Summary of Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese Standards] (Consolidated)

February 14, 2023

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
Listings: Prime Market, Tokyo Stock Exchange
Website: www.pigeon.com
Representative: Norimasa Kitazawa (President and CEO)
Contact person: Nobuo Takubo (Managing Officer, Business Strategy Division Manager)/Tel: +81-3-3661-4204
Scheduled Date of Annual General Shareholders' Meeting: March 30, 2023
Scheduled Commencement Date of Dividend Payments: March 31, 2023
Scheduled Filing Date of Annual Securities Report: March 31, 2023
Preparation of Any Additional Explanatory Materials for Financial Results: Yes
Holding of Any Briefing Session for Financial Results: Yes (For analysts and institutional investors)

1. Consolidated Business Performance for the Fiscal Year Ended December 31, 2022 (January 1 to December 31, 2022)

(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	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY ended December 31, 2022	94,921	2.0	12,195	(8.6)	13,465	(8.1)	8,581	(2.3)
FY ended December 31, 2021	93,080	(6.3)	13,336	(12.9)	14,648	(9.1)	8,785	(17.5)

(Note) Comprehensive income: FY ended December 31, 2022 ¥12,165 million (6.4% negative)
FY ended December 31, 2021 ¥12,994 million (16.8%)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)	Return on Equity (%)	Total Assets/ Ordinary Income (%)	Operating Margin (%)
FY ended December 31, 2022	71.72	−	11.4	13.5	12.8
FY ended December 31, 2021	73.44	−	12.2	15.3	14.3

(Reference) Equity in earnings of affiliates: FY ended December 31, 2022 ¥− million
FY ended December 31, 2021 ¥− million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
FY ended December 31, 2022	101,733	79,952	75.4	640.96
FY ended December 31, 2021	98,042	76,810	75.4	617.59

(Reference) Shareholders' Equity: FY ended December 31, 2022 ¥76,695 million
FY ended December 31, 2021 ¥73,885 million

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
FY ended December 31, 2022	13,210	(5,659)	(9,666)	34,283
FY ended December 31, 2021	10,893	(5,593)	(8,693)	35,218

2. Cash Dividends

	Annual Dividend (¥)					Total Dividends Paid (full year) (¥ mil)	Consolidated Payout Ratio (%)	Dividends on Consolidated Net Assets (%)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
FY ended December 31, 2021	―	37.00	―	37.00	74.00	8,862	100.9	12.3
FY ended December 31, 2022	―	38.00	―	38.00	76.00	9,101	106.1	12.1
FY ending December 31, 2023 (Forecast)	―	38.00	―	38.00	76.00		112.4	

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending December 31, 2023 (January 1 to December 31, 2023)

(% 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	100,000	5.3	12,400	1.7	12,400	(7.9)	8,100	(5.6)	67.70

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

1) Changes in accounting policies associated with revision of accounting standards: Yes
2) Changes in accounting policies other than the above 1): None
3) Changes in accounting-based estimates: None
4) Restatements: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the period-end (including treasury stock)
FY ended December 31, 2022: 121,653,486 shares
FY ended December 31, 2021: 121,653,486 shares
2) Amount of treasury stock at the period-end
FY ended December 31, 2022: 1,996,488 shares
FY ended December 31, 2021: 2,018,072 shares
3) Average number of shares outstanding during the period
FY ended December 31, 2022: 119,651,570 shares
FY ended December 31, 2021: 119,635,533 shares

(Note) Amount of treasury stock at the period-end includes Company shares held by the board incentive plan (BIP) trust for compensation of directors (102,956 shares as of FY ended December 31, 2022; 124,800 shares as of FY ended December 31, 2021). 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.

* This summary of financial results is exempt from audit 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 “(4) Future Directions” in “1. Overview of Management Results and Related Matters” on page 6 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

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1. Overview of Management Results and Related Matters

(1) Overview of Management Results for the Term Under Review

1) Performance Overview

In the Japanese economy during the consolidated accounting year under review, despite rising prices for crude oil and other raw materials and severe volatility in currency exchange rates, personal consumption continued to recover gradually, as restrictions on activity were eased after a new wave of COVID-19 infections subsided. In the global economy, recovery proceeded gradually as the worldwide COVID-19 pandemic shifted into a new phase of living with COVID-19. However, economies were hit by supply squeezes and rapid increases in the prices of goods. In China, a fresh wave of COVID-19 infections spread amid relaxation of the zero-COVID policy, causing a standstill that heightened the risk of economic downturn, blunting the pace of recovery.
Amid such circumstances, the Group has established three basic strategies (brand strategy, core product strategy, and regional strategy) in its Seventh Medium-Term Business Plan (for the period between the fiscal year ended December 2020 and the fiscal year ended December 2022) that was formulated in February 2020. Now, in the final year of the Plan, guided by these basic strategies, we have implemented 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.”
Sales results varied by region during the fiscal year. In the China Business, the COVID-19 pandemic continued its spread from the start of the fiscal year and the government imposed a zero-COVID policy, including measures such as lockdowns in Shanghai and elsewhere in 2Q, in response. This policy was later eased, sparking a fresh wave of infections. As a result, unforgiving conditions persisted throughout the year in this business. In the Singapore Business and Lansinoh Business, on the other hand, sales were brisk, and depreciation in the Japanese yen gave a boost to revenue figures. Net sales edged up to ¥94,921 million (up 2.0% YOY). In earnings, globally high raw-material prices and shipping expenses caused a deterioration in cost rates, while the reopening of economic activity in various countries prompted concerted use of selling, general and administrative expenses. Operating income fell to ¥12,195 million (down 8.6% YOY), ordinary income dropped to ¥13,465 million (down 8.1% YOY) and net income attributable to owners of parent retreated to ¥8,581 million (down 2.3% YOY).

The main exchange rates used in the preparation of this consolidated period’s financial statements for the Company’s overseas consolidated subsidiaries (revenues and expenses) are as follows:
・1 US$: 131.55 yen (109.85 yen)
・1 CNY: 19.50 yen (17.03 yen)
Note: Figures in parentheses represent the exchange rate in the previous fiscal year.

2) Segment Review

The Group has a total of four reporting segments: the Japan Business, China Business, Singapore Business, and Lansinoh Business.
An outline of each segment is given below.

Japan Business
This segment consists of businesses such as the Baby Care Business, Child Care Service Business, and Health & Elder Care Business. Net sales for the entire segment amounted to ¥36,323 million (down 5.1% YOY). Segment profit decreased compared to the previous fiscal year to ¥1,491 million (down 27.8% YOY), pulled down by factors such as a decrease in gross profit caused by the decline in net sales and high procurement prices.
In the Baby Care Business (childcare and feminine products), net sales declined YOY. Contributing factors included people staying indoors due to the COVID-19 pandemic and consumer demand

turning to lower-priced goods due to advancing inflation. Sales of nursing bottles and breast pumps, two of the Group's mainstay product lines, persisted on a firm trend, particularly for updated products released in February 2022, though some consumables such as baby wipes declined YOY amid intensifying price-based competition. In the skincare category, though sales struggled as overseas demand declined, the Group enhanced its product line with attractively packaged moisturizing lotions adopting eco-friendly paper-cube packs, offered as a new product-value proposition, as well as moisturizing lotion sold in refillable containers. In August 2022, Pigeon launched sonaetta, its first disaster preparedness series for babies. By providing these products free of charge to some local governments, Pigeon worked to entrench in the public mind awareness of the importance of disaster preparedness for babies. In November 2022 the Group overhauled the Official Pigeon Online Shop. This makeover boosted sales capabilities to new levels by strengthening connections with social media for better convenience and augmenting the shop's lineup of limited-edition products.

The Group was also active in direct communications. We offered live presentations of the Breastfeeding Seminar, a maternity seminar that provides a fun way to learn about breastfeeding. Over 2,400 expectant mothers and others attended these seminars. For medical professionals, the Group presented an online seminar that attracted over 1,700 viewers. In addition, to alleviate the anxiety of mothers and fathers in the era of living with COVID-19, we are continuing to energize mutual communication and support content provided via the internet and social media. By introducing products through Pigeon Info, a website that supports women during pregnancy, childbirth, and childcare, and through various video distribution sites, the Group is reinvigorating its efforts to disseminate information that is attentive to customer needs.

In products for health and elder care, net sales decreased YOY as the Group rejigged this category's product lineup to improve gross profit margin from the previous fiscal year. However, an improving effect on profit margin is gradually emerging. The Group is continuing its thorough implementation of measures such as bolstering sales activities with respect to retail outlets, elder-care facilities and other partners, and improving its product-development capabilities and the quality of elder-care services.

Regarding child care service, during the consolidated fiscal year under review, we currently provide services at 64 in-company child-care facilities, and shall continue to develop this business further while striving to improve the quality of service content.

China Business

Net sales in this segment amounted to ¥34,776 million (down 6.6% YOY), and segment profit also decreased compared to the previous fiscal year to ¥10,408 million (down 11.7% YOY). As Mainland China continued to face the spread of the COVID-19 pandemic from the beginning of this fiscal year, lockdowns were imposed in April and May 2022, particularly in the Shanghai area, causing unavoidable contractions and even stoppages of business activity. From July, however, following cancellation of the lockdowns in June, Pigeon manufacturing and sales activities revived and logistical disruptions gradually dissipated. In December the Chinese government eased the zero-COVID policy, prompting a recurrence of the pandemic that once again made a severe impact on customers' consumption activity and the Group's business activities.

In Mainland China, the Group's biggest market, Pigeon essentially completed the switch to the Shizen Jikkan nursing bottle series (marketed as Bonyu Jikkan® in Japan), to enthusiastic reviews. The overhaul and start of advance sales of this series had been accomplished in September 2021. In the baby skin-care product category, where the Group is focused on basic research, Pigeon leveraged the results of research on babies' skin to launch a line of skin-care products for children ages three and up. This move, which occurred in 3Q, served to expand the Group's range of categories in the China market.

Going forward, the Group plans to expand interactive communication activities with consumers through its e-commerce platform, while continuing to strengthen activities at hospitals, maternity

clinics and the like. In these ways we are working to expand our operations still further, not only by multiplying contact points with customers but also by building more robust relationships with emerging e-commerce platforms.
In Pigeon-brand baby product operations in North America, launched this fiscal year in this segment, the Group has begun sales of the new line of nursing bottles mentioned above. Going forward, the Group will strive to increase recognition and brand value in North America, by disseminating information (mainly online) and through communication with experts.

Singapore Business
In this segment, net sales amounted to ¥14,153 million (up 12.2% YOY), and segment profit was ¥2,140 million (up 18.2% YOY).
This segment is responsible for operations in the ASEAN region and India. As these regions continued to recover from the COVID-19 pandemic, net sales and profits both rose in key countries such as Indonesia, India, Singapore and Malaysia. In the nursing-bottle category, the Group began a revamp of its mainstay SofTouch nursing bottle series (marketed as Bonyu Jikkan® in Japan), starting with China and Japan and proceeding to other major countries in August, and sequentially rolled out nursing bottles made with T-Ester*, a new plastic as transparent as glass. In the baby skin-care category, an area of focus for Pigeon, the Group deployed the Natural Botanical Baby series in more than 15 countries and regions. In November 2022, as part of this series, the Group expanded this series by launching a baby powder made from natural materials based on corn starch. Moving forward, we will continue to advance the development and launch of products targeting the upper-middle class, while actively developing sales and marketing activities to achieve market penetration of Group brands.

Lansinoh Business
In this segment, net sales amounted to ¥16,917 million (up 27.0% YOY), and segment profit was ¥1,154 million (up 21.1% YOY).
North America and Europe, two vital markets for the segment, continued to suffer delays in product arrivals and shipments due to disruptions in logistics, in a trend that began in the previous year. In North America, net sales rose YOY in local-currency terms, as sales were firm for nipple care creams, breast pumps and breast milk storage bags, which are mainstay products, and sales swelled for prenatal and postnatal care products, which were launched in the previous year. Meanwhile, in parts of Europe such as Germany and the United Kingdom, an energy crisis and the high cost of living dampened consumer activity, causing net sales in this region to fall YOY in local-currency terms.
Profits increased YOY. Logistical costs such as marine transportation expenses persisted at a high level, impacting unit costs, shipping expenses and other factors, while vigorous marketing activities contributed to expenses. However, revenues rose in North America, contributing to the increase YoY.
Moving forward, to expand its business further, the Group is implementing initiatives such as enhancing its product lineup to cater to consumer behavior in each region, carrying out marketing activities and strengthening its brand.

*T-Ester is a trademark or registered trademark of Mitsubishi Gas Chemical Company, Inc. in Japan and other countries.

(2) Overview of Financial Position for the Term Under Review

(Assets)
As of December 31, 2022, total assets amounted to ¥101,733 million, up ¥3,691 million from the previous consolidated fiscal year ended December 31, 2021.
Current assets had an increase of ¥888 million, and fixed assets had an increase of ¥2,802 million.
Current assets increased mainly due to increases in merchandise and finished goods of ¥1,806 million and in raw materials and supplies of ¥796 million, despite a decrease in cash and deposits of ¥934 million.
Fixed assets increased mainly due to a ¥1,373 million increase in buildings and structures included in tangible fixed assets and a ¥1,699 million increase in construction in progress, despite a ¥567 million decrease in machinery, equipment and vehicles included in tangible fixed assets.

(Liabilities)
As of December 31, 2022, total liabilities amounted to ¥21,781 million, up ¥548 million from the previous consolidated fiscal year ended December 31, 2021. Current liabilities had an increase of ¥491 million, and fixed liabilities had an increase of ¥57 million.
Current liabilities increased mainly due to an increase in notes and accounts payable - trade of ¥979 million, despite decreases in income taxes payable of ¥191 million and in other current liabilities of ¥350 million.
Fixed liabilities increased mainly due to an increase in lease liabilities of ¥673 million, despite decreases in other fixed liabilities of ¥409 million and in deferred tax liabilities of ¥205 million.

(Net Assets)
As of December 31, 2022, total net assets amounted to ¥79,952 million, up ¥3,142 million from the previous consolidated fiscal year ended December 31, 2021.
This increase resulted mainly from an increase in foreign currency translation adjustment of ¥3,156 million, despite a decrease in retained earnings of ¥400 million.

(3) Overview of Cash Flows for the Term Under Review

As of December 31, 2022, cash and cash equivalents (hereinafter referred to as "net cash") amounted to ¥34,283 million, down ¥934 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities
Net cash provided by operating activities amounted to ¥13,210 million, up from ¥10,893 million of the previous fiscal year. Factors increasing operating cash flows included ¥13,143 million in income before income taxes, ¥4,758 million in depreciation, and a ¥1,631 million increase in notes and accounts receivable - trade. Contrasting factors included a ¥1,816 million decrease in inventories and ¥4,662 million in income taxes paid.

Cash Flows from Investing Activities
Net cash used in investing activities totaled ¥5,659 million, up from ¥5,593 million of the previous fiscal year. This is mainly due to ¥5,315 million in purchase of tangible fixed assets and ¥249 million in purchase of intangible fixed assets.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥9,666 million, up from ¥8,693 million of the previous fiscal year. This is mainly due to ¥8,974 million in payment of cash dividends.

Cash flow indicators of the Group are shown below.

	FY ended December 31, 2020	FY ended December 31, 2021	FY ended December 31, 2022
Equity Ratio (%)	74.8	75.4	75.4
Equity Ratio based on Market Price (%)	544.6	268.2	255.0
Debt Repayment Term (years)	0.1	0.2	0.2
Interest Coverage Ratio (times)	564.8	137.1	137.6

- Equity ratio: Total shareholders' equity ÷ Total assets
- Equity ratio based on market price: Market value of total stock ÷ Total assets
- Debt repayment term: Interest-bearing debt ÷ Operating cash flows
- Interest coverage ratio: Operating cash flows ÷ Interest paid

Notes:
1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated by multiplying the stock price (closing price at the end of the term) by the number of shares outstanding at the end of the term (after deduction of treasury stock).
3. Operating cash flow figures are taken from the Cash Flows from Operating Activities section of the Consolidated Statements of Cash Flows.
4. Interest-bearing debt refers to all debt that incurs interest (listed in Consolidated Balance Sheets).
5. For interest paid, interest expenses (listed in Consolidated Statements of Cash Flows) are used.

(4) Future Directions

The Group has prepared its Eighth Medium-Term Business Plan, whose first year is the fiscal year ending December 2023 (covering the period from the fiscal year ending December 2023 to the fiscal year ending December 2025). The theme of this Medium-Term Business Plan is "For Sustainable Growth: Restructuring of business in response to global economic, political, and environmental changes." In this Medium-Term Business Plan, the Group will diligently implement the three basic strategies outlined below, with a view to responding flexibly to a business environment that is rapidly changing worldwide and ensuring sustainable growth going forward. While pursuing sustainable growth in existing business fields, the Group will also focus on discovering and nurturing new growth domains in which it can leverage its expertise, thereby proactively reconfiguring its business structure.

1. Brand Strategy
Our brand strategy is centered on its Purpose for our business activities and strengthening brand power through products.

2. Product Strategy
The Group will strengthen *Monozukuri*, focus on core categories (nursing bottles and skincare), and explore new areas.

3. Regional Strategy
Strengthening autonomous business operation by each SBU, the Group will implement far-reaching structural reform to establish production and sales systems tailored to market characteristics, improve efficiency and profitability, stabilize the supply chain and prepare for expansion into new markets.

In existing businesses, the Group will leverage its preeminence and competitive strength in its core products of nursing bottles, nipples and products in the baby skin care category. To strengthen these advantages further, the Group will offer lifestyle product and service proposals, examine new materials and respond to environmental and local needs, thereby enhancing its product and service lineup for social changes in the post-COVID-19 world. At the same time, the Group will aim for sustainable growth by radically revising its sales strategies for various products in each business and making structural changes such as supply-chain improvements.
The Group is looking actively at other fields that the Group has not yet entered but where it can expect to apply its superior capabilities. These include an "age-up" strategy of developing children's products aimed at a broader range of target customers; creating and nurturing new

categories of women's care products, where the Group enjoys strong customer affinity; and extending into new markets, such as Africa. In this way the Group will explore and cultivate new domains to produce growth for the next generation.
In addition, the Group will further strengthen its Group-wide head-office functions at Global Head Office (GHO), clarify the roles and responsibilities of its four segments (Japan Business, China Business, Singapore Business and Lansinoh Business), which are responsible for business management and growth in each region, and improve communication with GHO. These efforts are expected to propel each segment onto a stable, long-term growth arc and reinforce corporate governance and other aspects of the management base.
Based on this state of affairs, for the fiscal year ending December 31, 2023, the Group forecasts net sales of ¥100,000 million (up 5.3% YOY), operating income of ¥12,400 million (up 1.7% YOY), ordinary income of ¥12,400 million (down 7.9% YOY) and net income attributable to owners of parent of ¥8,100 million (down 5.6% YOY).

(5) Income Appropriation Policy and Dividends for the Term Under Review and Next Term
The Pigeon Group regards the return of income to shareholders as an important management priority. Our basic policy is to return income actively to shareholders through appropriation of retained earnings and other means, while reinforcing our financial position based on considerations of medium-term changes in business conditions and the Group's business strategies. Internal reserves are put to effective use to ensure the future profitability of the Group. Applications for internal reserves include not only strengthening the Group's financial position but also investing in R&D and new business fields for further growth and investing in production facilities to strengthen the corporate brand, raise production capacity, reduce costs, enhance product quality and grow through strategies such as mergers and acquisitions.
With respect to targets of shareholder return, under the Seventh Medium-Term Business Plan (for the period between the fiscal year ended December 2020 and the fiscal year ended December 2022) announced in February 2020, we aim to increase dividends every fiscal year compared to previous fiscal year. We are also targeting a consolidated total shareholder return of about 55%. To this end, we have sought to further strengthen and upgrade measures for returning profits to all shareholders.
The distribution of dividends in the period under review reflects the above policies and targets. The Group distributed an interim dividend of ¥38 per share (ordinary dividend of ¥38). For the year-end dividend, the Group forecasts a dividend of ¥38 per share (ordinary dividend of ¥38). As a result, the annual dividend for the term under review will total ¥76 per share (ordinary dividend of ¥76), a per share increase by ¥2 from the previous fiscal year.
As in the fiscal year under review, the annual dividend for the next fiscal year is expected to total ¥76 per share. This dividend is based on the targets of shareholder return set out under the Eighth Medium-Term Business Plan announced today: further improvement of consolidated business results and financial position, along with continuous, stable dividend supporting existing dividend levels.

2. Basic Approach for the Selection of Accounting Standards
For the time being, our Group will continue to prepare its consolidated financial statements based on Japanese standards out of consideration of comparability from period to period and between companies on consolidated financial statements.
In terms of the application of International Financial Reporting Standards (IFRS), we will take appropriate measures by considering various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Main Notes
(1) Consolidated Balance Sheets

(Millions of yen)

	At December 31, 2021	At December 31, 2022
ASSETS		
I. Current Assets:		
Cash and deposits	35,218	34,283
Notes and accounts receivable - trade	16,253	15,975
Merchandise and finished goods	8,723	10,529
Work in process	623	632
Raw materials and supplies	3,359	4,156
Receivables	809	353
Other current assets	1,461	1,439
Allowance for doubtful accounts	(194)	(226)
Total Current Assets	66,254	67,143
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures	20,389	23,620
Accumulated depreciation and accumulated impairment loss	(11,263)	(13,121)
Buildings and structures, net	9,125	10,499
Machinery, equipment and vehicles	21,085	22,432
Accumulated depreciation	(15,301)	(17,215)
Machinery, equipment and vehicles, net	5,784	5,217
Tools, furniture and fixtures	8,877	10,108
Accumulated depreciation and accumulated impairment loss	(6,228)	(7,212)
Tools, furniture and fixtures, net	2,649	2,896
Land	7,272	7,559
Construction in progress	2,261	3,961
Total Tangible Fixed Assets	27,093	30,132
2. Intangible Fixed Assets:		
Goodwill	534	380
Software	1,765	1,682
Other intangible fixed assets	272	245
Total Intangible Fixed Assets	2,572	2,308
3. Investments and Other Assets:		
Investment securities	532	547
Deferred tax assets	922	900
Insurance reserve	165	166
Other	502	534
Allowance for doubtful accounts	(0)	(0)
Total Investments and Other Assets	2,122	2,149
Total Fixed Assets	31,788	34,590
Total Assets	98,042	101,733

(Millions of yen)

	At December 31, 2021	At December 31, 2022
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,087	5,066
Electronically recorded obligations - operating	1,623	1,542
Accounts payable	2,253	2,373
Accrued expenses	2,009	2,006
Income taxes payable	1,180	989
Accrued bonuses to employees	882	920
Provision for expenses related to voluntary product recall	18	—
Provision for loss on litigation	9	7
Other current liabilities	3,006	2,656
Total Current Liabilities	15,072	15,563
II. Fixed Liabilities:		
Lease liabilities	1,384	2,057
Deferred tax liabilities	3,209	3,004
Net defined benefit liability	478	566
Provision for share-based remuneration	313	225
Other fixed liabilities	773	364
Total Fixed Liabilities	6,159	6,217
Total Liabilities	21,232	21,781
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,179	5,132
Retained earnings	61,163	60,762
Treasury stock	(1,479)	(1,387)
Total Shareholders' Equity	70,062	69,706
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	16	26
Foreign currency translation adjustment	3,805	6,962
Total Accumulated Other Comprehensive Income	3,822	6,989
III. Non-controlling Interests	2,925	3,257
Total Net Assets	76,810	79,952
Total Liabilities and Net Assets	98,042	101,733

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

(Millions of yen)

	Year Ended December 31, 2021	Year Ended December 31, 2022
I. Net Sales	93,080	94,921
II. Cost of Sales	49,008	50,087
Gross profit	44,072	44,834
III. Selling, General and Administrative Expenses	30,735	32,638
Operating Income	13,336	12,195
IV. Non-operating Income:		
Interest income	179	182
Dividend income	126	17
Subsidy income	722	826
Foreign exchange gains	131	112
Other non-operating income	268	279
Total Non-operating Income	1,427	1,418
V. Non-operating Expenses:		
Interest expenses	79	94
Other non-operating expenses	35	54
Total Non-operating Expenses	115	149
Ordinary Income	14,648	13,465
VI. Extraordinary Income:		
Gain on sales of fixed assets	10	7
Gain on sales of investment securities	54	—
Total Extraordinary Income	65	7
VII. Extraordinary Loss:		
Loss on sales of fixed assets	5	1
Loss on disposal of fixed assets	59	45
Impairment loss	229	282
Expenses related to voluntary product recall	885	—
Loss on sales of investment securities	3	—
Total Extraordinary Loss	1,182	329
Income before Income Taxes	13,531	13,143
Income taxes - current	4,690	4,678
Income taxes - deferred	(138)	(296)
Total Corporate Income Tax	4,552	4,381
Net Income	8,979	8,761
Net Income Attributable to Non-controlling Interests	193	179
Net Income Attributable to Owners of Parent	8,785	8,581

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Year Ended December 31, 2021	Year Ended December 31, 2022
Net Income	8,979	8,761
Other Comprehensive Income		
Valuation difference on available-for-sale securities	3	9
Foreign currency translation adjustment	4,012	3,394
Total Other Comprehensive Income	4,015	3,404
Comprehensive Income	12,994	12,165
(Breakdown)		
Comprehensive income on parent company	12,719	11,743
Comprehensive income on non-controlling interests	274	422

(3) Statement of Changes in Consolidated Shareholders' Equity

Fiscal Year Ended December 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	5,199	5,179	61,120	(1,478)	70,020
Changes during the period					
Dividends from surplus			(8,742)		(8,742)
Net income attributable to owners of parent			8,785		8,785
Acquisition of treasury stock				(0)	(0)
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	—	43	(0)	42
Balance at the end of current period	5,199	5,179	61,163	(1,479)	70,062

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	13	(129)	(116)	2,722	72,625
Changes during the period					
Dividends from surplus					(8,742)
Net income attributable to owners of parent					8,785
Acquisition of treasury stock					(0)
Changes in items other than shareholders' equity (net)	3	3,935	3,939	203	4,142
Total changes during the period	3	3,935	3,939	203	4,184
Balance at the end of current period	16	3,805	3,822	2,925	76,810

Fiscal Year Ended December 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	5,199	5,179	61,163	(1,479)	70,062
Changes during the period					
Dividends from surplus			(8,982)		(8,982)
Net income attributable to owners of parent			8,581		8,581
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock		(46)	(0)	91	44
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	(46)	(401)	91	(356)
Balance at the end of current period	5,199	5,132	60,762	(1,387)	69,706

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	16	3,805	3,822	2,925	76,810
Changes during the period					
Dividends from surplus					(8,982)
Net income attributable to owners of parent					8,581
Acquisition of treasury stock					(0)
Disposal of treasury stock					44
Changes in items other than shareholders' equity (net)	9	3,156	3,166	331	3,498
Total changes during the period	9	3,156	3,166	331	3,142
Balance at the end of current period	26	6,962	6,989	3,257	79,952

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year Ended December 31, 2021	Year Ended December 31, 2022
I. Cash Flows from Operating Activities:		
Income before income taxes	13,531	13,143
Depreciation	3,997	4,758
Impairment loss	229	282
Amortization of goodwill	164	189
Increase (decrease) in allowance for doubtful accounts	(3)	7
Increase (decrease) in accrued bonuses to employees	(106)	(1)
Increase (decrease) in net defined benefit liability	32	59
Increase (decrease) in provision for share-based remuneration	108	(88)
Interest and dividend income	(305)	(199)
Interest expenses	79	94
Foreign exchange loss (gain)	(11)	85
Loss (gain) on sales of fixed assets	(5)	(5)
Loss on disposal of fixed assets	59	45
Decrease (increase) in notes and accounts receivable - trade	469	1,631
Decrease (increase) in inventories	(466)	(1,816)
Increase (decrease) in notes and accounts payable - trade	(1,511)	222
Loss (gain) on sales of investment securities	(50)	—
Increase (decrease) in accounts payable	(789)	(11)
Increase (decrease) in accrued consumption taxes	(425)	(187)
Other	1,220	(395)
Subtotal	16,216	17,813
Interest and dividend income received	305	152
Interest expenses paid	(63)	(93)
Income taxes paid	(5,565)	(4,662)
Net Cash Provided by (Used in) Operating Activities	10,893	13,210
II. Cash Flows from Investing Activities:		
Purchase of tangible fixed assets	(5,659)	(5,315)
Proceeds from sales of tangible fixed assets	29	14
Purchase of intangible fixed assets	(234)	(249)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	213	—
Purchase of insurance funds	(0)	(1)
Payments for lease deposits	(13)	(38)
Collection of lease deposits	19	21
Proceeds from withdrawal of time deposits	112	—
Other	(59)	(88)
Net Cash Provided by (Used in) Investing Activities	(5,593)	(5,659)

(Millions of yen)

	Year Ended December 31, 2021	Year Ended December 31, 2022
III. Cash Flows from Financing Activities:		
Payment of cash dividends	(8,741)	(8,974)
Dividends paid to non-controlling interests	(74)	(93)
Purchase of treasury stock	(0)	(0)
Proceeds from disposal of treasury stock	—	44
Other	122	(642)
Net Cash Provided by (Used in) Financing Activities	(8,693)	(9,666)
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	1,560	1,180
V. Net Increase (Decrease) in Cash and Cash Equivalents	(1,832)	(934)
VI. Cash and Cash Equivalents at Beginning of Period	37,050	35,218
VII. Cash and Cash Equivalents at End of Period	35,218	34,283

(5) Notes on Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Change in Accounting Policy)

(Application of Accounting Standards, etc., Related to Fair Value Measurement)

The Group applies the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, “the Accounting Standard for Fair Value Measurement”) from the beginning of the consolidated fiscal year under review. In accordance with the transitional handling stipulated in the Accounting Standard for Fair Value Measurement, Paragraph 19, as well as the Accounting Standards for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), Paragraph 44-2, the Group applies the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement, etc. going forward. This change does not affect the consolidated financial statements.

(Application of the FASB’s ASC 842, “Leases”)

Beginning in the current consolidated fiscal year, US-based subsidiaries that apply US accounting standards apply the US Financial Accounting Standards Board (FASB)’s Accounting Standards Codification (ASC) number 842, “Leases.” According to ASC 842, in principle borrowers recognize all leases as assets and liabilities. The impact of the application of this standard on the financial position and business results of the Group is negligible.

(Important Accounting Estimates)

Accounting estimates are reasonable amounts calculated based on the information available at the time of preparation of the consolidated financial statements. From among amounts recorded in the consolidated financial statements for the consolidated fiscal year under review based on accounting estimates, the following items have a risk of having a significant impact on the consolidated financial statements for the next consolidated fiscal year.

1. Impairment of fixed assets

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Tangible and intangible fixed assets	¥32,441 million
Impairment loss	¥282 million

(2) Information on the content of important accounting estimates for identified items

1) Calculation method

From among tangible and intangible fixed assets, for assets or asset groups that show signs of impairment, if the value in use or net sale price obtained from the asset or group of assets is below its carrying amount, the carrying amount is reduced to the recoverable amount, and the reduced amount is recorded as an impairment loss.

2) Major assumptions

Future cash flows used in determining whether to recognize an impairment loss and to calculate the value in use are calculated based on the business plan approved by management and the subsequent sales-growth rate, etc. The Group also performs calculation by obtaining evaluations from real estate appraisers, etc. for assets that are expected to be sold.

3) Impact on the consolidated financial statements in the next fiscal year

In recognizing the impairment loss, the Group carefully considers future profitability, etc. However, if we are unable to achieve the important business plan based on the estimated amount of future cash flow or if future uncertainty increases due to future changes, etc., in the management and market environment, there is the possibility that the recoverable amount may decrease and there will be a significant impact on the consolidated financial statements due to the occurrence of an impairment loss in the next fiscal year.

The threat of COVID-19 is highly uncertain due to the progress of vaccination in Japan and overseas, and concerns about the spread of variants. If the pandemic is prolonged in the future, global economic activity will be stagnant, which would cause changes in the assumed conditions or assumptions, such as a decrease in net sales. Such events may affect the financial condition, operating results, and cash flow conditions in the next consolidated fiscal year.

2. Possibility of collecting deferred tax assets

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

Deferred tax assets (net amount)	¥900 million

The amount prior to offsetting deferred tax liabilities is ¥1,311 million.

(2) Information regarding the content of material accounting estimates for identified items

1) Calculation method

The Group records deferred tax assets for deductible temporary differences that are determined to be recoverable by estimating taxable income based on the budget for the next consolidated fiscal year and forecasts of future performance, and by considering the feasibility.

2) Major assumptions

Based on reasonable assumptions made from the current situation and available information, the Group estimates future performance forecasts which are important in calculating the timing and amount of taxable income.

3) Impact on the consolidated financial statements in the next fiscal year

If there are changes to the preconditions or assumptions made in estimating taxable income and the

estimated amount decreases, deferred tax assets may be reduced and the Group may record tax expenses.
The threat of COVID-19 is highly uncertain due to the progress of vaccination in Japan and overseas, and concerns about the spread of variants. If the pandemic is prolonged in the future, global economic activity will be stagnant, which would cause changes in the assumed conditions or assumptions, such as a decrease in net sales. Such events may affect the financial condition, operating results, and cash flow conditions in the next consolidated fiscal year.
Changes in the effective tax rate due to tax reform may have a significant impact on the amount recognized in the consolidated financial statements for the next consolidated fiscal year and subsequent years.

(Change in Presentation Method)
In regards to the item “Lease liabilities” (¥1,384 million in the previous consolidated fiscal year) which was presented in “Other fixed liabilities” in the previous consolidated fiscal year, the importance of the amount increased and the item is stated independently from the consolidated fiscal year under review.

(Additional Information)
(BIP Trust System for Compensation of Directors)
Pigeon has introduced a performance share plan for directors (not including outside directors). The purpose of this system is to clarify the relationship between directors’ compensation and the Group’s business results and shareholder value and to enhance awareness of contributions to the improvement of the business results of the Group and the expansion of its enterprise value over the medium-to-long term.

(1) Overview of the BIP trust system for compensation of directors
This plan adopts a framework called the board incentive plan (BIP) trust for compensation of directors. Similar to systems in North America and Europe such as performance shares, which tie compensation to business results, and restricted stock, which compensates directors with shares whose transfer is restricted, the system provides directors with Company shares, or their equivalent value at conversion, tied to the director’s rank and the Company’s degree of attainment of business-result targets. In principle the compensation is transferred or paid to directors upon retirement.

(2) Company shares remaining in the trust
Company shares remaining in the trust are appropriated as treasury stock in net assets, based on the book value of the trust (not including the amounts of incidental expenses). The book value of the treasury stock was ¥525 million and number of shares was 124,800 at the end of the previous consolidated fiscal year, and ¥433 million and 102,956 shares at the end of the fiscal year under review.

(Segment Information)

1. Summary of Reporting Segments

In respect of the Company's reporting segments, these are, of the constituent units in the Group, those for which separate financial information are available and those that are the subject of regular examination by the board of directors to make decisions on management resource allocation and assessment of performance.

The Group has a total of four reporting segments: "Japan Business," "China Business," "Singapore Business," and "Lansinoh Business."

The types of the Group's reporting segments are as follows.

(i) Japan Business

This segment is engaged in the manufacture and sales of childcare products and feminine products, provision of childcare services, manufacture and sales of health care products and nursing care products, and provision of nursing care services in Japan.

(ii) China Business

This segment is engaged in the manufacture and sales of child care products and feminine products in China, Hong Kong, Russia, South Korea, Taiwan, and some other countries.

(iii) Singapore Business

This segment is engaged in the manufacture and sales of childcare products and feminine products in the ASEAN member countries of Indonesia, Malaysia, Singapore and Thailand, as well as other countries such as Australia, India and the countries of the Middle East.

(iv) Lansinoh Business

This segment is engaged in the manufacture and sales of childcare products and feminine products in China, Germany, Turkey, the United Kingdom, the United States and other countries.

2. Calculation Method for the Values in Segmental Sales, Profits or Losses, Assets and Other Items

The methodology adopted in calculating the segmental sales, profits or losses, assets and other items is generally the same as in "Basis for Preparing Consolidated Financial Statements".

3. Information Regarding Net Sales, Profit (Loss), Assets and Other Items in Each Reporting Segment

1. Fiscal Year Ended December 31, 2021

(Millions of yen)

	Reporting Segment				Total	Adjustments (Note 1) (Note 2) (Note 3) (Note 4)	Amount Accounted on Consolidated Financial Statements (Note 5)
	Japan Business	China Business	Singapore Business	Lansinoh Business			
Net Sales							
Net sales to external customers	35,313	36,959	7,507	13,300	93,080	—	93,080
Internal sales or exchange between segments	2,950	280	5,112	20	8,363	(8,363)	—
Total	38,264	37,239	12,619	13,320	101,444	(8,363)	93,080
Segment Profit	2,065	11,792	1,811	953	16,623	(3,286)	13,336
Segment Assets	22,952	20,785	9,747	7,700	61,186	36,856	98,042
Other Items							
Depreciation (Note 6)	1,023	1,222	965	204	3,416	581	3,997
Amortization of Goodwill	—	—	157	6	164	—	164
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note 7)	2,457	2,506	1,128	527	6,619	115	6,735

(Notes)
1. The negative amount of ¥3,286 million from adjustments in segment profit includes negative ¥72 million in elimination of intersegment transactions and negative ¥3,213 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
2. The amount of ¥36,856 million in adjustments in segment assets includes negative ¥1,959 million in eliminations of inter-segment transactions, and ¥38,815 million in the entire company assets consisting principally of investments of surplus of the parent company (Cash and Deposits), long term investment assets (Investment Securities and the Like) and assets relating to the administrative area.
3. Depreciation adjustments are depreciations relating the entire company assets.
4. Adjustments of increase in tangible fixed assets and intangible fixed assets relate to the entire company assets.
5. Segment profit has been adjusted with the operating income in the consolidated financial statements.
6. Amortization relating to long term pre-paid expenses are included in the depreciation.
7. Increases in tangible fixed assets and intangible fixed assets include increases in long term pre-paid expenses.

1. Fiscal Year Ended December 31, 2022

(Millions of yen)

	Reporting Segment				Total	Adjustments (Note 1) (Note 2) (Note 3) (Note 4)	Amount Accounted on Consolidated Financial Statements (Note 5)
	Japan Business	China Business	Singapore Business	Lansinoh Business			
Net Sales							
Net sales to external customers	34,232	34,227	9,562	16,898	94,921	―	94,921
Internal sales or exchange between segments	2,090	548	4,590	18	7,428	(7,428)	―
Total	36,323	34,776	14,153	16,917	102,170	(7,428)	94,921
Segment Profit	1,491	10,408	2,140	1,154	15,194	(2,998)	12,195
Segment Assets	25,160	19,097	10,351	11,636	66,245	35,488	101,733
Other Items							
Depreciation (Note 6)	1,068	1,722	1,035	342	4,167	590	4,758
Amortization of Goodwill	―	―	182	6	189	―	189
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note 7)	3,387	1,681	828	1,280	7,177	81	7,259

(Notes)
1. The negative amount of ¥2,998 million from adjustments in segment profit includes ¥53 million in elimination of intersegment transactions and negative ¥3,052 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
2. The amount of ¥35,488 million in adjustments in segment assets includes negative ¥1,739 million in eliminations of inter-segment transactions, and ¥37,228 million in the entire company assets consisting principally of investments of surplus of the parent company (Cash and Deposits), long term investment assets (Investment Securities and the Like) and assets relating to the administrative area.
3. Depreciation adjustments are depreciations relating the entire company assets.
4. Adjustments of increase in tangible fixed assets and intangible fixed assets relate to the entire company assets.
5. Segment profit has been adjusted with the operating income in the consolidated financial statements.
6. Amortization relating to long term pre-paid expenses are included in the depreciation.
7. Increases in tangible fixed assets and intangible fixed assets include increases in long term pre-paid expenses.

(Per Share Information)

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Net Assets per Share	¥617.59	¥640.96
Net Income per Share	¥73.44	¥71.72

(Notes) 1. With respect to diluted net income per share, there are no latent shares, thus, has not been disclosed.
2. Company shares held by the BIP trust for compensation of directors are included in the treasury stock subtracted from the total number of shares outstanding at the period-end when calculating the net assets per share (124,800 shares for the previous fiscal year; 102,956 shares for the current fiscal year).
Furthermore, company shares held by the BIP trust for compensation of directors are included the treasury stock subtracted in the calculation of the average number of shares outstanding during the period when calculating the net income per share (124,800 shares for the previous fiscal year; 108,469 shares for the current fiscal year).
3. The basis for the calculation of the net income per share is as follows.

	Previous fiscal year (January 1 to December 31, 2021)	Current fiscal year (January 1 to December 31, 2022)
Net Income Attributable to Owners of Parent (¥ millions)	8,785	8,581
Amount Not Attributable to Ordinary Shareholders (¥ millions)	—	—
Net Income Attributable to Owners of Parent Relating to Ordinary Shares (¥ millions)	8,785	8,581
Average Number of Ordinary Shares During the Term (shares)	119,635,533	119,651,570

(Material Subsequent Events)

Not applicable.