



6th Medium-Term Business Plan (FY Jan. 2018 to FY Jan. 2020)

March 7, 2017

PIGEON CORPORATION

(Securities Code: 7956)

President & COO

Shigeru Yamashita

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1. Review of the 5th Medium-Term Business Plan: Financial Targets

(millions of yen)	5th MTBP	Jan. 2017 Results	Progress	3-years CAGR
Net sales	100,000	94,640	94.6%	+6.9%
Gross profit	44,200	44,688	101.1%	+9.0%
Operating income	15,000	16,015	106.8%	+15.6%
Ordinary income	15,000	16,462	109.8%	+14.4%
Net Income Attributable to Owners of Parent	9,000	11,118	123.5%	+16.8%
EPS (¥)	75.15	92.84	123.5%	
Gross margin	44.2%	47.2%	+3.0pt	
Operating margin	15.0%	16.9%	+1.9pt	
Ordinary margin	15.0%	17.4%	+2.4pt	
Net Income Attributable to Owners of Parent margin	9.0%	11.8%	+2.8pt	
ROA	22.0%or more	21.5%	(0.5pt)	
ROE	21.0%or more	21.8%	+0.8pt	
ROIC	15.0%or more	16.3%	+1.3pt	

※Our Group 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.

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

※ROIC: Return On Invested Capital (NOPAT/Capital Invested, calculated with a tax rate of 40.7%,

Capital Invested is averaged between beginning and year-end figures)

1. Review of the 5th Medium-Term Business Plan: By Segment

(millions of yen)	5th MTBP			Jan. 2017 Results			Progress	
	Sales	% of Total	Gross Margin	Sales	% of Total	Gross Margin	Sales	Gross Margin
Consolidated Net Sales	100,000	100.0%	44.2%	94,640	100.0%	47.2%	94.6%	+3.0pt
Domestic Baby and Mother Care Business	27,000	27.0%	45.3%	31,823	33.6%	47.0%	117.9%	+1.7pt
Child Care Service Business	6,700	6.7%	12.7%	7,393	7.8%	10.6%	110.4%	(2.1pt)
Health and Elder Care Business	8,000	8.0%	33.6%	6,901	7.3%	31.4%	86.3%	(2.2pt)
Previously defined Overseas Business	57,300	57.3%	49.1%	47,247	49.9%	56.3%	82.5%	+7.2pt
(Currently defined Overseas Business)	—	—	—	23,051	24.4%	55.6%	—	—
(Currently defined China Business)	—	—	—	30,533	32.3%	44.6%	—	—
(Elimination of internal trading between segments)	—	—	—	(6,337)	(6.7%)	—	—	—
Other	1,000	1.0%	12.4%	1,273	1.3%	15.6%	127.4%	+3.2pt

1. Review of the 5th Medium-Term Business Plan: By Region

(millions of yen)	5th Medium-Term Business Plan		Jan. 2017		Progress Status	3-years CAGR
	Net Sales	% of Total	Net Sales	% of Total		
Overseas Business (Previously defined Overseas Business)	57,300	57.3%	47,247	49.9%	82.5%	7.0%
China (incl. Hong Kong)	34,694	34.7%	27,985	29.6%	80.7%	7.7%
Other Asian Countries	9,181	9.2%	6,569	6.9%	71.6%	2.4%
North America	6,418	6.4%	7,061	7.5%	110.0%	9.2%
Near and Middle East	3,072	3.1%	2,382	2.5%	77.5%	4.0%
Other Regions	3,882	3.9%	3,239	3.4%	83.4%	10.3%

1. Pigeon Won the Grand Prix in the TSE's "Corporate Value Improvement Awards"



<Reasons we were selected for the Grand Prix>

Pigeon Corporation (hereinafter, "the Company") was recognized for performing at remarkably high levels "management for increasing corporate value" including its efforts for the improvement with the whole organization as a united force with its **unique management benchmark** "PVA (Pigeon Value Added = Operating income after estimated taxes – Capital cost)" as its important index which indicates the amount of corporate value created exceeding capital cost and actually achieved outstanding results.

1. The Company has set and announced investor-conscious high management goals.
2. The Company has established a mechanism of corporate management using its unique management benchmarks.
3. The Company's corporate management mechanism aiming for enhancing corporate value has permeated deeply through the whole organization.
4. The Company engages in releasing information proactively toward the achievement of its constructive dialogues with investors.

1. Pigeon Won “IR Special Award” and “Porter Prize”



<IR Special Award: from Japan Investor Relations Association>

In recent years, the Company’s IR practices have been increasingly highly valued.

The top management clearly articulates its mid to long-term growth strategy, issues, and a roadmap to create corporate value. In particular, the Company has **a unique way to explain its specific strategy** by using CCC (Cash Conversion Cycle) and ROIC (Return on Invested Capital), in addition to “PVA (Pigeon Value Added)” which is its **unique EVA** (Enterprise Value Added).

Detailed data are disclosed after the Company’s earnings release, and local information on its overseas operations such as in China is also proactively disclosed, leading to a favorable evaluation by investors.



<Porter Prize>

Porter Prize was established to recognize Japanese companies that have achieved and maintained superior profitability by implementing **unique and excellent strategies**. Porter Prize Organizing Committee at Hitotsubashi University Graduate School of International Corporate Strategy is serving as the organizing body for the prize. Porter Prize was established in 2001 and the name of the prize is derived from Professor Michel E. Porter of Harvard University, a leading authority on strategy with a longstanding interest in Japanese corporations.

“Uniqueness”

We have created our own distinctive “barriers,” or competitive advantages—a crucial foundation to support high profitability.

2. Our Vision

The Pigeon Way embodies our “heart and soul” and sets the grounds for our actions to stream from this core.

Corporate Philosophy: “Love”

Credo: “Only love can beget love”

The goal Pigeon Group aims to achieve



Vision

To be the baby product manufacturer most trusted by the world's babies and families, i.e. "Global Number One"



3. Positioning of the 6th Medium-Term Business Plan: Number of Births in the World



135 million babies are born every year in the world.

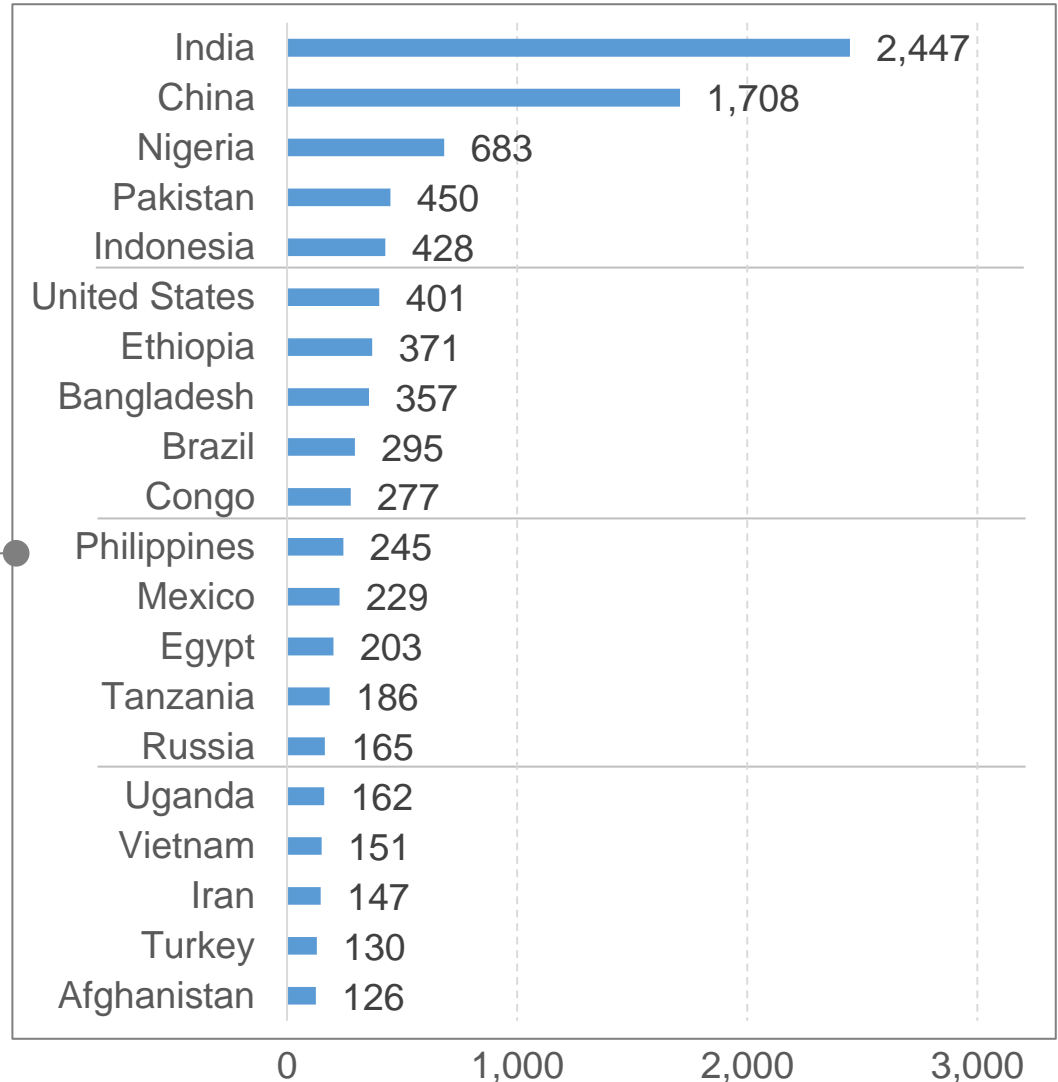
135 million



Other

Top 20

Top 20 Countries With the Highest Number of Births
(Unit: 10 thousand babies/year)



3. Positioning of the 6th Medium-Term Business Plan: Details of the Top 20 Countries

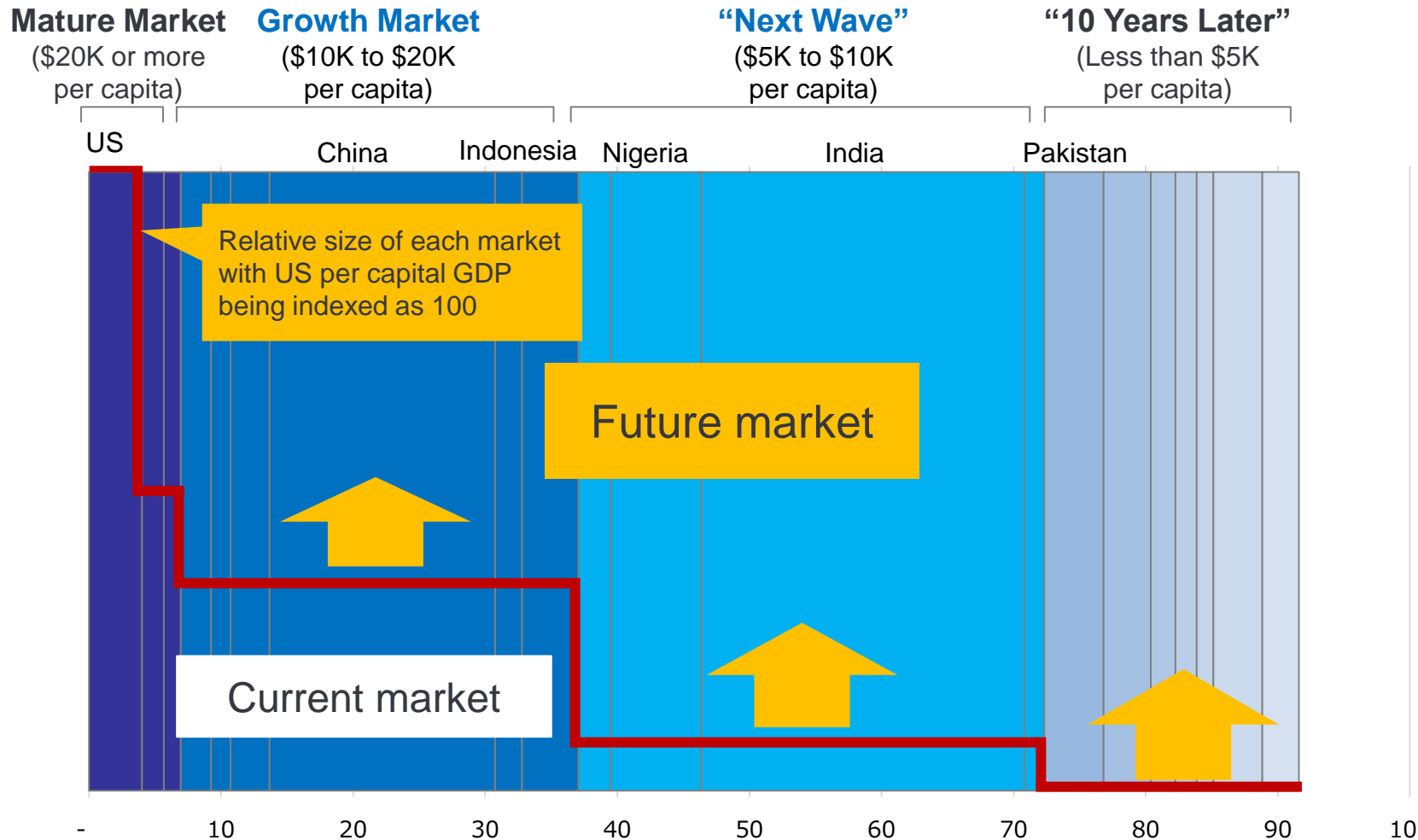


	Country	# of births (10K/year)	GDP Per capita	US=100%	Projected target for Pigeon products (10K/year)
Mature Market (\$20K or more per capita)	United States	401	\$ 56,300	100%	401
	Russia	165	\$ 23,700	42%	70
	Turkey	130	\$ 20,500	36%	47
Growth Market (\$10K to \$20K per capita)	Mexico	229	\$ 18,500	33%	75
	Iran	147	\$ 17,800	32%	47
	Brazil	295	\$ 15,800	28%	83
	China	1,708	\$ 14,300	25%	434
	Egypt	203	\$ 11,500	20%	41
	Indonesia	428	\$ 11,300	20%	86
“Next Wave” (\$5K to \$10K per capita)	Philippines	245	\$ 7,500	13%	33
	Nigeria	683	\$ 6,400	11%	78
	India	2,447	\$ 6,300	11%	274
	Vietnam	151	\$ 6,100	11%	16
“10 Years Later” (Less than \$5K per capita)	Pakistan	450	\$ 4,900	9%	39
	Bangladesh	357	\$ 3,600	6%	23
	Tanzania	186	\$ 3,000	5%	10
	Uganda	162	\$ 2,100	4%	6
	Afghanistan	126	\$ 2,000	4%	4
	Ethiopia	371	\$ 1,700	3%	11
	Congo	277	\$ 800	1%	4

Total 9,160

1,782

3. Positioning of the 6th Medium-Term Business Plan: Projected Market Size Illustrated



**There is still substantial room for growth not only in China but in other countries
(There is indeed room for growth everywhere.)**

(million babies/year)

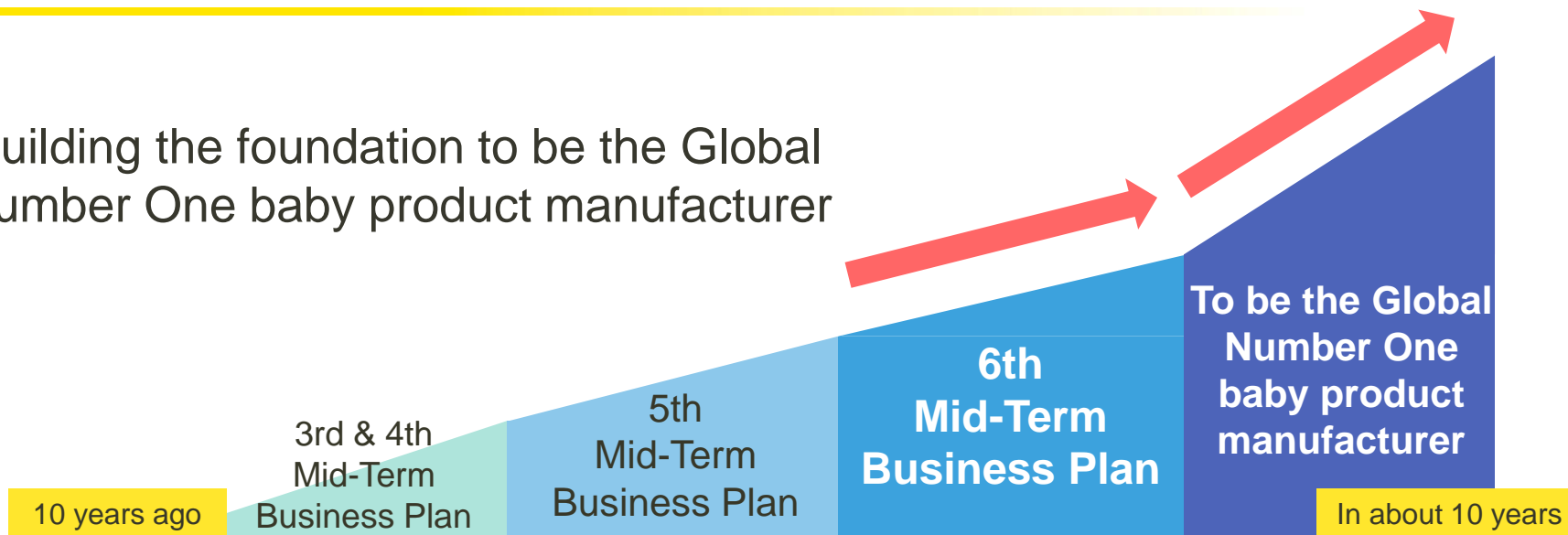
* Research by Pigeon

We need to establish a structure that enables us to compete and win against global peers to be the Global Number One in the current market and the future market

3. Positioning of the 6th Medium-Term Business Plan



Building the foundation to be the Global Number One baby product manufacturer



(in ¥100 millions of yen)	2008/1 Results	2014/1 Results	2017/1 Results	2020/1 (Plan/Target)	About 2026 (Projection)
Net sales	492	775	946	1,100	2,100
Gross margin	37.9%	44.5%	47.2%	50.0%	51.0%
Op. income	32	104	160	200	420
Op. margin	6.5%	13.4%	16.9%	18.2%	20.0%
PVA*	9	50	83	105	225
ROE	6.4%	19.7%	21.8%	Over 22%	Over 22%
Market cap.	346	1,886	3,723	5,000*	8,500*

* The tax rate of 30% is used when PVA is calculated.

* The figures above are indicative only of our roughly projected scale of corporate value.

4. Quantitative Targets (1) Financial Targets

(millions of yen)	Jan/17 Result	Jan/18 Plan	Jan/19 Plan	Jan/20 Plan	3-years CAGR
Net sales	94,640	99,800	102,300	110,000	+5.1%
Gross profit	44,688	47,600	50,800	55,000	+7.2%
Operating income	16,015	17,000	17,900	20,000	+7.7%
Ordinary income	16,462	17,000	17,900	20,000	+6.7%
Net Income Attributable to Owners of Parent	11,118	11,800	12,300	13,800	+7.5%
EPS (¥)	92.84	98.53	102.70	115.23	
Gross margin	47.2%	47.7%	49.7%	50.0%	
Operating margin	16.9%	17.0%	17.5%	18.2%	
Ordinary margin	17.4%	17.0%	17.5%	18.2%	
Net Income Attributable to Owners of Parent margin	11.8%	11.8%	12.0%	12.5%	

Jan/17 Result

ROE 21.8%
ROIC 19.2%



6th MTBP

22.0% or more
20.0% or more

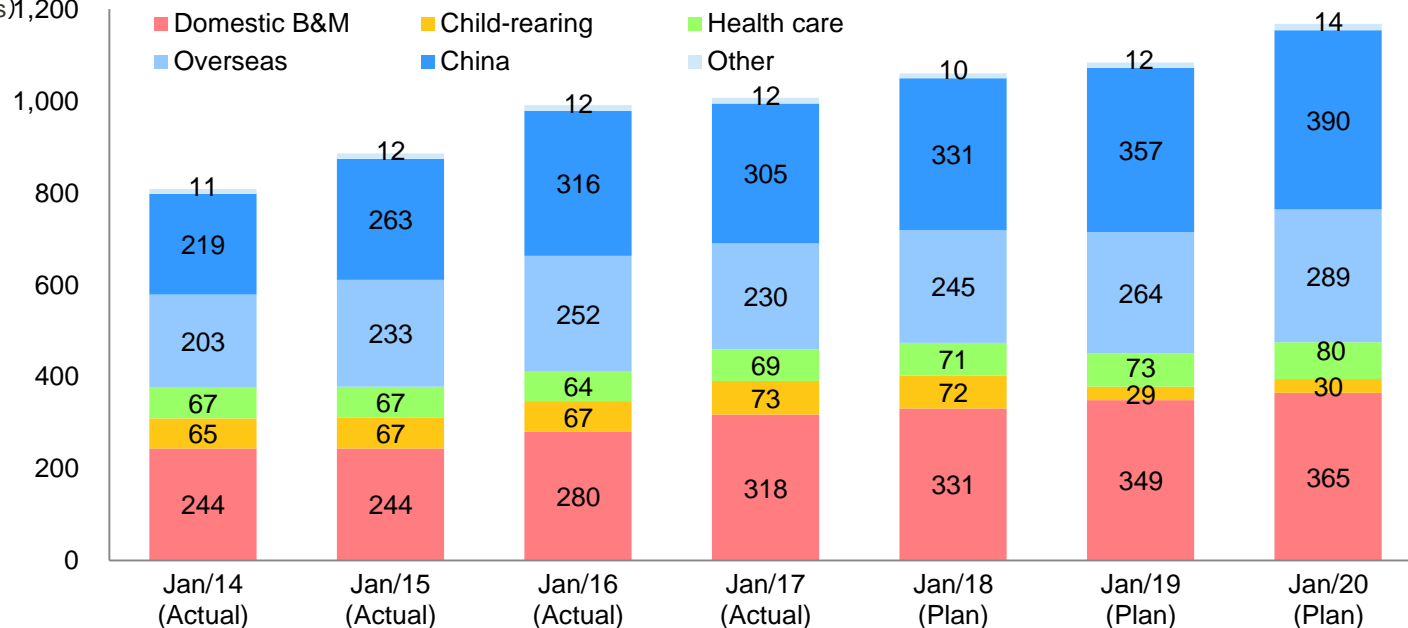
※ROE = Net income ÷ Equity (in both cases, denominators are averaged between beginning and year-end figures)

※ROIC: Return On Invested Capital (NOPAT/Capital Invested, calculated with a tax rate of 30.0%, Capital Invested is averaged between beginning and year-end figures)

4. Quantitative Targets (2) Sales & Operating Income by Segment

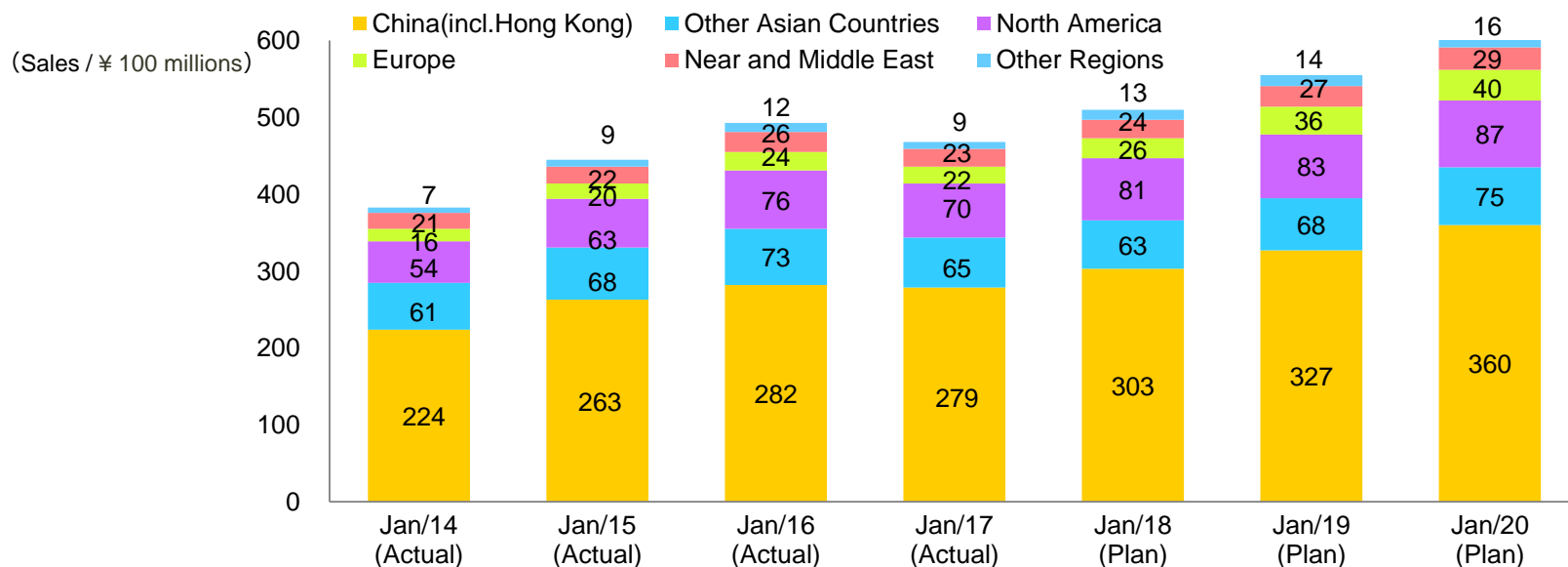
(millions of yen)	Jan/17 Result			Jan/18 Plan	Jan/19 Plan	Jan/20 Plan			3-years CAGR
	Sales	% of Total	Gross Margin	Sales	Sales	Sales	% of Total	Gross Margin	
Consolidated net sales	94,640	100.0%	47.2%	99,800	102,300	110,000	100.0%	50.0%	+5.1%
Domestic Baby and Mother Care Business	31,823	33.6%	47.0%	33,100	34,945	36,526	33.2%	47.6%	+4.7%
Child Care Service Business	7,393	7.8%	10.6%	7,200	2,970	3,000	2.7%	16.8%	-
Health and Elder Care Business	6,901	7.3%	31.4%	7,139	7,390	8,000	7.3%	34.6%	+5.0%
Overseas Business	23,051	24.4%	55.6%	24,555	26,436	28,951	26.3%	56.1%	+7.9%
China Business	30,533	32.3%	44.6%	33,141	35,750	39,011	35.5%	45.7%	+8.5%
Elimination of internal trading between segments	(6,337)	(6.7%)	-	(6,435)	(6,469)	(6,949)	(6.3%)	-	-
Other	1,273	1.3%	15.6%	1,098	1,277	1,460	1.3%	15.5%	+4.6%

(Sales / ¥ 100 millions)



4. Quantitative Targets (3) Sales by Overseas Region

(millions of yen)	Jan/17 Result		Jan/18 Plan	Jan/19 Plan	Jan/20 Plan		3-years CAGR
	Sales	% of Total	Sales	Sales	Sales	% of Total	
Overseas Business	47,247	49.9%	51,261	55,716	61,012	55.5%	+8.9%
China (incl. Hong Kong)	27,985	29.6%	30,336	32,727	36,015	32.7%	+8.8%
Other Asian Countries	6,569	6.9%	6,348	6,863	7,534	6.8%	+4.7%
North America	7,061	7.5%	8,109	8,355	8,713	7.9%	+7.3%
Europe	2,262	2.4%	2,671	3,605	4,075	3.7%	+21.7%
Near and Middle East	2,382	2.5%	2,461	2,706	2,994	2.7%	+7.9%
Other Regions	976	1.0%	1,334	1,457	1,678	1.5%	+19.8%



Building our dreams into the future

— By creating a bridge towards
the Global Number One manufacturer of baby products —

5. Business Policy: Basic Strategy



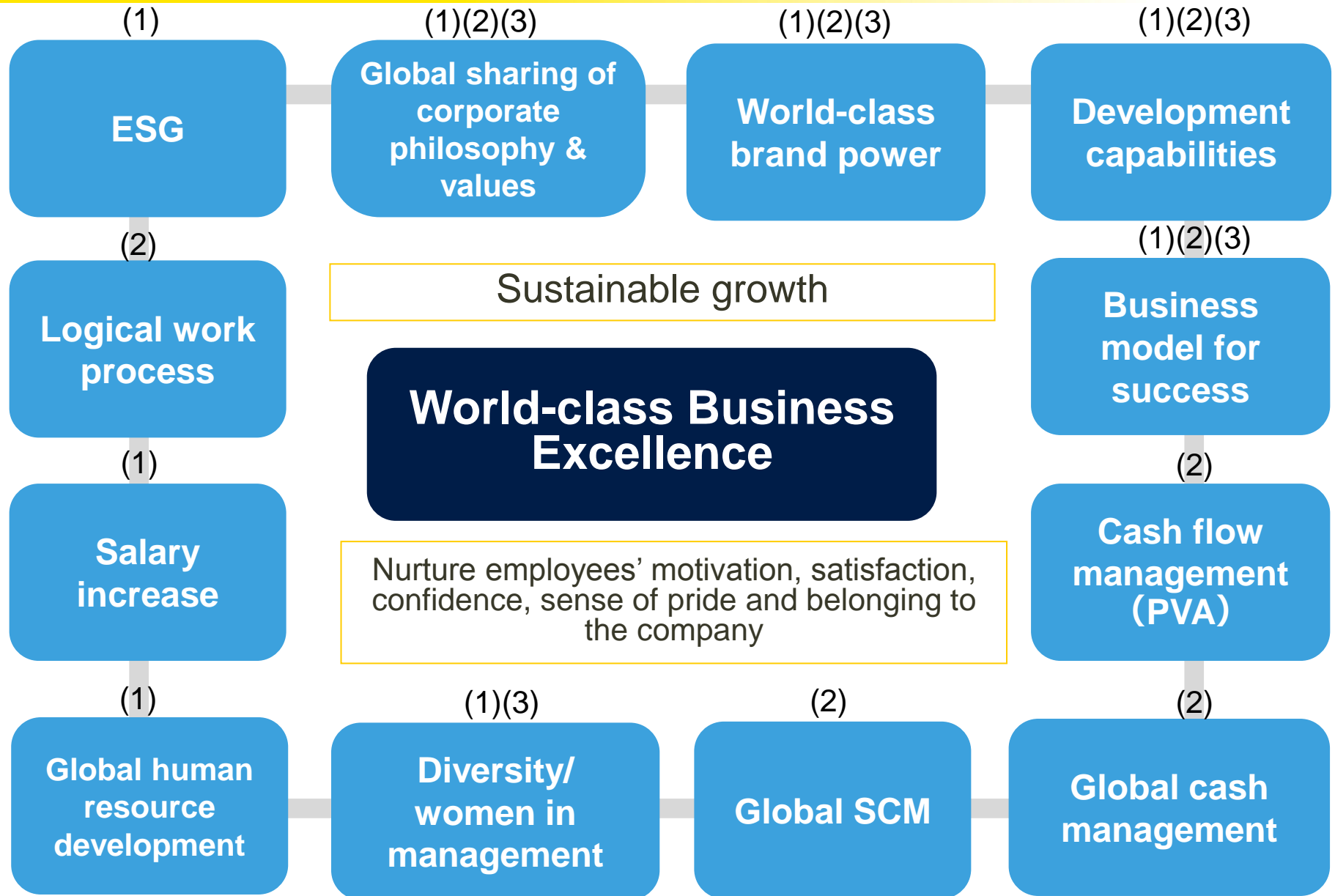
Social Value Enhancement

- 1) Based on the Pigeon Way, create and implement all kinds of measures to achieve the goal of becoming **'an indispensable company'** for the society and make our Vision "to be the baby product manufacturer most trusted by the world's babies and families, i.e. **'Global Number One'**" come true.

Economic Value Enhancement

- 2) **A further increase in corporate value** will be pursued through improvement in profitability and efficiency of the business, and maximization of cash flows. The organizational structure, management system and governance system will also be put in place and reinforced to ensure sustainable growth from a medium to long-term perspective.
- 3) During the three years of the sixth medium-term business plan, invest management resources giving priority to the key products and carry out strategic investments, laying solid foundations for the **double-digit growth** of Pigeon Group in the future.

5. Business Policy: Links Between the Basic Strategy and 12 Tasks



- 2) **A further increase in corporate value** will be pursued through improvement in profitability and efficiency of the business, and maximization of cash flows. The organizational structure, management system and governance system will also be put in place and reinforced to ensure sustainable growth from a medium-to long-term perspective.



Further evolving into a highly profitable organization with value-based management through:

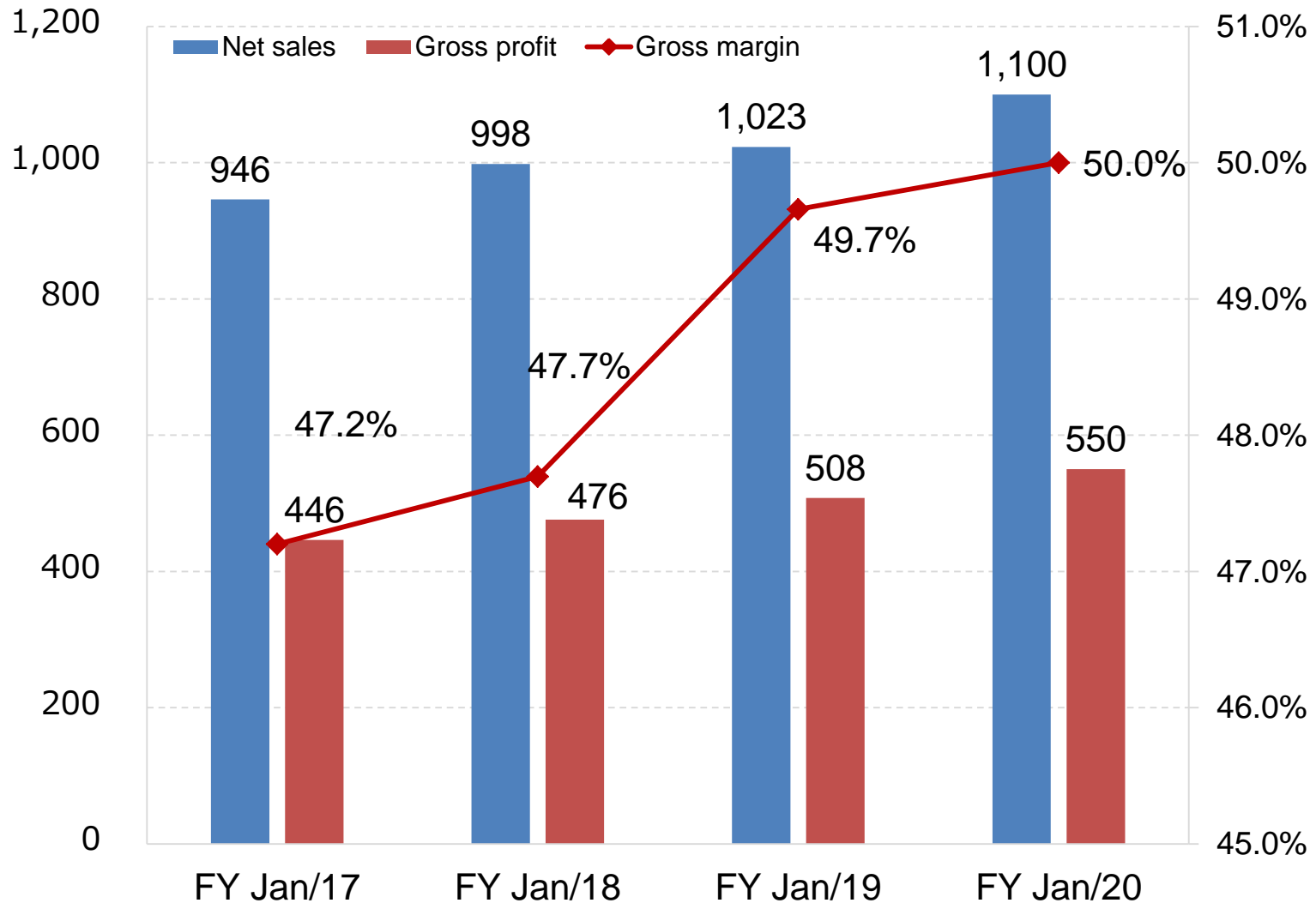
- Improvement of Group's gross margin,
- Reduction of logistic expenses, and
- CCC improvement.

6. Key Strategy: Improving Operational Efficiency and Profitability



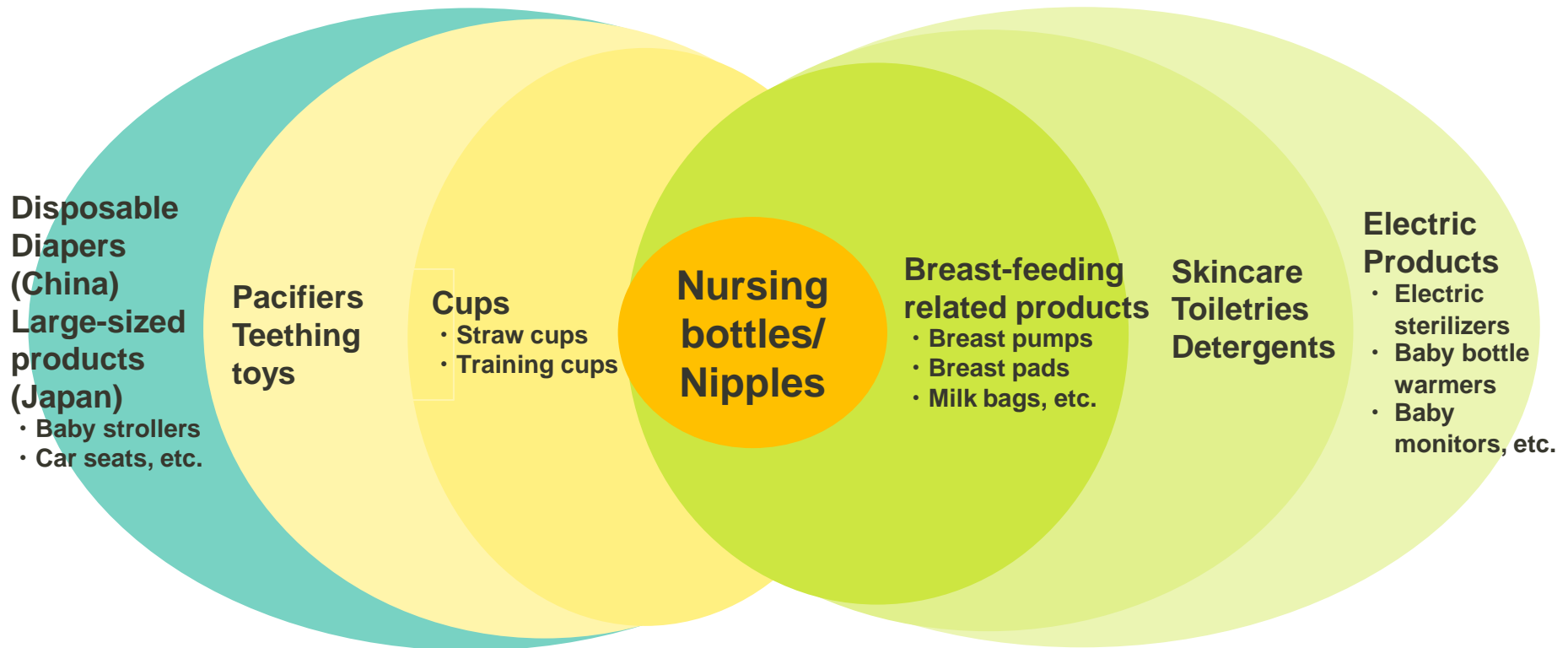
Pursuing higher sales, better product mix, and improved productivity and procurement

(in 100 millions of yen)



6. Key Strategy: Strategy for Expanding Key Categories

Spreading the overwhelming strength of nursing bottles and nipples over the entire spectrum of key categories



Existing Flagships

New Flagships

Regionally Marketed Products

* The six key categories consist of the existing three flagships and the three new flagships.

Points each division should focus on when implementing the strategy for the 6th Medium-Term Business Plan

- **Product:** Products and services with AI, IoT, and Smart Connected concepts in mind
- **Place:** New distribution channels
(including hospitals, or NICU* in particular; EC and DME* channels in the US)
- **Promotion:** Direct communications with consumers implemented in our own way

7. Business Strategy: China Business



Sales target for the China Business

30.5 billion yen (for FY Jan. 2017) → 39.0 billion yen (for FY Jan. 2020)

Business Growth

Increase in market share of the six key categories

- Nursing bottles/Nipples: Increasing sales by 39% (for the period from FY Jan/17 to FY Jan/20)
- Launch new products (every year)

Increase in sales of baby disposable diapers

- From 0.9 billion yen (for FY Jan/17) to 3.5 billion yen (for FY Jan/20)



Reinforcement of Business Foundations

Sales and distribution system

- Further reinforcement of sales and logistics systems to accommodate the growth of EC channels

Reinforcement of Communication with Consumers

Strengthening ties with maternity and general hospitals

- Deepening relationship with targeted maternity and general hospitals (e.g. through conducting joint research with university hospitals)

Reinforcement of direct communication

- Expanding the number of Pigeon fans by fully utilizing WeChat and Weibo



7. Business Strategy: Overseas Business



Sales target for the Overseas Business

23.1 billion yen (for FY Jan. 2017) → 29.0 billion yen (for FY Jan. 2020)

Business Growth

Increase in market share of the six key categories

- Nursing bottles: Increase in the current market share of each country by 15 percentage points

Growth of Lansinoh operations

- Increase in sales from \$99 million (for FY Jan/17) to \$135 million (for FY Jan/20)
- Strengthening sales through the DME channel in the United States



Branding

Developing partnership with NICU

- Strengthening activities to develop partnership with NICU in addition to the activities at maternity and general hospitals at each country



Markets to be Cultivated

Reinforcement in high growth markets

- India, Indonesia, France (Benelux), and China (with the Lansinoh brand)

Increasing presence in new markets

- Africa (Nigeria, Kenya, and various countries on the West Coast)



7. Business Strategy: Domestic Baby and Mother Care Business



Sales target for the Domestic Baby and Mother Care Business
31.8 billion yen (for FY Jan. 2017) → 36.5 billion yen (for FY Jan. 2020)

Expansion of the Existing Business

Increase in market share of the six key categories

- Increasing sales (excl. those of large-sized products) from \$30.7 million (for FY Jan/17) to \$33.0 million (for FY Jan/20)



Business Growth

Growth in the large-sized product category

- Achieving growth by increasing shares of baby strollers, car seats, etc.
- Market share target for the 6th MTBP period: 25%
- Increasing the category sales from 1 billion yen (for FY Jan/17) to 3.5 billion yen (for FY Jan/20)



Reinforcement of Communication with Consumers

Reconstruction and re-strengthening of activities at maternity and general hospitals

- Strengthening relationship with targeted maternity and general hospitals by expanding seminars for healthcare professionals (in terms of areas and number of times held)

Strengthening direct communication

- Expanding the number of Pigeon fans by fully utilizing Pigeon.info (website)



7. Business Strategy:

Health and Elder Care Business/Child Care Service Business



Sales target for the Health and Elder Care Business
6.9 billion yen (for FY Jan. 2017) → 8.0 billion yen (for FY Jan. 2020)

Business Growth and Improvement in Profitability

- Reinforcement of in-company sales system and logistics system
- Developing and selling new products that empathetically incorporate insights of consumers and caretakers through working with collaborative partners outside the Group
- Reinforcement of promotion based on four themes that reflect the benefits of consumers and caretakers



Sales target for the Child Care Service Business
7.4 billion yen (for FY Jan. 2017) → 3.0 billion yen (for FY Jan. 2020)

Improvement in the Quality of Operation

- Implementing highly specialized child-rearing to reflect the distinctive characteristics of children
- Striving to find yet further ways to approach safe and secure management system
- Improving quality of child-rearing service by fostering child care staff



8. Functional Strategy: R&D/ Quality Control/ Production, Procurement and Logistics



Research and Development

- Launch new and renewed products in the six key categories
- Strengthen research and development of breast pumps establishing them as a product of primary importance next to nursing bottles
- Launch products with our distinctive value proposition in the large-sized product category
- Establish production and development system to respond to the growth speed of the Group
- Develop new products for the hospital (particularly for the NICU) channels
- Develop products and services conscious of A.I., IoT, and Smart Connected



Quality Control

- Further intensifying the PPM*-related activities
- Strengthening support to improve industrial engineering and the yield rate



Production, Procurement and Logistics

- Improvement in profitability primarily through higher in-house production rate
- Achieving the division of production and establishment of operation control system on a global basis with an aim to efficiently utilize the intra-Group production bases home and abroad
- Accelerating product procurement and concentration of functions to purchase main raw materials (by achieving the global SCM*)

※PPM: Pigeon Productive Management
※SCM: Supply Chain Management

8. Functional Strategy: Global Personnel System/ Global Governance

Global Personnel System

Promotion of diversity

- Recruiting and training of personnel with ability of working on a global stage
- “Improvement of job satisfaction” and “Reform of Work Style”

Personnel system

- Globalization of management by objectives



Global Governance

Promotion of Global IT system

- Investing in and developing the IT system to improve efficiency of the Group-wide performance management

Global Head Office

- Functional enhancement of the company as Global Head Office (GHO)
 - Strengthening “the function that can envisage a future of the Group as a whole, ensure management resources to realize it, allocate them from a total optimization viewpoint, and evaluate the results for improvement”
- Three functions of GHO: power to unify the Group, power to promote the business and power to envisage the future.

9. Enhancing Corporate Value: ESG

We are committed to contribute to the local community and environment as well as the well-being of our stakeholders.

	Item of Contribution	Specific Measures
Environment	Climate Change	<ul style="list-style-type: none"> Reducing CO2 emissions, and saving electric power
	Resources	<ul style="list-style-type: none"> Ensuring sustainable resources
	Pollution & Waste	<ul style="list-style-type: none"> Reducing waste and garbage, and, preventing pollution
	Environmental Opportunities	<ul style="list-style-type: none"> Engaging in tree-planting activities
Social	Human Capital	<ul style="list-style-type: none"> Implementing measures to reduce overtime work; and introducing MBO evaluation system, training programs and global human resources development program
	Product Liability	<ul style="list-style-type: none"> Ensuring product safety and quality
	Social Activities	<ul style="list-style-type: none"> Implementing newborn tree-planting campaign, providing support to develop children's creativity, and donating elementary school buildings and facilities
	Fair Business Practices	<ul style="list-style-type: none"> Establishing Pigeon Partners Line, and respecting property rights
Governance	Corporate Governance	<ul style="list-style-type: none"> Strengthening governance system
	Diversity & Inclusion	<ul style="list-style-type: none"> Promoting employee diversity, developing female managers, and supporting child-rearing by employees, ensuring compliance and establishing Speak Up as a whistleblowing system



Going forward, we will provide specific performance measures and results.

(Examples)

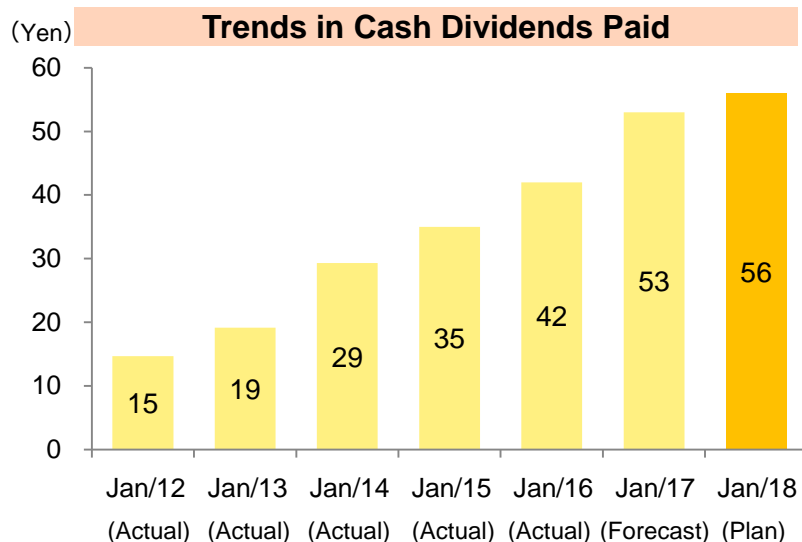
<Female managers>
 Performance measure:
 Ratio of female managers
 Results*: 19.1%

<Child-rearing support>
 Performance measure:
 Utilization rate of "One Month Together" (one-month paternity leave) program
 Results*: 100% for both male and female employees

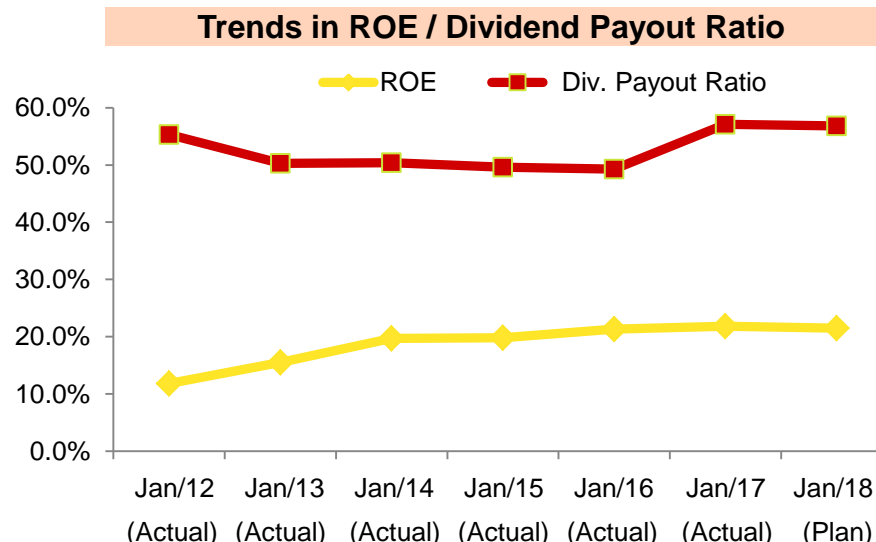
* The results as of the end of FY 2016.

9. Enhancing Corporate Value: Capital Policy and Shareholder Return

- Estimated increase in operating cash flow: Approx. 46 billion yen
- Aggressively making investments for growth (incl. M&A)
 - Breakdown for investments (incl. M&A) (3-year total: Approx. 20 billion yen)
 - Overseas business: Approx. 14.5 billion yen/Domestic business: Approx. 5.5 billion yen
- Achieving the consolidated total shareholder return ratio of approx. 55% with a year-on-year increase in dividends for each fiscal year
- ROE (Return on Equity): 22.0% or more
- ROIC (Return on Invested Capital): To be improved to achieve 20.0% or more
- Increasing earnings per share through increased profitability



As the stock splits were implemented in the fiscal year ended Jan. 31, 2014 (on August 1, 2013) and the fiscal year ended Jan. 31, 2016 (on May 1, 2015), the figures from FY Jan/12 to FY Jan/18 are calculated on a post-split basis.



* ROE (Return on Equity) is calculated using the average of balances at the beginning and end of the fiscal year as a denominator.

* ROIC (Return on Invested Capital) is calculated by dividing NOPAT by invested capital, which is an average of the beginning and ending balances, at applicable tax rate of 30.0%.

10. Summary of the 6th Medium-Term Business Plan



		FY 2016	FY 2019	
Performance Measures	Scale of Growth	Net sales	¥94.6 billion	¥110.0 billion
		Gross profit	¥44.7 billion	¥55.0 billion
		Operating income	¥16.0 billion	¥20.0 billion
	Strengthening Earnings Structure	Gross margin	47.2%	50.0%
		Operating margin	16.9%	18.2%
		PVA/CCC	¥8.3 billion/74 days	¥10.5 billion/64 days
Business Strategy	Achieving Growth on a Global Scale	Growth of the China Business	¥30.5 billion	¥39.0 billion
		Growth of Lansinoh	\$99 million	\$135 million
		Preparation for the future	Strengthening efforts to tap into growth market and develop new markets	
	Achieving Growth Through Six Key Categories & Regionally Marketed Products	Sales of 6 categories in China and other overseas markets	¥42.2 billion	¥56.0 billion
		Large-sized products (Japan)	¥1.0 billion	¥3.5 billion
		Disposable diapers (China)	¥0.9 billion	¥3.5 billion
Functional Strategy	Strengthening Business Foundation	Taking on the challenge for improvement and innovation to create new value and realize agility (R&D, Quality Control, Production/Procurement/Logistics)		
	Strengthening Management Foundation	Improving “job satisfaction,” developing the global IT system, and strengthening head office functions and delegating authority		
Enhancing Corporate Value	Realizing Value of All the Stakeholders	Strengthening ESG-related initiatives Achieving ROE of 22% or more, a year-on-year increase in dividends every year, and total shareholder return ratio of approximately 55% or more		

Components to calculate our WACC of 5%

- Market capitalization: 372,260 million yen (as of January 31, 2017)
 - Interest-bearing debt: 5,699 million yen
 - Interest rate: 0.3%
 - Tax rate: 30%

 - Risk-free rate: 0.063 (January 2017 average rate of the newly issued 10-year JGB)
 - Beta: 0.99 (based on TOPIX Indices available on December 6, 2016 for the preceding two years on a weekly basis)
 - Market risk premium: 5.1% (based on Ibbotson Associates' data from 1962 to 2015)
- * Cost of equity: 5.1%**

We have set the target ROIC of 20% or more (at the tax rate of 30%) for the 6th Medium-term Business Plan.

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Disclaimer on Forward-Looking Statements

This material includes certain forward-looking statements about the Pigeon Group. To the extent that statements in this material do not related to historical or current facts, they constitute forward-looking statements.

These forward-looking statements are based on the current assumptions and judgments of the Pigeon Group in light of the information currently available to it, and involve know and unknown risks, uncertainties and other factors, which may affect the statements made in this material.