



# Summary and Report of Fiscal Year Ended January 2017 and 6th Medium-Term Business Plan

March 7, 2017

**PIGEON CORPORATION**

(Securities Code: 7956)

President & COO  
Shigeru Yamashita

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# Results of Term Ended Jan. 2017

# Financial Highlights (Consolidated)



(millions of yen)	Jan. 2016		Jan. 2017					
	Results	YoY Change	Forecast	Revised Forecast	Results	%of Forecast	% of Revised Forecast	YoY Change
<b>Net sales</b>	92,209	109.6%	95,000	93,500	<b>94,640</b>	<b>99.6%</b>	<b>101.2%</b>	<b>102.6%</b>
<b>Operating income</b>	14,521	113.6%	15,000	15,000	<b>16,015</b>	<b>106.8%</b>	<b>106.8%</b>	<b>110.3%</b>
<b>Ordinary income</b>	15,080	113.4%	15,300	14,900	<b>16,462</b>	<b>107.6%</b>	<b>110.5%</b>	<b>109.2%</b>
<b>Net Income Attributable to Owners of Parent</b>	10,197	120.7%	10,400	10,400	<b>11,118</b>	<b>106.9%</b>	<b>106.9%</b>	<b>109.0%</b>
<b>Net assets</b>	50,792	107.4%	51,668	51,668	<b>53,736</b>	<b>104.0%</b>	<b>104.0%</b>	<b>105.8%</b>
<b>Total assets</b>	73,943	102.2%	79,300	79,300	<b>78,889</b>	<b>99.5%</b>	<b>99.5%</b>	<b>106.7%</b>
<b>EPS (¥)</b>	85.15	120.7%	86.84	86.84	<b>92.84</b>	<b>106.9%</b>	<b>106.9%</b>	<b>109.2%</b>
<b>BPS (¥)</b>	413.88	107.4%	419.86	419.86	<b>437.43</b>	<b>104.2%</b>	<b>104.2%</b>	<b>105.7%</b>
<b>ROA</b>	20.6%	—	20.0%	19.5%	<b>21.5%</b>	—	—	—
<b>ROE</b>	21.3%	—	21.0%	21.0%	<b>21.8%</b>	—	—	—

※Our Group carried out a 3-for-1 stock split with respect to its common stock, effective as of May 1, 2015. The values given in the parentheses for dividend per share above are reference values converted based on the number of shares after the stock split.

※ ROA= Ordinary income ÷ Total assets; ROE = Net income ÷ Equity (in both cases, denominators are averaged between beginning and year-end figures)

# Statements of Income (Consolidated)



(millions of yen)	Jan. 2016		Jan. 2017			
	Results	% of Total	Results	% of Total	YoY Change	Remarks
<b>Net sales</b>	92,209	100.0%	94,640	100.0%	102.6%	<ul style="list-style-type: none"> <li>■ Main changes in SG&amp;A expenses</li> <li>Personal expenses: (¥117m)</li> <li>Market research expense: (¥494m)</li> <li>Sales Promotion expenses: + ¥167m</li> <li>Commission fee + ¥100m</li> <li>■ Main changes in non-operating income (expenses)</li> <li>Balance of financial expenses: (¥75m)</li> </ul>
<b>Cost of sales</b>	48,864	53.0%	49,951	52.8%	102.2%	
<b>Gross profit</b>	43,345	47.0%	44,688	47.2%	103.1%	
<b>SG&amp;A expenses</b>	28,823	31.3%	28,673	30.3%	99.5%	
<b>Operating income</b>	14,521	15.7%	16,015	16.9%	110.3%	
<b>Non-operating income (expenses)</b>	559	0.7%	447	0.5%	80.0%	
<b>Ordinary income</b>	15,080	16.4%	16,462	17.4%	109.2%	
<b>Extraordinary income (loss)</b>	(193)	(0.2%)	(228)	(0.2%)	—	
<b>Net Income Attributable to Non-controlling Interests</b>	265	0.3%	224	0.2%	84.3%	
<b>Net Income Attributable to Owners of Parent</b>	10,197	11.1%	11,118	11.8%	109.0%	

# Net Sales by Business Segment (Consolidated)



(millions of yen)	Jan. 2016				Jan. 2017				
	Results	% of Total	Gross Margin	Segment Profit	Results	% of Total	YoY Change	Gross Margin	Segment Profit
<b>Consolidated net sales</b>	92,209	100.0%	47.0%	14,521	<b>94,640</b>	<b>100.0%</b>	<b>102.6%</b>	<b>47.2%</b>	<b>16,015</b>
<b>Domestic Baby and Mother Care Business</b>	28,053	30.4%	44.4%	4,383	<b>31,823</b>	<b>33.6%</b>	<b>113.4%</b>	<b>47.0%</b>	<b>6,244</b>
<b>Child Care Service Business</b>	6,757	7.3%	10.7%	148	<b>7,393</b>	<b>7.8%</b>	<b>109.4%</b>	<b>10.6%</b>	<b>211</b>
<b>Health and Elder Care Business</b>	6,499	7.0%	28.3%	140	<b>6,901</b>	<b>7.3%</b>	<b>106.2%</b>	<b>31.4%</b>	<b>504</b>
<b>Overseas Business</b>	25,234	27.4%	55.4%	5,579	<b>23,051</b>	<b>24.4%</b>	<b>91.4%</b>	<b>55.6%</b>	<b>5,352</b>
<b>China Business</b>	31,688	34.4%	44.6%	8,586	<b>30,533</b>	<b>32.3%</b>	<b>96.4%</b>	<b>44.6%</b>	<b>8,355</b>
<b>Elimination of internal trading between segments</b>	(7,306)	(7.9%)	—	—	<b>(6,337)</b>	<b>(6.7%)</b>	—	—	—
<b>Other</b>	1,283	1.4%	15.4%	152	<b>1,273</b>	<b>1.3%</b>	<b>99.2%</b>	<b>15.6%</b>	<b>162</b>

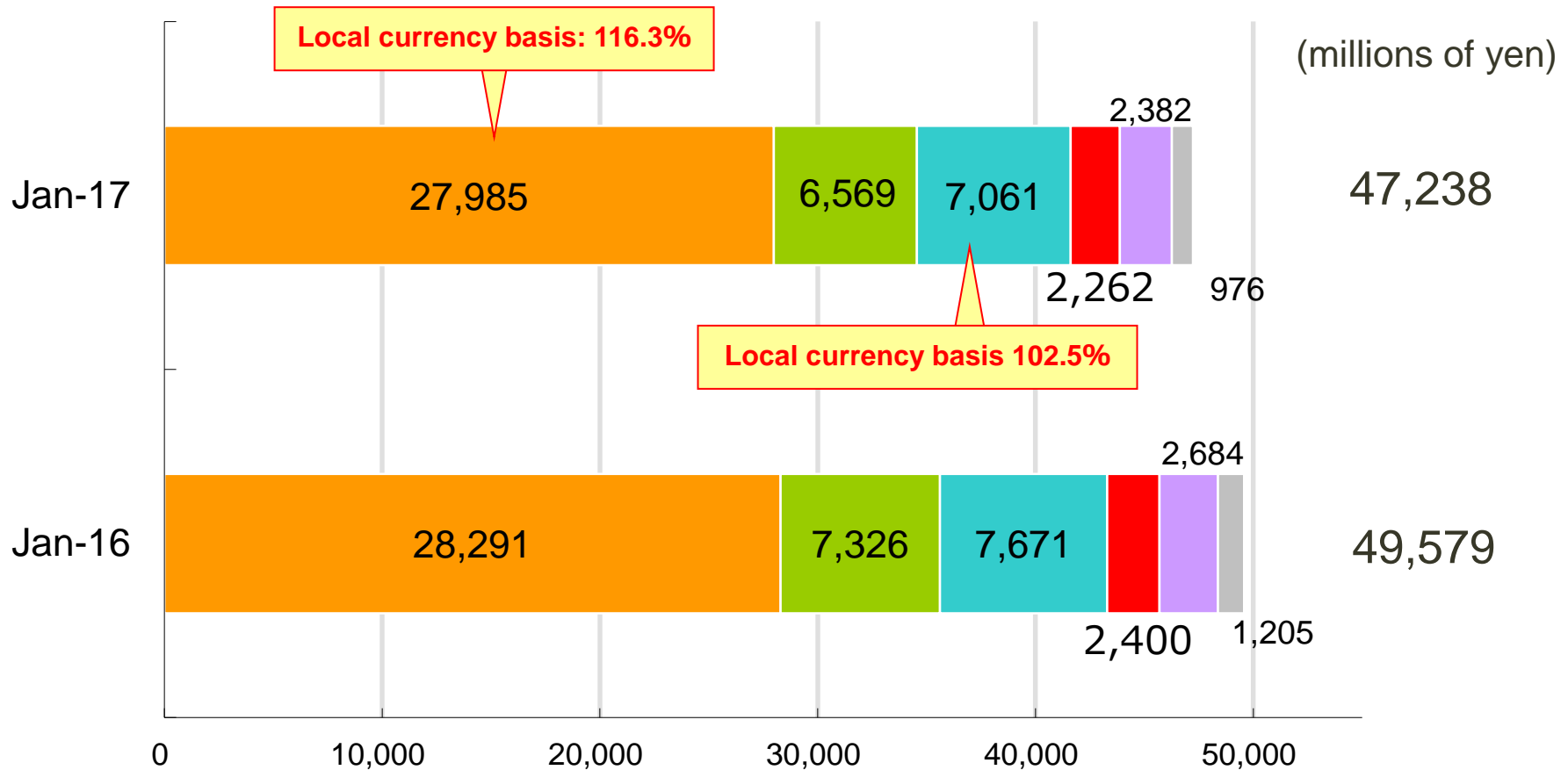
※ Segment profit in the consolidated net sales has been adjusted (all non-allocable operating expenses) and posted as operating income in the consolidated statements of income.

※ The consolidated net sales recorded has been posted as the sum resulted from eliminating intersegment transactions in the overseas and China businesses.

# Overseas Business Sales by Region



- China(incl.Hong Kong)
- Other Asian Countries
- North America
- Europe
- Near and Middle East
- Other Regions



※ [Currency rates] Jan. 2017: US\$1 = ¥108.77    1 yuan = ¥16.35;    Jan 2016:US\$1 = ¥121.10, 1 yuan = ¥19.22

## ● Domestic Baby and Mother Care Business

- Expanding business and enhancing market share (with a value share target of 20%) through aggressive sales and marketing activities for large-sized products including baby strollers
- Further enhancing profitability by expanding sales of high value-added products including renewed nursing bottles and nipples

## ● Child Care Service Business

- Reviewing growth strategies and business system to raise profitability
- Further strengthening crisis management measures as well as maintaining and improving business quality through fostering and training human resources engaged in child-rearing

## ● Health and Elder Care Business

- Achieving sales expansion and business growth by strengthening joint efforts with our sales agents
- Improving profitability by increasing the efficiency of our business operation system



## ● Overseas Business (except China)

- Achieving sales expansion centered on five key categories (i.e., nursing bottles and nipples, breast pumps, skin care products, breast pads and pacifiers)
- Improving profitability by promoting in-house production and making the relevant investment in facilities

### Lansinoh

- Expanding sales of the Group's core products—nursing bottles and nipples
- Establishing local subsidiaries and full-scale entry into the China market
- Maintaining and reinforcing the production system by opening a new factory in Turkey
- Expanding business in Europe and putting in place and reinforcing operating structure

### Asia

- Continuing and reinforcing branding activities and business expansion of operations in India (turning into profitability on a single fiscal-year basis)
- Strengthening profitability through increased capacity utilization of our new factory in India by starting production for export
- Reinforcing marketing activities in Asia with an initiative of Pigeon Singapore

## ● China Business

- Sustaining the growth trend (with a target of an 11% year-on-year increase on a local currency basis) and further increasing profitability
- Reinforcing strategies and (sales promotion) measures to meet the boom in EC sales (by starting EC sales of Japan-made products)
- Increasing sales of disposable diapers by maintaining and further expanding the store-to-store promotional campaign across the country

# Domestic Baby and Mother Care Business Status



- **Large-sized products**

- Released a limited design of “Runfee ef”, the single-tire baby stroller
- Released a new design of “PATTAN”, the city compact baby stroller

- **New products**

- Released the new version of “Mimi-Chibion®” ear thermometer and added new flavors to “Gel Toothpaste”
- Released “Saratto Abura ga Ochiru Hajimete Apron”—a baby apron that can easily remove oil stain, etc.

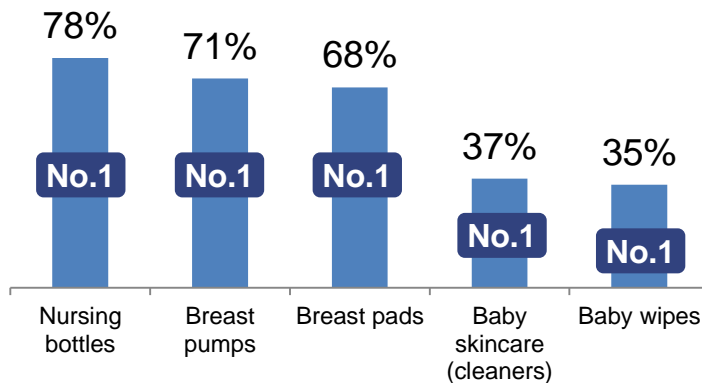
- **Direct communications**

- Seminars for health care professionals: 14 events/1,684 participants
- Pregnancy information events: 18 events/1,022 participants



Runfee ef

## Market Share (FY Jan/17)



## Major new products released in Spring 2017



Petit Ice Cream for Babies



“Moisture Cream” for pregnant women

\* According to POS Nationwide Drugstore Growth Estimates, INTAGE Inc. (monthly data).

\* Value share for nursing bottles, breast pumps and breast pads. Quantity share for other products.

## Child Care Service Business

- **Pigeon Hearts**
  - New additions of facilities under management:
    - Launched two in-company child-care facilities
    - Total of 188 facilities (including those of the National Hospital Organization)

## Health and Elder Care Business



- **Pigeon Tahira**
  - Reported strong sales of “Bottom Wipes,” “Body Wipes” and “Skincare” for nursing care – the main product categories
  - Reported strong sales through retail channels
  - Released in February a line of oral cavity nursing care products branded “Kaigo no Koku Care” series
- **Pigeon Manaka**
  - Started accepting applications for the practitioner training program for Certified Care Workers



“Kaigo no Koku Care” series



A scene at childcare facilities

# Overseas Business Status

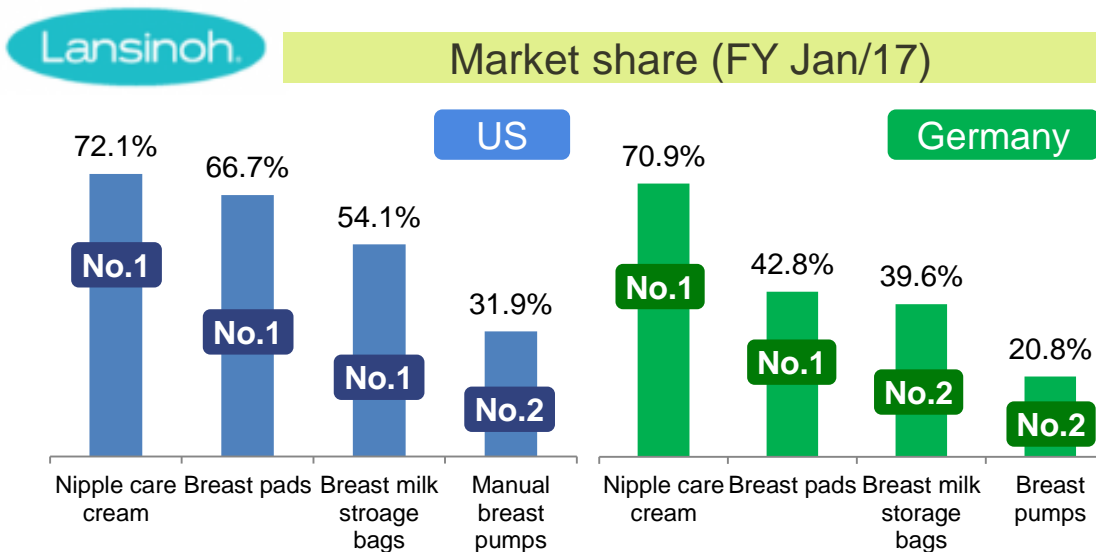


## ● Pigeon brand

- India: Started exporting the products made in India
- Singapore: Ranked No. 1 for pure recall in baby brand  
Strengthen branding through direct communication with consumers

## ● Lansinoh brand

- North America: Continued to command the top market share in nipple care cream, breast pads and breast milk storage bags  
Released a new product of Smart Pump
- Europe: Expanded sales in three main countries  
Started operations at the new factory in Turkey (in Jan. 2017)
- China: Achieved sales exceeding 450 million yen (for the period from April 2016 to December 2016; 146% of the plan)



<Lansinoh>  
Smart Pump



<Singapore>  
Seminar

## ● Product sales

- Enjoyed strong consumer demand for the main products including nursing bottles and nipples
- Significantly increased sales of disposable diapers as a result of the in-store promotional campaign (across China) (with a 116% YoY increase)
- Experienced strong sales growth through EC channels (with a 57% YoY increase)

## ● Branding and breastfeeding awareness programs

- Promoted to establish Pigeon Corners to further strengthen the branding activities
- Strengthened direct communication with consumers through online and offline activities
- Continued to implement the breastfeeding awareness program conducted jointly with the Ministry of Health of China primarily through establishing breastfeeding consultation offices and holding seminars for health care professionals



In-store promotional campaign  
(across China)



Pigeon's EC site  
in China



Workshop for health care  
professionals at maternity and  
general hospitals

# <Ref.>Consolidated Balance Sheet (Highlights)

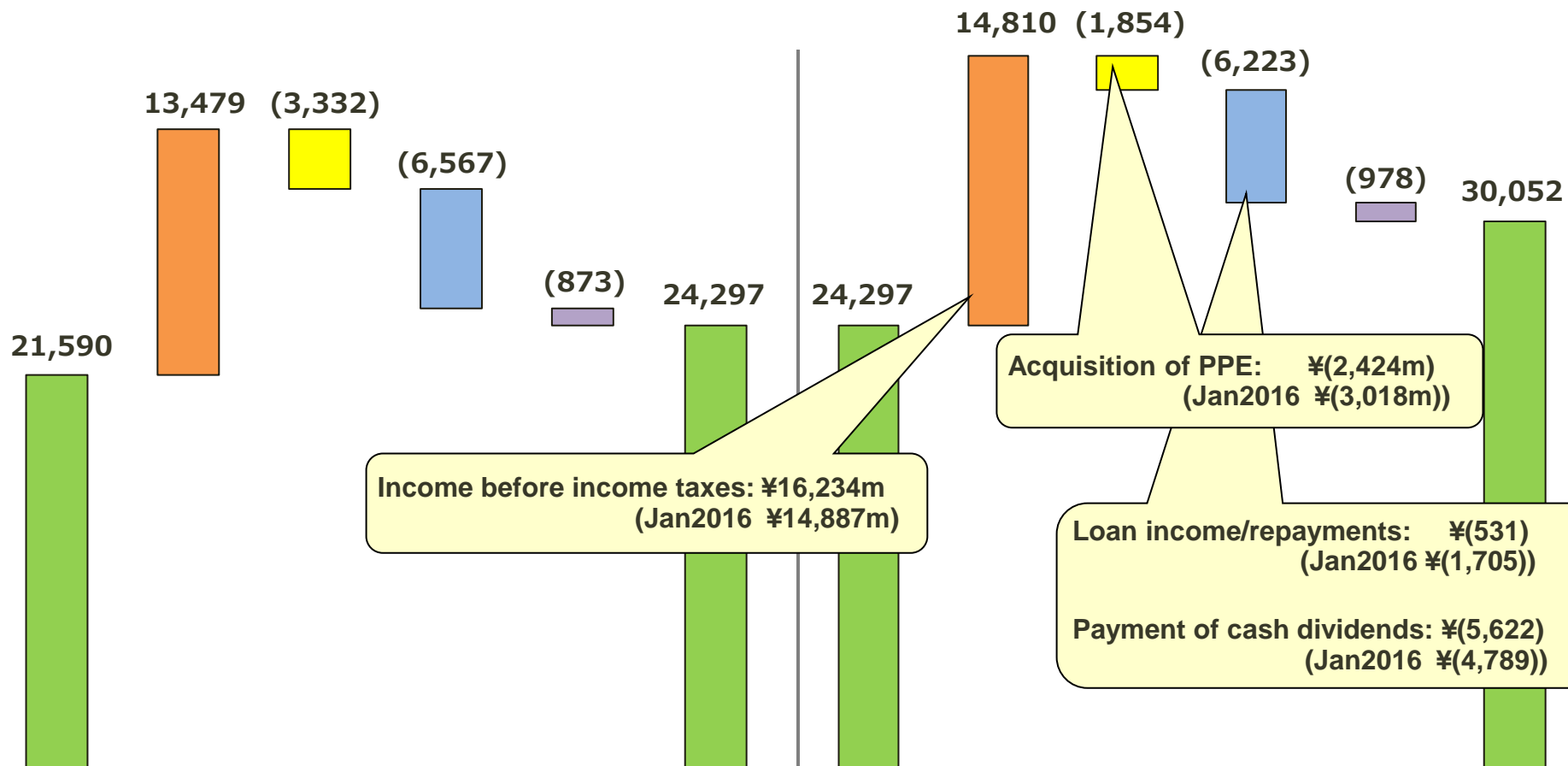


(millions of yen)	Jan. 2016	Jan. 2017		
	Results	Results	YoY Change (Amount)	YoY Change (%)
<b>Cash and deposits</b>	24,297	30,052	5,754	123.7%
<b>Notes and accounts receivable</b>	13,870	16,103	2,232	116.1%
<b>Inventories</b>	8,859	7,603	(1,256)	85.8%
<b>Notes and accounts payable</b>	3,743	4,857	1,114	129.8%
<b>Electronically recorded obligations – operating</b>	1,623	1,693	70	104.3%
<b>Borrowings</b>	6,308	5,699	(609)	90.3%
<b>Net assets</b>	50,792	53,736	2,944	105.8%
<b>Total assets</b>	73,943	78,889	(4,946)	106.7%
<b>Equity ratio</b>	67.0%	66.4%	–	(0.6 pt)

# <Ref.>Cash Flow



(百万円)



Jan. 2016

Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation Adjustment	Balance at End
21590	13479	(3332)	(6567)	(873)	24297

Jan. 2017

Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation Adjustment	Balance at End
24297	14810	(1854)	(6223)	(978)	30052

# <Ref.>Investment-Related Indicators (Consolidated)



(millions of yen)	Jan. 2016		Jan. 2017	
	Interim (Results)	Full Year (Results)	Interim (Results)	Full Year (Forecast)
<b>Capital investment ※1</b>	1,610	2,639	<b>1,164</b>	<b>2,328</b>
<b>Depreciation (tangible fixed assets)</b>	1,018	2,133	<b>1,014</b>	<b>2,042</b>
<b>Research and development ※2</b>	1,181	2,263	<b>1,085</b>	<b>2,263</b>

※1 Refers to purchase of tangible fixed assets.

※2 Refers to total R&D expenditures, including personnel-related.

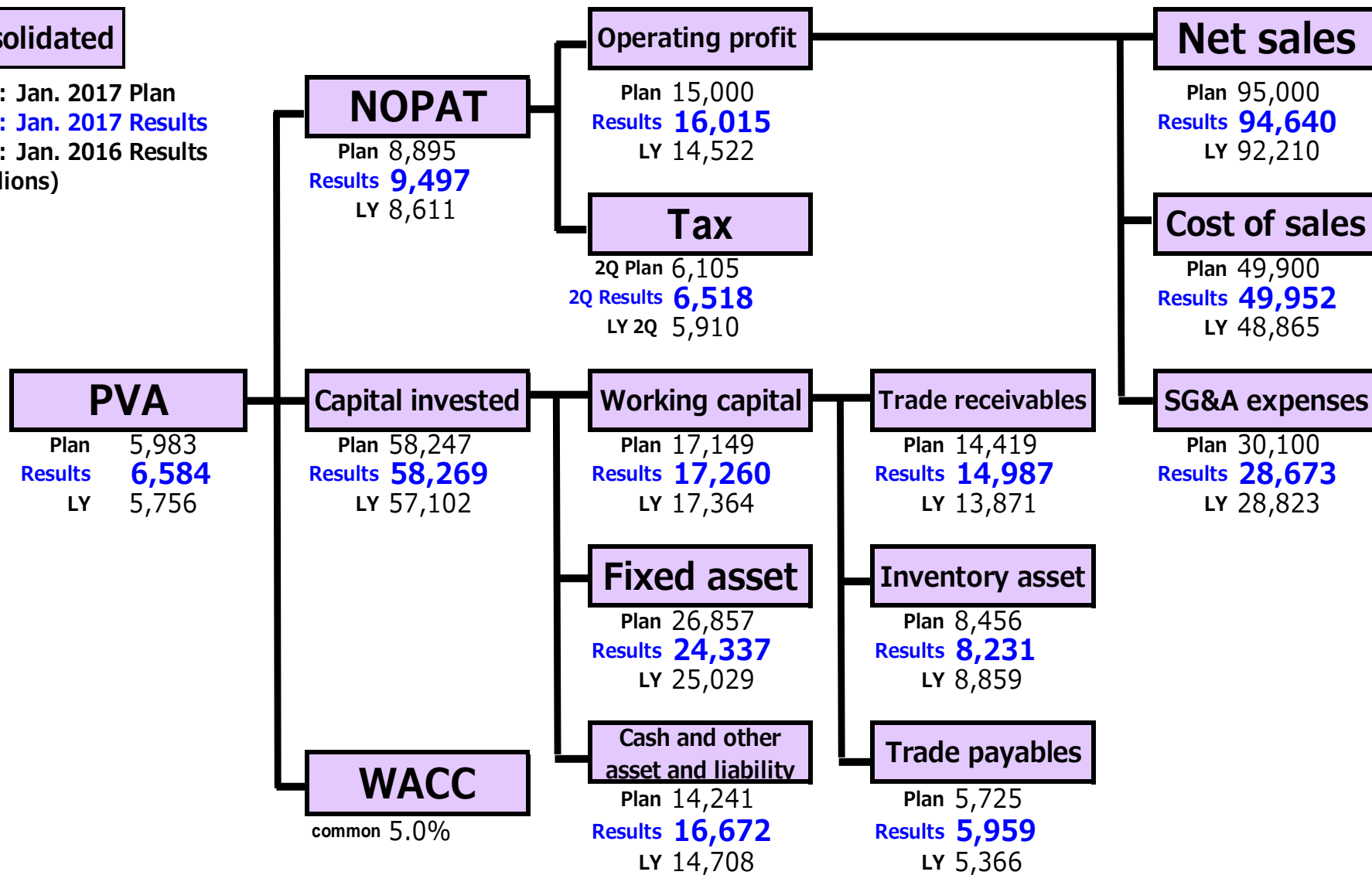


# PVA Tree: Consolidated Results in Jan. 2017



## Consolidated

Top: Jan. 2017 Plan  
 Mid: Jan. 2017 Results  
 Bottom: Jan. 2016 Results  
 (¥millions)



※From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.

# PVA (Ratio): Consolidated Results in Jan. 2017

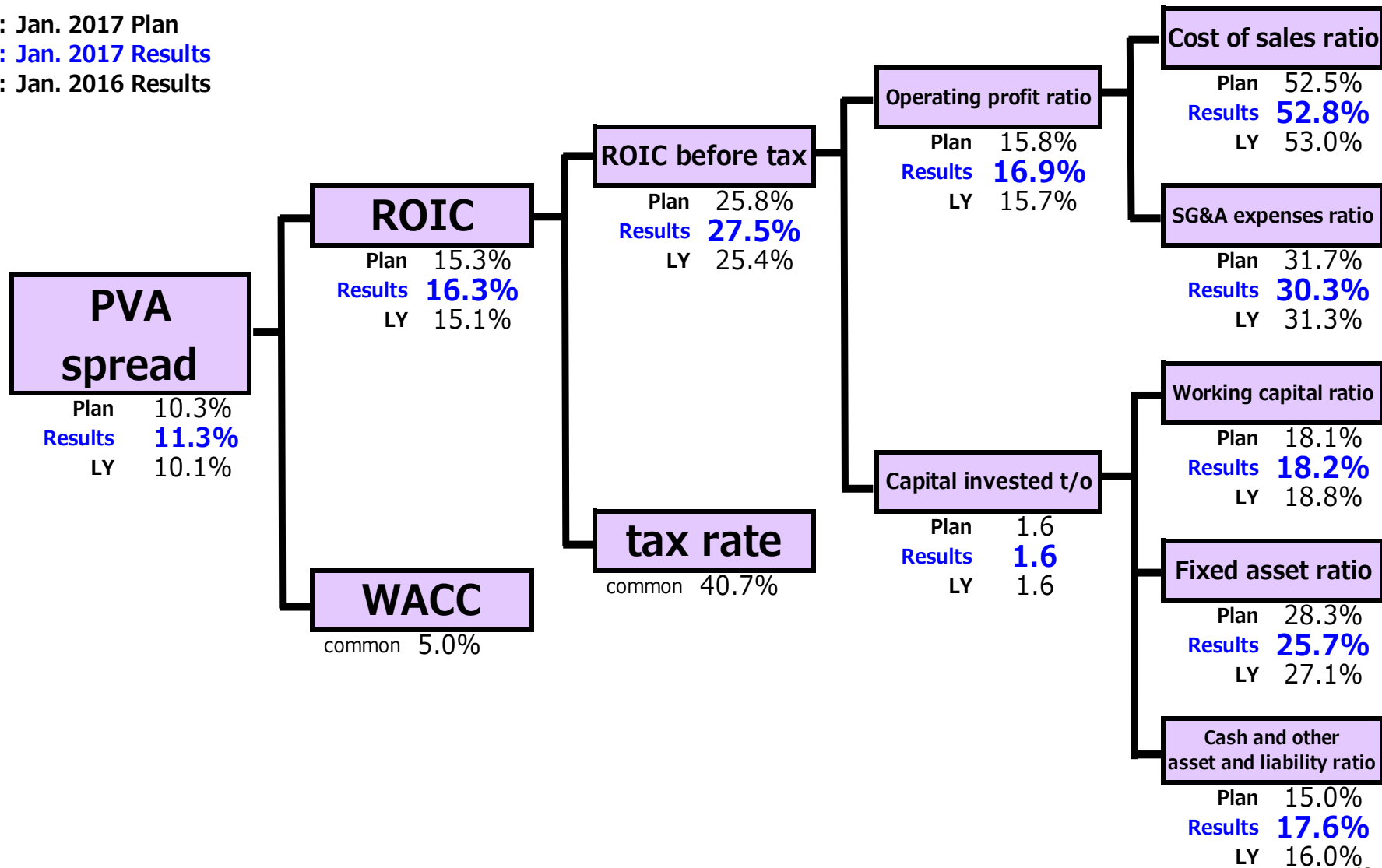


## Consolidated

Top: Jan. 2017 Plan

Mid: Jan. 2017 Results

Bottom: Jan. 2016 Results

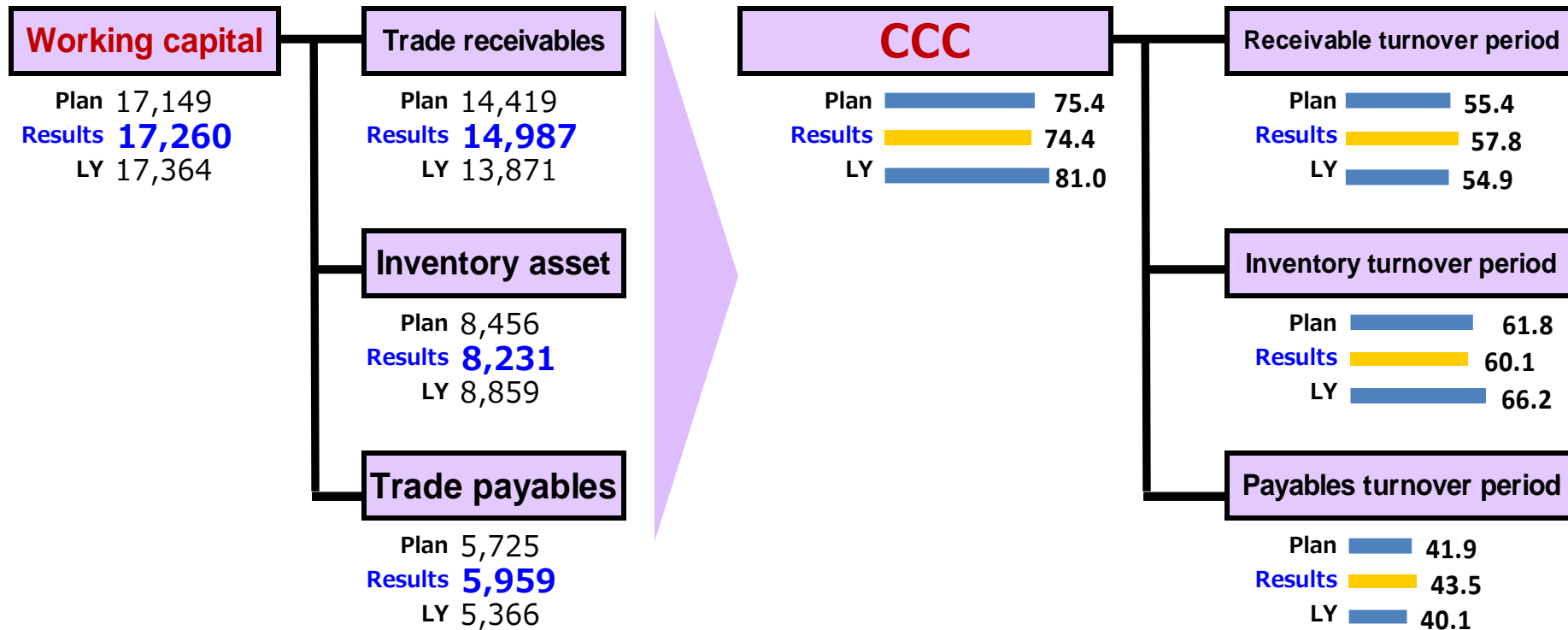


# CCC Tree: Consolidated Results in Jan. 2017



## Consolidated

Top: Jan. 2017 Plan  
 Mid: Jan. 2017 Results  
 Bottom: Jan. 2016 Results  
 (¥millions)



※From Jan. 2017, B/S Factors for CCC calculation are averaged between beginning and year-end figures.

# 6th Medium-Term Business Plan (FY Jan. 2018 to FY Jan. 2020)

1. Review of the 5th Medium-Term Business Plan
2. Our Vision
3. Positioning of the 6th Medium-Term Business Plan
4. Quantitative Target
5. Business Policy
6. Key Strategy
7. Business Strategy
8. Functional Strategy
9. Enhancing Corporate Value
10. Summary of the 6th Medium-Term Business Plan

# 1. Review of the 5th Medium-Term Business Plan: Financial Targets

(millions of yen)	5th MTBP	Jan. 2017 Results	Progress	3-years CAGR
<b>Net sales</b>	100,000	<b>94,640</b>	<b>94.6%</b>	<b>+6.9%</b>
<b>Gross profit</b>	44,200	<b>44,688</b>	<b>101.1%</b>	<b>+9.0%</b>
<b>Operating income</b>	15,000	<b>16,015</b>	<b>106.8%</b>	<b>+15.6%</b>
<b>Ordinary income</b>	15,000	<b>16,462</b>	<b>109.8%</b>	<b>+14.4%</b>
<b>Net Income Attributable to Owners of Parent</b>	9,000	<b>11,118</b>	<b>123.5%</b>	<b>+16.8%</b>
<b>EPS (¥)</b>	75.15	<b>92.84</b>	<b>123.5%</b>	
<b>Gross margin</b>	44.2%	<b>47.2%</b>	<b>+3.0pt</b>	
<b>Operating margin</b>	15.0%	<b>16.9%</b>	<b>+1.9pt</b>	
<b>Ordinary margin</b>	15.0%	<b>17.4%</b>	<b>+2.4pt</b>	
<b>Net Income Attributable to Owners of Parent margin</b>	9.0%	<b>11.8%</b>	<b>+2.8pt</b>	
<b>ROA</b>	22.0%or more	<b>21.5%</b>	<b>(0.5pt)</b>	
<b>ROE</b>	21.0%or more	<b>21.8%</b>	<b>+0.8pt</b>	
<b>ROIC</b>	15.0%or more	<b>16.3%</b>	<b>+1.3pt</b>	

※Our Group carried out a 3-for-1 stock split with respect to its common stock, effective as of May 1, 2015. The values given in the parentheses for dividend per share above are reference values converted based on the number of shares after the stock split.

※ROA= Ordinary income ÷ Total assets; ROE = Net income ÷ Equity (in both cases, denominators are averaged between beginning and year-end figures)

※ROIC: Return On Invested Capital (NOPAT/Capital Invested, calculated with a tax rate of 40.7%,

Capital Invested is averaged between beginning and year-end figures)

# 1. Review of the 5th Medium-Term Business Plan: By Segment

(millions of yen)	5th MTBP			Jan. 2017 Results			Progress	
	Sales	% of Total	Gross Margin	Sales	% of Total	Gross Margin	Sales	Gross Margin
<b>Consolidated Net Sales</b>	100,000	100.0%	44.2%	94,640	100.0%	47.2%	94.6%	+3.0pt
<b>Domestic Baby and Mother Care Business</b>	27,000	27.0%	45.3%	31,823	33.6%	47.0%	117.9%	+1.7pt
<b>Child Care Service Business</b>	6,700	6.7%	12.7%	7,393	7.8%	10.6%	110.4%	(2.1pt)
<b>Health and Elder Care Business</b>	8,000	8.0%	33.6%	6,901	7.3%	31.4%	86.3%	(2.2pt)
<b>Previously defined Overseas Business</b>	57,300	57.3%	49.1%	47,247	49.9%	56.3%	82.5%	+7.2pt
<b>(Currently defined Overseas Business)</b>	—	—	—	23,051	24.4%	55.6%	—	—
<b>(Currently defined China Business)</b>	—	—	—	30,533	32.3%	44.6%	—	—
<b>(Elimination of internal trading between segments)</b>	—	—	—	(6,337)	(6.7%)	—	—	—
<b>Other</b>	1,000	1.0%	12.4%	1,273	1.3%	15.6%	127.4%	+3.2pt

# 1. Review of the 5th Medium-Term Business Plan: By Region

(millions of yen)	5th Medium-Term Business Plan		Jan. 2017		Progress Status	3-years CAGR
	Net Sales	% of Total	Net Sales	% of Total		
<b>Overseas Business</b> (Previously defined Overseas Business)	57,300	57.3%	47,247	49.9%	82.5%	7.0%
China (incl. Hong Kong)	34,694	34.7%	27,985	29.6%	80.7%	7.7%
Other Asian Countries	9,181	9.2%	6,569	6.9%	71.6%	2.4%
North America	6,418	6.4%	7,061	7.5%	110.0%	9.2%
Near and Middle East	3,072	3.1%	2,382	2.5%	77.5%	4.0%
Other Regions	3,882	3.9%	3,239	3.4%	83.4%	10.3%



# 1. Pigeon Won the Grand Prix in the TSE's "Corporate Value Improvement Awards"



## <Reasons we were selected for the Grand Prix>

Pigeon Corporation (hereinafter, "the Company") was recognized for performing at remarkably high levels "management for increasing corporate value" including its efforts for the improvement with the whole organization as a united force with its **unique management benchmark** "PVA (Pigeon Value Added = Operating income after estimated taxes – Capital cost)" as its important index which indicates the amount of corporate value created exceeding capital cost and actually achieved outstanding results.

1. The Company has set and announced investor-conscious high management goals.
2. The Company has established a mechanism of corporate management using its unique management benchmarks.
3. The Company's corporate management mechanism aiming for enhancing corporate value has permeated deeply through the whole organization.
4. The Company engages in releasing information proactively toward the achievement of its constructive dialogues with investors.

# 1. Pigeon Won “IR Special Award” and “Porter Prize”



## <IR Special Award: from Japan Investor Relations Association>

In recent years, the Company’s IR practices have been increasingly highly valued.

The top management clearly articulates its mid to long-term growth strategy, issues, and a roadmap to create corporate value. In particular, the Company has **a unique way to explain its specific strategy** by using CCC (Cash Conversion Cycle) and ROIC (Return on Invested Capital), in addition to “PVA (Pigeon Value Added)” which is its **unique EVA** (Enterprise Value Added).

Detailed data are disclosed after the Company’s earnings release, and local information on its overseas operations such as in China is also proactively disclosed, leading to a favorable evaluation by investors.



## <Porter Prize>

Porter Prize was established to recognize Japanese companies that have achieved and maintained superior profitability by implementing **unique and excellent strategies**. Porter Prize Organizing Committee at Hitotsubashi University Graduate School of International Corporate Strategy is serving as the organizing body for the prize. Porter Prize was established in 2001 and the name of the prize is derived from Professor Michel E. Porter of Harvard University, a leading authority on strategy with a longstanding interest in Japanese corporations.

# “Uniqueness”

We have created our own distinctive “barriers,” or competitive advantages—a crucial foundation to support high profitability.

## 2. Our Vision

The Pigeon Way embodies our “heart and soul” and sets the grounds for our actions to stream from this core.

Corporate Philosophy: “Love”

Credo: “Only love can beget love”

The goal Pigeon Group aims to achieve



# Vision

To be the baby product manufacturer most trusted by the world's babies and families, i.e. "Global Number One"



### 3. Positioning of the 6th Medium-Term Business Plan: Number of Births in the World

**135 million babies are born every year in the world.**

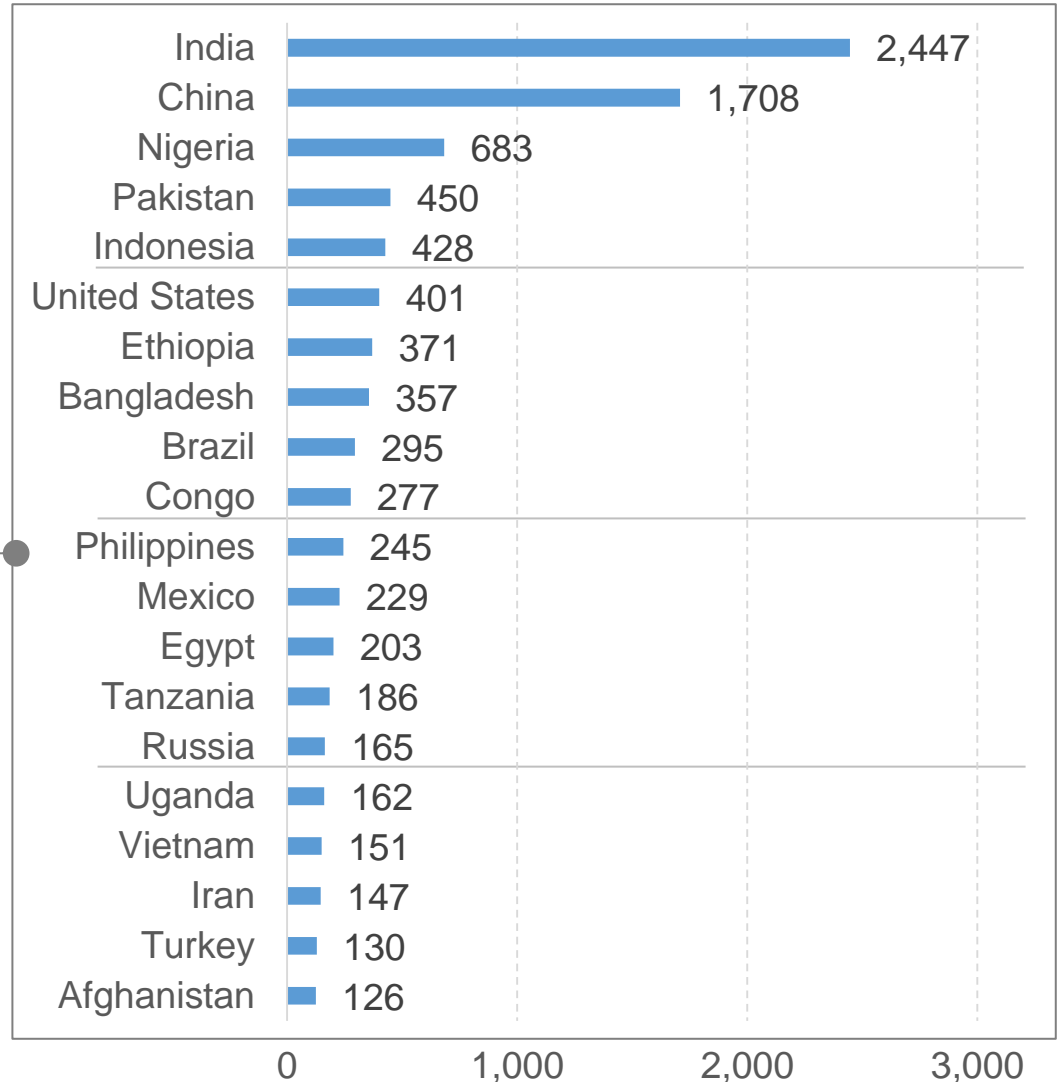
**135 million**



Other

Top 20

Top 20 Countries With the Highest Number of Births  
(Unit: 10 thousand babies/year)



### 3. Positioning of the 6th Medium-Term Business Plan: Details of the Top 20 Countries

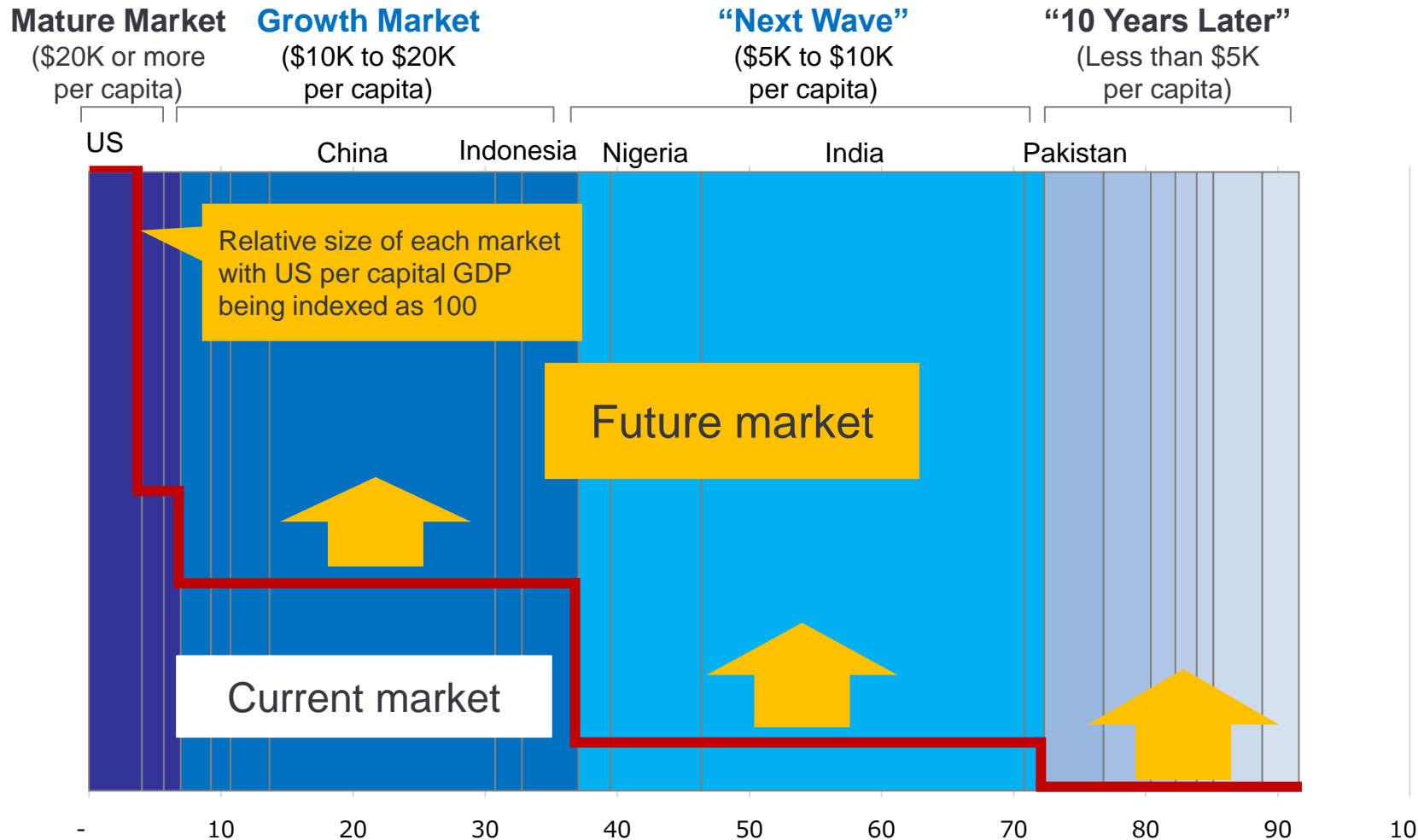


	Country	# of births (10K/year)	GDP Per capita	US=100%	Projected target for Pigeon products (10K/year)
<b>Mature Market</b> (\$20K or more per capita)	United States	401	\$ 56,300	100%	401
	Russia	165	\$ 23,700	42%	70
	Turkey	130	\$ 20,500	36%	47
<b>Growth Market</b> (\$10K to \$20K per capita)	Mexico	229	\$ 18,500	33%	75
	Iran	147	\$ 17,800	32%	47
	Brazil	295	\$ 15,800	28%	83
	China	1,708	\$ 14,300	25%	434
	Egypt	203	\$ 11,500	20%	41
	Indonesia	428	\$ 11,300	20%	86
<b>“Next Wave”</b> (\$5K to \$10K per capita)	Philippines	245	\$ 7,500	13%	33
	Nigeria	683	\$ 6,400	11%	78
	India	2,447	\$ 6,300	11%	274
	Vietnam	151	\$ 6,100	11%	16
<b>“10 Years Later”</b> (Less than \$5K per capita)	Pakistan	450	\$ 4,900	9%	39
	Bangladesh	357	\$ 3,600	6%	23
	Tanzania	186	\$ 3,000	5%	10
	Uganda	162	\$ 2,100	4%	6
	Afghanistan	126	\$ 2,000	4%	4
	Ethiopia	371	\$ 1,700	3%	11
	Congo	277	\$ 800	1%	4

**Total** 9,160

**1,782**

### 3. Positioning of the 6th Medium-Term Business Plan: Projected Market Size Illustrated



**There is still substantial room for growth not only in China but in other countries  
(There is indeed room for growth everywhere.)**

(million babies/year)

\* Research by Pigeon

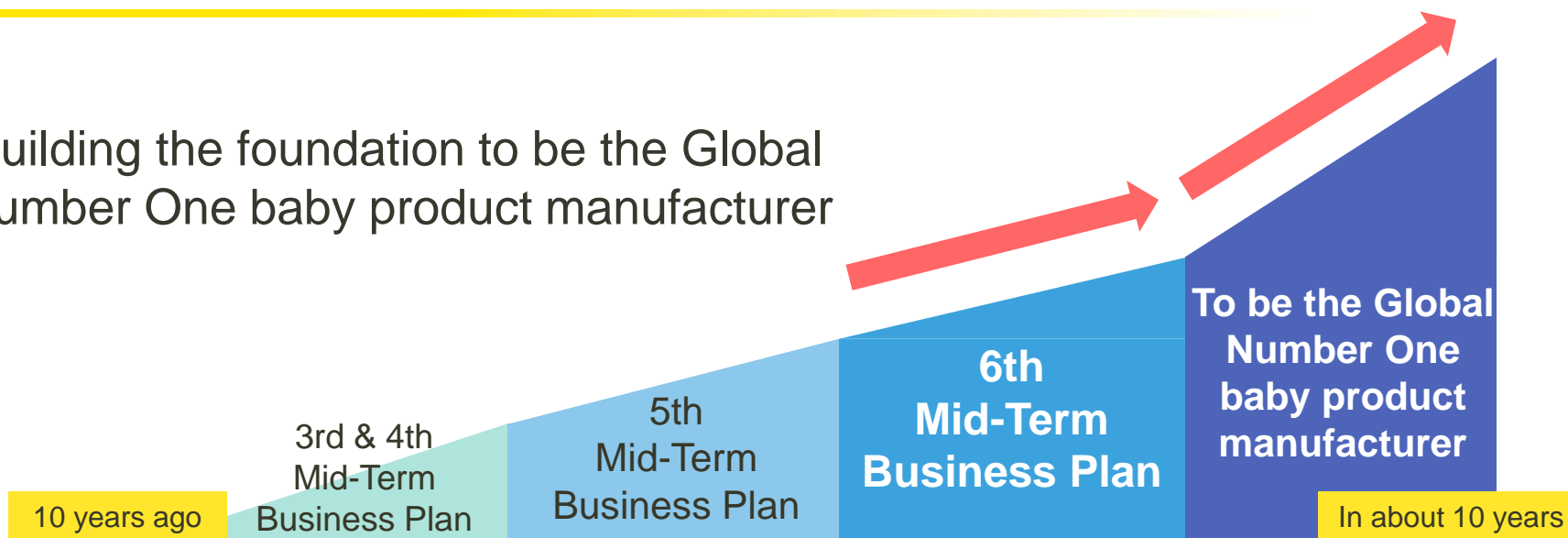
We need to establish a structure that enables us to compete and win against global peers to be the Global Number One in the current market and the future market



### 3. Positioning of the 6th Medium-Term Business Plan



Building the foundation to be the Global Number One baby product manufacturer



(in ¥100 millions of yen)	2008/1 Results	2014/1 Results	2017/1 Results	2020/1 (Plan/Target)	About 2026 (Projection)
Net sales	492	775	<b>946</b>	1,100	2,100
Gross margin	37.9%	44.5%	<b>47.2%</b>	50.0%	51.0%
Op. income	32	104	<b>160</b>	200	420
Op. margin	6.5%	13.4%	<b>16.9%</b>	18.2%	20.0%
PVA*	9	50	<b>83</b>	105	225
ROE	6.4%	19.7%	<b>21.8%</b>	Over 22%	Over 22%
Market cap.	346	1,886	<b>3,723</b>	5,000*	8,500*

\* The tax rate of 30% is used when PVA is calculated.

\* The figures above are indicative only of our roughly projected scale of corporate value.

## 4. Quantitative Targets (1) Financial Targets

(millions of yen)	Jan/17 Result	Jan/18 Plan	Jan/19 Plan	Jan/20 Plan	3-years CAGR
<b>Net sales</b>	94,640	99,800	102,300	110,000	+5.1%
<b>Gross profit</b>	44,688	47,600	50,800	55,000	+7.2%
<b>Operating income</b>	16,015	17,000	17,900	20,000	+7.7%
<b>Ordinary income</b>	16,462	17,000	17,900	20,000	+6.7%
<b>Net Income Attributable to Owners of Parent</b>	11,118	11,800	12,300	13,800	+7.5%
<b>EPS (¥)</b>	92.84	98.53	102.70	115.23	
<b>Gross margin</b>	47.2%	47.7%	49.7%	50.0%	
<b>Operating margin</b>	16.9%	17.0%	17.5%	18.2%	
<b>Ordinary margin</b>	17.4%	17.0%	17.5%	18.2%	
<b>Net Income Attributable to Owners of Parent margin</b>	11.8%	11.8%	12.0%	12.5%	

Jan/17 Result

ROE 21.8%  
ROIC 19.2%



6th MTBP

22.0% or more  
20.0% or more

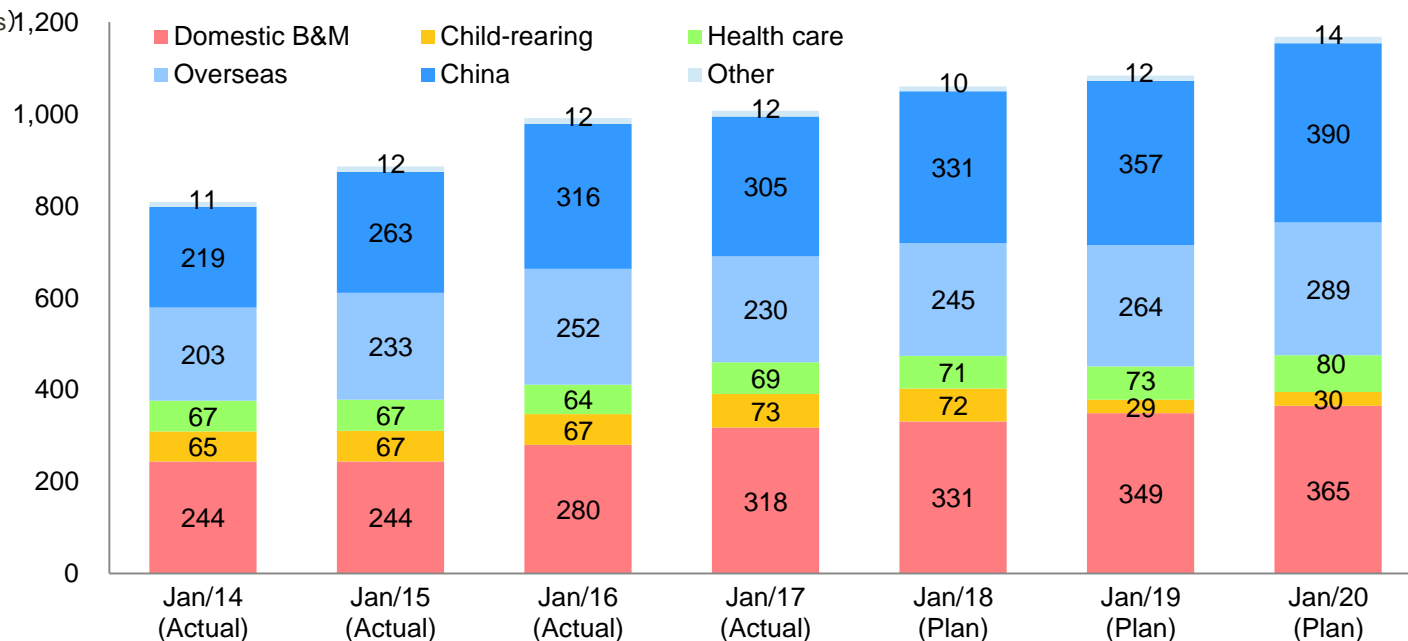
※ROE = Net income ÷ Equity (in both cases, denominators are averaged between beginning and year-end figures)

※ROIC: Return On Invested Capital (NOPAT/Capital Invested, calculated with a tax rate of 30.0%, Capital Invested is averaged between beginning and year-end figures)

# 4. Quantitative Targets (2) Sales & Operating Income by Segment

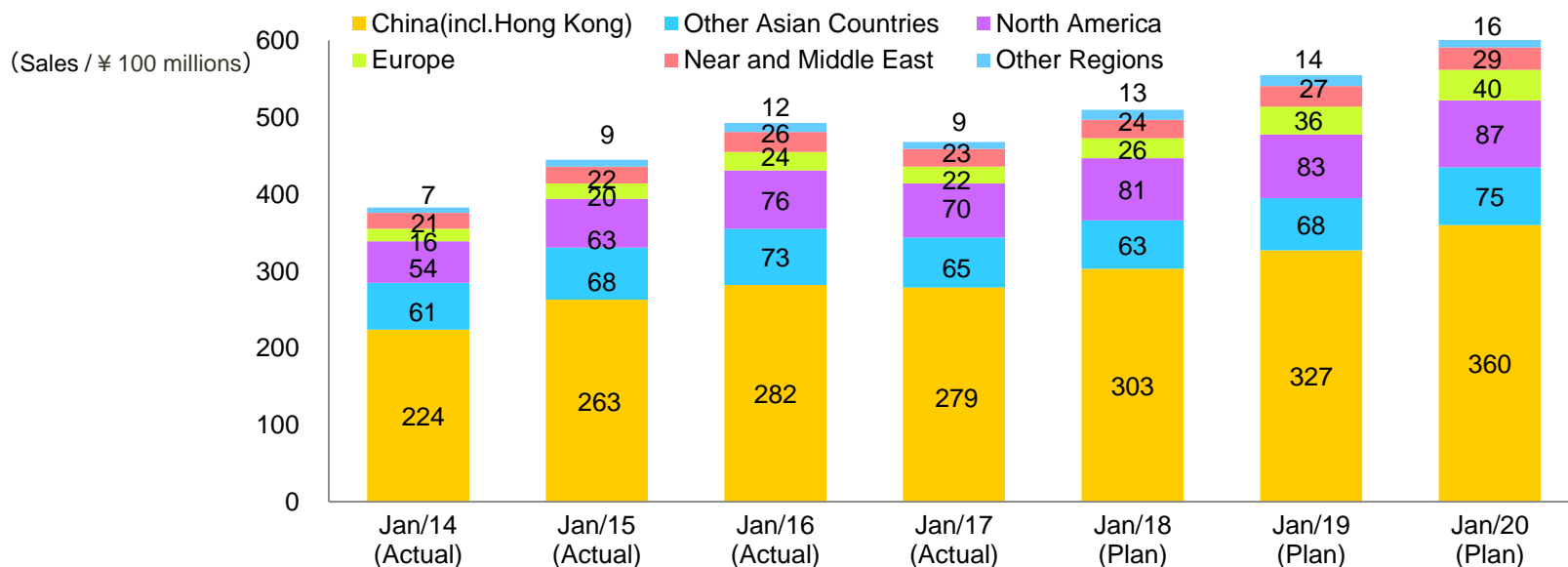
(millions of yen)	Jan/17 Result			Jan/18 Plan	Jan/19 Plan	Jan/20 Plan			3-years CAGR
	Sales	% of Total	Gross Margin	Sales	Sales	Sales	% of Total	Gross Margin	
<b>Consolidated net sales</b>	94,640	100.0%	47.2%	<b>99,800</b>	<b>102,300</b>	<b>110,000</b>	<b>100.0%</b>	<b>50.0%</b>	<b>+5.1%</b>
<b>Domestic Baby and Mother Care Business</b>	31,823	33.6%	47.0%	<b>33,100</b>	<b>34,945</b>	<b>36,526</b>	<b>33.2%</b>	<b>47.6%</b>	<b>+4.7%</b>
<b>Child Care Service Business</b>	7,393	7.8%	10.6%	<b>7,200</b>	<b>2,970</b>	<b>3,000</b>	<b>2.7%</b>	<b>16.8%</b>	<b>-</b>
<b>Health and Elder Care Business</b>	6,901	7.3%	31.4%	<b>7,139</b>	<b>7,390</b>	<b>8,000</b>	<b>7.3%</b>	<b>34.6%</b>	<b>+5.0%</b>
<b>Overseas Business</b>	23,051	24.4%	55.6%	<b>24,555</b>	<b>26,436</b>	<b>28,951</b>	<b>26.3%</b>	<b>56.1%</b>	<b>+7.9%</b>
<b>China Business</b>	30,533	32.3%	44.6%	<b>33,141</b>	<b>35,750</b>	<b>39,011</b>	<b>35.5%</b>	<b>45.7%</b>	<b>+8.5%</b>
<b>Elimination of internal trading between segments</b>	(6,337)	(6.7%)	-	<b>(6,435)</b>	<b>(6,469)</b>	<b>(6,949)</b>	<b>(6.3%)</b>	<b>-</b>	<b>-</b>
<b>Other</b>	1,273	1.3%	15.6%	<b>1,098</b>	<b>1,277</b>	<b>1,460</b>	<b>1.3%</b>	<b>15.5%</b>	<b>+4.6%</b>

(Sales / ¥ 100 millions)



## 4. Quantitative Targets (3) Sales by Overseas Region

(millions of yen)	Jan/17 Result		Jan/18 Plan	Jan/19 Plan	Jan/20 Plan		3-years CAGR
	Sales	% of Total	Sales	Sales	Sales	% of Total	
<b>Overseas Business</b>	47,247	49.9%	51,261	55,716	61,012	55.5%	+8.9%
<b>China (incl. Hong Kong)</b>	27,985	29.6%	30,336	32,727	36,015	32.7%	+8.8%
<b>Other Asian Countries</b>	6,569	6.9%	6,348	6,863	7,534	6.8%	+4.7%
<b>North America</b>	7,061	7.5%	8,109	8,355	8,713	7.9%	+7.3%
<b>Europe</b>	2,262	2.4%	2,671	3,605	4,075	3.7%	+21.7%
<b>Near and Middle East</b>	2,382	2.5%	2,461	2,706	2,994	2.7%	+7.9%
<b>Other Regions</b>	976	1.0%	1,334	1,457	1,678	1.5%	+19.8%



# Building our dreams into the future

— By creating a bridge towards  
the Global Number One manufacturer of baby products —

## 5. Business Policy: Basic Strategy



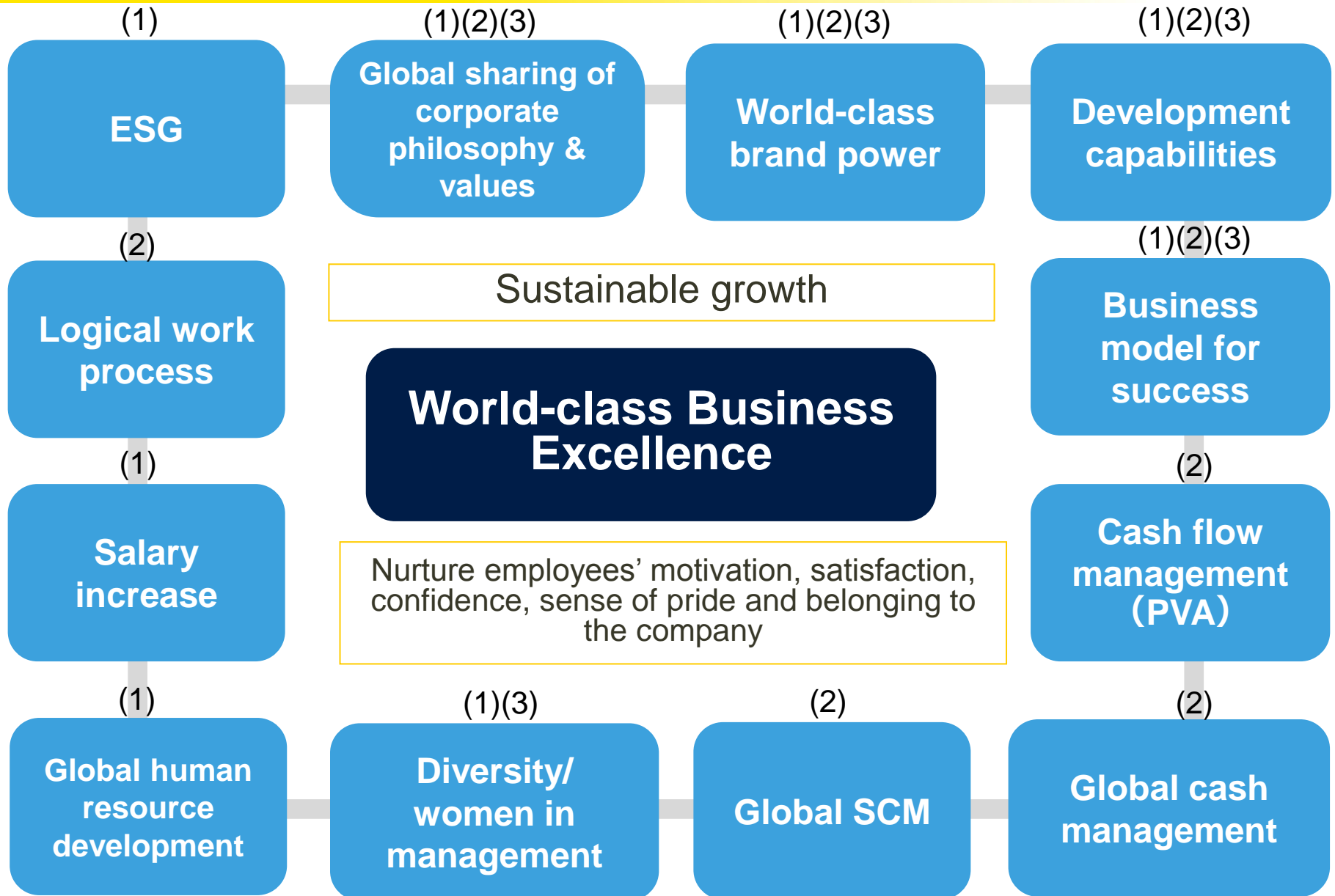
### Social Value Enhancement

- 1) Based on the Pigeon Way, create and implement all kinds of measures to achieve the goal of becoming **'an indispensable company'** for the society and make our Vision "to be the baby product manufacturer most trusted by the world's babies and families, i.e. **'Global Number One'**" come true.

### Economic Value Enhancement

- 2) **A further increase in corporate value** will be pursued through improvement in profitability and efficiency of the business, and maximization of cash flows. The organizational structure, management system and governance system will also be put in place and reinforced to ensure sustainable growth from a medium to long-term perspective.
- 3) During the three years of the sixth medium-term business plan, invest management resources giving priority to the key products and carry out strategic investments, laying solid foundations for the **double-digit growth** of Pigeon Group in the future.

# 5. Business Policy: Links Between the Basic Strategy and 12 Tasks



- 2) **A further increase in corporate value** will be pursued through improvement in profitability and efficiency of the business, and maximization of cash flows. The organizational structure, management system and governance system will also be put in place and reinforced to ensure sustainable growth from a medium-to long-term perspective.



Further evolving into a highly profitable organization with value-based management through:

- Improvement of Group's gross margin,
- Reduction of logistic expenses, and
- CCC improvement.

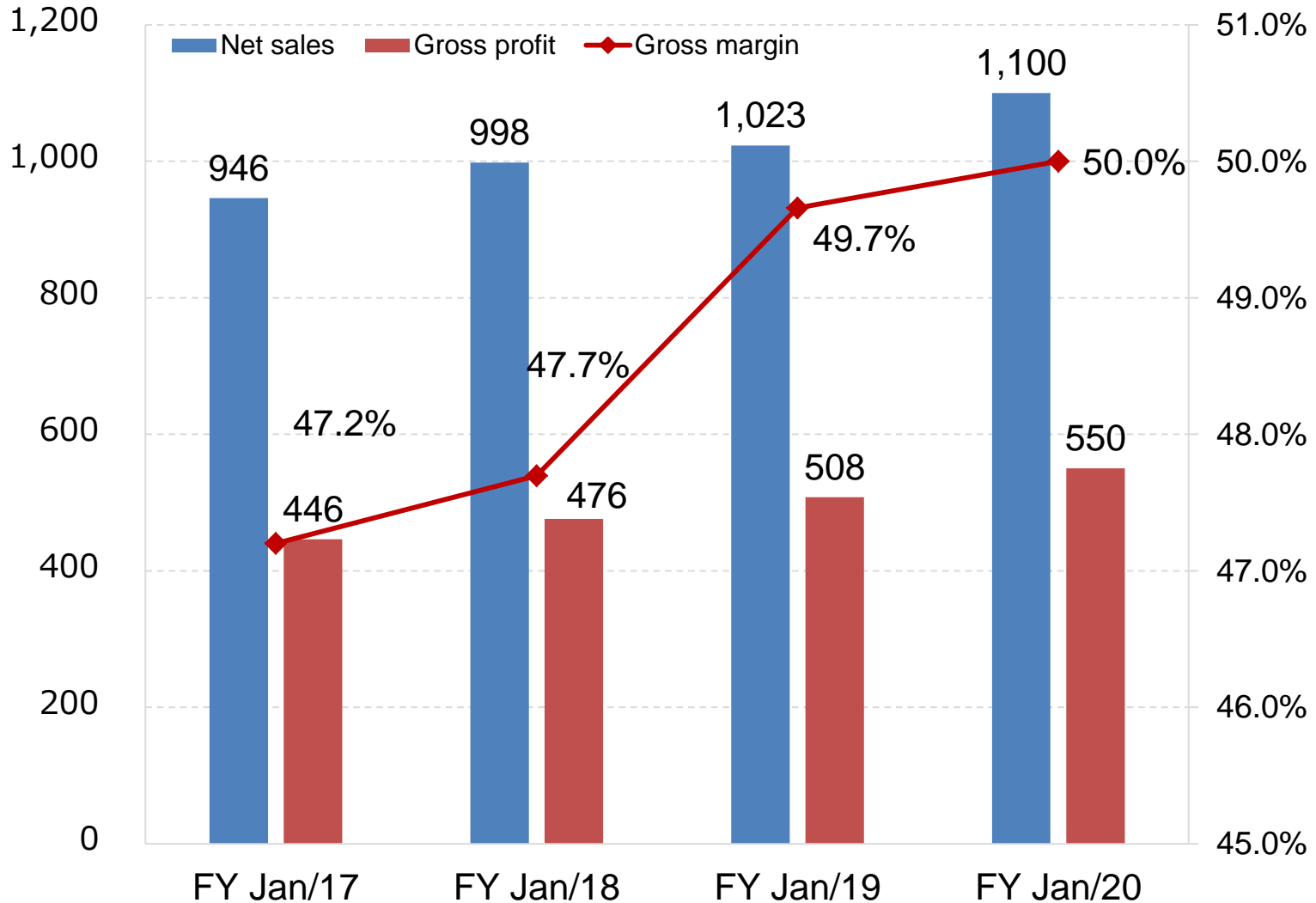


## 6. Key Strategy: Improving Operational Efficiency and Profitability



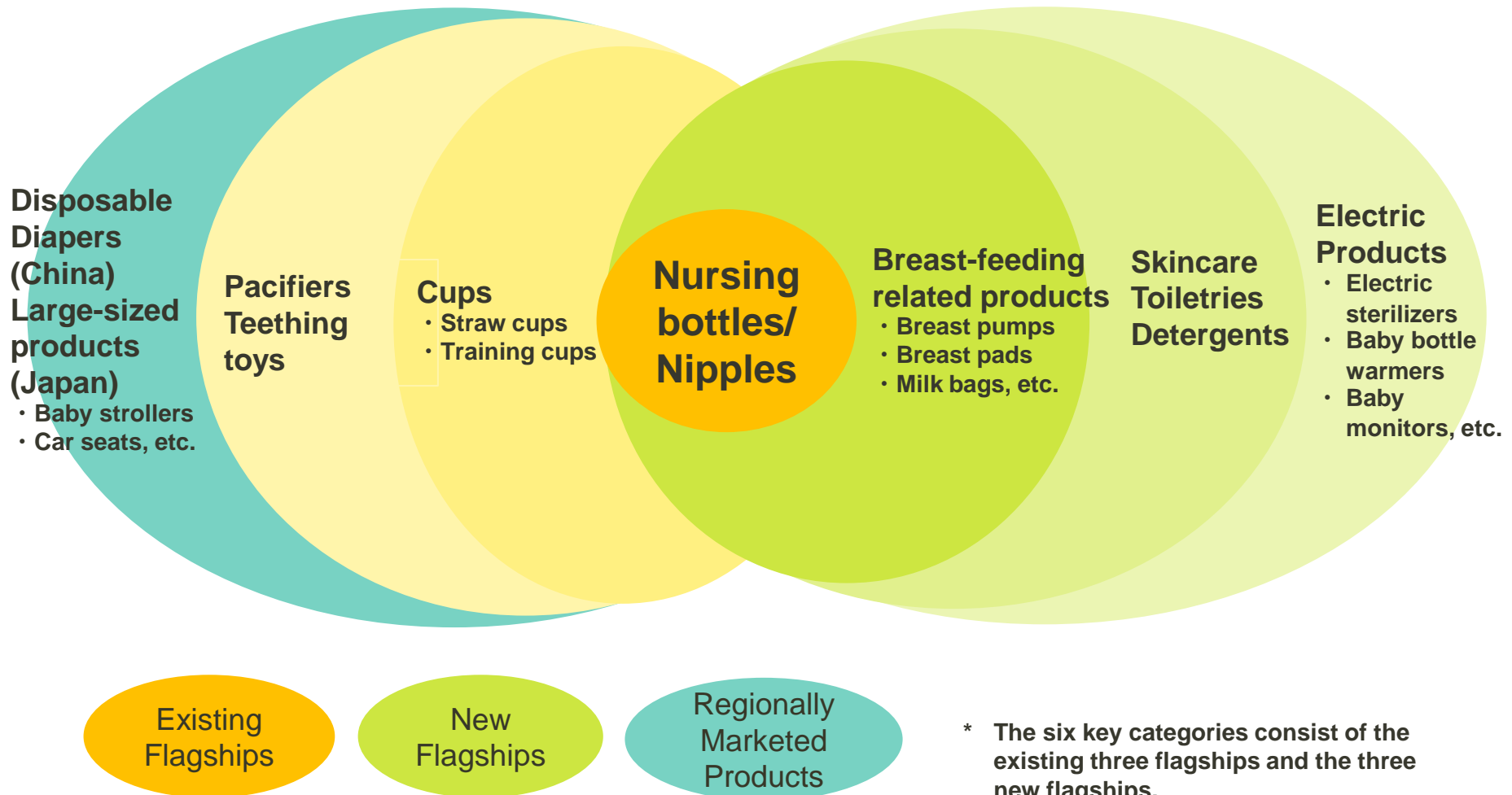
Pursuing higher sales, better product mix, and improved productivity and procurement

(in 100 millions of yen)



## 6. Key Strategy: Strategy for Expanding Key Categories

Spreading the overwhelming strength of nursing bottles and nipples over the entire spectrum of key categories



Points each division should focus on when implementing the strategy for the 6th Medium-Term Business Plan

- **Product:** Products and services with AI, IoT, and Smart Connected concepts in mind
- **Place:** New distribution channels  
(including hospitals, or NICU\* in particular; EC and DME\* channels in the US)
- **Promotion:** Direct communications with consumers implemented in our own way

## 7. Business Strategy: China Business



### Sales target for the China Business

30.5 billion yen (for FY Jan. 2017) → 39.0 billion yen (for FY Jan. 2020)

#### Business Growth

##### Increase in market share of the six key categories

- Nursing bottles/Nipples: Increasing sales by 39% (for the period from FY Jan/17 to FY Jan/20)
- Launch new products (every year)

##### Increase in sales of baby disposable diapers

- From 0.9 billion yen (for FY Jan/17) to 3.5 billion yen (for FY Jan/20)



#### Reinforcement of Business Foundations

##### Sales and distribution system

- Further reinforcement of sales and logistics systems to accommodate the growth of EC channels

#### Reinforcement of Communication with Consumers

##### Strengthening ties with maternity and general hospitals

- Deepening relationship with targeted maternity and general hospitals (e.g. through conducting joint research with university hospitals)

##### Reinforcement of direct communication

- Expanding the number of Pigeon fans by fully utilizing WeChat and Weibo



## 7. Business Strategy: Overseas Business



### Sales target for the Overseas Business

23.1 billion yen (for FY Jan. 2017) → 29.0 billion yen (for FY Jan. 2020)

#### Business Growth

##### Increase in market share of the six key categories

- Nursing bottles: Increase in the current market share of each country by 15 percentage points

##### Growth of Lansinoh operations

- Increase in sales from \$99 million (for FY Jan/17) to \$135 million (for FY Jan/20)
- Strengthening sales through the DME channel in the United States



#### Branding

##### Developing partnership with NICU

- Strengthening activities to develop partnership with NICU in addition to the activities at maternity and general hospitals at each country



#### Markets to be Cultivated

##### Reinforcement in high growth markets

- India, Indonesia, France (Benelux), and China(with the Lansinoh brand)

##### Increasing presence in new markets

- Africa (Nigeria, Kenya, and various countries on the West Coast)



## 7. Business Strategy: Domestic Baby and Mother Care Business



**Sales target for the Domestic Baby and Mother Care Business**  
**31.8 billion yen (for FY Jan. 2017) → 36.5 billion yen (for FY Jan. 2020)**

### Expansion of the Existing Business

#### Increase in market share of the six key categories

- Increasing sales (excl. those of large-sized products) from \$30.7 million (for FY Jan/17) to \$33.0 million (for FY Jan/20)



### Business Growth

#### Growth in the large-sized product category

- Achieving growth by increasing shares of baby strollers, car seats, etc.
- Market share target for the 6th MTBP period: 25%
- Increasing the category sales from 1 billion yen (for FY Jan/17) to 3.5 billion yen (for FY Jan/20)



### Reinforcement of Communication with Consumers

#### Reconstruction and re-strengthening of activities at maternity and general hospitals

- Strengthening relationship with targeted maternity and general hospitals by expanding seminars for healthcare professionals (in terms of areas and number of times held)

#### Strengthening direct communication

- Expanding the number of Pigeon fans by fully utilizing Pigeon.info (website)



## 7. Business Strategy:

Health and Elder Care Business/Child Care Service Business



**Sales target for the Health and Elder Care Business**  
**6.9 billion yen (for FY Jan. 2017) → 8.0 billion yen (for FY Jan. 2020)**

### Business Growth and Improvement in Profitability

- Reinforcement of in-company sales system and logistics system
- Developing and selling new products that empathetically incorporate insights of consumers and caretakers through working with collaborative partners outside the Group
- Reinforcement of promotion based on four themes that reflect the benefits of consumers and caretakers



**Sales target for the Child Care Service Business**  
**7.4 billion yen (for FY Jan. 2017) → 3.0 billion yen (for FY Jan. 2020)**

### Improvement in the Quality of Operation

- Implementing highly specialized child-rearing to reflect the distinctive characteristics of children
- Striving to find yet further ways to approach safe and secure management system
- Improving quality of child-rearing service by fostering child care staff



# 8. Functional Strategy: R&D/ Quality Control/ Production, Procurement and Logistics



## Research and Development

- Launch new and renewed products in the six key categories
- Strengthen research and development of breast pumps establishing them as a product of primary importance next to nursing bottles
- Launch products with our distinctive value proposition in the large-sized product category
- Establish production and development system to respond to the growth speed of the Group
- Develop new products for the hospital (particularly for the NICU) channels
- Develop products and services conscious of A.I., IoT, and Smart Connected



## Quality Control

- Further intensifying the PPM\*-related activities
- Strengthening support to improve industrial engineering and the yield rate



## Production, Procurement and Logistics

- Improvement in profitability primarily through higher in-house production rate
- Achieving the division of production and establishment of operation control system on a global basis with an aim to efficiently utilize the intra-Group production bases home and abroad
- Accelerating product procurement and concentration of functions to purchase main raw materials (by achieving the global SCM\*)

※PPM: Pigeon Productive Management  
※SCM: Supply Chain Management



## 8. Functional Strategy: Global Personnel System/ Global Governance



### Global Personnel System

#### Promotion of diversity

- Recruiting and training of personnel with ability of working on a global stage
- “Improvement of job satisfaction” and “Reform of Work Style”

#### Personnel system

- Globalization of management by objectives



### Global Governance

#### Promotion of Global IT system

- Investing in and developing the IT system to improve efficiency of the Group-wide performance management

#### Global Head Office

- Functional enhancement of the company as Global Head Office (GHO)
  - Strengthening “the function that can envisage a future of the Group as a whole, ensure management resources to realize it, allocate them from a total optimization viewpoint, and evaluate the results for improvement”
- Three functions of GHO: power to unify the Group, power to promote the business and power to envisage the future.

# 9. Enhancing Corporate Value: ESG

We are committed to contribute to the local community and environment as well as the well-being of our stakeholders.

	Item of Contribution	Specific Measures
Environment	Climate Change	<ul style="list-style-type: none"> <li>Reducing CO2 emissions, and saving electric power</li> </ul>
	Resources	<ul style="list-style-type: none"> <li>Ensuring sustainable resources</li> </ul>
	Pollution & Waste	<ul style="list-style-type: none"> <li>Reducing waste and garbage, and, preventing pollution</li> </ul>
	Environmental Opportunities	<ul style="list-style-type: none"> <li>Engaging in tree-planting activities</li> </ul>
Social	Human Capital	<ul style="list-style-type: none"> <li>Implementing measures to reduce overtime work; and introducing MBO evaluation system, training programs and global human resources development program</li> </ul>
	Product Liability	<ul style="list-style-type: none"> <li>Ensuring product safety and quality</li> </ul>
	Social Activities	<ul style="list-style-type: none"> <li>Implementing newborn tree-planting campaign, providing support to develop children's creativity, and donating elementary school buildings and facilities</li> </ul>
	Fair Business Practices	<ul style="list-style-type: none"> <li>Establishing Pigeon Partners Line, and respecting property rights</li> </ul>
Governance	Corporate Governance	<ul style="list-style-type: none"> <li>Strengthening governance system</li> </ul>
	Diversity & Inclusion	<ul style="list-style-type: none"> <li>Promoting employee diversity, developing female managers, and supporting child-rearing by employees, ensuring compliance and establishing Speak Up as a whistleblowing system</li> </ul>



Going forward, we will provide specific performance measures and results.

(Examples)

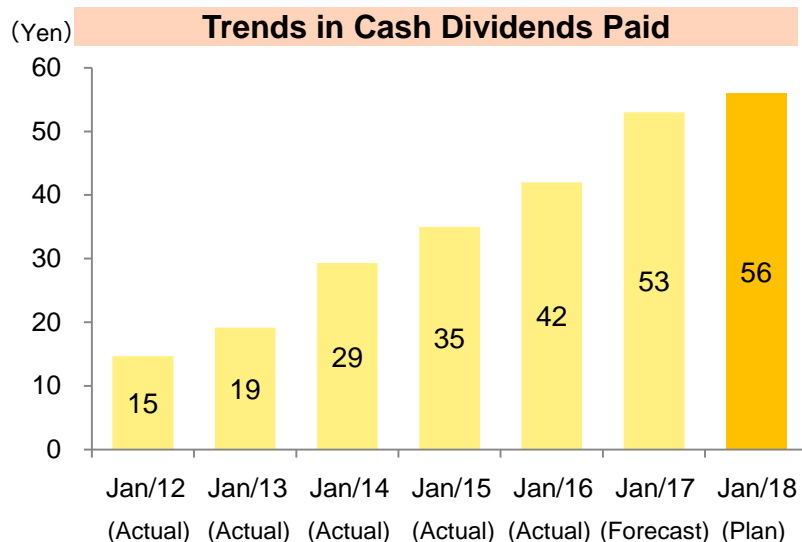
**<Female managers>**  
 Performance measure:  
 Ratio of female managers  
 Results\*: 19.1%

**<Child-rearing support>**  
 Performance measure:  
 Utilization rate of "One Month Together" (one-month paternity leave) program  
 Results\*: 100% for both male and female employees

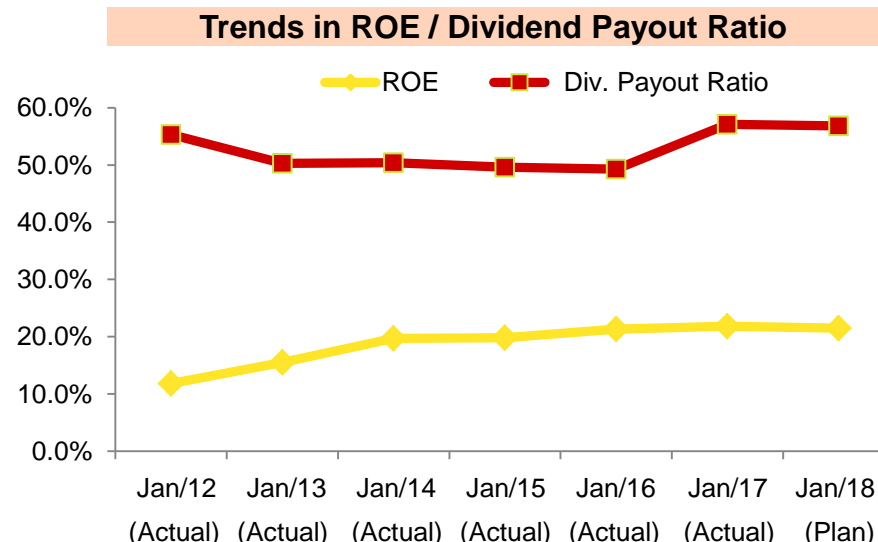
\* The results as of the end of FY 2016.

# 9. Enhancing Corporate Value: Capital Policy and Shareholder Return

- Estimated increase in operating cash flow: Approx. 46 billion yen
- Aggressively making investments for growth (incl. M&A)
  - Breakdown for investments (incl. M&A) (3-year total: Approx. 20 billion yen)
  - Overseas business: Approx. 14.5 billion yen/Domestic business: Approx. 5.5 billion yen
- Achieving the consolidated total shareholder return ratio of approx. 55% with a year-on-year increase in dividends for each fiscal year
- ROE (Return on Equity): 22.0% or more
- ROIC (Return on Invested Capital): To be improved to achieve 20.0% or more
- Increasing earnings per share through increased profitability



As the stock splits were implemented in the fiscal year ended Jan. 31, 2014 (on August 1, 2013) and the fiscal year ended Jan. 31, 2016 (on May 1, 2015), the figures from FY Jan/12 to FY Jan/18 are calculated on a post-split basis.



\* ROE (Return on Equity) is calculated using the average of balances at the beginning and end of the fiscal year as a denominator.

\* ROIC (Return on Invested Capital) is calculated by dividing NOPAT by invested capital, which is an average of the beginning and ending balances, at applicable tax rate of 30.0%.

# 10. Summary of the 6th Medium-Term Business Plan



		FY 2016	FY 2019	
Performance Measures	Scale of Growth	Net sales	¥94.6 billion	¥110.0 billion
		Gross profit	¥44.7 billion	¥55.0 billion
		Operating income	¥16.0 billion	¥20.0 billion
	Strengthening Earnings Structure	Gross margin	47.2%	50.0%
		Operating margin	16.9%	18.2%
PVA/CCC		¥8.3 billion/74 days	¥10.5 billion/64 days	
Business Strategy	Achieving Growth on a Global Scale	Growth of the China Business	¥30.5 billion	¥39.0 billion
		Growth of Lansinoh	\$99 million	\$135 million
		Preparation for the future	<b>Strengthening efforts to tap into growth market and develop new markets</b>	
	Achieving Growth Through Six Key Categories & Regionally Marketed Products	Sales of 6 categories in China and other overseas markets	¥42.2 billion	¥56.0 billion
		Large-sized products (Japan)	¥1.0 billion	¥3.5 billion
		Disposable diapers (China)	¥0.9 billion	¥3.5 billion
Functional Strategy	Strengthening Business Foundation	Taking on the challenge for improvement and innovation to create new value and realize agility (R&D, Quality Control, Production/Procurement/Logistics)		
	Strengthening Management Foundation	Improving “job satisfaction,” developing the global IT system, and strengthening head office functions and delegating authority		
Enhancing Corporate Value	Realizing Value of All the Stakeholders	Strengthening ESG-related initiatives Achieving ROE of 22% or more, a year-on-year increase in dividends every year, and total shareholder return ratio of approximately 55% or more		

# Forecasts for Term Ending Jan. 2018

# Jan. 2017 Results and Jan. 2018 Forecast (Consolidated)



(millions of yen)	Jan. 2017			Jan. 2018		
	Results	% of Total	YoY Change	Forecast	% of Total	YoY Change
<b>Net sales</b>	94,640	100.0%	102.6%	<b>99,800</b>	<b>100.0%</b>	<b>105.5%</b>
<b>Operating income</b>	16,015	16.9%	110.3%	<b>17,000</b>	<b>17.0%</b>	<b>106.1%</b>
<b>Ordinary income</b>	16,462	17.4%	109.2%	<b>17,000</b>	<b>17.0%</b>	<b>103.3%</b>
<b>Net Income Attributable to Owners of Parent</b>	11,118	11.8%	109.0%	<b>11,800</b>	<b>11.8%</b>	<b>106.1%</b>
<b>Net assets</b>	53,736	—	105.8%	<b>58,830</b>	—	<b>109.5%</b>
<b>Total assets</b>	78,889	—	106.7%	<b>78,984</b>	—	<b>100.1%</b>
<b>EPS (¥)</b>	92.84	—	109.0%	<b>98.53</b>	—	<b>106.1%</b>
<b>BPS (¥)</b>	437.43	—	105.7%	<b>479.12</b>	—	<b>109.5%</b>
<b>ROE</b>	21.8%	—	—	<b>21.5%</b>	—	—
<b>ROIC*</b>	19.2%	—	—	<b>19.9%</b>	—	—

\*[Assumed rates] Jan. 2018: US\$1 = ¥110.00; 1 yuan = ¥16.00

[Actual rates] Jan. 2017: US\$1 = ¥108.77; 1 yuan = ¥16.35

\*ROE = Net income ÷ Equity (in both cases, denominators are averaged between beginning and year-end figures)

\*ROIC: Return On Invested Capital (NOPAT/Capital Invested, calculated with a tax rate of 30%, Capital Invested is averaged between beginning and year-end figures)

# Results and Forecast by Segment (Consolidated)



(millions of yen)	Jan. 2017				Jan. 2018				
	Results	% of Total	Gross Margin	Segment Profit	Forecast	% of Total	YoY Change	Gross Margin	Segment Profit
<b>Consolidated net sales</b>	94,640	100.0%	47.2%	16,015	<b>99,800</b>	<b>100.0%</b>	<b>105.5%</b>	<b>47.7%</b>	<b>17,000</b>
<b>Domestic Baby and Mother Care Business</b>	31,823	33.6%	47.0%	6,244	<b>33,100</b>	<b>33.2%</b>	<b>104.0%</b>	<b>47.9%</b>	<b>7,098</b>
<b>Child Care Service Business</b>	7,393	7.8%	10.6%	211	<b>7,200</b>	<b>7.2%</b>	<b>97.4%</b>	<b>10.6%</b>	<b>193</b>
<b>Health and Elder Care Business</b>	6,901	7.3%	31.4%	504	<b>7,139</b>	<b>7.2%</b>	<b>103.4%</b>	<b>31.3%</b>	<b>480</b>
<b>Overseas Business</b>	23,051	24.4%	55.6%	5,352	<b>24,555</b>	<b>24.6%</b>	<b>106.5%</b>	<b>55.4%</b>	<b>5,429</b>
<b>China Business</b>	30,533	32.3%	44.6%	8,355	<b>33,141</b>	<b>33.2%</b>	<b>108.5%</b>	<b>45.3%</b>	<b>8,896</b>
<b>Elimination of internal trading between segments</b>	(6,337)	(6.7%)	—	—	<b>(6,435)</b>	<b>(6.4%)</b>	—	—	—
<b>Other</b>	1,273	1.3%	15.6%	162	<b>1,098</b>	<b>1.1%</b>	<b>86.3%</b>	<b>12.1%</b>	<b>132</b>

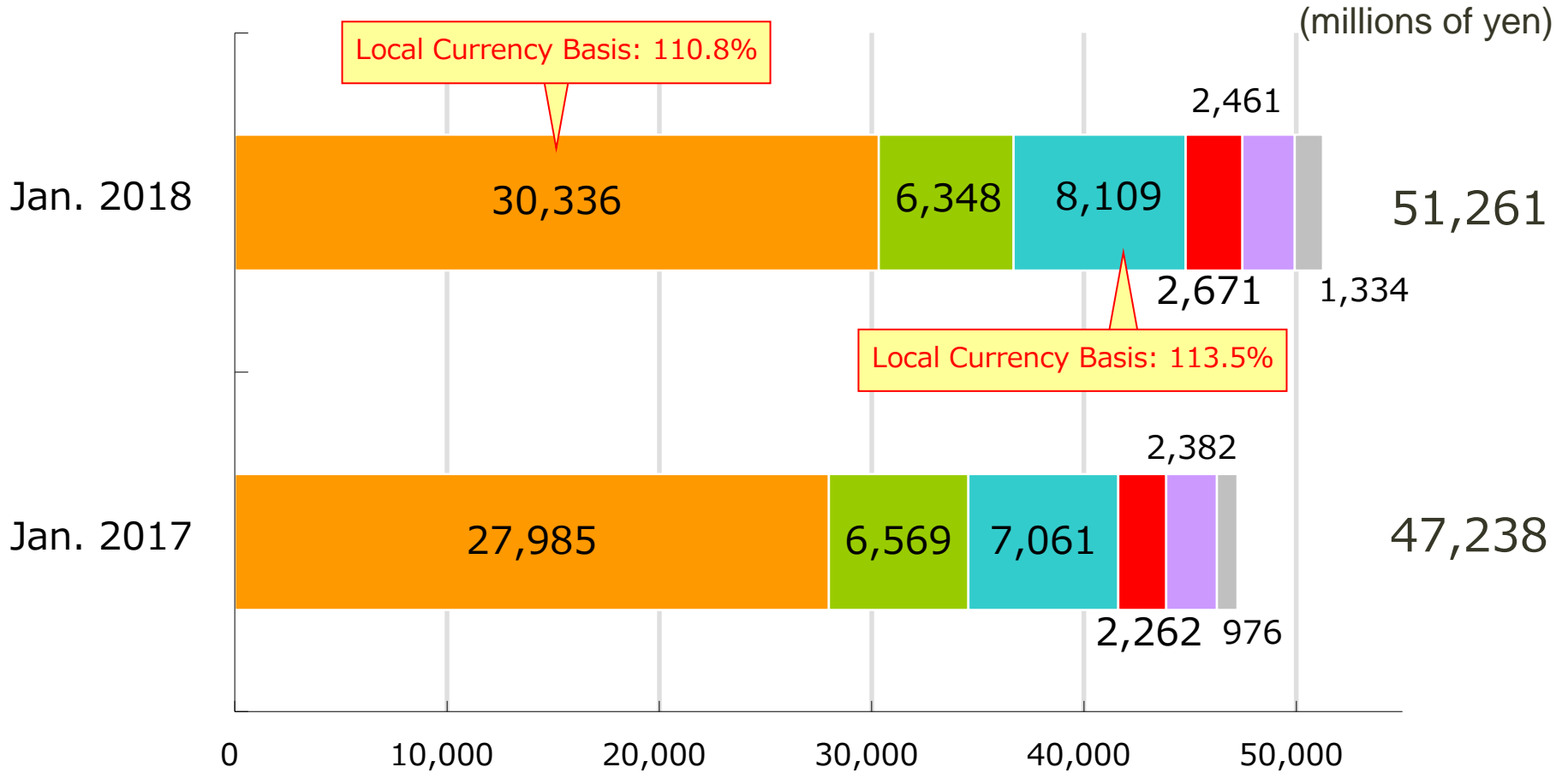
※ Segment profit in the consolidated net sales has been adjusted (all non-allocable operating expenses) and posted as operating income in the consolidated statements of income.

※ The consolidated net sales recorded has been posted as the sum resulted from eliminating intersegment transactions in the overseas and China Businesses.

# Forecast of Overseas Business Sales by Region



- China (incl. Hong Kong)
- North America
- Other Asian Countries
- Europe



※ [Estimate rates] Jan. 2018: US\$1 = ¥110.00    1 yuan = ¥16.00;    [Actual Rates] Jan 2017: US\$1 = ¥108.77, 1 yuan = ¥16.35



# Key Priorities for FY Jan. 2018



## ● Domestic Baby and Mother Care Business

- Strengthening six key product categories
  - Implementing comprehensive measures against competing products to sustain the present high market share in the nursing bottle/nipple category
  - Implementing measures and making necessary investments to sustain the present high market share in the breast pump category
- Implementing aggressive sales, marketing and investing activities to increase the market share of the baby strollers and other large-sized products (market share target: 16%)
- Getting more involved in promotional activities to achieve collaboration with healthcare professionals



## ● Child Care Service Business

- Clarify the positioning of business and streamlining business operations leading to improved profitability
- Secure quality of child-rearing service by improving employee's compensation and by securing and training child-rearing staff
- Further strengthening safety measures including reinforcement of crisis management

## ● Health and Elder Care Business

- Achieving growth by streamlining and strengthening the sales and distribution network
- Developing concepts and ideas of products to support the in-house care through working with professionals at care facilities
- Improving profitability by more efficient business system

## ● Overseas and China Businesses (common issues)

- Reinforcement of six key product categories
  - Further increasing the market share of the nursing bottles/nipples category
  - Implementing measures to expand the breast pump category



<India> In-store display

## ● Overseas Business (except China)

- Aggressively expanding Lansinoh (particularly in the European market) with improved profitability
- Expanding business in India and improving profitability primarily through improvement in capacity utilization rate
- Exploring feasibility of entering new markets including countries in Africa to achieve growth for the next MTBP period and onwards

## ● China Business

- Sustaining the high growth rate by taking advantage of the expansion of purchasing population
- Rebuilding of sales/distribution system in response to developments in EC channel
- Ensuring growth of the disposable diaper categories



<China> EC site

## Shareholder return indicator under our 6th Medium-Term Business Plan

We adopt a flexible approach (incl. through share buybacks) to increasing shareholder return with a target to achieve a year-on-year increase in dividends and approximately 55% of the consolidated total shareholder return ratio in each fiscal year.

Dividends	FY Jan/2015		FY Jan/2016		FY Jan/2017		FY Jan/2018	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Scheduled)	Interim (Estimate)	Year-end (Estimate)
Dividend per share (Yen)	<b>45</b> (15)	<b>60</b> (20)	<b>20</b>	<b>22</b>	<b>25</b> (including commemorative dividend of 3 yen)	<b>28</b> (including commemorative dividend of 3 yen)	<b>28</b>	<b>28</b>
Dividend payout ratio	<b>49.6%</b>		<b>49.3%</b>		<b>57.1%</b>		<b>56.8%</b>	

\* Our Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013. It also carried out a 3-for-1 stock split with respect to its common stock, effective as of May 1, 2015. The values given in the parentheses for dividend per share above are reference values converted based on the number of shares after the stock split.

## <Reference> Investment-related indicators

	FY Jan/2016		FY Jan/2017		FY Jan/2018
	Interim (Actual)	Full-year (Actual)	Interim (Actual)	Full-year (Actual)	Full-year (Forecast)
Amount of capital expenditures (*)	1,610	2,639	1,164	2,328	<b>3,045</b>
Depreciation (PPE)	1,018	2,133	1,014	2,042	<b>2,986</b>

\* Cost of items of property, plant and equipment acquired (carrying amount)

# Appendix

## Social Value

To be indispensable for the society and our consumers

Provision of solutions and new values

Corporate philosophy shared by all employees and other stakeholders

Development capabilities and brand power

Competency of each employee

Reduction of our environmental impact and contribution to society in the fields other than our own business

## Economic Value

Sum of present values of future free cash flows

Free cash flows  
= NOPAT + Depreciation  
- Investments  
- Incremental working capital

Business models and competitive advantages that are hard to copy

Marketing capabilities

KPIs (PVA, CCC, ROE, ROIC) and actions for their improvement

# Enhancing Management Quality: Twelve Tasks of 5th Medium-Term Business Plan



# Progress of 12 Tasks of the 5th MTBP (1)



## Global sharing of corporate philosophy & values

- Pigeon Way Meetings held in Japan and abroad
- *Pigeon Way Newsletters* issued (in Japanese and English).
- The corporate movie renewed and shared at the general employee meeting
- *GLOBAL PASSPORT* distributed (in Japanese, English, Chinese, Thai, Turkish)

BL: Target achieved  
RD: Target unachieved with issues to be addressed

## World-class brand power

- *Pigeon Global Brand Style Guideline* prepared, announced and implemented.
- The corporate website updated. (\* Awarded *Excellent Company in Website Richness Ranking*: Listed company section)
- Smile Lactation Research Institute launched and operated
- Brand recall ratio ranked No.1 in Singapore

## Development capabilities

- Nipples for baby bottles [nipples for weak sucking] won *iF Design Award*, one of the world's three major design awards
- R&D environment put in place (renovation)
- Organization strengthened with establishment of Design Group and preparation of *Global Design Guidance* started and implemented
- Research function reinforced, planning flow reorganized and standardization promoted with establishment of Research Group
- Appeal of globally marketed products (e.g. breast pumps) further strengthened
- New products in Health & Elder Care Business

## Business model for success

- A successful business model created in the baby stroller segment characterized by development process with in-store promotion, PR and sales promotions in mind, selection of new outsourcing suppliers, PR activities at introduction of the products and increased sales staff. (gained a record high 13.5% market share as of February, 2016)
- No new successful models created other than the baby stroller

# Progress of 12 Tasks of the 5th MTBP (2)



## Cash flow management (PVA)

- PVA study sessions held and materials shared
- PVA/CCC by Group company and by business segment announced in consolidated monthly reports
- PVA, ROIC and CCC for FY2016: ¥6,584 million, 16.3% and 74.4 days, respectively (CCC as compared to 88.8 days for FY Jan/15 and 81.0 days for FY Jan/16)
- **Progress management and further improvement of the Group-wide CCC target**

## Global cash management

- Visualization of cash positions by introducing the system (Currently more than 90% of entire Group's cash positions can be monitored.)
- Cash flow control on a budget vs. actual basis now operational on the system platform for Lansinoh, Korea, Thailand, Singapore, Malaysia and India

## Global SCM

- Cost reduction target for the 5th MTBP period successfully achieved
- Profitability analyzed by allocating logistics cost to each business segment and product category
- Stockouts significantly reduced as a result of holding expanded production and sales meetings with an aim to establish the optimal production and sales system
- Logistics cost to sales ratio target successfully achieved
- **Shortening delivery lead time worldwide through the optimal alignment of production bases**

## Diversity/women in management

- Training courses for female employees and for promotion of diversity held
- *Okoshi Juku*, a female manager development program, held five times in total
- Proportion of female officers and managers: 19.1% for FY Jan/2017 (as compared to 16.7% for FY Jan/2015)
- Utilization rate of one-month paternity leave (One Month Together): 100% for two consecutive years



# Progress of 12 Tasks of the 5th MTBP (3)

## Global information system

- Global Common Product category newly created (operational in FY Jan/2017)
- Product codes/part codes for the Global Common Product category established (already covered 99%+ of all items)
- **Accurate and real-time collection and analysis of data from each business base**

## Logical work process

- Courses to develop the business skill set (skills include logical thinking, marketing, accounting and problem solving) made mandatory to employees in their 20's and 30's
- **Issues to be addressed over the training period, burden on the participants to the group training (particularly for those temporarily transferred to overseas subsidiaries), and measurement of training effectiveness**

## Salary increase

- Ranked as a No. 1 pay raise company (in manufacturing segment) for two consecutive years (FY Jan/15 and FY Jan/16) by *Nikkei Sangyo Shimbun* (Nikkei Industrial Journal), and ranked No. 4 for FY Jan/17
- Average overtime: 2.5 hours (FY Jan/17)
- **Targeted paid leave acquisition rate: 50% (30% for FY Jan/15, 44% for FY Jan/16 and 49% for FY Jan/17)**

## Global human resource development

- Employees' global communication skill strengthened (Over 60% of the employees in his/her 20's and 30's now achieved 500 or higher score in TOEIC)
- Global Leadership Program implemented twice
- Introduction of global personnel system completed at Lansinoh and two other subsidiaries in Singapore and Thailand
- **Education and training curriculum for employees Pigeon needs defined and career path developed**

## Components to calculate our WACC of 5%

- Market capitalization: 372,260 million yen (as of January 31, 2017)
  - Interest-bearing debt: 5,699 million yen
  - Interest rate: 0.3%
  - Tax rate: 30%
  
  - Risk-free rate: 0.063 (January 2017 average rate of the newly issued 10-year JGB)
  - Beta: 0.99 (based on TOPIX Indices available on December 6, 2016 for the preceding two years on a weekly basis)
  - Market risk premium: 5.1% (based on Ibbotson Associates' data from 1962 to 2015)
- \* Cost of equity: 5.1%**

We have set the target ROIC of 20% or more (at the tax rate of 30%) for the 6th Medium-term Business Plan.

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### **Disclaimer on Forward-Looking Statements**

This material includes certain forward-looking statements about the Pigeon Group. To the extent that statements in this material do not relate to historical or current facts, they constitute forward-looking statements.

These forward-looking statements are based on the current assumptions and judgments of the Pigeon Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors, which may affect the statements made in this material.