



February 10, 2021

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(Stock Code: 7956)
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Notice of Revision of Medium-Term Business Plan

We, Pigeon Corporation announces that we have revised the 7th Mid-term Business Plan, which was announced on February 13, 2020, in light of recent business performance impacted by COVID-19 pandemic all over the world.

Details of the revisions will be announced at the financial results briefing to be held on February 10, 2021 and on our website. Pigeon Corporation IR Information <https://www.pigeon.com/ir/>

1. Background of the Revision

Our consolidated results for the fiscal year ending December 31, 2020 were achieved the revised consolidated earnings forecast announced on November 5, 2020, but due to the impact of the COVID-19 pandemic, sales and profits declined year on year.

In the fiscal year ending December 31, 2021, we expect to increase sales and profits by strengthening sales and marketing activities in China and other businesses. On the other hand, the sharp decline in inbound demand from foreign visitors to Japan and the lockdowns and movement restrictions due to the global spread of the COVID-19 are expected to continue for a while, making it difficult to achieve the numerical targets of the original medium-term business plan initially announced on Feb 13, 2020. As a result, we will review the targets for the fiscal years ending December 31, 2021 and December 31, 2022.

There is no change in the basic strategy of the 7th Mid-term Business Plan.

[Note on Forecasts of Business Results and Other Forward-Looking Statements]

Materials disclosed by the Company may contain statements about plans, policies and other matters not related to past events. Such statements are founded on management suppositions and opinions based the best information available to the Company at the time of publication. Actual future results may differ as a result of changes in the business environment.

Revision of 7th Medium-Term Business Plan

Pigeon Corporation

(Securities Code : 7956)

Norimasa Kitazawa

President and CEO

February 10, 2021

Celebrate babies the way they are



Disclaimer on Forward-Looking Statements

This material includes certain forward-looking statements about the Pigeon Group. To the extent that statements in this material do not related to historical or current facts, they constitute forward-looking statements.

These forward-looking statements are based on the current assumptions and judgments of the Pigeon Group in light of the information currently available to it, and involve know and unknown risks, uncertainties and other factors, which may affect the statements made in this material.

Pigeon Corporation

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For Your Reference

- Original 7th Medium-Term Business Plan (Announced on Feb. 13, 2020)

<https://www.pigeon.com/ir/management/midplan/>

- Financial Results of FY Dec. 2020 (Announced on Feb. 10, 2021)

https://www.pigeon.com/ir/library/kesan_setumei/

Revision of the 7th Mid-term Business Plan

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- There is no change in the basic strategy of the 7th Mid-term Business Plan.

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.



Revision to the 7th MTBP (Strategy)

FY2020 Summary

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

Basic Strategy

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

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



What we learned from COVID-19

Reinforcing the spirit of *Monozukuri* (craftsmanship)

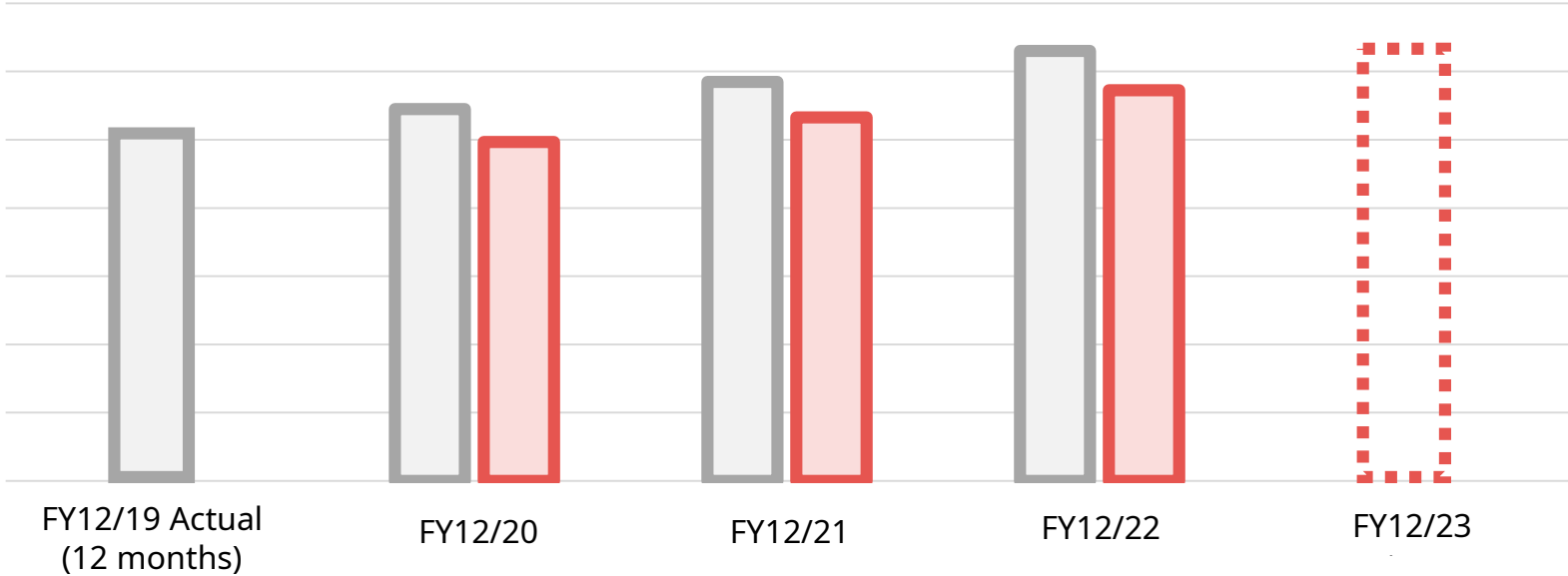
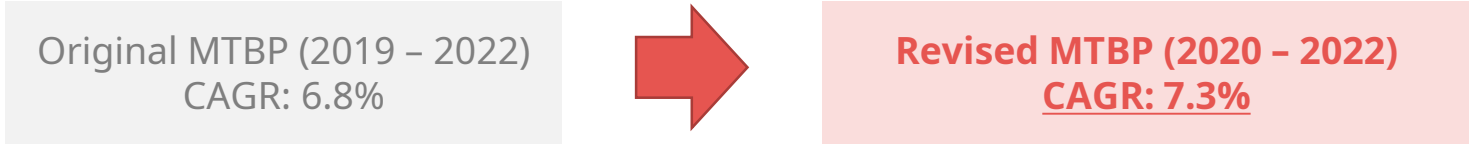
- Improved and expanded emergency supplies for babies
- Promptly implemented all processes from planning to sales to respond to the rapidly changing e-commerce market
- Increased eco-friendly products that can achieve sustainable growth, and created a new category

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

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

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

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

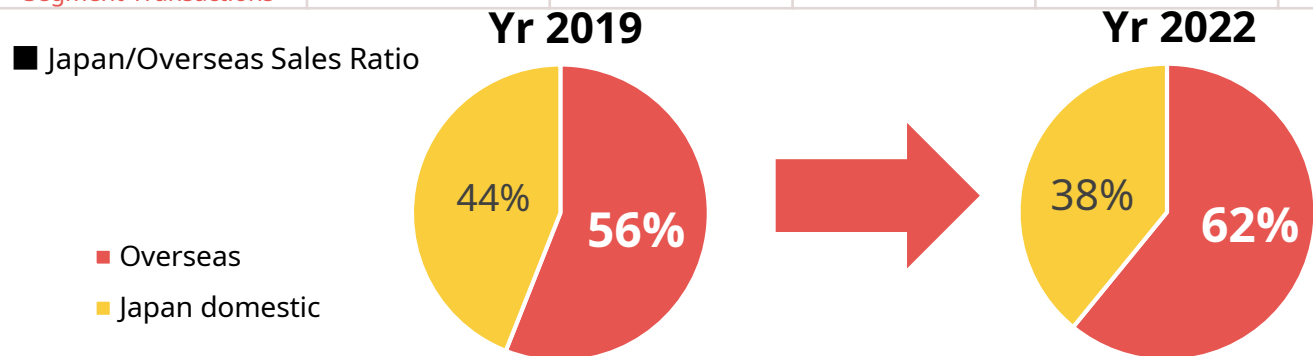


 Original MTBP (released in Feb. 2020)

 Revised MTBP

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

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



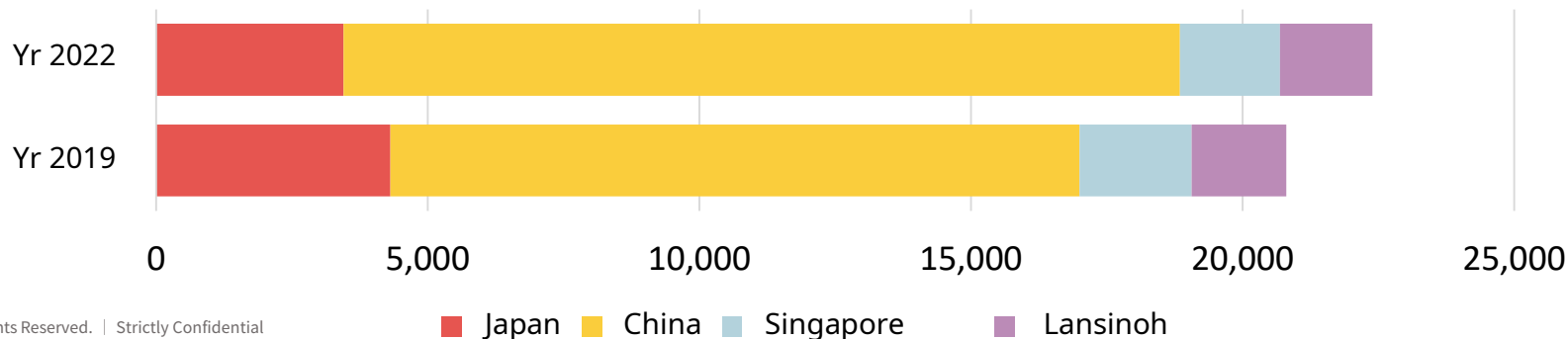
[Currency Rates]

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

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

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

■ Operating Income by Business Segment (Million JPY)



FY Dec. 2021 - Adoption of New Revenue Recognition Standard

■ Background

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

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

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

■ What Pigeon will do

- Both the Japan Business and the China Business will transition to the new revenue recognition standard from the current fiscal year (ending December 31, 2021).
- Pigeon ensures the transparency of its consolidated financial statements by bringing forward one year the transition of the Japan Business to the new standard to align the transition timing of the China business, thereby unifying the revenue recognition standard across the Group.

- The transition to the new revenue recognition standard will reduce net sales of the both segments as follows: (estimated based on the business plan for the fiscal year ending Dec. 2021)

Japan: (3,500) million yen

China: (2,100) million yen

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

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

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

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