Summary of Financial Results
for the Fiscal Year Ended December 31, 2019
[Japanese Standards] (Consolidated)

February 13, 2020

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
Listings: First Section, Tokyo Stock Exchange
Website: www.pigeon.com
Representative: Norimasa Kitazawa (President and CEO)
Contact person: Tsutomu Matsunaga (Managing Officer, Business Strategy Division)/Tel: +81-3-3661-4204
Scheduled Date of Annual General Shareholders' Meeting: March 27, 2020
Scheduled Commencement Date of Dividend Payments: March 30, 2020
Scheduled Filing Date of Annual Securities Report: March 30, 2020
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, 2019 (February 1, 2019 to December 31, 2019)

(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, 2019	100,017	―	17,072	―	17,284	―	11,538	―
FY ended January 31, 2019	104,747	2.1	19,612	1.0	20,398	1.3	14,238	(1.9)

(Note) Comprehensive income: FY ended December 31, 2019 ¥12,253 million (1.2%)
FY ended January 31, 2019 ¥12,111 million (22.9% negative)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)	Return on Equity (%)	Total Assets/ Ordinary Income (%)	Operating Margin (%)
FY ended December 31, 2019	96.37	―	17.5	19.6	17.1
FY ended January 31, 2019	118.89	―	22.8	24.0	18.7

(Reference) Equity in earnings of affiliates: FY ended December 31, 2019 ¥― million
FY ended January 31, 2019 ¥― million

(Note) Pursuant to the approval of the "partial revision of the Articles of Incorporation" at the 62nd Ordinary General Meeting of Shareholders (fiscal year ended January 31, 2019) on April 25, 2019, the fiscal period has changed from the year ending January 31 to the year ending December 31, beginning with the consolidated accounting year under review. As such, in the consolidated accounting year under review, the transition period, the consolidation period for the Company and its Japanese subsidiaries that used to settle their accounts on January 31 shall be the 11-month period from February 1 to December 31, 2019. As such, year on year changes have not been included in the above table.
For overseas subsidiaries that currently settle their accounts on December 31, or that are doing so temporarily, the consolidation period shall continue to be the 12-month period from January 1 to December 31, 2019.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
FY ended December 31, 2019	90,491	70,463	74.8	565.64
FY ended January 31, 2019	85,618	66,582	75.0	536.43

(Reference) Shareholders' Equity: FY ended December 31, 2019 ¥67,722 million
FY ended January 31, 2019 ¥64,242 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, 2019	14,098	(3,995)	(8,734)	32,416
FY ended January 31, 2019	13,632	(4,704)	(8,338)	30,949

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 January 31, 2019	―	34.00	―	34.00	68.00	8,143	57.2	13.0
FY ended December 31, 2019	―	35.00	―	35.00	70.00	8,383	72.7	12.7
FY ending December 31, 2020 (Forecast)	―	36.00	―	36.00	72.00		68.4	

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(% 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	109,000	―	18,100	―	18,100	―	12,600	―	105.23

(Note) The consolidated accounting year under review is the 11 months from February 1, 2019 to December 31, 2019 due to the change in fiscal period. As such, year on year changes have not been included in the above table.

Notes

(1) Changes in major subsidiaries (or changes in specific subsidiaries that affect the scope of consolidation) during the period under review: None
New: ― (Company name: ―), Excluded: ― (Company name: ―)

(2) Changes in accounting policies, changes in accounting-based estimates, and restatements
1) Changes in accounting policies associated with revision of accounting standards: Yes
2) Changes in accounting policies other than the above 1): None
3) Changes in accounting-based estimates: None
4) Restatements: None
(Note) For details, please refer to "(5) Notes on Consolidated Financial Statements (Changes in Accounting Policies)" in "3. Consolidated Financial Statements and Main Notes" on page 15 of the Appendix.

(3) Number of outstanding shares (common stock)
1) Number of shares outstanding at the period-end (including treasury stock)
FY ended December 31, 2019: 121,653,486 shares
FY ended January 31, 2019: 121,653,486 shares
2) Amount of treasury stock at the period-end
FY ended December 31, 2019: 1,926,426 shares
FY ended January 31, 2019: 1,892,704 shares
3) Number of average shares outstanding during the period
FY ended December 31, 2019: 119,740,515 shares
FY ended January 31, 2019: 119,760,958 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 (33,600 shares as of FY ended December 31, 2019). 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 5 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

The consolidated accounting year under review is the 11 months from February 1, 2019 to December 31, 2019 due to the change in fiscal period. As such, year on year comparisons have not been included in this statement.

1) Performance Overview

During the consolidated accounting year under review, despite weaknesses in exports and other areas, Japan's economy accomplished a gradual recovery overall, lifted by steady improvement in the employment and income environments and a rally in personal consumption. Vigilance remains in order, however, in view of consumer trends following the hike in the consumption-tax rate, etc. In the global economy, a mood of uncertainty persisted amid economic trends such as trade friction, prospects in the Chinese economy, the UK's withdrawal from the EU, etc., as well as the effects of fluctuations in the financial and capital markets, etc.
Amid such economic circumstances, the Group developed the Sixth Medium-Term Business Plan (for the period between the fiscal year ended January 2018 and the fiscal year ended December 2019), under the slogan of "Building our dreams into the future – by creating a bridge towards the Global Number One manufacturer of baby products –," and has made efforts toward our further growth in the final year of this plan. In addition, we have set the following three basic strategies that would help us to expand the Group's business and improve its management quality.

1) Based on the Pigeon Way, create and implement all kinds of measures to achieve the goal of becoming 'an indispensable company' for the society and make our Vision "to be the baby product manufacturer most trusted by the world's babies and families, i.e. 'Global Number One'" come true.
2) A further increase in corporate value will be pursued through improvement in profitability and efficiency of the business, and maximization of cash flows. The organizational structure, management system and governance system will also be put in place and reinforced to ensure sustainable growth from a medium to long-term perspective.
3) During the three years of the Sixth Medium-Term Business Plan, invest management resources giving priority to the key products and carry out strategic investments, laying solid foundations for the double-digit growth of Pigeon Group in the future.

During the consolidated period under review, we implemented a range of strategies for each of our businesses and functions on the basis of the above business policies. As the result, net sales amounted to ¥100,017 million. Regarding earnings, operating income was ¥17,072 million, ordinary income was at ¥17,284 million, and net income attributable to owners of parent was ¥11,538 million.
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:
・1US$: 109.02 yen (110.43 yen)
・1 CNY: 15.77 yen (16.70 yen)
Note: Figures in parentheses represent the exchange rate in the previous fiscal year.

2) Segment Review

This report consists of information from six Group reporting segments: the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, China Business, Singapore Business and Lansinoh Business.
Business results for each segment are as follows.

Domestic Baby & Mother Care Business

Net sales of the segment amounted to ¥30,813 million, due in part to a contraction in demand from inbound tourism, especially during the second half. Segment profit amounted to ¥4,697 million.

In this segment, in August we launched the “caboo” series of baby slings. These slings, originally developed in the UK, are made from a soft material that gently fits babies’ bodies. The slings enable babies to be held in an elevated position on the parent’s body, thus reducing pressure on the shoulders and hips. We also launched the “filbaby” series of baby skincare products in this month. We focused on the “Filaggrin,” a substance that has gained attention for its role in supporting the barrier function in the protein of the skin’s horny layer. To achieve further sales reinforcement, in October we opened the Pigeon Official Online Shop and Pigeon Official Rakuten Store. These online stores provide official e-commerce websites where consumers can shop for Pigeon products conveniently and with confidence.

Moreover, during this fiscal year, we have held a number of events planned as a part of our direct communications program such as our “Breastfeeding Seminar” for expecting mothers and health care professionals, organized 32 times. A total of approximately 3,000 people have participated. On "Pigeon Info," a website that supports women during pregnancy, in childbirth, and when raising children, we will continue to make improvements toward a better customer experience, including updating the product lineup.

Child Care Service Business

Net sales of the segment amounted to ¥3,492 million, and segment profit was ¥49 million.

It should be also noted that as of March 2018, the bulk outsourcing agreement for childcare hospital centers under the National Hospital Organization (Incorporated Administrative Agency) expired, but during the consolidated fiscal year under review, we have been providing services to a total of seventy-four facilities, and shall continue to develop this business further from now on striving to improve the quality of the content we offer.

Health & Elder Care Business

Net sales of the segment amounted to ¥6,546 million, and segment profit was ¥386 million.

In this segment, in February we launched “ProFitCare,” a new series which emphasizes maintaining the sitting posture of nursing care facility users. We also launched the “Sanitary Care Inspired by Nursing Series,” skin care products which help keep people clean even when they are unable to take a bath. We will continue to focus on further strengthening our sales activities toward retail stores and nursing care facilities, and will implement thorough measures to ensure that the quality of our nursing care services, etc., is improved.

China Business

Net sales of the segment amounted to ¥36,824 million, and segment profit was ¥12,483 million.

In this segment, sales of core products such as nursing bottles and nipples remained strong, and sales of goods such as breast pumps and laundry products also expanded steadily.

We will continue to strengthen our efforts focused on the e-commerce market, which is continuing to expand; leverage social media to invigorate direct communication with consumers; reinforce sales promotions at stores and promote distribution of new products; and continue to implement offline sales activities at hospitals and maternity clinics. In these ways we aim to broaden contact points with customers and expand our operations.

Singapore Business

In this segment, net sales amounted to ¥11,482 million. Segment profit was ¥2,007 million thanks to the improvement of gross profit margin, as well as the effective use of selling, general and administrative expenses.

In ASEAN, the Middle East and India, we will expand the development and introduction of products targeted for middle-class customers in this region while continuing vigorous sales and marketing activities to endeavor to boost our brand presence in these areas.

Lansinoh Business
Net sales of the segment amounted to ¥13,213 million, and segment profit was ¥1,784 million.
In North America, sales of breast pumps through DME (Durable Medical Equipment) Channel trended favorably. We plan to work toward further sales strengthening and expansion in this market with the development and introduction of a stream of fresh products. Sales also advanced in the China market (Lansinoh Laboratories Shanghai) and in Europe. We will continue to reinforce e-commerce, bolstering marketing activities and strengthening our brands in an effort for further expansion of operations.

Other Businesses
Net sales of the segment amounted to ¥1,343 million, and segment profit was ¥72 million.

(2) Overview of Financial Position for the Term Under Review
1) Assets
As of December 31, 2019, total assets amounted to ¥90,491 million, up ¥4,873 million from the previous consolidated fiscal year ended January 31, 2019.
Current assets had an increase of ¥3,731 million, and fixed assets had an increase of ¥1,141 million.
Current assets increased mainly due to increases in cash and deposits of ¥1,467 million, in notes and accounts receivable – trade of ¥1,583 million, and in merchandise and finished goods of ¥784 million.
Fixed assets increased mainly due to an increase in construction in progress of ¥546 million.

2) Liabilities
As of December 31, 2019, total liabilities amounted to ¥20,028 million, up ¥991 million from the previous consolidated fiscal year ended January 31, 2019. Current liabilities had an increase of ¥15 million, while fixed liabilities had an increase of ¥976 million.
Current liabilities increased mainly due to increases in notes and accounts payable – trade of ¥332 million and in other current liabilities of ¥1,041 million, despite decreases in accounts payable of ¥702 million and in income taxes payable of ¥678 million.
Fixed liabilities increased mainly due to an increase in other fixed liabilities of ¥1,086 million, despite a decrease in provision for directors and corporate auditors' retirement benefits of ¥599 million.

3) Net Assets
As of December 31, 2019, total net assets amounted to ¥70,463 million, up ¥3,881 million from the previous consolidated fiscal year ended January 31, 2019.
This increase resulted mainly from increases in retained earnings of ¥3,275 million and in foreign currency translation adjustment of ¥338 million.

(3) Overview of Cash Flows for the Term Under Review
As of December 31, 2019, cash and cash equivalents (hereinafter referred to as "net cash") amounted to ¥32,416 million, up ¥1,467 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities
Net cash provided by operating activities amounted to ¥14,098 million, up from ¥13,632 million of the previous year. This increase is mainly due to ¥17,104 million in income before income taxes, ¥3,276 million in depreciation, and an ¥896 million increase in notes and accounts payable – trade. Contrasting factors included a ¥1,791 million increase in notes and accounts receivable – trade, a ¥713 million increase in inventories, and ¥5,854 million in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥3,995 million, down from ¥4,704 million of the previous year. This is mainly due to ¥3,413 million in purchases of tangible fixed assets and ¥606 million in purchase of intangible fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥8,734 million, up from ¥8,338 million of the previous year. This is mainly due to ¥8,230 million in payment of cash dividends.

Cash flow indicators of the Group are shown below.

	FY ended January 31, 2018	FY ended January 31, 2019	FY ended December 31, 2019
Equity Ratio (%)	72.2	75.0	74.8
Equity Ratio based on Market Price (%)	607.1	593.1	539.8
Debt Repayment Term (years)	0.0	0.0	0.1
Interest Coverage Ratio (times)	1,523.8	6,779.1	272.8

- 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

For the Seventh Medium-Term Business Plan (for the period between the fiscal year ending December 2020 and the fiscal year ending December 2022), the Group will further develop and enhance its business operating system, while pursuing the improvement of management quality and steadily implementing the measures grounded on the newly formulated strategies for each business segment and the functional strategy that serves as the foundation thereof.

In the Japan Business, we aim to improve our market share in existing categories and to develop new product categories. In the overseas market, which the Company has particularly singled out for continued growth, the Company will further promote a three-division organizational framework, consisting of the China Business, Singapore Business and Lansinoh Business. To secure still further improvements in business results, we are working hard to promote fast decision-making in the operations of each business, expand and deepen our presence in existing overseas markets, and advance dynamically into new markets.

In addition, the Company will further strengthen its Group-wide head-office functions at Global Head Office (GHO) to enhance enterprise value. As part of this, it will 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 improved communication with GHO, propelling the Group onto a stable, long-term growth arc.

(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 policy is to actively return income 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. In addition to strengthening our financial position, we effectively use retained earnings in a number of ways to fortify our operational base and improve future Group earnings. These include investing in new businesses for further growth and research and development, as well as investing in production

facilities to strengthen our corporate brand, raise production capacity, reduce costs, and enhance product quality.
With respect to targets of shareholder return, under the Sixth Medium-Term Business Plan (for the period between the fiscal year ended January 2018 and the fiscal year ended December 2019) announced in March 2017, we aim to increase dividends every fiscal year compared to previous year. We are also targeting a consolidated total shareholder return of 55%. To this end, we have sought to further strengthen and upgrade measures for returning profits to all shareholders.
The distribution of dividends in the period under review reflects the above policies and targets. The Group distributed an interim dividend of ¥35 per share (ordinary dividend of ¥35). For the year-end dividend, the Group forecasts a dividend of ¥35 per share (ordinary dividend of ¥35). As a result, the annual dividend for the term under review will total ¥70 per share (ordinary dividend of ¥70), a per share increase by ¥2 from the previous year.
The annual dividend for the next term will total ¥72 per share, a per share increase of ¥2 from the term under review based on the targets of shareholder return (increase dividends every fiscal year compared to previous year and a consolidated total shareholder return of 55%) set out under the Seventh Medium-Term Business Plan announced today.

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 taking into consideration various circumstances in Japan and overseas.

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

(Millions of yen)

	At January 31, 2019	At December 31, 2019
ASSETS		
I. Current Assets:		
Cash and deposits	30,949	32,416
Notes and accounts receivable - trade	15,004	16,588
Merchandise and finished goods	7,360	8,144
Work in process	405	400
Raw materials and supplies	2,839	2,666
Receivables	778	723
Other current assets	1,062	1,210
Allowance for doubtful accounts	(197)	(216)
Total Current Assets	58,201	61,933
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures	15,362	16,697
Accumulated depreciation and accumulated impairment loss	(8,672)	(9,639)
Buildings and structures, net	6,689	7,058
Machinery, equipment and vehicles	18,019	18,932
Accumulated depreciation	(11,821)	(12,887)
Machinery, equipment and vehicles, net	6,198	6,044
Tools, furniture and fixtures	6,642	7,330
Accumulated depreciation and accumulated impairment loss	(5,007)	(5,378)
Tools, furniture and fixtures, net	1,634	1,952
Land	5,577	5,865
Construction in progress	1,026	1,573
Total Tangible Fixed Assets	21,127	22,494
2. Intangible Fixed Assets:		
Goodwill	1,000	867
Software	463	2,484
Software in progress	2,200	—
Other intangible fixed assets	558	511
Total Intangible Fixed Assets	4,223	3,863
3. Investments and Other Assets:		
Investment securities	889	950
Bankruptcy claims	3	0
Deferred tax assets	565	594
Insurance reserve	177	165
Other	434	491
Allowance for doubtful accounts	(5)	(0)
Total Investments and Other Assets	2,066	2,200
Total Fixed Assets	27,417	28,558
Total Assets	85,618	90,491

(Millions of yen)

	At January 31, 2019	At December 31, 2019
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,567	4,900
Electronically recorded obligations - operating	1,960	2,009
Accounts payable	3,363	2,660
Income taxes payable	1,951	1,272
Accrued bonuses to employees	972	928
Provision for sales returns	32	41
Provision for loss on litigation	—	8
Other current liabilities	2,775	3,817
Total Current Liabilities	15,623	15,638
II. Fixed Liabilities:		
Deferred tax liabilities	2,359	2,642
Net defined benefit liability	309	417
Provision for share-based remuneration	—	98
Provision for directors and corporate auditors' retirement benefits	599	—
Other fixed liabilities	144	1,231
Total Fixed Liabilities	3,412	4,389
Total Liabilities	19,036	20,028
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,179	5,179
Retained earnings	55,704	58,979
Treasury stock	(951)	(1,088)
Total Shareholders' Equity	65,131	68,269
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	21	25
Foreign currency translation adjustment	(910)	(572)
Total Accumulated Other Comprehensive Income	(888)	(547)
III. Non-controlling Interests	2,339	2,741
Total Net Assets	66,582	70,463
Total Liabilities and Net Assets	85,618	90,491

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

(Millions of yen)

	Year Ended January 31, 2019	Year Ended December 31, 2019
I. Net Sales	104,747	100,017
II. Cost of Sales	50,882	49,207
Gross profit	53,865	50,809
Reversal of provision for sales returns	35	31
Provision for sales returns	42	40
Adjusted gross profit	53,858	50,800
III. Selling, General and Administrative Expenses	34,246	33,727
Operating Income	19,612	17,072
IV. Non-operating Income:		
Interest income	228	171
Dividend income	18	15
Foreign exchange gains	108	―
Subsidy income	650	759
Other non-operating income	289	190
Total Non-operating Income	1,295	1,136
V. Non-operating Expenses:		
Interest expenses	2	51
Sales discounts	452	233
Foreign exchange losses	―	596
Other non-operating expenses	54	42
Total Non-operating Expenses	509	924
Ordinary Income	20,398	17,284
VI. Extraordinary Income:		
Gain on sales of fixed assets	131	7
Gain on sales of investment securities	112	113
Total Extraordinary Income	243	121
VII. Extraordinary Loss:		
Loss on sales of fixed assets	7	9
Loss on disposal of fixed assets	278	100
Impairment loss	93	189
Loss on sales of golf club memberships	―	1
Total Extraordinary Loss	379	300
Income before Income Taxes	20,262	17,104
Income taxes - current	5,794	5,067
Income taxes - deferred	(127)	267
Total Corporate Income Tax	5,667	5,335
Net Income	14,594	11,769
Net Income Attributable to Non-controlling Interests	356	230
Net Income Attributable to Owners of Parent	14,238	11,538

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Year Ended January 31, 2019	Year Ended December 31, 2019
Net Income	14,594	11,769
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(22)	3
Foreign currency translation adjustment	(2,460)	479
Total Other Comprehensive Income	(2,483)	483
Comprehensive Income	12,111	12,253
(Breakdown)		
Comprehensive income on parent company	11,814	11,880
Comprehensive income on non-controlling interests	296	372

(3) Statement of Changes in Consolidated Shareholders' Equity

Fiscal Year Ended January 31, 2019

(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	49,729	(949)	59,158
Changes during the period					
Dividends from surplus			(8,263)		(8,263)
Net income attributable to owners of parent			14,238		14,238
Acquisition of treasury stock				(1)	(1)
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	—	5,974	(1)	5,972
Balance at the end of current period	5,199	5,179	55,704	(951)	65,131

	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	44	1,490	1,534	2,119	62,812
Changes during the period					
Dividends from surplus					(8,263)
Net income attributable to owners of parent					14,238
Acquisition of treasury stock					(1)
Changes in items other than shareholders' equity (net)	(22)	(2,400)	(2,423)	220	(2,202)
Total changes during the period	(22)	(2,400)	(2,423)	220	3,770
Balance at the end of current period	21	(910)	(888)	2,339	66,582

Fiscal Year Ended December 31, 2019

(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	55,704	(951)	65,131
Changes during the period					
Dividends from surplus			(8,263)		(8,263)
Net income attributable to owners of parent			11,538		11,538
Acquisition of treasury stock				(137)	(137)
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	—	3,275	(137)	3,138
Balance at the end of current period	5,199	5,179	58,979	(1,088)	68,269

	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	21	(910)	(888)	2,339	66,582
Changes during the period					
Dividends from surplus					(8,263)
Net income attributable to owners of parent					11,538
Acquisition of treasury stock					(137)
Changes in items other than shareholders' equity (net)	3	338	341	401	743
Total changes during the period	3	338	341	401	3,881
Balance at the end of current period	25	(572)	(547)	2,741	70,463

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year Ended January 31, 2019	Year Ended December 31, 2019
I. Cash Flows from Operating Activities:		
Income before income taxes	20,262	17,104
Depreciation	2,638	3,276
Impairment loss	93	189
Amortization of goodwill	166	181
Increase (decrease) in allowance for doubtful accounts	(25)	16
Increase (decrease) in accrued bonuses to employees	(47)	(37)
Increase (decrease) in net defined benefit liability	28	88
Increase (decrease) in provision for directors and corporate auditors' retirement benefits	82	(599)
Increase (decrease) in provision for share-based remuneration	—	98
Interest and dividend income	(246)	(187)
Interest expenses	2	51
Foreign exchange loss (gain)	65	0
Loss (gain) on sales of fixed assets	(123)	1
Loss on disposal of fixed assets	278	100
Decrease (increase) in notes and accounts receivable - trade	646	(1,791)
Decrease (increase) in inventories	(2,300)	(713)
Increase (decrease) in notes and accounts payable - trade	(70)	896
Loss (gain) on sales of investment securities	(112)	(113)
Increase (decrease) in accounts payable	196	(317)
Increase (decrease) in accrued consumption taxes	(391)	(79)
Decrease (increase) in claims provable in bankruptcy/rehabilitation	6	3
Other	(1,263)	1,631
Subtotal	19,887	19,803
Interest and dividend income received	238	171
Interest expenses paid	(2)	(22)
Income taxes paid	(6,491)	(5,854)
Net Cash Provided by (Used in) Operating Activities	13,632	14,098
II. Cash Flows from Investing Activities:		
Purchase of tangible fixed assets	(3,686)	(3,413)
Proceeds from sales of tangible fixed assets	453	71
Purchase of intangible fixed assets	(1,704)	(606)
Purchase of investment securities	(1)	(157)
Proceeds from sales of investment securities	212	209
Purchase of insurance funds	(0)	(0)
Proceeds from maturity of insurance funds	—	12
Payments of loans receivable	(1)	—
Collection of loans receivable	6	—
Payments for lease deposits	(39)	(9)
Collection of lease deposits	101	9
Other	(44)	(111)
Net Cash Provided by (Used in) Investing Activities	(4,704)	(3,995)

(Millions of yen)

	Year Ended January 31, 2019	Year Ended December 31, 2019
III. Cash Flows from Financing Activities:		
Payment of cash dividends	(8,260)	(8,230)
Dividends paid to non-controlling interests	(75)	(121)
Purchase of treasury stock	(1)	(137)
Other	―	(245)
Net Cash Provided by (Used in) Financing Activities	(8,338)	(8,734)
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	(986)	98
V. Net Increase (Decrease) in Cash and Cash Equivalents	(397)	1,467
VI. Cash and Cash Equivalents at Beginning of Period	31,346	30,949
VII. Cash and Cash Equivalents at End of Period	30,949	32,416

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

(Changes in Accounting Policies)
(Application of IFRS 16, "Leases")
From the beginning of the consolidated fiscal year under review, the Pigeon Group applies IFRS 16, "Leases," the new lease accounting standard published by the International Accounting Standards Board (IASB). This accounting change does not apply to Pigeon Corporation and its subsidiaries in Japan, which apply Japanese accounting standards, or to Pigeon subsidiaries in the United States, which apply US accounting standards. With this accounting change, in principle lessees recognize assets and liabilities with respect to all leases.
Effects of this accounting change on the financial condition and business results of the Group are negligible.

(Changes in Presentation Methods)
(Application of the Partial Revision of Accounting Standards Regarding Tax-effect Accounting, etc.)
From the beginning of the consolidated fiscal year under review, the Pigeon Group applies the Partial Revision of Accounting Standards Regarding Tax-effect Accounting, etc. (Corporate Accounting Standard No. 28, February 16, 2018). Under this partial revision, Deferred Tax Assets are appropriated under Investments and Other Assets and Deferred Tax Liabilities are appropriated under Fixed Liabilities.

(Additional Information)
(Change of Consolidated Closing Date)
Our consolidated closing date used to be January 31. However, the decision was made at the 62nd Ordinary General Meeting of Shareholders (fiscal year ended January 31, 2019) on April 25, 2019, to change the consolidated closing date to December 31. This is intended to help promote our global business operations and improve the transparency of corporate information by unifying the fiscal period with our overseas consolidated subsidiaries.
As a result of this change, the consolidated accounting year has changed to the 11 months from February 1, 2019 to December 31, 2019.
In the consolidated accounting year under review, the transition period, the consolidation period for the Company and its Japanese subsidiaries that used to settle their accounts on January 31 shall be the 11-month period from February 1 to December 31, 2019.
For overseas subsidiaries that currently settle their accounts on December 31, or that are doing so temporarily, the consolidation period shall continue to be the 12-month period from January 1 to December 31.

(BIP Trust System for Compensation of Directors)
Pursuant to a resolution of the 62nd Ordinary General Meeting of Shareholders (fiscal year ended January 31, 2019), convened on April 25, 2019, Pigeon introduced a performance share plan for directors (not including outside directors). The purpose of this system is to clarify the relationship between directors' compensation and the Group's business results and shareholder value and to

enhance awareness of contributions to the improvement of the business results of the Group and the expansion of its enterprise value over the medium-to-long term.

(1) Overview of the BIP trust system for compensation of directors

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

(2) Company shares remaining in the trust

Company shares remaining in the trust are appropriated as treasury stock in net assets, based on the book value of the trust (not including the amounts of incidental expenses). The book value of the treasury stock in question as of the end of the fiscal year under review is ¥136 million and the number of shares is 33,600 shares.

(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 Company separates sales of principally nursing products into domestic and overseas sales and, in addition, is engaged in providing sales and services relating to health care and nursing care, services relating to supporting childcare. The Company has established business headquarters along products, services, and regions.

This report consists of information from six Group reporting segments: the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, China Business, Singapore Business and Lansinoh Business.

(i) Domestic Baby & Mother Care Business

This segment is engaged in the manufacture and sales of childcare products and feminine products in Japan.

(Principal Products) Breastfeeding-related products, weaning-related products, skincare products, wet tissues, baby foods, baby outing products, feminine care products (supplements, maternity products), other

(ii) Child Care Service Business

This segment is engaged in provision of child care services in Japan.

(Principal Services) Operation and contracting of nursery facilities, operation of preschool educational facilities, babysitter dispatch services, other

(iii) Health & Elder Care Business

This segment is engaged in the manufacture and sales of health care products and nursing care products as well as provision of nursing care services in Japan.

(Principal Products) Incontinence protection products, skincare products, wet tissues, wheel chairs, products for nursing care facilities, nursing care support services, other

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

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

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

2. Calculation Method for the Values in Segmental Sales, Profits or Losses, Assets and Other Items
The methodology adopted in calculating the segmental sales, profits or losses, assets and other items is generally the same as in “Basis for Preparing Consolidated Financial Statements”.

3. Information Regarding Net Sales, Profit (Loss), Assets and Other Items in Each Reporting Segment
Fiscal Year Ended January 31, 2019

(Millions of yen)

	Reporting Segment							Other Businesses (Note) 1	Total	Adjustments (Note) 2 (Note) 3 (Note) 4 (Note) 5	Amount Accounted on Consolidated Financial Statements (Note) 6
	Domestic Baby & Mother Care Business	Child Care Service Business	Health & Elder Care Business	China Business	Singapore Business	Lansinoh Business	Subtotal				
Net Sales											
Net sales to external customers	35,593	4,472	6,986	35,411	8,262	12,618	103,344	1,402	104,747	―	104,747
Internal sale or exchange between segments	―	―	―	170	3,871	135	4,176	―	4,176	(4,176)	―
Total	35,593	4,472	6,986	35,581	12,133	12,753	107,521	1,402	108,924	(4,176)	104,747
Segment Profit	6,096	169	353	11,972	2,744	1,576	22,912	142	23,054	(3,442)	19,612
Segment Assets	14,857	973	3,596	26,645	15,921	5,915	67,910	1,306	69,216	16,402	85,618
Other Items											
Depreciation (Note) 7	596	27	108	757	802	119	2,411	48	2,460	178	2,638
Amortization of Goodwill	―	―	―	―	159	6	166	―	166	―	166
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note) 8	1,018	32	207	1,225	953	307	3,743	66	3,810	1,565	5,376

(Notes)

1. "Other" represents a business segment not included in the reporting segments and principally covers manufacture and sales by manufacturing subsidiaries of the company for sales outside the Group.
2. The negative amount of ¥3,442 million from adjustments in segment profit includes negative ¥17 million in elimination of intersegment transactions, and negative ¥3,424 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
3. The amount of ¥16,402 million in adjustments in segment assets includes negative ¥1,232 million in eliminations of inter-segment transactions, and ¥17,634 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.
4. Depreciation adjustments are depreciations relating the entire company assets.
5. Adjustments of increase in tangible fixed assets and intangible fixed assets relate to the entire company assets.
6. Segment profit has been adjusted with the operating income in the consolidated financial statements.
7. Amortization relating to long term pre-paid expenses are included in the depreciation.
8. Increases in tangible fixed assets and intangible fixed assets include increases in long term pre-paid expenses.
9. From the beginning of the consolidated first quarter of this fiscal year, the Pigeon Group applies the Partial Revision of Accounting Standards Regarding Tax-effect Accounting, etc. (Corporate Accounting Standard No. 28, February 16, 2018). Under this partial revision, segment assets pertaining to the previous consolidated fiscal year are indicated as an amount following the retrospective application of these accounting standards.

Fiscal Year Ended December 31, 2019

(Millions of yen)

	Reporting Segment							Other Businesses (Note) 1	Total	Adjustments (Note) 2 (Note) 3 (Note) 4 (Note) 5	Amount Accounted on Consolidated Financial Statements (Note) 6
	Domestic Baby & Mother Care Business	Child Care Service Business	Health & Elder Care Business	China Business	Singapore Business	Lansinoh Business	Subtotal				
Net Sales											
Net sales to external customers	30,813	3,492	6,546	36,724	8,050	13,045	98,673	1,343	100,017	―	100,017
Internal sale or exchange between segments	―	―	―	99	3,432	168	3,700	―	3,700	(3,700)	―
Total	30,813	3,492	6,546	36,824	11,482	13,213	102,373	1,343	103,717	(3,700)	100,017
Segment Profit	4,697	49	386	12,483	2,007	1,784	21,409	72	21,481	(4,408)	17,072
Segment Assets	15,484	897	3,492	27,629	16,389	6,867	70,762	1,301	72,063	18,428	90,491
Other Items											
Depreciation (Note) 7	651	21	102	1,020	858	130	2,785	53	2,838	568	3,406
Amortization of Goodwill	―	―	―	―	175	6	181	―	181	―	181
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note) 8	756	8	79	1,395	1,145	323	3,707	45	3,753	306	4,059

(Notes)
1. "Other" represents a business segment not included in the reporting segments and principally covers manufacture and sales by manufacturing subsidiaries of the company for sales outside the Group.
2. The negative amount of ¥4,408 million from adjustments in segment profit includes negative ¥84 million in elimination of intersegment transactions, and negative ¥4,324 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
3. The amount of ¥18,428 million in adjustments in segment assets includes negative ¥899 million in eliminations of inter-segment transactions, and ¥19,328 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.
4. Depreciation adjustments are depreciations relating the entire company assets.
5. Adjustments of increase in tangible fixed assets and intangible fixed assets relate to the entire company assets.
6. Segment profit has been adjusted with the operating income in the consolidated financial statements.
7. Amortization relating to long term pre-paid expenses are included in the depreciation.
8. Increases in tangible fixed assets and intangible fixed assets include increases in long term pre-paid expenses.

(Per Share Information)

	Previous fiscal year (February 1, 2018 to January 31, 2019)	Current fiscal year (February 1, 2019 to December 31, 2019)
Net Assets per Share	¥536.43	¥565.64
Net Income per Share	¥118.89	¥96.37

(Notes) 1. With respect to Diluted Net Income per Share, there are no latent shares, thus, has not been disclosed.
2. The basis for the calculation of the Net Income per Share is as follows.

	Previous fiscal year (February 1, 2018 to January 31, 2019)	Current fiscal year (February 1, 2019 to December 31, 2019)
Net Income Attributable to Owners of Parent (¥ millions)	14,238	11,538
Amount Not Attributable to Ordinary Shareholders (¥ millions)	—	—
Net Income Attributable to Owners of Parent Relating to Ordinary Shares (¥ millions)	14,238	11,538
Average Number of Shares During the Term (shares)	119,760,958	119,740,515

(Material Subsequent Events)

(Changes to Segment Divisions)
In the consolidated accounting year under review, there were six Group reporting segments: the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, China Business, Singapore Business and Lansinoh Business. However, as a result of the reorganization of December 16, 2019, these will change from the following consolidated accounting year to the following four reporting segments: Japan Business, China Business, Singapore Business and Lansinoh Business. Please note that manufacturing and sales business conducted outside the Group through production subsidiaries in Japan included in the classification of "Other" in the consolidated accounting year under review will be integrated into the Japan Business segment from the following consolidated accounting year.
Information regarding net sales and profit in each reporting segment for the consolidated accounting year under review in the reporting segments following these changes is as follows.

Fiscal Year Ended December 31, 2019

(Millions of yen)

	Reporting Segment				Total	Adjustments (Note) 1	Amount Accounted on Consolidated Financial Statements (Note) 2
	Japan Business	China Business	Singapore Business	Lansinoh Business			
Net Sales							
Net sales to external customers	42,193	36,728	8,050	13,045	100,017	—	100,017
Internal sale or exchange between segments	2,367	621	5,537	169	8,696	(8,696)	—
Total	44,560	37,350	13,588	13,214	108,713	(8,696)	100,017
Segment Profit	4,084	12,685	1,965	1,823	20,559	(3,486)	17,072

(Notes)
1. The negative amount of ¥3,486 million from adjustments in segment profit includes negative ¥44 million in elimination of intersegment transactions, and negative ¥3,441 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
2. Segment profit has been adjusted with the operating income in the consolidated financial statements.