



Results Briefing for Fiscal Year Ended January 2018

March 6, 2018

PIGEON CORPORATION

(Securities Code: 7956)

President & COO

Shigeru Yamashita

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Results for Term Ended January 31, 2018

Financial Highlights (Consolidated)



(millions of yen)	Jan. 2017		Jan. 2018					
	Results	YoY Change	Forecast	Revised Forecast	Results	% of Forecast	% of Revised Forecast	YoY Change
Net Sales	94,640	102.6%	99,800	101,200	102,563	102.8%	101.3%	108.4%
Operating Income	16,015	110.3%	17,000	18,700	19,412	114.2%	103.8%	121.2%
Ordinary Income	16,462	109.2%	17,000	18,600	20,129	118.4%	108.2%	122.3%
Net Income Attributable to Owners of Parent	11,118	109.0%	11,800	13,000	14,515	123.0%	111.7%	130.5%
Net Assets	53,736	105.8%	58,830	61,171	62,812	106.8%	102.7%	116.9%
Total Assets	78,889	106.7%	78,984	82,147	84,467	106.9%	102.8%	107.1%
EPS (¥)	92.84	109.2%	98.53	108.55	121.20	123.0%	111.7%	130.6%
BPS (¥)	437.43	105.7%	479.12	498.66	506.79	105.8%	101.6%	115.9%
ROE*	21.8%	—	21.5%	23.2%	25.7%	—	—	—
ROIC*	19.2%	—	19.9%	21.7%	22.2%	—	—	—

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

Statements of Income (Consolidated)



(millions of yen)	Jan. 2017		Jan. 2018			
	Results	% of Total	Results	% of Total	YoY Change	Remarks
Net Sales	94,640	100.0%	102,563	100.0%	108.4%	
Cost of Sales	49,951	52.8%	51,990	50.7%	104.1%	
Gross Profit	44,688	47.2%	50,572	49.3%	113.2%	■ Main changes in SG&A expenses
SG&A Expenses	28,673	30.3%	31,159	30.4%	108.7%	Personal expenses: +¥510m
Operating Income	16,015	16.9%	19,412	18.9%	121.2%	Sales Promotion expenses: + ¥412m
Non-Operating Income (Expenses)	447	0.5%	716	0.7%	160.2%	
Ordinary Income	16,462	17.4%	20,129	19.6%	122.3%	Market research expense: +¥327m
Extraordinary Income (Loss)	(228)	(0.2%)	787	0.8%	—	Shipment/distribution expense: + ¥292m
Net Income Attributable to Non-controlling Interests	224	0.2%	244	0.2%	109.2%	
Net Income Attributable to Owners of Parent	11,118	11.8%	14,515	14.2%	130.5%	

Net Sales by Business Segment (Consolidated)



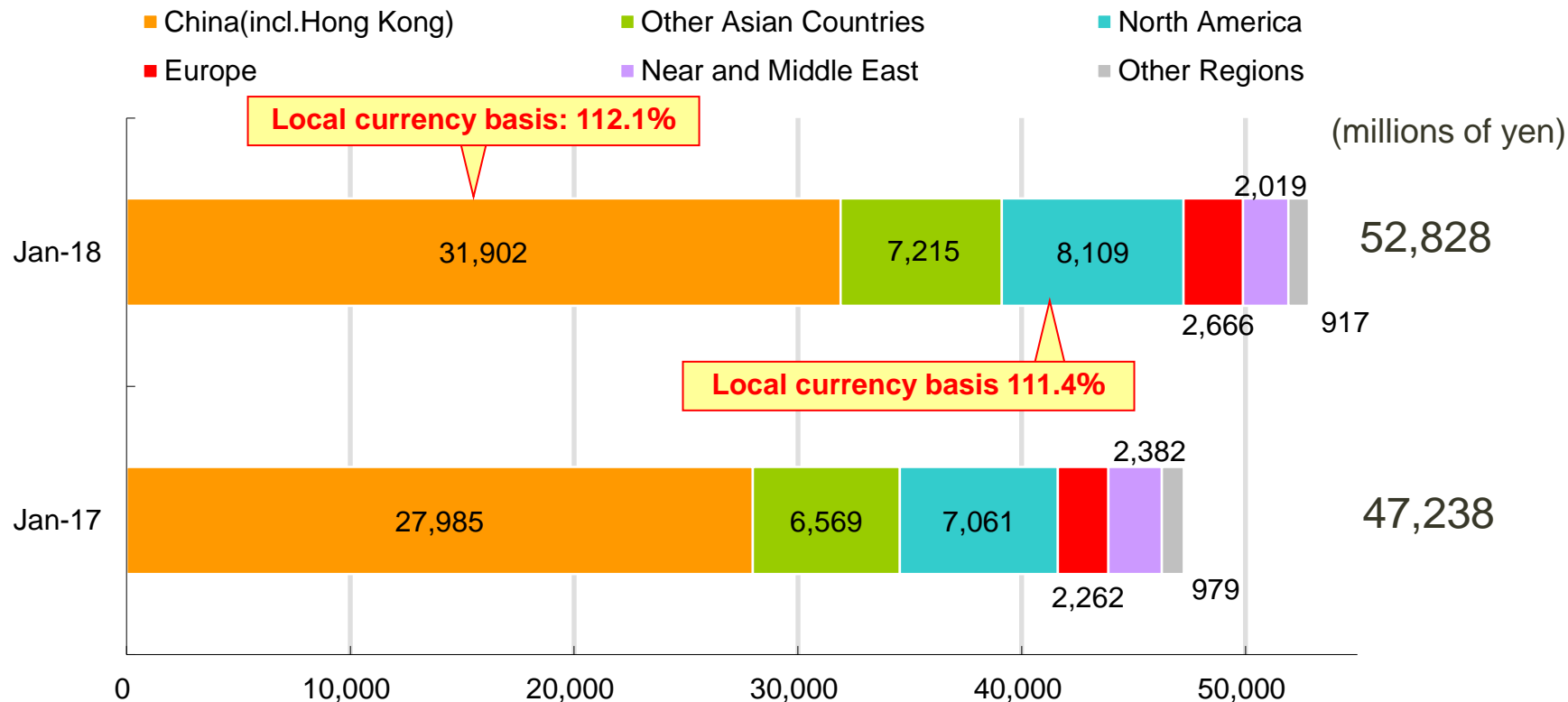
(millions of yen)	Jan. 2017				Jan. 2018				
	Results	% of Total	Gross Margin	Segment Profit	Results	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated net sales	94,640	100.0%	47.2%	16,015	102,563	100.0%	108.4%	49.3%	19,412
Domestic Baby and Mother Care Business	31,823	33.6%	47.0%	4,818	33,841	33.0%	106.3%	48.9%	5,928
Child Care Service Business	7,393	7.8%	10.6%	211	7,541	7.4%	102.0%	10.4%	218
Health and Elder Care Business	6,901	7.3%	31.4%	445	7,058	6.9%	102.3%	31.3%	468
Overseas Business	23,051	24.4%	55.6%	4,861	25,427	24.8%	110.3%	57.1%	5,841
China Business	30,533	32.3%	44.6%	8,355	34,494	33.6%	113.0%	47.2%	9,716
Elimination of internal trading between segments	(6,337)	(6.7%)	—	—	(7,090)	(6.9%)	—	—	—
Other	1,273	1.3%	15.6%	162	1,289	1.3%	101.3%	12.8%	126

*Starting from the current fiscal year, non-allocable operating expenses associated with the R&D Department, which had previously been included in the Adjustments section, have been reflected in segment profit of each reportable segment. Accordingly, the figures for the same period of the previous year have been adjusted in accordance with the calculation method after the above revision.

*Segment profit on a consolidated basis has been adjusted (by deducting non-allocable operating expenses) to be equal to operating income in the consolidated statement of income.

*Consolidated net sales have been presented after eliminating intersegment transactions of the Overseas Business and the China Business.

Overseas Business Sales by Region



* [Currency rates] Jan. 2018: US\$1 = ¥112.16 1 yuan = ¥16.62; Jan 2017: US\$1 = ¥108.77 1 yuan = ¥16.35

Key Priorities for FY Jan. 2018



● Domestic Baby and Mother Care Business

- Strengthening six key product categories
 - Implementing comprehensive measures against competing products to sustain the present high market share in the nursing bottle/nipple category
 - Implementing measures and making necessary investments to sustain the present high market share in the breast pump category
- Implementing aggressive sales, marketing and investing activities to increase the market share of the baby strollers and other large-sized products (market share target: 16%)
- Getting more involved in promotional activities to achieve collaboration with healthcare professionals



● Child Care Service Business

- Clarify the positioning of business and streamlining business operations leading to improved profitability
- Secure quality of child-rearing service by improving employee's compensation and by securing and training child-rearing staff
- Further strengthening safety measures including reinforcement of crisis management



● Health and Elder Care Business

- Achieving growth by streamlining and strengthening the sales and distribution network
- Developing concepts and ideas of products to support the in-house care through working with professionals at care facilities
- Improving profitability by more efficient business system

Key Priorities for FY Jan. 2018



● Overseas and China Businesses (common issues)

- Reinforcement of six key product categories
 - Further increasing the market share of the nursing bottles/nipples category
 - Implementing measures to expand the breast pump category

● Overseas Business (except China)

- Aggressively expanding Lansinoh (particularly in the European market) with improved profitability
- Expanding business in India and improving profitability primarily through improvement in capacity utilization rate
- Exploring feasibility of entering new markets including countries in Africa to achieve growth for the next MTBP period and onwards

● China Business

- Sustaining the high growth rate by taking advantage of the expansion of purchasing population
- Rebuilding of sales/distribution system in response to developments in EC channel
- Ensuring growth of the disposable diaper categories



<China> Exhibition



<China> E-Commerce

Domestic Baby & Mother Care Business Status



Large-sized products

- Released “fino,” the premium single-tire baby stroller.
- Increased our share in the baby stroller market to a record high of 20.7% (in Sept. 2017).

New products

- Released “Baby Milk Lotion Moisture Plus” formulated with shea butter.
- Released “Fit up® Dry Touch, Super-Absorbent Breast Pad.”
- Released “my Precious” series of Bonyu Jikkan® nursing bottles featuring beautiful shape and lovely design.

Direct communications

- Seminars for healthcare professionals: 20 events/approx. 2,000 participants
- Pregnancy information events: 18 events/approx. 1,300 participants

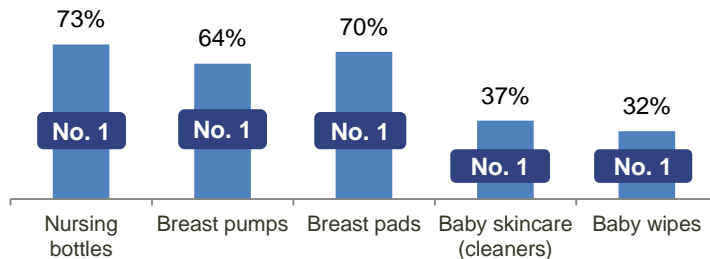


fino Runfeo



my Precious

Market Share (FY Jan/2018)



Major new products released in Spring 2018



Medicated Foam Body Soap (Peach Leaves)



Petit Ice Cream for Babies Pumpkin & Sweet Potato

* According to POS Nationwide Drugstore Growth Estimates, INTAGE Inc. (monthly data).

Child Care Service Business / Health & Elder Care Business Status



Child Care Service Business

- **Pigeon Hearts**
 - New additions of facilities under management: Launched four in-company child-care facilities
→ Total of 54 facilities (excluding those of the National Hospital Organization)

Health & Elder Care Business



- **Pigeon Tahira**
 - Reported strong sales of “Bottom Wipes” and “Kaigo no Koku Care” series
 - Reported strong sales through retail channels
- **Pigeon Manaka**
 - Home-visit Care, and Day Service Center in Sano has continued a steady growth.



Keywords for nursing care products



New products

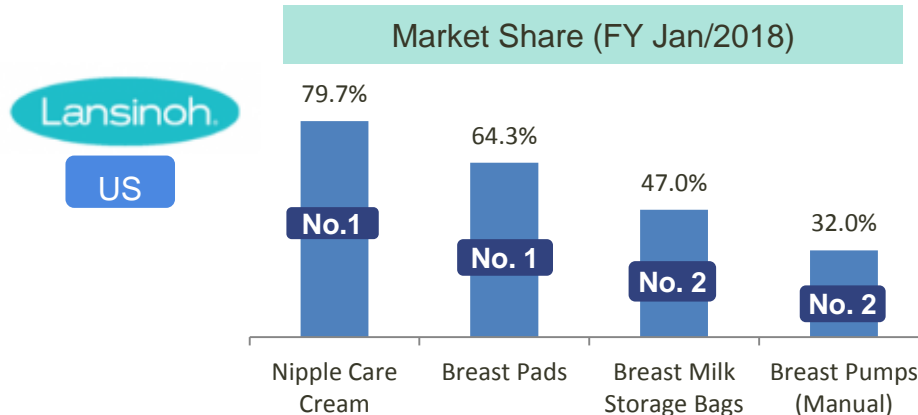


A scene at childcare facilities

Overseas Business Status



- **Asia**
 - India: Achieved a 30,000+ drug store coverage, contributing to improvement in capacity utilization ratio.
 - Indonesia: Made Pigeon Indonesia into Pigeon's subsidiary, to strengthen marketing in Indonesia.
 - Lansinoh China: Reported strong sales mainly through EC channels (which account for approx. 80% in total sales).
- **North America and Europe**
 - North America: Reported strong sales of electric breast pumps through a newly developed DME channel. Continued to gain top share in categories: nipple care cream and breast pad.
 - Europe: Expanded sales in Benelux and Germany. The new factory in Turkey enjoying a high capacity utilization ratio.



<India> Shopfront images

China Business Status



● Product sales

- Continued enjoying strong consumer demand for the main products including nursing bottles and nipples.
- Increased sales with 81 SKUs of products released in 2017.
→ Specifically, Disney series products (incl. nursing bottles, pacifiers and cups) sold well.
- Strengthened sales through EC channels and at flagship stores (with a 75% YoY increase in sales).



<China>
Silicone coating
nursing bottles

● Branding and breastfeeding awareness programs

- Further strengthened the branding activities by renewing the Pigeon Corners.
- Promoted direct communications with customers by strengthening online activities utilizing SNS and other digital marketing tools.
- Continued to implement the breastfeeding awareness program promoted jointly with the Ministry of Health of China primarily through establishing breastfeeding consultation offices and holding seminars for healthcare professionals.



Shopfronts



Postnatal activities
at confinement centres



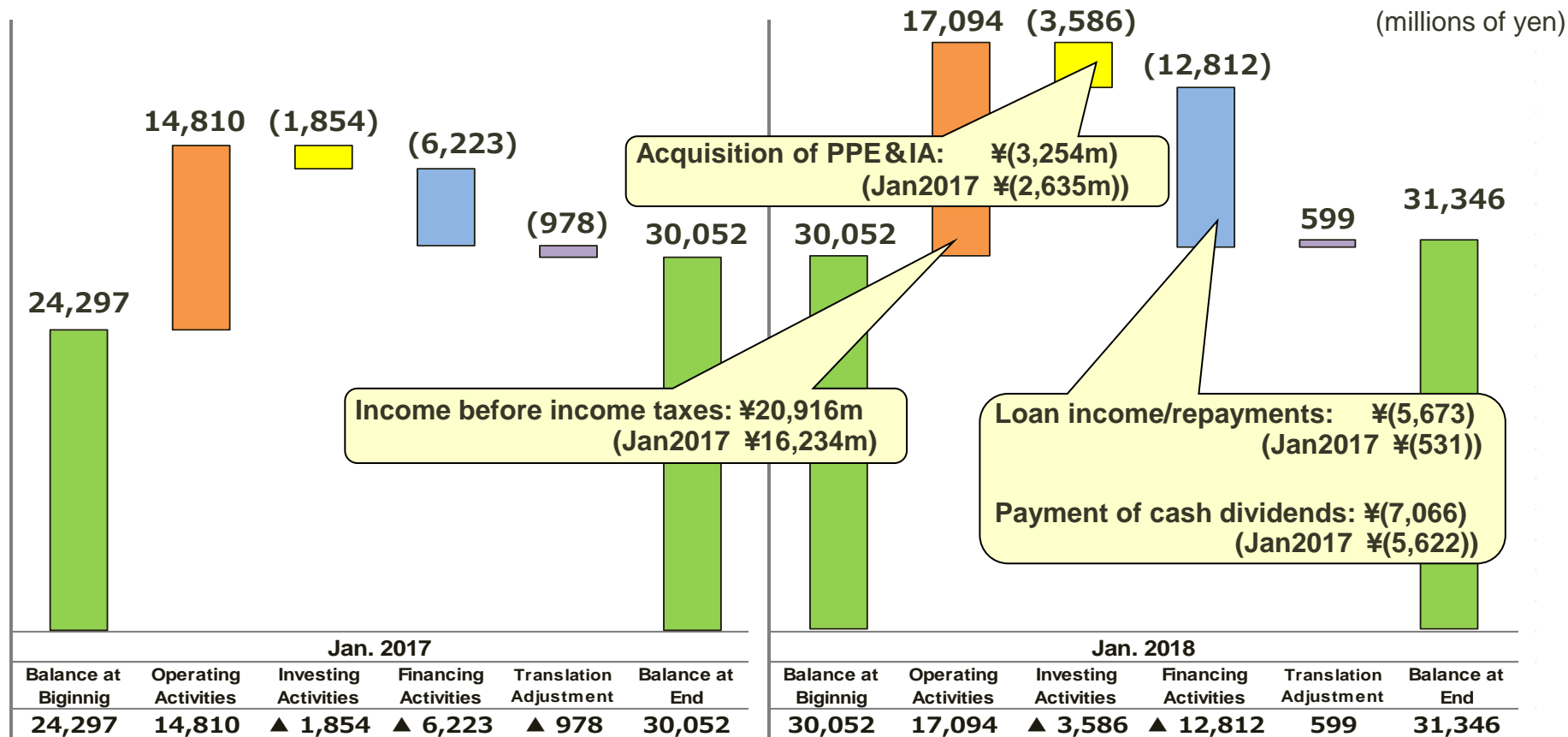
Exhibition

<Ref.>Consolidated Balance Sheet (Highlights)



(millions of yen)	Jan. 2017	Jan. 2018		
	Results	Results	YoY Change (Amount)	YoY Change (%)
Cash and Deposits	30,052	31,346	+1,294	104.3%
Notes and Accounts Receivable	16,103	16,440	+337	102.1%
Inventories	7,603	8,713	+1,109	114.6%
Notes and Accounts Payable	4,857	5,194	+336	106.9%
Electronically Recorded Obligations – Operating	1,693	1,797	+104	106.1%
Borrowings	5,699	0	(5,699)	-
Net Assets	53,736	62,812	+9,075	116.9%
Total Assets	78,889	84,467	+5,578	107.1%
Equity Ratio	66.4%	71.9%	–	+5.5pt

<Ref.>Cash Flow



<Ref.>Investment-Related Indicators (Consolidated)



(millions of yen)	Jan. 2017		Jan. 2018	
	Interim (Results)	Full Year (Results)	Interim (Results)	Full Year (Forecast)
Capital Investment (*1)	1,250	2,498	1,252	3,546
Depreciation (*2)	1,191	2,357	1,206	2,444
Research and Development (*3)	1,085	2,263	1,221	2,670

*1 Property, plant and equipment and intangible assets (including long-term prepaid expense)

*2 Depreciation (including amortization of goodwill)

*3 Total amount of expenses incurred for research and development activities including personnel expenses

Forecasts for Term Ending Jan. 2019

Jan. 2018 Results and Jan. 2019 Forecast (Consolidated)



(millions of yen)	Jan. 2018			Jan. 2019		
	Results	% of Total	YoY Change	Forecast	% of Total	YoY Change
Net Sales	102,563	100.0%	108.4%	107,000	100.0%	104.3%
Operating Income	19,412	18.9%	121.2%	20,400	19.1%	105.1%
Ordinary Income	20,129	19.6%	122.3%	20,400	19.1%	101.4%
Net Income Attributable to Owners of Parent	14,515	14.2%	130.5%	14,100	13.2%	97.1%
Net Assets	62,812	—	116.9%	68,648	—	109.3%
Total Assets	84,467	—	107.1%	90,996	—	107.7%
EPS (¥)	121.20	—	130.6%	117.73	—	97.1%
BPS (¥)	506.79	—	115.9%	554.68	—	109.5%
ROE*	25.7%	—	—	22.2%	—	—
ROIC*	22.2%	—	—	21.7%	—	—

*[Assumed rates] Jan. 2019: US\$1 = ¥107.00; 1 yuan = ¥17.00

[Actual rates] Jan. 2018: US\$1 = ¥112.16; 1 yuan = ¥16.62

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

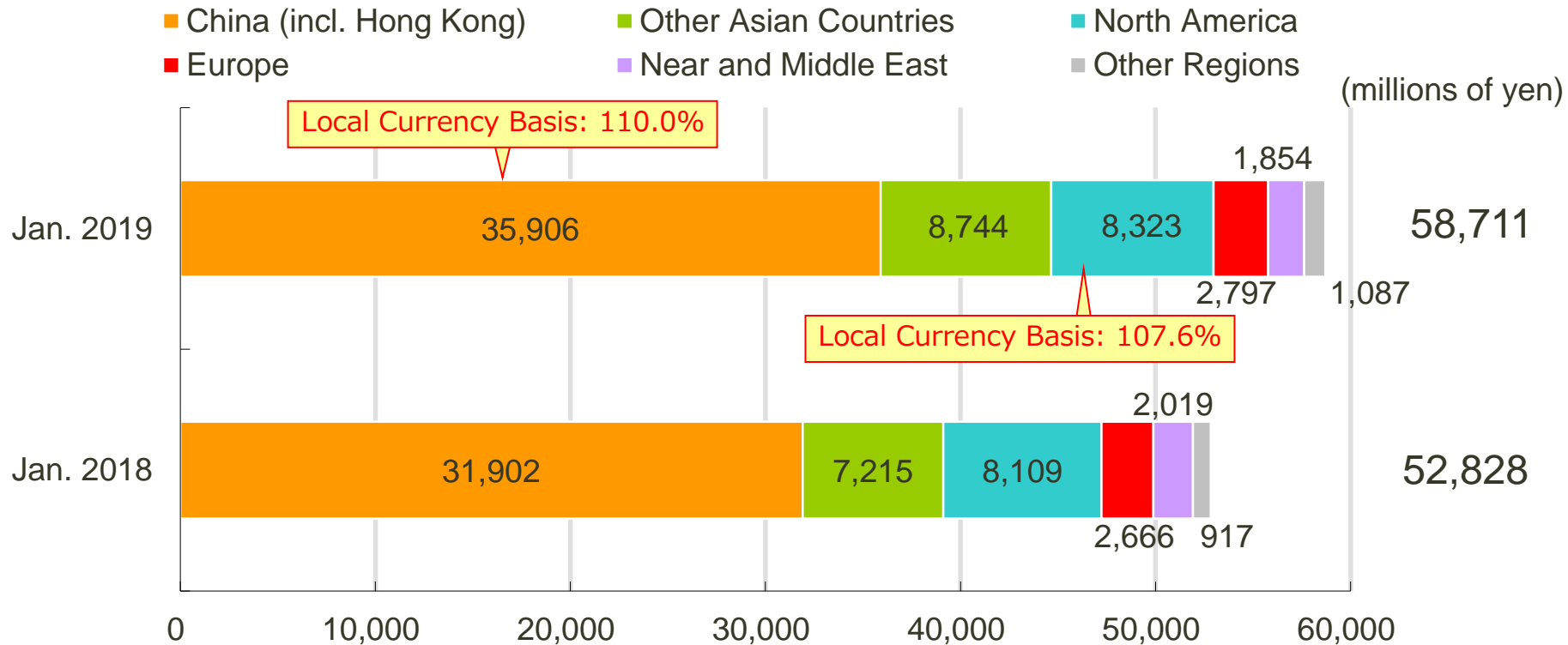
Results and Forecast by Segment (Consolidated)



(millions of yen)	Jan. 2018 (Ref.)				Jan. 2019				
	Results	% of Total	Gross Margin	Segment Profit	Forecast	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	102,563	100.0%	49.3%	19,412	107,000	100.0%	104.3%	51.1%	20,400
Domestic Baby and Mother Care Business	33,841	33.0%	48.9%	5,928	35,452	33.1%	104.8%	49.1%	6,116
Child Care Service Business	7,541	7.4%	10.4%	218	4,309	4.0%	57.1%	13.7%	69
Health and Elder Care Business	7,058	6.9%	31.3%	468	7,228	6.8%	102.4%	32.1%	424
China Business	34,494	33.6%	54.7%	11,643	38,742	36.2%	112.3%	54.5%	12,776
Singapore Business	10,286	10.0%	47.0%	2,415	11,781	11.0%	114.5%	46.8%	2,341
Lansinoh Business	12,532	12.2%	56.4%	1,365	13,118	12.3%	104.7%	57.9%	1,717
Elimination of Internal Trading Between Segments	(4,479)	(4.4%)	-	-	(4,926)	(4.6%)	-	-	-
Other	1,289	1.3%	12.8%	126	1,296	1.2%	100.5%	11.5%	110

* The figures for FY Jan/2018 are based on our current estimation and presented for reference only.

Forecast of Overseas Business Sales by Region



* [Estimate rates] Jan. 2019: US\$1 = ¥107.00 1 yuan = ¥17.00; [Actual Rates] Jan 2018: US\$1 = ¥112.16, 1 yuan = ¥16.62

Key Priorities for FY Jan. 2019



● Domestic Baby and Mother Care Business

- Strengthening six key product categories
 - Implementing comprehensive measures against competing products to sustain the present high market share in the nursing bottle/nipple category
 - Implementing measures and making necessary investments to sustain the present high market share in the breast pump category
- Implementing aggressive sales, marketing and investing activities to increase the market share of the baby strollers and other large-sized products (market share target for 6th MTBP: 25%)
- Getting more involved in promotional activities to achieve collaboration with healthcare professionals



Runfee Renewal

● Child Care Service Business

- Clarify the positioning of business and streamlining business operations leading to improved profitability
- Secure quality of child-rearing service by improving employee's compensation and by securing and training child-rearing staff
- Further strengthening safety measures including reinforcement of crisis management

● Health and Elder Care Business

- Achieving growth by streamlining and strengthening the sales and distribution network
- Developing concepts and ideas of products to support the in-house care through working with professionals at care facilities
- Improving profitability by more efficient business system



Key Priorities for FY Jan. 2019



● Singapore, Lansinoh and China Businesses (common issues)

- Consistently reinforcing six key product categories primarily through:
 - Further increasing our share in the nursing bottles/nipples category, and
 - Implementing measures to expand the breast pump category.

● Singapore Business

- Strengthening merchandizing targeted for the middle-class consumers.
- Expanding the business in India and improving profitability by increasing the capacity utilization ratio.
- Improving production efficiency in Indonesia and preparing for production of new products.
- Exploring feasibility of entering new markets including countries in Africa to achieve growth for the next MTBP period and onwards

● Lansinoh Business

- Aggressively expanding business with improved profitability in priority countries (particularly in Europe).
- Strengthening initiatives to develop new sales channels (i.e., EC and DME channels).
- Expanding sales at real stores of Lansinoh China.

● China Business

- Sustaining the high growth rate by taking advantage of the expansion of purchasing population
- Rebuilding the sales/distribution system in response to developments in EC channels
- Ensuring growth of the disposable diaper categories



<China> Exhibition



<China> Disposable diapers

Shareholder Return and Investment-Related Indicators



Shareholder return indicator under our 6th Medium-Term Business Plan

We adopt a flexible approach (incl. through share buybacks) to increasing shareholder return with a target to achieve a year-on-year increase in dividends and approximately 55% of the consolidated total shareholder return ratio in each fiscal year.

Dividends	FY Jan/2016		FY Jan/2017		FY Jan/2018		FY Jan/2019	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Scheduled)	Interim (Estimate)	Year-end (Estimate)
Dividend per share (Yen)	20	22	25 (including commemorative dividend of 3 yen)	28 (including commemorative dividend of 3 yen)	31	35	34	34
Dividend payout ratio	49.3%		57.1%		54.5%		57.8%	

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

	FY Jan/2017		FY Jan/2018		FY Jan/2019
	Interim (Actual)	Full-year (Actual)	Interim (Actual)	Full-year (Actual)	Full-year (Forecast)
Capital Expenditures (*1)	1,773	3,036	1,252	3,546	6,400
Depreciation (*2)	1,216	2,474	1,206	2,444	4,200

*1 Property, plant and equipment and intangible assets (including long-term prepaid expense)

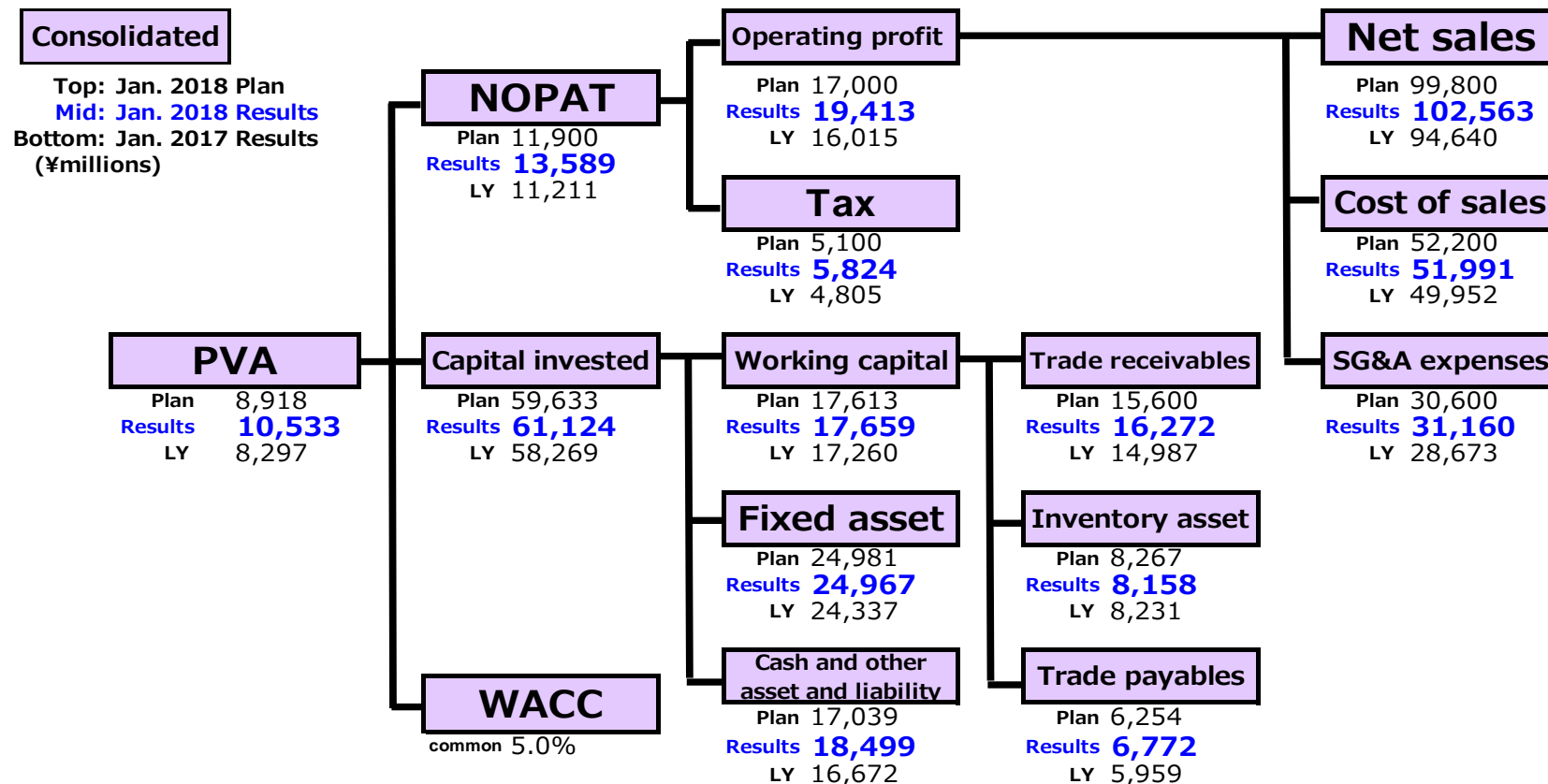
*2 Depreciation (including amortization of goodwill)

Approach to Enhance Corporate Value

6th Medium-term Business Plan: 12 tasks



PVA Tree: Consolidated Results in Jan. 2018



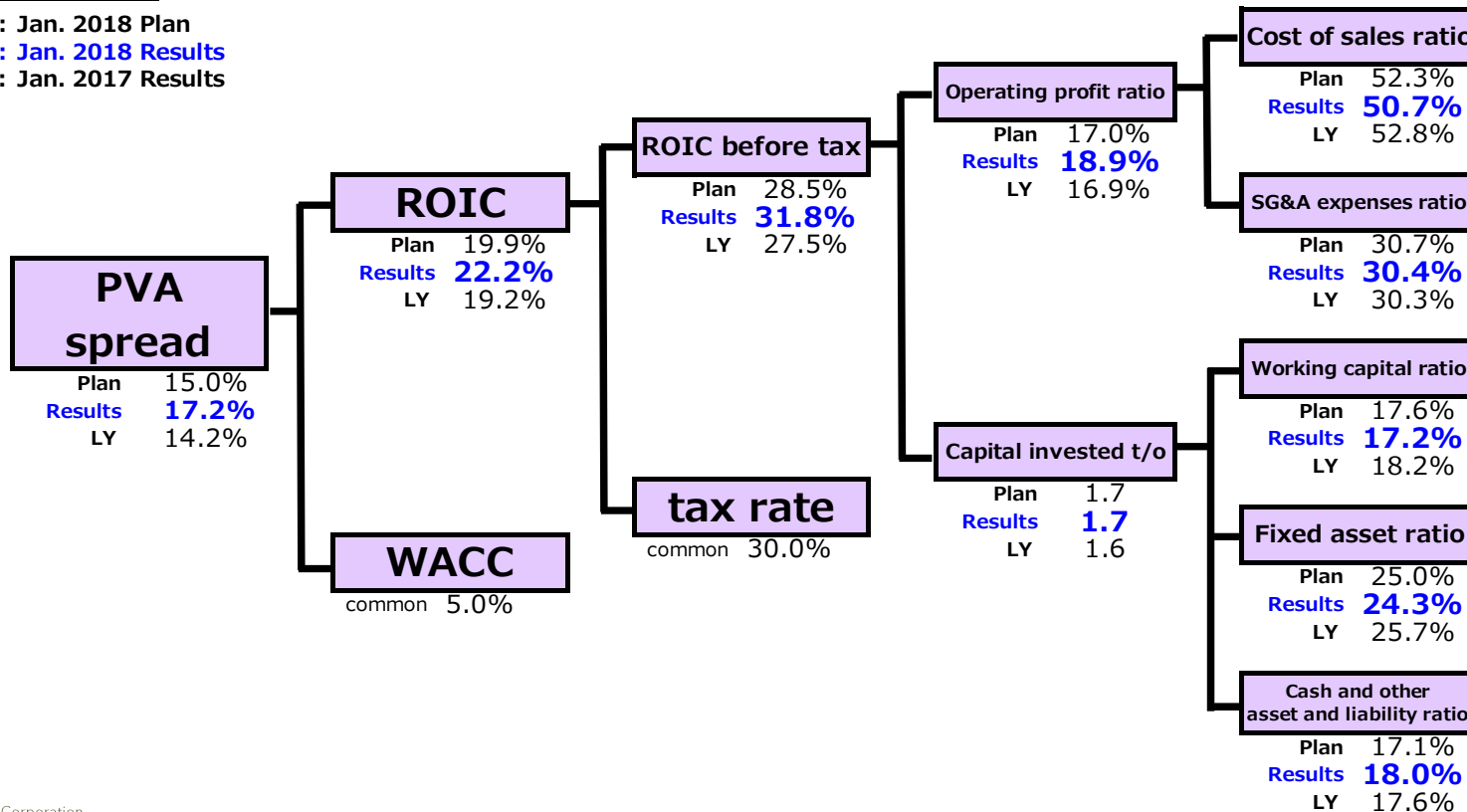
※From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.

PVA (Ratio): Consolidated Results in Jan. 2018



Consolidated

Top: Jan. 2018 Plan
 Mid: Jan. 2018 Results
 Bottom: Jan. 2017 Results



CCC Tree: Consolidated Results in Jan. 2018



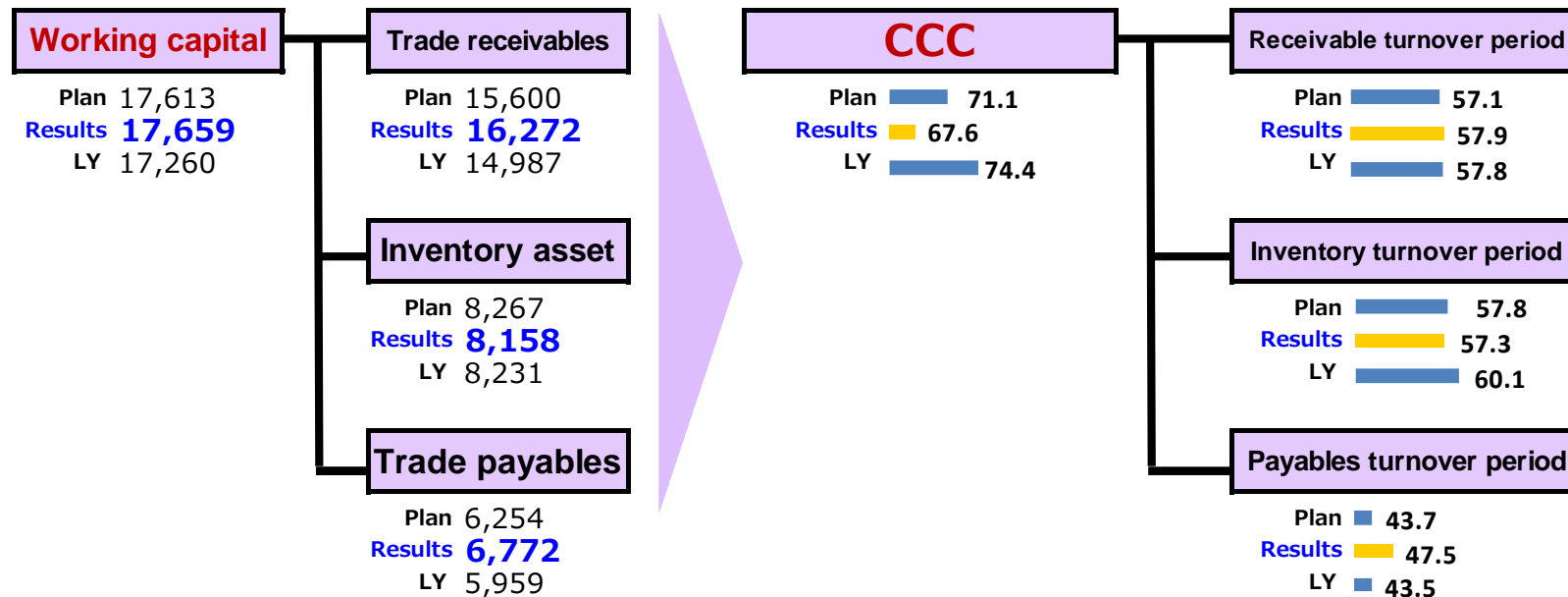
Consolidated

Top: Jan. 2018 Plan

Mid: Jan. 2018 Results

Bottom: Jan. 2017 Results

(¥millions)



※From Jan. 2017, B/S Factors for CCC calculation are averaged between beginning and year-end figures.

Appendix

6th Medium-term Business Plan: 12 tasks



ESG

Summary of Pigeon's Initiatives

(in relationship with SDGs based on ISO26000)



- Tree-planting campaign
- Fostering children's creativity
- Supporting women during breastfeeding stages
- **Providing scholarships to students**
- Donating elementary school buildings



- Customer-focused management; products derived from research
- Customer consultation management system
- **For All Babies**

- Corporate governance
- Board of Directors and outside directors
- Audit & Supervisory Board and outside corporate auditors
- Compliance/compliance system
- Considering introduction of officers' compensation system and board of directors evaluation

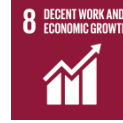


- Pigeon Partners Line
- Respect for property rights
- Responsible political involvement and fair competition

- Policy of respecting human rights
- Discrimination and the socially vulnerable; civil and political rights; economic, social, and cultural rights
- Basic workplace principles and rights

- **Building motivating work environments and corporate culture**
- Overtime measures
- Goal management system
- Embracing diversity
- Global human resource development
- Strengthening support for advancement of women
- **Child-rearing support activities**
- Worker health and safety

- Environmental management systems
- Climate change mitigation, biodiversity
- Sustainable use of resources
- Pollution prevention
- Environmental opportunities
- Development of eco-conscious products



Community Involvement & Development

【Providing Scholarships to Students】

The Pigeon Scholarship Foundation, established as a general incorporated foundation in 2014, was certified as a public interest incorporated foundation in July 2016. The aim of the Foundation is to realize a society in which everyone can give birth and raise children with peace of mind, while fostering the healthy lives and growth of mothers and babies. Going forward, we offer non-refundable scholarships to students in the neonatal, pediatric, and obstetrics departments of universities (those majoring in medicine at domestic general universities or medical universities). The cumulative number of scholars from 2015 to 2017 reached 91 students from 12 schools. In 2018, we will increase the number of eligible schools and accept applications from a total of 22 schools to select 45 scholars.



To Enhance Corporate Value: Initiatives for Greater Social Value



Consumers Issues

【For All Babies】

Pigeon is committed to “enabling all babies enjoy better sucking.” To this end, we are conducting joint research with the hospital and clinic neonatal intensive care units (NICUs) and working in other ways to develop exclusive products so that infants with low birth weight or special needs can also suck milk with limited effort required. Regarding “nipples for infants with low birth weight,” we reduced the size of the teat so that even babies with small lips may hold naturally the nipple in their mouth. Also, we created “nipples specially designed for babies with cleft lips and/or palates” by providing them with an ingenious selection of structure, shape, and even bottle. Among babies with low birth weight, especially those with weak sucking and swallowing functions, we have developed a special nursing bottle nipple with adjusted softness enabling them to easily drink mother’s milk and packaged milk.



Nipple for
weak sucking
babies



Nursing bottle for
low-birthweight
babies



Nursing bottle for
babies with cleft
lips and/or palates

To Enhance Corporate Value: Initiatives for Greater Social Value



Labor Practices

[Mosaic Art Project to enhance camaraderie among employees]

1. Trees for wooden blocks were trimmed as part of forest maintenance activities.



Make!



2. The wooden blocks were painted by all the employees.



Paint!



3. A 113.11 sqm mosaic art was created, consisting of 45,000 pieces of wooden blocks.



Create!



4. Following the completion, the art was disassembled and repackaged into a small set of wooden blocks for donation to child-care centers.



Deliver!



<Sept. 9th, 2017>
Certified by the Guinness World Records as the world's largest painted wooden block mosaic!



To Enhance Corporate Value: Initiatives for Greater Social Value



Labor Practices **【Child-Rearing Support Activities】**

As a company involved in child rearing, Pigeon has sought to expand and upgrade its support systems for child-rearing employees. For example, we implemented a 12-month parental leave system before Japan’s Child Care and Family Care Leave Act was enacted in 1990. In 1999, we received the “Work Life Balance Award” from the Tokyo Metropolitan Government acknowledging this initiative. In 2006, we adopted a new parental leave scheme, called “One Month Together,” offering one month’s paid leave for male employees as a means of encouraging more men to take parental leave. This underscores the major changes we have made to provide workplace environments where both men and women can take parental leave as a matter of course. The utilization rates of “One Month Together” were 100% for the last three consecutive years in 2015, 2016 and 2017 with a three-year total of 32 male employees who were eligible for and took up the scheme.



Reports on male participation under the “One Month Together” parental leave system

Our Definition of Corporate Value



Social Value

To be indispensable for the society and our customers

Provision of solutions and new values

Corporate philosophy shared by all employees and other stakeholders

Development capabilities and brand power

Competency of each employee

Reduction of our environmental impact and contribution to society in the fields other than our own business

Economic Value

Sum of present values of future free cash flows

Free cash flows
= NOPAT + Depreciation
- Investments
- Incremental working capital

$WTP^* - Cost = Profit$

Business models and competitive advantages that are hard to copy

Marketing capabilities

KPIs (PVA, CCC, ROE, ROIC) and actions for their improvement

PIGEON CORPORATION

Head Office

4-4, Nihonbashi-Hisamatsucho, Chuo-ku, Tokyo
103-8480, Japan

URL <http://www.pigeon.co.jp/>
<http://www.pigeon.com/>

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.