

Summary of Results Briefing for the Fiscal Year Ended Dec. 31, 2020

[Points of Attention]

This Summary is a reference for those who would like to review the results briefing held by Pigeon Corporation.

Please note this is not the entire text of the meeting but a summary based on our judgment.

[Disclaimer]

Forward-looking statements in these materials are based on management's assumptions and beliefs in light of the information currently available to it and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may affect the Company's performance.

In the event of discrepancy between the English version and the Japanese version of the summaries, the Japanese-language version shall prevail.

Event Summary

[Date] February 10, 2021 16:30 JST

[Venue] Rising Square (Otemachi) and Web-casting

[Speakers]

Norimasa Kitazawa President and CEO

Eiji Akamatsu Director, Senior Managing Executive Officer (Head of Japan Operations)

Tadashi Itakura Director, Senior Managing Executive Officer (Head of Global Head Office)

Presentation

Kitazawa: Thank you very much for participating in our financial results briefing today in the midst of the COVID-19 pandemic.

Now, our Japan Business was dealt the hardest blow from COVID-19. There was a big impact on Japan because inbound consumption has totally disappeared. A decrease in the number of births is also a worrisome factor. However, as we are beginning to find an initiative to offset possible losses, I would like to highlight it first.

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” 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,” 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

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* Regional strategy: Developing and implementing agilely a cycle of “Development, production and sales” that fits market characteristics and consumer preference

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We have been selling large-sized products, namely strollers, for a long time. Last year, we launched a very high-priced model, our top-of-the-line model that costs over JPY70,000. Department stores used to be outside our conventional sales routes for large-sized products, but we were able to successfully penetrate into this market with the new model. Traditionally, department stores tended to sell a large number of foreign strollers, so our inclusion in this market was a very significant move. Sales have also been strong.

In addition, we have also launched a baby carrier called “caboo”, which is a high-priced product with a unit price of over JPY12,000. We proposed a new usage scene called “carrying at home”, which has successfully attracted buying.

The “caboo” series won the 13th Parenting Award. Also, the electric toothbrush for babies, which was launched this week, was off to a good start. So, I feel that we can fully offset the decline in

the number of births by increasing the number of premium goods, namely raising unit prices, in the Japanese market.

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*

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* Estimated reach is calculated based on the number of followers. (based on a research by Pigeon as of Nov. 9, 2020) ⁴

In addition, one of the most significant initiatives for 2020 was the opening of a breast milk bank on the first floor of our Tokyo head office. This has resulted in a six-fold increase in the supply of donor milk in Japan. From September to December of last year, we delivered donor milk to 162 babies.

This means that the supply increased more than five-fold YoY. We also conducted a campaign to donate JPY10 for every breast milk pad we sold to the Breast Milk Bank Association. In line with the campaign, we widely distributed the news release, so the number of accesses on social media increased dramatically, which also had a positive impact on the brand.

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.

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The breast milk bank has the function of saving babies' lives and raising awareness of the breast milk bank in terms of improving social value. In terms of improving economic value, we have achieved the highest annual market share of breast pads in Japan through the breast pad campaign that I mentioned earlier.

In addition, we cited two examples of encouraging remarks on social media. One customer says that she wants to contribute even in a small way by buying Pigeon products because her own child has been taken care of by the breast milk bank, and the other says she wants to buy products made by a manufacturer with a philosophy like Pigeon. I believe that our brand will become more and more powerful.



In general, and worldwide, it is now being said that the future is an era of competition among company purposes. Our purpose and our reason for being: We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs. We will continue to develop our business in line with this purpose.

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

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Now let's move on to the business results.

First of all, net sales ended the year at 99.4% of the previous year's level. Since we changed the accounting period from February-January to January-December in the fiscal year ended December 2019, the results in Japan in the previous year were based on the 11-month settlement. This is a comparison with the 11-month results. Ordinary income ended at 93.2% of the year-before level.

It was affected by the continued appreciation of Japan yen. For the entire Group, Japan yen's appreciation reduced sales by about JPY1.8 billion. However, excluding the foreign exchange effects, sales ended the year slightly above the previous year's level.

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%	

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[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

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Though there is no such comparison formally, I will show the results in the Japan Business Segment in comparison with the previous year's results translated into a 12-month basis.

Sales were 96% and ordinary income was 92.8% of the previous year's levels.

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%	96.0%	50.2%	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.

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By business segment, the YoY results were 92.9% for the Japan Business, 101.1% for the China Business, 89.6% for the Singapore Business, and 94.4% for the Lansinoh Business, all in terms of Japan yen.

However, as I mentioned earlier, the appreciation of the yen has reduced the yen-denominated value, so the China Business actually ended the year at 104% on a local currency basis.

There were two factors for the Lansinoh Business result. One is that the revenue recognition standard has been changed to deduct selling expenses from net sales, which lowered the sales amount.

In addition, Japan yen's appreciation, as I mentioned earlier, also had an impact. In fact, on a traditional local currency basis, Lansinoh ended the year with 106% of the previous year's result.

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

Japan Business	<p>Loss of demand from inbound travelers affected the Domestic Baby & Mother Care Business.</p> <p>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%</p>
China Business	<p>COVID-19 affected the only during Q1. In mainland China, net sales grew year on year driven mainly by e-commerce sales.</p> <p>Net sales YoY in mainland China: 106.7% <Ref.> E-commerce sales accounted for 62.5% of total sales. (53.6%, Dec. 2019)</p>
Singapore Business	<p>Net sales increased slightly in Singapore domestic, although the business was affected by lockdown in some countries.</p> <p>Net sales YoY in Singapore domestic: 103.0% (including 98.2% for the export business) India: 78.0%; Malaysia: 91.7%</p>
Lansinoh Business	<p>Net sales grew year on year, driven by e-commerce sales in the U.S. and European countries where COVID-19 remains rampant.</p> <p>Net sales YoY under the same revenue recognition standard: Lansinoh Business: 104.6% (including 108.3% for North America)</p>

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This is a summary for each business.

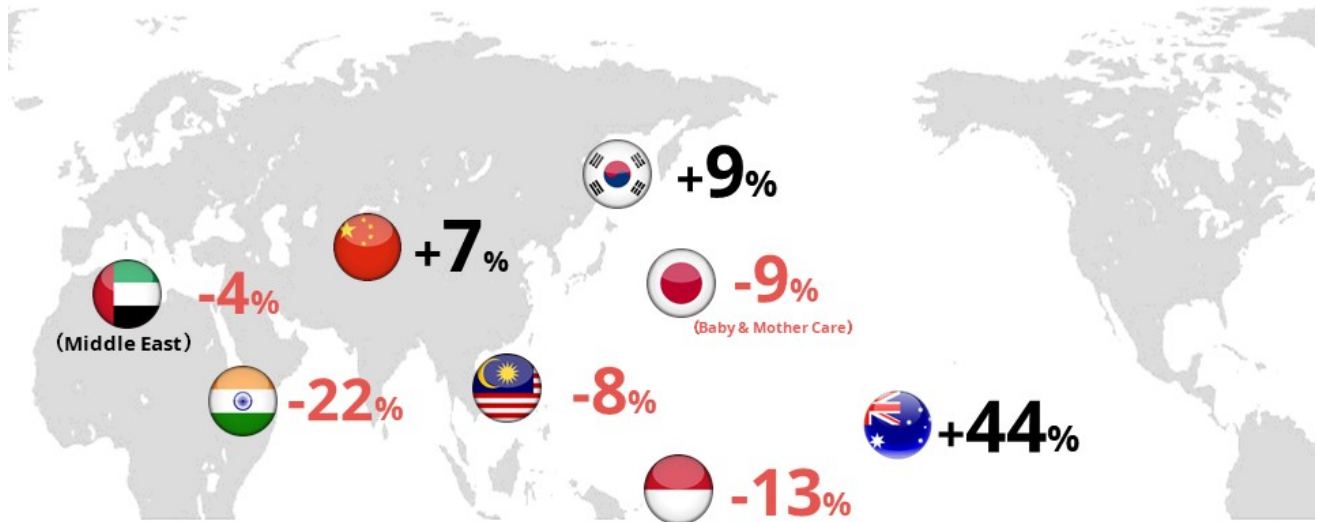
The Japan Business was greatly affected by the disappearance of inbound consumption in the Domestic Baby and Mother Care Business.

The China Business was affected by COVID-19 in the first quarter, but it has since recovered rapidly, with sales in mainland China growing 6.7% YoY on a local currency basis. Ecommerce grew further, with the ecommerce share to total sales standing at 63%. This was a rise from the previous year's 54%.

In the Singapore Business, due to COVID-19, many regional countries were subject to lockdowns and movement restrictions. India and Malaysia were particularly affected. On the other hand, sales in Singapore domestic increased slightly YoY.

Europe and the US, Lansinoh's main markets, COVID-19 have been in a serious situation, but sales in the regions grew YoY, driven by ecommerce. The Lansinoh Business as a whole grew 4.6% in Japan yen terms, of which sales in North America rose 8.3%.

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



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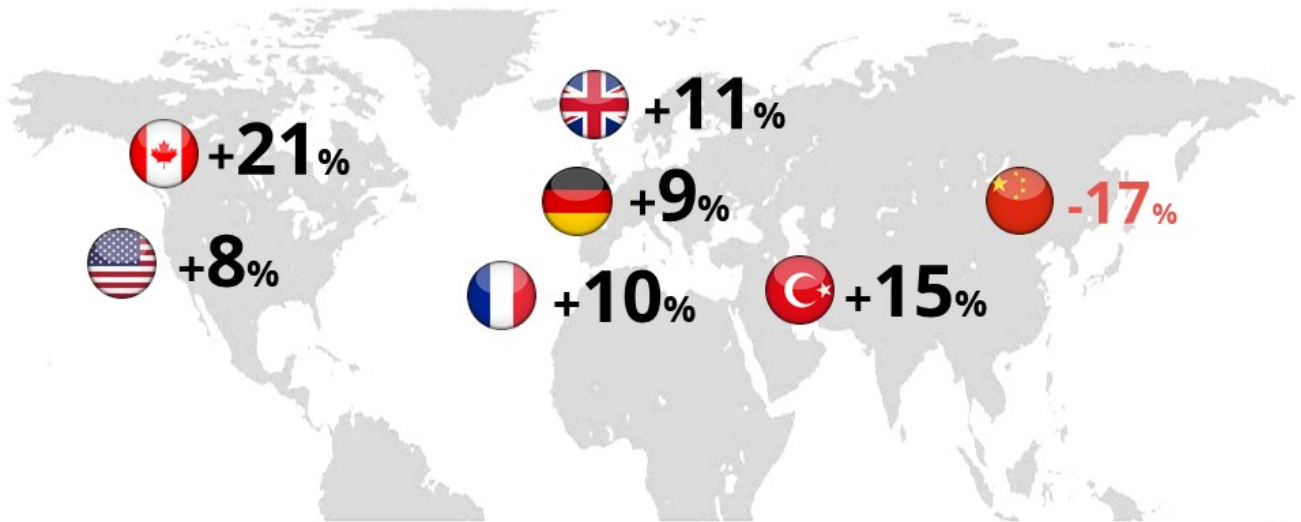
* : Sell-In (Local Currency)

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This is the sales map of Pigeon products by sales area on a local currency basis.

The Middle East, India, and Malaysia struggled particularly. Meanwhile, in Australia, which was not so much affected by COVID-19, sales jumped 44% YoY. In a pharmacy chain in Australia, sales of our nursing bottles began to show quite significant growth since their market share was ranked first.

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



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* : Sell-In (Local Currency)

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The next is the sales map for Lansinoh products by area.

On a local currency basis, all regions show robust rises close to double-digit growth, with the exception of China. Sales grew partly due to strong sales in ecommerce.

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.

This is a summary of last year's results in the form of accomplishments and challenges.

First, on a consolidation basis, we were able to reaffirm the solidity of demand for baby products and the strength of our brand in emergencies.

In addition, the sales and market shares of core products, including nursing bottles, expanded in many regions. Our market shares generally increased. Even amid the COVID-19 pandemic, sales in Mainland China and the Lansinoh Business grew YoY, driven by ecommerce sales. We also recognized the strength of the brand of comprehensive baby care products. I was once again reminded of the mechanism that a wide range of products allows us to make up for any downturn in one product with sales of other products.

As a major challenge, the entire group unfortunately failed to achieve the targets for the first year of the Medium-Term Business Plan.

In Japan and Southeast Asia, where the ratio of ecommerce sales is small, we found that sales have not increased so much. There was also a slight delay in the development schedule of new products due to COVID-19. Some products were delayed for several months. The business structure in Japan of having been dependent on inbound consumption was revealed by the COVID-19 pandemic.

Summary of Results by Business Segment

Japan Business

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.



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*: Based on a research by Pigeon (the average of 12 months in 2020; POS Nationwide Drugstore Growth Estimates, INTAGE Inc.)

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We would like to take a look at each of the business units.

In Japan, although inbound demand has disappeared, our absolute position as the top brand in Japan has not changed. Nursing bottles and skincare products were affected most greatly by the disappearance of inbound demand. However, if we look at net demand in Japan alone, the market share of our nursing bottles increased to 86%. The market shares of other core products also increased.

Strollers and other products struggled a little, but the biggest reason was the shrinkage of the market due to people refraining from going out. We believe that the demand will come back, but the stroller market shrank about 19% YoY.

The ecommerce ratio in Japan was still low at 9%, but we see this as a major challenge for the future.

Summary of Results by Business Segment

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.



▲ 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.

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*: Based on a research by Pigeon (sell-out / value basis)

The China Business. The biggest factor was that the growth of the ecommerce channels was very powerful in increasing sales. In the Double 11 Shopping Festival on November 11, overall EC channel sales grew 20% YoY. On JD.com, sales of nursing bottles and skin care products were ranked first, respectively.

In the core products of nursing bottles, skincare, and oral care, sales grew more than 20% YoY, despite the COVID-19 pandemic, which was very impressive.

Overall online sales grew 24%, while offline sales declined 14%, and I believe this trend will continue. As I mentioned earlier, the percentage of ecommerce sales rose to 63%.

What was disappointing about our China Business was that our export business to nearby regions, such as Russia, Taiwan, and the Philippines, was very weak.

As for a new initiative, we launched a series of existing nursing bottles and pacifiers with a unified design in a very simple color scheme for a limited number for the ecommerce channels, which sold off very quickly.

Summary of Results by Business Segment

Singapore Business

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.

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Next is the Singapore Business. Although various activities were delayed due to the lockdown, I think it was very significant that we were able to limit the decline in sales to about 10%. In Malaysia and India, both the factories and offices were shut down for more than eight weeks due to the lockdowns.

In addition, sales of nursing bottles, the main product for the business, dropped considerably due to the disappearance of inbound demand in Japan. Since nursing bottles are originally manufactured at the Thai plant, the decline in sales of the product had a major impact on the Singapore Business. Important activities like breastfeeding seminars were conducted online.

Summary of Results by Business Segment

Lansinoh Business

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)



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*: Based on a research by Pigeon (December 2020 IRI MULO Report, value basis)



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



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

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The Lansinoh Business. As I mentioned earlier, the COVID-19 infection situation in Europe and the US was very serious. Nevertheless, sales in North America led the whole business, which was able to achieve significant YoY growth.

One of the main reasons for the growth in the US was that Lansinoh products were designated as a daily necessity by the major EC platform, and we were able to deliver them to customers even under the spread of infection. In addition, sales of nipple creams and breast pumps were strong. The market share of nipple creams further increased to 76%.

We also launched an organic-type nipple cream, which gained a 4.7 stars in the major EC platform, and this was also a very strong factor in boosting sales.

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%	—	—

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Next is the balance sheet.

The remarkable point is cash and deposits. We see many companies have seen their cash dwindle, but in our case, on the contrary, it increased as much as 14% YoY even amid the COVID-19 pandemic.

Inventories also temporarily increased due to changes in demand, but the final result was a slight increase.

We were still free from loans.

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

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This is our plan for the current fiscal year.

Net sales are expected to increase 7.2% YoY. Operating income is planned to rise 9% YoY.

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%	107.2%	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%	117.1%	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%	-	-

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Next is the plan for the current fiscal year by business segment.

First of all, we assume that inbound demand will not come back in Japan this year, so we estimated that inbound demand at zero. There is also a concern that the number of births will decrease. But as I mentioned earlier, we would like to maintain our performance with premium products and a hike in the unit price.

For the China Business, we are planning to grow it by 17%. We plan to grow the Singapore Business by around 6%. We estimated the growth rate of the Lansinoh Business at 2.6%.

The growth rate of Lansinoh appears to be low because the territory of Latin America, which belonged to the Lansinoh business unit, will be transferred to China business. Sales in Latin America are about JPY400 million per year, and as this is added to the China Business, its growth rate is expected to be so high. Excluding Latin America, the growth rate of the China Business is estimated at 13% YoY.

FY Dec. 2021 - Key Agendas for Each Business Segment

Japan Business	<ul style="list-style-type: none"> • Tap new demand further in Japan and expand large-size products (for babies) • Rebuild platforms for three businesses in Japan
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External environment	<ul style="list-style-type: none"> • 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
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Strategic priorities	<ul style="list-style-type: none"> • Creating new products and novel categories • Appealing new value propositions, and proposing new use scenes • Restructuring of the Health and Elder Care Business
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New products*	<ul style="list-style-type: none"> • 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

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▲ 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.

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These are the themes for each business segment for the current fiscal year.

In the Japan Business, we will further develop our domestic business and expand our large-sized products. We would also like to rebuild the foundations of our three domestic businesses. In terms of the external environment, there are concerns about the sharp decline in the number of births, the uncertain future of inbound demand, and the sluggish economy.

As a priority strategy, we plan to develop new products and new categories, enhance appeal of new values for customers and propose new usage scenarios to them, and finally start a structural reform of the Health & Elder Care Business.

Although we have quite a few new products, we would like to improve the quality and increase the unit price of the new “magmag” series and wipes, as they belong to a category where price competition is fierce.

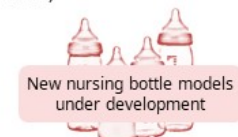
FY Dec. 2021 - Key Agendas for Each Business Segment

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



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



New nursing bottle models under development

*: Including renewed products

The theme for our China Business is “selection and concentration”. The direction is to concentrate more on our strong products and to maintain sales and profits because our strong products have high profit margins.

One concern is the number of births, which has already been in the news. Some report says that number of births will drop by 15% than last year. The competition in the market has become quite fierce, especially in ecommerce. More and more new local brands have come out and challenged us to price competition.



Despite these concerns, our key strategy is to further strengthen our nursing bottles and skin care products with high market shares and high sales and to further strengthen our R&D and design activities. Also, in Canada, we have already signed a distributor agreement and are waiting for shipment. The key is how they can move, depending on the COVID-19 situation.

Besides, we would like to start with sales on E commerce only for the US. If all goes well, sales of products made in China will start to be sold around October, but depending on the situation, it could be next year.

In terms of other products, we will finally launch a new model of nursing bottles, which we call WN3, in China around the beginning of fall. The unit price will be about 5% to 10% higher than that of conventional products.

We are also planning to launch a string of skincare series of a new concept. In China as a whole, we are planning to launch more than 80 items other than these nursing bottles and skin care products.

FY Dec. 2021 - Key Agendas for Each Business Segment

<h2>Singapore Business</h2>	<p>Get back on a growth trajectory by expanding breadth of products targeted at middle-class consumers, and strengthening e-commerce channels</p>	
<h3>External environment</h3>	<ul style="list-style-type: none"> Deteriorating economy and consumer sentiment, and their delayed recovery 	<p>▼ Halal-compliant skincare series currently on the market in Indonesia</p> 
<h3>Strategic priorities</h3>	<ul style="list-style-type: none"> Sales recovery of nursing bottles Driving digitalization (brand communication & e-commerce) Automating factories, and improving productivity through digitalization 	
<h3>New products*</h3>	<ul style="list-style-type: none"> 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 	 <p>▲ Skincare series tailored to the needs of consumers in each country slated for launch</p>

*: Including renewed products

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The Singapore Business. I think the focus here will be on how to recover the market damaged by COVID-19.

Sales of nursing bottles, our mainstay product, are still over 50%, so we are working to recover the sales. We also have Thai Pigeon, which plays the role of our technology center. There, they are working on IT penetration and automation of the factory. We are also thinking about ESG and other issues, and are considering a variety of new initiatives, such as a skincare product whose container includes 80% recycled materials.

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

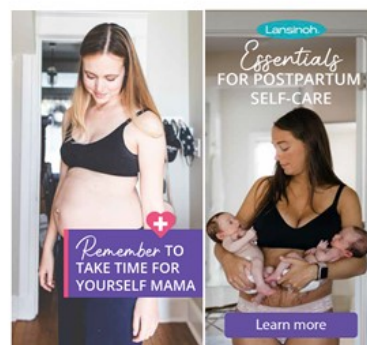
- Focusing on core products and breast pumps
- Raising brand awareness and brand loyalty
- Entering the "postpartum self-care" market, a new category

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

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

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The Lansinoh Business. The theme here is “re-strengthening core products and creating new categories”.

Starting around May of this year, it will be launching postpartum self-care products that Lansinoh has never offered before. The series is called Pericare (Perineal care) and is designed for mothers. We have high expectations for this project.

In addition, Lansinoh had a hard time in the Chinese market last year, due to the fierce price war for consumables, and they are now facing the major challenge of how to get them back on track.

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

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Next, is our dividend policy.

Year-end dividend will be JPY36 as planned. In the current fiscal year, since we have promised to increase the dividend every year during this Medium-Term Plan, we plan to increase the interim dividend to JPY37 for the year ending December 2021.

The capital investment amount will increase YoY. Depreciation and amortization expenses will be almost flat. We plan to increase R&D expenses by 24% YoY, in a bid to further strengthen our manufacturing system.

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

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Finally, I would like to talk about the revise of the Medium-Term Business Plan.

Since we unfortunately couldn't achieve the targets for the first year of the Medium-Term Business Plan, partly due to the unexpected impact of COVID-19, we are reviewing the plan for the second year and later. We have not changed at all our original three basic strategies of brand strategy, core product strategy, and regional strategy. We will continue the strategies.

At the same time, we would like to further strengthen our manufacturing and formulate measures that will lead to the next medium-term plan. Although Japan is a kind of exception, the development of each brand's products on ecommerce is very fast, including that in Southeast Asia. In order to catch up with the moves, we are going to prepare our system. Also, from the perspective of ESG, we will certainly expand our range of environmentally friendly products.

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%	7.3%
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%		

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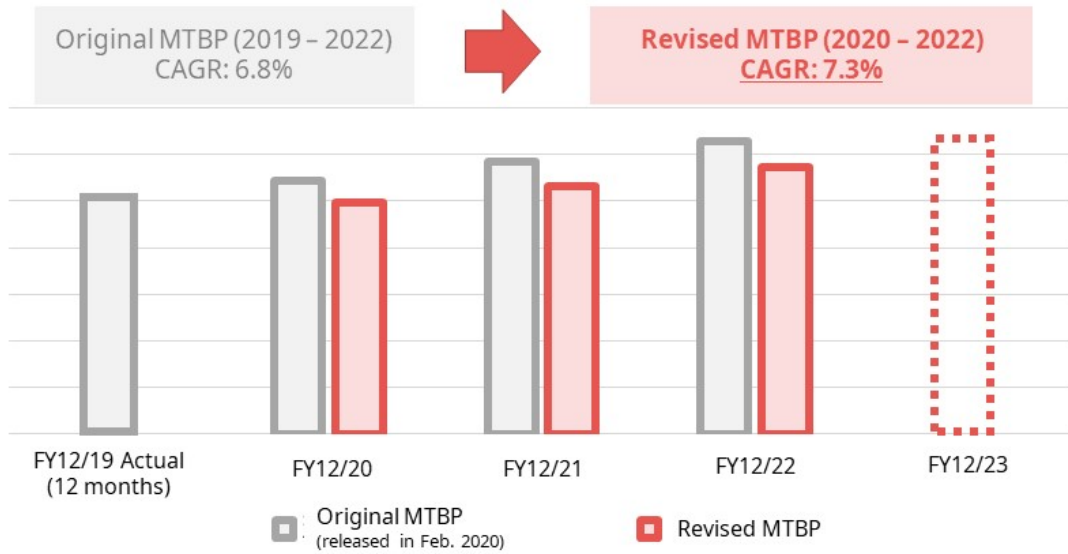
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This is the revised plan for the Seventh Medium-Term Business Plan.

In my mind, this year we are starting the new Medium-Term Plan anew. In the original Seventh Medium-Term Business Plan announced in February last year, the CAGR of sales was 6.8%, but we will accelerate this up to 7.3%. The CAGR of operating income is maintained at 10%, which was the target of the original Medium-Term Plan.

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.



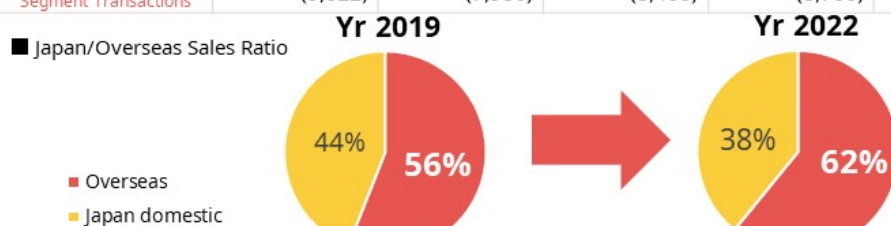
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This is what we are expecting for the Medium-Term Business Plan. The goal for the final year of the current Medium-Term Plan is to be achieved in the first year of the next Medium-Term Plan.

* The Lansinoh business has a different revenue recognition standard of the earnings between FY Dec. 2020 and FY Dec. 2019.

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	6.8%	7.3%
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%	13.1%
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)	(7,986)	(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

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This is the two-year plan for each business.

In Japan, we estimated the growth rate at a low level because we estimated Zero inbound demand in the revised plan. In the Singapore Business, the impact of COVID-19 is likely to remain until around the first half of 2021, but I believe that the growth rate will gradually accelerate toward 2022.

In the Lansinoh Business, we plan to invest heavily in product-oriented areas such as sales of new categories and development of new products in 2021, so we plan to gradually increase growth toward 2022.

In terms of the sales composition between Japan and overseas, overseas sales accounted for 56% of total sales at the end of 2019. By the end of 2022, the overseas ratio is expected to increase to 62%.

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)



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■ Japan ■ China ■ Singapore ■ Lansinoh

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Operating income. As you can see in the graph below, sales growth in China, where profit margins are high, will continue to be high, and the China Business will account for an ever-increasing share of the Group's overall income. We believe this is a positive factor for the Group as a whole because its profit margins will be boosted.

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

Next is about the change in our earnings disclosure from 2021.

Starting next year, we will change our revenue recognition standard for our Japan and China Businesses. The change is similar to the one applied to the Lansinoh Business in 2020, where a portion of SG&A expenses is deducted from sales.

In Japan, the rule is to be applied from April this year or later, so in principle it should be applied from the fiscal year ending December 2022. But in order to unify the entire Group with the same standard, we will bring it forward to the current fiscal year ending December 2021 in both Japan and China.

This will result in a decrease of about JPY3.5 billion in sales for the Japan Business and about JPY2.1 billion in sales for the China Business, but this is just a difference in how they appear in the disclosure.

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

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If the new revenue recognition standard is applied, the sales growth rate for the current fiscal year will be only 1.4%. However, in terms of the old standard, the growth rate would be 7%, or almost 8%, so it is just a matter of how it looks in accounting, and there is no significant impact on operating income and the following items to the bottom line.

ESG – Major Initiatives in 2020

<p style="text-align: center;"><u>Reduce environmental impact</u></p> <p style="text-align: center;">“Leave a rich earth for the future of babies born tomorrow”</p>	<p style="color: #E57373;">System to contribute through eco-friendly <i>monozukuri</i></p> <ul style="list-style-type: none"> • Formulated policies on environment, biodiversity, sustainable development and CSR procurement • Joined the Roundtable on Sustainable Palm Oil (RSPO) 	
<p style="text-align: center;"><u>Solve social issues surrounding babies and mothers</u></p> <p style="text-align: center;">“Create a world that celebrates babies the way they are”</p>	<p style="color: #E57373;">Support for all babies coming to birth</p> <ul style="list-style-type: none"> • 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) 	
<p style="text-align: center;"><u>Build a strong management foundation</u></p> <p style="text-align: center;">“Support sustainable growth to stay close to the baby”</p>	<p style="color: #E57373;">Ensure business continuity across the world while putting our employees’ safety first</p> <ul style="list-style-type: none"> • 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 	

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Finally, our ESG initiatives. In the area of reducing the environmental impact, we are creating a system to contribute to the reduction through the manufacture.

In the past year, we have completed the formulation of clear policies on the environment, biodiversity, sustainable development, and CSR procurement. We have also joined the RSPO because our Group has factories that manufacture detergent products.

In terms of resolving social issues surrounding babies and mothers, we are working on the breast milk bank that I mentioned earlier, as well as providing special products to support premature babies and underweight babies at birth, and in China, we have established a fund to support premature babies. In Thailand, we are involved in activities to support children with cleft palates. In the area of establishing a strong management base, both our plants and company operations have hardly been affected by COVID-19, which was a global topic this time. I believe that we are already a very strong organization.

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.

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I would like to show you one of our most recent initiatives for the “E” part of ESG. We are going to put the Pigeon Eco-Label on our product packages in the future.

Our goal is to have this label on all of our products sold in Japan by 2025. Of course, this policy is not limited to Japan, but we plan to expand it globally.

My presentation is over. Thank you very much.

Question & Answer

Q&As are summarized by Business segment.

[Consolidated]

Q. What are the factors for the upturn in the fourth-quarter profit?

A. We had a conservative estimate of P&L because COVID-19 pandemic was very uncertain. Originally, in the announcement of the third-quarter results, we showed the revised forecast of JPY14 billion in operating income. At that stage, we received forecasts from each business unit, and we inserted further negative factors as the pandemic got worse in Asia, Japan, and Europe in the third quarter. The total amount of JPY14 billion reflected our prospect that we would achieve around JPY14.5 billion.

There is a difference of JPY800 million between the JPY14.5 billion and the result of JPY15.3 billion. We forecast that operating income in the Japan and China Businesses will incur a downswing of around JPY300 million in terms of operating income due to the impact of COVID-19, but actually there was no such downswing.

In addition, sales mainly in the Health & Elder Care Business in Japan grew as we had expected, boosting operating income by around JPY100 million.

Of the remaining JPY400 million, we estimated the reduction of JPY200 million on the cost aspect as the capacity utilization rates at the plants in Thailand and Japan will fall further as well in expectation of the decline in sales.

The remaining JPY200 million is related to Turkey's reserve currency. We were expecting a related exchange loss of around JPY500 million, but actually there was a loss of less than JPY400 million. These were the factors behind the JPY800 million gap between the JPY14.5 billion forecast and the result of JPY15.3 billion.

Q. In terms of increasing R&D expenses in 2021, any breakdown of R&D budget by business segment or any prospects after 2021?

A. All business segments will increase R&D investment which includes product design, sample development, and labor for example. Lansinoh business will invest more for R&D as they will be focusing on new categories. But other business segments will also invest for R&D as well. As new products are finally coming to take shape, we can invest in such areas. Our current R&D expense is about 3% of net sales, and we will keep this 3% or slightly increase the percentage of

investment. The amount of R&D investment will increase as the sales grow, but we don't expect the percentage of investment will drastically increase.

[Japan Business]

Q. What are the reasons of decreasing the operating margin of Japan business in the revised Seventh Medium-Term Business Plan?

A. Domestic Baby and Mother Care Business accounted for roughly 70% of the total sales of the Japan Business in the previous year, and its sales declined by JPY2.6 billion YoY. And JPY2.4 billion out of JPY2.6 billion was due to the decline in inbound-related sales. About 60% of the inbound-related products were high-margin products, such as nursing bottles, nipples, and skin care products. Due to these factors, operating income decreased to JPY3 billion as a result.

And we revised the plan of Yr 2021 based on this JPY3 billion and operating margin looks lower. But we plan to raise the amount to JPY3.4 billion in two years. We are working on such highly profitable products and premium products, so there will be such products in the current fiscal year but pleased to look forward to seeing some more in the next year and beyond. And we don't include any inbound demand in the revised plan.

Q. What's your prospects and assumptions of 2021 for Covid-19 and birth rate in Japan?

A. Last year, the market for large-sized products dropped around 20% amid the self-restraint from going out and our sales dropped similarly. So, if the self-restraint continues, there will be such effects. However, we experienced sales activities amid the COVID-19 pandemic for a whole year in 2020. This year, as we have various product categories, we intend to achieve our plan for sales by proposing timely products or different values to customers.

For the current fiscal year, we expect that the number of births will drop by about 10% YoY to a level above 750,000.

Actually, the markets for nursing bottles, nipples, and some other categories will see declines in proportion to the fall in the number of births. For other categories, such as consumables like wipes and detergents, we assume that even if the number of births falls by 10%, the market for them will not fall that much, and that the market will fall by around 6%, the same level of decline as that in 2020.

In contrast, we intend to grow by about 10% in our plan. As the measures to do so, we plan, for example, to propose new categories and create premium products.

In fact, looking at retailers by category last year, it is true that retailers that had had a high percentage of inbound sales saw a sharp decline. On the other hand, stores that had not been involved in inbound demand did not see a drop in sales. This means that even though people are refraining from going out, there are drugstores that are very close to their homes, so the frequency of customers shopping at the stores is certainly decreasing, but the amount of money spent by customers at shopping is not affected much.

Q. Revised plan of Japan business still seems very high target. How do you see the market opportunities?

A. We have increased our share of nursing bottles to 86% of the market in Japan. So it will be difficult to increase it further.

But for example, more women go out for work, more working mothers cannot feed their babies with breast milk if they want to do so. In this respect, although there is almost 100% recognition of breast pumps in Japan, the purchase rate is still not high, at around 40%. On that point, we should encourage more moms to use breast pumps and other similar products. By doing so, there is still room for us to explore an unknown market, such as meeting the need for pumping breast milk, reserving it, and feeding babies with it in the workplace.

We would like to achieve this 10% increase through such efforts for the information campaign and other measures. Also, the number of births dropped last year as well. However, if we look at pure domestic demand, there has been no decline. So, we believe we still can grow Japan market with developing premium products and new products.

[China Business]

Q. What's the quarterly overview of 2021 plan of China business?

A. There will be some trade promotions for big e-commerce events such as June 18 and the Double Eleven on November 11, so the profitability will deteriorate on these months or so later. But we will not see sharp change in other quarters. We will expect a YoY increase in the first quarter as last year we had some negative impact due to COVID-19 spread in China. However, in 2020, sales recovered rapidly from April onward, so the sales growth will slightly slow in Q2 and later.

Q. What are the background of such high expectations of sales growth of China?

A. First, we've prepared a large number of new products. Moreover, we will also launch new nursing bottles in the second half of the year. In addition, the Latin America market will be added to the China business. Furthermore, China's overseas business was very sluggish last year. In 2020, our export business in China dropped as much as 40% YoY, but we are sure that the business will come back. We can expect that good number this year with all of these factors. Actually, the expansion into US market was not part of our original Medium-Term Plan though.

Q. How much sales growth do you expect in Mainland China on a local currency basis for fiscal 2021?

A. We are expecting about 12% - 13% growth YoY.

Q. What is your expectation or strategy of On-line / Off-line ratio?

A. We don't intend to control On-line / Off-line ratio. We are implementing our measures in line with the market trends. From the current trend, the shift to e-commerce will accelerate further due to the strong impact of COVID-19.

Q. How is the "Ssence" skincare products going? How will you strengthen skincare category?

A. Some of the skincare products are also shown in photos in the presentation materials. The avocado skincare series was launched late last year. The product is developed based on a totally different concept. We will introduce more skincare series and expect sales growth. The Ssence skincare has been well received by our customers. However, as we initially decided to limit the sales area to the flagship store, so we could reach very limited number of customers. We are now considering measures to expand the sales area and continue product sampling. Sales are still small, but they are growing.

Q. Can you give us the detail of "selection and concentration" strategy?

A. The products we are concentrating on are our core products such as nursing bottles, skin care, oral care, and breast pumps. We will focus on our resources on these categories to prevail over competitors. Actually, there is no particular product we will stop selling. However, in the consumables market, international brands are losing market shares to local brands as the completions gets fierce. So we have to defend and grow core products that is our most important categories.

Q. How much is the size of Latin America (Latam) market which will be transferred to China business?

A. Annual sales is about JPY4 million. We expect about 10% sales growth YoY in Fiscal 2021.

Q. What are the reasons for handling Canada and Latam market by China business?

A. First of all, opening a new market requires a certain amount of money and China business can take care of it. And when we see people in Canada, Asian people make up about half of the population. We believe we can utilize a network of Chinese community and China business would be the perfect one to tap Canadian market. The US market is an extension of Canada. Also, since the China business is taking the Latam market from Lansinoh, China business will take care of Pigeon brand business across North and South America.

[Singapore Business]

Q. Singapore business did not show much profit in Q4. What are the reasons for this?

A. Singapore business had a tough year in terms of sales. However, in order to prepare for the growth of next fiscal year, we invested for sales promotion and R&D especially in Q3 and Q4.

[Lansinoh Business]

Q. CAGR of Lansinoh business seems lower than original Mid-term plan. What are the reasons for?

A. First, Latam market (JPY4 million) is transferred to China business. Also, competition for consumables, such as breast pads and milk storage bags has become fierce. It is hard to expect sharp growth in these categories. And we will need some time to see the new products to grow, so the revised plans for the current year are a little low. Also, we see some FX impact.

End.