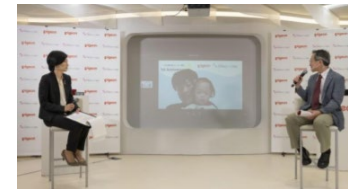
Expected to be delivered to: **1,000 babies**



Initiatives in 2021

▶ Event celebrating the 1st anniversary of our bank

We reported on the actual usage of the Nihonbashi Human Milk Bank after its opening, introduced use cases of donor milk, and invited recipient families to ask how they felt when their doctor mentioned donor milk.



▶ Round-table talk with recipient families

We supported the operation of an online round-table talk between 11 families who used the donor milk system and 13 neonatologists and nurses. This first round table was aimed for learning how to provide better care to recipient families in healthcare settings and raising the profile of human milk bank.



- ✓ The Nihonbashi Human Milk Bank was opened in Sept. 2020 on the first floor of our headquarters in Tokyo.
- ✓ The Japan Human Milk Bank Association operates the facility.
- ✓ Our support activities attracted the attention of many Japanese media such as public NHK TV, newspapers and web sites, which contributed to raising awareness of human milk bank, increasing the number of donors and enhancing the visibility of Pigeon's activities.



Won the inaugural award in the ESG Investment Section (SDGs Category) of the Tokyo Financial Award, sponsored by the Tokyo Metropolitan Government, in Feb. 2021 for practicing SDG-oriented management.

[Specific efforts] Initiatives for employees (2021)

If we do not value our employees, we will not succeed in our business. Based on this belief, we strive to build a comfortable and rewarding workplace culture by refining our systems to enhance our working environments.

Pigeon Frontier Awards 2021

The Pigeon Frontier Awards is an initiative to commend employees' ideas with future commercialization into mind. The concept of this initiative is to "support and recognize employees who have more fun at work and take on challenges without fear of failure for the future."

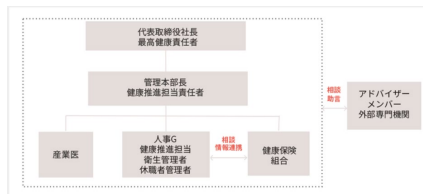


New personnel system

In January 2021, we shifted to a new personnel system that clarifies the roles of individual employees by setting up positions according to their career aspirations and aptitudes and eliminating age, seniority, and other factors, so that each employee can become a professional with deep expertise.

Health management declaration

We established a health management promotion system under the direct supervision of the President and collaborate with industrial physicians and health insurance associations to tackle various challenges. These include eliminating smoking, reducing lifestyle-related disease risks, and tackling mental health issues.



Forbes JAPAN WOMEN AWARD 2021

We were awarded 9th place in the Forbes JAPAN WOMEN AWARD 2021 (Corporate Category: 300 to 1,000 employees), which recognizes companies that have created diverse and comfortable workplaces through the "true success of women."



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.





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**



The Pigeon Group seeks to maximize economic and social value through communications with all stakeholders, including shareholders and other investors.
For information on Pigeon's latest management strategies, business and ESG activities, please visit our corporate website.



- Integrated Report

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

Pigeon's "Integrated Report 2020" issued last year was selected as an "excellent integrated report" by GPIF's asset managers entrusted with domestic equity.
* GPIF: Government Pension Investment Fund

- Sustainability

<https://www.pigeon.com/sustainability/>

- ESG Data Book

<https://www.pigeon.com/sustainability/databook/>