

Summary of Financial Results for the Fiscal Year Ended December 31, 2020 [Japanese Standards] (Consolidated)

February 10, 2021

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, 2021
Scheduled Commencement Date of Dividend Payments: March 31, 2021
Scheduled Filing Date of Annual Securities Report: March 31, 2021
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, 2020 (January 1 to December 31, 2020)

(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, 2020	99,380	—	15,316	—	16,113	—	10,643	—
FY ended December 31, 2019	100,017	—	17,072	—	17,284	—	11,538	—

(Note) Comprehensive income: FY ended December 31, 2020 ¥11,129 million (—%)
FY ended December 31, 2019 ¥12,253 million (—%)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)	Return on Equity (%)	Total Assets/Ordinary Income (%)	Operating Margin (%)
FY ended December 31, 2020	88.93	—	15.5	17.5	15.4
FY ended December 31, 2019	96.37	—	17.5	19.6	17.1

(Reference) Equity in earnings of affiliates: FY ended December 31, 2020 ¥— million
FY ended December 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 previous consolidated accounting year. As such, in the previous consolidated accounting year, 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, 2020.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
FY ended December 31, 2020	93,472	72,625	74.8	607.06
FY ended December 31, 2019	90,491	70,463	74.8	565.64

(Reference) Shareholders' Equity: FY ended December 31, 2020 ¥69,903 million
FY ended December 31, 2019 ¥67,722 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, 2020	18,400	(3,815)	(9,231)	37,050
FY ended December 31, 2019	14,098	(3,995)	(8,734)	32,416

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, 2019	—	35.00	—	35.00	70.00	8,383	72.7	12.7
FY ended December 31, 2020	—	36.00	—	36.00	72.00	8,622	81.0	12.5
FY ending December 31, 2021 (Forecast)	—	37.00	—	37.00	74.00		79.8	

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

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	100,800	1.4	16,500	7.7	16,700	3.6	11,100	4.3	92.75

Notes

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

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

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common stock)

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

FY ended December 31, 2020: 121,653,486 shares

FY ended December 31, 2019: 121,653,486 shares

2) Amount of treasury stock at the period-end

FY ended December 31, 2020: 2,017,880 shares

FY ended December 31, 2019: 1,926,426 shares

3) Average number of shares outstanding during the period

FY ended December 31, 2020: 119,675,451 shares

FY ended December 31, 2019: 119,740,515 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, 2020; 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.

Table of Contents of the Appendix

1. Overview of Management Results and Related Matters.....	2
(1) Overview of Management Results for the Term Under Review.....	2
(2) Overview of Financial Position for the Term Under Review	4
(3) Overview of Cash Flows for the Term Under Review.....	4
(4) Future Directions.....	5
(5) Income Appropriation Policy and Dividends for the Term Under Review and Next Term	5
2. Basic Approach for the Selection of Accounting Standards.....	6
3. Consolidated Financial Statements and Main Notes.....	7
(1) Consolidated Balance Sheets.....	7
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Income.....	9
Consolidated Statement of Comprehensive Income.....	10
(3) Statement of Changes in Consolidated Shareholders' Equity.....	11
(4) Consolidated Statements of Cash Flows	13
(5) Notes on Consolidated Financial Statements	15
(Notes Regarding Going Concern Assumptions).....	15
(Additional Information).....	15
(Segment Information).....	16
(Per Share Information)	19
(Material Subsequent Events).....	19

1. Overview of Management Results and Related Matters

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

The previous consolidated accounting year 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, Japan's economy continued to face tough conditions due to the impact of COVID-19, despite a movement toward recovery in some areas. In the global economy including Japan, even as countries begin to gradually increase the level of socioeconomic activities while establishing measures to prevent the spread of COVID-19, problems such as intermittent resurgence of the virus and lockdowns (city closures) are occurring in regions throughout the world. Currently, it is still impossible to predict when COVID-19 will end and we predict that uncertainty regarding the future of the economy will continue for the time being. Amid such circumstances, the Group is steadily executing the following three basis strategies defined in our Seventh Medium-Term Business Plan (for the period between the fiscal year ended December 2020 and the fiscal year ending December 2022), thus expanding the Group business and improving management quality. As the first fiscal year of the Medium-Term Business Plan, in the consolidated accounting year under review, the Group worked to implement 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."

- 1) By promoting integration of brand strategy and business strategy based on the Pigeon Way, in addition to maximizing economic value, we will strengthen initiatives for the resolution of social issues related raising children, and will develop a brand "chosen by consumers who buy into a business" rather than a brand "chosen by customers who buy a product."
- 2) Accelerate growth in our core product categories for which we have a global competitive advantage, strive for further differentiation from competitors, and construct a strong revenue base.
- 3) Promote our four-segment system, delegate authority to each segment, and accelerate on-site decision-making, thus constructing a cycle of "product development, production and sales" that fits the market characteristics of each region and realizing speedy business operations.

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 ¥99,380 million. Regarding earnings, operating income was ¥15,316 million, ordinary income was at ¥16,113 million, and net income attributable to owners of parent was ¥10,643 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\$: 106.77 yen (109.02 yen)
- 1 CNY: 15.47 yen (15.77 yen)

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

2) Segment Review

Previously, this report consisted 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. However, from the consolidated fiscal year under review, the Japan Business segment now aggregates the manufacturing and sales business conducted outside the Group by domestic subsidiaries included in the segments of Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and Other.

As a result, this report now consists of four segments.
Each segment is outlined below.

Japan Business

This segment consists of the Domestic Baby & Mother Care Business, Child Care Service Business, and Health & Elder Care Business. Net sales of the segment amounted to ¥44,977 million, and segment profit was ¥3,008 million.

In the category of products for babies and mothers, net sales were significantly affected by the factors such as the complete lack of foreign visitors to Japan. In particular, net sales decreased for products with high inbound demand. On the other hand, in August, we launched the new product “Microwavable Packed Soft Rice for Babies,” which makes it possible to enjoy freshly-cooked rice porridge without any additives simply by heating in a microwave oven. Then, in October, we launched the new product “nautR,” a stroller which pursues the ultimate in pushing comfort and riding comfort.

Regarding child care service, during the consolidated accounting year under review, we currently provide services at 71 in-company child-care facilities, and shall continue to develop this business further while striving to improve the quality of service content.

In the category of products for health and elder care, there were strong sales of products that support health management at locations such as private residences and nursing-care facilities. 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.

Moreover, during this fiscal year, we held online events planned as part of our direct communications program such as our “Breastfeeding Seminar” for expecting mothers and health care professionals. A total of more than approximately 1,500 people participated in the seminars. Additionally, in order to alleviate the anxiety felt by mothers and fathers during the ongoing pandemic, we started to provide support contents via our website and SNS. On “Pigeon Info,” a website that supports women during pregnancy, in childbirth, and when raising children, we are working to update our products and to make improvements which further increase convenience for our customers.

China Business

Net sales of the segment amounted to ¥37,732 million, and segment profit was ¥12,600 million.

Although the China Business was significantly affected by the spread of COVID-19 at the beginning of the consolidated accounting year under review, sales were strong for our core products nursing bottles and nipples, as well as for skincare products, etc., which we are targeting for fundamental research. This was particularly due to rapid recovery in mainland China. We will continue to strengthen our efforts focused on the e-commerce market, in which expansion is accelerating rapidly; leverage SNS and live streaming to invigorate direct communication with consumers and support the provision of child care information during COVID-19; reinforce sales promotions at stores and promote distribution of new products; and continue activities at hospitals and maternity clinics. In these ways we aim to broaden contact points with customers and expand our operations.

Regarding net sales of the China Business in China on a local currency basis, e-commerce sales mainly of nursing bottles, skincare products, etc., were strong, and overall net sales exceeded the previous consolidated accounting year.

Singapore Business

In this segment, net sales amounted to ¥12,184 million, and segment profit was ¥1,647 million.

In ASEAN, the Middle East, and India, there were numerous cases in which we were forced to refrain from sales activities due to the large impact of COVID-19 pandemic. Conversely, even during the pandemic, we further promoted communication with our customers by proactively providing information and support. Moving forward, we will continue to promote the development

and launch of products for the middle class, and actively develop sales and marketing activities with the aim of achieving market penetration for the Group brands.

Lansinoh Business

In this segment, net sales amounted to ¥12,473 million, and segment profit was ¥1,370 million.

In North America, strong sales in the e-commerce channel contributed to the business results. However, due to the spread of COVID-19, conditions continue to be tough for sales of breast pumps through the DME (Durable Medical Equipment) channel and the hospital/maternity clinic channel. Moving forward, in order to further expand business in China (Lansinoh Laboratories Shanghai) and Europe in addition to North America, the Group is strengthening e-commerce, implementing marketing activities, engaging in brand strengthening activities, etc.

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

(Assets)

As of December 31, 2020, total assets amounted to ¥93,472 million, up ¥2,980 million from the previous consolidated fiscal year ended December 31, 2019.

Current assets had an increase of ¥3,297 million, and fixed assets had a decrease of ¥317 million.

Current assets increased mainly due to increases in cash and deposits of ¥4,747 million and in merchandise and finished goods of ¥111 million, despite a decrease in notes and accounts receivable - trade of ¥1,502 million.

Fixed assets decreased mainly due to a ¥437 million decrease in software included in intangible fixed assets, despite a ¥153 million increase in buildings and structures included in tangible fixed assets.

(Liabilities)

As of December 31, 2020, total liabilities amounted to ¥20,846 million, up ¥818 million from the previous consolidated fiscal year ended December 31, 2019. Current liabilities had an increase of ¥25 million, while fixed liabilities had an increase of ¥792 million.

Current liabilities increased mainly due to increases in accounts payable of ¥66 million and in income taxes payable of ¥633 million, despite decreases in notes and accounts payable - trade of ¥142 million, in electronically recorded obligations - operating of ¥338 million, and in other current liabilities of ¥229 million.

Fixed liabilities increased mainly due to increases in deferred tax liabilities of ¥389 million and in other fixed liabilities of ¥272 million.

(Net Assets)

As of December 31, 2020, total net assets amounted to ¥72,625 million, up ¥2,162 million from the previous consolidated fiscal year ended December 31, 2019.

This increase resulted mainly from increases in retained earnings of ¥2,140 million and in foreign currency translation adjustment of ¥442 million.

(3) Overview of Cash Flows for the Term Under Review

As of December 31, 2020, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to ¥37,050 million, up ¥4,634 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥18,400 million, up from ¥14,098 million of the previous year. This increase is mainly due to ¥15,836 million in income before income taxes, ¥3,815 million in depreciation, and a ¥1,351 million decrease in notes and accounts receivable - trade. Contrasting factors included a ¥260 million decrease in notes and accounts payable - trade, a ¥42 million increase in inventories, and ¥4,322 million in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥3,815 million, down from ¥3,995 million of the previous year. This is mainly due to ¥3,601 million in purchases of tangible fixed assets and ¥222 million in purchase of intangible fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥9,231 million, up from ¥8,734 million of the previous year. This is mainly due to ¥8,517 million in payment of cash dividends.

Cash flow indicators of the Group are shown below.

	FY ended January 31, 2019	FY ended December 31, 2019	FY ended December 31, 2020
Equity Ratio (%)	75.0	74.8	74.8
Equity Ratio based on Market Price (%)	593.1	539.8	544.6
Debt Repayment Term (years)	0.0	0.1	0.1
Interest Coverage Ratio (times)	6,779.1	272.8	564.8

- 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 ended December 2020 and the fiscal year ending December 2022) of which the consolidated accounting year under review is the first year of the Plan, the Group will steadily implement the measures grounded on the three newly formulated themes and business strategies.

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, advance dynamically into new markets, and expand product lineups in accordance with each market.

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 improve communication with GHO, propelling the Group onto a stable, long-term growth arc. In the consolidated accounting year ending December 2021, as the second year of the Seventh Medium-Term Business Plan, we will strive for steady achievement of the Plan.

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 based on performance in the consolidated accounting year under review and changes in the COVID-19 pandemic.

(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 ¥36 per share (ordinary dividend of ¥36). For the year-end dividend, the Group forecasts a dividend of ¥36 per share (ordinary dividend of ¥36). As a result, the annual dividend for the term under review will total ¥72 per share (ordinary dividend of ¥72), a per share increase by ¥2 from the previous year.

The annual dividend for the next term will total ¥74 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 taking into consideration various circumstances in Japan and overseas.

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

(Millions of yen)

At December 31, 2019 At December 31, 2020

ASSETS		
I. Current Assets:		
Cash and deposits	32,416	37,163
Notes and accounts receivable - trade	16,588	15,085
Merchandise and finished goods	8,144	8,256
Work in process	400	350
Raw materials and supplies	2,666	2,768
Receivables	723	746
Other current assets	1,210	1,037
Allowance for doubtful accounts	(216)	(178)
Total Current Assets	61,933	65,231
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures	16,697	17,482
Accumulated depreciation and accumulated impairment loss	(9,639)	(10,270)
Buildings and structures, net	7,058	7,212
Machinery, equipment and vehicles	18,932	19,313
Accumulated depreciation	(12,887)	(13,390)
Machinery, equipment and vehicles, net	6,044	5,923
Tools, furniture and fixtures	7,330	7,576
Accumulated depreciation and accumulated impairment loss	(5,378)	(5,493)
Tools, furniture and fixtures, net	1,952	2,083
Land	5,865	6,009
Construction in progress	1,573	2,034
Total Tangible Fixed Assets	22,494	23,262
2. Intangible Fixed Assets:		
Goodwill	867	647
Software	2,484	2,047
Other intangible fixed assets	511	263
Total Intangible Fixed Assets	3,863	2,957
3. Investments and Other Assets:		
Investment securities	950	687
Bankruptcy claims	0	—
Deferred tax assets	594	684
Insurance reserve	165	165
Other	491	483
Allowance for doubtful accounts	(0)	(0)
Total Investments and Other Assets	2,200	2,020
Total Fixed Assets	28,558	28,241
Total Assets	90,491	93,472

	(Millions of yen)	
	At December 31, 2019	At December 31, 2020
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,900	4,757
Electronically recorded obligations - operating	2,009	1,670
Accounts payable	2,660	2,727
Income taxes payable	1,272	1,906
Accrued bonuses to employees	928	952
Provision for sales returns	41	53
Provision for loss on litigation	8	7
Other current liabilities	3,817	3,588
Total Current Liabilities	15,638	15,664
II. Fixed Liabilities:		
Deferred tax liabilities	2,642	3,031
Net defined benefit liability	417	440
Provision for share-based remuneration	98	205
Other fixed liabilities	1,231	1,503
Total Fixed Liabilities	4,389	5,181
Total Liabilities	20,028	20,846
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,179	5,179
Retained earnings	58,979	61,120
Treasury stock	(1,088)	(1,478)
Total Shareholders' Equity	68,269	70,020
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	25	13
Foreign currency translation adjustment	(572)	(129)
Total Accumulated Other Comprehensive Income	(547)	(116)
III. Non-controlling Interests	2,741	2,722
Total Net Assets	70,463	72,625
Total Liabilities and Net Assets	90,491	93,472

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

(Millions of yen)

	Year Ended December 31, 2019	Year Ended December 31, 2020
I. Net Sales	100,017	99,380
II. Cost of Sales	49,207	49,450
Gross profit	50,809	49,929
Reversal of provision for sales returns	31	38
Provision for sales returns	40	47
Adjusted gross profit	50,800	49,921
III. Selling, General and Administrative Expenses	33,727	34,605
Operating Income	17,072	15,316
IV. Non-operating Income:		
Interest income	171	156
Dividend income	15	104
Subsidy income	759	727
Other non-operating income	190	418
Total Non-operating Income	1,136	1,406
V. Non-operating Expenses:		
Interest expenses	51	32
Sales discounts	233	236
Foreign exchange losses	596	271
Other non-operating expenses	42	69
Total Non-operating Expenses	924	608
Ordinary Income	17,284	16,113
VI. Extraordinary Income:		
Gain on sales of fixed assets	7	4
Gain on sales of investment securities	113	33
Total Extraordinary Income	121	38
VII. Extraordinary Loss:		
Loss on sales of fixed assets	9	36
Loss on disposal of fixed assets	100	63
Impairment loss	189	16
Loss on sales of shares of subsidiaries and associates	—	167
Expenses related to voluntary product recall	—	26
Loss on sales of golf club memberships	1	4
Total Extraordinary Loss	300	315
Income before Income Taxes	17,104	15,836
Income taxes - current	5,067	4,715
Income taxes - deferred	267	261
Total Corporate Income Tax	5,335	4,976
Net Income	11,769	10,860
Net Income Attributable to Non-controlling Interests	230	216
Net Income Attributable to Owners of Parent	11,538	10,643

(Consolidated Statement of Comprehensive Income)

	(Millions of yen)	
	Year Ended December 31, 2019	Year Ended December 31, 2020
Net Income	11,769	10,860
Other Comprehensive Income		
Valuation difference on available-for-sale securities	3	(12)
Foreign currency translation adjustment	479	282
Total Other Comprehensive Income	483	269
Comprehensive Income	12,253	11,129
(Breakdown)		
Comprehensive income on parent company	11,880	11,072
Comprehensive income on non-controlling interests	372	56

(3) Statement of Changes in Consolidated Shareholders' Equity

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

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

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Year Ended December 31, 2019	Year Ended December 31, 2020
I. Cash Flows from Operating Activities:		
Income before income taxes	17,104	15,836
Depreciation	3,586	3,815
Impairment loss	189	16
Amortization of goodwill	181	157
Increase (decrease) in allowance for doubtful accounts	16	(29)
Increase (decrease) in accrued bonuses to employees	(37)	53
Increase (decrease) in net defined benefit liability	88	47
Increase (decrease) in provision for directors and corporate auditors' retirement benefits	(599)	—
Increase (decrease) in provision for share-based remuneration	98	107
Interest and dividend income	(187)	(260)
Interest expenses	51	32
Foreign exchange loss (gain)	0	20
Loss (gain) on sales of fixed assets	1	31
Loss on disposal of fixed assets	100	63
Decrease (increase) in notes and accounts receivable - trade	(1,791)	1,351
Decrease (increase) in inventories	(713)	(42)
Increase (decrease) in notes and accounts payable - trade	595	(260)
Loss (gain) on sales of investment securities	(113)	134
Increase (decrease) in accounts payable	(317)	88
Increase (decrease) in accrued consumption taxes	(79)	233
Decrease (increase) in claims provable in bankruptcy/rehabilitation	3	0
Other	1,622	1,058
Subtotal	19,803	22,456
Interest and dividend income received	171	279
Interest expenses paid	(22)	(12)
Income taxes paid	(5,854)	(4,322)
Net Cash Provided by (Used in) Operating Activities	14,098	18,400
II. Cash Flows from Investing Activities:		
Purchase of tangible fixed assets	(3,413)	(3,601)
Proceeds from sales of tangible fixed assets	71	24
Purchase of intangible fixed assets	(606)	(222)
Purchase of investment securities	(157)	(2)
Proceeds from sales of investment securities	209	130
Purchase of insurance funds	(0)	(0)
Proceeds from maturity of insurance funds	12	—
Payments for lease deposits	(9)	(22)
Collection of lease deposits	9	17
Payments into time deposits	—	(115)
Proceeds from sales of shares of subsidiaries and associate	—	8
Other	(111)	(31)
Net Cash Provided by (Used in) Investing Activities	(3,995)	(3,815)

	(Millions of yen)	
	Year Ended December 31, 2019	Year Ended December 31, 2020
III. Cash Flows from Financing Activities:		
Payment of cash dividends	(8,230)	(8,517)
Dividends paid to non-controlling interests	(121)	(76)
Purchase of treasury stock	(137)	(389)
Other	(245)	(247)
Net Cash Provided by (Used in) Financing Activities	(8,734)	(9,231)
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	98	(718)
V. Net Increase (Decrease) in Cash and Cash Equivalents	1,467	4,634
VI. Cash and Cash Equivalents at Beginning of Period	30,949	32,416
VII. Cash and Cash Equivalents at End of Period	32,416	37,050

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

Not applicable.

(Additional Information)

(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 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 in question as of the end of the fiscal year under review is ¥525 million and the number of shares is 124,800 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.

Previously, this report consisted 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. However, as a result of the reorganization of December 16, 2019, from the consolidated first quarter of the current fiscal year, the Japan Business segment now aggregates the manufacturing and sales business conducted outside the Group by domestic subsidiaries included in the segments of Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and Other. As a result, this report now consists of four segments.

Segment information for the previous consolidated fiscal year was created using the calculation method for segment profit after the changes were made.

(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 Fiscal Year Ended December 31, 2019

(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	42,193	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
Segment Assets	24,462	15,893	9,384	5,732	55,472	35,019	90,491
Other Items							
Depreciation (Note 6)	902	1,029	1,006	130	3,069	516	3,586
Amortization of Goodwill	—	—	175	6	181	—	181
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note 7)	1,011	1,363	1,137	318	3,830	229	4,059

(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. The amount of ¥35,019 million in adjustments in segment assets includes negative ¥2,345 million in eliminations of inter-segment transactions, and ¥37,364 million in the entire company assets consisting principally of investments of surplus of the parent company (Cash and Deposits), long term investment assets (Investment Securities and the Like) and assets relating to the administrative area.
3. Depreciation adjustments are depreciations relating the entire company assets.
4. Adjustments of increase in tangible fixed assets and intangible fixed assets relate to the entire company assets.
5. Segment profit has been adjusted with the operating income in the consolidated financial statements.
6. Amortization relating to long term pre-paid expenses are included in the depreciation.
7. Increases in tangible fixed assets and intangible fixed assets include increases in long term pre-paid expenses.

Fiscal Year Ended December 31, 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 sale or exchange between segments	2,801	259	4,921	4	7,956	(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.

(Per Share Information)

	Previous fiscal year (February 1 to December 31, 2019)	Current fiscal year (January 1 to December 31, 2020)
Net Assets per Share	¥565.64	¥607.6
Net Income per Share	¥96.37	¥88.93

(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 (33,600 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 (20,220 shares for the previous fiscal year; 85,180 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, 2019)	Current fiscal year (January 1 to December 31, 2020)
Net Income Attributable to Owners of Parent (¥ millions)	11,538	10,643
Amount Not Attributable to Ordinary Shareholders (¥ millions)	—	—
Net Income Attributable to Owners of Parent Relating to Ordinary Shares (¥ millions)	11,538	10,643
Average Number of Ordinary Shares During the Term (shares)	119,740,515	119,675,451

(Notes)

(Material Subsequent Events)

Not applicable.