

Results briefing for the six months ended July 31, 2013

September 4, 2013

PIGEON CORPORATION

(Securities code: 7956)

President & COO Shigeru Yamashita

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Jul. 2013 Results

Jul. 2012 Results and Jul. 2013 Results (Consolidated)

(¥ millions)	Jul. 2012		Jul. 2013	
	Amount	YoY Change	Amount	YoY Change
Net sales	31,207	109.8 %	36,621	117.3 %
Operating income	3,225	154.5 %	4,814	149.3 %
Ordinary income	3,266	158.2 %	5,161	158.0 %
Net income	1,910	157.3 %	3,121	163.3 %
Net assets	29,165	107.0 %	36,078	123.7 %
Total assets	45,541	103.0 %	53,349	117.1 %
EPS (¥)	47.73※	—	77.98※	163.4 %
BPS (¥)	728.63※	—	820.97※	112.7 %

※The Group conducted a stock split at the ratio of 2 shares for every 1 share of common shares. The effective date of the stock split was August 1, 2013. Net income per share and net assets were calculated assuming that the stock split was performed at the beginning of the previous fiscal year ended January 31, 2013.



Statements of Income (Consolidated)

(¥ millions)	Jul. 2012		Jul. 2013			
	Amount	% of Total	Amount	% of Total	YoY Change	summary
Net sales	31,207	100.0 %	36,621	100.0 %	117.3 %	
Cost of sales	17,960	57.6 %	20,457	55.9 %	113.9 %	
Gross Profit	13,247	42.4 %	16,164	44.1 %	122.0 %	
Selling, General and Administrative Expenses	10,022	32.1 %	11,350	31.0 %	113.3 %	■ Main SG&A changes Personal expenses: + ¥ 494m Advertising expenses : + ¥ 221m Delivery expenses: + ¥ 134m
Operating income	3,225	10.3 %	4,814	13.1 %	149.3 %	
Total Other Income and Expenses	41	0.1 %	347	0.9 %	842.0 %	■ Main changes in Total Other Income and Expenses Foreign exchange gains + ¥ 178m
Ordinary income	3,266	10.5 %	5,161	14.1 %	158.0 %	
Total Extraordinary Income and Loss	(21)	(0.1 %)	(12)	0.0 %	—	
Less: Minority Interest in Net Income of Consolidated Subsidiaries	59	0.2 %	86	0.3 %	146.6 %	
Net income	1,910	6.1 %	3,121	8.5 %	163.3 %	

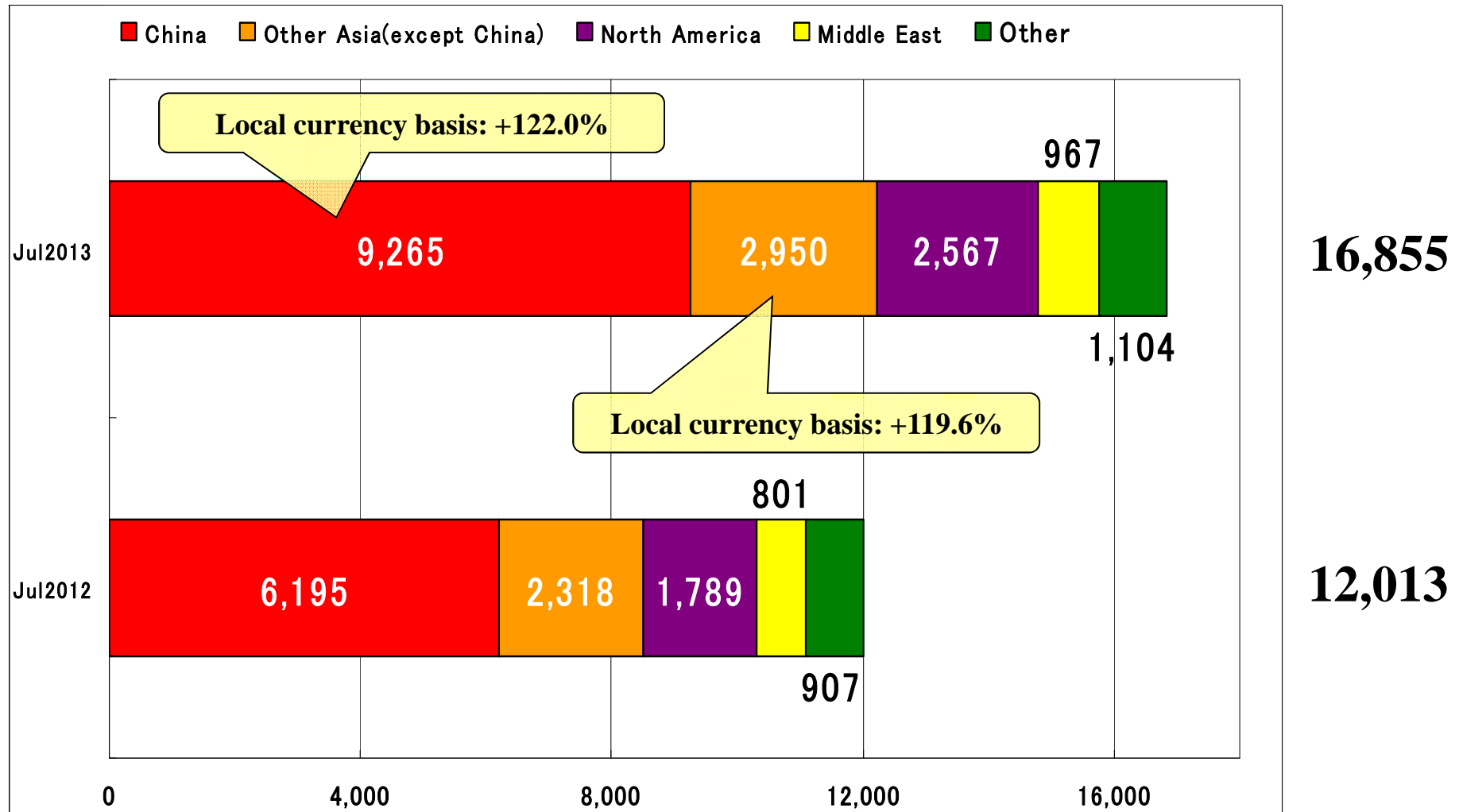
Results by Segment (Consolidated)

(¥ millions)	Jul. 2012				Jul. 2013				
	Amount	% of Total	Gross Margin	Segment Income	Amount	% of Total	YoY Change	Gross Margin	Segment Income
Consolidated net sales	31,207	100.0%	42.4%	3,225	36,621	100.0%	117.3%	44.1%	4,814
Domestic Baby and Mother Care Business	11,954	38.3%	47.1%	1,784	12,476	34.1%	104.4%	45.9%	1,628
Child-rearing Support Services	3,159	10.1%	11.5%	83	3,289	9.0%	104.1%	11.4%	80
Health Care and Nursing Care Business	3,510	11.2%	31.0%	130	3,449	9.4%	98.3%	31.1%	202
Overseas Business	12,013	38.5%	50.5%	2,697	16,855	46.0%	140.3%	52.9%	4,666
Other	570	1.8%	15.7%	74	550	1.5%	96.6%	14.4%	63

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

Overseas Business Sales by Region

(¥ millions)



※ Currency rates (July 2013): US\$1 = ¥95.72; 1 yuan = ¥15.49; (July 2012): US\$1 = ¥79.77; 1 yuan = ¥12.64



Key Priorities for Year to Jan. 2014

■ Domestic Baby and Mother Care Business

- Steady growth and expansion of large merchandise business by launching new products
- Establishment of new category
 - “Pigeon for over 18 months old” series and “women's wellness” category

■ Child-rearing Support Services

- Realize further improvements in child-rearing quality and efficient business management

■ Health Care and Nursing Care Business

- Reconstruct business organization and improve the profitability; reinforce sales activities for the facilities route
- Realize the strategy for growth with the main products as the key

■ Overseas Business

- China :Launch the products of new category
 - Achieve further reinforcement of the brand power by increasing intensive promotion hospitals, etc.
- Europe and America: Launching new products and steady growth of the brands (mOmma, etc.)
- Market expansion: Growth of the market share in India, Malaysia, South Korea and entry new market.

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

■ Domestic Baby and Mother Care Business

[New products for babies released in the first half of the year]

“Bonyu Jikkan ”Baby Bottles with design, “UV Baby Series”, etc.

[New products in the "women’s wellness" category released in the first half of the year]

“Gel Toothpaste ", "Mouthwash" "Oral Tablet"

[Large merchandise business]

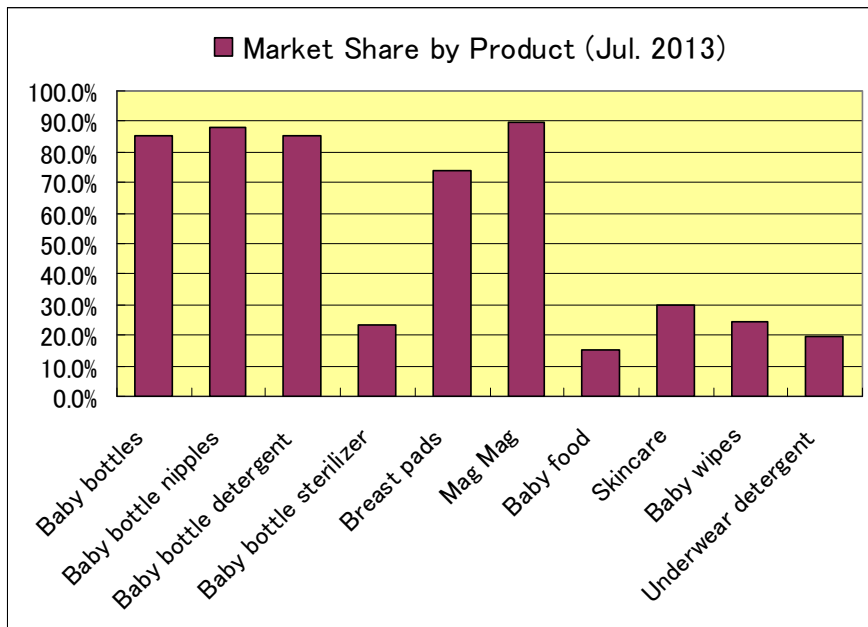
Stroller "Mahalo"

[Direct communication]

20 maternity events with participation of about 1,400 people

■ Child-rearing Support Services

[New additions of facilities managed] 2 national hospital organizations and 3 child-care facilities in business establishments -> Total 189 facilities



Main products to be launched during the Autumn of 2013 (second half of the year)



Baby wips



Supplement for pergnant women (folic acid, iron and Calcium)



Manual Breast Pump

※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
- “Kaori Kakumei” sales are strong
- The users of the Pigeon Manaka day service increase smoothly



Recoup

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



Recoup "Burden Reducing Supporter"



Habinurse "Kaori Kakumei"
(Deodorant)



Pigeon Manaka day service "Sansan"

Overseas Business

Overseas Business

China

- Successfully continued to release into the market new products and sales are also progressing favorably
- Production output is increasing in two production facilities due to business expansion, making contributions to the profits
- Our awareness program related to caring for breastfed infants conducted jointly with our Sanitation department is continually being implemented
- Strong efforts are made on promotion activities (such as holding events offering hand-on experience in childcare,others)

Europe and America

- Restructuring of personnel affairs and efforts to strengthen marketing activities bore fruit with business results on the upward trend
- Focus on penetration of “mOmma” brand

New markets

- **India:** continued efforts to strengthen distribution system, increase the number of shops selling the Group’s products, and installation of Pigeon Corners
- **Korea:** To strengthen the structure for business expansion already achieved last year, a sales branch was reorganized into a local corporation



China: new disposable diapers



China: an event offering hand-on experience in childcare



India: Pigeon Corner



Reference: Balance Sheet Highlights (Consolidated)

	Jan. 13	Amount	Jul. 13	(¥ millions)
	Amount		YoY Change (Amount)	YoY Change (%)
Cash and time deposit	10,574	9,086	(1,487)	85.9 %
Notes and accounts receivable	10,540	12,840	+ 2,299	121.8 %
Inventories	6,776	7,983	+ 1,206	117.8 %
Notes and accounts payable	3,864	4,728	+ 864	122.4 %
Borrowings	3,620	3,447	(173)	95.2 %
Net assets	32,365	36,078	+ 3,712	111.5 %
Total assets	48,538	53,349	+ 4,811	109.9 %
Equity ratio	65.3%	66.1%	—	+ 0.9 pt

■ Notes and accounts receivable:

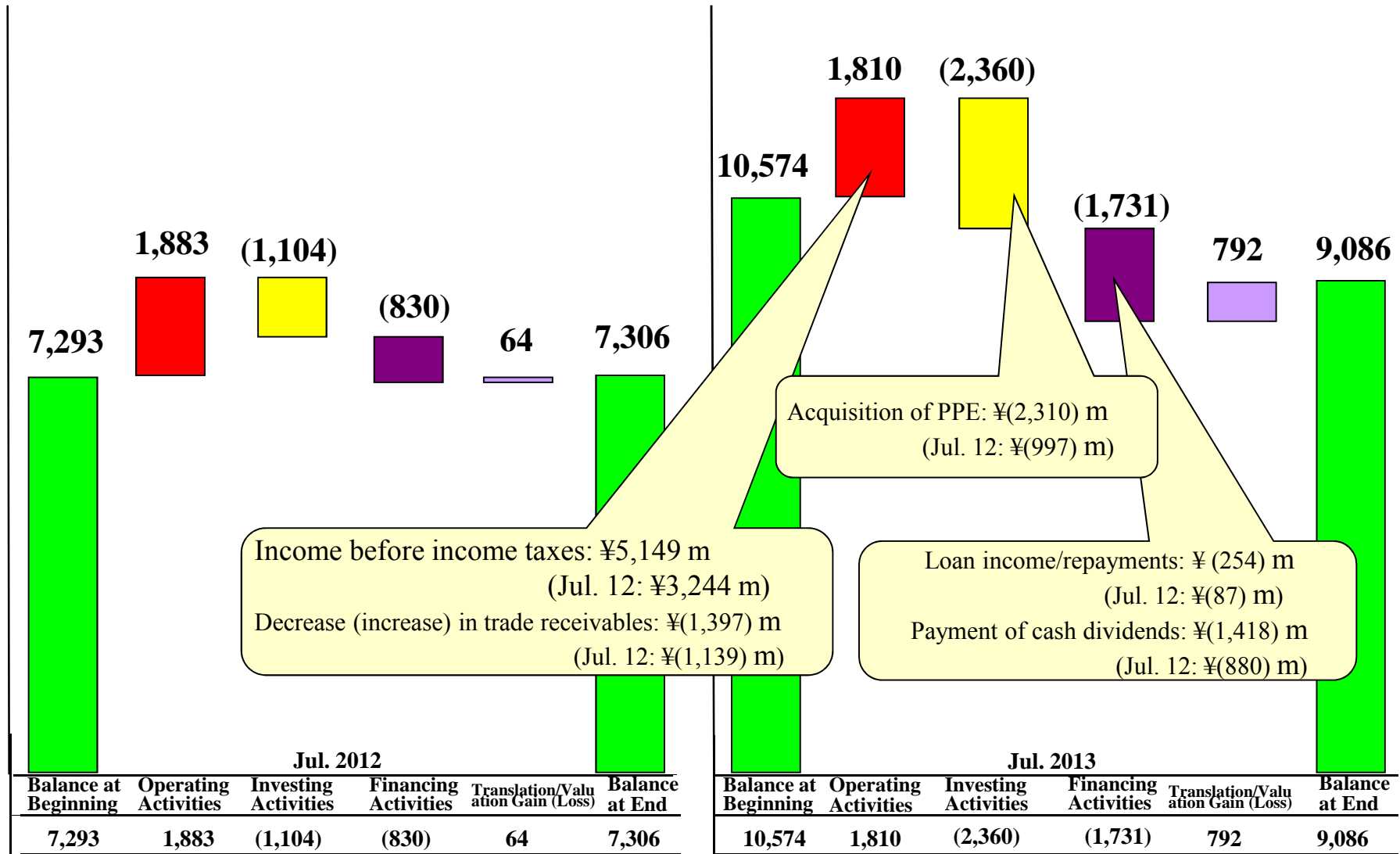
■ Inventories:



Increase due to business expansion

Reference: Cash Flows

(¥ millions)



Reference: Investment-Related Indicators (Consolidated)

(¥ millions)

	Jan. 2013		Jan. 2014	
	Interim (Result)	Full Year (Result)	Interim (Result)	Full Year (Plan)
Capital expenditures ※1	872	1,868	2,092	4,517
Depreciation (tangible fixed assets)	681	1,426	733	1,632
Research and development ※2	766	1,620	820	1,771

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

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

Jan. 2014 Full Year Business Forecasts

Jan. 2013 Results and Jan. 2014 Forecast (Consolidated)

(¥ millions)	Jan. 2013			Jan. 2014 (Revised Forecast)		
	Amount	% of Total	YoY Change	Amount	% of Total	YoY Change
Net sales	65,075	100.0%	110.0%	76,600	100.0%	117.7%
Operating income	7,086	10.9%	140.5%	9,000	11.7%	127.0%
Ordinary income	7,389	11.4%	150.3%	9,300	12.1%	125.9%
Net income	4,573	7.0%	143.7%	5,600	7.3%	122.4%
Net assets	32,365	—	115.9%	37,283	—	115.2%
Total assets	48,538	—	110.9%	54,760	—	112.8%
EPS (¥)	114.26※	—	—	139.90※	—	122.4%
BPS (¥)	791.24※	—	—	912.64※	—	115.3%
ROA	16.0%	—	—	18.0%	—	—
ROE	15.5%	—	—	16.4%	—	—

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

※ The Group conducted a stock split at the ratio of 2 shares for every 1 share of common shares. The effective date of the stock split was August 1, 2013. Net income per share and net assets were calculated assuming that the stock split was performed at the beginning of the previous fiscal year ended January 31, 2013.



Results and Forecast by Segment (Consolidated)

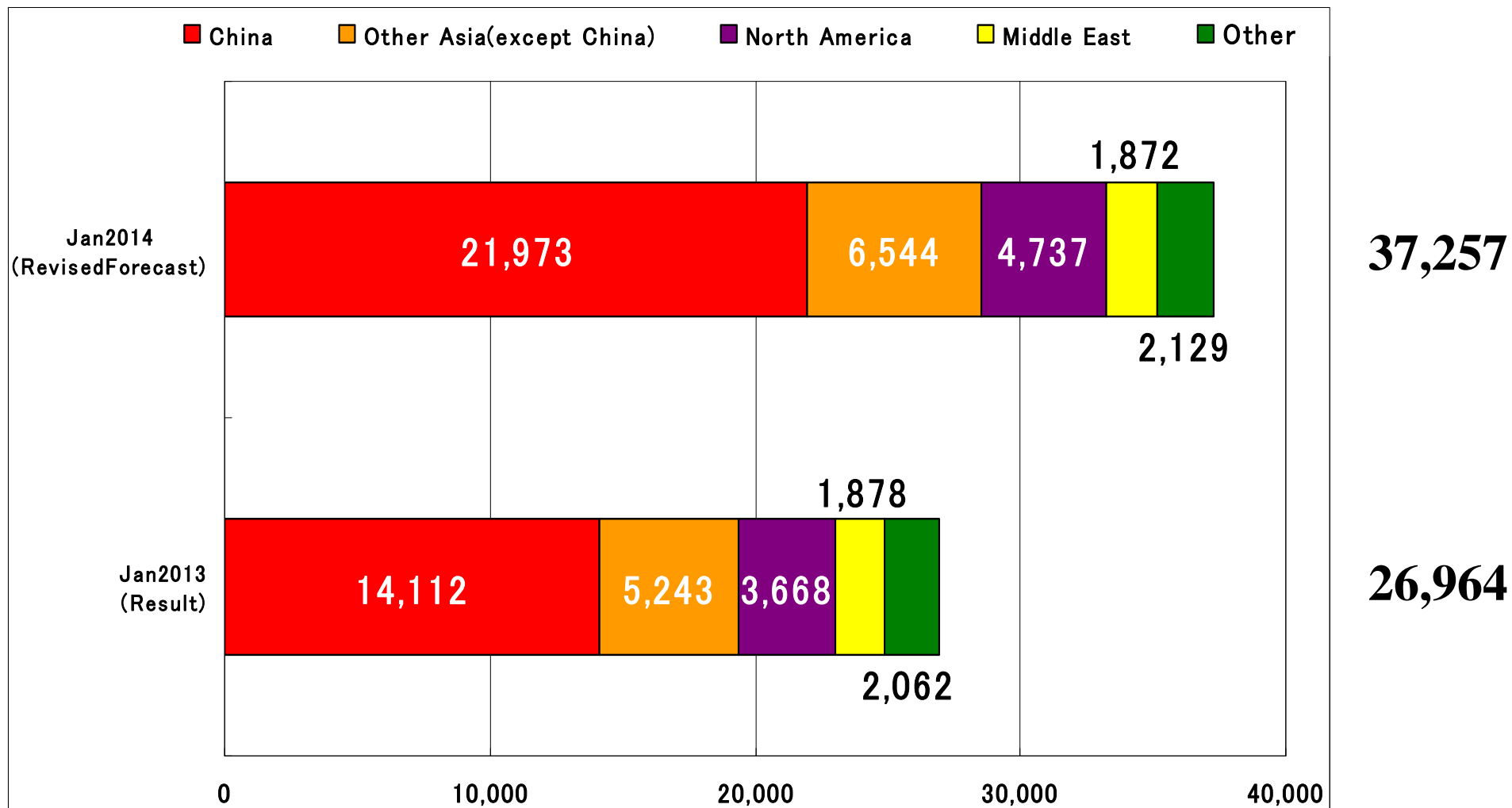
(¥ millions)	Jan. 2013				Jan. 2014 (Revised Forecast)				
	Amount	% of Total	Gross Margin	Segment Income	Amount	% of Total	YoY Change	Gross Margin	Segment Income
Consolidated net sales	65,075	100.0%	42.7%	7,086	76,600	100.0%	117.7%	42.9%	9,000
Domestic Baby and Mother Care Business	23,882	36.7%	46.8%	3,379	24,956	32.6%	104.5%	45.6%	3,595
Child-rearing Support Services	6,388	9.8%	11.4%	182	6,434	8.4%	100.7%	11.7%	202
Health Care and Nursing Care Business	6,699	10.3%	30.6%	212	7,000	9.1%	104.5%	30.7%	375
Overseas Business	26,964	41.4%	50.6%	6,387	37,257	48.6%	138.2%	50.4%	9,315
Other	1,140	1.8%	15.2%	141	950	1.2%	83.3%	15.6%	118

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

※Assumed exchange rates of Overseas Business: US\$1 = ¥92.00 ; 1 yuan = ¥14.80

Full Fiscal Year Overseas Sales by Region

(¥ millions)



※ [Currency rates] Jan. 2014 (assumed): US\$1 = ¥92.00; 1 yuan = ¥14.80; Jan. 2013: US\$1 = ¥79.80; 1 yuan = ¥12.66



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. 2011 (Result)		Jan. 2012 (Result)		Jan. 2013 (Result)		Jan. 2014 (Forecast)	
	Interim	Year-End	Interim	Year-End	Interim	Year-End	Interim	Year-End
Dividend per share (yen)	44	44	44	44	44	71	66	※37 (74)
Payout ratio	60.1%		55.3%		50.3%		50.0%	

※The Group conducted a stock split at the ratio of 2 shares for every 1 share of common shares. The effective date of the stock split was August 1, 2013. The stock split is reflected in the amount of the listed year-end annual dividends for the year ending January 31, 2014 (forecast).

Corporate Overview

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