

Summary of Financial Results for the First Quarter of Fiscal Year Ending December 2024 [Japanese Standards] (Consolidated)

May 14, 2024

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
 Listing: 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 Filing Date of Quarterly Report: May 15, 2024
 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 and institutional investors)

1. Consolidated Business Performance for the First Quarter of Fiscal Year Ending December 31, 2024 (January 1 to March 31, 2024)

(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	%
1Q ended March 31, 2024	23,749	0.6	2,697	(20.8)	2,963	(21.8)	1,906	(21.8)
1Q ended March 31, 2023	23,613	8.7	3,404	13.7	3,791	(4.5)	2,438	(6.9)

(Note) Comprehensive income: 1Q ended March 31, 2024 ¥4,337 million (32.5%)
 1Q ended March 31, 2023 ¥3,274 million (34.5% negative)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)
1Q ended March 31, 2024	15.94	—
1Q ended March 31, 2023	20.38	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of Yen	Millions of Yen	%
1Q ended March 31, 2024	102,492	80,770	75.4
FY ended December 31, 2023	100,440	81,087	77.2

(Reference) Shareholders' Equity: 1Q ended March 31, 2024 ¥77,253 million
 FY ended December 31, 2023 ¥77,581 million

2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended December 31, 2023	—	38.00	—	38.00	76.00
FY ending December 31, 2024	—				
FY ending December 31, 2024 (Forecast)		38.00	—	38.00	76.00

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

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending December 31, 2024 (January 1 to December 31, 2024)

(% 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	101,000	6.9	11,400	6.3	11,400	(1.1)	7,600	2.4	63.54

(Note) Revision of forecasts from the most recent announcement: None

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, 2024: 121,653,486
 - FY ended December 31, 2023: 121,653,486
 - 2) Amount of treasury stock at the period-end
 - 1Q ended March 31, 2024: 2,063,863
 - FY ended December 31, 2023: 2,063,781
 - 3) Average number of shares outstanding during the period (quarter accumulation)
 - 1Q ended March 31, 2024: 119,589,665
 - 1Q ended March 31, 2023: 119,658,895

(Note) Amount of treasury stock at the period-end includes Company shares held by the board incentive plan (BIP) trust for compensation of directors (169,948 shares as of 1Q ended March 31, 2024; 169,948 shares as of FY ended December 31, 2023). 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 5 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

1) Performance Overview

During the consolidated fiscal first quarter under review, the Japanese economy was seen to be in a gradual recovery mode. Business activity moved toward normalization with the end of the COVID-19 episode, while growing numbers of foreign tourists visited Japan and personal consumption rebounded. In the global economy as well, a recovering trend was observed and is expected to continue. However, the near-term outlook remained uncertain amid the effects of global monetary tightening and rising prices, as well as the impact of fluctuations in financial and capital markets and conditions in the Middle East.

Against this background, in 2023 the Pigeon Group is moving forward with its Eighth Medium-Term Business Plan (covering the period from the fiscal year ended December 2023 through the fiscal year ending December 2025). To respond flexibly to a business environment that continues to change rapidly worldwide, thereby ensuring itself of sustainable growth, the Group is steadily implementing three basic strategies (brand strategy, core product strategy and regional strategy). Guided by these strategies, the Group is focusing on pursuing sustainable growth in existing business fields and on exploring and cultivating new growth fields where it can deploy its unique expertise, thereby proactively rebuilding its operating structure. In addition to pursuing business growth, the Group implemented a range of measures to achieve its purpose, which is “to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs.”

Business results during the consolidated first quarter under review reflected a number of challenges. In net sales, several developments weighed on revenues: Exports from the Japan Business declined amid the impact of the controversy over release of water treated with the Advanced Liquid Processing System (ALPS), as well as decreased sales in mainland China and continuing shipping adjustments in the Singapore Business. However, yen depreciation and growing sales in the Lansinoh Business helped to offset these reverses. Net sales were little changed at ¥23,749 million (up 0.6% YOY). In earnings, higher revenues boosted gross profit margin, but operating income fell to ¥2,697 million (down 20.8% YOY), ordinary income declined to ¥2,963 million (down 21.8% YOY) and net income attributable to owners of parent dropped to ¥1,906 million (down 21.8% YOY), as personnel expenses rose and funds were expended on vigorous campaigns of sales promotion, advertising and public relations in the China Business and Lansinoh Business.

Extraordinary income was appropriated in the fiscal quarter under review in the form of ¥648 million in subsidy income, as Pigeon received a subsidy from local gem in connection with the construction of a plant for Pigeon Home Products Corporation. At the same time, Pigeon appropriated an extraordinary loss of ¥648 million from loss on tax purpose reduction entry of fixed assets related to this subsidy income.

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:

- 1 US\$: 148.43 yen (132.39 yen)
- 1 CNY: 20.65 yen (19.33 yen)

Note: Figures in parentheses represent the exchange rate in the same period of 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 ¥8,734 million (down 1.6% YOY), and segment profit was ¥523 million (down 19.0% YOY).

In the Baby Care Business (childcare and feminine products), sales expanded YOY. Price revisions implemented in September 2023 on some baby-related products, including nursing bottles and nipples, had an effect, while sales trended upward for nursing bottles and nipples, one of the Group's mainstay product lines, as well as for new products such as SHUPOT, launched in August 2023, an electric nose cleaner for babies. In new products, the Group launched two products to favorable public response: My Bonyu Jikkan®, a nursing bottle that draws on some 150 combinations of Pigeon's Bonyu Jikkan® series (the market leader in Japan, according to a Pigeon survey), so customers can enjoy designing their nursing bottles to their own specifications; and Moisture mist milky lotion a skin-care solution that blows mist directly on wet skin after a bath, saving time by eliminating the need to spread lotion on the skin. Moreover, the Group extended its line of limited-availability products available in the Official Pigeon Online Shop and improved customers' purchasing experience, further boosting sales.

The Group conducted a number of initiatives in direct communications. We offered multiple live post on Instagram, connecting directly and intuitively with over 40,000 viewers about the unique features of our products. To reach medical practitioners, the Group strengthened its brand by offering online content such as seminars on rearing newborns and workshops on various products.

In products for health and elder care, in February 2024 the Group launched the Medicated Oral Care Gel Plus, under the Habinurse elder-care brand that contains active ingredients to prevent periodontitis and gingivitis.

Regarding child care service, the Group provided services at 61 in-company child-care facilities and others. The Group will continue to develop these operations while striving to improve the quality of service content.

In the export portion of the Japan Business, the issue of the release of ALPS-treated water in Fukushima had an impact, particularly in sales to China, contributing to the decline in net sales.

China Business

Net sales in this segment amounted to ¥8,356 million (down 2.8% YOY), and segment profit was ¥2,324 million (down 12.9% YOY).

In Mainland China, although net sales in local-currency terms declined YOY, demand grew steadily after the sharp decline in net sales from the controversy over maritime release of ALPS-treated water in Q4 FY2023, which had depressed sales of Japanese products. Turning to results by product group, the Group continued to extend the utility of many products to older children, to respond to the declining number of births and expand its customer base. In nursing bottles and nipples, for example, the Shizen Rinyu Series of nursing bottles for older babies enjoyed favorable sales. The Group also launched a series of large-capacity drinking bottles for children.

In consumer communications, the Group took a number of steps to drive recovery in net sales. The Group further expanded brand exposure through Douyin, the mainland China version of the short-video platform TikTok, and made active use of digital marketing tools such as social media and live broadcasts. The Group also continued to reinforce sales promotions at bricks-and-mortar stores and activities at hospitals and maternity clinics.

In South Korea, where Group operations are managed through this segment, as well as in the North American market, the Pigeon Group strengthened its brand and carried out marketing efforts. These initiatives used local sales subsidiaries as their bases in the consolidated fiscal quarter under review.

Singapore Business

Net sales of the segment amounted to ¥3,115 million (down 10.8% YOY), and segment profit was ¥353 million (down 41.7% YOY).

This segment is responsible for operations in the ASEAN region and India. Net sales declined YOY amid shipping adjustments that continued from the previous fiscal year in major markets. In the

core product categories on which this business focuses, the Group strengthened its brand in nursing bottles and nipples, expanded sales of the Natural Botanical Baby skin-care series and launched an updated version of the MiniLight Pacifier. We continued to target customers in the upper-middle class and higher income brackets, for example by deploying vigorous sales and marketing activities centered on our core products of nursing bottles, nipples and baby skin-care products.

Lansinoh Business

Net sales of the segment amounted to ¥5,068 million (up 11.7% YOY), and segment profit was ¥432 million (up 24.5% YOY), partly due to the impact of foreign exchange rates.

Net sales in local-currency terms varied by region. In North America, a vital market for this segment, the Pigeon Group enjoyed expanding sales of prenatal and postnatal care products and the first shipments of new breast-pump products. On the other hand, special demand for powdered milk, which had surged after relief of shortages in the previous fiscal year, ran its course. Declining demand was seen in the consolidated fiscal quarter under review for certain products, such as nursing bags. In European markets, including the United Kingdom and Germany, sales of products such as nipple creams and prenatal and postnatal care products were brisk. Overall results were little changed YOY.

Segment income rose YOY. Easing of marine shipping expenses and a shakeup in the product mix contributed to improvement in gross profit margin, offsetting active use of sales, general and administrative expenses.

(2) Explanation of Financial Position

(Assets)

As of March 31, 2024, our Group recorded total assets of ¥102,492 million, up ¥2,052 million from the previous consolidated fiscal year ended December 31, 2023. Current assets increased by ¥2,803 million, while fixed assets decreased by ¥751 million.

Current assets increased mainly due to a increase in notes and accounts receivable - trade of ¥4,265 million and in other current assets of ¥730 million, despite decreases in cash and deposits of ¥2,843 million.

Fixed assets decreased mainly due to decreases in land of ¥361 million, and in buildings and structures of ¥342 million.

(Liabilities)

As of March 31, 2024, our Group recorded total liabilities of ¥21,722 million, up ¥2,369 million from the previous consolidated fiscal year ended December 31, 2023. Current liabilities increased by ¥2,408 million, while fixed liabilities decreased by ¥39 million.

Current liabilities increased mainly because of an increase in notes and accounts payable - trade of ¥1,748 million and an increase in other current liabilities of ¥755 million.

Fixed liabilities decreased mainly because other fixed liabilities decreased by ¥53 million.

(Net Assets)

As of March 31, 2024, our Group recorded total net assets of ¥80,770 million, down ¥316 million from the previous consolidated fiscal year ended December 31, 2023.

Net assets decreased mainly due to a decrease in retained earnings of ¥2,644 million, despite a increase in foreign currency translation adjustment of ¥2,319 million.

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

The Group announced the Eighth Medium-Term Business Plan (covering the period from the fiscal year ending December 2023 through the fiscal year ending December 2025) in February 2023, identifying “for sustainable growth” as its theme. To respond flexibly to a business environment that continues to change rapidly worldwide, thereby ensuring itself of sustainable growth, the Group is implementing three basic strategies (brand strategy, core product strategy and regional strategy). Guided by these strategies, the Group will focus on pursuing sustainable growth in existing business fields, such as its mainstay nursing bottles and skincare products, and on exploring and cultivating new growth fields where it can deploy its unique expertise, thereby proactively rebuilding its operating structure. The fiscal year of which the fiscal quarter under review is a part is the second year of the Eighth Medium-Term Business Plan. To achieve the plan’s targets, the Group will continue to strengthen existing business domains globally while expanding into new ones and diligently pursue growth investment placing top priority on recovering net sales in the China Business.

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

(Millions of yen)

	At December 31, 2023	At March 31, 2024
ASSETS		
I. Current Assets:		
Cash and deposits	34,357	31,513
Notes and accounts receivable - trade	14,412	18,678
Merchandise and finished goods	9,575	10,145
Work in process	515	563
Raw materials and supplies	3,443	3,491
Other current assets	2,740	3,470
Allowance for doubtful accounts	(245)	(259)
Total Current Assets	64,800	67,603
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures, net	14,136	13,794
Land	7,655	7,293
Other tangible fixed assets, net	10,161	10,114
Total Tangible Fixed Assets	31,952	31,202
2. Intangible Fixed Assets:		
Goodwill	215	173
Other intangible fixed assets	1,267	1,227
Total Intangible Fixed Assets	1,483	1,401
3. Investments and Other Assets:		
Other	2,207	2,289
Allowance for doubtful accounts	(4)	(4)
Total Investments and Other Assets	2,203	2,284
Total Fixed Assets	35,639	34,888
Total Assets	100,440	102,492
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	3,643	5,391
Electronically recorded obligations - operating	1,365	944
Short-term borrowings	76	—
Income taxes payable	495	807
Accrued bonuses to employees	923	1,013
Provision for loss on litigation	6	6
Other current liabilities	7,021	7,777
Total Current Liabilities	13,532	15,941
II. Fixed Liabilities:		
Net defined benefit liability	612	611
Provision for share-based remuneration	190	205
Other fixed liabilities	5,017	4,963
Total Fixed Liabilities	5,820	5,780
Total Liabilities	19,352	21,722

(Millions of yen)

	At December 31, 2023	At March 31, 2024
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,132	5,132
Retained earnings	59,033	56,388
Treasury stock	(1,488)	(1,489)
Total Shareholders' Equity	67,876	65,231
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	33	30
Foreign currency translation adjustment	9,672	11,991
Total Accumulated Other Comprehensive Income	9,705	12,022
III. Non-controlling Interests	3,505	3,516
Total Net Assets	81,087	80,770
Total Liabilities and Net Assets	100,440	102,492

(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 March 31, 2023	Three months ended March 31, 2024
I. Net Sales	23,613	23,749
II. Cost of Sales	12,122	12,110
Gross profit	11,490	11,639
III. Selling, General and Administrative Expenses	8,086	8,941
Operating Income	3,404	2,697
IV. Non-operating Income:		
Interest income	58	88
Dividend income	11	12
Subsidy income	372	25
Foreign exchange gains	—	142
Other non-operating income	50	36
Total Non-operating Income	492	306
V. Non-operating Expenses:		
Interest expenses	22	19
Foreign exchange losses	68	—
Other non-operating expenses	14	20
Total Non-operating Expenses	106	40
Ordinary Income	3,791	2,963
VI. Extraordinary Income:		
Gain on sales of fixed assets	2	32
Gain on sales of investment securities	19	648
Total Extraordinary Income	21	680
VII. Extraordinary Loss:		
Loss on sales of fixed assets	1	4
Loss on disposal of fixed assets	4	23
Loss on tax purpose reduction entry of non-current assets	19	648
Total Extraordinary Loss	25	676
Income before Income Taxes	3,787	2,967
Income taxes - current	1,916	1,154
Income taxes - deferred	(619)	(130)
Total Corporate Income Tax	1,296	1,024
Net Income	2,491	1,943
Net Income Attributable to Non-controlling Interests	52	37
Net Income Attributable to Owners of Parent	2,438	1,906

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

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net Income	2,491	1,943
Other Comprehensive Income		
Valuation difference on available-for-sale securities	21	(2)
Foreign currency translation adjustment	761	2,397
Total Other Comprehensive Income	783	2,394
Quarterly Comprehensive Income	3,274	4,337
(Break down)		
Quarterly comprehensive income on parent company	3,127	4,222
Quarterly comprehensive income on non-controlling interests	147	114

**(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 March 31, 2023

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	8,318	8,341	2,417	4,535	23,613	—	23,613
Internal sales or exchange between segments	555	259	1,073	2	1,890	(1,890)	—
Total	8,873	8,600	3,491	4,538	25,503	(1,890)	23,613
Segment profit	439	2,669	606	347	4,062	(658)	3,404

(Notes)

1. The negative amount of ¥658 million from adjustments in segment profit includes ¥76 million in elimination of intersegment transactions and negative ¥734 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, 2024

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	8,392	8,240	2,050	5,066	23,749	—	23,749
Internal sales or exchange between segments	342	116	1,065	1	1,525	(1,525)	—
Total	8,734	8,356	3,115	5,068	25,275	(1,525)	23,749
Segment profit	523	2,324	353	432	3,634	(937)	2,697

(Notes)

1. The negative amount of ¥937 million from adjustments in segment profit includes ¥67 million in elimination of intersegment transactions and negative ¥869 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.