Summary of Financial Results
for the First Quarter of Fiscal Year Ending December 2021
[Japanese Standards] (Consolidated)

May 13, 2021

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
Listing: First Section, 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 14, 2021
Scheduled Commencement Date of Dividend Payments: —
Preparation of Any Additional Explanatory Materials for Quarterly Financial Results: Yes
Holding of Any Briefing Session for Quarterly Financial Results: Yes (For analysts)

1. Consolidated Business Performance for the First Quarter of Fiscal Year Ending December 31, 2021 (January 1 to March 31, 2021)

(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, 2021	21,359	(6.5)%	2,861	(15.9)	3,454	(10.6)	2,008	(30.0)
1Q ended March 31, 2020	22,836	(10.3)%	3,403	(24.4)	3,864	(13.3)	2,869	(8.6)

(Note) Comprehensive income: 1Q ended March 31, 2021 ¥4,165 million (245.2%)
1Q ended March 31, 2020 ¥1,206 million (69.9% negative)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)
1Q ended March 31, 2021	16.79	—
1Q ended March 31, 2020	23.97	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
1Q ended March 31, 2021	92,823	72,417	75.0
FY ended December 31, 2020	93,472	72,625	74.8

(Reference) Shareholders' Equity: 1Q ended March 31, 2021 ¥69,655 million
FY ended December 31, 2020 ¥69,903 million

2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended December 31, 2020	—	36.00	—	36.00	72.00
FY ending December 31, 2021	—				
FY ending December 31, 2021 (Forecast)		37.00	—	37.00	74.00

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

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending December 31, 2021 (January 1 to December 31, 2021)

(% 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	100,800	1.4	16,500	7.7	16,700	3.6	11,100	4.3	92.75

(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, 2021: 121,653,486
FY ended December 31, 2020: 121,653,486
2) Amount of treasury stock at the period-end
1Q ended March 31, 2021: 2,017,950
FY ended December 31, 2020: 2,017,880
3) Average number of shares outstanding during the period (quarter accumulation)
1Q ended March 31, 2021: 119,635,598
1Q ended March 31, 2020: 119,727,060
(Note) Amount of treasury stock at the period-end includes Company shares held by the board incentive plan (BIP) trust for compensation of directors (124,800 shares as of 1Q ended March 31, 2021 and FY ended December 31, 2020). 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 economy continued to face tough conditions due to the impact of the spread of COVID-19. However, we began to see a certain amount of recovery in some areas. In the global economy including Japan, even as countries begin to gradually increase the level of socioeconomic activities while establishing measures to prevent the spread of COVID-19, problems such as intermittent resurgence of the virus and lockdowns (city closures) are occurring in regions throughout the world. Accordingly, we predict that uncertainty regarding the future of the economy will continue for the time being.
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 second 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, due to the impact of the spread of COVID-19 and to the application of accounting standards, etc., related to revenue recognition, net sales amounted to ¥21,359 million (down 6.5% YOY). Regarding earnings, although sales decreased, the Group actively used sales promotion expenses and advertising expenses, resulting in operating income of ¥2,861 million (down 15.9% YOY), ordinary income of ¥3,454 million (down 10.6% YOY), and quarterly net income attributable to owners of parent of ¥2,008 million (down 30.0% YOY).
Furthermore, as a change in accounting policies, the Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the beginning of the consolidated first quarter under review. For this reason, the year-on-year comparison uses numbers based on different calculation methods. For details, please refer to “(3) Notes on Consolidated Financial Statements (Change in Accounting Policy)” in “2. Quarterly Consolidated Financial Statements and Main Notes.”

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$: 106.04 yen (108.97 yen)
・1 CNY: 16.36 yen (15.61 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.
Due to the application of the Accounting Standard for Revenue Recognition from the beginning of the consolidated first quarter under review, the year-on-year comparison for the Japan Business and China Business segments uses numbers based on different calculation methods. For details, please refer to “(3) Notes on Consolidated Financial Statements (Segment Information)” in “2. Quarterly Consolidated Financial Statements and Main Notes.”

Japan Business
This segment consists of the Domestic Baby & Mother Care Business, Child Care Service Business, and Health & Elder Care Business. Due to factors such as application of the Accounting Standard for Revenue Recognition, net sales for the entire segment amounted to ¥9,717 million (down 15.2%

YOY). Segment profit was ¥603 million (down 32.1% YOY) due to factors such as a decrease in gross profit caused by the decline in net sales.
In the category of products for babies and mothers, the complete lack of foreign visitors to Japan caused a decrease in net sales for nursing bottles and other products with a drastic decrease in inbound demand. On the other hand, sales were strong for breast pumps, which is an area of focus by the Group. In the Japan Business segment, in February, we launched the new product “Baby Wipe Premium Luxury Thickness.” These baby wipes feature a unique “Dekopoko Wipe” design which is 1.5 times thicker than conventional wipes and contains a generous amount of moisture for gently wiping the delicate skin of newborns. In March, we launched “Runfee RB1,” a stroller with the best performance on uneven surfaces of any stroller in its class.
As part of our initiatives for direct communication, the Group performed SNS live streaming to convey the features of our strollers in an easy-to-understand manner. The streamed content was viewed by a total of more than 1,600 people. We also streamed cooking videos aimed at expecting mothers, which were viewed by a large number of people. In order to alleviate the anxiety of mothers and fathers in the midst of the COVID-19 pandemic, we are working to enhance support contents provided via the internet and SNS, and to further improve the website Pigeon Info, which supports women in the different phases of pregnancy, childbirth, and childcare.
In the category of products for health and elder care, for some products, the increased demand for hygiene-related products from last year has run its course, and sales decreased year-on-year. For health care products, we renewed the oral care series of the Group brand “Habinurse” as the “Clean Smile Series.” We also added the new products “Denture Toothpaste” and “Medicinal Oral Moisturizing Mist” to the lineup and began sales in February 2021.
Regarding child care service, during the consolidated first quarter under review, we currently provide services at 71 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 ¥7,685 million (up 7.5% YOY), and segment profit also increased to ¥2,434 million (up 1.1% YOY).
Mainland China recovered quickly from the effects of COVID-19. There were strong sales for the core product of nursing bottles, as well as for skin care products and other products which we are targeting for fundamental research.
In terms of profits, while aggressively investing sales promotion expenses in areas such as the e-commerce market in which expansion is accelerating rapidly, we also increased our gross profit due to sales growth. Consequently, results exceeded the previous fiscal year.
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 ¥2,869 million (down 13.9% YOY), and segment profit also decreased to ¥356 million (down 46.8% YOY).
The ASEAN region and India in which this segment does business were severely impacted by the COVID-19 pandemic. There are continued restrictions on corporate activities and stagnating consumption. Moreover, there is decreased shipping of products destined for Japan from our Thailand Plant. As a result of factors such as these, tough conditions continue. Moving forward, we will continue to promote the development and launch of products for the 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 ¥3,117 million (up 2.6% YOY), while segment profit decreased to ¥318 million (down 20.3% YOY).

In North America, there were strong sales in the e-commerce channel, as well as growing sales of nipple care cream and breast milk storage bags. Conversely, sales were down year-on-year for some consumable products, a category where market competition has become even tougher.

Profits were down year-on-year due to active utilization of selling, general and administrative expenses. Moving forward, in order to further expand business in China (Lansinoh Laboratories Shanghai) and Europe 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, 2021, our Group recorded total assets of ¥92,823 million, down ¥649 million from the previous consolidated fiscal year ended December 31, 2020. Current assets decreased by ¥1,139 million, while fixed assets increased by ¥489 million.

Current assets decreased mainly due to decreases in cash and deposits of ¥3,436 million and in notes and accounts receivable-trade of ¥610 million, despite increases in merchandise and finished goods of ¥1,646 million and in raw materials and supplies of ¥596 million.

Fixed assets increased mainly due to a ¥1,128 million increase in buildings and structures under tangible fixed assets, despite a ¥566 million decrease in other tangible fixed assets and a ¥109 million decrease in other intangible fixed assets.

(Liabilities)

As of March 31, 2021, our Group recorded total liabilities of ¥20,405 million, down ¥440 million from the previous consolidated fiscal year ended December 31, 2020. Both current and fixed liabilities decreased by ¥187 million and ¥253 million, respectively.

Current liabilities decreased mainly because of a decrease in income taxes payable by ¥927 million and a decrease in other current liabilities by ¥1,172 million, despite provision for expenses related to voluntary product recall of ¥507 million, an increase in notes and accounts payable-trade by ¥1,119 million, and an increase in accrued bonuses to employees by ¥217 million.

Fixed liabilities decreased mainly because other fixed liabilities decreased by ¥310 million.

(Net Assets)

As of March 31, 2021, our Group recorded total net assets of ¥72,417 million, down ¥208 million from the previous consolidated fiscal year ended December 31, 2020.

Net assets decreased mainly due to a decrease in retained earnings of ¥2,302 million, despite an increase in foreign currency translation adjustment of ¥2,046 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 ending 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, 2020	At March 31, 2021
ASSETS		
I. Current Assets:		
Cash and deposits	37,163	33,726
Notes and accounts receivable - trade	15,085	14,475
Merchandise and finished goods	8,256	9,903
Work in process	350	510
Raw materials and supplies	2,768	3,365
Other current assets	1,783	2,298
Allowance for doubtful accounts	(178)	(188)
Total Current Assets	65,231	64,091
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures, net	7,212	8,340
Land	6,009	6,050
Other tangible fixed assets, net	10,040	9,473
Total Tangible Fixed Assets	23,262	23,864
2. Intangible Fixed Assets:		
Goodwill	647	632
Other intangible fixed assets	2,310	2,201
Total Intangible Fixed Assets	2,957	2,833
3. Investments and Other Assets:		
Other	2,021	2,033
Allowance for doubtful accounts	(0)	(0)
Total Investments and Other Assets	2,020	2,032
Total Fixed Assets	28,241	28,731
Total Assets	93,472	92,823
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,757	5,876
Electronically recorded obligations - operating	1,670	1,796
Income taxes payable	1,906	978
Accrued bonuses to employees	952	1,170
Provision for expenses related to voluntary product recall	—	507
Provision for sales returns	53	—
Provision for loss on litigation	7	3
Other current liabilities	6,315	5,143
Total Current Liabilities	15,664	15,477
II. Fixed Liabilities:		
Net defined benefit liability	440	471
Provision for share-based remuneration	205	232
Other fixed liabilities	4,535	4,224
Total Fixed Liabilities	5,181	4,928
Total Liabilities	20,846	20,405

(Millions of yen)

	At December 31, 2020	At March 31, 2021
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,179	5,179
Retained earnings	61,120	58,817
Treasury stock	(1,478)	(1,478)
Total Shareholders' Equity	70,020	67,717
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	13	22
Foreign currency translation adjustment	(129)	1,916
Total Accumulated Other Comprehensive Income	(116)	1,938
III. Non-controlling Interests	2,722	2,761
Total Net Assets	72,625	72,417
Total Liabilities and Net Assets	93,472	92,823

(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, 2020	Three months ended March 31, 2021
I. Net Sales	22,836	21,359
II. Cost of Sales	11,483	11,190
Gross profit	11,352	10,168
Reversal of provision for sales returns	41	—
Provision for sales returns	55	—
Adjusted gross profit	11,337	10,168
III. Selling, General and Administrative Expenses	7,933	7,307
Operating Income	3,403	2,861
IV. Non-operating Income:		
Interest income	42	39
Dividend income	101	124
Subsidy income	379	18
Foreign exchange gains	—	321
Other non-operating income	109	106
Total Non-operating Income	632	610
V. Non-operating Expenses:		
Interest expenses	1	11
Sales discounts	56	—
Foreign exchange losses	40	—
Other non-operating expenses	73	6
Total Non-operating Expenses	171	17
Ordinary Income	3,864	3,454
VI. Extraordinary Income:		
Gain on sales of fixed assets	0	0
Gain on sales of investment securities	33	33
Total Extraordinary Income	33	34
VII. Extraordinary Loss:		
Loss on sales of shares of subsidiaries and associates	37	—
Loss on sales of fixed assets	9	0
Loss on disposal of fixed assets	10	2
Expenses related to voluntary product recall	—	507
Total Extraordinary Loss	56	510
Income before Income Taxes	3,841	2,978
Income taxes - current	1,015	1,599
Income taxes - deferred	(107)	(648)
Total Corporate Income Tax	907	951
Net Income	2,933	2,026
Net Income Attributable to Non-controlling Interests	63	18
Net Income Attributable to Owners of Parent	2,869	2,008

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

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Net Income	2,933	2,026
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(16)	9
Foreign currency translation adjustment	(1,710)	2,129
Total Other Comprehensive Income	(1,726)	2,138
Quarterly Comprehensive Income	1,206	4,165
(Break down)		
Quarterly comprehensive income on parent company	1,459	4,059
Quarterly comprehensive income on non-controlling interests	(252)	106

(3) Notes on Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Change in Accounting Policy)

(Application of Accounting Standards, etc., Related to Revenue Recognition)

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition") from the beginning of the consolidated first quarter under review. In accordance with the Accounting Standard for Revenue Recognition, when control of a promised good or service is transferred to the customer, revenue will be recognized at the amount expected to be received in exchange for the good or service.

As a result, a portion of the sales promotion expenses, etc., which were previously recorded in selling, general and administrative expenses, and sales discounts, which were recorded in non-operating expenses, have been deducted from net sales. Furthermore, regarding the provision for sales returns that was previously recorded as current liabilities based on the amount equivalent to gross profit, we changed to a method that does not recognize the net sales and the amount equivalent to cost of sales for products that are expected to be returned. Refund liabilities are included in "Other current liabilities" and refund assets are included in "Other current assets".

When applying the Accounting Standard for Revenue Recognition, etc., we comply with the transitional treatment stipulated in the provisions of Paragraph 84 of the Standard. The cumulative impact of retroactively applying the new accounting policy prior to the beginning of consolidated first quarter under review is added or subtracted to the retained earnings at the beginning of the consolidated first quarter under review and the new accounting policy is applied from the beginning balance. However, there is no effect on the beginning balance.

As a result, for the consolidated first quarter under review, net sales decreased by ¥1,015 million, cost of sales decreased by ¥12 million, selling, general and administrative expenses decreased by ¥928 million, and non-operating expenses decreased by ¥74 million. Consequently, gross profit decreased by ¥1,002 million, and operating income decreased by ¥74 million. However, there was no effect on ordinary income or income before income taxes.

In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12; March 31, 2020), we do not list information showing a breakdown of revenue earned from contracts with customers for the previous consolidated first quarter.

(Change in Presentation Method)

(Relation to the Consolidated Income Statement)

In the previous consolidated first quarter, the amount of dividend income was included in "Other non-operating income." Since that amount exceeded one-fifth of non-operating income, the amount is posted separately starting from the consolidated first quarter under review. In order to reflect this change in presentation method, the consolidated financial statements for the previous consolidated first quarter have been reclassified.

As a result, the ¥211 million that was presented in "Other non-operating income" in the Consolidated Statement of Income for the previous consolidated first quarter has been reclassified into "Dividend income" of ¥101 million and "Other non-operating income" of ¥109 million.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Three months ended March 31, 2020

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

(Millions of yen)

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

(Notes)

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

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.

2. Information Regarding Changes, etc., to Reporting Segments

(Application of Accounting Standards, etc., Related to Revenue Recognition)

As described above in “(Change in Accounting Policy) - (Application of Accounting Standards, etc., Related to Revenue Recognition),” the Group has applied the Accounting Standard for Revenue Recognition from the beginning of the consolidated first quarter under review. Due to a change in the method of accounting treatment for revenue recognition, similar changes have been made to the methods of measuring profit and loss in each business segment.

As a result, when compared to the previous method of accounting treatment, in the consolidated first quarter under review, segment net sales decreased by ¥696 million in the Japan Business segment and decreased by ¥318 million in the China Business segment. Also, segment profit decreased by ¥74 million in the Japan Business segment.