
Results Briefing for the Six Months ended July 31, 2014

September 3, 2014

PIGEON CORPORATION

(Securities code: 7956)

President & COO
Shigeru Yamashita

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Business Results at July 31, 2014

Financial Highlights (Consolidated)

(¥ millions)	Jul. 2013		Jul. 2014	
	Results	YoY Change	Results	YoY Change
Net sales	36,621	117.3%	39,229	107.1%
Operating income	4,814	149.3%	5,985	124.3%
Ordinary income	5,161	158.0%	5,957	115.4%
Net income	3,121	163.3%	4,074	130.5%
Net assets	36,078	123.7%	39,951	110.7%
Total assets	53,349	117.1%	63,295	118.6%
EPS (¥)	77.98	163.4%	102.00	130.8%
BPS (¥)	820.97	112.7%	978.90	119.2%

Statements of Income (Consolidated)

(¥ millions)

	Jul. 2013		Jul. 2014			
	Results	% of Total	Results	% of Total	YoY Change	Remarks
Net sales	36,621	100.0%	39,229	100.0%	107.1%	
Cost of sales	20,457	55.9%	21,527	54.9%	105.2%	
Gross profit	16,164	44.1%	17,702	45.1%	109.5%	■ Main changes in SG&A expenses:
SG&A expenses	11,350	31.0%	11,716	29.8%	103.2%	Personnel expenses + ¥193 m Sales Promotion expenses + ¥168 m
Operating income	4,814	13.1%	5,985	15.3%	124.3%	Land and house rents + ¥84 m Advertising expenses ¥(289 m)
Non-operating income and expenses	347	0.9%	(27)	(0.1%)	-	■ Main changes in non-operating income (expenses):
Ordinary income	5,161	14.1%	5,957	15.2%	115.4%	Foreign exchange gains ¥(293 m)
Extraordinary Income and Loss	(12)	0.0%	(21)	(0.1%)	-	
Less: Minority Interest in Net Income of Consolidated Subsidiaries	86	0.3%	83	0.2%	96.5%	
Net income	3,121	8.5%	4,074	10.4%	130.5%	

Net Sales by Business Segment (Consolidated)

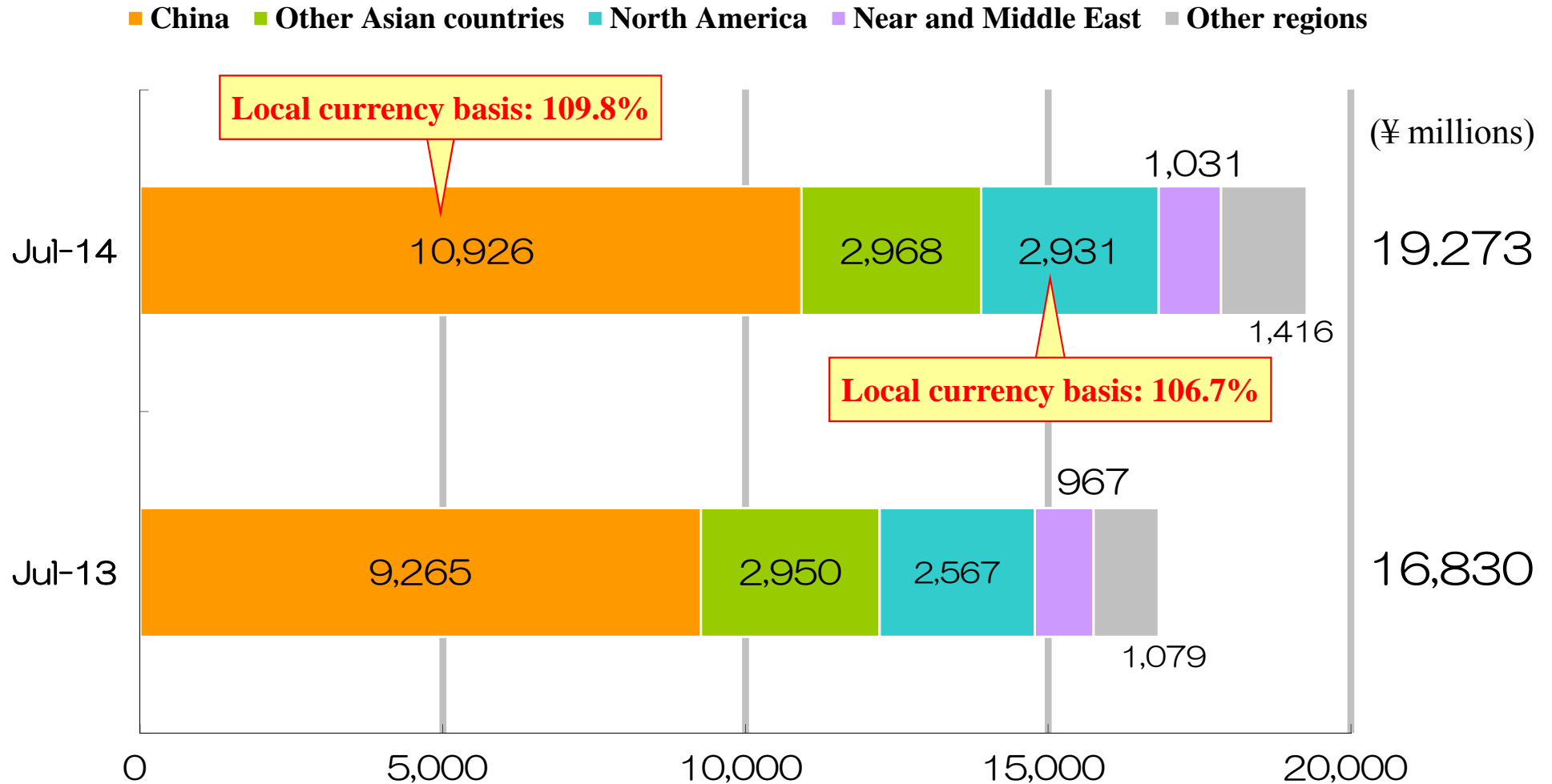
(¥ millions)

	Jul. 2013				Jul. 2014				
	Amount	% of Total	Gross Margin	Segment Profit	Amount	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	36,621	100.0%	44.1%	4,814	39,229	100.0%	107.1%	45.1%	5,985
Domestic Baby and Mother Care Business	12,476	34.1%	45.9%	1,628	12,391	31.6%	99.3%	45.5%	2,029
Child-rearing Support Services	3,289	9.0%	11.4%	80	3,364	8.6%	102.3%	11.6%	96
Health Care and Nursing Care Business	3,449	9.4%	31.1%	202	3,521	9.0%	102.1%	29.1%	212
Overseas Business	9,438	25.8%	53.4%	1,975	10,522	26.8%	111.5%	54.8%	2,261
China Business	9,081	24.8%	41.8%	2,618	10,951	27.9%	120.6%	43.1%	3,303
Other	550	1.5%	14.4%	63	654	1.7%	118.8%	16.3%	86

※ 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] July 2014: US\$1 = ¥102.45; 1 yuan = ¥16.64; July 2013: US\$1 = ¥95.72; 1 yuan = ¥15.49

Key Priorities for Year to Jan. 2015

● Domestic Baby and Mother Care Business

- Steady growth and expansion of large merchandise business by launching new products
- Enhancement of our approach to maternity classes
- 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 the facilities' 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 (baby 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 / Child-rearing Support Services Status

Domestic Baby and Mother Care Business

[Baby and Mother Care] Electric Breast pump “First Class”, “Baby Skin Care Series”, etc.

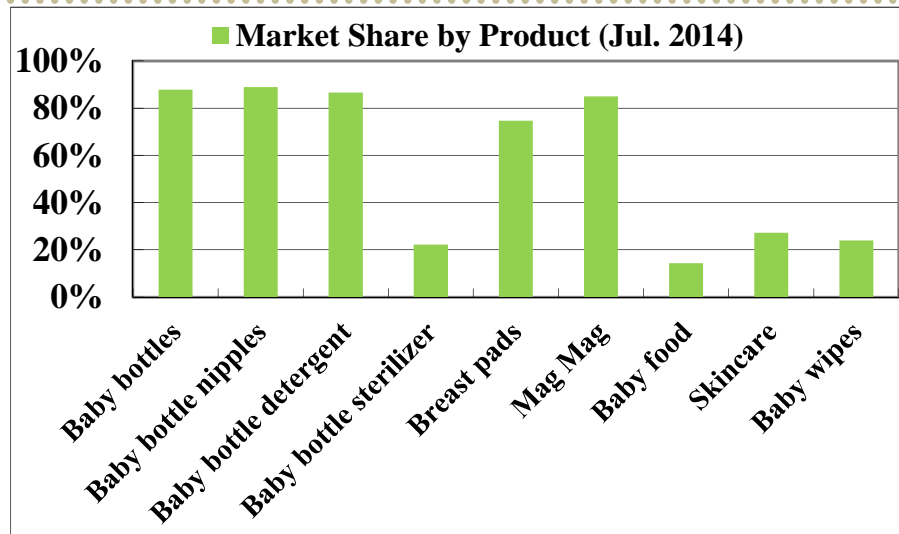
[Large merchandise business] Baby stroller “Mahalo laule’a”, etc.

[Direct communication] 17 maternity events with about 870 participants held
 “Breast feeding Seminar” for pregnant women, “Working Women Meetings for Pregnancy Training” for those who are preparing for pregnancy, etc.

Child-rearing Support Services

[New additions of facilities managed] Two child-care facilities in-company establishments → Total 185 facilities (including those of the National Hospital Organization)

[Preschool education facilities] The mathematical experience program called “Math Program” has been receiving favorable feedback since its launch in April



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

Main new products to be launched during this autumn (2nd half of 2014)



Baby yogurt drink
“Puchiguruto”



Home-made
snack series



Health Care and Nursing Care Business Status

Health Care and Nursing Care Business

- Unification of sales teams to Pigeon Tahira for the strengthening of our sales force and increased efficiency

Habinurse

- Held the Press conference of “Absorbent sheets against urine and loose feces leakage” which is new products to be launched from the second half of 2014



Recoup

- New Products in the first half of 2014 “KARURU” underwear with urine leakage absorption features.



Pigeon Manaka

- Users of the Day Service Center “SANSAN” have increased smoothly



Recoup “KARURU”

Press conference of Habinurse “Absorbent sheets against urine and loose feces leakage”

Pigeon Manaka's Day Service “SANSAN” Center's staff

Overseas Business

Europe and America

- Increased market share for our top products in North America (Nipple Care Cream, Breast pads)
- Increase of new store count in Europe and expansion of our product range to the existing stores
- Nursing bottles: Introducing the nursing bottle “NaturalWave” in the American and European markets

New markets

- India: Strengthening of the distribution system and branding, and production of nursing bottles and nipples scheduled to be introduced progressively to local factory starting from January 2015
- Rusia: Academic presentations on acknowledged value of Pigeon's nursing bottles and nipples by local doctors
- Brazil: New subsidiary established to support our operations debut in the Brazilian market

Other Businesses

- We held the Pigeon Global Partners Conference 2014 in Hawaii (attended by our distributors' representatives from 14 countries and regions)



North America: ‘Lansinoh’ Corner/
Nursing Bottle “Natural Wave”



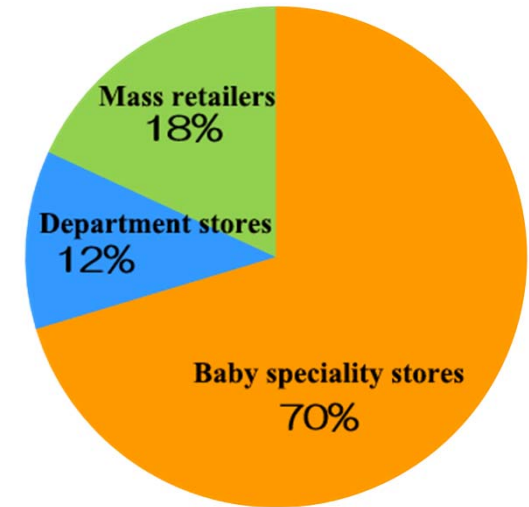
India: Plans of Scheduled
Factory Completion



Pigeon Global Partners
Conference in Hawaii

China Business

- Steady increase of sales in our main products, including nursing bottles and nipples, wipes, baby skin care products, etc.
- Baby Diapers Business: Ongoing measures to reinforce its over-the-counter sales
- Further strengthening of our branding activities and application of Pigeon Net Members plan.
- Our awareness program related to caring for breastfed infants conducted jointly with our Sanitation department is continually being implemented



Sales proportion (% of total) by Pigeon Shanghai sales channel (as of June 31, 2014)



Children's Day celebration Event in maternities (collaborators)



Seminars for health care professionals



Pigeon Net Members Planning Offline Events



Pigeon Corner

Reference: Consolidated Balance Sheet (Highlights)

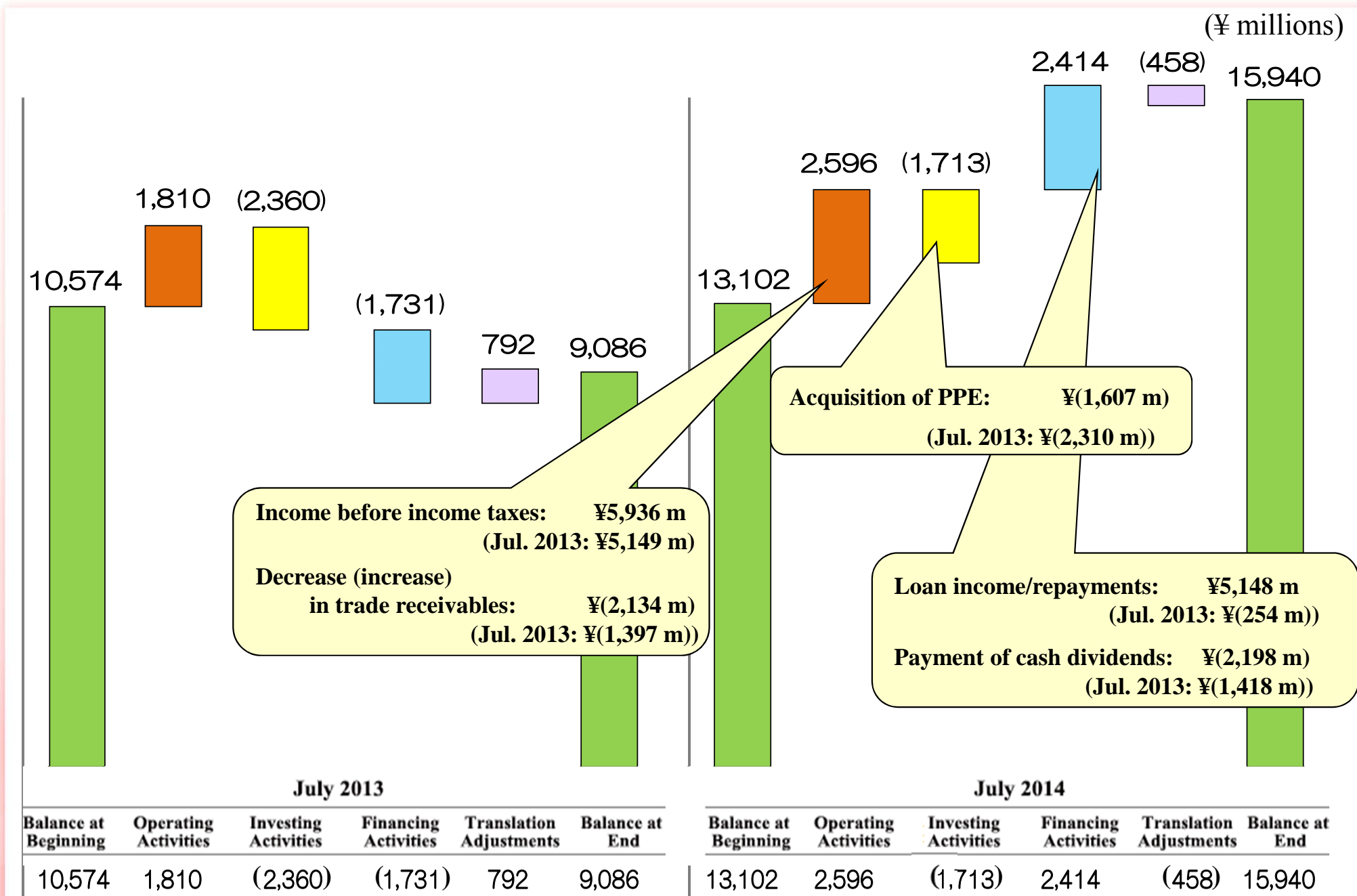
(¥ millions)	Jan. 2014	Jul. 2014		
	Amount	Amount	YoY Change (Amount)	YoY Change (%)
Cash and deposits	13,102	15,940	+2,838	121.7%
Notes and accounts receivable	12,569	14,255	+1,686	113.4%
Inventories	8,052	8,493	+440	105.5%
Notes and accounts payable	4,518	4,561	+42	100.9%
Borrowings	3,411	8,512	+5,100	249.5%
Net assets	39,981	39,951	(29)	99.9%
Total assets	57,955	63,295	+5,340	109.2%
Equity ratio	67.5%	61.7%	-	(5.8 pt)

■ Cash and deposits

■ Notes and accounts receivable - trade

} Increase due to business expansion

Reference: Cash Flow



Reference: Investment-Related Indicators (Consolidated)

(¥ millions)

	Jan. 2014		Jan. 2015	
	Interim (Results)	Full Year (Results)	Interim (Results)	Full Year (Forecast)
Capital investment ※1	2,092	3,091	1,672	4,045
Depreciation (tangible fixed assets)	733	1,663	780	2,087
Research and development ※2	820	1,730	938	2,002

※1 Refers to purchase of tangible fixed assets

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

Jan. 2015 Full Year Business Forecasts

Jan. 2014 Results and Jan. 2015 Forecast (Consolidated)

(¥ millions)	Jan. 2014			Jan. 2015		
	Amount	% of Total	YoY Change	Amount	% of Total	YoY Change
Net sales	77,465	100.0%	119.0%	84,500	100.0%	109.1%
Operating income	10,365	13.4%	146.3%	11,600	13.7%	111.9%
Ordinary income	11,002	14.2%	148.9%	11,800	14.0%	107.3%
Net income	6,985	9.0%	152.7%	7,300	8.6%	104.5%
Net assets	39,981	-	123.5%	41,738	-	104.4%
Total assets	57,955	-	119.4%	65,342	-	112.7%
EPS (¥)	174.53	-	152.7%	182.38	-	104.5%
BPS (¥)	977.50	-	123.5%	1018.37	-	104.2%
ROA	20.7%	-	-	19.1%	-	-
ROE	19.7%	-	-	18.3%	-	-

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

Sales Forecast by Business Segment (Consolidated)

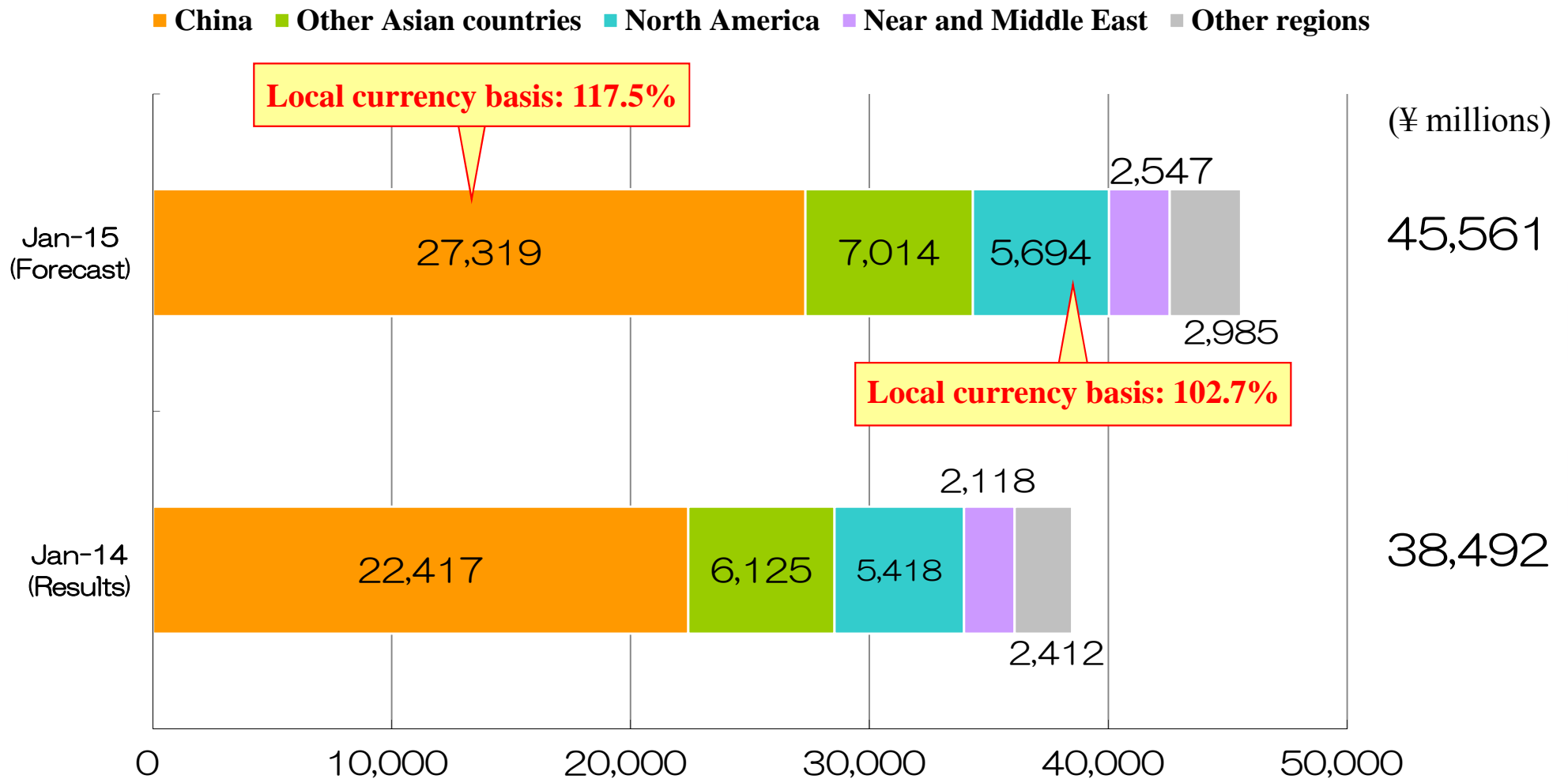
(¥ millions)

	Jan. 2014 (Results)				Jan. 2015 (Forecast)				
	Amount	% of Total	Gross Margin	Segment Profit	Amount	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated net sales	77,465	100.0%	44.5%	10,365	84,500	100.0%	109.1%	44.3%	11,600
Domestic Baby and Mother Care Business	24,451	31.6%	45.8%	3,411	24,500	29.0%	100.2%	45.4%	3,653
Child-rearing Support Services	6,599	8.5%	11.5%	176	6,300	7.5%	95.5%	11.7%	188
Health Care and Nursing Care Business	6,721	8.7%	29.8%	212	7,100	8.4%	105.6%	30.7%	284
Overseas Business	38,540	49.7%	52.6%	10,172	45,600	54.0%	118.3%	51.3%	11,910
Other Businesses	1,151	1.5%	20.5%	204	1,000	1.2%	86.8%	11.5%	93

※ 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.

※ Assumed exchange rates of Overseas Business: US\$1 = ¥100.00 ; 1 yuan = ¥16.50

Full Fiscal Year Overseas Business Sales by Region



※ [Average exchange rates] Jan. 2015: US\$1 = ¥100.00; 1 yuan = ¥16.50; Jan. 2014: US\$1 = ¥97.72; 1 yuan = ¥15.91

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. 2012		Jan. 2013		Jan. 2014		Jan. 2015	
	Interim	Year-End	Interim	Year-End	Interim	Year-End	Interim	Year-End
	(Results)	(Results)	(Results)	(Results)	(Results)	(Results)	(Scheduled)	(Forecast)
Dividend per share (¥)	44(22)	44(22)	44(22)	71(35.5)	66(33)	55	45	45
Payout ratio	55.3%		50.3%		50.4%		49.3%	

※ 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.

Our Future Prospects

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Due to various factors, actual results may differ significantly from those anticipated in this document.