

Summary of Financial Results for the Third Quarter of Fiscal Year Ending December 2023 [Japanese Standards] (Consolidated)

November 8, 2023

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
 Listing: Prime Market, Tokyo Stock Exchange
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 Scheduled Filing Date of Quarterly Report: November 9, 2023
 Scheduled Commencement Date of Dividend Payments: —
 Preparation of Any Additional Explanatory Materials for Quarterly Financial Results: Yes
 Holding of Any Briefing Session for Quarterly Financial Results: Yes (For analysts and institutional investors)

1. Consolidated Business Performance for the First Three Quarters of Fiscal Year Ending December 31, 2023 (January 1 to September 30, 2023)

(1) Consolidated Operating Results (cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
3Q ended September 30, 2023	72,942	3.2%	10,183	11.9%	11,149	3.5%	7,281	4.8%
3Q ended September 30, 2022	70,707	1.8%	9,103	(12.8)%	10,774	(8.5)%	6,948	(3.3)%

(Note) Comprehensive income: 3Q ended September 30, 2023 ¥11,858 million (10.4% negative)
 3Q ended September 30, 2022 ¥13,232 million (40.6%)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)
3Q ended September 30, 2023	60.86	—
3Q ended September 30, 2022	58.07	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
3Q ended September 30, 2023	105,432	82,414	74.8
FY ended December 31, 2022	101,733	79,952	75.4

(Reference) Shareholders' Equity: 3Q ended September 30, 2023 ¥78,865 million
 FY ended December 31, 2022 ¥76,695 million

2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended December 31, 2022	—	38.00	—	38.00	76.00
FY ending December 31, 2023	—	38.00	—		
FY ending December 31, 2023 (Forecast)				38.00	76.00

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

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending December 31, 2023 (January 1 to December 31, 2023)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	100,000	5.3	12,400	1.7	12,400	(7.9)	8,100	(5.6)	67.70

(Note) Revision of forecasts from the most recent announcement: None

Notes

(1) Changes in major subsidiaries (or changes in specific subsidiaries that affect the scope of consolidation) during the period under review: None

New: — (Company name: —), Excluded: — (Company name: —)

(2) Application of any accounting procedures specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting-based estimates, and restatements

1) Changes in accounting policies associated with revision of accounting standards: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

3Q ended September 30, 2023: 121,653,486

FY ended December 31, 2022: 121,653,486

2) Amount of treasury stock at the period-end

3Q ended September 30, 2023: 2,063,781

FY ended December 31, 2022: 1,996,488

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

3Q ended September 30, 2023: 119,626,300

3Q ended September 30, 2022: 119,649,732

(Note) Amount of treasury stock at the period-end includes Company shares held by the board incentive plan (BIP) trust for compensation of directors (169,948 shares as of 3Q ended September 30, 2023; 102,956 shares as of FY ended December 31, 2022). Company shares held by the BIP trust for compensation of directors are also included in the treasury stock subtracted in the calculation of the average number of shares outstanding during the period.

* Summaries of quarterly financial results are exempt from quarterly review by certified public accountants and auditing corporations.

* Cautionary Statement regarding Performance Forecasts

The forecasts and future projections stated in this report have been prepared on the basis of the information and assumption that shall be reasonable as of the date of announcement of this summary information, and the forecasts and future projections stated in this report are in no way intended as a promise of achievement as a company.

In addition, the actual results could differ significantly from forecast figures depending on a variety of factors. See the section “(3) Explanation of Consolidated Performance Forecast and Other Predictions” in “1. Qualitative Information Regarding the Financial Results for the Current Quarter” on page 4 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

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1. Qualitative Information Regarding the Financial Results for the Current Quarter

(1) Explanation of Business Performance

1) Performance Overview

During the consolidated first-nine-month period under review, both the Japanese and global economies proceeded on a recovery keynote, though challenges remained. The Japanese economy staged a gradual recovery. As restrictions on movement imposed in response to COVID-19 were eased, economic activity moved toward normalization and inflows of foreign tourists rose, supporting a recovery in personal consumption. In the global economy as well, a recovering trend was observed and is expected to continue. However, the effects of monetary tightening, as well as rising prices and fluctuations in financial and capital markets, fed lingering uncertainty about the near-term outlook.

Against this background, in February 2023 the Pigeon Group announced its Eighth Medium-Term Business Plan (covering the period from the fiscal year ending December 2023 through the fiscal year ending December 2025). To respond flexibly to a business environment that continues to change rapidly worldwide, thereby ensuring itself of sustainable growth, the Group is implementing three basic strategies (brand strategy, core product strategy and regional strategy). Guided by these strategies, the Group will focus on pursuing sustainable growth in existing business fields and on exploring and cultivating new growth fields where it can deploy its unique expertise, thereby proactively rebuilding its operating structure. Moreover, the Group will implement a range of measures to achieve its purpose, which is “to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs.”

Business results were favorable during the period under review. Buoyed by strong results in the Japan Business, China Business and Lansinoh Business, as well as depreciation in the Japanese yen, net sales improved to ¥72,942 million (up 3.2% YOY). This increase in revenue bolstered earnings, while marine shipping costs eased and the Group optimized its product sales ratio. These factors boosted gross profit margin by 2.3 points YOY, more than offsetting higher selling, general and administrative expenses. Operating income increased to ¥10,183 million (up 11.9% YOY), ordinary income grew to ¥11,149 million (up 3.5% YOY) and net income attributable to owners of parent advanced to ¥7,281 million (up 4.8% YOY).

The main exchange rates used in the preparation of this nine-month period's financial statements for the Company's overseas consolidated subsidiaries (revenues and expenses) are as follows:

- 1 US\$: 138.17 yen (128.31 yen)
- 1 CNY: 19.62 yen (19.38 yen)

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

2) Segment Review

The Group has a total of four reporting segments: the Japan Business, China Business, Singapore Business, and Lansinoh Business. An outline of each segment is given below.

Japan Business

This segment consists of businesses such as the Baby Care Business, Child Care Service Business, and Health & Elder Care Business. Net sales for the entire segment amounted to ¥27,572 million (up 3.2% YOY), and segment profit was ¥1,638 million (up 77.3% YOY).

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

series that enables mothers to repurpose the nursing bottles that are so filled with memories. In February and again in September, prices were revised on certain baby-related products, including nursing bottles, nipples and baby skincare products.

Pigeon conducted a number of initiatives in communications with consumers. The Company launched an occasional series on Insta Live that demonstrates the advantages of Pigeon products through direct interaction. Including archived material, the channel has been viewed by over 100,000 people since its inception. Pigeon also took steps to strengthen customer engagement. The Company launched Akachan to Sonae no Wa Suishin Project, which aims to keep babies safe when disasters strike and make urban environments more welcoming to babies. The project has earned endorsements from 32 local governments in 23 prefectures across Japan.

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

In products for health and elder care, Pigeon continued to burnish its Habinurse elder-care brand. The brand launched Liquid Thickener—Simply Add, a product that adjusts the viscosity of foodstuffs and can be used even in carbonated beverages. Also, in February and again in September, prices were revised on some health- and elder-care products.

Regarding child care service, we currently provide services at 61 in-company child-care facilities, and shall continue to develop this business further while striving to improve the quality of service content.

China Business

Net sales in this segment amounted to ¥27,301 million (up 4.1% YOY), and segment profit was ¥8,613 million (up 6.3% YOY).

In mainland China, net sales were little changed YOY in local-currency terms. While net sales of nursing bottles and nipples, our mainstay products, were strong, sales of consumables struggled. Net sales in the third quarter (July to September 2023) were affected by a rebound from the same period of the previous fiscal year, when China was recovering from lockdowns imposed in Shanghai.

As part of efforts to respond to China's declining birthrate, the Group made concerted efforts to extend the utility of many products to older children. The Group expanded sales of not only core baby products but also the Shizen Rinyu Series of nursing bottles for older babies, launched in June 2023, and skincare products for children, rolled out at the end of 2022. In consumer communications, the Group took a number of steps to drive sustained business growth. The Group strengthened sales through Douyin, the mainland China version of the short-video platform TikTok, and made active use of digital marketing tools such as social media and live broadcasts. The Group also reinforced sales promotions at bricks-and-mortar stores and activities at hospitals and maternity clinics.

In South Korea, where Group operations are managed through this segment, the Pigeon Group began reorganizing its distribution framework in the consolidated first-nine-month period under review. Using local sales subsidiaries as its base, the Group is strengthening sales and marketing efforts in South Korea, seeking to attract new customers and reinforce relationships with existing customers. Finally, the Group continued to strengthen efforts to boost sales of baby products under the Pigeon brand in the North American market.

Singapore Business

Net sales of the segment amounted to ¥10,118 million (down 6.1% YOY), and segment profit was ¥1,225 million (down 38.1% YOY).

This segment is responsible for operations in the ASEAN region and India. Net sales declined YOY amid a rebound and related shipping adjustments from the rapid recovery of the previous year, as

COVID-19-related restrictions were lifted in major markets. In Singapore, the Group reinforced sales of core products. Leading products in this effort included nursing bottles made with T-Ester, a new material as transparent as glass, and the Natural Botanical Baby skin-care series, produced with natural ingredients to be gentle on babies' skin and friendly to the environment. The Group will continue to advance the development and launch of products for the upper-middle class and higher income brackets and conduct active deployment of sales and marketing activities with the aim of achieving market penetration for Group brands.

Lansinoh Business

Net sales of the segment amounted to ¥13,651 million (up 10.2% YOY), and segment profit increased to ¥881 million (up 84.8% YOY).

In North America, a vital market for this segment, net sales retreated YOY in local-currency terms. Shipping delays with major business partners in the consolidated second quarter were resolved. However, market competition for consumables intensified and special demand for our breastfeeding-related products ran its course, following the end of a shortage of powdered-milk supplies in the United States. In contrast, net sales advanced in Europe, notably in Germany and the United Kingdom, paced by nipple creams, a core product line. In August the Group conducted the North American launch of Wearable Breast Pump, a product worn under clothing to enable comfortable, hands-free pumping of breast milk. Sales in both Europe and North America were favorable for prenatal and postnatal care products, a new category. The Group will expand its mainstay line of products to support breastfeeding and expand products in new categories, while striving to bolster its e-commerce presence and brand.

(2) Explanation of Financial Position

(Assets)

As of September 30, 2023, our Group recorded total assets of ¥105,432 million, up ¥3,698 million from the previous consolidated fiscal year ended December 31, 2022. Current assets increased by ¥946 million, and fixed assets increased by ¥2,752 million.

Current assets increased mainly due to increases in notes and accounts receivable - trade of ¥2,824 million and in merchandise and finished goods of ¥738 million, despite a decrease in cash and deposits of ¥3,180 million.

Fixed assets increased mainly due to an increase in buildings and structures of ¥4,109 million, despite a decrease in other tangible fixed assets of ¥1,235 million.

(Liabilities)

As of September 30, 2023, our Group recorded total liabilities of ¥23,017 million, up ¥1,236 million from the previous consolidated fiscal year ended December 31, 2022. Current liabilities increased by ¥847 million, and fixed liabilities increased by ¥389 million.

Current liabilities increased mainly due to an increase in other current liabilities of ¥885 million.

Fixed liabilities increased mainly due to an increase in other fixed liabilities of ¥406 million.

(Net Assets)

As of September 30, 2023, our Group recorded total net assets of ¥82,414 million, up ¥2,461 million from the previous consolidated fiscal year ended December 31, 2022.

Net assets increased mainly due to an increase in foreign currency translation adjustment of ¥4,137 million, despite a decrease in retained earnings of ¥1,871 million.

(3) Explanation of Consolidated Performance Forecast and Other Predictions

The Group's performance forecast for the full fiscal year ending December 31, 2023 is unchanged from the forecast announced when the Group announced its results for the fiscal year ended December 31, 2022, on February 14, 2023.

In the consolidated fourth quarter (October to December 2023), the Group will bring forward and redouble efforts to achieve stable business growth in mainland China, a key market for Pigeon.

Challenging conditions are expected to persist there, including a declining birthrate, slowing economic growth, uncertainty in consumption trends and other market factors. In the Singapore Business, Lansinoh Business and Japan Business, the Group will implement resolute and vigorous measures to achieve sustained growth in the following and subsequent years, including reinforced efforts to promote sales of new products.

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

(Millions of yen)

	At December 31, 2022	At September 30, 2023
ASSETS		
I. Current Assets:		
Cash and deposits	34,283	31,103
Notes and accounts receivable - trade	15,975	18,799
Merchandise and finished goods	10,529	11,267
Work in process	632	606
Raw materials and supplies	4,156	4,136
Other current assets	1,793	2,434
Allowance for doubtful accounts	(226)	(258)
Total Current Assets	67,143	68,089
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures, net	10,499	14,608
Land	7,559	7,707
Other tangible fixed assets, net	12,074	10,838
Total Tangible Fixed Assets	30,132	33,154
2. Intangible Fixed Assets:		
Goodwill	380	279
Other intangible fixed assets	1,928	1,522
Total Intangible Fixed Assets	2,308	1,801
3. Investments and Other Assets:		
Other	2,149	2,392
Allowance for doubtful accounts	(0)	(4)
Total Investments and Other Assets	2,149	2,387
Total Fixed Assets	34,590	37,343
Total Assets	101,733	105,432
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	5,066	4,290
Electronically recorded obligations - operating	1,542	1,530
Short-term borrowings	—	72
Income taxes payable	989	1,229
Accrued bonuses to employees	920	1,359
Provision for loss on litigation	7	6
Other current liabilities	7,036	7,921
Total Current Liabilities	15,563	16,410
II. Fixed Liabilities:		
Net defined benefit liability	566	597
Provision for share-based remuneration	225	176
Other fixed liabilities	5,425	5,832
Total Fixed Liabilities	6,217	6,607
Total Liabilities	21,781	23,017

(Millions of yen)

	At December 31, 2022	At September 30, 2023
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,132	5,132
Retained earnings	60,762	58,890
Treasury stock	(1,387)	(1,488)
Total Shareholders' Equity	69,706	67,733
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	26	32
Foreign currency translation adjustment	6,962	11,099
Total Accumulated Other Comprehensive Income	6,989	11,132
III. Non-controlling Interests	3,257	3,548
Total Net Assets	79,952	82,414
Total Liabilities and Net Assets	101,733	105,432

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

Quarterly Consolidated Statement of Income
(Scope of Consolidation of Third Quarter)

(Millions of yen)

	Nine months ended September, 2022	Nine months ended September 30, 2023
I. Net Sales	70,707	72,942
II. Cost of Sales	37,510	37,016
Gross profit	33,197	35,925
III. Selling, General and Administrative Expenses	24,093	25,741
Operating Income	9,103	10,183
IV. Non-operating Income:		
Interest income	121	170
Dividend income	12	12
Subsidy income	761	634
Foreign exchange gains	631	114
Other non-operating income	240	144
Total Non-operating Income	1,768	1,076
V. Non-operating Expenses:		
Interest expenses	69	74
Other non-operating expenses	27	35
Total Non-operating Expenses	97	110
Ordinary Income	10,774	11,149
VI. Extraordinary Income:		
Gain on sales of fixed assets	5	9
Subsidy income	—	19
Total Extraordinary Income	5	28
VII. Extraordinary Loss:		
Loss on sales of fixed assets	1	2
Loss on disposal of fixed assets	29	14
Loss on tax purpose reduction entry of fixed assets	—	19
Total Extraordinary Loss	31	37
Income before Income Taxes	10,749	11,141
Income taxes - current	3,674	3,732
Income taxes - deferred	(35)	(3)
Total Corporate Income Tax	3,638	3,729
Net Income	7,110	7,412
Net Income Attributable to Non-controlling Interests	162	131
Net Income Attributable to Owners of Parent	6,948	7,281

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

(Millions of yen)

	Nine months ended September, 2022	Nine months ended September 30, 2023
Net Income	7,110	7,412
Other Comprehensive Income		
Valuation difference on available-for-sale securities	10	5
Foreign currency translation adjustment	6,112	4,439
Total Other Comprehensive Income	6,122	4,445
Quarterly Comprehensive Income	13,232	11,858
(Break down)		
Quarterly comprehensive income on parent company	12,696	11,424
Quarterly comprehensive income on non-controlling interests	536	434

**(3) Notes on Consolidated Financial Statements
(Notes Regarding Going Concern Assumptions)**

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Nine months ended September 30, 2022

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

(Millions of yen)

	Reporting Segment				Total	Adjustments (Note 1)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 2)
	Japan Business	China Business	Singapore Business	Lansinoh Business			
Net sales							
Net sales to external customers	25,272	25,821	7,241	12,372	70,707	—	70,707
Internal sales or exchange between segments	1,453	398	3,531	12	5,396	(5,396)	—
Total	26,726	26,220	10,772	12,384	76,104	(5,396)	70,707
Segment profit	924	8,100	1,978	476	11,480	(2,376)	9,103

(Notes)

1. The negative amount of ¥2,376 million from adjustments in segment profit includes negative ¥23 million in elimination of intersegment transactions and negative ¥2,353 million in non-allocable operating expenses. Non-allocable operating expenses are administrative costs of our Group.

2. Segment profits are adjusted to operating income in the quarterly consolidated statement of income.

Nine months ended September 30, 2023

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

(Millions of yen)

	Reporting Segment				Total	Adjustments (Note 1)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 2)
	Japan Business	China Business	Singapore Business	Lansinoh Business			
Net sales							
Net sales to external customers	25,877	26,707	6,711	13,645	72,942	—	72,942
Internal sales or exchange between segments	1,695	594	3,406	5	5,702	(5,702)	—
Total	27,572	27,301	10,118	13,651	78,644	(5,702)	72,942
Segment profit	1,638	8,613	1,225	881	12,359	(2,175)	10,183

(Notes)

1. The negative amount of ¥2,175 million from adjustments in segment profit includes ¥78 million in elimination of intersegment transactions and negative ¥2,254 million in non-allocable operating expenses. Non-allocable operating expenses are administrative costs of our Group.

2. Segment profits are adjusted to operating income in the quarterly consolidated statement of income.