

Summary of Financial Results for the First Quarter of Fiscal Year Ending December 2022 [Japanese Standards] (Consolidated)

May 12, 2022

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
 Listing: Prime Market, Tokyo Stock Exchange
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 Scheduled Filing Date of Quarterly Report: May 13, 2022
 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, 2022 (January 1 to March 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	
1Q ended March 31, 2022	21,714	1.7	2,994	4.7	3,971	15.0	2,617	30.3
1Q ended March 31, 2021	21,359	(6.5)	2,861	(15.9)	3,454	(10.6)	2,008	(30.0)

(Note) Comprehensive income: 1Q ended March 31, 2022 ¥4,997 million (20.0%)
 1Q ended March 31, 2021 ¥4,165 million (245.2%)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)
1Q ended March 31, 2022	21.88	—
1Q ended March 31, 2021	16.79	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
1Q ended March 31, 2022	98,969	77,320	75.0
FY ended December 31, 2021	98,042	76,810	75.4

(Reference) Shareholders' Equity: 1Q ended March 31, 2022 ¥74,259 million
 FY ended December 31, 2021 ¥73,885 million

2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended December 31, 2021	—	37.00	—	37.00	74.00
FY ending December 31, 2022	—				
FY ending December 31, 2022 (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, 2022 (January 1 to December 31, 2022)

(% 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	98,700	6.0	14,200	6.5	14,300	(2.4)	9,500	8.1	79.41

(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: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(Note) For details, please refer to “(3) Notes on Consolidated Financial Statements (Change in Accounting Policy)” in “2. Quarterly Consolidated Financial Statements and Main Notes” on page 9 of the Appendix.

(4) Number of outstanding shares (common stock)

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

1Q ended March 31, 2022: 121,653,486

FY ended December 31, 2021: 121,653,486

2) Amount of treasury stock at the period-end

1Q ended March 31, 2022: 2,007,368

FY ended December 31, 2021: 2,018,072

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

1Q ended March 31, 2022: 119,637,155

1Q ended March 31, 2021: 119,635,598

(Note) Amount of treasury stock at the period-end includes Company shares held by the board incentive plan (BIP) trust for compensation of directors (113,956 shares as of 1Q ended March 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.

* 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

During the consolidated first quarter under review, the Japanese and global economies continued to face a number of challenges. In the Japanese economy, the impact of the COVID-19 pandemic continued to impose difficult conditions, though signs of recovery emerged in some areas. While the impact of the pandemic eased in countries around the world, including Japan, here and there the virus continued to spread and a number of cities suffered lockdowns. Moreover, conditions in Ukraine, the price of crude oil and supply-chain issues all fed a sense of uncertainty. As such, the way forward for the Japanese and global economies remains unclear.

Amid such circumstances, the Group has established three basic strategies (brand strategy, core product strategy, and regional strategy) in our Seventh Medium-Term Business Plan (for the period between the fiscal year ended December 2020 and the fiscal year ending December 2022) that was formulated in February 2020. Now, in the final year of the Plan, we are implementing 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.”

During the consolidated first quarter under review, the impact on business results of the COVID-19 pandemic was tempered by weakening yen exchange rates. Net sales amounted to ¥21,714 million (up 1.7% YOY). In earnings, gross profit margin improved 0.6 points from the previous fiscal year, more than offsetting an increase in selling, general and administrative expenses. Operating income reached ¥2,994 million (up 4.7% YOY), while ordinary income rose to ¥3,971 million (up 15.0% YOY) and net income attributable to owners of parent climbed to ¥2,617 million (up 30.3% 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:

- 1 US\$: 116.35 yen (106.04 yen)
- 1 CNY: 18.32 yen (16.36 yen)

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

From the fiscal year ended December 31, 2020, 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 ¥8,846 million (down 9.0% YOY). Segment profit decreased compared to the same period of the previous fiscal year to ¥543 million (down 10.0% YOY) due to factors such as a decrease in gross profit caused by the decline in net sales.

Although sales of bottom wipes and certain other consumables struggled amid price competition, sales of nursing bottles and breast pumps, which are core products of the Group, advanced YOY. In the Japan Business, in February 2022 we overhauled and relaunched sales of the “Bonyu Jikkan[®]” nursing bottle series, the Group's mainstay product line, for the first time in 11 years. Also in February, the Group renewed and relaunched “Pigeon Basic Skin Care,” a series of skin-care products for babies consisting of body foam soap, foam shampoo, baby bath wash, baby clear lotion, baby milk lotion, baby cream and baby clear oil.

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 700 expectant mothers and others attended these seminars. For medical professionals, the

Group presented an online seminar that attracted over 100 viewers. In order to alleviate the anxiety of mothers and fathers in the era of living with COVID-19, we are continuing to enhance support content through our website and SNS. We will also continue to make further improvements according to the needs of our customers in the contents of “Pigeon Info,” which is a website that supports women during pregnancy, childbirth, and childcare.

In some products for health and elder care, net sales decreased. Among the factors contributing to this result was a reshuffle of the category’s product lineup, which began in the previous fiscal year. Going forward, the Group will thoroughly implement measures such as bolstering sales activities with respect to retail outlets, elder-care facilities and other partners and improving the quality of elder-care services.

Regarding child care service, during the consolidated first quarter 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 ¥7,892 million (up 2.7% YOY). Segment profit increased to ¥2,532 million (up 4.0% YOY), partly due to higher gross profit YOY.

In Mainland China, net sales declined YOY on a local-currency basis. Shipments and other results for the “Shizen Jikken” nursing bottle series (marketed as “Bonyu Jikken[®]” in Japan) proceeded on a firm trend, following an overhaul and start of advance sales in September 2021. However, localized outbreaks of COVID-19 were met with lockdowns, severely impacting production, shipment and other activities.

The Group is continuing to leverage SNS and live streaming to invigorate direct communication with consumers and support the provision of child care information during COVID-19, to reinforce sales promotions at stores and promote distribution of new products, and to strengthen activities at hospitals and maternity clinics. In these ways, we are working to broaden contact points with customers and expand our operations.

Singapore Business

Net sales of the segment amounted to ¥3,069 million (up 6.9% YOY), and segment profit increased to ¥514 million (up 44.4% YOY).

This segment is responsible for operations in the ASEAN region and India. Here the Group reorganized and relaunched its sales and marketing activities on a “living with COVID-19” basis, despite some lingering impact of COVID-19, focusing on sales outlets. Net sales and profits both rose. Moving forward, we will continue to promote the development and launch of products for the upper-middle class, and actively develop sales and marketing activities with the aim of achieving market penetration for the Group brands.

Lansinoh Business

Net sales of the segment amounted to ¥3,551 million (up 13.9% YOY), while segment profit decreased to ¥168 million (down 47.1% YOY).

In North America, although product arrivals and shipments continued to be delayed due to disruptions in logistics, sales in the e-commerce channel were strong. Sales were favorable for nipple care creams and the new product category of products for care before and after childbirth. Sales of certain consumables declined YOY, however, amid intensifying competition.

Profits were down year-on-year. Logistical costs such as marine transportation expenses persisted at a high level, affecting unit costs, shipping expenses and other factors. Vigorous marketing activities also contributed to expenses. Moving forward, in order to further expand business in Europe, China, and other regions in addition to North America, the Group is implementing initiatives such as enhancing our product lineup, strengthening e-commerce, implementing marketing activities, and engaging in brand strengthening activities.

(2) Explanation of Financial Position

(Assets)

As of March 31, 2022, our Group recorded total assets of ¥98,969 million, up ¥926 million from the previous consolidated fiscal year ended December 31, 2021. Current assets decreased by ¥921 million, while fixed assets increased by ¥1,848 million.

Current assets decreased mainly due to a decrease in cash and deposits of ¥4,034 million, despite increases in merchandise and finished goods of ¥1,789 million and in other current assets of ¥593 million.

Fixed assets increased mainly due to increases in buildings and structures under tangible fixed assets of ¥1,155 million, in other tangible fixed assets of ¥429 million, and in other intangible fixed assets of ¥291 million.

(Liabilities)

As of March 31, 2022, our Group recorded total liabilities of ¥21,648 million, up ¥416 million from the previous consolidated fiscal year ended December 31, 2021. Current liabilities increased by ¥1,046 million, while fixed liabilities decreased by ¥629 million.

Current liabilities increased mainly because of an increase in notes and accounts payable - trade of ¥1,184 million and an increase in accrued bonuses to employees of ¥127 million, despite a decrease in other current liabilities of ¥243 million.

Fixed liabilities decreased mainly because other fixed liabilities decreased by ¥729 million.

(Net Assets)

As of March 31, 2022, our Group recorded total net assets of ¥77,320 million, up ¥510 million from the previous consolidated fiscal year ended December 31, 2021.

Net assets increased mainly due to an increase in foreign currency translation adjustment of ¥2,166 million, despite a decrease in retained earnings of ¥1,813 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. However, due to the global COVID-19 pandemic, we predict that measures such as intermittent lockdowns (city closures) and enforcement of travel restrictions will continue for the time being. Therefore, the Group has revised quantitative targets for the fiscal year ended December 31, 2021 and the fiscal year ending December 31, 2022 as stated in the "Notice of Revision of Medium-Term Business Plan" announced on February 10, 2021.

In order to achieve the revised business plan, while engaging in further development and strengthening of business operation systems, the Group will strive to improve management quality by steadily implementing various measures based on each business strategy and the function strategies which serve as the foundation for those business strategies.

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

(Millions of yen)

	At December 31, 2021	At March 31, 2022
ASSETS		
I. Current Assets:		
Cash and deposits	35,218	31,184
Notes and accounts receivable - trade	16,253	16,650
Merchandise and finished goods	8,723	10,512
Work in process	623	731
Raw materials and supplies	3,359	3,595
Other current assets	2,270	2,863
Allowance for doubtful accounts	(194)	(204)
Total Current Assets	66,254	65,332
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures, net	9,125	10,281
Land	7,272	7,326
Other tangible fixed assets, net	10,695	11,124
Total Tangible Fixed Assets	27,093	28,733
2. Intangible Fixed Assets:		
Goodwill	534	515
Other intangible fixed assets	2,037	2,328
Total Intangible Fixed Assets	2,572	2,844
3. Investments and Other Assets:		
Other	2,123	2,059
Allowance for doubtful accounts	(0)	(0)
Total Investments and Other Assets	2,122	2,058
Total Fixed Assets	31,788	33,636
Total Assets	98,042	98,969
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,087	5,271
Electronically recorded obligations - operating	1,623	1,672
Income taxes payable	1,180	1,126
Accrued bonuses to employees	882	1,010
Provision for expenses related to voluntary product recall	18	2
Provision for loss on litigation	9	9
Other current liabilities	7,268	7,025
Total Current Liabilities	15,072	16,118
II. Fixed Liabilities:		
Net defined benefit liability	478	550
Provision for share-based remuneration	313	340
Other fixed liabilities	5,367	4,638
Total Fixed Liabilities	6,159	5,529
Total Liabilities	21,232	21,648

(Millions of yen)

	At December 31, 2021	At March 31, 2022
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,179	5,154
Retained earnings	61,163	59,350
Treasury stock	(1,479)	(1,433)
Total Shareholders' Equity	70,062	68,270
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	16	16
Foreign currency translation adjustment	3,805	5,972
Total Accumulated Other Comprehensive Income	3,822	5,988
III. Non-controlling Interests	2,925	3,061
Total Net Assets	76,810	77,320
Total Liabilities and Net Assets	98,042	98,969

(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, 2021	Three months ended March 31, 2022
I. Net Sales	21,359	21,714
II. Cost of Sales	11,190	11,243
Gross profit	10,168	10,470
III. Selling, General and Administrative Expenses	7,307	7,475
Operating Income	2,861	2,994
IV. Non-operating Income:		
Interest income	39	44
Dividend income	124	12
Subsidy income	18	470
Foreign exchange gains	321	337
Other non-operating income	106	142
Total Non-operating Income	610	1,007
V. Non-operating Expenses:		
Interest expenses	11	21
Other non-operating expenses	6	10
Total Non-operating Expenses	17	31
Ordinary Income	3,454	3,971
VI. Extraordinary Income:		
Gain on sales of fixed assets	0	4
Gain on sales of investment securities	33	—
Total Extraordinary Income	34	4
VII. Extraordinary Loss:		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	2	20
Expenses related to voluntary product recall	507	—
Total Extraordinary Loss	510	20
Income before Income Taxes	2,978	3,954
Income taxes - current	1,599	1,730
Income taxes - deferred	(648)	(457)
Total Corporate Income Tax	951	1,273
Net Income	2,026	2,681
Net Income Attributable to Non-controlling Interests	18	63
Net Income Attributable to Owners of Parent	2,008	2,617

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

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Net Income	2,026	2,681
Other Comprehensive Income		
Valuation difference on available-for-sale securities	9	(0)
Foreign currency translation adjustment	2,129	2,316
Total Other Comprehensive Income	2,138	2,315
Quarterly Comprehensive Income	4,165	4,997
(Break down)		
Quarterly comprehensive income on parent company	4,059	4,779
Quarterly comprehensive income on non-controlling interests	106	218

**(3) 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 first quarter 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 quarterly consolidated financial statements.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Three months ended March 31, 2021

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	8,985	7,626	1,644	3,103	21,359	—	21,359
Internal sales or exchange between segments	731	58	1,225	14	2,030	(2,030)	—
Total	9,717	7,685	2,869	3,117	23,389	(2,030)	21,359
Segment profit	603	2,434	356	318	3,713	(852)	2,861

(Notes)

1. The negative amount of ¥852 million from adjustments in segment profit includes negative ¥45 million in elimination of intersegment transactions and negative ¥806 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, 2022

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	8,417	7,733	2,014	3,547	21,714	—	21,714
Internal sales or exchange between segments	428	158	1,054	3	1,645	(1,645)	—
Total	8,846	7,892	3,069	3,551	23,359	(1,645)	21,714
Segment profit	543	2,532	514	168	3,758	(764)	2,994

(Notes)

1. The negative amount of ¥764 million from adjustments in segment profit includes negative ¥54 million in elimination of intersegment transactions and negative ¥819 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.