

# Summary of Financial Results for the First Quarter of Fiscal Year Ending December 2020 [Japanese Standards] (Consolidated)

June 4, 2020

Name of Listed Company: Pigeon Corporation (Stock code: 7956)  
 Listing: First Section, Tokyo Stock Exchange  
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 Scheduled Filing Date of Quarterly Report: June 5, 2020  
 Scheduled Commencement Date of Dividend Payments: —  
 Preparation of Any Additional Explanatory Materials for Quarterly Financial Results: Yes  
 Holding of Any Briefing Session for Quarterly Financial Results: Yes (For analysts)

## 1. Consolidated Business Performance for the First Quarter of Fiscal Year Ending December 31, 2020 (January 1 to March 31, 2020)

### (1) Consolidated Operating Results (cumulative)

(Millions of yen, rounded down, % figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
1Q ended March 31, 2020	22,836	(10.3)%	3,403	(24.4)	3,864	(13.3)	2,869	(8.6)
1Q ended April 30, 2019	25,458	(1.3)%	4,501	(17.3)	4,459	(17.1)	3,140	(18.5)

(Note) Comprehensive income: 1Q ended March 31, 2020 ¥1,206 million (69.9% negative)  
 1Q ended April 30, 2019 ¥4,015 million (32.9%)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)
1Q ended March 31, 2020	23.97	—
1Q ended April 30, 2019	26.22	—

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
1Q ended March 31, 2020	86,016	67,410	75.6
FY ended December 31, 2019	90,491	70,463	74.8

(Reference) Shareholders' Equity: 1Q ended March 31, 2020 ¥64,990 million  
 FY ended December 31, 2019 ¥67,722 million

## 2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended December 31, 2019	—	35.00	—	35.00	70.00
FY ending December 31, 2020	—				
FY ending December 31, 2020 (Forecast)		36.00	—	36.00	72.00

(Note) Changes in dividend forecasts from the most recent announcement: None

### 3. Consolidated Business Performance Forecasts for the Fiscal Year Ending December 31, 2020 (January 1 to December 31, 2020)

(% figures denote year-on-year change from the previous term)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	98,500 to 102,400	—	13,400 to 15,500	—	13,900 to 16,000	—	9,600 to 10,900	—	80.17 to 91.03

(Notes) 1. Revision of forecasts from the most recent announcement: Yes

2. The previous consolidated accounting year was the 11 months from February 1, 2019 to December 31, 2019 due to the change in fiscal period. As such, year on year changes have not been included in the above table.

#### Notes

(1) Changes in major subsidiaries (or changes in specific subsidiaries that affect the scope of consolidation) during the period under review: None

New: — (Company name: — ), Excluded: — (Company name: — )

(2) Application of any accounting procedures specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting-based estimates, and restatements

1) Changes in accounting policies associated with revision of accounting standards: None

2) Changes in accounting policies other than the above 1): None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the period-end (including treasury stock)

1Q ended March 31, 2020: 121,653,486

FY ended December 31, 2019: 121,653,486

2) Amount of treasury stock at the period-end

1Q ended March 31, 2020: 1,926,426

FY ended December 31, 2019: 1,926,426

3) Average number of shares outstanding during the period (quarter accumulation)

1Q ended March 31, 2020: 119,727,060

1Q ended April 30, 2019: 119,740,515

(Note) Amount of treasury stock at the period-end includes Company shares held by the board incentive plan (BIP) trust for compensation of directors (33,600 shares as of 1Q ended March 31, 2020 and FY ended December 31, 2019).

Company shares held by the BIP trust for compensation of directors are also included in the treasury stock subtracted in the calculation of the average number of shares outstanding during the period.

\* Summaries of quarterly financial results are exempt from quarterly review by certified public accountants and auditing corporations.

\* Cautionary Statement regarding Performance Forecasts

The forecasts and future projections stated in this report have been prepared on the basis of the information and assumption that shall be reasonable as of the date of announcement of this summary information, and the forecasts and future projections stated in this report are in no way intended as a promise of achievement as a company.

In addition, the actual results could differ significantly from forecast figures depending on a variety of factors. See the section “(3) Explanation of Consolidated Performance Forecast and Other Future Predictions” in “1. Qualitative Information Regarding the Financial Results for the Current Quarter” on page 4 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

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## 1. Qualitative Information Regarding the Financial Results for the Current Quarter

### (1) Explanation of Business Performance

Regarding the business environment surrounding the Group during the consolidated first quarter under review, the spread of coronavirus disease 2019 (COVID-19) caused a decline in global economic activities. From February, consumption in Japan began to be impacted by the cancellation of large-scale events, shortened hours or temporary closure of retail businesses, as well as voluntary decision to stay home by consumers. Additionally, the number of foreign tourists visiting Japan drastically decreased, causing a sudden slowdown in inbound demand.

Amid such economic circumstances, the Group announced the Seventh Medium-Term Business Plan (for the period between the fiscal year ending December 2020 and the fiscal year ending December 2022) in February 2020, and formulated three basic strategies (brand strategy, core product strategy, and regional strategy). In the Plan, with a focus on these basic strategies, the Group will work to implement various measures for business growth, as well as to realize our purpose which is “we want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs.”

Business performance during the consolidated first quarter under review was as follows.

Net sales amounted to ¥22,836 million (down 10.3% YOY). Regarding earnings, due to factors such as decreased sales and an increased selling, general and administrative expense ratio, operating income was ¥3,403 million (down 24.4% YOY), ordinary income was ¥3,864 million (down 13.3% YOY), and quarterly net income attributable to owners of parent was ¥2,869 million (down 8.6% YOY).

The main exchange rates used in the preparation of this first quarter's financial statements for the Company's overseas consolidated subsidiaries (revenues and expenses) are as follows:

Note: Figures in parentheses represent the exchange rate in the same period of the previous fiscal year.

- 1US\$: 108.97 yen (110.21 yen)
- 1 CNY: 15.61 yen (16.32 yen)

Previously, this report consisted of information from six Group reporting segments: the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, China Business, Singapore Business, and Lansinoh Business. However, as a result of the reorganization of December 16, 2019, from the consolidated first quarter under review, the Japan Business segment now aggregates the manufacturing and sales business conducted outside the Group by domestic subsidiaries included in the segments of Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and Other. As a result, this report now consists of four segments.

Each segment is outlined below.

The following year-on-year comparisons are based on figures calculated using the calculation method after changing the figures for the same period of the previous year.

#### Japan Business

This segment consists of the Domestic Baby & Mother Care Business, Child Care Service Business, and Health & Elder Care Business. Overall net sales in this segment were ¥11,456 million (down 9.7% YOY) and segment profit was ¥889 million (down 37.4% YOY).

In the category of products for babies and mothers, sales of product groups with particularly high inbound demand were down year-on-year. Conversely, due to increased hygienic awareness in conjunction with the spread of COVID-19, sales increased year-on-year of some products for babies and mothers, and for health and elder care.

Regarding child care service, during the period under review, we have concluded a new contract for

one in-company child-care facility. We currently provide services to a total of seventy-five facilities, and shall continue to develop this business further while striving to improve the quality of the content we offer.

Profit was down year-on-year due to factors including a decrease in gross profit caused by a decline in net sales, and a worsened gross profit margin caused by the product mix.

### **China Business**

Net sales in this segment amounted to ¥7,148 million (down 10.5% YOY), and segment profit also decreased to ¥2,407 million (down 16.5% YOY).

Beginning from late January, this segment was significantly affected by the spread of COVID-19. A considerable number of small- and medium-sized retail stores were temporarily closed, the Chinese government stopped the distribution of goods across provinces, and the top priority was placed on the distribution of medical products and daily necessities. The distribution functions of major cities were in a completely different situation than normal times. As a result, net sales were down year-on-year due to factors including delays in the delivery of our products to local distributors and retail stores. However, the distribution function has almost recovered as of early March. Furthermore, the Group is steadily increasing sales in the e-commerce channel where we have strengthened our activities.

Profit was down year-on-year due to factors including a decrease in gross profit caused by a decline in net sales, a worsened gross profit margin due to the product mix, and an increase in expenses due to growing e-commerce sales.

### **Singapore Business**

Net sales of the segment amounted to ¥3,333 million (down 12.3% YOY), and segment profit also decreased to ¥669 million (down 19.1% YOY).

Net sales in this segment were down year-on-year due to voluntary stay-at-home activities and shortened hours/temporary closures of retail stores due to the spread of COVID-19 in the ASEAN region and India, which are under the supervision of this segment.

Profit was down year-on-year due to factors including a decrease in gross profit caused by a decline in net sales, and a worsened gross profit margin caused by the product mix.

### **Lansinoh Business**

Net sales of the segment amounted to ¥3,040 million (down 7.3% YOY), and segment profit decreased to ¥399 million (down 16.5% YOY).

In North America, sales were strong in the e-commerce channel, and sales of breast pumps through the DME (Durable Medical Equipment) channel and the hospital/maternity clinic channel grew.

Conversely, sales were down year-on-year for consumable products, a category where market competition has become even tougher.

## **(2) Explanation of Financial Position**

### **(Assets)**

As of March 31, 2020, our Group recorded total assets of ¥86,016 million, down ¥4,475 million from the previous consolidated fiscal year ended December 31, 2019. Both current and fixed assets decreased by ¥3,081 million and ¥1,393 million, respectively.

Current assets decreased mainly due to decreases in cash and deposits of ¥3,771 million and in notes and accounts receivable - trade of ¥274 million, despite an increase in merchandise and finished goods of ¥569 million.

Fixed assets decreased mainly due to a ¥351 million decrease in buildings and structures under tangible fixed assets, a ¥483 million decrease in other tangible fixed assets, and a ¥365 million decrease in other intangible fixed assets.

### **(Liabilities)**

As of March 31, 2020, our Group recorded total liabilities of ¥18,605 million, down ¥1,422 million from the previous consolidated fiscal year ended December 31, 2019. Both current and fixed

liabilities decreased by ¥1,300 million and ¥121 million, respectively.

Current liabilities decreased mainly due to decreases in income taxes payable and in other current liabilities of ¥284 million and ¥1,077 million, respectively.

Fixed liabilities decreased mainly because other fixed liabilities decreased by ¥117 million.

(Net Assets)

As of March 31, 2020, our Group recorded total net assets of ¥67,410 million, down ¥3,052 million from the previous consolidated fiscal year ended December 31, 2019.

Net assets decreased mainly due to decreases in foreign currency translation adjustment of ¥1,393 million and in retained earnings of ¥1,321 million.

### **(3) Explanation of Consolidated Performance Forecast and Other Future Predictions**

At the current point in time, the future is uncertain due to the global pandemic of COVID-19 in Japan and countries around the world. It is extremely difficult to predict future trends and to calculate the amount of impact on the Group's performance. The "Consolidated Business Performance Forecasts for the Fiscal Year Ending December 31, 2020" which was announced on Thursday, February 13, 2020 did not consider how COVID-19 would spread on a global scale to this extent, worsen the global economy over a period of several months, stagnate corporate activities, and have a severe impact on the daily life of individuals.

From April, signs of recovery have been seen in China, which is our priority market. However, the impact of COVID-19 is forecasted to continue in countries around the world even after the first quarter consolidated cumulative period. Based on the information available to the Pigeon Group as of today, we have decided to change the figures listed in the summary information from the figures which were announced on February 13, 2020.

**2. Quarterly Consolidated Financial Statements and Main Notes****(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	At December 31, 2019	At March 31, 2020
<b>ASSETS</b>		
<b>I. Current Assets:</b>		
Cash and deposits	32,416	28,644
Notes and accounts receivable - trade	16,588	16,313
Merchandise and finished goods	8,144	8,714
Work in process	400	444
Raw materials and supplies	2,666	2,710
Other current assets	1,933	2,237
Allowance for doubtful accounts	(216)	(212)
<b>Total Current Assets</b>	<b>61,933</b>	<b>58,851</b>
<b>II. Fixed Assets:</b>		
<b>1. Tangible Fixed Assets:</b>		
Buildings and structures, net	7,058	6,706
Land	5,865	5,957
Other tangible fixed assets, net	9,570	9,087
<b>Total Tangible Fixed Assets</b>	<b>22,494</b>	<b>21,751</b>
<b>2. Intangible Fixed Assets:</b>		
Goodwill	867	674
Other intangible fixed assets	2,996	2,630
<b>Total Intangible Fixed Assets</b>	<b>3,863</b>	<b>3,305</b>
<b>3. Investments and Other Assets:</b>		
Other	2,201	2,109
Allowance for doubtful accounts	(0)	(0)
<b>Total Investments and Other Assets</b>	<b>2,200</b>	<b>2,108</b>
<b>Total Fixed Assets</b>	<b>28,558</b>	<b>27,165</b>
<b>Total Assets</b>	<b>90,491</b>	<b>86,016</b>
<b>LIABILITIES</b>		
<b>I. Current Liabilities:</b>		
Notes and accounts payable - trade	4,900	4,779
Electronically recorded obligations - operating	2,009	1,992
Income taxes payable	1,272	1,024
Accrued bonuses to employees	928	1,077
Provision for sales returns	41	55
Provision for loss on litigation	8	7
Other current liabilities	6,478	5,400
<b>Total Current Liabilities</b>	<b>15,638</b>	<b>14,337</b>
<b>II. Fixed Liabilities:</b>		
Net defined benefit liability	417	387
Provision for share-based remuneration	98	124
Other fixed liabilities	3,873	3,755
<b>Total Fixed Liabilities</b>	<b>4,389</b>	<b>4,267</b>
<b>Total Liabilities</b>	<b>20,028</b>	<b>18,605</b>

(Millions of yen)

	At December 31, 2019	At March 31, 2020
<b>NET ASSETS</b>		
<b>I. Shareholders' Equity:</b>		
Capital stock	5,199	5,199
Capital surplus	5,179	5,179
Retained earnings	58,979	57,658
Treasury stock	(1,088)	(1,088)
<b>Total Shareholders' Equity</b>	<b>68,269</b>	<b>66,947</b>
<b>II. Accumulated Other Comprehensive Income:</b>		
Valuation difference on available-for-sale securities	25	9
Foreign currency translation adjustment	(572)	(1,966)
<b>Total Accumulated Other Comprehensive Income</b>	<b>(547)</b>	<b>(1,957)</b>
<b>III. Non-controlling Interests</b>	<b>2,741</b>	<b>2,419</b>
<b>Total Net Assets</b>	<b>70,463</b>	<b>67,410</b>
<b>Total Liabilities and Net Assets</b>	<b>90,491</b>	<b>86,016</b>



**(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income**

Quarterly Consolidated Statement of Income  
(Scope of Consolidation of First Quarter)

(Millions of yen)

	Three months ended April 30, 2019	Three months ended March 31, 2020
<b>I. Net Sales</b>	25,458	22,836
<b>II. Cost of Sales</b>	12,594	11,483
<b>Gross profit</b>	12,863	11,352
Reversal of provision for sales returns	30	41
Provision for sales returns	40	55
<b>Adjusted gross profit</b>	12,854	11,337
<b>III. Selling, General and Administrative Expenses</b>	8,352	7,933
<b>Operating Income</b>	4,501	3,403
<b>IV. Non-operating Income:</b>		
Interest income	47	42
Subsidy income	—	379
Other non-operating income	64	211
<b>Total Non-operating Income</b>	111	632
<b>V. Non-operating Expenses:</b>		
Interest expenses	1	1
Sales discounts	116	56
Foreign exchange losses	6	40
Other non-operating expenses	28	73
<b>Total Non-operating Expenses</b>	153	171
<b>Ordinary Income</b>	4,459	3,864
<b>VI. Extraordinary Income:</b>		
Gain on sales of fixed assets	1	0
Gain on sales of investment securities	113	33
<b>Total Extraordinary Income</b>	115	33
<b>VII. Extraordinary Loss:</b>		
Loss on sales of shares of subsidiaries and associates	—	37
Loss on sales of fixed assets	1	9
Loss on disposal of fixed assets	9	10
<b>Total Extraordinary Loss</b>	10	56
<b>Income before Income Taxes</b>	4,563	3,841
Income taxes - current	1,232	1,015
Income taxes - deferred	122	(107)
<b>Total Corporate Income Tax</b>	1,355	907
<b>Net Income</b>	3,208	2,933
<b>Net Income Attributable to Non-controlling Interests</b>	68	63
<b>Net Income Attributable to Owners of Parent</b>	3,140	2,869

Quarterly Consolidated Statement of Comprehensive Income  
(Scope of Consolidation of First Quarter)

(Millions of yen)

	Three months ended April 30, 2019	Three months ended March 31, 2020
<b>Net Income</b>	3,208	2,933
<b>Other Comprehensive Income</b>		
Valuation difference on available-for-sale securities	2	(16)
Foreign currency translation adjustment	803	(1,710)
<b>Total Other Comprehensive Income</b>	806	(1,726)
<b>Quarterly Comprehensive Income</b>	4,015	1,206
<b>(Break down)</b>		
Quarterly comprehensive income on parent company	3,896	1,459
Quarterly comprehensive income on non-controlling interests	118	(252)

**(3) Notes on Consolidated Financial Statements  
(Notes Regarding Going Concern Assumptions)**

Not applicable.

**(Notes Regarding Substantial Changes in Shareholders' Equity)**

Not applicable.

**(Segment Information)**

Three months ended April 30, 2019

Information Regarding Net Sales and Profit (Loss) in Each Reporting Segment

(Millions of yen)

	Reporting Segment				Total	Adjustments (Note 1)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 2)
	Japan Business	China Business	Singapore Business	Lansinoh Business			
Net sales							
Net sales to external customers	12,188	7,717	2,272	3,279	25,458	—	25,458
Internal sales or exchange between segments	504	272	1,527	0	2,304	(2,304)	—
Total	12,692	7,990	3,799	3,279	27,762	(2,304)	25,458
Segment profit	1,420	2,884	828	478	5,612	(1,110)	4,501

(Notes)

1. The negative amount of ¥1,110 million from adjustments in segment profit includes negative ¥25 million in elimination of intersegment transactions, and negative ¥1,084 million in non-allocable operating expenses. Non-allocable operating expenses are administrative costs of our Group.
2. Segment profits are adjusted to operating income in the quarterly consolidated statement of income.

Three months ended March 31, 2020

1. Information Regarding Net Sales and Profit (Loss) in Each Reporting Segment

(Millions of yen)

	Reporting Segment				Total	Adjustments (Note 1)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 2)
	Japan Business	China Business	Singapore Business	Lansinoh Business			
Net sales							
Net sales to external customers	10,675	7,090	2,029	3,039	22,836	—	22,836
Internal sales or exchange between segments	780	57	1,303	0	2,141	(2,141)	—
Total	11,456	7,148	3,333	3,040	24,978	(2,141)	22,836
Segment profit	889	2,407	669	399	4,367	(963)	3,403

(Notes)

1. The negative amount of ¥963 million from adjustments in segment profit includes negative ¥89 million in elimination of intersegment transactions, and negative ¥873 million in non-allocable operating expenses. Non-allocable operating expenses are administrative costs of our Group.
2. Segment profits are adjusted to operating income in the quarterly consolidated statement of income.

**2. Items Regarding Changes, etc., to Reporting Segments**

Previously, this report consisted of information from six Group reporting segments: the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, China Business, Singapore Business, and Lansinoh Business. However, as a result of the reorganization of December 16, 2019, from the consolidated first quarter under review,

the Japan Business segment now aggregates the manufacturing and sales business conducted outside the Group by domestic subsidiaries included in the segments of Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and Other. As a result, this report now consists of four segments.

Segment information for the previous consolidated first quarter was created using the calculation method for segment profit after the changes were made.