

Results briefing for the six months ended July 31, 2012

September 5, 2012

PIGEON CORPORATION

(Securities code: 7956)

President & CEO Akio Okoshi

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Jul. 2012 Results

Jul. 2011 Results and Jul. 2012 Results (Consolidated)

(¥ millions)	Jul. 2011		Jul. 2012			
	Amount	YoY Change	Forecast	Amount	YoY Change	% of Forecast
Net sales	28,432	104.4%	30,100	31,207	109.8%	103.7%
Operating income	2,087	121.7%	2,200	3,225	154.5%	146.6%
Ordinary income	2,064	117.6%	2,150	3,266	158.2%	151.9%
Net income	1,214	110.6%	1,400	1,910	157.3%	136.5%
Net assets	27,270	103.6%	—	29,165	107.0%	—
Total assets	44,207	108.7%	—	45,541	103.0%	—
EPS (¥)	60.69	110.6%	69.95	95.48	157.3%	136.5%
BPS (¥)	1,336.67	103.5%	—	1,430.16	107.0%	—

Statements of Income (Consolidated)

(¥ millions)	Jul. 2011		Jul. 2012			
	Amount	% of Total	Amount	% of Total	YoY Change	summary
Net sales	28,432	100.0 %	31,207	100.0 %	109.8 %	
Cost of sales	16,880	59.4 %	17,960	57.6 %	106.4 %	
Gross Profit	11,552	40.6 %	13,247	42.4 %	114.7 %	
Selling, General and Administrative Expenses	9,464	33.3 %	10,022	32.1 %	105.9 %	■ Main SG&A changes Selling: +¥412m Personnel: +¥143m Provision for allowance for doubtful accounts: -¥97m
Operating income	2,087	7.3 %	3,225	10.3 %	154.5 %	
Total Other Income and Expenses	(22)	0.0 %	41	0.1 %	—	
Ordinary income	2,064	7.3 %	3,266	10.5 %	158.2 %	
Total Extraordinary Income and Loss	(126)	(0.5) %	(21)	(0.1) %	—	
Less: Minority Interest in Net Income of Consolidated Subsidiaries	61	0.2 %	59	0.2 %	96.1 %	
Net income	1,214	4.3 %	1,910	6.1 %	157.3 %	

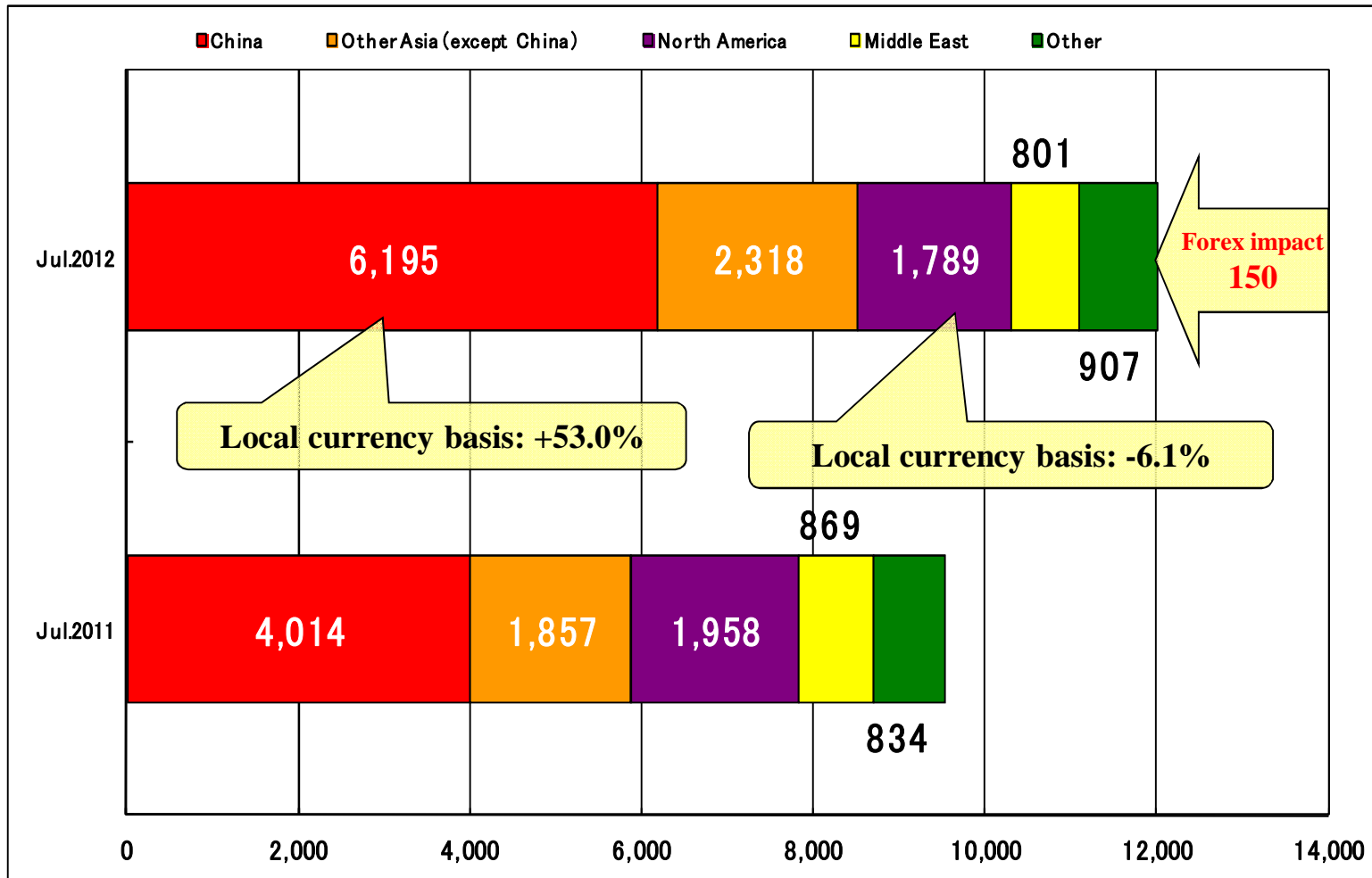
Results by Segment (Consolidated)

(¥ millions)	Jul. 2011				Jul. 2012				
	Amount	% of Total	Gross Margin	Segment Income	Amount	% of Total	YoY Change	Gross Margin	Segment Income
Consolidated net sales	28,432	100.0%	40.6%	2,087	31,207	100.0%	109.8%	42.4%	3,225
Domestic Baby and Mother Care Business	12,142	42.7%	45.7%	1,805	11,954	38.3%	98.4%	47.1%	1,784
Child-rearing Support Services	2,946	10.4%	11.2%	59	3,159	10.1%	107.2%	11.5%	83
Health Care and Nursing Care Business	3,303	11.6%	29.9%	234	3,510	11.2%	106.3%	31.0%	130
Overseas Business	9,534	33.5%	48.3%	1,559	12,013	38.5%	126.0%	50.5%	2,697
Other	505	1.8%	15.2%	57	570	1.8%	112.8%	15.7%	74

※Segment income in consolidated amount (all unclassifiable operating expenses) have been adjusted and posted as operating income in the quarterly consolidated statements of income

Overseas Business Sales by Region

(¥ millions)



※ Currency rates (July 2012): US\$1 = ¥79.77; 1 yuan = ¥12.64; (July 2011): US\$1 = ¥82.00; 1 yuan = ¥12.53

Key Priorities for the Year to Jan. 2013

■ Domestic Baby and Mother Care Business

- Expanding into new areas of business such as large merchandise
- Growth of the IT business

■ Child-rearing Support Services

- Realize further improvements in child-rearing quality;
continue steady expansion of business

■ Health Care and Nursing Care Business

- Reconstruct business organization; reinforce sales activities for the facilities route and new channels
- Improve the competitive power of the products focusing on those in important categories and make an effort in sales-promotion activities

■ Overseas Business

- **China:** Achieve further growth by reinforcement of the brand name and measures in growing business categories
Reinforce sales of new products and items manufactured at the new factory in Changzhou
- **Europe and America:** Steady growth of the newly developed brands (mOmma, etc.)
- **Market expansion:** Aim at increasing the market share in India, Malaysia, South Korea, etc.

Domestic Baby and Mother Care Business / Child-rearing Support Services

Domestic Baby and Mother Care Business

[New products for babies released during the first half]

Bubble bath series for children over a year and a half, Training chopsticks, microwave cake set for children over one year, others

[Large merchandise business]

contento, SOLACICA strollers

[IT Business]

Establishment of a brand store within the comprehensive “Amazon.co.jp” online shopping site

[Direct communication]

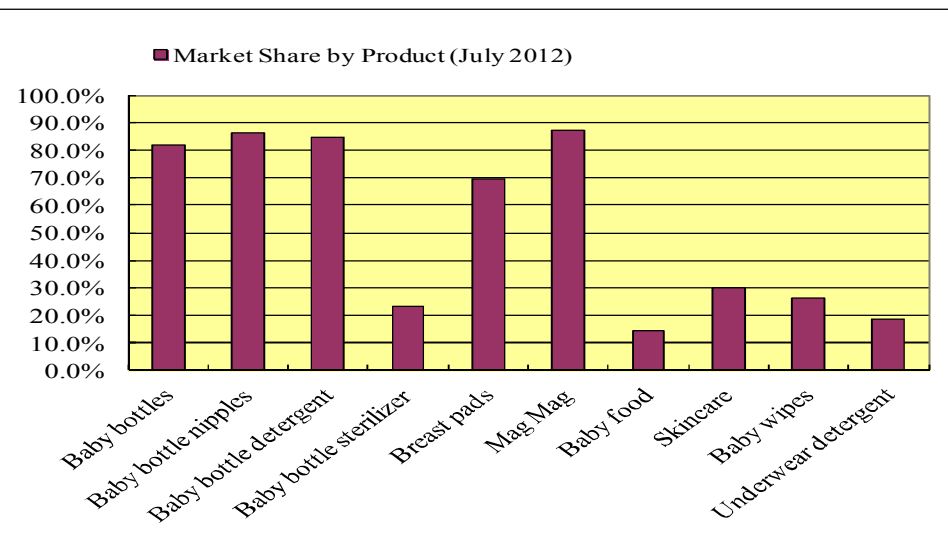
22 maternity events held with approximately 1,600 people participating

Child-rearing Support Services

[New contract of entrustment]

Authorized nursery school (1)

Nursery facilities within business establishments (4)



Main products to be launched during the Autumn of 2012 (second half of the year)



Angel & Girl
Hair Care Series



Akachan no Soft Furikake

※Source: POS Nationwide Drugstore Growth Estimates, INTAGE Inc. (monthly data)

Health Care and Nursing Care Business

Health Care and Nursing Care Business

Habinurse

- Focus on Pigeon Tahira (agent for distribution to healthcare facilities)
- Walking aid products: Wheelchair sales are strong
- New products: “Comfort Assist”
- Start of the Pigeon Manaka day service, smoothly increase users



Recoup

- New products: Walking Support Shoes
- Expanding sales through catalog mail orders and TV shopping



Recoup “Walking Support Shoes LU”



Habinurse “Comfort Assist”



Pigeon Manaka Day Service “SanSan”

Overseas Business

Overseas Businesses

China

- Restructuring and improvement of the distribution system completed, and the relationship with sales agents is excellent.
- Sales of new products are also progressing favorably
- Production output and operation are increasing in two production facilities due to business expansion.
- Our awareness program related to caring for breastfed infants conducted jointly with our Sanitation department are continually being implemented

Europe and America

- Temporary stagnation of performance due to the slowing economy and decrease in the number of live births as well
- Focus on penetration of “mOmma” and “earth friendly baby” brands

New markets

- **India:** Establishment of the distribution system, increase in the number of shops selling the Group’s products, and installation of Pigeon Corners
- **Korea:** To strengthen the structure for business expansion, a sales branch was reorganized into a local corporation.



Inauguration Ceremony of
Beiqin Hope Primary School
(Guizhou Province)

China: Pigeon Shanghai 10-year anniversary
commemoration product (baby bottle)



“DoubleHeart” brand in Korea

Reference: Balance Sheet Highlights (Consolidated)

	Jan. 12	Amount	Jul. 12	(¥ millions)
	Amount		YoY Change (Amount)	YoY Change (%)
Cash and time deposit	7,293	7,306	+ 12	100.2 %
Notes and accounts receivable	9,993	11,237	+1,244	112.5 %
Inventories	6,926	7,028	+101	101.5 %
Notes and accounts payable	3,758	3,758	(0)	100.0 %
Borrowings	4,898	5,003	+ 105	102.1 %
Net assets	27,935	29,165	+ 1,230	104.4 %
Total assets	43,772	45,541	+1,768	104.0 %
Equity ratio	62.7%	62.9%	—	+ 0.2 pt

■ Notes and accounts receivable:

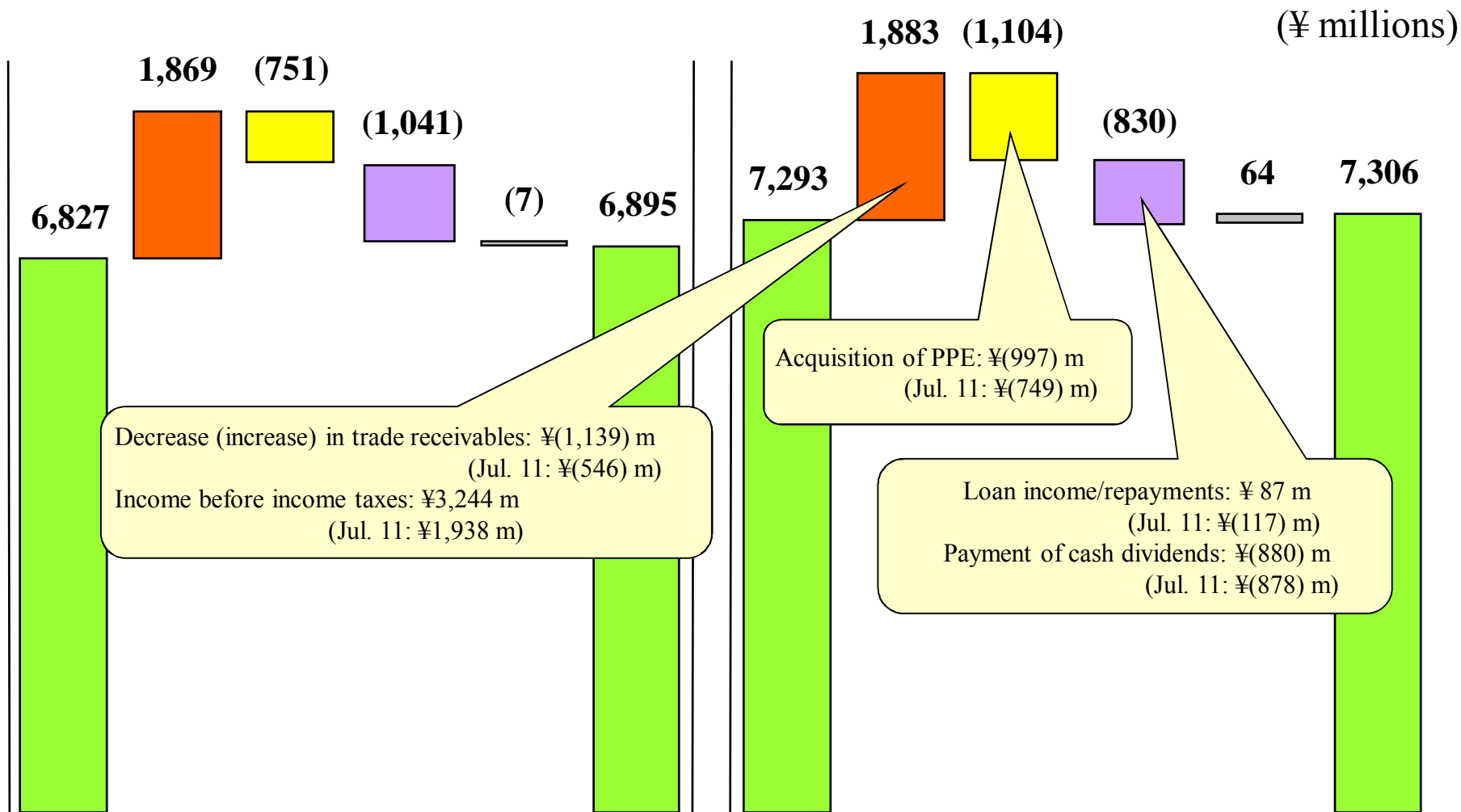
■ Inventories:



Increase due to business expansion

Reference: Cash Flows

(¥ millions)



Jul. 2011					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation/Valuation Gain (Loss)	Balance at End
6,827	1,869	(751)	(1,041)	(7)	6,895

Jul. 2012					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation/Valuation Gain (Loss)	Balance at End
7,293	1,883	(1,104)	(830)	64	7,306

Reference: Investment-Related Indicators (Consolidated)

(¥ millions)

	Jan. 2012		Jan. 2013	
	Interim (Result)	Full Year (Result)	Interim (Result)	Full Year (Plan)
Capital expenditures ※1	1,085	1,672	710	2,006
Depreciation (tangible fixed assets)	722	1,381	681	1,826
Research and development ※2	755	1,497	766	1,595

※1 Refers to purchase of tangible fixed assets, excluding construction in progress

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

Jan. 2013 Full Year Business Forecasts

Jan. 2012 Results and Jan. 2013 Forecast (Consolidated)

(¥ millions)	Jan. 2012			Jan. 2013 (Revised Forecast)		
	Amount	% of Total	YoY Change	Amount	% of Total	YoY Change
Net sales	59,145	100.0%	103.7%	64,900	100.0%	109.7%
Operating income	5,042	8.5%	110.9%	6,200	9.6%	122.9%
Ordinary income	4,917	8.3%	110.9%	6,100	9.4%	124.1%
Net income	3,183	5.4%	108.7%	3,500	5.4%	109.9%
Net assets	27,935	—	103.3%	29,634	—	106.1%
Total assets	43,772	—	102.5%	48,110	—	109.9%
EPS(¥)	159.05	—	108.7%	174.88	—	110.0%
BPS (¥)	1,370.46	—	103.4%	1,452.32	—	106.0%
ROA	11.4%	—	—	12.4%	—	—
ROE	11.8%	—	—	13.3%	—	—

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

Results and Forecast by Segment (Consolidated)

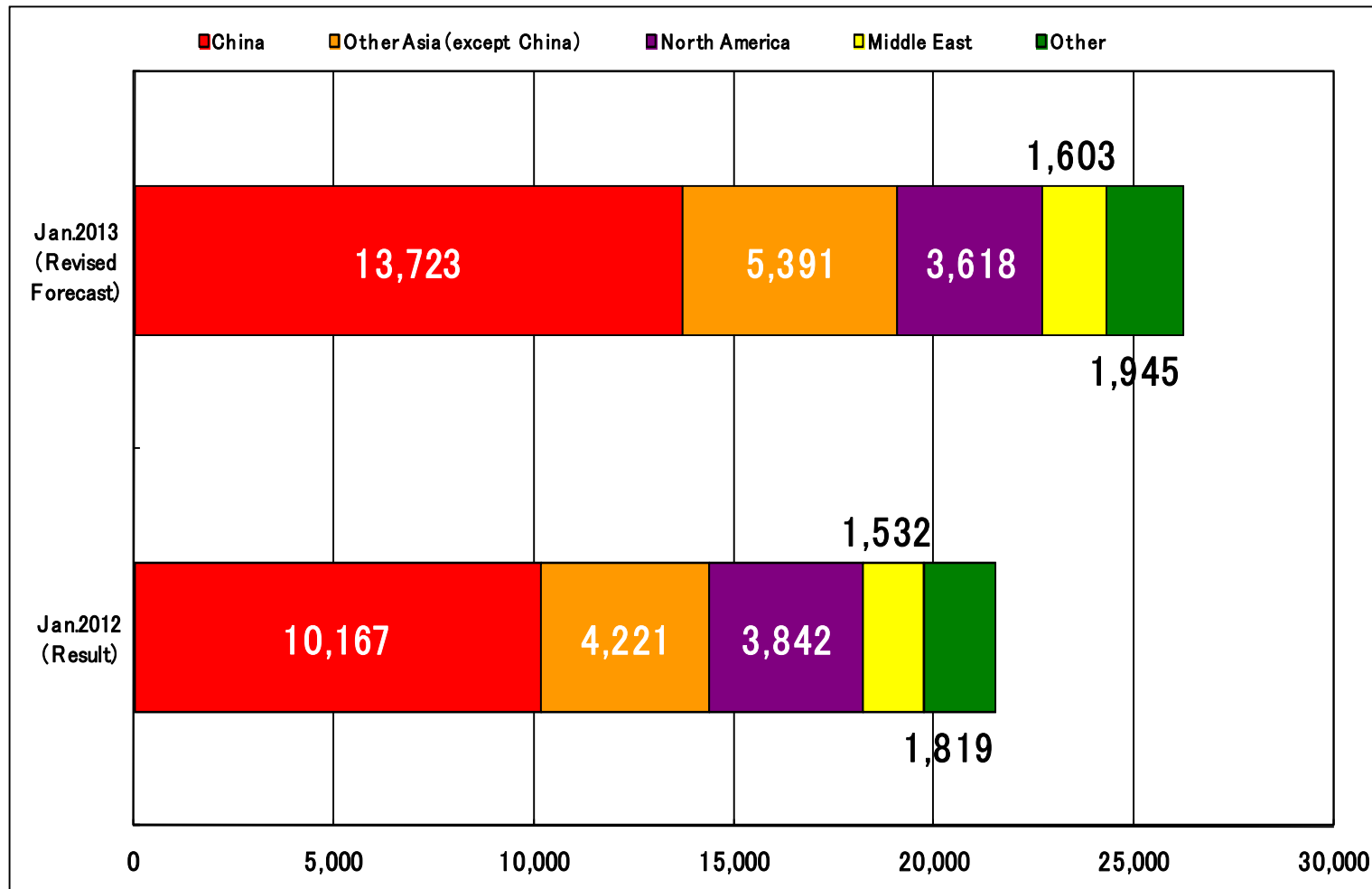
(¥ millions)	Jan. 2012				Jan. 2013 (Revised Forecast)				
	Amount	% of Total	Gross Margin	Segment Income	Amount	% of Total	YoY Change	Gross Margin	Segment Income
Consolidated net sales	59,145	100.0%	41.1%	5,042	64,900	100.0%	109.7%	41.9%	6,200
Domestic Baby and Mother Care Business	24,047	40.7%	46.5%	3,677	24,445	37.7%	101.7%	46.0%	3,611
Child-rearing Support Services	5,990	10.1%	11.5%	152	6,150	9.5%	102.7%	11.5%	160
Health Care and Nursing Care Business	6,469	10.9%	29.3%	350	7,014	10.8%	108.4%	28.5%	98
Overseas Business	21,584	36.5%	48.1%	3,909	26,282	40.5%	121.8%	50.2%	5,814
Other	1,052	1.8%	15.6%	138	1,007	1.6%	95.8%	11.5%	127

※Segment income in consolidated amount (all unclassifiable operating expenses) have been adjusted and posted as operating income in the consolidated statements of income

※Assumed exchange rates of Overseas Business: US\$1 = ¥78.80 ; 1 yuan = ¥12.45

Full Fiscal Year Overseas Sales by Region

(¥ millions)



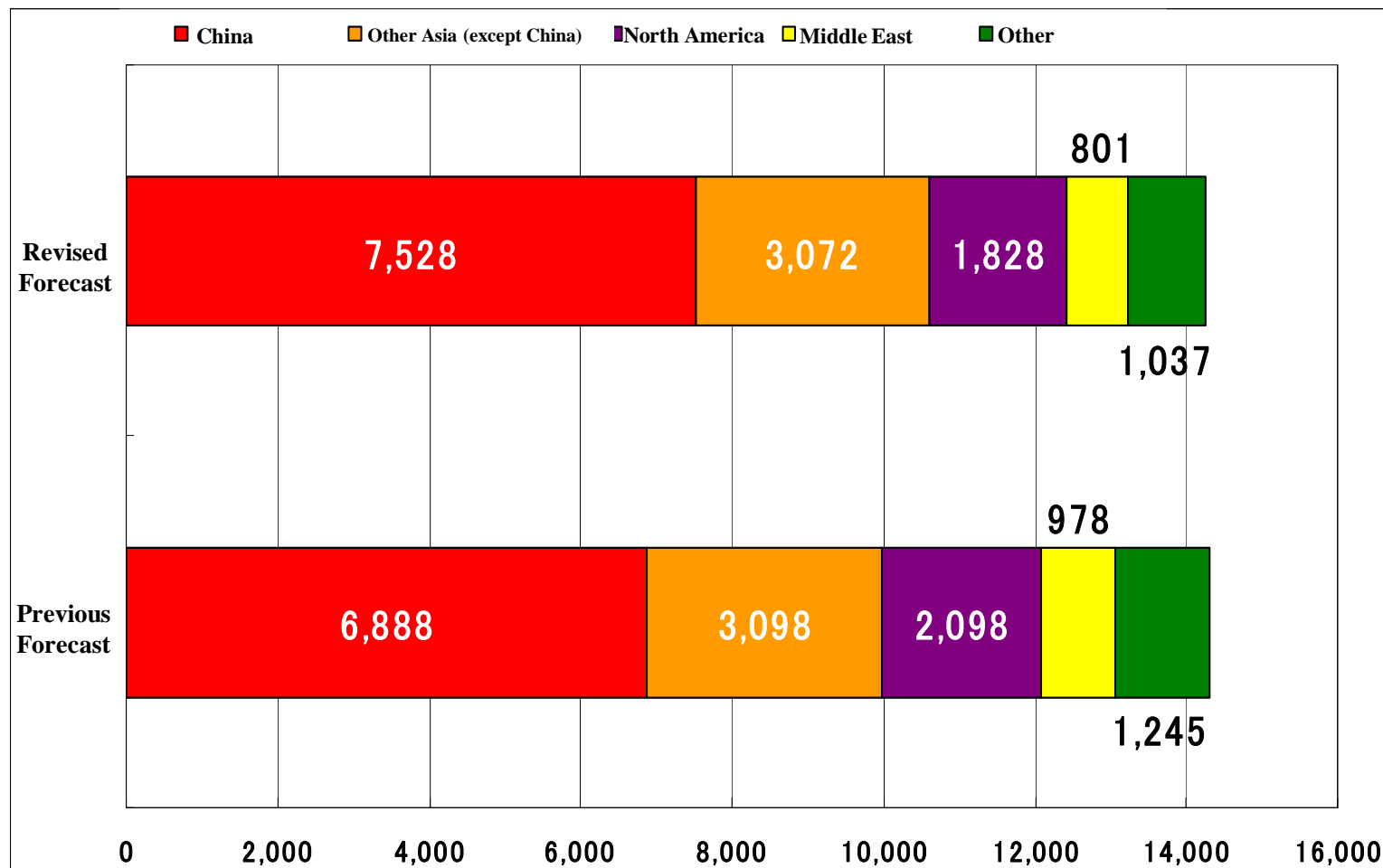
※ [Currency rates] Jan. 2013 (assumed): US\$1 = ¥78.80; 1 yuan = ¥12.45; Jan. 2012: US\$1 = ¥79.79; 1 yuan = ¥12.34

Revised Earnings Forecast by Consolidated Segment (Comparison to Forecast at the Beginning of the Fiscal Year)

(¥ millions)	First Half Results			Second Half Forecast			Full Year Revised Forecast		
	Previous Forecast	2Q Results	Difference	Previous Forecast	Revised Forecast	Difference	Previous Forecast	Revised Forecast	Difference
Consolidated net sales	30,100	31,207	1,107	34,200	33,692	(507)	64,300	64,900	600
Domestic Baby and Mother Care Business	12,125	11,954	(170)	12,770	12,491	(279)	24,895	24,445	(450)
Child-rearing Support Services	3,054	3,159	104	3,095	2,990	(104)	6,150	6,150	0
Health Care and Nursing Care Business	3,502	3,510	7	3,511	3,503	(7)	7,014	7,014	0
Overseas Business	10,902	12,013	1,110	14,329	14,269	(60)	25,232	26,282	1,050
Other	514	570	55	493	437	(55)	1,007	1,007	0

Second Half Overseas Sales by Region (Comparison to Previous Forecast)

(¥ millions)



Shareholder Return and Investment-Related Indicators

[Shareholder return indicators under Fourth Medium-Term Business Plan]

- Adopt flexible approach to upgrading shareholder return (incl. through share buybacks), targeting continued total shareholder return ratio of 50% or higher

Dividend Status	Jan. 2010 (Result)		Jan. 2011 (Result)		Jan. 2012 (Result)		Jan. 2013 (Forecast)	
	Interim	Year-End	Interim	Year-End	Interim	Year-End	Interim	Year-End
Dividend per share (yen)	32	32	44	44	44	44	44	44
Payout ratio	45.1%		60.1%		55.3%		50.3%	

Corporate Overview

PIGEON CORPORATION

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