



# Summary of Results of Fiscal Year ended January 2015

March 4, 2015

**PIGEON CORPORATION**

(Securities code: 7956)

President & COO

**Shigeru Yamashita**

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|   |                       |
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# **5th Medium-Term Business Plan** **(February 2015 to January 2017)** **Medium-term Business Policy**

**Pursuing world class  
business excellence,  
think globally, plan agilely,  
and implement locally.**

## 1. Strengthening of Brand Power (The No.1 Baby Care Products Manufacturer in the World)

- Expansion of sales shares of baby bottles and baby bottle nipples in the major markets
- Gain of competitive advantage in the markets by developing new products on the basis of basic research and consumer behavior observation
- Strengthening of the global Pigeon brand

## 2. Strengthening of Management Structure for Sustainable Business Expansion

- Strengthening of the function of Global Head Office (GHO) to develop and execute the global-wide group strategies
- Establishment of organizational structure enabling prompt decision-makings and actions in each location
- Establishment of functional head office structure enabling to support each location from the viewpoint of total optimization

## 3. Enhancement of Management Quality by Focusing on Cash Flows

- Investment in new markets and business
- Improvement focusing on profitability and efficiency of the existing markets and business
- Improvement of CCC to maximize cash, enhancement of ROIC, and, more importantly, establishment of the “Global Cash Management”

※ GHO: Global Head Office; CCC: Cash Conversion Cycle; ROIC: Return On Invested Capital (NOPAT/Capital Invested, calculated with a tax rate of 40.7%)

## **4. Development of Global Human Resources, Establishment of Global Personnel Management System, and Implementation of System to Facilitate Employees' Success**

- Development of global human resources, execution of flexible personnel assignment, and establishment of global personnel management to realize the above
- Cultivation of company culture allowing each employee to enhance productivity on each job, to feel “pride” in working at Pigeon and to continue to work at Pigeon for a long time

## **5. Further Improvement of Enterprise Value**

- Further improvement of enterprise value by continuously providing the services and products that make customers smile
- Efforts to bring smiles to all stakeholders including our customers

**We will achieve “Vision 2016” within the years under the 5th Medium-Term Business Plan**

# Results of Term Ended Jan. 2015

# Financial Highlights (Consolidated)



| (¥ millions)            | Jan. 2014 |            | Jan. 2015        |          |            |               |
|-------------------------|-----------|------------|------------------|----------|------------|---------------|
|                         | Amount    | YoY Change | Revised Forecast | Amount   | YoY Change | % of Forecast |
| <b>Net sales</b>        | 77,465    | 119.0%     | 83,700           | 84,113   | 108.6%     | 100.5%        |
| <b>Operating income</b> | 10,365    | 146.3%     | 12,100           | 12,780   | 123.3%     | 105.6%        |
| <b>Ordinary income</b>  | 11,002    | 148.9%     | 12,300           | 13,299   | 120.9%     | 108.1%        |
| <b>Net income</b>       | 6,985     | 152.7%     | 7,800            | 8,451    | 121.0%     | 108.4%        |
| <b>Net assets</b>       | 39,981    | 123.5%     | —                | 47,297   | 118.3%     | —             |
| <b>Total assets</b>     | 57,955    | 119.4%     | —                | 72,367   | 124.9%     | —             |
| <b>EPS (¥)</b>          | 174.53    | 152.7%     | —                | 211.65   | 121.3%     | —             |
| <b>BPS (¥)</b>          | 977.50    | 123.5%     | —                | 1,156.39 | 118.3%     | —             |
| <b>ROA</b>              | 20.7%     | —          | —                | 20.4%    | —          | —             |
| <b>ROE</b>              | 19.7%     | —          | —                | 19.8%    | —          | —             |

※ 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)  | Jan. 2014 |            | Jan. 2015     |               |               |   |
|---|-----------|------------|---------------|---------------|---------------|---|
|   | Amount    | % of Total | Amount        | % of Total    | YoY Change    | Remarks   |
| <b>Net sales</b>  | 77,465    | 100.0%     | <b>84,113</b> | <b>100.0%</b> | <b>108.6%</b> |   |
| <b>Cost of sales</b>  | 43,000    | 55.5%      | <b>45,817</b> | <b>54.5%</b>  | <b>106.5%</b> | <ul style="list-style-type: none"> <li>■ Main changes in SG&amp;A expenses</li> </ul>               |
| <b>Gross profit</b>   | 34,464    | 44.5%      | <b>38,296</b> | <b>45.5%</b>  | <b>111.1%</b> | Personal expenses:<br>+ ¥496m   |
| <b>SG&amp;A expenses</b>  | 24,098    | 31.1%      | <b>25,515</b> | <b>30.3%</b>  | <b>105.9%</b> | Sales Promotion expenses:<br>+ ¥511m  |
| <b>Operating income</b>   | 10,365    | 13.4%      | <b>12,780</b> | <b>15.2%</b>  | <b>123.3%</b> | Delivery expenses:<br>+ ¥318m   |
| <b>Non-operating income (expenses)</b>                                    | 636       | 0.8%       | <b>518</b>    | <b>0.6%</b>   | <b>81.4%</b>  | Advertising expenses:<br>¥(411m)  |
| <b>Ordinary income</b>  | 11,002    | 14.2%      | <b>13,299</b> | <b>15.8%</b>  | <b>120.9%</b> | <ul style="list-style-type: none"> <li>■ Main changes in non-operating income (expenses)</li> </ul> |
| <b>Extraordinary income (loss)</b>  | (15)      | 0.0 %      | <b>(159)</b>  | <b>(0.2%)</b> | <b>—</b>      |   |
| <b>Less: Minority Interest in Net Income of Consolidated Subsidiaries</b> | 217       | 0.3%       | <b>185</b>    | <b>0.2%</b>   | <b>85.1%</b>  | Foreign exchange gains:<br>¥(247m)  |
| <b>Net income</b>   | 6,985     | 9.0%       | <b>8,451</b>  | <b>10.1%</b>  | <b>121.0%</b> |   |

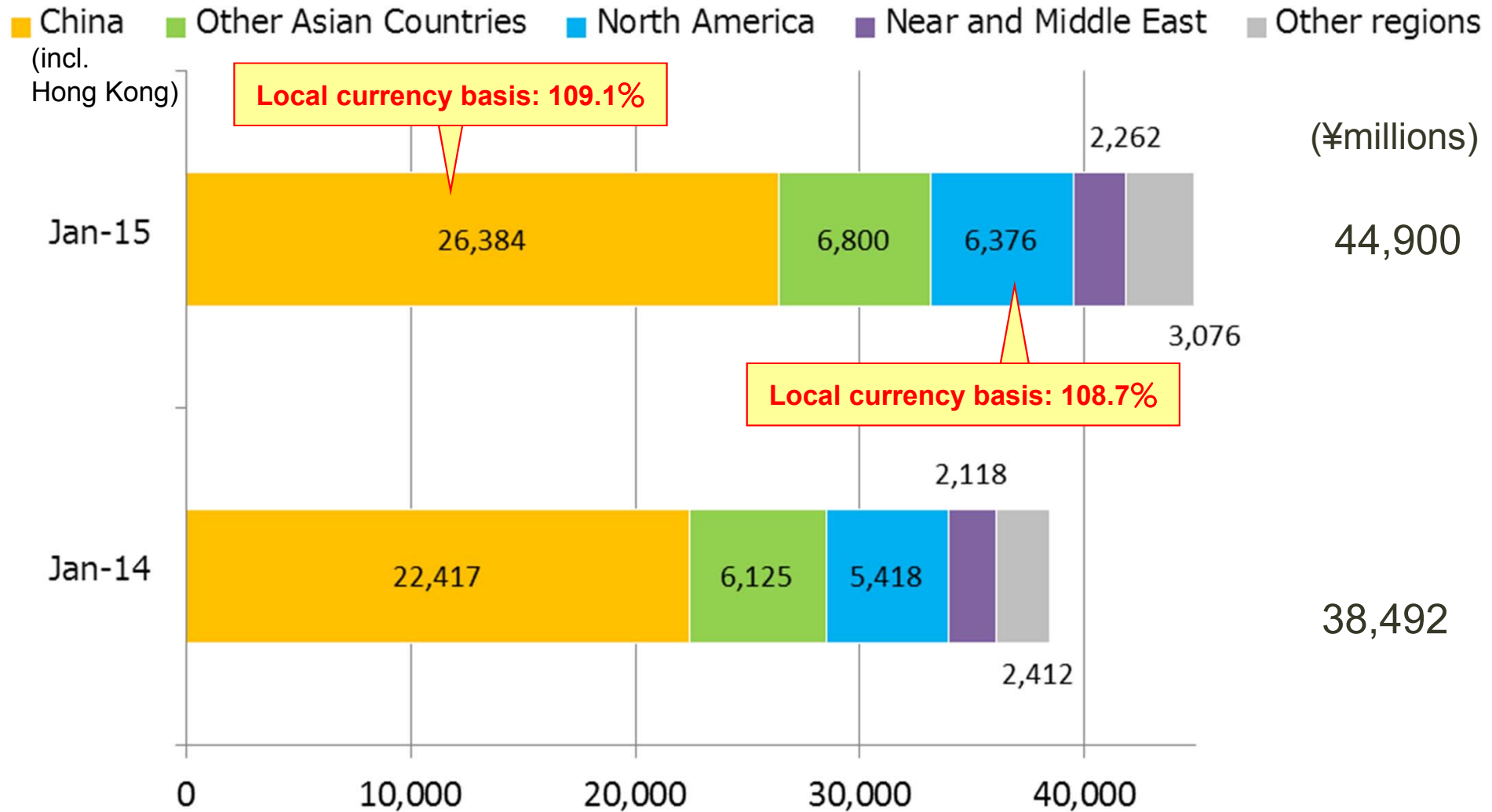
# Net Sales by Business Segment (Consolidated)



| (¥ millions)                                  | Jan. 2014 |            |              |                | Jan. 2015     |               |               |              |                |
|---|-----------|------------|--------------|----------------|---------------|---------------|---------------|--------------|----------------|
|   | Amount    | % of Total | Gross Margin | Segment Profit | Amount        | % of Total    | YoY Change    | Gross Margin | Segment Profit |
| <b>Consolidated net sales</b>                 | 77,465    | 100.0%     | 44.5%        | 10,365         | <b>84,113</b> | <b>100.0%</b> | <b>108.6%</b> | <b>45.5%</b> | <b>12,780</b>  |
| <b>Domestic Baby and Mother Care Business</b> | 24,451    | 31.6%      | 45.8%        | 3,411          | <b>24,432</b> | <b>29.0%</b>  | <b>99.9%</b>  | <b>46.0%</b> | <b>3,752</b>   |
| <b>Child-rearing Support Services</b>         | 6,599     | 8.5%       | 11.5%        | 176            | <b>6,722</b>  | <b>8.0%</b>   | <b>101.9%</b> | <b>11.2%</b> | <b>189</b>     |
| <b>Health Care and Nursing Care Business</b>  | 6,721     | 8.7%       | 29.8%        | 212            | <b>6,761</b>  | <b>8.0%</b>   | <b>100.6%</b> | <b>28.7%</b> | <b>260</b>     |
| <b>Overseas Business</b>                      | 20,305    | 26.2%      | 53.1%        | 4,152          | <b>23,373</b> | <b>27.8%</b>  | <b>115.1%</b> | <b>53.7%</b> | <b>4,969</b>   |
| <b>China Business</b>                         | 21,980    | 28.3%      | 42.9%        | 6,041          | <b>26,301</b> | <b>31.3%</b>  | <b>119.7%</b> | <b>43.7%</b> | <b>7,525</b>   |
| <b>Other</b>                                  | 1,151     | 1.5%       | 20.5%        | 204            | <b>1,276</b>  | <b>1.5%</b>   | <b>110.8%</b> | <b>16.6%</b> | <b>173</b>     |

※ Segment profit in the consolidated amount has been adjusted (all non-allocable operating expenses) and posted as operating income in the consolidated statements of income.  
 ※ The consolidated amount recorded has been posted as the sum resulted from eliminating intersegment transactions in the overseas and China businesses.

# Overseas Business Sales by Region



※ [Currency rates] Jan. 2015: US\$1 = ¥105.78, 1 yuan = ¥17.17; Jan 2014: US\$1 = ¥97.72, 1 yuan = ¥15.91

# Key Priorities for Year to Jan. 2015



## ● **Domestic Baby and Mother Care Business**

- Steady growth and expansion of large merchandise by launching new products
- Enhancement of our approach to maternity care
- Improvement of profitability of the existing business by managing selling, general and administrative expenses in an effective and efficient manner

## ● **Child-rearing Support Services**

- Further improvement in child-rearing quality and improvement of business profitability

## ● **Health Care and Nursing Care Business**

- Strengthening of marketing activities based on facility routes, maintenance of the functionality of sales and marketing
- Increase in operating profits by establishing an efficient business operation system (reduction in selling, general and administrative expenses)

## ● **Overseas Business**

- Europe and America: Secure success in nursing bottles and nipples business and continuous growth in sales of existing products
- Market expansion: Activities paving the way for advancement into the Brazilian market

## ● **China Business**

- Steady growth of new businesses (disposable diapers, baby food)
- Further strengthening of brand penetration and promotion activities in hospitals
- Establishment of a structure for the production cost containment and stable supply system

# Domestic Baby and Mother Care Business Status



- **Large merchandise**

- Baby strollers “Mahalo laule’a” and "Runfee"
- December 2014: Launch of new model of baby stroller "Runfee" & CM presentation

- **Other new products**

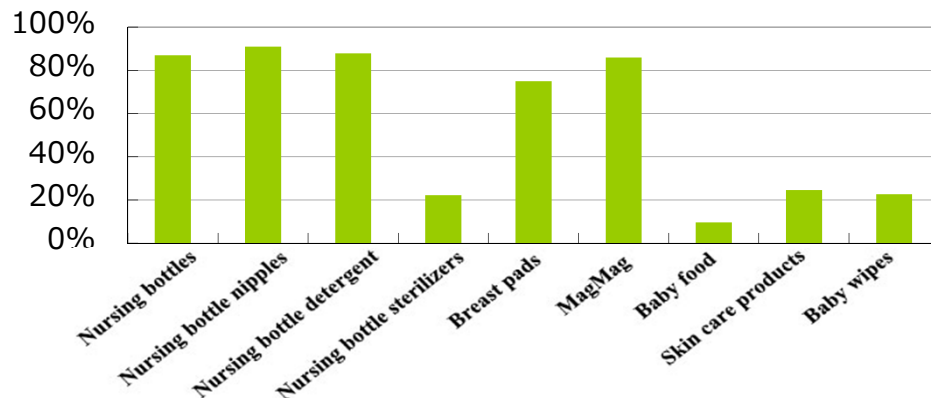
- Electric Breat pump "First Class", "Baby Skin Care Series", "Puti-gurt", "Animal Mini-pancakes", etc.

- **Direct communication**

- 40 maternity events held with about 2,120 participants
- "Breast feeding Seminar" for expecting mothers, "Working Women Meetings for Pregnancy Training" for women preparing for pregnancy, etc.



Market Share by Product (Jan. 2015)



Main new products to be launched during this spring (1st half of 2015)



Baby wipes with a soft thick texture (up)  
Baby wipes without rubbing boobs (down)

Breastfeeding Power-Plus (left)  
Breastfeeding Power-Plus Tablets (right)

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

# Child-rearing Support Services / Health Care and Nursing Care Business Status



## Child-rearing Support Services

- **Pigeon Hearts**
  - [New additions of facilities managed] Four child-care facilities in-company establishments → Total 190 facilities (including those of the National Hospital Organization)
  - The mathematical its launch experience program called "Math Program" has been receiving favorable feedback since in April

## Health Care and Nursing Care Business



- **Pigeon Tahira**
  - New products: "KARURU" underwear with urine leakage absorption features and "No Spread Sheet" against urine and loose feces leakage
- **Pigeon Manaka**
  - Users of the Day Service Center "SANSAN" have increased smoothly
  - Training courses were held for nursing care personnel
  - October 2014: Received a next generation certification logo "Kurumin"



Habinurse  
"No Spread Sheet"



Pigeon Manaka's Day Service  
SANSAN Center's staff



Training courses for nursing care personnel

## ● Europe and America

- North America: Increased market share for our top products (nipple care cream, breast pads)
- Europe: Increase of new store count and expansion of our product range to the existing stores
- While continuing to expand our product categories, further enhancement of our brand power as a breastfeeding support company that can offer total support for Expressing breast milk → Storing → Feeding

## ● New markets

- India: Completion of a local factory in November 2014, and preparations underway to launch production of nursing bottles and nipples
- Russia: Seminars on breastfeeding and maternity for medical personnel
- Brazil: New subsidiary established to support our operations debut in the Brazilian market

## ● Overall market

- We held the Pigeon Global Partners Conference 2014 in Hawaii (attended by representatives from our regional agents, in 14 countries)



North America: 'Lansinoh' Corner



India: Local factory



Russia: Seminars for health care professionals

## ● About Product Sales

- Strong sales in our main products, including nursing bottles and nipples, baby wipes, baby skin care products, etc.
- Disposable diapers: Ongoing measures to reinforce its over-the-counter sales
- Increase of the number of Pigeon Corner establishments

## ● Branding and Breastfeeding Awareness Programs

- Further strengthening of our branding activities and also application of Pigeon Net Members plan
- Our awareness program related to caring for breastfed infants conducted jointly with China's Ministry of Health is continually being implemented
  - ⇒ Seminars in the maternity- and general-hospital industries, establishment of breastfeeding consultation offices, etc.



Pigeon Corner



Seminars in the maternity- and general-hospital industries



Breastfeeding consultation offices



# Reference: Consolidated Balance Sheet (Highlights)

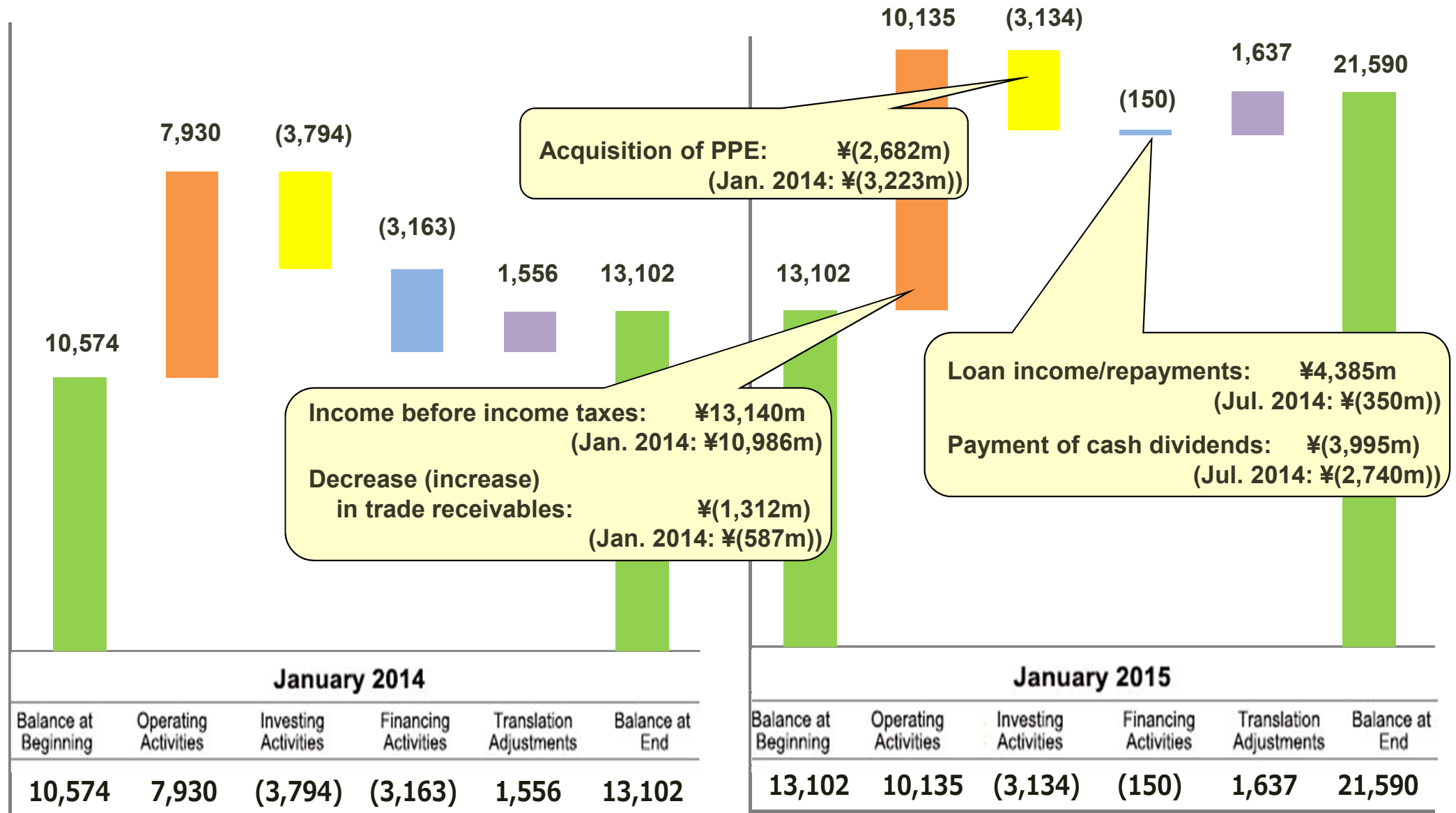


| (¥ millions)                         | Jan. 2014 | Jan. 2015     |                     |                 |
|--------------------------------------|-----------|---------------|---------------------|-----------------|
|                                      | Amount    | Amount        | YoY Change (Amount) | YoY Change (%)  |
| <b>Cash and deposits</b>             | 13,102    | <b>21,590</b> | <b>+8,488</b>       | <b>164.8%</b>   |
| <b>Notes and accounts receivable</b> | 12,569    | <b>15,278</b> | <b>+2,709</b>       | <b>121.6%</b>   |
| <b>Inventories</b>                   | 8,052     | <b>8,498</b>  | <b>+446</b>         | <b>105.5%</b>   |
| <b>Notes and accounts payable</b>    | 4,518     | <b>4,462</b>  | <b>(55)</b>         | <b>98.8%</b>    |
| <b>Borrowings</b>                    | 3,411     | <b>8,018</b>  | <b>+4,606</b>       | <b>235.0%</b>   |
| <b>Net assets</b>                    | 39,981    | <b>47,297</b> | <b>+7,315</b>       | <b>118.3%</b>   |
| <b>Total assets</b>                  | 57,955    | <b>72,367</b> | <b>+14,411</b>      | <b>124.9%</b>   |
| <b>Equity ratio</b>                  | 67.5%     | <b>63.8%</b>  | <b>—</b>            | <b>(3.7 pt)</b> |

# Reference: Cash Flow



(¥ millions)



# Reference: Investment-Related Indicators (Consolidated)



(¥ millions)

|   | Jan. 2014            |                        | Jan. 2015            |                        |
|---|----------------------|------------------------|----------------------|------------------------|
|   | Interim<br>(Results) | Full Year<br>(Results) | Interim<br>(Results) | Full Year<br>(Results) |
| <b>Capital investment ※1</b>                    | 2,092                | 3,091                  | <b>1,672</b>         | <b>3,204</b>           |
| <b>Depreciation<br/>(tangible fixed assets)</b> | 733                  | 1,663                  | <b>780</b>           | <b>1,705</b>           |
| <b>Research and development ※2</b>              | 820                  | 1,730                  | <b>938</b>           | <b>1,932</b>           |

※1 Refers to purchase of tangible fixed assets.

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

# Forecasts for Term Ending Jan. 2016

# Jan. 2015 Results and Jan. 2016 Forecast (Consolidated)



| (¥ millions)            | Jan. 2015 |            |            | Jan. 2016       |               |               |
|-------------------------|-----------|------------|------------|-----------------|---------------|---------------|
|                         | Amount    | % of Total | YoY Change | Forecast        | % of Total    | YoY Change    |
| <b>Net sales</b>        | 84,113    | 100.0%     | 108.6%     | <b>92,000</b>   | <b>100.0%</b> | <b>109.4%</b> |
| <b>Operating income</b> | 12,780    | 15.2%      | 123.3%     | <b>13,900</b>   | <b>15.1%</b>  | <b>108.8%</b> |
| <b>Ordinary income</b>  | 13,299    | 15.8%      | 120.9%     | <b>14,000</b>   | <b>15.2%</b>  | <b>105.3%</b> |
| <b>Net income</b>       | 8,451     | 10.1%      | 121.0%     | <b>8,900</b>    | <b>9.7%</b>   | <b>105.3%</b> |
| <b>Net assets</b>       | 47,297    | —          | 118.3%     | <b>48,900</b>   | —             | <b>103.4%</b> |
| <b>Total assets</b>     | 72,367    | —          | 124.9%     | <b>72,000</b>   | —             | <b>99.5%</b>  |
| <b>EPS (¥)</b>          | 211.65    | —          | 121.3%     | <b>222.94</b>   | —             | <b>105.3%</b> |
| <b>BPS (¥)</b>          | 1,156.39  | —          | 118.3%     | <b>1,226.25</b> | —             | <b>106.0%</b> |
| <b>ROA</b>              | 20.4%     | —          | —          | <b>19.4%</b>    | —             | —             |
| <b>ROE</b>              | 19.8%     | —          | —          | <b>19.0%</b>    | —             | —             |

※ 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. 2015 (Results) |            |              |                | Jan. 2016 (Forecast) |               |               |              |                |
|---|---------------------|------------|--------------|----------------|----------------------|---------------|---------------|--------------|----------------|
|   | Amount              | % of Total | Gross Margin | Segment Profit | Amount               | % of Total    | YoY Change    | Gross Margin | Segment Profit |
| <b>Consolidated net sales</b>                 | 84,113              | 100.0%     | 45.5%        | 12,780         | <b>92,000</b>        | <b>100.0%</b> | <b>109.4%</b> | <b>45.8%</b> | <b>13,900</b>  |
| <b>Domestic Baby and Mother Care Business</b> | 24,432              | 29.0%      | 46.0%        | 3,752          | <b>25,600</b>        | <b>27.8%</b>  | <b>104.8%</b> | <b>44.0%</b> | <b>3,818</b>   |
| <b>Child-rearing Support Services</b>         | 6,722               | 8.0%       | 11.2%        | 189            | <b>6,500</b>         | <b>7.1%</b>   | <b>96.7%</b>  | <b>11.4%</b> | <b>202</b>     |
| <b>Health Care and Nursing Care Business</b>  | 6,761               | 8.0%       | 28.7%        | 260            | <b>7,200</b>         | <b>7.8%</b>   | <b>106.5%</b> | <b>31.5%</b> | <b>376</b>     |
| <b>Overseas Business</b>                      | 23,373              | 27.8%      | 53.7%        | 4,969          | <b>23,800</b>        | <b>25.9%</b>  | <b>101.8%</b> | <b>55.9%</b> | <b>5,236</b>   |
| <b>China Business</b>                         | 26,301              | 31.3%      | 43.7%        | 7,525          | <b>35,000</b>        | <b>38.0%</b>  | <b>133.1%</b> | <b>41.4%</b> | <b>8,814</b>   |
| <b>Other</b>                                  | 1,276               | 1.5%       | 16.6%        | 173            | <b>1,000</b>         | <b>1.1%</b>   | <b>78.4%</b>  | <b>13.4%</b> | <b>95</b>      |

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

## ● About China Business & Overseas Business

- Reinforcement of locally-oriented sales system
  - ⇒ Maintenance of a sales and marketing system to cope with Group-wide revisions of commercial distribution
  - ⇒ Allocation of functions in Japan's jurisdiction to China Business and Lansinoh

[Up to Previous Term]

China Business  
(China)

Overseas Business  
Japan's jurisdiction  
(Korea+Central and South  
America+Hong Kong  
+Taiwan+others)

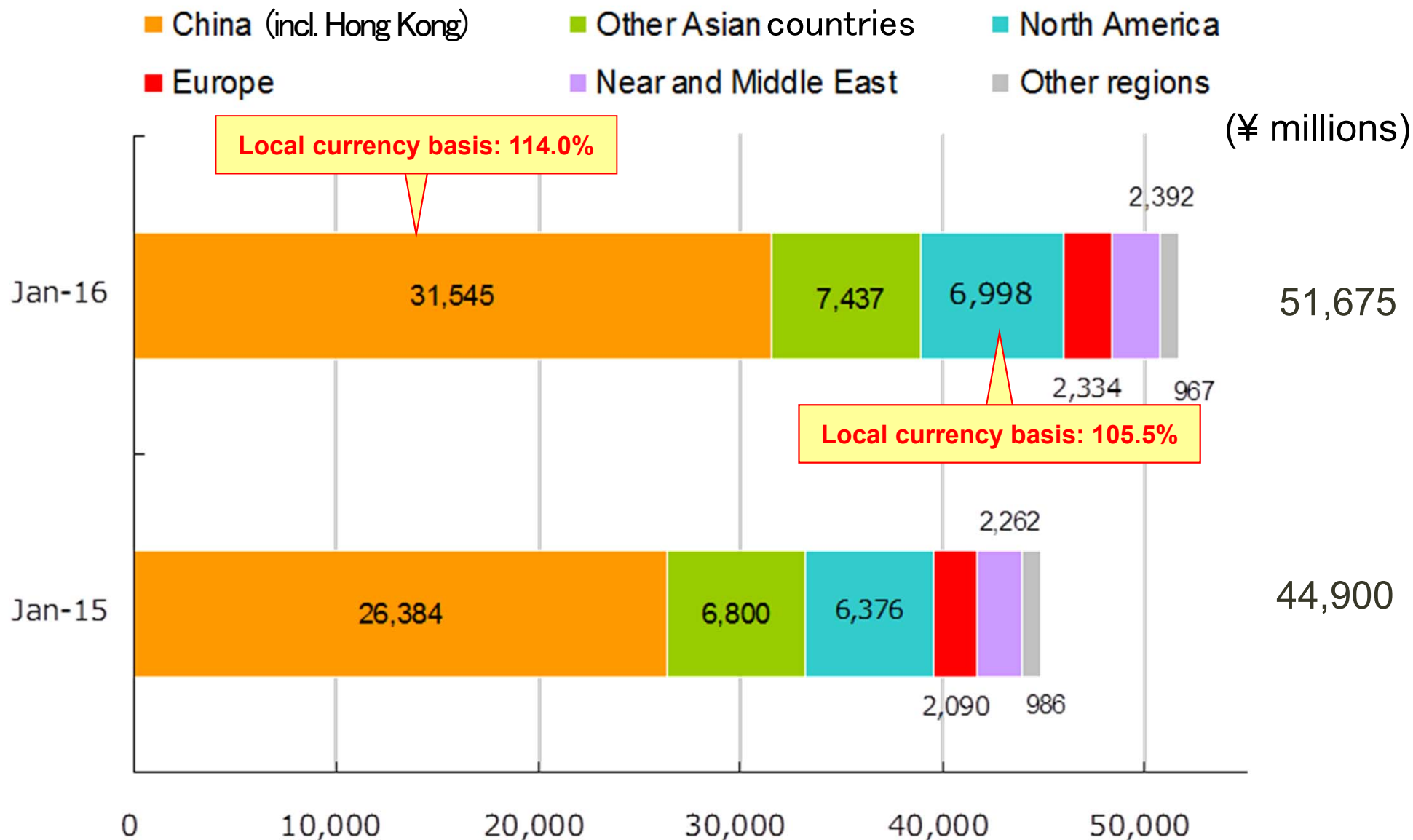
[From Current Term]

China Business  
(China+Korea+Hong Kong+Taiwan+others)

Overseas Business  
Central and South America is in Lansinoh's  
jurisdiction

Net Sales & Profit by Business Segment to be disclosed are also subject to this classification starting from the current term.

# Overseas Business Sales by Region



※ [Assumed rates] Jan. 2016: US\$1 = ¥110.00; 1 yuan = ¥18.00  
 [Actual rates] Jan. 2015: US\$1 = ¥105.78; 1 yuan = ¥17.17



## ● **China Business**

- Building of a business management system including our Korean subsidiary
- Sales policy review in line with business expansion
- Steady growth in the disposable diapers business based on our commitment to secure gains

## ● **Overseas Business (except China)**

- Growth centered on five key categories (nursing bottles and nipples, breast pumps, skin care products, breast pads, and pacifiers)
- Europe and America: Sales expansion of our core products - nursing bottles and nipples  
Expansion of selling functions in areas of Central and South America by changing the commercial distribution  
Business expansion and system maintenance in Europe
- Asia: Review of business operation system (sales, marketing, SCM system rebuilding) and improvement of operating results in Singapore  
Raise in earnings by starting operations at a new factory in India
- New markets: Continuation of activities paving the way for advancement into the Brazilian market

- **Domestic Baby and Mother Care Business**

- Reliable growth of large merchandise by launching competitive new products
- Enhancement of brand loyalty through strategic PR measures and others
- Strengthening of our approach to maternity care and sales expansion in women's care category

- **Child-rearing Support Services**

- Review of growth strategies and business system to raise profitability
- Maintenance and improvement of business quality through fostering and education of human resources engaged in child-rearing

- **Health Care and Nursing Care Business**

- Reinforcement of our sales capacities focused on facility routes and strengthening of joint efforts with our sales representatives
- Improvement in gross profit margin by launching competitive new products

# Shareholder Return and Investment-Related Indicators



[Shareholder return indicator under our 5th Medium-Term Business Plan]

Adopt flexible approach to upgrading shareholder return (incl. through share buybacks), aiming at a goal of increasing dividends compared with the previous term and of the total shareholder return ratio by approximately 45 to 50% in each business term.

| Cash Dividends            | Jan. 2013            |                       | Jan. 2014            |                       | Jan. 2015            |                    | Jan. 2016             |                        |
|---------------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|--------------------|-----------------------|------------------------|
|                           | Interim<br>(Results) | Year-End<br>(Results) | Interim<br>(Results) | Year-End<br>(Results) | Interim<br>(Results) | Year-End<br>(Plan) | Interim<br>(Forecast) | Year-End<br>(Forecast) |
| Dividend per share<br>(¥) | <b>44</b><br>(22)    | <b>71</b><br>(35.5)   | <b>66</b><br>(33)    | <b>55</b>             | <b>45</b>            | <b>60</b>          | <b>54</b>             | <b>54</b>              |
| Payout ratio              | <b>50.3%</b>         |                       | <b>50.4%</b>         |                       | <b>49.6%</b>         |                    | <b>48.4%</b>          |                        |

※ Our Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013.

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

|   | Jan. 2014            |                       | Jan. 2015            |                       | Jan. 2016               |
|---|----------------------|-----------------------|----------------------|-----------------------|-------------------------|
|   | Interim<br>(Results) | Year-End<br>(Results) | Interim<br>(Results) | Year-End<br>(Results) | Full Year<br>(Forecast) |
| Capital expenditures ※                  | <b>2,092</b>         | <b>3,091</b>          | <b>1,672</b>         | <b>3,204</b>          | <b>4,327</b>            |
| Depreciation<br>(tangible fixed assets) | <b>733</b>           | <b>1,663</b>          | <b>780</b>           | <b>1,705</b>          | <b>2,166</b>            |

※ Refers to the amount accounted for purchasing of tangible fixed assets.

# Approach to Enhance Corporate Value

- ◆ Recognized by Tokyo Stock Exchange, Inc. as the Excellent Company in the Corporate Value Enhancement Award



- Every year, Tokyo Stock Exchange selects the companies, among more than 3,400 listed companies, that have enhanced corporate value and incorporated investor concerns into management practices aimed at enhancing corporate value.

- ◆ Selected by the Strategy Report Issued by Nomura Securities Co., Ltd. as One of 16 Japanese Companies that Have Accelerated Strengthening of Corporate Governance.

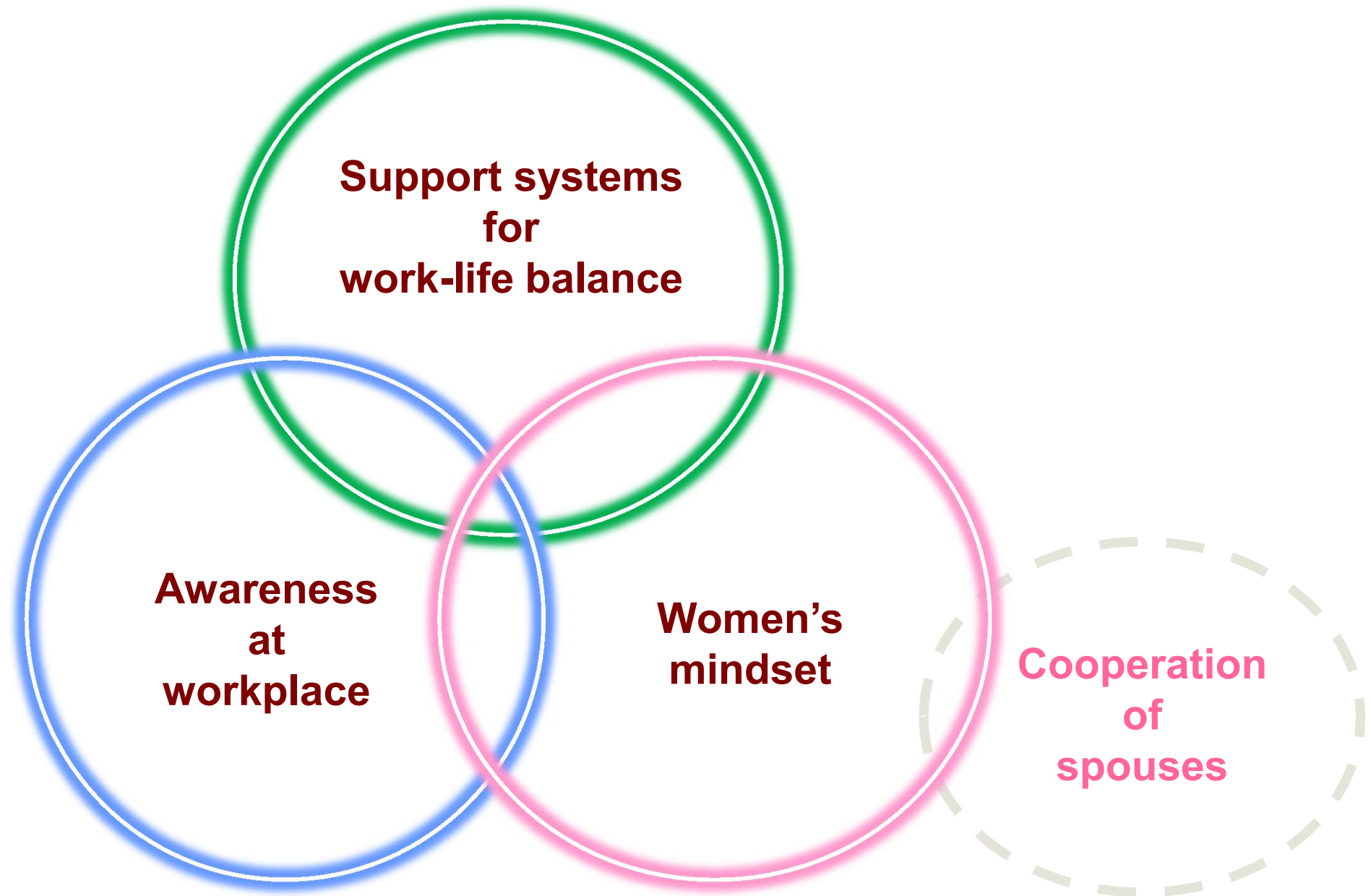


- Pigeon's Core of Reform: "Change of Attitudes and Mindsets of Management"  
Having transformed from an owner company to a public company, we have facilitated optimal distribution of management resources across the world to accelerate further growth and efficient management, and to be the best baby care product manufacturer in the world.

# 12 Tasks to achieve “World-Class Business Excellence”



# Three pillars for PIGEON to become a company sustaining Female Advancement



# Review of Previous Term and Plan for Current Term



| Term         | The Three Pillars                                     | Description   |
|--------------|---|---|
| January 2015 | Support Systems                                       | Revision of sick / injured child care leave                                   |
|              |   | Life-design leave system (including accrued paid holidays)                    |
|              | Work Place  | Promotion of men's participation in child care                                |
|              |   | Lectures on diversity management  |
|              | Women & Skills  | Lectures on career progression for female employees                           |
|              |   | Development of system to nurture human resources in the early stages          |
| January 2016 | Support Systems                                       | Homeworking system  |
|              |   | Measures for children on waiting list for nursery schools                     |
|              |   | Modification of system for reduction of working hours                         |
|              |   | Consideration of support for fecundity and maternity in youth                 |
|              | Work Place  | Meetings between boss, pregnant employee and human resource personnel         |
|              |   | Diversity management training for MG  |
|              |   | Lectures on diversity management  |
|              |   | Commencement of succession planning   |
|              | Women & Skills  | Lectures on career progression for female employees                           |
|              |   | Okoshi's business seminars: early nurturing of female employees by management |
|              | Skill acquisition at early stages (employee training) |   |



We should be the company that brings joy and happiness to people and that the society needs, by providing solutions and new values to our customers.

## What makes it possible:

- ◆ Corporate identity, mission, value, action principle and vision shared across the company
- ◆ Company that provides job satisfaction to employees
- ◆ Development power, marketing power and brand power
- ◆ Innovation power
- ◆ Influence on and contribution to society



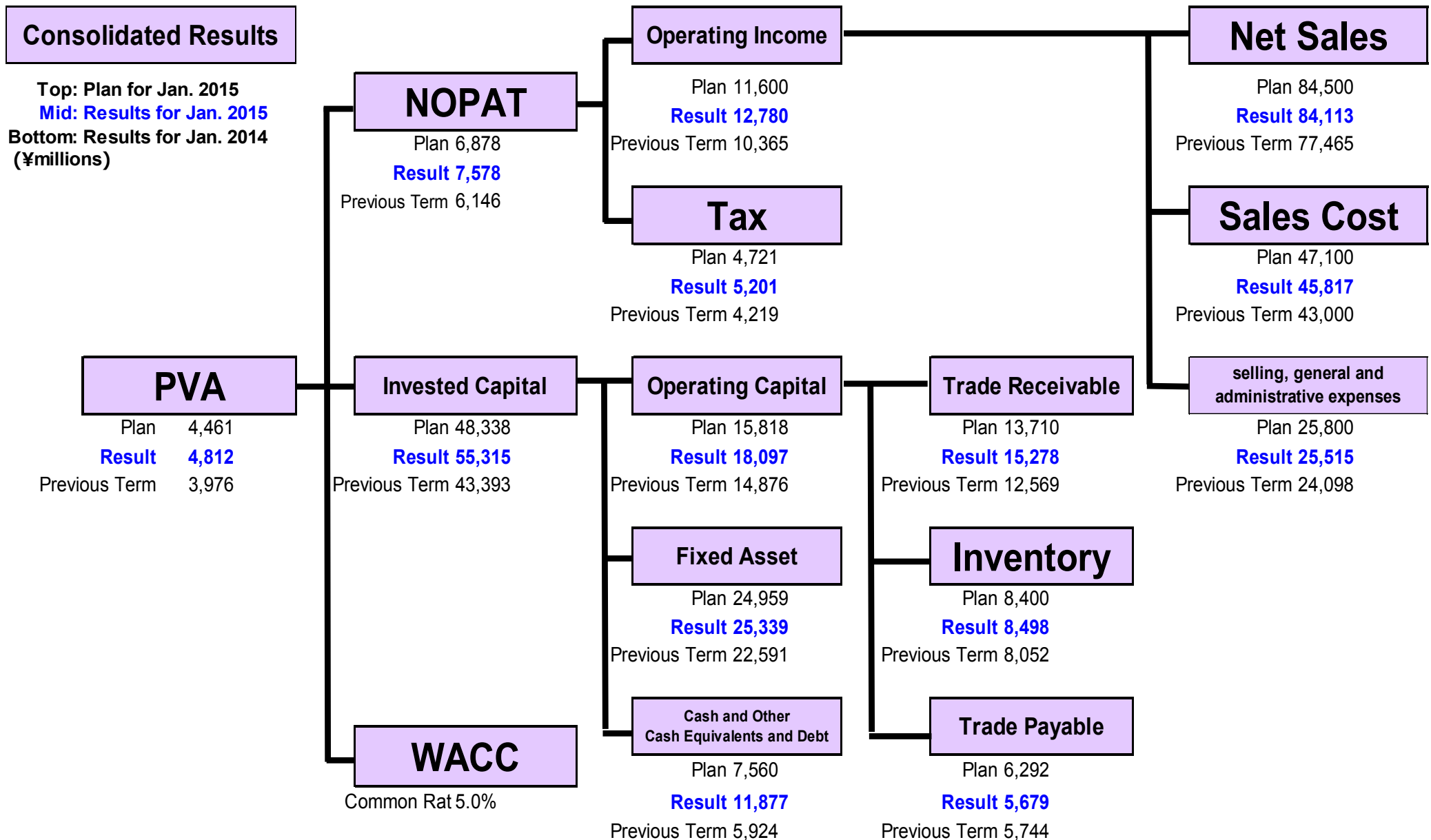
We should continue to increase free cash flow in an efficient and strategic way.

(Corporate Value = Aggregation of Present Value of Future Cash Flow)

## What makes it possible:

- ◆ Style of work that is simple, but is hard to copy (enduring competitive advantage)
- ◆ **Corporate governance**
- ◆ Efficient investment recovery
- ◆ **Improvement of ROE, ROIC, CCC, PVA and various KPI (management quality)**
- ◆ Global cash management
- ◆ Withdrawal from unprofitable business

# PVA Tree: Consolidated Results in the 58<sup>th</sup> Term

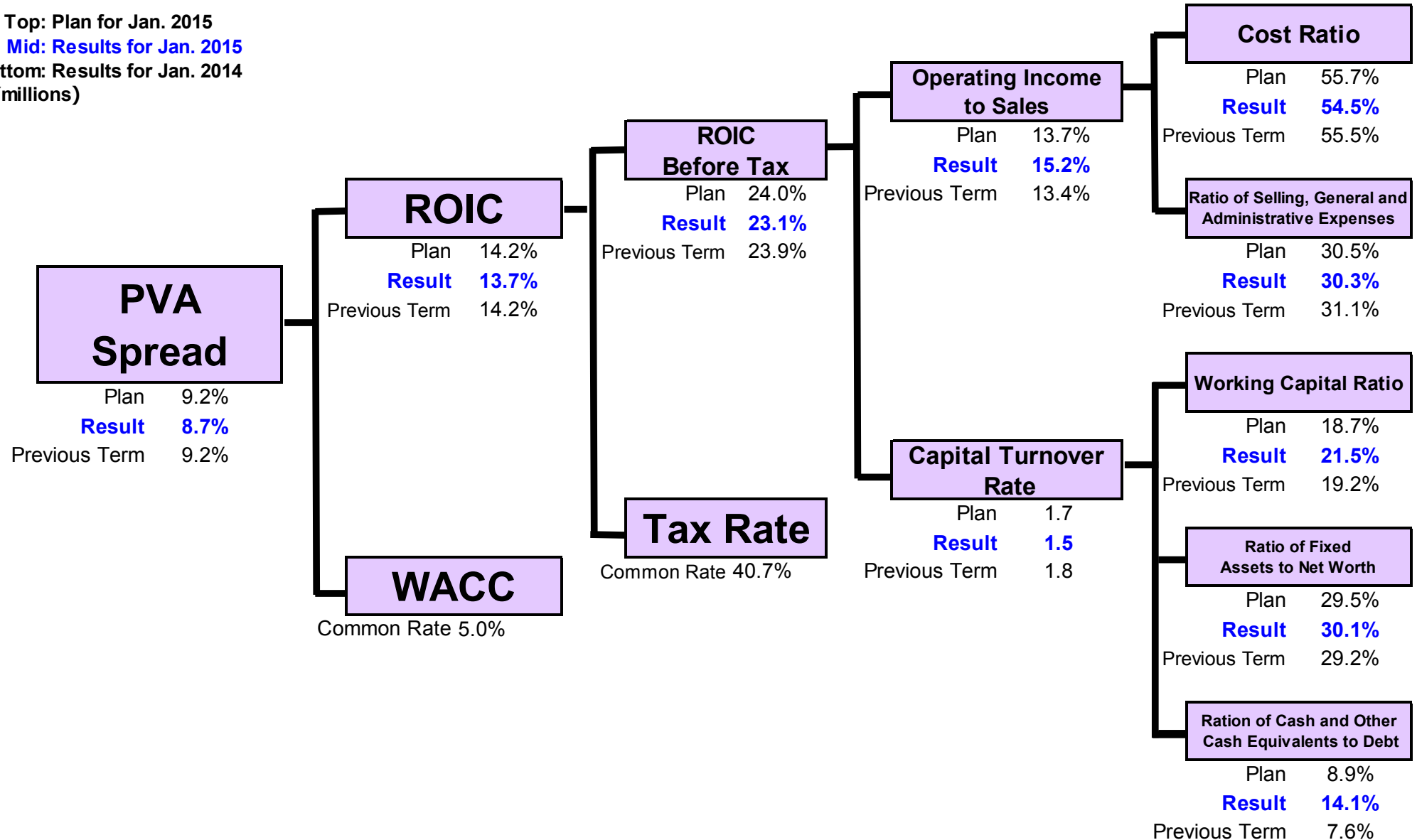


# PVA (Ratio): Consolidated Results in the 58<sup>th</sup> Term



## Consolidated Results

Top: Plan for Jan. 2015  
 Mid: Results for Jan. 2015  
 Bottom: Results for Jan. 2014  
 (¥millions)



# CCC Tree: Consolidated Results in the 58<sup>th</sup> Term



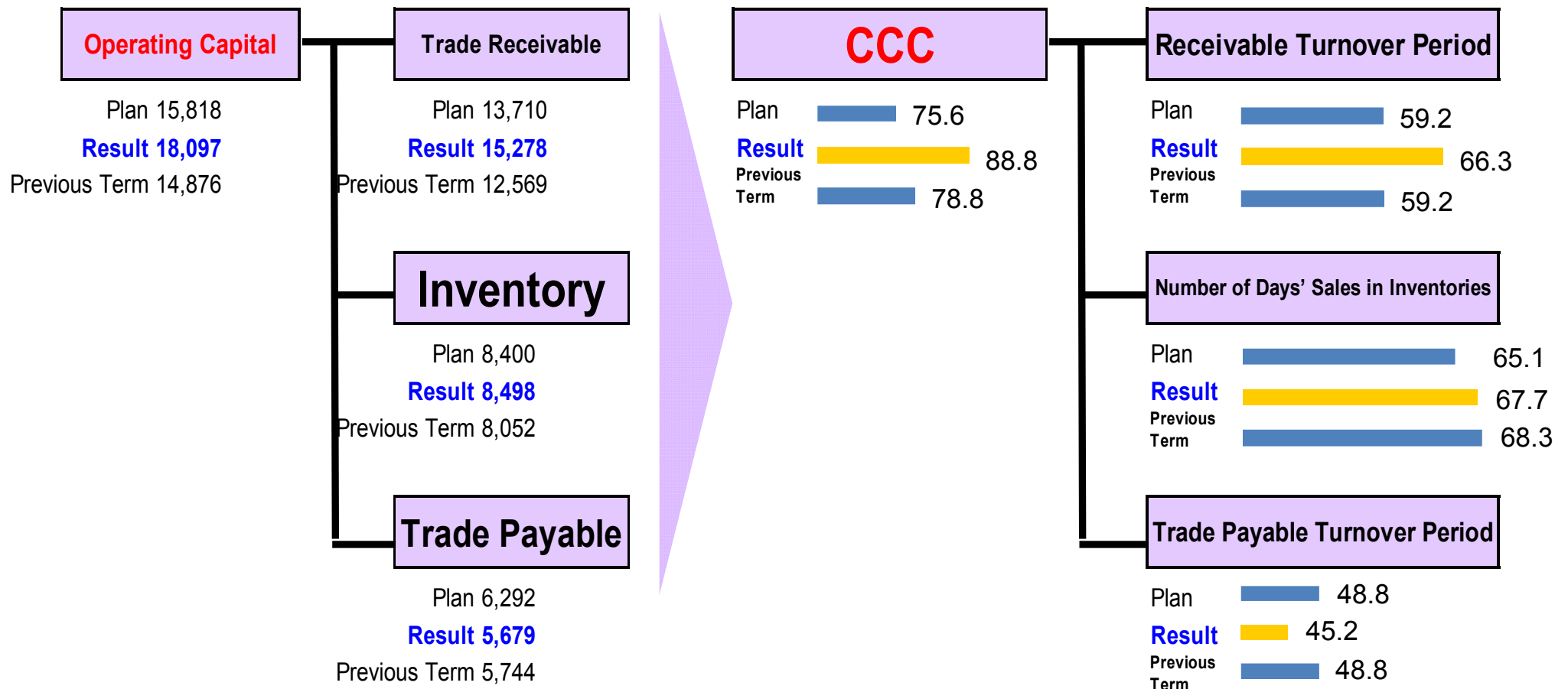
## Consolidated Results

Top: Plan for Jan. 2015

Mid: Results Jan. 2015

Bottom: Results Jan. 2014

(¥millions)



- **Definition of Corporate Governance**

- System that allows a company to make decisions decisively and quickly by taking its shareholders, customers, employees and local community into account.

- **Purpose of Corporate Governance**

- To help the company grow sustainably and increase corporate value in the medium- and long-term.



**We will strengthen our own “system” on the basis of the above definition, and will continue to further improve the corporate value.**

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