Summary of Financial Results for the Fiscal Year Ended December 31, 2023 [Japanese Standards] (Consolidated)

February 15, 2024

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 28, 2024
Scheduled Commencement Date of Dividend Payments: March 28, 2024
Scheduled Filing Date of Annual Securities Report: March 29, 2024
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, 2023 (January 1 to December 31, 2023)

(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, 2023	94,461	(0.5)	10,726	(12.1)	11,522	(14.4)	7,423	(13.5)
FY ended December 31, 2022	94,921	2.0	12,195	(8.6)	13,465	(8.1)	8,581	(2.3)

(Note) Comprehensive income: FY ended December 31, 2023 ¥10,540 million (13.4% negative)
FY ended December 31, 2022 ¥12,165 million (6.4% negative)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)	Return on Equity (%)	Total Assets/ Ordinary Income (%)	Operating Margin (%)
FY ended December 31, 2023	62.06	－	9.6	11.4	11.4
FY ended December 31, 2022	71.72	－	11.4	13.5	12.8

(Reference) Equity in earnings of affiliates: FY ended December 31, 2023 ¥－ million
FY ended December 31, 2022 ¥－ million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
FY ended December 31, 2023	100,440	81,087	77.2	648.73
FY ended December 31, 2022	101,733	79,952	75.4	640.96

(Reference) Shareholders' Equity: FY ended December 31, 2023 ¥77,581 million
FY ended December 31, 2022 ¥76,695 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, 2023	14,523	(5,467)	(10,256)	34,357
FY ended December 31, 2022	13,210	(5,659)	(9,666)	34,283

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, 2022	—	38.00	—	38.00	76.00	9,101	106.1	12.1
FY ended December 31, 2023	—	38.00	—	38.00	76.00	9,101	122.6	11.8
FY ending December 31, 2024 (Forecast)	—	38.00	—	38.00	76.00		119.8	

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

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: None
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, 2023: 121,653,486 shares
FY ended December 31, 2022: 121,653,486 shares
2) Amount of treasury stock at the period-end
FY ended December 31, 2023: 2,063,781 shares
FY ended December 31, 2022: 1,996,488 shares
3) Average number of shares outstanding during the period
FY ended December 31, 2023: 119,617,076 shares
FY ended December 31, 2022: 119,651,570 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 (169,948 shares as of FY ended December 31, 2023; 102,956 shares as of FY ended December 31, 2022). 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

The Japanese economy staged a gradual recovery during the consolidated accounting year under review. Restrictions on movement imposed in response to COVID-19 were eased, economic activity moved toward normalization and inflows of foreign tourists rose, supporting a recovery in personal consumption. In the global economy as well, a recovering trend was observed and is expected to continue. However, lingering uncertainty about the near-term outlook was fed by the effects of global monetary tightening and rising prices, as well as conditions in the Middle East and fluctuations in financial and capital markets.

Against this background, in February 2023 the Pigeon Group announced 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 will focus 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. The consolidated accounting year under review was the first year of the Medium-Term Business Plan. 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.”

In the consolidated accounting year under review, despite being led by strong results in the Japan Business and Lansinoh Business, net sales decreased to ¥94,461 million (down 0.5% YOY) due to lower sales in the China Business and Singapore Business compared to the previous fiscal year. In earnings, in addition to falling gross profit due to a decrease in revenue, the active use of sales promotion expenses resulted in operating income decreasing to ¥10,726 million (down 12.1% YOY). Ordinary income decreased to ¥11,522 million (down 14.4% YOY) and net income attributable to owners of parent fell to ¥7,423 million (down 13.5% 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$: 140.58 yen (131.55 yen)
・1 CNY: 19.83 yen (19.50 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 ¥36,865 million (up 1.5% YOY), and segment profit was ¥2,006 million (up 34.5% YOY).

In the Baby Care Business (childcare and feminine products), net sales grew YOY, buoyed partly by price revisions implemented in February and September on baby-related products such as nursing bottles and nipples. Sales of core products such as nursing bottles, nipples and baby skincare products, as well as of consumables such as baby wipes, were favorable, benefiting from reinvigorated sales efforts. In August 2023, the Baby Care Business launched SHUPOT, an electric nose cleaner that quickly draws out mucus that can collect at the back of babies’ noses, and Bonyu

Jikkan Parts, a product series that enables mothers to repurpose the nursing bottles that are so filled with memories. These products were extremely well-received by customers. Also, for our official online shop, we are working to further invigorate sales by improving convenience through strengthened collaboration with online shopping malls, and by expanding our lineup of limited-edition products. Furthermore, as part of our efforts for direct communication, we held online events such as Breastfeeding seminars for mothers who are about to give birth, and a Pigeon Seminar for medical professionals on the theme of "breastfeeding childcare as part of intimate childrearing for mothers and children." A total of more than approximately 2,000 people participated in the seminars. For Pigeon Info, which is a website supporting women during pregnancy, childbirth, and childcare, in addition to updating product information, we are continuing to make improvements aimed at bringing even greater convenience to customers. For the general public, we held online and offline exhibitions on "babies and families requiring specialized care" in an effort to raise awareness for this topic.

Pigeon Home Products Corporation, a Pigeon Group company that produces skincare and other products, completed a plant in Fuji, Shizuoka Prefecture, transferring the operations of the former No. 1 Plant and No. 2 Plant there. The new plant began full-scale operation in September 2023. Aiming to create customer value through new skincare and other products, Pigeon Home Products is strengthening its development framework, improving productivity and pouring efforts into environmental measures.

In products for health and elder care, we implemented price revisions in February and September for some products. Pigeon also continued to burnish its Habinurse elder-care brand. The brand launched products such as Liquid Thickener—Simply Add, a product that adjusts the viscosity of foodstuffs and can be used even in carbonated beverages. The Group is continuing its thorough implementation of measures such as further 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, we currently provide services at 61 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 ¥33,045 million (down 5.0% YOY), and segment profit was ¥8,858 million (down 14.9% YOY).

In Mainland China, particularly in the second half of the year, net sales in local currency terms were down YOY due to the effects of deteriorating economic confidence, increased awareness for saving, and a tendency to refrain from purchasing Japanese products due to the release of ALPS treated water into the ocean. On the other hand, in addition to core baby products, we made concerted efforts to extend the utility of many products to older children, which Pigeon is working on as part of our efforts to respond to the declining number of births and to expand our customer base. These efforts are already producing a certain level of results, with strong sales including increased sales of the Shizen Rinyu Series of nursing bottles for older babies, launched in June, 2023, and skincare products for children, rolled out at the end of 2022. In consumer communications, the Group took a number of steps to drive sustained business growth. The Group strengthened sales 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 reinforced 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, the Pigeon Group began reorganizing its distribution framework in the consolidated fiscal year under review. Using local sales subsidiaries as its base, the Group is strengthening sales and marketing efforts in South Korea, seeking to attract new customers and reinforce relationships with existing customers.

Finally, the Group continued to strengthen efforts to boost sales of baby products under the Pigeon brand in the North American market.

Singapore Business

In this segment, net sales amounted to ¥13,085 million (down 7.5% YOY), and segment profit was ¥1,235 million (down 42.3% YOY).

This segment is responsible for operations in the ASEAN region and India. Net sales declined YOY amid a rebound from the rising demand from the rapid recovery of the previous year, along with continued shipping adjustments, as COVID-19-related restrictions were lifted in major markets. In the core product categories that this business is focusing on, the Group introduced new nursing bottles, which have been sold earlier in the Chinese and Japanese markets, and then expanded the sales area. The Group also worked to further expand the product lineup and to strengthen sales and distribution with a focus on nursing bottles made with T-Ester*, a new plastic as transparent as glass, and on the Natural Botanical Baby skin-care series, produced with natural ingredients to be gentle on babies' skin and friendly to the environment. We continue to advance the development and launch of products that meet the needs of each market for the upper-middle class and higher income brackets; for example, we renewed manual and electric breast pumps and launched products tailored to market characteristics. With the aim of achieving market penetration and strengthening Group brands, we will implement proactive sales and marketing activities, including improving in-store appeal, strengthening social media response, and expanding communication with hospitals and maternity clinics.

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

Lansinoh Business

In this segment, net sales amounted to ¥18,480 million (up 9.2% YOY), and segment profit was ¥1,453 million (up 25.9% YOY).

North America and Europe, two vital markets for the segment, saw some calming in the disruption which had continued in marine logistics. Even so, there was still impact from persistently high logistics costs related to land transportation, especially in North America. In North America, net sales fell YOY in local-currency terms, as market competition for consumables such as breast pads intensified and special demand for our products ran its course, following the end of a shortage of powdered-milk supplies in the United States that had occurred intermittently since 2022. Meanwhile, sales were strong in Europe, notably in Germany and United Kingdom, paced by nipple care creams, a core product line. As a result, net sales for the entire segment were up YOY. Due to the effects of active sales promotion and investments, net sales in both Europe and North America were favorable for prenatal and postnatal care products, a new category. In this segment, the Group will work to achieve further business growth by expanding its mainstay line of products to support breastfeeding and expand products in new categories, while striving to bolster its e-commerce presence and brand.

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

(Assets)
As of December 31, 2023, total assets amounted to ¥100,440 million, down ¥1,293 million from the previous consolidated fiscal year ended December 31, 2022. Current assets had a decrease of ¥2,343 million, and fixed assets had an increase of ¥1,049 million.
Current assets decreased mainly due to decreases in notes and accounts receivable - trade of ¥1,562 million and in merchandise and finished goods of ¥953 million, despite an increase in receivables of ¥804 million.
Fixed assets increased mainly due to a ¥3,637 million increase in buildings and structures and a ¥1,385 million increase in machinery, equipment and vehicles, both included in tangible fixed assets, despite a ¥3,453 million decrease in construction in progress included in tangible fixed assets.

(Liabilities)
As of December 31, 2023, total liabilities amounted to ¥19,352 million, down ¥2,428 million from the previous consolidated fiscal year ended December 31, 2022. Current liabilities had a decrease of ¥2,030 million, and fixed liabilities had a decrease of ¥397 million.
Current liabilities decreased mainly due to decreases in notes and accounts payable - trade of ¥1,423 million and in income taxes payable of ¥493 million.
Fixed liabilities decreased mainly due to decreases in lease liabilities of ¥232 million and in other fixed liabilities of ¥156 million.

(Net Assets)
As of December 31, 2023, total net assets amounted to ¥81,087 million, up ¥1,134 million from the previous consolidated fiscal year ended December 31, 2022.
This increase resulted mainly from an increase in foreign currency translation adjustment of ¥2,709 million, despite a decrease in retained earnings of ¥1,728 million.

(3) Overview of Cash Flows for the Term Under Review
As of December 31, 2023, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to ¥34,357 million, up ¥74 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities
Net cash provided by operating activities amounted to ¥14,523 million, up from ¥13,210 million of the previous fiscal year. Factors increasing operating cash flows included ¥11,154 million in income before income taxes, ¥4,881 million in depreciation, and a ¥2,544 million decrease in inventories. Contrasting factors included ¥4,364 million in income taxes paid and a ¥2,073 million decrease in notes and accounts payable - trade.

Cash Flows from Investing Activities
Net cash used in investing activities totaled ¥5,467 million, down from ¥5,659 million of the previous fiscal year. This is mainly due to ¥5,484 million in purchase of tangible fixed assets.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥10,256 million, up from ¥9,666 million of the previous fiscal year. This is mainly due to ¥9,109 million in payment of cash dividends.

Cash flow indicators of the Group are shown below.

	FY ended December 31, 2021	FY ended December 31, 2022	FY ended December 31, 2023
Equity Ratio (%)	75.4	75.4	77.2
Equity Ratio based on Market Price (%)	268.2	255.0	193.4
Debt Repayment Term (years)	0.2	0.2	0.2
Interest Coverage Ratio (times)	137.1	137.6	144.1

- 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 ended December 2023 (covering the period from the fiscal year ended 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 actively considering and executing entry into 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.
For the fiscal year ending December 31, 2024, which is the second year of the 8th Medium-Term Business Plan, when considering the state of affairs in the consolidated accounting period under review, the Group forecasts net sales of ¥101,000 million (up 6.9% YOY), operating income of ¥11,400 million (up 6.3% YOY), ordinary income of ¥11,400 million (down 1.1% YOY) and net income of ¥7,600 million (up 2.4% 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 Eighth Medium-Term Business Plan (for the period between the fiscal year ended December 2023 and the fiscal year ending December 2025) announced in February 2023, we aim for further improvement of consolidated business results and financial position, along with continuous, stable dividend supporting existing dividend levels.
Based on the aforementioned policy and targets, the Group distributed an interim dividend for the term under review 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), which is the same level as 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: 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, 2022	At December 31, 2023
ASSETS		
I. Current Assets:		
Cash and deposits	34,283	34,357
Notes and accounts receivable - trade	15,975	14,412
Merchandise and finished goods	10,529	9,575
Work in process	632	515
Raw materials and supplies	4,156	3,443
Receivables	353	1,158
Other current assets	1,439	1,581
Allowance for doubtful accounts	(226)	(245)
Total Current Assets	67,143	64,800
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures	23,620	28,586
Accumulated depreciation and accumulated impairment loss	(13,121)	(14,450)
Buildings and structures, net	10,499	14,136
Machinery, equipment and vehicles	22,432	24,465
Accumulated depreciation	(17,215)	(17,863)
Machinery, equipment and vehicles, net	5,217	6,602
Tools, furniture and fixtures	10,108	11,068
Accumulated depreciation and accumulated impairment loss	(7,212)	(8,017)
Tools, furniture and fixtures, net	2,896	3,051
Land	7,559	7,655
Construction in progress	3,961	507
Total Tangible Fixed Assets	30,132	31,952
2. Intangible Fixed Assets:		
Goodwill	380	215
Software	1,682	1,032
Other intangible fixed assets	245	235
Total Intangible Fixed Assets	2,308	1,483
3. Investments and Other Assets:		
Investment securities	547	558
Deferred tax assets	900	1,131
Insurance reserve	166	—
Other	534	517
Allowance for doubtful accounts	(0)	(4)
Total Investments and Other Assets	2,149	2,203
Total Fixed Assets	34,590	35,639
Total Assets	101,733	100,440

(Millions of yen)

	At December 31, 2022	At December 31, 2023
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	5,066	3,643
Electronically recorded obligations - operating	1,542	1,365
Short-term borrowings	—	76
Accounts payable	2,373	2,353
Accrued expenses	2,006	1,805
Income taxes payable	989	495
Accrued bonuses to employees	920	923
Provision for loss on litigation	7	6
Other current liabilities	2,656	2,862
Total Current Liabilities	15,563	13,532
II. Fixed Liabilities:		
Lease liabilities	2,057	1,824
Deferred tax liabilities	3,004	2,984
Net defined benefit liability	566	612
Provision for share-based remuneration	225	190
Other fixed liabilities	364	207
Total Fixed Liabilities	6,217	5,820
Total Liabilities	21,781	19,352
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,132	5,132
Retained earnings	60,762	59,033
Treasury stock	(1,387)	(1,488)
Total Shareholders' Equity	69,706	67,876
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	26	33
Foreign currency translation adjustment	6,962	9,672
Total Accumulated Other Comprehensive Income	6,989	9,705
III. Non-controlling Interests	3,257	3,505
Total Net Assets	79,952	81,087
Total Liabilities and Net Assets	101,733	100,440

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

(Millions of yen)

	Year Ended December 31, 2022	Year Ended December 31, 2023
I. Net Sales	94,921	94,461
II. Cost of Sales	50,087	49,008
Gross profit	44,834	45,452
III. Selling, General and Administrative Expenses	32,638	34,726
Operating Income	12,195	10,726
IV. Non-operating Income:		
Interest income	182	256
Dividend income	17	12
Subsidy income	826	671
Foreign exchange gains	112	—
Other non-operating income	279	185
Total Non-operating Income	1,418	1,126
V. Non-operating Expenses:		
Interest expenses	94	98
Foreign exchange losses	—	170
Other non-operating expenses	54	60
Total Non-operating Expenses	149	329
Ordinary Income	13,465	11,522
VI. Extraordinary Income:		
Gain on sales of fixed assets	7	9
Subsidy income	—	19
Total Extraordinary Income	7	29
VII. Extraordinary Loss:		
Loss on sales of fixed assets	1	2
Loss on disposal of fixed assets	45	161
Impairment loss	282	213
Loss on tax purpose reduction entry of fixed assets	—	19
Total Extraordinary Loss	329	397
Income before Income Taxes	13,143	11,154
Income taxes - current	4,678	3,778
Income taxes - deferred	(296)	(186)
Total Corporate Income Tax	4,381	3,592
Net Income	8,761	7,561
Net Income Attributable to Non-controlling Interests	179	137
Net Income Attributable to Owners of Parent	8,581	7,423

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Year Ended December 31, 2022	Year Ended December 31, 2023
Net Income	8,761	7,561
Other Comprehensive Income		
Valuation difference on available-for-sale securities	9	6
Foreign currency translation adjustment	3,394	2,972
Total Other Comprehensive Income	3,404	2,979
Comprehensive Income	12,165	10,540
(Breakdown)		
Comprehensive income on parent company	11,743	10,140
Comprehensive income on non-controlling interests	422	400

(3) Statement of Changes in Consolidated Shareholders' Equity

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

Fiscal Year Ended December 31, 2023

(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	5,132	60,762	(1,387)	69,706
Changes during the period					
Dividends from surplus			(9,101)		(9,101)
Net income attributable to owners of parent			7,423		7,423
Acquisition of treasury stock				(199)	(199)
Disposal of treasury stock		(50)		98	47
Transfer from retained earnings to capital surplus		50	(50)		―
Changes in items other than shareholders' equity (net)					
Total changes during the period	―	―	(1,728)	(101)	(1,829)
Balance at the end of current period	5,199	5,132	59,033	(1,488)	67,876

	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	26	6,962	6,989	3,257	79,952
Changes during the period					
Dividends from surplus					(9,101)
Net income attributable to owners of parent					7,423
Acquisition of treasury stock					(199)
Disposal of treasury stock					47
Transfer from retained earnings to capital surplus					―
Changes in items other than shareholders' equity (net)	6	2,709	2,716	247	2,964
Total changes during the period	6	2,709	2,716	247	1,134
Balance at the end of current period	33	9,672	9,705	3,505	81,087

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year Ended December 31, 2022	Year Ended December 31, 2023
I. Cash Flows from Operating Activities:		
Income before income taxes	13,143	11,154
Depreciation	4,758	4,881
Impairment loss	282	213
Amortization of goodwill	189	198
Increase (decrease) in allowance for doubtful accounts	7	4
Increase (decrease) in accrued bonuses to employees	(1)	(38)
Increase (decrease) in net defined benefit liability	59	3
Increase (decrease) in provision for share-based remuneration	(88)	(34)
Interest and dividend income	(199)	(269)
Interest expenses	94	98
Foreign exchange loss (gain)	85	(126)
Loss (gain) on sales of fixed assets	(5)	(6)
Loss on disposal of fixed assets	45	161
Decrease (increase) in notes and accounts receivable - trade	1,631	2,453
Decrease (increase) in inventories	(1,816)	2,544
Increase (decrease) in notes and accounts payable - trade	222	(2,073)
Increase (decrease) in accounts payable	(11)	(6)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(187)	(68)
Other	(395)	(269)
Subtotal	17,813	18,821
Interest and dividend income received	152	166
Interest expenses paid	(93)	(100)
Income taxes paid	(4,662)	(4,364)
Net Cash Provided by (Used in) Operating Activities	13,210	14,523
II. Cash Flows from Investing Activities:		
Purchase of tangible fixed assets	(5,315)	(5,484)
Proceeds from sales of tangible fixed assets	14	61
Purchase of intangible fixed assets	(249)	(166)
Purchase of investment securities	(1)	(1)
Purchase of insurance funds	(1)	(0)
Proceeds from cancellation of insurance funds	—	166
Payments for lease deposits	(38)	(27)
Collection of lease deposits	21	29
Other	(88)	(46)
Net Cash Provided by (Used in) Investing Activities	(5,659)	(5,467)

(Millions of yen)

	Year Ended December 31, 2022	Year Ended December 31, 2023
III. Cash Flows from Financing Activities:		
Increase in short-term loans payable	—	76
Payment of cash dividends	(8,974)	(9,109)
Dividends paid to non-controlling interests	(93)	(152)
Purchase of treasury stock	(0)	(199)
Proceeds from disposal of treasury stock	44	47
Other	(642)	(918)
Net Cash Provided by (Used in) Financing Activities	(9,666)	(10,256)
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	1,180	1,275
V. Net Increase (Decrease) in Cash and Cash Equivalents	(934)	74
VI. Cash and Cash Equivalents at Beginning of Period	35,218	34,283
VII. Cash and Cash Equivalents at End of Period	34,283	34,357

(5) Notes on Consolidated Financial Statements
(Notes Regarding Going Concern Assumptions)
Not applicable.

(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 previous fiscal year
Tangible and intangible fixed assets ¥32,441 million
Impairment loss ¥282 million
(2) Amount recorded in the consolidated financial statements for the fiscal year under review
Tangible and intangible fixed assets ¥33,436 million
Impairment loss ¥213 million
(3) 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.

2. Possibility of collecting deferred tax assets
(1) Amount recorded in the consolidated financial statements for the previous consolidated fiscal year
Deferred tax assets (net amount) ¥900 million
The amount prior to offsetting deferred tax liabilities is ¥1,311 million.
(2) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review
Deferred tax assets (net amount) ¥1,131 million
The amount prior to offsetting deferred tax liabilities is ¥1,707 million.
(3) 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.
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.

(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. The compensation is transferred or paid to directors.

(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 ¥433 million and number of shares was 102,956 at the end of the previous consolidated fiscal year, and ¥533 million and 169,948 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, South Korea, Taiwan, Hong Kong, the Philippines, and some other countries.

(iii) Singapore Business

This segment is engaged in the manufacture and sales of childcare products and feminine products in Singapore, Malaysia, India, Indonesia, Thailand, and some other countries.

(iv) Lansinoh Business

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

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

The accounting method for the reported business segments is in accordance with the accounting policies adopted to prepare consolidated financial statements.

3. Information Regarding Net Sales, Profit (Loss), Assets and Other Items in Each Reporting Segment
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	7,248	(7,248)	—
Total	36,323	34,776	14,153	16,917	102,170	(7,248)	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.

Fiscal Year Ended December 31, 2023

(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	35,027	32,310	8,650	18,472	94,461	–	94,461
Internal sales or exchange between segments	1,838	734	4,434	8	7,016	(7,016)	–
Total	36,865	33,045	13,085	18,480	101,477	(7,016)	94,461
Segment Profit	2,006	8,858	1,235	1,453	13,554	(2,828)	10,726
Segment Assets	27,548	16,653	9,599	11,264	65,066	35,373	100,440
Other Items							
Depreciation (Note 6)	1,105	1,584	1,116	495	4,301	579	4,881
Amortization of Goodwill	–	–	191	7	198	–	198
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note 7)	4,088	1,066	880	225	6,261	59	6,320

(Notes)
1. The negative amount of ¥2,828 million from adjustments in segment profit includes ¥194 million in elimination of intersegment transactions and negative ¥3,022 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
2. The amount of ¥35,373 million in adjustments in segment assets includes negative ¥1,311 million in eliminations of inter-segment transactions, and ¥36,685 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, 2022)	Current fiscal year (January 1 to December 31, 2023)
Net Assets per Share	¥640.96	¥648.73
Net Income per Share	¥71.72	¥62.06

(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 (102,956 shares for the previous fiscal year; 169,948 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 (108,469 shares for the previous fiscal year; 142,676 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, 2022)	Current fiscal year (January 1 to December 31, 2023)
Net Income Attributable to Owners of Parent (¥ millions)	8,581	7,423
Amount Not Attributable to Ordinary Shareholders (¥ millions)	—	—
Net Income Attributable to Owners of Parent Relating to Ordinary Shares (¥ millions)	8,581	7,423
Average Number of Ordinary Shares During the Term (shares)	119,651,570	119,617,076

(Material Subsequent Events)

Not applicable.