Summary of Financial Results
for the Fiscal Year Ended December 31, 2021
[Japanese Standards] (Consolidated)

February 15, 2022

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: Nobuo Takubo (Managing Officer, Business Strategy Division Manager)/Tel: +81-3-3661-4204
Scheduled Date of Annual General Shareholders' Meeting: March 30, 2022
Scheduled Commencement Date of Dividend Payments: March 31, 2022
Scheduled Filing Date of Annual Securities Report: March 31, 2022
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, 2021 (January 1 to December 31, 2021)

(1) Consolidated Operating Results (cumulative)

(Millions of yen, rounded down, % figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY ended December 31, 2021	93,080	(6.3)	13,336	(12.9)	14,648	(9.1)	8,785	(17.5)
FY ended December 31, 2020	99,380	―	15,316	―	16,113	―	10,643	―

(Note) Comprehensive income: FY ended December 31, 2021 ¥12,994 million (16.8%)
FY ended December 31, 2020 ¥11,129 million (―%)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)	Return on Equity (%)	Total Assets/ Ordinary Income (%)	Operating Margin (%)
FY ended December 31, 2021	73.44	―	12.2	15.3	14.3
FY ended December 31, 2020	88.93	―	15.5	17.5	15.4

(Reference) Equity in earnings of affiliates: FY ended December 31, 2021 ¥― million
FY ended December 31, 2020 ¥― million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
FY ended December 31, 2021	98,042	76,810	75.4	642.04
FY ended December 31, 2020	93,472	72,625	74.8	607.06

(Reference) Shareholders' Equity: FY ended December 31, 2021 ¥73,885 million
FY ended December 31, 2020 ¥69,903 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, 2021	10,893	(5,593)	(8,693)	35,218
FY ended December 31, 2020	18,400	(3,815)	(9,231)	37,050

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, 2020	―	36.00	―	36.00	72.00	8,622	81.0	12.5
FY ended December 31, 2021	―	37.00	―	37.00	74.00	8,862	100.9	12.3
FY ending December 31, 2022 (Forecast)	―	38.00	―	38.00	76.00		95.8	

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending December 31, 2022 (January 1 to December 31, 2022)

(% figures denote year-on-year change from the previous term)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	98,700	6.0	14,200	6.5	14,300	(2.4)	9,500	8.1	79.41

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

(3) Number of outstanding shares (common stock)
1) Number of shares outstanding at the period-end (including treasury stock)
FY ended December 31, 2021: 121,653,486 shares
FY ended December 31, 2020: 121,653,486 shares
2) Amount of treasury stock at the period-end
FY ended December 31, 2021: 2,018,072 shares
FY ended December 31, 2020: 2,017,880 shares
3) Average number of shares outstanding during the period
FY ended December 31, 2021: 119,635,533 shares
FY ended December 31, 2020: 119,675,451 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 (124,800 shares as of FY ended December 31, 2021; 124,800 shares as of FY ended December 31, 2020). Company shares held by the BIP trust for compensation of directors are also included in the treasury stock subtracted in the calculation of the average number of shares outstanding during the period.

* 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.

Table of Contents of the Appendix

1. Overview of Management Results and Related Matters

(1) Overview of Management Results for the Term Under Review

1) Performance Overview

During the consolidated accounting year under review, Japan's economy showed some movement toward a recovery amidst the gradual relaxation of tough conditions due to the impact of COVID-19. In the global economy including Japan, although there is gradual normalization of socioeconomic activities, there are still intermittent resurgences of the COVID-19 virus and lockdowns (city closures), and it is still impossible to predict when COVID-19 will end. Consequently, we predict that uncertainty regarding the future of the economy will continue for the time being.

Amid such circumstances, the Group has established three basic strategies (brand strategy, core product strategy, and regional strategy) in our Seventh Medium-Term Business Plan (for the period between the fiscal year ended December 2020 and the fiscal year ending December 2022) that was formulated in February 2020. In the second year of the Plan, we implemented various measures for business growth, as well as to realize our purpose which is "we want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs."

During the consolidated period under review, due to the application of the Accounting Standard for Revenue Recognition, etc., and due to the continued direct and indirect impact of the spread of COVID-19 on markets, net sales amounted to ¥93,080 million (down 6.3% YOY). Regarding earnings, in addition to a decrease in sales, the Group actively used sales promotion expenses, advertising expenses, etc., in conjunction with the launch of new products, and incurred higher research and development expenses aimed at enhancing product appeal in the future. As a result, operating income was ¥13,336 million (down 12.9% YOY), ordinary income was at ¥14,648 million (down 9.1% YOY), and net income attributable to owners of parent was ¥8,785 million (down 17.5% YOY).

Furthermore, as a change in accounting policies, the Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the beginning of the consolidated fiscal year under review. For this reason, the year-on-year comparison uses numbers based on different calculation methods. For details, please refer to "(5) Notes on Consolidated Financial Statements (Change in Accounting Policy)" in "3. Consolidated Financial Statements and Main Notes."

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$: 109.85 yen (106.77 yen)

・1 CNY: 17.03 yen (15.47 yen)

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

2) Segment Review

From the fiscal year ended December 31, 2020, the Group has a total of four reporting segments: the Japan Business, China Business, Singapore Business, and Lansinoh Business.

An outline of each segment is given below.

Due to the application of the Accounting Standard for Revenue Recognition from the beginning of the consolidated fiscal year under review, the year-on-year comparison for the Japan Business and China Business segments uses numbers based on different calculation methods. For details, please refer to "(5) Notes on Consolidated Financial Statements (Segment Information)" in "3. Consolidated Financial Statements and Main Notes."

Japan Business

This segment consists of businesses such as the Baby Care Business, Child Care Service Business, and Health & Elder Care Business. Due to factors such as application of the Accounting Standard for Revenue Recognition, net sales for the entire segment amounted to ¥38,264 million (down 14.9%

YOY). Segment profit was ¥2,065 million (down 31.3% YOY) due to factors such as a decrease in gross profit caused by the decline in net sales.
In the category of childcare and feminine products, net sales were down year-on-year. This was due to factors such as the complete lack of inbound demand from foreign visitors to Japan, special demand for cleaning/sterilization-related products, wet wipes, etc., due to COVID-19 having run its course, and the subsequent waves of COVID-19 throughout Japan. On the other hand, sales continued to be strong for breast pumps, which is an area of focus by the Group. In July, we released the bouncer “Wuggy,” which brings even greater happiness to family time spent at home and cultivates a circle of family happiness. Then, in September, we released “BASIS Polka Dot Denim” as the fifth edition of the extremely popular stroller series BASIS, which can only be purchased at select stores. Wuggy and BASIS Polka Dot Denim have been extremely well received. Next, in December, in order to support the newly started childcare life, we started provision of the childcare and housework sharing support app “My Home Torisetsu,” which uses videos, images, and texts to share with partners the different childcare and housework methods of each household. In this way, we worked to expand both products and services.
As part of our initiatives for direct communication, during the consolidated fiscal year under review, the Group held joint seminars with our business partners and performed SNS live streaming to convey the features of our products in an easy-to-understand manner. The streamed content was viewed by a total of more than 5,000 people. We also streamed the breastfeeding seminar “Oppai College” for pregnant mothers and received online participation from more than 1,300 women.
In order to alleviate the anxiety of mothers and fathers in the era of living with COVID-19, we are continuing to enhance support content through our website and SNS. We will also continue to make further improvements according to the needs of our customers in the contents of “Pigeon Info,” which is a website that supports women during pregnancy, childbirth, and childcare.
In the category of products for health and elder care, net sales decreased year-on-year due to factors such as the special demand for hygiene management products from last year having run its course, and a revision of our product lineup. We renewed the Group’s oral care series as the “Clean Smile Series” and released products in February 2021. In August, we released the new food-thickening agent “Liquid Thickener— Simply Add,” which allows users to enjoy the original flavor and appearance of their meal. In this way, we are actively launching new products. Moving forward, we will implement thorough measures such as further strengthening sales activities at retail stores and nursing care facilities, and improving the quality of nursing care services.
Regarding child care service, during the consolidated fiscal year under review, we currently provide services at 64 in-company child-care facilities, and shall continue to develop this business further while striving to improve the quality of service content.

China Business
Due to factors such the application of the Accounting Standard for Revenue Recognition, etc., net sales in this segment amounted to ¥37,239 million (down 1.3% YOY), while segment profit decreased to ¥11,792 million (down 6.4% YOY).
Net sales decreased year-on-year on a local currency basis due to factors such as a lull in last year’s high demand in mainland China and the remaining impact of COVID-19 at brick-and-mortar stores. In September, we renewed the nursing bottle series “Shizen Jikkan” (product name in Japan: “Bonyu Jikkan®”) which was born from more than 60 years of baby nursing research and possesses the largest market share in Japan and China (according to survey by Pigeon). We started pre-sale of the new series starting from the Chinese market. Sales of skin care products increased steadily due to factors such as the launch of a series focusing on hot spring ingredients and the renewal of existing products.
Profits in the China Business decreased year-on-year due to changes in our product sales composition ratio, efforts for strengthening our brand, and aggressive activities and cost investment including strengthened sales in the rapidly growing area of e-commerce and increased sales at

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

Singapore Business
In this segment, net sales amounted to ¥12,619 million (up 3.6% YOY), and segment profit was ¥1,811 million (up 10.0% YOY).
The ASEAN region and India in which this segment does business continues to be significantly compacted by the spread of COVID-19; for example, business activities are restricted due to a state of emergency being declared in various regions and cities being locked down. Furthermore, there are sluggish sales of products exported to the Middle East and Southeast Asia. Such factors have created tough conditions in the segment. In terms of products, in the skin care category that is an area of focus by the Group, we released the new skin care series “Natural Botanical” in August. This environmentally-friendly series has 90% or more of its ingredients derived from plants and recycled materials are used for a portion of the containers. Moving forward, we will continue to promote the development and launch of products for the upper-middle class, and actively develop sales and marketing activities with the aim of achieving market penetration for the Group brands.

Lansinoh Business
In this segment, net sales amounted to ¥13,320 million (up 6.8% YOY), and segment profit was ¥953 million (down 30.4% YOY).
In North America and Europe, as COVID-19 spread, sales in the e-commerce channel were strong and net sales increased year-on-year. Particularly, in North America, although product arrivals and shipments continued to be delayed due to disruptions in logistics, sales were strong for nipple care creams and the new product category of products for care before and after childbirth.
Profits were down year-on-year due to the continued increases of distribution costs such as marine transportation as well as to active utilization of selling, general and administrative expenses such as research and development expenses aimed at the launch of new products. Moving forward, in order to further expand business in Europe, China, and other regions in addition to North America, the Group is implementing initiatives such as enhancing our product lineup, strengthening e-commerce, implementing marketing activities, and engaging in brand strengthening activities.

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

(Assets)
As of December 31, 2021, total assets amounted to ¥98,042 million, up ¥4,570 million from the previous consolidated fiscal year ended December 31, 2020.
Current assets had an increase of ¥1,023 million, and fixed assets had an increase of ¥3,547 million. Current assets increased mainly due to increases in notes and accounts receivable - trade of ¥1,167 million, in merchandise and finished goods of ¥466 million, and in raw materials and supplies of ¥590 million, despite a decrease in cash and deposits of ¥1,944 million.
Fixed assets increased mainly due to a ¥1,913 million increase in buildings and structures included in tangible fixed assets, a ¥565 million increase in tools, furniture and fixtures, a ¥1,262 million increase in land, despite a ¥282 million decrease in software included in intangible fixed assets.

(Liabilities)
As of December 31, 2021, total liabilities amounted to ¥21,232 million, up ¥385 million from the previous consolidated fiscal year ended December 31, 2020. Current liabilities had a decrease of ¥592

million, while fixed liabilities had an increase of ¥978 million.
Current liabilities decreased mainly due to decreases in notes and accounts payable - trade of ¥670 million, in accounts payable of ¥474 million, and in income taxes payable of ¥725 million, despite increases in accrued expenses of ¥360 million and in other current liabilities of ¥1,067 million.
Fixed liabilities increased mainly due to increases in deferred tax liabilities of ¥178 million and in other fixed liabilities of ¥654 million.

(Net Assets)
As of December 31, 2021, total net assets amounted to ¥76,810 million, up ¥4,184 million from the previous consolidated fiscal year ended December 31, 2020.
This increase resulted mainly from increases in retained earnings of ¥43 million and in foreign currency translation adjustment of ¥3,935 million.

(3) Overview of Cash Flows for the Term Under Review
As of December 31, 2021, cash and cash equivalents (hereinafter referred to as "net cash") amounted to ¥35,218 million, down ¥1,832 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities
Net cash provided by operating activities amounted to ¥10,893 million, down from ¥18,400 million of the previous year. Factors increasing operating cash flows included ¥13,531 million in income before income taxes, ¥3,997 million in depreciation, and a ¥469 million decrease in notes and accounts receivable - trade. Contrasting factors included a ¥1,511 million decrease in notes and accounts payable - trade, a ¥466 million increase in inventories, and ¥5,565 million in income taxes paid.

Cash Flows from Investing Activities
Net cash used in investing activities totaled ¥5,593 million, up from ¥3,815 million of the previous year. This is mainly due to ¥5,659 million in purchase of tangible fixed assets and ¥234 million in purchase of intangible fixed assets.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥8,693 million, down from ¥9,231 million of the previous year. This is mainly due to ¥8,741 million in payment of cash dividends.

Cash flow indicators of the Group are shown below.

	FY ended December 31, 2019	FY ended December 31, 2020	FY ended December 31, 2021
Equity Ratio (%)	74.8	74.8	75.4
Equity Ratio based on Market Price (%)	539.8	544.6	268.2
Debt Repayment Term (years)	0.1	0.1	0.2
Interest Coverage Ratio (times)	272.8	564.8	137.1

- 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 is implementing the measures grounded on the three themes and business strategies stated in the Seventh Medium-Term Business Plan (for the period between the fiscal year ended December 2020 and the fiscal year ending December 2022).

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 Group has particularly singled out for continued growth, the Group 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, advance dynamically into new markets, and expand product lineups in accordance with each market.

In addition, the Group 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 improve communication with GHO, propelling the Group onto a stable, long-term growth arc.

In regards to the Seventh Medium-Term Business Plan (for the period between the fiscal year ended December 2020 and the fiscal year ending December 2022) which we announced on February 13, 2020, we revised quantitative targets on February 10, 2021 based on performance for the fiscal year ended December 31, 2020 and changes in the COVID-19 pandemic.

In regards to the Group's business performance forecasts for the fiscal year ending December 31, 2022 that we announced on February 15, 2022, based on performance in the fiscal year under review, net sales are ¥98,700 million, operating income is ¥14,200 million, ordinary income is ¥14,300 million, and net income attributable to owners of parent is ¥9,500 million.

(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 Seventh Medium-Term Business Plan (for the period between the fiscal year ended December 2020 and the fiscal year ending December 2022) announced in February 2020, 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 ¥37 per share (ordinary dividend of ¥37). For the year-end dividend, the Group forecasts a dividend of ¥37 per share (ordinary dividend of ¥37). As a result, the annual dividend for the term under review will total ¥74 per share (ordinary dividend of ¥74), a per share increase by ¥2 from the previous year.

The annual dividend for the next term will total ¥76 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.

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, 2020	At December 31, 2021
ASSETS		
I. Current Assets:		
Cash and deposits	37,163	35,218
Notes and accounts receivable - trade	15,085	16,253
Merchandise and finished goods	8,256	8,723
Work in process	350	623
Raw materials and supplies	2,768	3,359
Receivables	746	809
Other current assets	1,037	1,461
Allowance for doubtful accounts	(178)	(194)
Total Current Assets	65,231	66,254
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures	17,482	20,389
Accumulated depreciation and accumulated impairment loss	(10,270)	(11,263)
Buildings and structures, net	7,212	9,125
Machinery, equipment and vehicles	19,313	21,085
Accumulated depreciation	(13,390)	(15,301)
Machinery, equipment and vehicles, net	5,923	5,784
Tools, furniture and fixtures	7,576	8,877
Accumulated depreciation and accumulated impairment loss	(5,493)	(6,228)
Tools, furniture and fixtures, net	2,083	2,649
Land	6,009	7,272
Construction in progress	2,034	2,261
Total Tangible Fixed Assets	23,262	27,093
2. Intangible Fixed Assets:		
Goodwill	647	534
Software	2,047	1,765
Other intangible fixed assets	263	272
Total Intangible Fixed Assets	2,957	2,572
3. Investments and Other Assets:		
Investment securities	687	532
Deferred tax assets	684	922
Insurance reserve	165	165
Other	483	502
Allowance for doubtful accounts	(0)	(0)
Total Investments and Other Assets	2,020	2,122
Total Fixed Assets	28,241	31,788
Total Assets	93,472	98,042

(Millions of yen)

	At December 31, 2020	At December 31, 2021
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,757	4,087
Electronically recorded obligations - operating	1,670	1,623
Accounts payable	2,727	2,253
Accrued expenses	1,648	2,009
Income taxes payable	1,906	1,180
Accrued bonuses to employees	952	882
Provision for expenses related to voluntary product recall	—	18
Provision for sales returns	53	—
Provision for loss on litigation	7	9
Other current liabilities	1,939	3,006
Total Current Liabilities	15,664	15,072
II. Fixed Liabilities:		
Deferred tax liabilities	3,031	3,209
Net defined benefit liability	440	478
Provision for share-based remuneration	205	313
Other fixed liabilities	1,503	2,157
Total Fixed Liabilities	5,181	6,159
Total Liabilities	20,846	21,232
NET ASSETS		
I. Shareholders’ Equity:		
Capital stock	5,199	5,199
Capital surplus	5,179	5,179
Retained earnings	61,120	61,163
Treasury stock	(1,478)	(1,479)
Total Shareholders’ Equity	70,020	70,062
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	13	16
Foreign currency translation adjustment	(129)	3,805
Total Accumulated Other Comprehensive Income	(116)	3,822
III. Non-controlling Interests	2,722	2,925
Total Net Assets	72,625	76,810
Total Liabilities and Net Assets	93,472	98,042

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

(Millions of yen)

	Year Ended December 31, 2020	Year Ended December 31, 2021
I. Net Sales	99,380	93,080
II. Cost of Sales	49,450	49,008
Gross profit	49,929	44,072
Reversal of provision for sales returns	38	―
Provision for sales returns	47	―
Adjusted gross profit	49,921	44,072
III. Selling, General and Administrative Expenses	34,605	30,735
Operating Income	15,316	13,336
IV. Non-operating Income:		
Interest income	156	179
Dividend income	104	126
Subsidy income	727	722
Foreign exchange gains	―	131
Other non-operating income	418	268
Total Non-operating Income	1,406	1,427
V. Non-operating Expenses:		
Interest expenses	32	79
Sales discounts	236	―
Foreign exchange losses	271	―
Other non-operating expenses	69	35
Total Non-operating Expenses	608	115
Ordinary Income	16,113	14,648
VI. Extraordinary Income:		
Gain on sales of fixed assets	4	10
Gain on sales of investment securities	33	54
Total Extraordinary Income	38	65
VII. Extraordinary Loss:		
Loss on sales of fixed assets	36	5
Loss on disposal of fixed assets	63	59
Impairment loss	16	229
Expenses related to voluntary product recall	26	885
Loss on sales of shares of subsidiaries and associates	167	―
Loss on sales of golf club memberships	4	―
Loss on sales of investment securities	―	3
Total Extraordinary Loss	315	1,182
Income before Income Taxes	15,836	15,531
Income taxes - current	4,715	4,690
Income taxes - deferred	261	(138)
Total Corporate Income Tax	4,976	4,552
Net Income	10,860	8,979
Net Income Attributable to Non-controlling Interests	216	193
Net Income Attributable to Owners of Parent	10,643	8,785

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Year Ended December 31, 2020	Year Ended December 31, 2021
Net Income	10,860	8,979
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(12)	3
Foreign currency translation adjustment	282	4,012
Total Other Comprehensive Income	269	4,015
Comprehensive Income	11,129	12,994
(Breakdown)		
Comprehensive income on parent company	11,072	12,719
Comprehensive income on non-controlling interests	56	274

(3) Statement of Changes in Consolidated Shareholders' Equity

Fiscal Year Ended December 31, 2020

(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	58,979	(1,088)	68,269
Changes during the period					
Dividends from surplus			(8,503)		(8,503)
Net income attributable to owners of parent			10,643		10,643
Acquisition of treasury stock				(389)	(389)
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	—	2,140	(389)	1,750
Balance at the end of current period	5,199	5,179	61,120	(1,478)	70,020

	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	25	(572)	(547)	2,741	70,463
Changes during the period					
Dividends from surplus					(8,503)
Net income attributable to owners of parent					10,643
Acquisition of treasury stock					(389)
Changes in items other than shareholders' equity (net)	(12)	442	430	(18)	411
Total changes during the period	(12)	442	430	(18)	2,162
Balance at the end of current period	13	(129)	(116)	2,722	72,625

Fiscal Year Ended December 31, 2021

(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	61,120	(1,478)	70,020
Changes during the period					
Dividends from surplus			(8,742)		(8,742)
Net income attributable to owners of parent			8,785		8,785
Acquisition of treasury stock				(0)	(0)
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	—	43	(0)	42
Balance at the end of current period	5,199	5,179	61,163	(1,479)	70,062

	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	13	(129)	(116)	2,722	72,625
Changes during the period					
Dividends from surplus					(8,742)
Net income attributable to owners of parent					8,785
Acquisition of treasury stock					(0)
Changes in items other than shareholders' equity (net)	3	3,935	3,939	203	4,142
Total changes during the period	3	3,935	3,939	203	4,184
Balance at the end of current period	16	3,805	3,822	2,925	76,810

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year Ended December 31, 2020	Year Ended December 31, 2021
I. Cash Flows from Operating Activities:		
Income before income taxes	15,836	13,531
Depreciation	3,815	3,997
Impairment loss	16	229
Amortization of goodwill	157	164
Increase (decrease) in allowance for doubtful accounts	(29)	(3)
Increase (decrease) in accrued bonuses to employees	53	(106)
Increase (decrease) in net defined benefit liability	47	32
Increase (decrease) in provision for share-based remuneration	107	108
Interest and dividend income	(260)	(305)
Interest expenses	32	79
Foreign exchange loss (gain)	20	(11)
Loss (gain) on sales of fixed assets	31	(5)
Loss on disposal of fixed assets	63	59
Decrease (increase) in notes and accounts receivable - trade	1,351	469
Decrease (increase) in inventories	(42)	(466)
Increase (decrease) in notes and accounts payable - trade	(260)	(1,511)
Loss (gain) on sales of investment securities	134	(50)
Increase (decrease) in accounts payable	88	(789)
Increase (decrease) in accrued consumption taxes	233	(425)
Decrease (increase) in claims provable in bankruptcy/rehabilitation	0	—
Other	1,058	1,220
Subtotal	22,456	16,216
Interest and dividend income received	279	305
Interest expenses paid	(12)	(63)
Income taxes paid	(4,322)	(5,565)
Net Cash Provided by (Used in) Operating Activities	18,400	10,893
II. Cash Flows from Investing Activities:		
Purchase of tangible fixed assets	(3,601)	(5,659)
Proceeds from sales of tangible fixed assets	24	29
Purchase of intangible fixed assets	(222)	(234)
Purchase of investment securities	(2)	(1)
Proceeds from sales of investment securities	130	213
Purchase of insurance funds	(0)	(0)
Payments for lease deposits	(22)	(13)
Collection of lease deposits	17	19
Payments into time deposits	(115)	—
Proceeds from withdrawal of time deposits	—	112
Proceeds from sales of shares of subsidiaries and associate	8	—
Other	(31)	(59)
Net Cash Provided by (Used in) Investing Activities	(3,815)	(5,593)

(Millions of yen)

	Year Ended December 31, 2020	Year Ended December 31, 2021
III. Cash Flows from Financing Activities:		
Payment of cash dividends	(8,517)	(8,741)
Dividends paid to non-controlling interests	(76)	(74)
Purchase of treasury stock	(389)	(0)
Other	(247)	122
Net Cash Provided by (Used in) Financing Activities	(9,231)	(8,693)
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	(718)	1,560
V. Net Increase (Decrease) in Cash and Cash Equivalents	4,634	(1,832)
VI. Cash and Cash Equivalents at Beginning of Period	32,416	37,050
VII. Cash and Cash Equivalents at End of Period	37,050	35,218

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

(Change in Accounting Policy)
(Application of the Accounting Standard for Revenue Recognition, etc.)
The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition") from the beginning of the consolidated fiscal year under review. In accordance with the Accounting Standard for Revenue Recognition, when control of a promised good or service is transferred to the customer, revenue will be recognized at the amount expected to be received in exchange for the good or service.
As a result, a portion of the sales promotion expenses, etc., which were previously recorded in selling, general and administrative expenses, and sales discounts, which were recorded in non-operating expenses, have been deducted from net sales. Furthermore, regarding the provision for sales returns that was previously recorded as current liabilities based on the amount equivalent to gross profit, we changed to a method that does not recognize the net sales and the amount equivalent to cost of sales for products that are expected to be returned. Refund liabilities are included in "Other current liabilities" and refund assets are included in "Other current assets."
When applying the Accounting Standard for Revenue Recognition, etc., we comply with the transitional treatment stipulated in the provisions of Paragraph 84 of the Standard. The cumulative impact of retroactively applying the new accounting policy prior to the beginning of consolidated fiscal year under review is added or subtracted to the retained earnings at the beginning of the consolidated fiscal year under review and the new accounting policy is applied from the beginning balance. However, there is no effect on the beginning balance.
As a result, for the consolidated fiscal year under review, net sales decreased by ¥5,219 million, cost of sales increased by ¥1 million, selling, general and administrative expenses decreased by ¥4,981 million, non-operating income decreased by ¥0 million, and non-operating expenses decreased by ¥239 million. Consequently, gross profit decreased by ¥5,220 million, and operating income decreased by ¥239 million. However, there was no effect on ordinary income or income before income taxes.
In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, we do not list information related to revenue recognition for the previous consolidated fiscal year.

(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 fiscal year under review

Tangible and intangible fixed assets	¥29,665 million
Impairment loss	¥229 million

(2) 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.
The threat of COVID-19 is highly uncertain due to the progress of vaccination in Japan and overseas, and concerns about the spread of variants. If the pandemic is prolonged in the future, global economic activity will be stagnant, which would cause changes in the assumed conditions or assumptions, such as a decrease in net sales. Such events may affect the financial condition, operating results, and cash flow conditions in the next consolidated fiscal year.

2. Possibility of collecting deferred tax assets
(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

Deferred tax assets (net amount)	¥922 million yen

The amount prior to offsetting deferred tax liabilities is ¥1,297 million.
(2) 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.
The threat of COVID-19 is highly uncertain due to the progress of vaccination in Japan and overseas, and concerns about the spread of variants. If the pandemic is prolonged in the future, global economic activity will be stagnant, which would cause changes in the assumed conditions or assumptions, such as a decrease in net sales. Such events may affect the financial condition, operating results, and cash flow conditions in the next consolidated fiscal year.
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.

(Change in Presentation Method)
(Application of the Accounting Standard for Disclosure of Accounting Estimates)
The Group applies the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31; March 31, 2020) from the consolidated financial statements for the end of the current consolidated fiscal year, and lists notes related to important accounting estimates in the consolidated financial statements.
However, in accordance with the transitional treatment stipulated in the provisions of Paragraph 11 of the Accounting Standard for Disclosure of Accounting Estimates, we do not list content related to the previous consolidated fiscal year in the notes.

(Consolidated Balance Sheets)
In regards to the item “Accrued expenses” (¥1,648 million in the previous consolidated fiscal year) which was presented in “Other current liabilities” in the previous consolidated fiscal year, the importance of the amount increased and the item is now listed separately from the consolidated fiscal year under review.

(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. 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 was ¥525 million and number of shares was 124,800 at the end of the previous consolidated fiscal year, and ¥525 million and 124,800 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, Hong Kong, Russia, South Korea, Taiwan, and some other countries.

(iii) 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.

(iv) 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

1. Fiscal Year Ended December 31, 2020

(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	42,175	37,472	7,262	12,469	99,380	—	99,380
Internal sales or exchange between segments	2,801	259	4,921	4	7,986	(7,986)	—
Total	44,977	37,732	12,184	12,473	107,367	(7,986)	99,380
Segment Profit	3,008	12,600	1,647	1,370	18,627	(3,310)	15,316
Segment Assets	22,781	15,808	9,147	6,164	53,901	39,570	93,472
Other Items							
Depreciation (Note 6)	992	1,140	940	174	3,247	567	3,815
Amortization of Goodwill	—	—	151	6	157	—	157
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note 7)	671	1,436	1,735	158	4,002	182	4,185

(Notes)

1. The negative amount of ¥3,310 million from adjustments in segment profit includes ¥31 million in elimination of intersegment transactions and negative ¥3,342 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
2. The amount of ¥39,570 million in adjustments in segment assets includes negative ¥1,682 million in eliminations of inter-segment transactions, and ¥41,253 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.

1. Fiscal Year Ended December 31, 2021

(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	35,313	36,959	7,507	13,300	93,080	－	93,080
Internal sales or exchange between segments	2,950	280	5,112	20	8,363	(8,363)	－
Total	38,264	37,239	12,619	13,320	101,444	(8,363)	93,080
Segment Profit	2,065	11,792	1,811	953	16,623	(3,286)	13,336
Segment Assets	22,952	20,785	9,747	7,700	61,186	36,856	98,042
Other Items							
Depreciation (Note 6)	1,023	1,222	965	204	3,416	581	3,997
Amortization of Goodwill	－	－	157	6	164	－	164
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note 7)	2,457	2,506	1,128	527	6,619	115	6,735

(Notes)
1. The negative amount of ¥3,286 million from adjustments in segment profit includes negative ¥72 million in elimination of intersegment transactions and negative ¥3,213 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
2. The amount of ¥36,856 million in adjustments in segment assets includes negative ¥1,959 million in eliminations of inter-segment transactions, and ¥38,815 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.

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

(Application of the Accounting Standard for Revenue Recognition, etc.)

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

As a result, when compared to the previous method of accounting treatment, in the consolidated fiscal year under review, segment net sales decreased by ¥3,145 million in the Japan Business segment and decreased by ¥2,073 million in the China Business segment. Also, segment profit decreased by ¥239 million in the Japan Business segment.

(Per Share Information)

	Previous fiscal year (February 1 to December 31, 2020)	Current fiscal year (January 1 to December 31, 2021)
Net Assets per Share	¥607.6	¥642.4
Net Income per Share	¥88.93	¥73.44

(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 (124,800 shares for the previous fiscal year; 124,800 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 (85,180 shares for the previous fiscal year; 124,800 shares for the current fiscal year).
3. The basis for the calculation of the net income per share is as follows.

	Previous fiscal year (February 1 to December 31, 2020)	Current fiscal year (January 1 to December 31, 2021)
Net Income Attributable to Owners of Parent (¥ millions)	10,643	8,785
Amount Not Attributable to Ordinary Shareholders (¥ millions)	—	—
Net Income Attributable to Owners of Parent Relating to Ordinary Shares (¥ millions)	10,643	8,785
Average Number of Ordinary Shares During the Term (shares)	119,675,451	119,635,533

(Material Subsequent Events)

Not applicable.