



Results Briefing for Fiscal Year Ended Jan. 31, 2019

March 5, 2019

PIGEON CORPORATION

(Securities Code : 7956)

President & COO

Shigeru Yamashita

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Results for Term Ended Jan. 31, 2019

Financial Highlights (Consolidated)



(millions of yen)	Jan. 2018		Jan. 2019			
	Results	YoY Change	Plan	Results	vs Plan	YoY Change
Net Sales	102,563	108.4%	107,000	104,747	97.9%	102.1%
Operating Income	19,412	121.2%	20,400	19,612	96.1%	101.0%
Ordinary Income	20,129	122.3%	20,400	20,398	99.9%	101.3%
Net Income Attributable to Owners of Parent	14,515	130.5%	14,100	14,238	101.0%	98.1%
Net Assets	62,812	116.9%	68,648	66,582	97.0%	106.0%
Total Assets	84,467	107.1%	90,996	86,006	94.5%	101.8%
EPS (¥)	121.20	130.6%	117.73	118.89	101.0%	98.1%
BPS (¥)	506.79	115.9%	554.68	536.43	96.7%	105.8%
ROE*	25.7%	—	22.2%	22.8%	—	—
ROIC*	22.2%	—	21.7%	21.2%	—	—

*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. 2018		Jan. 2019			
	Results	% of Total	Results	% of Total	YoY Change	Remarks
Net Sales	102,563	100.0%	104,747	100.0%	102.1%	
Cost of Sales	51,990	50.7%	50,889	48.6%	97.9%	
Gross Profit	50,572	49.3%	53,858	51.4%	106.5%	■ Main changes in SG&A expenses
SG&A Expenses	31,159	30.4%	34,246	32.7%	109.9%	Personal expenses: + 969M JPY
Operating Income	19,412	18.9%	19,612	18.7%	101.0%	Market research expense: + 495M JPY
Non-Operating Income (Expenses)	716	0.7%	786	0.8%	109.9%	Shipment/distribution expense: + 316M JPY
Ordinary Income	20,129	19.6%	20,398	19.5%	101.3%	Advertising expense: + 171M JPY
Extraordinary Income (Loss)	787	0.8%	(136)	(0.2%)	—	
Net Income Attributable to Non-controlling Interests	244	0.2%	356	0.3%	145.8%	
Net Income Attributable to Owners of Parent	14,515	14.2%	14,238	13.6%	98.1%	

Net Sales by Business Segment (Consolidated)



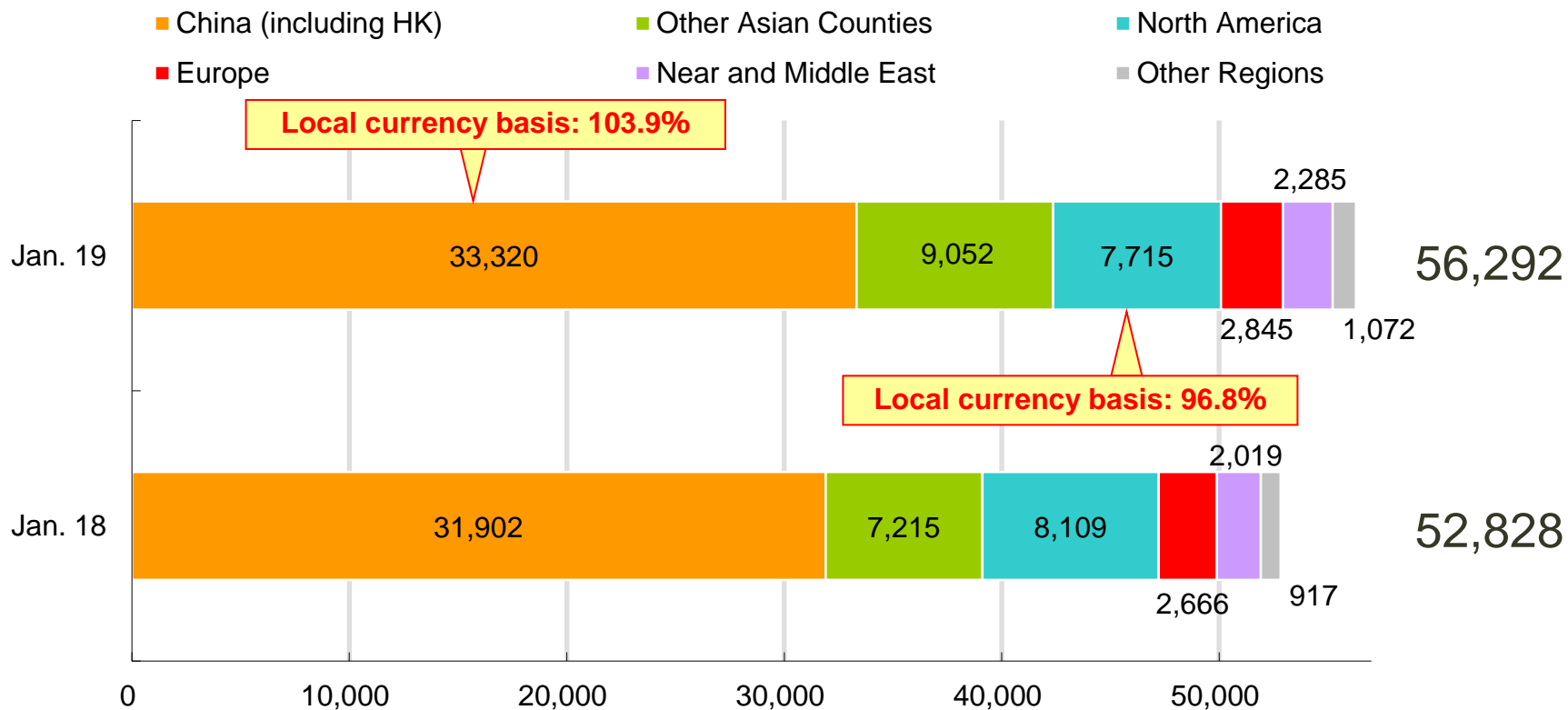
(millions of yen)	Jan. 2018 (Ref.)				Jan. 2019					
	Results	% of Total	Gross Margin	Segment Profit	Results	% of Total	YoY Change	Gross Margin	Segment Profit	YoY Change
Consolidated net sales	102,563	100.0%	49.3%	19,412	104,747	100.0%	102.1%	51.4%	19,612	101.0%
Domestic Baby and Mother Care Business	33,841	33.0%	48.9%	5,928	35,593	34.0%	105.2%	48.6%	6,096	102.8%
Child Care Service Business	7,541	7.4%	10.4%	218	4,472	4.3%	59.3%	14.0%	169	77.3%
Health and Elder Care Business	7,058	6.9%	31.3%	468	6,986	6.7%	99.0%	32.4%	353	75.5%
China Business	34,305	33.4%	55.2%	11,514	35,581	34.0%	103.7%	56.0%	11,972	104.0%
Singapore Business	10,286	10.0%	47.4%	2,488	12,133	11.6%	118.0%	49.3%	2,744	110.3%
Lansinoh Business	12,523	12.2%	56.3%	1,553	12,753	12.2%	101.8%	59.5%	1,576	101.5%
Elimination of internal trading between segments	(4,284)	(4.2%)	—	—	(4,176)	(4.0%)	—	—	—	—
Other	1,289	1.3%	12.8%	126	1,402	1.3%	108.8%	13.1%	142	112.8%

*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 19 US\$1 = ¥110.43 1 yuan = ¥16.70; Jan 2018: US\$1 = ¥112.16 1 yuan = ¥16.62

Key Priorities for FY Jan. 2019



● Domestic Baby and Mother Care Business

- Consistently 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



Opened the website for 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. 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>

2018 New Products

Domestic Baby & Mother Care Business Status



- **Large-sized products**

- Released premium single-tire baby stroller "Fino Polish Grey."
- Improved our share in the baby stroller market to an annual average of 20.9% (Feb. 2018 – Jan. 2019).

- **New products**

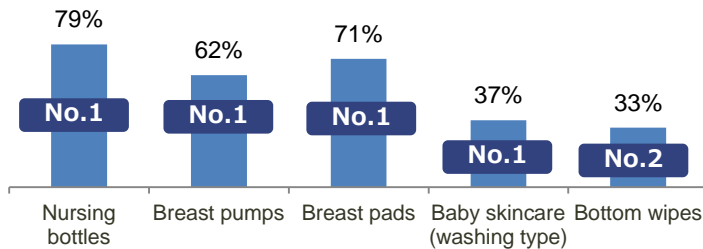
- Completely redesigned "Bonyu Assist®" breast pump series, equipped with the "Baby Rhythm" technology created through more than 60 years of baby nursing research.
- Released "Pigeon Electric Baby Nasal Aspirator," developed jointly with otolaryngologists.

- **Direct communications**

- Seminars for healthcare professionals: 17 events/approx. 1,500 participants
- Seminars for expectant mothers: 14 events/approx. 1,300 participants



Market Share (FY Jan/2019)



Major new products released in Spring 2019



"Leaves of Peach" Skincare
"Medicated wet wipes for heat rash" "UV baby lotion"



"Bonyu Jikkan® Coating"
New "fruits" design

* According to POS Nationwide Drugstore Growth Estimates, INTAGE Inc.
* Value share for nursing bottles, breast pumps and breast pads. Quantity share for the other products.

Child Care Service Business / Health & Elder Care Business Status



Child Care Service Business

● Pigeon Hearts

- New additions to facilities under management: Launched five in-company childcare facilities → Total of 56 facilities (excluding those of the National Hospital Organization)

Health & Elder Care Business

● Pigeon Tahira

- Showcased new products at the International Home Care & Rehabilitation Exhibition held in October 2018.
- Released "Sitting Posture Assisting Wheelchair" and "Nursing Care Table" from the new "Profit Care" series.
- Released "Hygiene Care" series, created based on experience and expertise in the nursing care segment, in February 2019.

● Pigeon Manaka

- In-Home Care Support and Day Service Center in Sano has continued to grow steadily.



"Profit Care" series



"Hygiene Care" series, created based on experience and expertise in the nursing care segment



A scene at childcare facilities

China Business Status



● Product sales

- Released 70 SKUs of new products in 2018
 - Among others, "Leaves of Peach" series products (bottom wipes and baby bath wash) sold well.
- Strengthened sales through EC channels and at flagship stores (with a 114% YoY increase in sales).
- Expanded the share of nursing bottles and nipples in overall EC sales to nearly 30%.



● Branding and breastfeeding awareness programs

- Further strengthened branding activities.
- Strengthened online sales activities by utilizing SNS and other digital marketing tools.
- Promoted direct communications with customers through seminars and other opportunities.



"Leaves of Peach" series
new product launch event



Storefronts



Strengthened digital marketing
utilizing digital camera
applications



New products event

Singapore Business Status



● Status by market

- Singapore: Gained and maintained the No.1 market share in nursing bottles. Reported strong sales through EC channels. Strengthened digital marketing to enhance communications with customers.
- Malaysia: Continued to report strong sales of nursing bottles and nipples. Promoted brands by enhancing communications with customers through events and SNS.
- India: Achieved coverage of 50,000+ pharmacies.
- Indonesia: Reported strong production and sales with both domestic and export products. Further strengthening marketing in Indonesia.



Singapore



Indonesia



Shopfront in each country



Held an event, participated by guests including key opinion leaders and expectant and new mothers (Malaysia)



Breastfeeding seminar (Indonesia)

Lansinoh Business Status



- **Status by market**

- North America: Increased sales of electric breast pumps through new routes, including DME (Durable Medical Equipment) channels. Continued to gain top share in categories: nipple care cream and breast pad.
- Europe: Expanded sales in France and Germany. Reported a high capacity utilization ratio at the factory in Turkey. Strengthened product development.
- Lansinoh Shanghai: Continued to strengthen sales through EC channels.

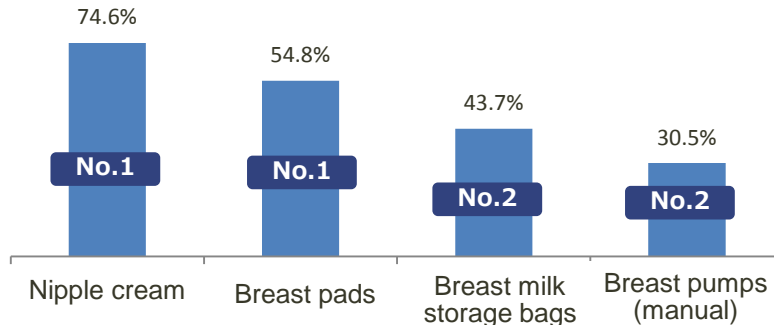
- **Branding and breastfeeding awareness programs**

- Implemented digital campaigns to reinforce brand penetration.



Breastmilk Collector

Market Share in US (Jan. 2019)



Lansinoh China



Washable Nursing Pads

<Ref.>Consolidated Balance Sheet (Highlights)

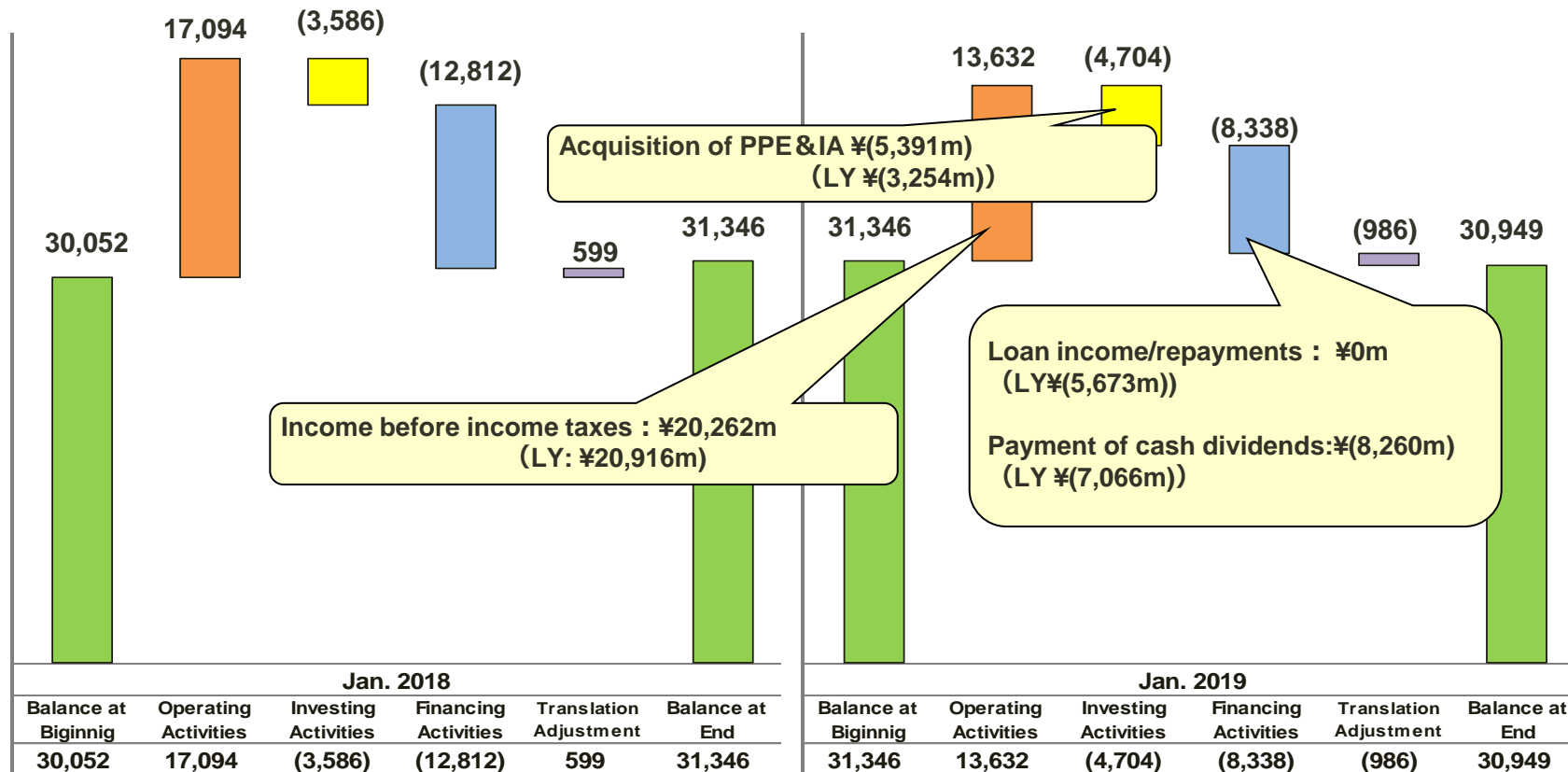


(millions of yen)	Jan. 2018	Jan. 2019		
	Results	Results	YoY Change (Amount)	YoY Change (%)
Cash and Deposits	31,346	30,949	(397)	98.7%
Notes and Accounts Receivable	16,440	15,004	(1,436)	91.3%
Inventories	8,713	10,605	+1,891	121.7%
Notes and Accounts Payable	5,194	4,567	(627)	87.9%
Electronically Recorded Obligations – Operating	1,797	1,960	+163	109.1%
Borrowings	0	0	-	-
Net Assets	62,812	66,582	+3,770	106.0%
Total Assets	84,467	86,006	+1,539	101.8%
Equity Ratio	71.9%	74.7%	–	+2.8pt

<Ref.> Consolidated Cash Flow



(Million JPY)



<Ref.>Investment-Related Indicators (Consolidated)



(millions of yen)	Jan. 2018		Jan. 2019	
	Interim (Results)	Full Year (Results)	Interim (Results)	Full Year (Forecast)
Capital Investment (*1)	1,252	3,546	2,795	5,376
Depreciation (*2)	1,206	2,451	1,383	2,804
Research and Development (*3)	1,221	2,670	1,479	3,119

*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 Dec. 2019

The Accounting Period Revision (Final Day of the Fiscal Year)



As part of efforts to promote global business management, the Company is working to achieve further transparency through timely and precise disclosure of management information.

In addition, the International Financial Reporting Standards (IFRS) which are being considered for future implementation require consistent accounting periods for all consolidated companies. For these reasons, the accounting period is being changed as follows:

Year	2018												2019											
Month	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
Company closing in January Pigeon Corporation and Japan Domestic Subsidiaries																								
Company closing in December Overseas Subsidiaries																								
Quarter	1Q			2Q			3Q			4Q			1Q			2Q			3Q			4Q		
Fiscal year-end	Jan. 2019 (62nd)												Dec. 2019 (63rd)											

【Measures for the transitional period (current period)】

- Pigeon Corporation and its subsidiaries in Japan: 11 months from Feb. 1, 2019 to Dec. 31, 2019
- Overseas Affiliates: 12-month period from January 1, 2019 to December 31, 2019 (as usual)
- For purposes of preparing the consolidated financial statements, the 63rd term of Pigeon Corporation and its subsidiaries in Japan consists of the same first three quarters as in the past and the two-month 4th quarter (from November 1 to December 31, 2019).

<Ref.> Dec. 2019 Plan (consolidated) 【Planned rate】



(millions of yen)	Jan. 2019		Jan. 2020 Mid-term		Dec. 2019 Plan (12 months Japan)			
	Result	% of Total	6th MTP	% of Total	Plan	% of Total	YoY Change	vs 6th MTP
Net Sales	104,747	100.0%	110,000	100.0%	110,000	100.0%	105.0%	100.0%
Cost of Sales	50,889	48.6%	55,000	50.0%	52,800	48.0%	103.8%	96.0%
Gross Profit	53,858	51.4%	55,000	50.0%	57,200	52.0%	106.2%	104.0%
SG&A Expenses	34,246	32.7%	35,000	31.8%	36,800	33.5%	107.5%	105.1%
Operating Income	19,612	18.7%	20,000	18.2%	20,400	18.5%	104.0%	102.0%
Non-Operating Income (Expenses)	786	0.8%	0	0.0%	0	0.0%	0.0%	-
Ordinary Income	20,398	19.5%	20,000	18.2%	20,400	18.5%	100.0%	102.0%
Extraordinary Income (Loss)	(136)	(0.2%)	0	0.0%	100	0.1%	-	-
Net Income Attributable to Non-controlling Interests	356	0.3%	190	0.2%	345	0.3%	96.8%	181.6%
Net Income Attributable to Owners of Parent	14,238	13.6%	13,800	12.5%	14,500	13.2%	101.8%	105.1%

※Planned rate for this term US\$1=¥109.00 1 yuan=¥16.00 (12 months assumed for both of Domestic and Overseas)

<Ref.> Dec. 2019 Plan (consolidated)

【excluding currency rate impact (same as actual rate of previous year)】



(millions of yen)	Jan. 2019		Jan. 2020 Mid-term		Dec. 2019 Plan (12 months Japan)			
	Result	% of Total	6th MTP	% of Total	Plan	% of Total	YoY Change	vs 6th MTP
Net Sales	104,747	100.0%	110,000	100.0%	111,900	100.0%	106.8%	101.7%
Cost of Sales	50,889	48.6%	55,000	50.0%	53,600	47.9%	105.3%	97.5%
Gross Profit	53,858	51.4%	55,000	50.0%	58,300	52.1%	108.2%	106.0%
SG&A Expenses	34,246	32.7%	35,000	31.8%	37,300	33.3%	108.9%	106.6%
Operating Income	19,612	18.7%	20,000	18.2%	21,000	18.8%	107.1%	105.0%
Non-Operating Income (Expenses)	786	0.8%	0	0.0%	0	0.0%	0.0%	-
Ordinary Income	20,398	19.5%	20,000	18.2%	21,000	18.8%	102.9%	105.0%
Extraordinary Income (Loss)	(136)	(0.2%)	0	0.0%	100	0.1%	-	-
Net Income Attributable to Non-controlling Interests	356	0.3%	190	0.2%	360	0.3%	101.0%	189.5%
Net Income Attributable to Owners of Parent	14,238	13.6%	13,800	12.5%	15,000	13.4%	105.3%	108.7%

※ Assumed the same as the previous rate (US\$=¥110.43 1yuen=¥16.70) (12 months assumed for both of Domestic and Overseas)

Dec. 2019 Plan (consolidated)

【Planned rate and change fiscal year end】



(millions of yen)	Jan. 2019		Jan. 2020 Mid-term		Dec. 2019 Plan (11months Japan)			
	Result	% of Total	6th MTP	% of Total	Plan	% of Total	YoY Change	vs 6th MTP
Net Sales	104,747	100.0%	110,000	100.0%	106,200	100.0%	-	-
Cost of Sales	50,889	48.6%	55,000	50.0%	50,900	47.9%	-	-
Gross Profit	53,858	51.4%	55,000	50.0%	55,300	52.1%	-	-
SG&A Expenses	34,246	32.7%	35,000	31.8%	35,300	33.2%	-	-
Operating Income	19,612	18.7%	20,000	18.2%	20,000	18.8%	-	-
Non-Operating Income (Expenses)	786	0.8%	0	0.0%	0	0.0%	-	-
Ordinary Income	20,398	19.5%	20,000	18.2%	20,000	18.8%	-	-
Extraordinary Income (Loss)	(136)	(0.2%)	0	0.0%	100	0.1%	-	-
Net Income Attributable to Non-controlling Interests	356	0.3%	190	0.2%	345	0.3%	-	-
Net Income Attributable to Owners of Parent	14,238	13.6%	13,800	12.5%	14,300	13.5%	-	-

※Planned rate Dec. 2019 US\$1=¥109.00 1 yuan = ¥16.00 (Domestic 11months · Overseas 12 months)

<Ref.> Dec. 2019 Plan (Consolidated) 【Planned rate】



(millions of yen)	Jan. 2019			Dec. 2019 (12 months Japan)		
	Result	% of Total	YoY Change	Plan	% of Total	YoY Change
Net Sales	104,747	100.0%	102.1%	110,000	100.0%	105.0%
Operating Income	19,612	18.7%	101.0%	20,400	18.5%	104.0%
Ordinary Income	20,398	19.5%	101.3%	20,400	18.5%	100.0%
Net Income Attributable to Owners of Parent	14,238	13.6%	98.1%	14,500	13.2%	101.8%
Net Assets	66,582	—	106.0%	72,819	—	109.4%
Total Assets	86,006	—	101.8%	93,711	—	109.0%
EPS (¥)	118.89	—	98.1%	121.07	—	101.8%
BPS (¥)	536.43	—	105.8%	587.66	—	109.6%
ROE*	22.8%	—	—	21.5%	—	—
ROIC*	21.2%	—	—	20.5%	—	—

※ 【Planned rate Dec.2019】 US\$1=¥109.00 1 yuan = ¥16.00 ← 【Actual rate Jan.2019】 US\$1=110.43 1 yuan = ¥16.70

*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)

Planned rate and change fiscal year end

【Planned rate and change fiscal year end】



(millions of yen)	Jan. 2019			Dec. 2019 (11months Japan)		
	Results	% of Total	YoY Change	Plan	% of Total	YoY Change
Net Sales	104,747	100.0%	102.1%	106,200	100.0%	—
Operating Income	19,612	18.7%	101.0%	20,000	18.8%	—
Ordinary Income	20,398	19.5%	101.3%	20,000	18.8%	—
Net Income Attributable to Owners of Parent	14,238	13.6%	98.1%	14,300	13.5%	—
Net Assets	66,582	—	106.0%	72,619	—	—
Total Assets	86,006	—	101.8%	93,370	—	—
EPS (¥)	118.89	—	98.1%	119.40	—	—
BPS (¥)	536.43	—	105.8%	585.99	—	—
ROE*	22.8%	—	—	21.3%	—	—
ROIC*	21.2%	—	—	20.1%	—	—

※ 【Planned rate Dec. 2019】 : US\$1=¥109.00 1 yuan = ¥16.00 ← 【Actual Rate Jan.2019】 Jan. 2019 US\$1=¥110.43 1 yuan =¥16.70

*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)

<Ref.> Net Sales by Business Segment (Consolidated) 【Planned Exchange Rate】



(millions of yen)	Jan. 2019				Dec. 2019 (12 months Japan)				
	Results	% of Total	Gross Margin	Segment Profit	Plan	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated net sales	104,747	100.0%	51.4%	19,612	110,000	100.0%	105.0%	52.0%	20,400
Domestic Baby and Mother Care Business	35,593	34.0%	48.6%	6,096	37,367	34.0%	105.0%	48.7%	6,362
Child Care Service Business	4,472	4.3%	14.0%	169	3,609	3.3%	80.7%	14.5%	161
Health and Elder Care Business	6,986	6.7%	32.4%	353	7,596	6.9%	108.7%	30.5%	447
China Business	35,581	34.0%	56.0%	11,972	37,491	34.1%	105.4%	57.4%	12,927
Singapore Business	12,133	11.6%	49.3%	2,744	12,688	11.5%	104.6%	48.4%	2,735
Lansinoh Business	12,753	12.2%	59.5%	1,576	13,771	12.5%	108.0%	59.2%	1,973
Elimination of internal trading between segments	(4,176)	(4.0%)	—	—	(4,003)	(3.6%)	-	-	-
Other	1,402	1.3%	13.1%	142	1,481	1.3%	105.6%	10.6%	105

<Ref.> Net Sales by Business Segment (Consolidated)

【Same rate as previous year】



(millions of yen)	Jan. 2019				Dec. 2019 (12 months Japan)				
	Results	% of Total	Gross Margin	Segment Profit	Plan	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated net sales	104,747	100.0%	51.4%	19,612	111,900	100.0%	106.8%	52.1%	21,000
Domestic Baby and Mother Care Business	35,593	34.0%	48.6%	6,096	37,367	33.4%	105.0%	48.7%	6,362
Child Care Service Business	4,472	4.3%	14.0%	169	3,609	3.2%	80.7%	14.5%	161
Health and Elder Care Business	6,986	6.7%	32.4%	353	7,596	6.8%	108.7%	30.5%	447
China Business	35,581	34.0%	56.0%	11,972	39,054	34.9%	109.8%	57.4%	13,471
Singapore Business	12,133	11.6%	49.3%	2,744	12,943	11.6%	106.7%	48.5%	2,803
Lansinoh Business	12,753	12.2%	59.5%	1,576	13,983	12.5%	109.6%	59.2%	2,007
Elimination of internal trading between segments	(4,176)	(4.0%)	—	—	(4,133)	(3.7%)	-	-	-
Other	1,402	1.3%	13.1%	142	1,481	1.3%	105.6%	10.5%	105

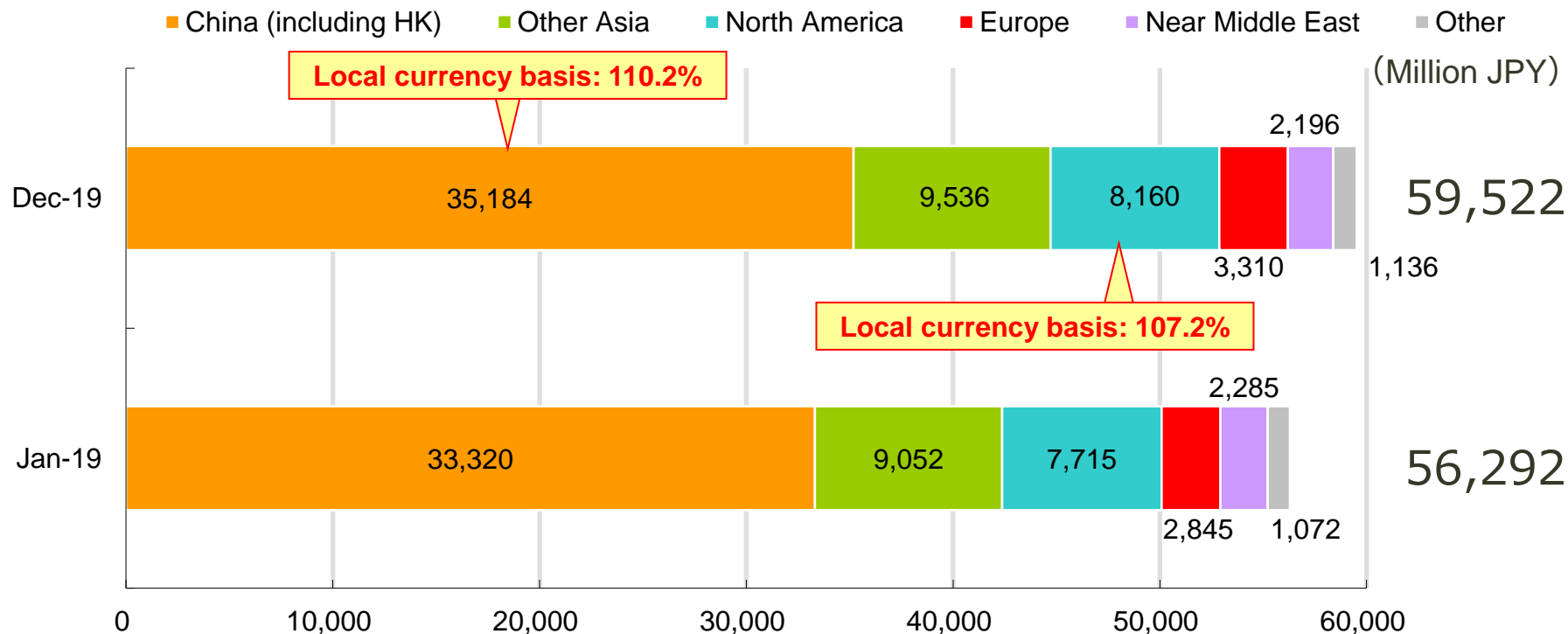
Net Sales by Business Segment (Consolidated)

【Planned rate and change fiscal year end】



(millions of yen)	Jan. 2019				Dec. 2019 (11 months Japan)				
	Results	% of Total	Gross Margin	Segment Profit	Plan	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated net sales	104,747	100.0%	51.4%	19,612	106,200	100.0%	-	52.1%	20,000
Domestic Baby and Mother Care Business	35,593	34.0%	48.6%	6,096	34,771	32.7%	-	48.7%	5,944
Child Care Service Business	4,472	4.3%	14.0%	169	3,312	3.1%	-	14.3%	138
Health and Elder Care Business	6,986	6.7%	32.4%	353	6,874	6.5%	-	30.4%	375
China Business	35,581	34.0%	56.0%	11,972	37,491	35.3%	-	56.9%	12,797
Singapore Business	12,133	11.6%	49.3%	2,744	12,656	11.9%	-	47.9%	2,650
Lansinoh Business	12,753	12.2%	59.5%	1,576	13,771	13.0%	-	59.2%	1,984
Elimination of internal trading between segments	(4,176)	(4.0%)	—	—	(4,043)	(3.8%)	-	-	-
Other	1,402	1.3%	13.1%	142	1,368	1.3%	-	10.7%	98

Plan of Overseas Business Sales by Region



※ 【Planned rate】 Dec. 2019 : US\$1=¥109.00 1 yuan = ¥16.00 ← 【Actual Rate】 Jan. 2019 US\$1=¥110.43 1 yuan =¥16.70

Key Priorities for FY Dec. 2019



● Domestic Baby and Mother Care Business

- Strengthening six key product categories
 - Implement comprehensive measures against competing products to maintain a high market share in the nursing bottle/nipple category
 - Study the competitive landscape in the breast pump category and implement effective measures to compete in the category based on the results of such study
- Enhance product line-up, strengthen marketing activities and reinforce sales and distribution network to improve market share in the baby strollers and other large-sized products (market share target for 6th MTBP: 25%)
- Get more involved in promotional activities to achieve collaboration with healthcare professionals



(Domestic Baby and Mother Care Business – 2019 new products)
Bingle BA9: A baby stroller far easier to push and maneuver

● Health & Elder Care Business

- Achieve topline growth and improve profitability through launch of "Profit Care" and "Hygiene Care" series
- Further penetrate new sales channels and put new marketing approaches into action

● Child Care Service Business

- Streamline business operations to improve profitability
- Enhance activities to win new contracts for the in-company childcare business
- Further strengthen safety measures including crisis management



(Health & Elder Care Business – 2019 new products)
"Hygiene Care" series aimed at more hygienic and simple nursing care

Key Priorities for FY Dec. 2019



● China Business

- Initiatives towards double-digit growth (local currency basis)
 - Launch new products in key product categories: Release 63 SKUs of new products in 2019
 - Conduct intensive sales promotion activities at EC events.
 - Show 3D images of products on smartphone displays to let customers feel more convinced when selecting products.

● Singapore Business

- Singapore: Reinforce development organizational structure to enhance products for middle-class consumers.
- Singapore: Further strengthen brand power through digital marketing.
- India: Achieve topline growth through improvement in brand recognition, strengthening of local product development structure and other measures.
- Indonesia: Achieve double-digit topline growth and further improve production functions.
- Study feasibility of entering new markets including countries in Africa to achieve growth for the next MTBP period and beyond.

● Lansinoh Business

- New product development: Strengthen development structure and innovate core breastfeeding products.
- Create new values and expand business through collaboration with outside parties.
- Enter new markets including countries in Europe, Asia and Africa.
- Expand new channels including EC and DME.



<China>
Strengthening branding activities



<India>
TV commercial for improving brand recognition

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/2017		FY Jan/2017		FY Jan/2019		FY Dec/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)	25 (including commemorative dividend of 3 yen)	28 (including commemorative dividend of 3 yen)	31	35	34	34	35	35
Dividend payout ratio	57.1%		54.5%		57.2%		58.6%	

* 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/2018		FY Jan/2019		FY Dec/2019
	Interim (Actual)	Full-year (Actual)	Interim (Actual)	Full-year (Actual)	Full-year (Forecast)
Capital Expenditures (*1)	1,252	3,546	2,795	5,376	6,100
Depreciation (*2)	1,206	2,451	1,383	2,804	3,000

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

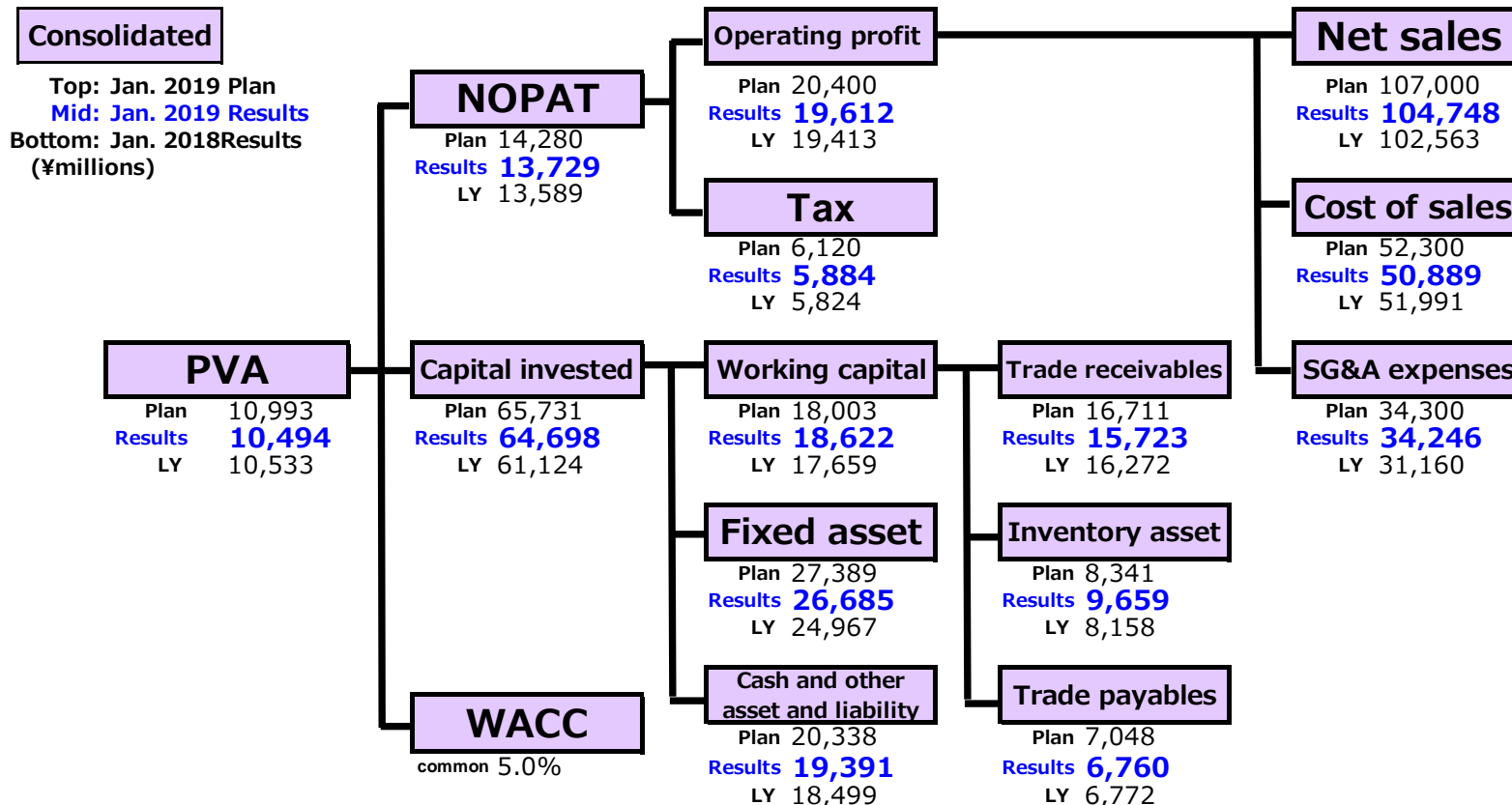
*2 Depreciation (including amortization of goodwill)

Approach to Enhance Corporate Value

Enhancing Management Quality: 12 Tasks of 6th MTBP



PVA Tree: Consolidated Results in Jan. 2019



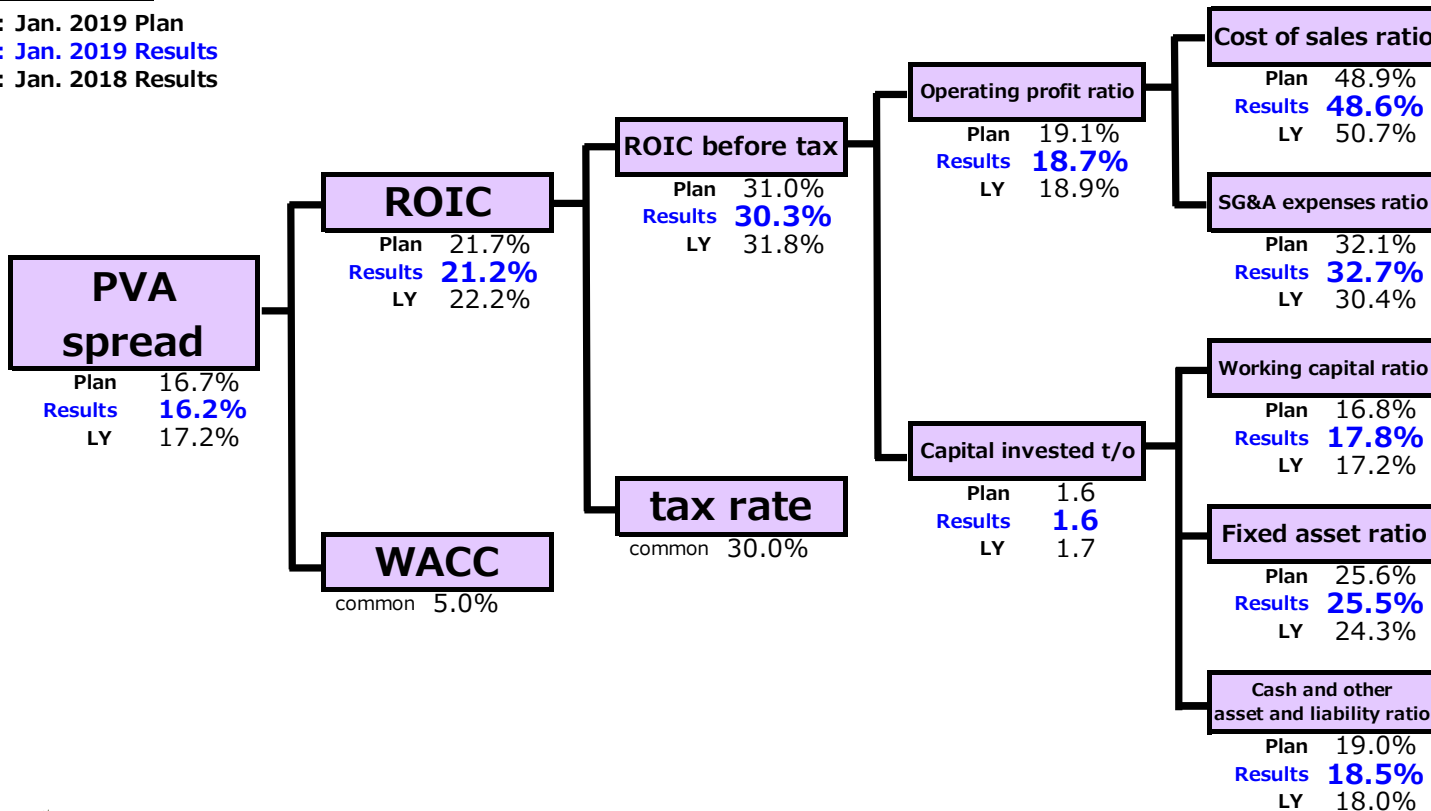
※From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.

PVA (Ratio): Consolidated Results in Jan. 2019



Consolidated

Top: Jan. 2019 Plan
 Mid: Jan. 2019 Results
 Bottom: Jan. 2018 Results

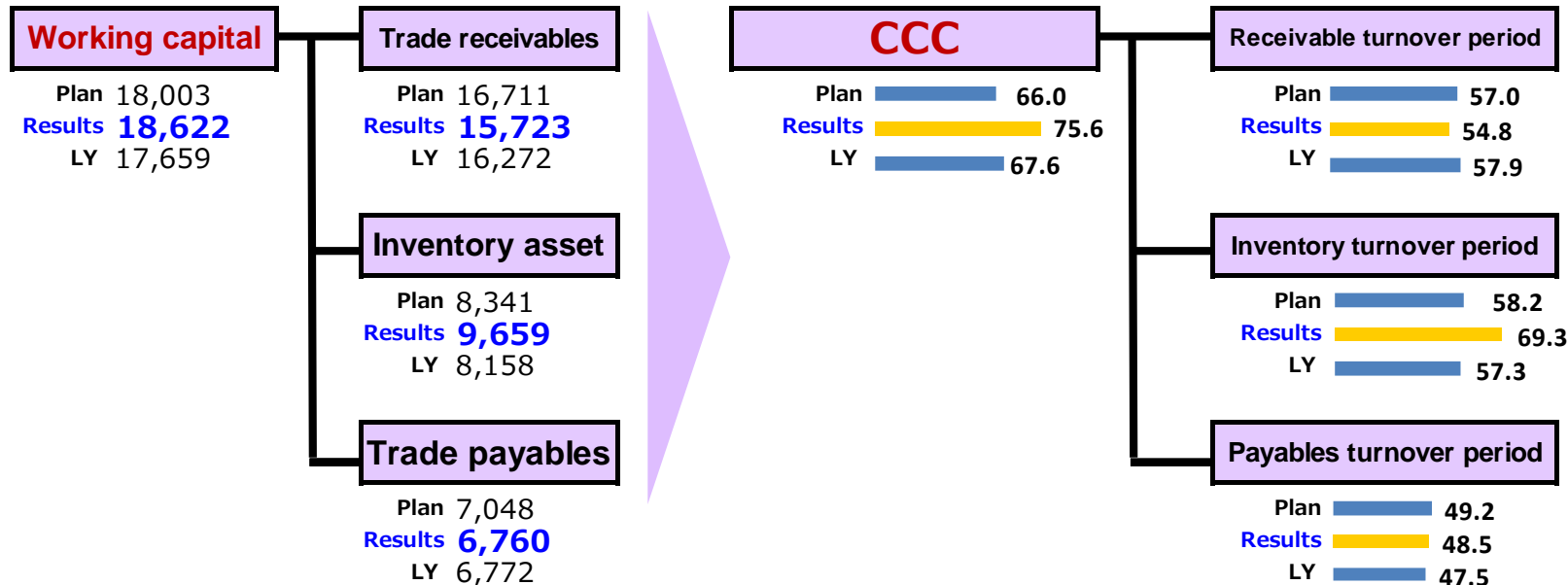


CCC Tree: Consolidated Results in Jan. 2019



Consolidated

Top: Jan. 2019 Plan
 Mid: Jan. 2019 Results
 Bottom: Jan. 2018 Results
 (¥millions)



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


Sharing what it takes
for us to grow in the future

6th Medium-term Business Plan: 12 tasks



1. Overview of Organizational Changes

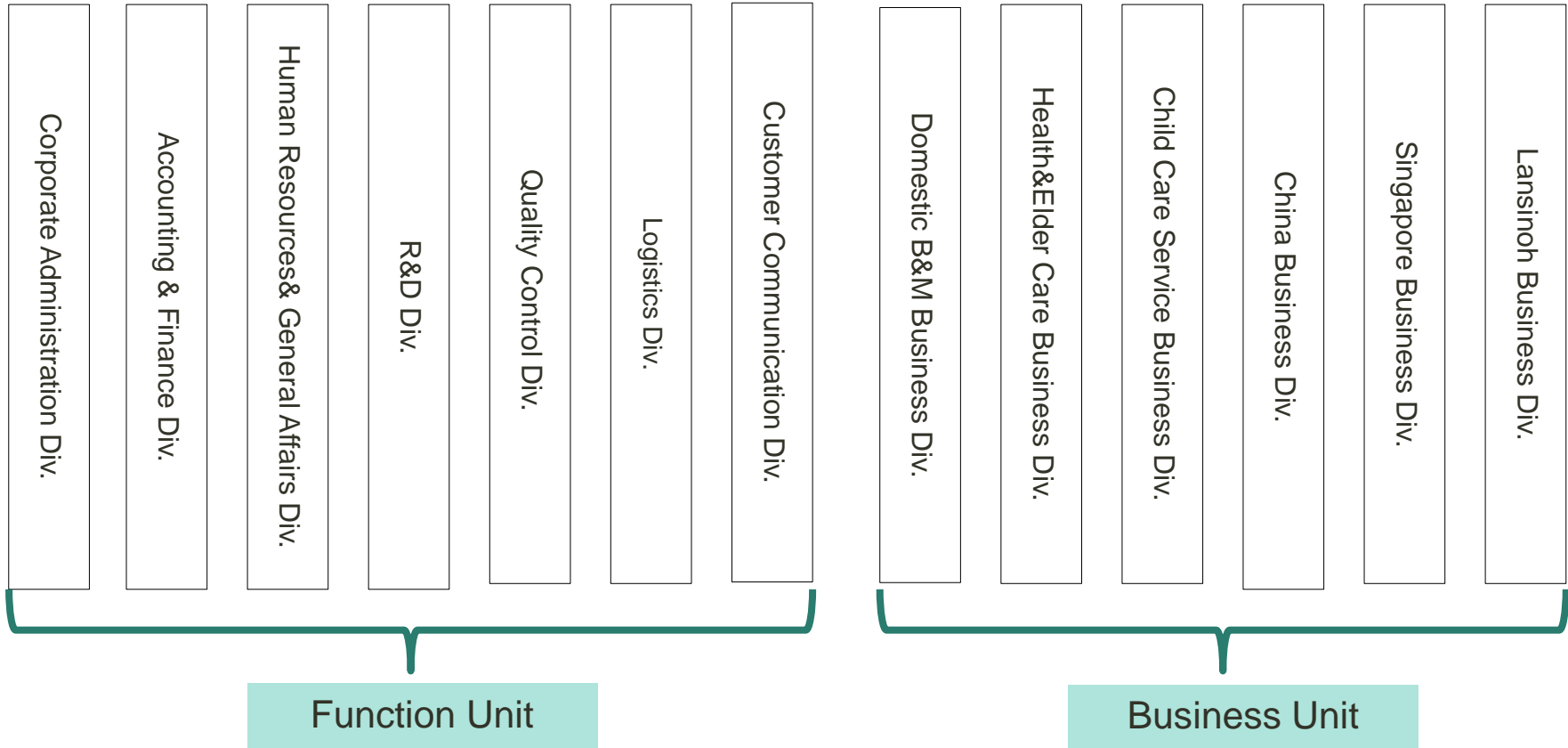
To bolster enterprise value, the Pigeon Group has established a global head office (GHO), to integrate head-office functions Group-wide. Under this framework, the Group is working continually to concentrate and strengthen those functions. In addition, the Group is dividing its segments responsible for operations and growth into four businesses, mostly by region: The Japan Business (Domestic Baby & Mother Care Business, Health & Elder Care Business, Child Care Service Business), China Business, Singapore Business and Lansinoh Business. With these clearly defined roles and responsibilities, these four businesses maintain liaison with GHO to pursue continuous, long-term growth.



The point is...

In accordance with a growth scenario of the Pigeon Group formulated by GHO from a “total optimization” perspective, we will preferentially invest our management resources to make the scenario a reality. In line with the basic strategy, four profit-earning business divisions (namely, Japan, China, Singapore, and Lansinoh) agilely address changes in environment with autonomous leadership to continue enhancing profitability of the Group as a whole, thus making Pigeon a great place to work with higher employee morale and higher corporate value.

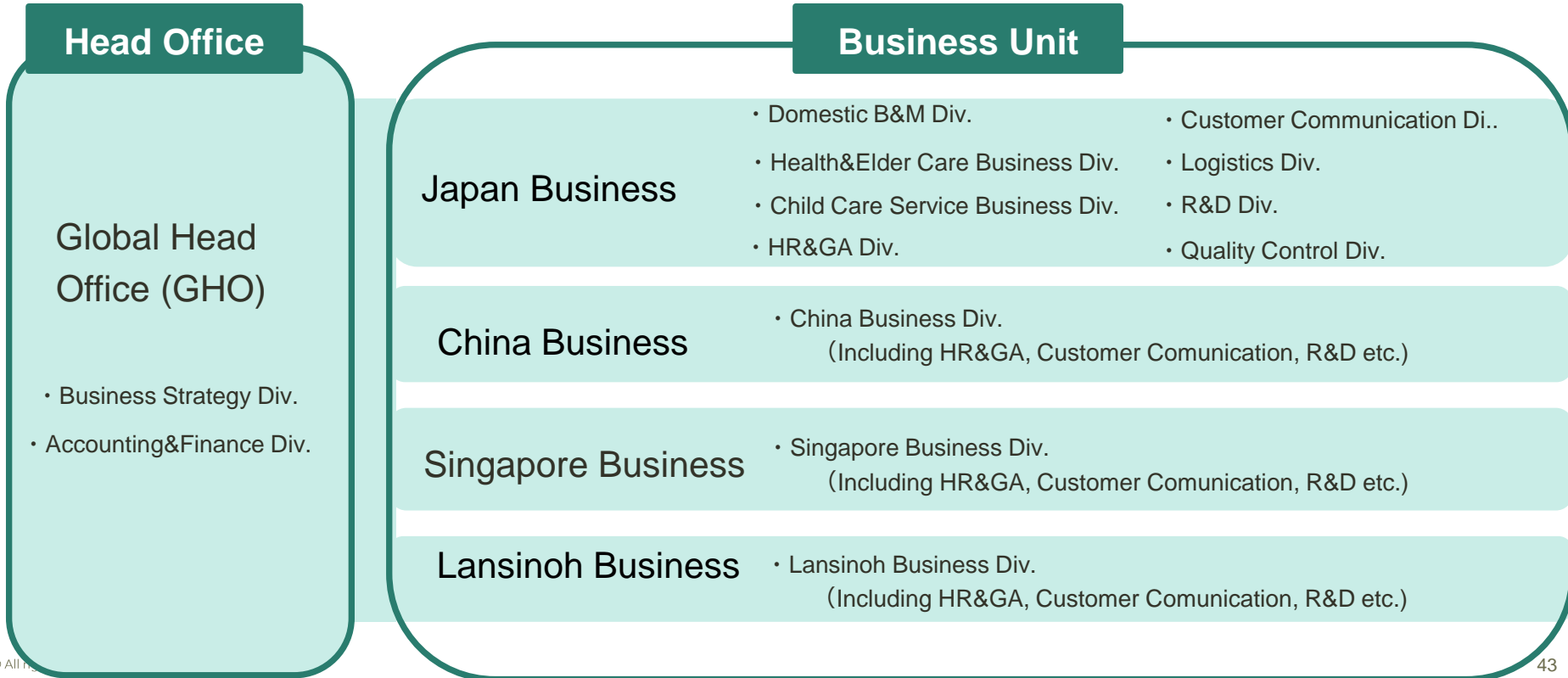
Former Organization



New Organization



To clarify roles, function and responsibility on Head Office and each Business Unit



Roles and function that GHO is expected to perform



Target: Four profit-earning business divisions
(Japan, China, Singapore and Lansinoh)

1. Binding us together

To share and practice the Pigeon Way across the Group to enhance our brand equity.

2. Helping to increase the medium-to-long term corporate value

To enhance corporate value of the Group as a whole through consistently growing business by means of optimizing management resources and appropriately investing them

3. Helping to crease the our future

To formulate future business models from a medium- to long-term perspective while getting involved in assessment and implementation of M&A opportunities, incubation (i.e., creation and support) of new businesses and restructuring of or withdrawal from the existing businesses

Formulated Pigeon's corporate value model (most recently updated in February 2019)



Social Value

To be indispensable for the society and our customers

Provision of solutions and new values

Development capabilities

Innovation

Brand power

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

(Drivers)

Corporate philosophy shared by all employees and other stakeholders

Capability and motivation of each employee

(Sustainability)

**Corporate governance
Compliance**

Economic Value

Sum of present values of future free cash flows*

Increase in NOPAT for a medium to long term with consistent enhancement of capital productivity

$(WTP^{**} - Cost) \times Volume = Profit$

Business models and competitive advantages that are hard to copy

Brand power/Marketing capabilities

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

*Free cash flow = NOPAT + Depreciation — Capex — Incremental working capital

**WTP: willingness to pay

***PVA: Pigeon value added

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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.