



# Results Briefing for The Six Months Ended July 31, 2015

September 9, 2016

**PIGEON CORPORATION**

(Securities code: 7956)

President & COO

**Shigeru Yamashita**

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# **Business Results at July 31, 2015**

# Financial Highlights (Consolidated)



(¥ millions)	Jul. 2014		Jul. 2015	
	Amount	YoY Change	Amount	YoY Change
<b>Net sales</b>	39,229	107.1%	<b>46,522</b>	<b>118.6%</b>
<b>Operating income</b>	5,985	124.3%	<b>7,733</b>	<b>129.2%</b>
<b>Ordinary income</b>	5,957	115.4%	<b>7,873</b>	<b>132.2%</b>
<b>Net income</b>	4,074	130.5%	<b>5,282</b>	<b>129.7%</b>
<b>Net assets</b>	39,951	110.7%	<b>50,758</b>	<b>127.0%</b>
<b>Total assets</b>	63,295	118.6%	<b>76,282</b>	<b>120.5%</b>
<b>EPS (¥)</b>	34.00	130.8%	<b>44.11</b>	<b>129.7%</b>
<b>BPS (¥)</b>	326.30	119.2%	<b>414.15</b>	<b>126.9%</b>
<b>ROA</b>	—	—	<b>21.2%</b>	—
<b>ROE</b>	—	—	<b>22.1%</b>	—

※ 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)	Jul. 2014		Jul. 2015			
	Results	% of Total	Results	% of Total	YoY Change	Remarks
<b>Net sales</b>	39,229	100.0%	46,522	100.0%	118.6%	<p>■ Main changes in SG&amp;A expenses</p> <p>Personal expenses: + ¥558m</p> <p>Sales Promotion expenses: + ¥790m</p> <p>Advertising expenses: + ¥237m</p> <p>■ Main changes in non-operating income (expenses)</p> <p>Balance of financial expenses: + ¥54m</p>
<b>Cost of sales</b>	21,527	54.9%	24,720	53.1%	114.8%	
<b>Gross profit</b>	17,702	45.1%	21,801	46.9%	123.2%	
<b>SG&amp;A expenses</b>	11,716	29.8%	14,067	30.3%	120.1%	
<b>Operating income</b>	5,985	15.3%	7,733	16.6%	129.2%	
<b>Non-operating income (expenses)</b>	(27)	(0.1%)	139	0.3%	198.1%	
<b>Ordinary income</b>	5,957	15.2%	7,873	16.9%	132.2%	
<b>Extraordinary income (loss)</b>	(21)	(0.1%)	2	0.0%	—	
<b>Less: Minority Interest in Net Income of Consolidated Subsidiaries</b>	83	0.2%	96	0.2%	115.0%	
<b>Net income</b>	4,074	10.4%	5,282	11.4%	129.7%	

# Net Sales by Business Segment (Consolidated)



(¥ millions)	Jul. 2014				Jul. 2015				
	Amount	% of Total	Gross Margin	Segment Profit	Amount	% of Total	YoY Change	Gross Margin	Segment Profit
<b>Consolidated net sales</b>	39,229	100.0%	45.1%	5,985	<b>46,522</b>	<b>100.0%</b>	<b>118.6%</b>	<b>46.9%</b>	<b>7,733</b>
<b>Domestic Baby and Mother Care Business</b>	12,391	31.6%	45.5%	2,029	<b>14,216</b>	<b>30.6%</b>	<b>114.7%</b>	<b>44.5%</b>	<b>2,296</b>
<b>Child-rearing Support Services</b>	3,364	8.6%	11.6%	96	<b>3,374</b>	<b>7.3%</b>	<b>100.3%</b>	<b>11.0%</b>	<b>70</b>
<b>Health Care and Nursing Care Business</b>	3,521	9.0%	29.1%	212	<b>3,466</b>	<b>7.5%</b>	<b>98.4%</b>	<b>28.4%</b>	<b>127</b>
<b>Overseas Business</b>	10,522	26.8%	54.8%	2,261	<b>11,980</b>	<b>25.8%</b>	<b>113.9%</b>	<b>55.2%</b>	<b>2,625</b>
<b>China Business</b>	10,951	27.9%	43.1%	3,303	<b>16,600</b>	<b>35.7%</b>	<b>151.6%</b>	<b>44.5%</b>	<b>4,798</b>
<b>Elimination of internal trading between segments</b>	(2,177)	(5.5%)	—	—	<b>(3,749)</b>	<b>(8.1%)</b>	—	—	—
<b>Other</b>	654	1.7%	16.3%	86	<b>633</b>	<b>1.4%</b>	<b>96.8%</b>	<b>15.2%</b>	<b>73</b>

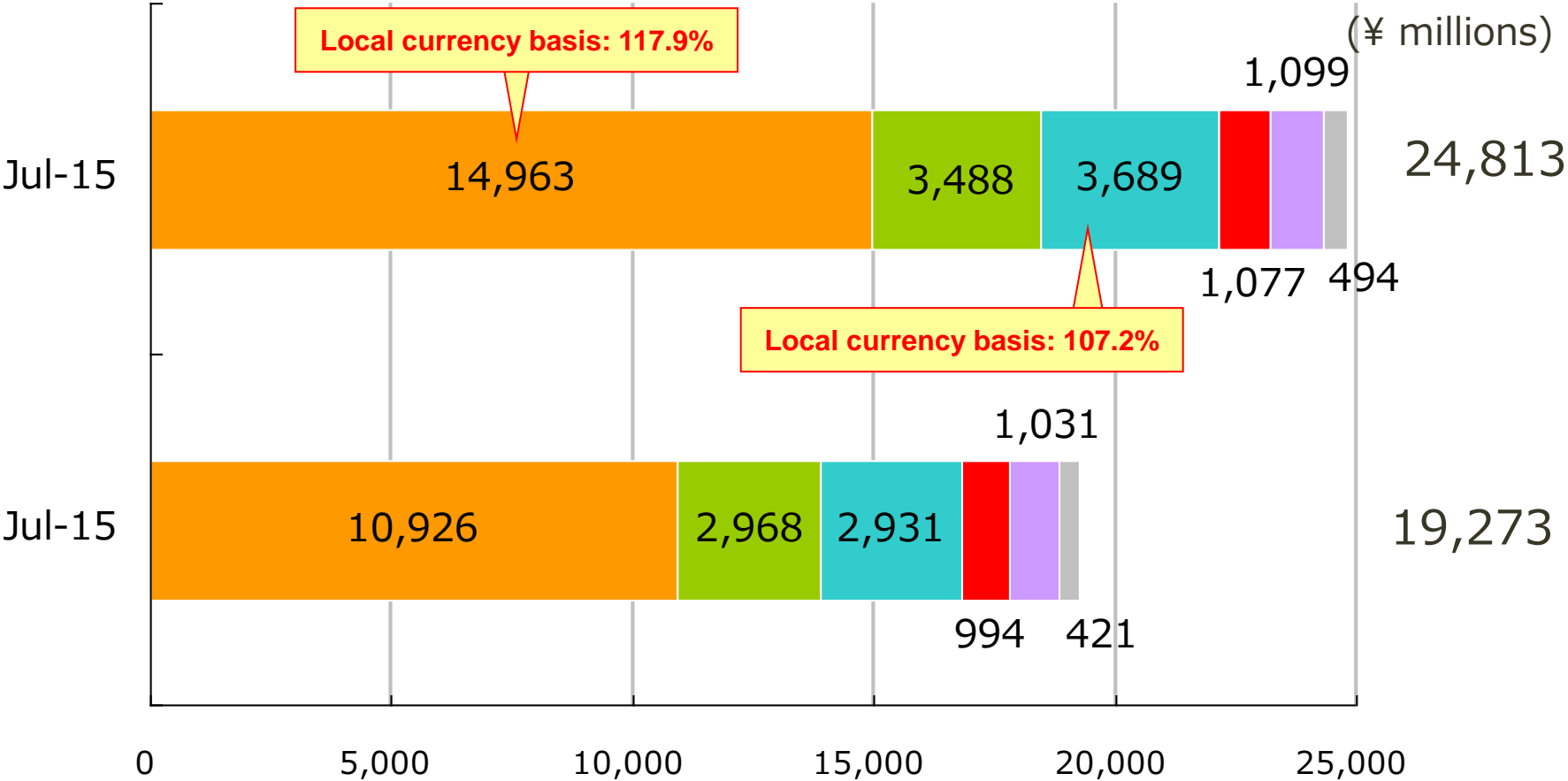
※ Segment profit in the consolidated amount has been adjusted (all non-allocable operating expenses) and posted as operating income in the consolidated statements of income.

※ 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



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



※ [Assumed rates] Jan. 2016: US\$1 = ¥120.30; 1 yuan = ¥19.33  
 [Actual rates] Jan. 2015: US\$1 = ¥102.45; 1 yuan = ¥16.64

- **Domestic Baby and Mother Care Business**

- Reliable growth of large merchandise by launching new competitive 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 new competitive products



## ● **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 (Other than 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 Status



- **Large merchandise**

- Addition of a new version in two different colors for winter and fall to the baby stroller "Runfee" series.



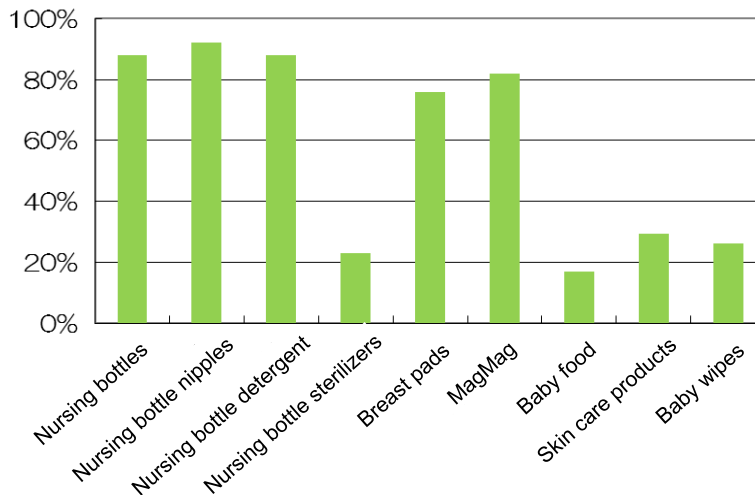
- **Other new products**

- "Baby wipes with a soft thick texture," "Pigeon Vaseline," "MagMag Straw Renewal," etc.

- **Direct communication**

- 6 events for expecting mothers and health care professionals (about 670 participants)
- "Breast feeding Seminars" for expecting mothers, seminars for health care professionals, etc.

## Market Share by Product (July 2015)



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

## Main new products to be launched during this autumn (2nd half of 2015)



Aroma Lavender Scent Full-Body Foam Soap



Cookware & Tableware for Babies <Mickey & Friends>

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



## Child-rearing Support Services

- **Pigeon Hearts**
  - [New additions of facilities managed] One child-care facility in-company establishment → Total 187 facilities (including those of the National Hospital Organization)
  - Increase in child-rearing facilities that introduced the mathematical experience program called “Math Program” launched last year

## Health Care and Nursing Care Business



- **Pigeon Tahira**
  - Strong sales in the main products such as “Wipes” and “Body Wipes” for nursing care
  - “Assister Ease,” a new product, received good reputation for its ease of use
- **Pigeon Manaka**
  - Sano Day-Service Center was opened.



“Wipes” (up) and  
“Body Wipes” (down)



“Assister Ease”



Opening ceremony of  
Pigeon Sano Day-Service Center  
(Pigeon Manaka)

## ● Europe and America

- North America: The largest share was maintained in the market of nipple care cream, breast pads and breast milk storage bags.  
Share expansion in the manual breast pump market (2<sup>nd</sup> place)
- Europe: Implementation of measures to increase sales channels through expansion of the product range  
A new factory to be constructed in Turkey (factory relocation)

## ● Asian markets

- India: Production and shipment of nursing bottles and nipples started at the new factory from May
- Singapore: Actions to strengthen the brand power were implemented



Shop front marketing in UK



New Lansinoh factory in Turkey  
(image)



Pigeon Corer in Singapore



## ● About Product Sales

- Strong sales in our main products, including nursing bottles and nipples, etc.
- Skincare: Launch of new baby skincare series
- Disposable diapers: The products were improved to enhance water absorption and the package was also redesigned.

## ● Branding and Breastfeeding Awareness Programs

- Deployment of the newly designed Pigeon Corners to strengthen our brand activities further
- Our awareness program related to caring for breastfed infants conducted jointly with China's Ministry of Health is continually being implemented
  - ⇒ Establishment of breastfeeding consultation offices, seminars for health care professionals, etc.



Event to announce launch of the new baby skincare series



New Pigeon Corner



Workshop for health care professionals at maternity- and general-hospitals

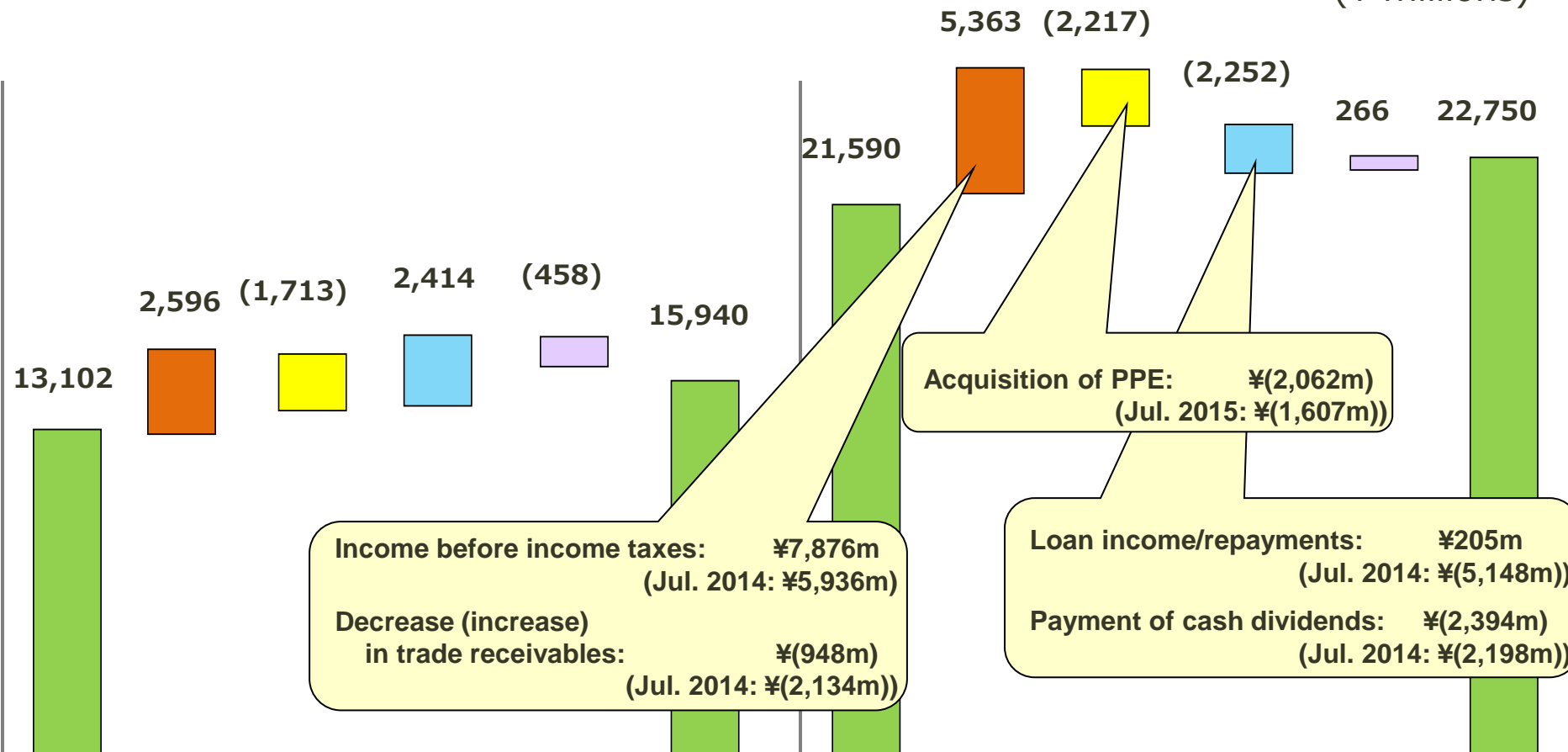
# Reference: Consolidated Balance Sheet (Highlights)



(¥ millions)	Jan. 2014	Jul. 2015		
	Amount	Amount	YoY Change (Amount)	YoY Change (%)
<b>Cash and deposits</b>	21,590	<b>22,750</b>	<b>+1,159</b>	<b>105.4%</b>
<b>Notes and accounts receivable</b>	15,278	<b>16,389</b>	<b>+1,111</b>	<b>107.3%</b>
<b>Inventories</b>	8,498	<b>9,278</b>	<b>+779</b>	<b>109.2%</b>
<b>Notes and accounts payable</b>	4,462	<b>5,107</b>	<b>+644</b>	<b>114.5%</b>
<b>Borrowings</b>	8,018	<b>8,255</b>	<b>+236</b>	<b>103.0%</b>
<b>Net assets</b>	47,297	<b>50,758</b>	<b>+3,461</b>	<b>107.3%</b>
<b>Total assets</b>	72,367	<b>76,282</b>	<b>+3,915</b>	<b>105.4%</b>
<b>Equity ratio</b>	63.8%	<b>65.0%</b>	<b>-</b>	<b>+1.2 pt</b>

# Reference: Cash Flow

(¥ millions)



Income before income taxes: ¥7,876m  
(Jul. 2014: ¥5,936m)

Decrease (increase) in trade receivables: ¥(948m)  
(Jul. 2014: ¥(2,134m))

Acquisition of PPE: ¥(2,062m)  
(Jul. 2015: ¥(1,607m))

Loan income/repayments: ¥205m  
(Jul. 2014: ¥(5,148m))

Payment of cash dividends: ¥(2,394m)  
(Jul. 2014: ¥(2,198m))

Jul. 2014					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation Activities	Balance at End
13,102	2,596	(1713)	2,414	(458)	15,940

Jul. 2015					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation Activities	Balance at End
21,590	5,363	(2217)	(2252)	266	22,750

# <参考> 投資関連指標等 (連結)

(¥ millions)	Jan. 2014		Jan. 2015	
	Interim (Results)	Full Year (Results)	Interim (Results)	Full Year (Forecast)
<b>Capital investment ※1</b>	1,672	3,204	<b>1,610</b>	<b>4,327</b>
<b>Depreciation (tangible fixed assets)</b>	780	1,705	<b>1,018</b>	<b>2,166</b>
<b>Research and development ※2</b>	938	1,932	<b>1,181</b>	<b>2,243</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>95,500</b>	<b>100.0%</b>	<b>113.5%</b>
<b>Operating income</b>	12,780	15.2%	123.3%	<b>15,000</b>	<b>15.7%</b>	<b>117.3%</b>
<b>Ordinary income</b>	13,299	15.8%	120.9%	<b>15,100</b>	<b>15.8%</b>	<b>113.5%</b>
<b>Net income</b>	8,451	10.1%	121.0%	<b>9,600</b>	<b>10.0%</b>	<b>113.6%</b>
<b>Net assets</b>	47,297	—	118.3%	<b>49,653</b>	—	<b>105.0%</b>
<b>Total assets</b>	72,367	—	124.9%	<b>75,795</b>	—	<b>104.7%</b>
<b>EPS (¥)</b>	70.55	—	121.3%	<b>80.16</b>	—	<b>113.6%</b>
<b>BPS (¥)</b>	385.46	—	118.3%	<b>404.65</b>	—	<b>105.0%</b>
<b>ROA</b>	20.4%	—	—	<b>20.4%</b>	—	—
<b>ROE</b>	19.8%	—	—	<b>20.3%</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 (Change of 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>95,500</b>	<b>100.0%</b>	<b>113.5%</b>	<b>46.3%</b>	<b>15,000</b>
<b>Domestic Baby and Mother Care Business</b>	24,432	29.0%	46.0%	3,752	<b>27,631</b>	<b>28.9%</b>	<b>113.1%</b>	<b>44.2%</b>	<b>4,181</b>
<b>Child-rearing Support Services</b>	6,722	8.0%	11.2%	189	<b>6,778</b>	<b>7.1%</b>	<b>100.8%</b>	<b>10.9%</b>	<b>180</b>
<b>Health Care and Nursing Care Business</b>	6,761	8.0%	28.7%	260	<b>7,202</b>	<b>7.5%</b>	<b>106.5%</b>	<b>28.4%</b>	<b>227</b>
<b>Overseas Business</b>	23,373	27.8%	53.7%	4,969	<b>25,297</b>	<b>26.5%</b>	<b>108.2%</b>	<b>54.7%</b>	<b>5,514</b>
<b>China Business</b>	26,301	31.3%	43.7%	7,525	<b>35,620</b>	<b>37.3%</b>	<b>135.4%</b>	<b>43.2%</b>	<b>9,601</b>
<b>Elimination of internal trading between segments</b>	(4,754)	(5.7%)	—	—	<b>(7,899)</b>	<b>(8.3%)</b>	—	—	—
<b>Other</b>	1,276	1.5%	16.6%	173	<b>868</b>	<b>0.9%</b>	<b>68.0%</b>	<b>13.1%</b>	<b>113</b>

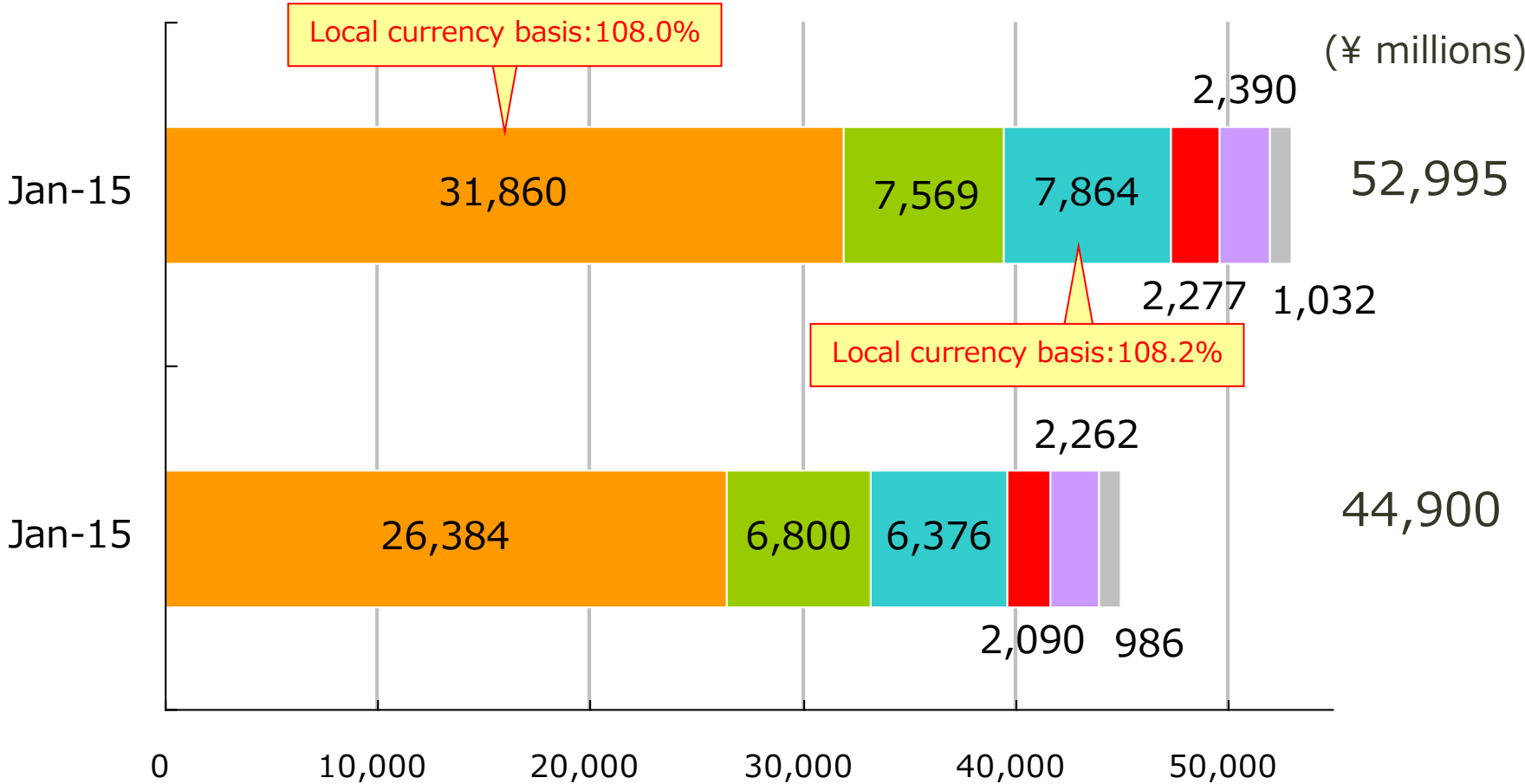
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※ The consolidated amount recorded has been posted as the sum resulted from eliminating intersegment transactions in the overseas and China businesses.

# Overseas Business Sales by Region



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



※ [Assumed rates] Jan. 2016: US\$1 = ¥120.59; 1 yuan = ¥19.19  
 [Actual rates] Jan. 2015: US\$1 = ¥105.78; 1 yuan = ¥17.17

# 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 (Results)	Year-End (Results)	Interim (Results)	Year-End (Results)	Interim (Results)	Year-End (Results)	Interim (Plan)	Year-End (Forecast)
Dividend per share (¥)	<b>44</b> (7.3)	<b>71</b> (11.8)	<b>66</b> (11)	<b>55</b> (18.3)	<b>45</b> (15)	<b>60</b> (20)	<b>20</b>	<b>20</b>
Payout ratio	<b>50.3%</b>		<b>50.4%</b>		<b>49.6%</b>		<b>49.9%</b>	

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

	Jan. 2014		Jan. 2015		Jan. 2016	
	Interim (Results)	Year-End (Results)	Interim (Results)	Year-End (Results)	Interim (Results)	Year-End (Forecast)
Capital expenditures ※	<b>2,092</b>	<b>3,091</b>	<b>1,672</b>	<b>3,204</b>	<b>1,610</b>	<b>4,327</b>
Depreciation (tangible fixed assets)	<b>733</b>	<b>1,663</b>	<b>780</b>	<b>1,705</b>	<b>1,018</b>	<b>2,166</b>

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

# Approach to Enhance Corporate Value

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



## Shanghai





# World Class Brand Power



Indonesia



Vietnam



Middle East



India



Taiwan



Malaysia



New Pigeon Website



Global CM in Shops



Room for Breastfeeding  
(Pigeon HQ Office)



Breastfeeding Consultation  
Room in China



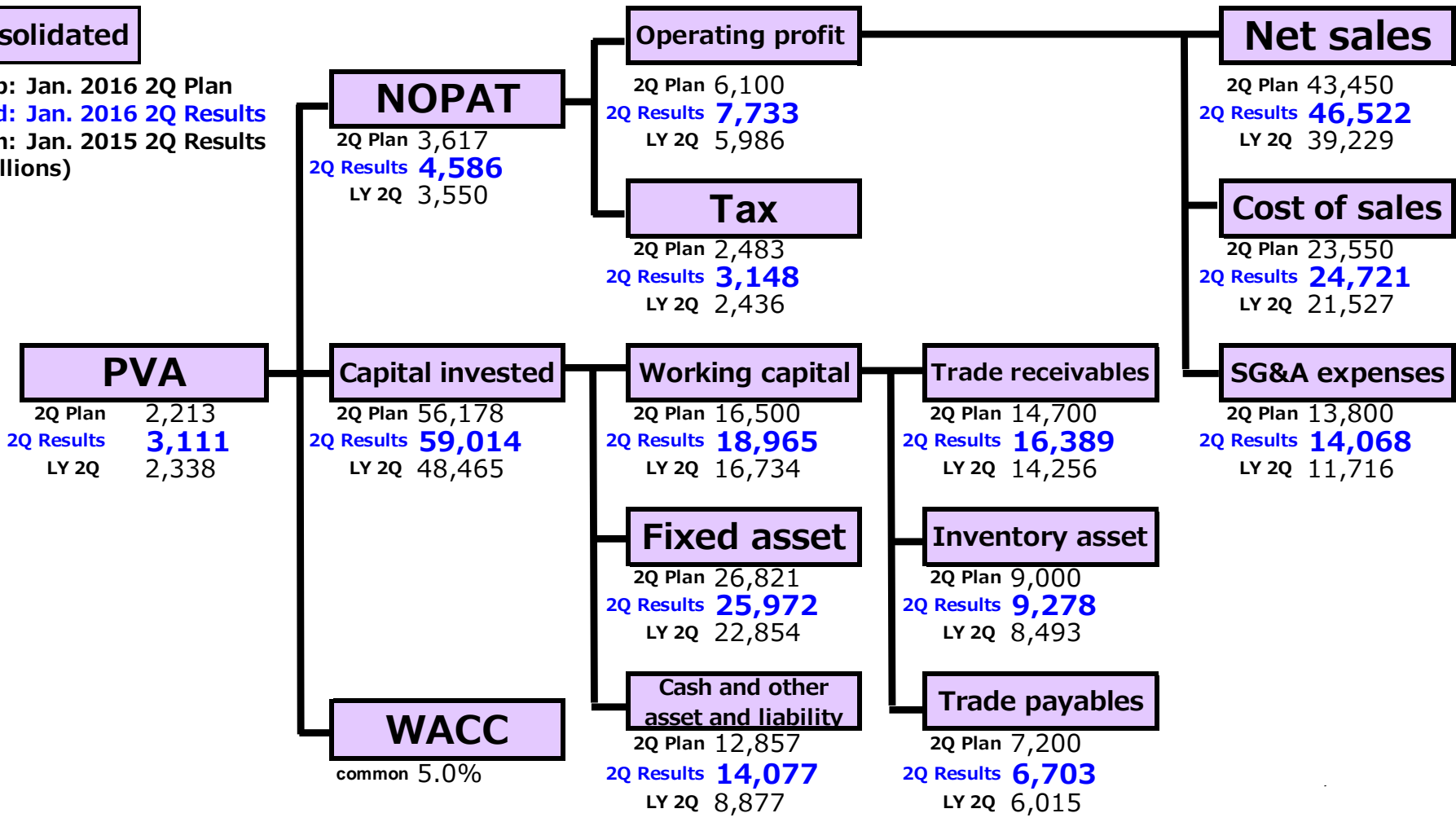
Breastfeeding Consultation  
Room in Russia

# PVA Tree: Consolidated Results in Jul. 2015



**Consolidated**

Top: Jan. 2016 2Q Plan  
 Mid: Jan. 2016 2Q Results  
 Bottom: Jan. 2015 2Q Results  
 (¥millions)



# PVA (Ratio): Consolidated Results in Jul. 2015

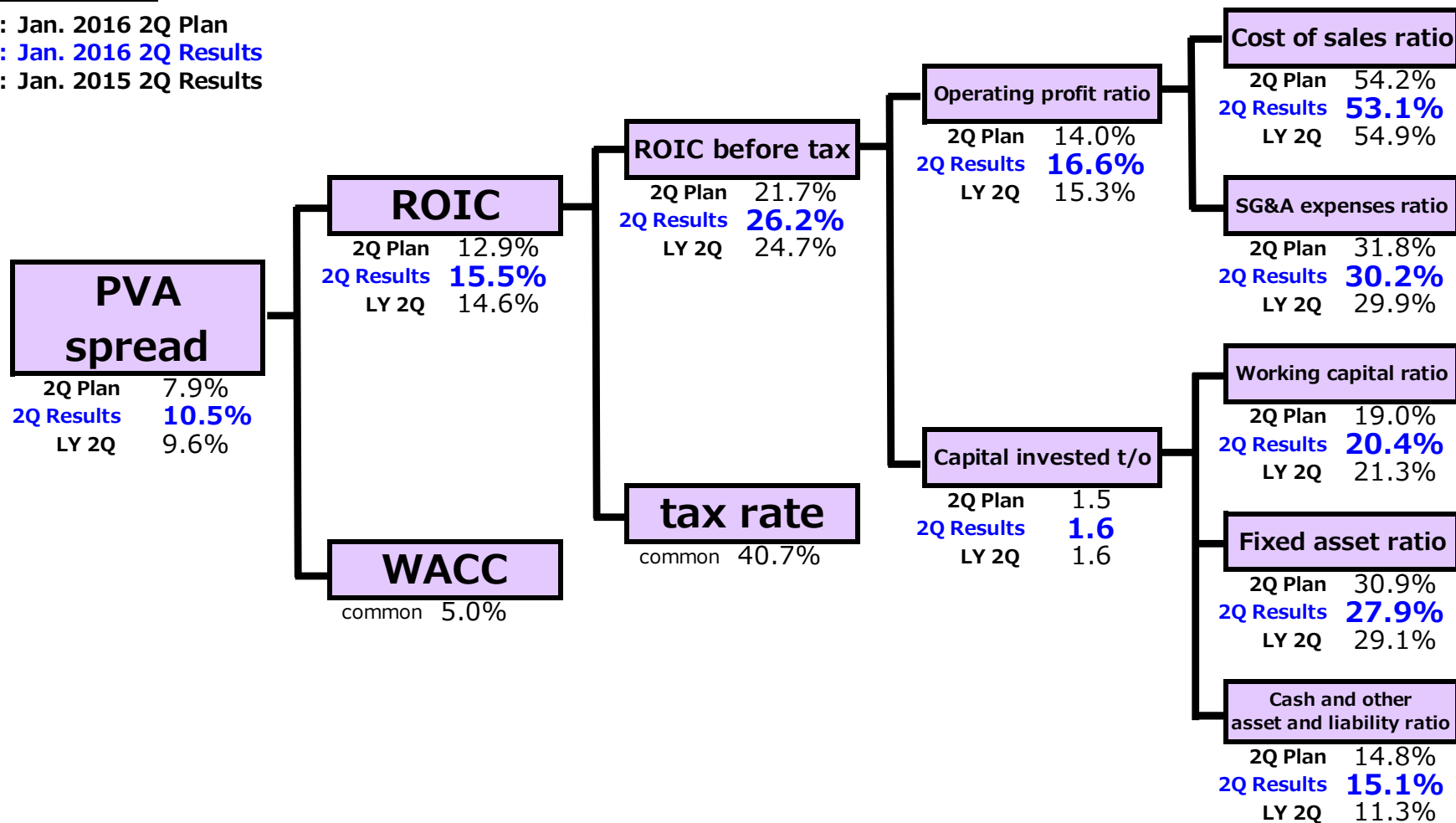


## Consolidated

Top: Jan. 2016 2Q Plan

Mid: Jan. 2016 2Q Results

Bottom: Jan. 2015 2Q Results



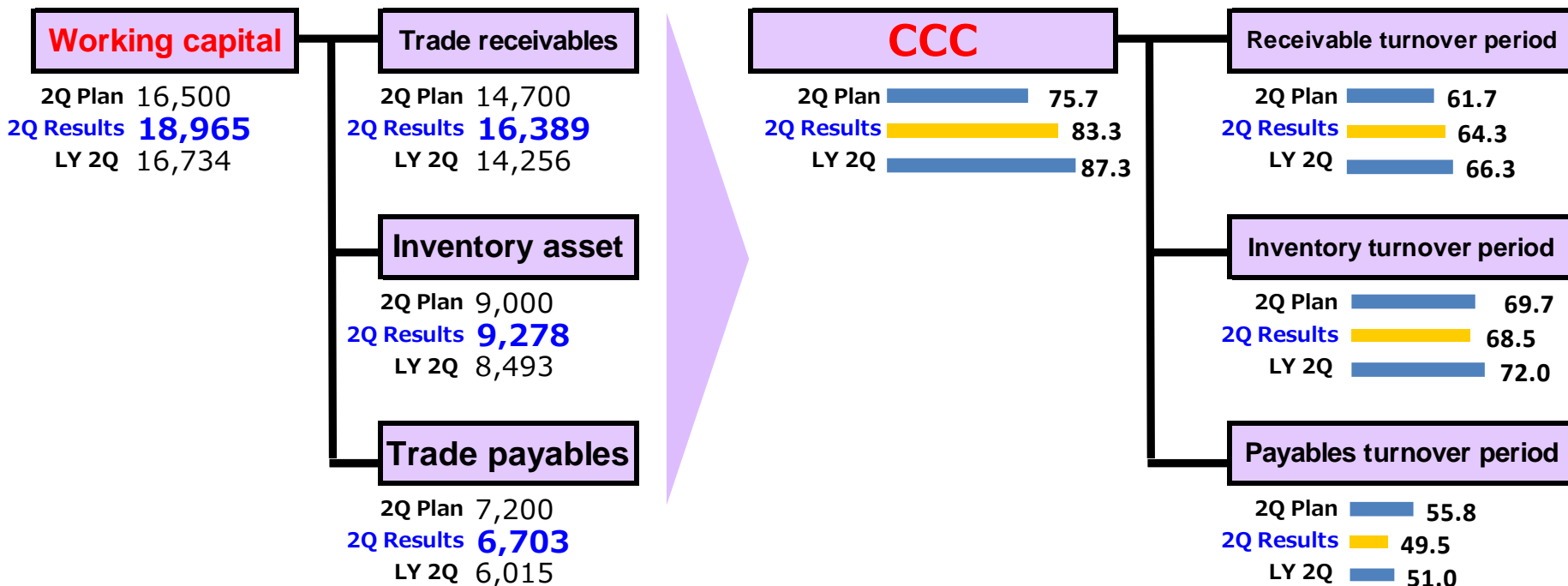


# CCC Tree: Consolidated Results in Jul. 2015



## Consolidated

Top: Jan. 2016 2Q Plan  
 Mid: Jan. 2016 2Q Results  
 Bottom: Jan. 2015 2Q Results  
 (¥millions)



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