

# **Fiscal Year to January 2013 Summary of Results**

**March 6, 2013**

**PIGEON CORPORATION**

**(Securities code: 7956)**

**President & CEO Akio Okoshi**



# Contents

- Title, Contents 1 - 2
- Jan. 2013 Results 3 - 14
- Jan. 2014 Forecast 15 - 19

# Jan. 2013 Results

# Jan. 2012 Results and Jan. 2013 Results (Consolidated)

(¥ millions)	Jan.2012		Jan.2013			
	Amount	YoY Change	Revised Forecast	Amount	YoY Change	% of Forecast
Net sales	59,145	103.7 %	64,900	65,075	110.0 %	100.3 %
Operating income	5,042	110.9 %	6,500	7,086	140.5 %	109.0 %
Ordinary income	4,917	110.9 %	6,500	7,389	150.3 %	113.7 %
Net income	3,183	108.7 %	3,900	4,573	143.7 %	117.3 %
Net assets	27,935	103.3 %	—	32,365	115.9 %	—
Total assets	43,772	102.5 %	—	48,538	110.9 %	—
EPS (¥)	159.05	108.7 %	194.87	228.53	143.7 %	117.3 %
BPS (¥)	1,370.46	103.4 %	—	1,582.51	115.5 %	—
ROA	11.4 %	—	—	16.0 %	—	—
ROE	11.8 %	—	—	15.5 %	—	—

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



# Statements of Income (Consolidated)

(¥ millions)	Jan. 2012		Jan. 2013			
	Amount	% of Total	Amount	% of Total	YoY Change	Summary
Net sales	59,145	100.0 %	65,075	100.0 %	110.0 %	■ Main SG&A changes Personal expenses: + ¥ 287m Advertising expenses : + ¥ 705m Delivery expenses: + ¥ 186m Provision for allowance for doubtful accounts: ¥ (109)m
Cost of sales	34,826	58.9 %	37,314	57.3 %	107.1 %	
Gross Profit	24,319	41.1 %	27,760	42.7 %	114.2 %	
Selling, General and Administrative Expenses	19,276	32.6 %	20,674	31.8 %	107.3 %	
Operating income	5,042	8.5 %	7,086	10.9 %	140.5 %	
Total Other Income and Expenses	(125)	(0.2) %	303	0.5 %	—	
Ordinary income	4,917	8.3 %	7,389	11.4 %	150.3 %	
Total Extraordinary Income and Loss	(193)	(0.3) %	(19)	(0.0) %	—	
Less: Minority Interest in Net Income of Consolidated Subsidiaries	87	0.1 %	140	0.2 %	160.1 %	
Net income	3,183	5.4 %	4,573	7.0 %	143.7 %	

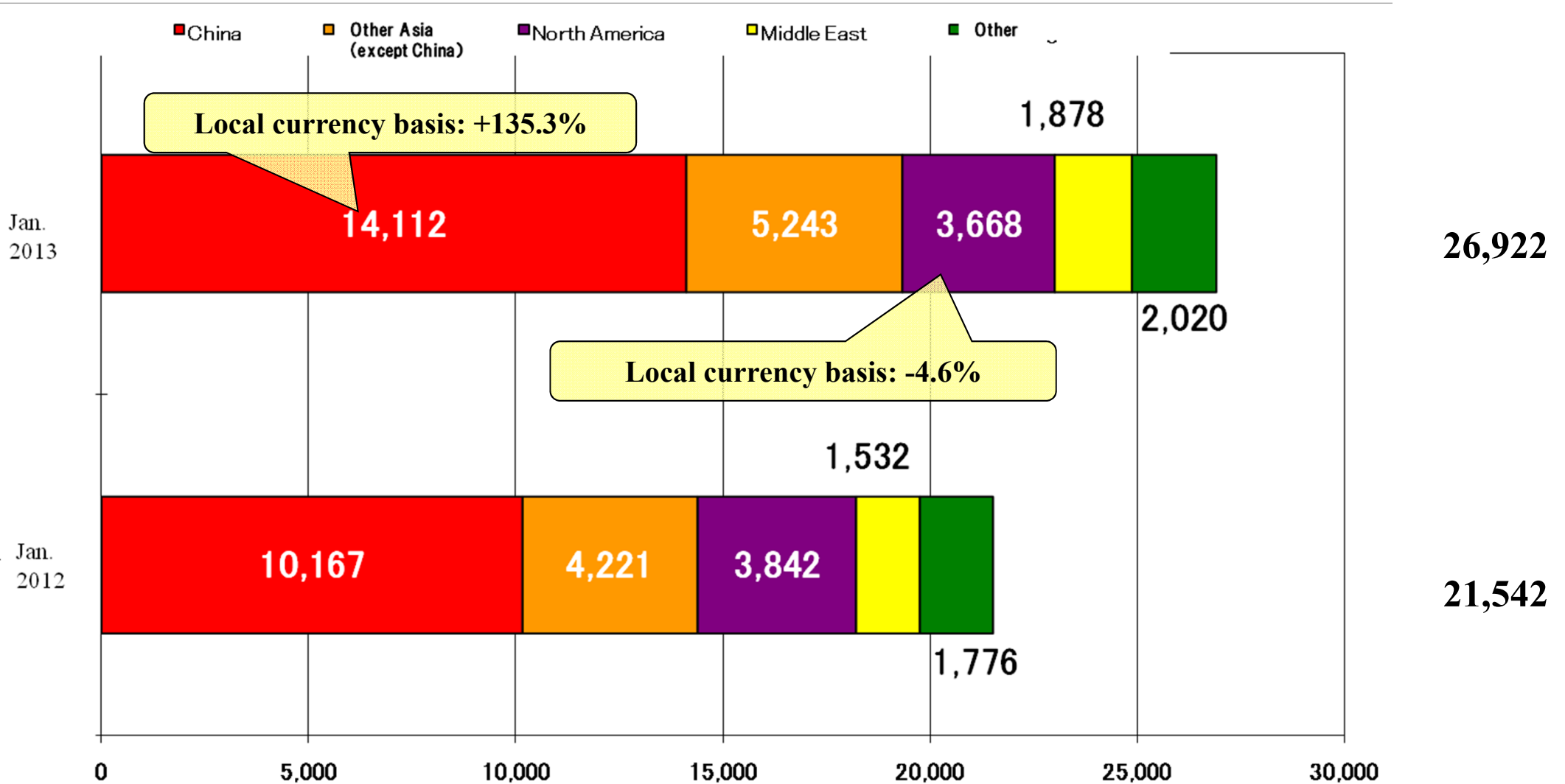
# Results by Segment (Consolidated)

(¥ millions)	Jan. 2012				Jan. 2013				
	Amount	% of Total	Gross Margin	Segment Income	Amount	% of Total	YoY Change	Gross Margin	Segment Income
<b>Consolidated net sales</b>	<b>59,145</b>	<b>100.0%</b>	<b>41.1%</b>	<b>5,042</b>	<b>65,075</b>	<b>100.0%</b>	<b>110.0%</b>	<b>42.7%</b>	<b>7,086</b>
<b>Domestic Baby and Mother Care Business</b>	<b>24,047</b>	<b>40.7%</b>	<b>46.5%</b>	<b>3,677</b>	<b>23,882</b>	<b>36.7%</b>	<b>99.3%</b>	<b>46.8%</b>	<b>3,379</b>
<b>Child-rearing Support Services</b>	<b>5,990</b>	<b>10.1%</b>	<b>11.5%</b>	<b>152</b>	<b>6,388</b>	<b>9.8%</b>	<b>106.6%</b>	<b>11.4%</b>	<b>182</b>
<b>Health Care and Nursing Care Business</b>	<b>6,469</b>	<b>10.9%</b>	<b>29.3%</b>	<b>350</b>	<b>6,699</b>	<b>10.3%</b>	<b>103.6%</b>	<b>30.6%</b>	<b>212</b>
<b>Overseas Business</b>	<b>21,584</b>	<b>36.5%</b>	<b>48.1%</b>	<b>3,909</b>	<b>26,964</b>	<b>41.4%</b>	<b>124.9%</b>	<b>50.6%</b>	<b>6,387</b>
<b>Other</b>	<b>1,052</b>	<b>1.8%</b>	<b>15.6%</b>	<b>138</b>	<b>1,140</b>	<b>1.8%</b>	<b>108.4%</b>	<b>15.2%</b>	<b>141</b>

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

# Overseas Business Sales by Region

(¥ millions)



\*Currency rates (Jan. 2013): US\$1 = ¥79.80; 1 yuan = ¥12.66; (Jan. 2012): US\$1 = ¥79.79; 1 yuan = ¥12.34



# Key Priorities for the Year to Jan. 2013

## **Domestic Baby and Mother Care Business**

- Expanding into new areas of business such as large merchandise
- Growth of the IT business

## **Child-rearing Support Services**

- Realize further improvements in child-rearing quality;  
continue steady expansion of business

## **Health Care and Nursing Care Business**

- Reconstruct business organization; reinforce sales activities for the facilities route and new channels
- Improve the competitive power of the products focusing on those in important categories and make an effort in sales-promotion activities

## **Overseas Business**

- **China:** Achieve further growth by reinforcement of the brand name and measures in growing business categories  
Reinforce sales of new products and items manufactured at the new factory in Changzhou
- **Europe and America:** Steady growth of the newly developed brands (mOmma, etc.)
- **Market expansion:** Aim at increasing the market share in India, Malaysia, South Korea, etc.



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

## Domestic Baby and Mother Care Business

[New products for babies released during the second half]

Soft Furikake for baby, Angel & Girl Hair Care Series, others

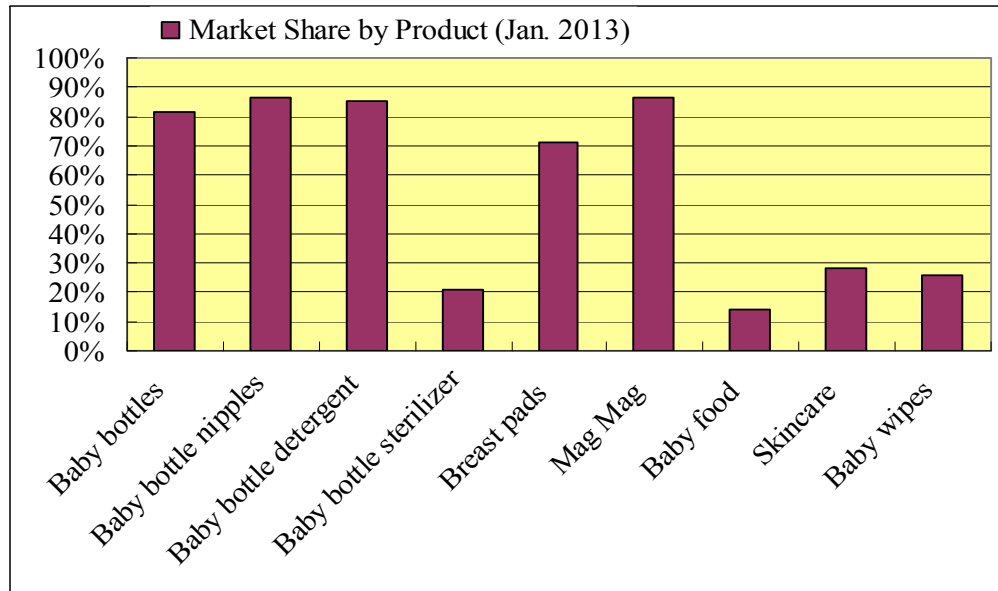
[Maternity & baby skincare] New products “Pigeon organics” series

[Large merchandise business] SOLACICA strollers, others

[Direct communication] 48 maternity events held with approximately 3,300 people participating

## Child-rearing Support Services

[New contract of entrustment] Authorized nursery school (1) Nursery facilities within business establishments (4)  
Total 195 facilities



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

Main products to be launched during the Spring of 2013 (first half of the year)



Yasai de rakugaki pastes



UV baby series



Mahalo stroller



# Health Care and Nursing Care Business

## Health Care and Nursing Care Business

### Habinurse

- Focus on Pigeon Tahira (agent for distribution to healthcare facilities)
- Walking aid products: Wheelchair sales are strong
- New products: “Comfort Assist” “Kaori Kakumei”
- Start of the Pigeon Manaka day service, smoothly increase users



### Recoup

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



Habinurse “Kaori Kakumei”

Recoup “Walking Support Shoes LU”

Pigeon Manaka Day Service “SanSan”

# Overseas Business

## Overseas Businesses

### China

- Restructuring and improvement of the distribution system completed, and the relationship with sale agents is excellent.
- Sales of new products are also progressing favorably
- Production output and operation are increasing in two production facilities due to business expansion.
- Our awareness program related to caring for breastfed infants conducted jointly with our Sanitation department are continually being implemented
- Focus on the Promotion activities (Performance of a play for Maternity, others)

### Europe and America

- Temporary stagnation of performance due to the slowing economy and decrease in the number of live births as well
- Focus on penetration of “mOmma” and “earth friendly baby” brands

### New markets

- **India:** Establishment of the distribution system, increase in the number of shops selling the Group’s products and installation of Pigeon Counters
- **Korea:** To strengthen the structure for business expansion, a sales branch was reorganized into a local corporation.



China: Performance of a play for Maternity



Pigeon Counters in India

China: Pigeon Shanghai 10-year anniversary commemoration product (baby bottle)

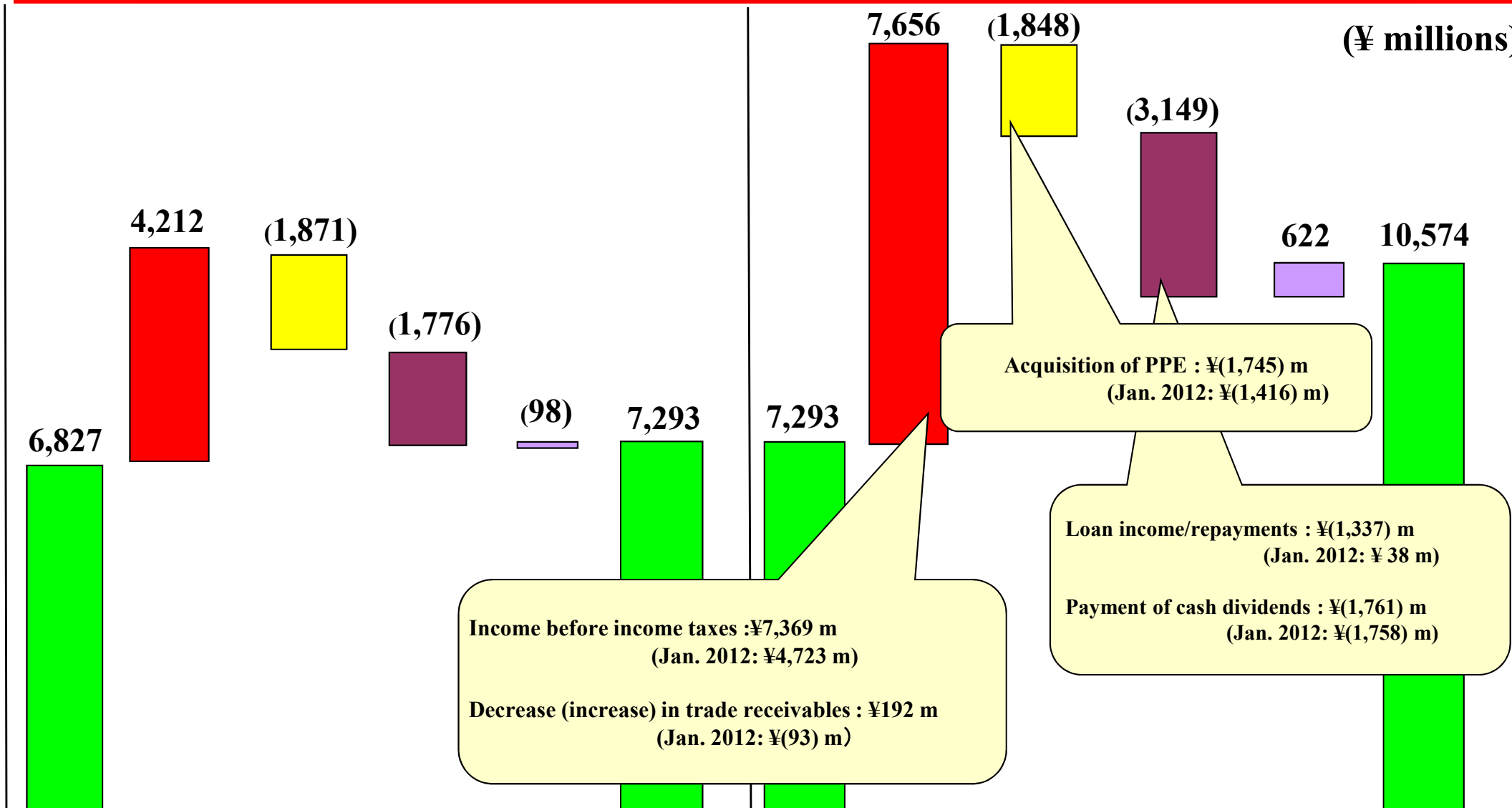
# Reference: Balance Sheet Highlights (Consolidated)

	Jan 12	Jan 13	(¥ millions)	
	Amount	Amount	YoY Change (Amount)	YoY Change (%)
Cash and deposits	7,293	10,574	+ 3280	145.0 %
Notes and accounts receivable	9,993	10,540	+ 547	105.5 %
Inventories	6,926	6,776	(149)	97.8 %
Notes and accounts payable	3,758	3,864	+ 105	102.8 %
Borrowings	4,898	3,620	(1,277)	73.9 %
Net assets	27,935	32,365	+ 4,429	115.9 %
Total assets	43,772	48,538	+ 4,766	110.9 %
Equity ratio	62.7%	65.3%	—	+ 2.6pt

■ Notes and accounts receivable: ⇒ Increase due to business expansion

# Reference: Cash Flows

(¥ millions)



Jan. 2012 (55 <sup>th</sup> Term)					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation/Valuation Gain (Loss)	Balance at End
6,827	4,212	(1,871)	(1,776)	(98)	7,293

Jan. 2013 (56 <sup>th</sup> Term)					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation/Valuation Gain (Loss)	Balance at End
7,293	7,656	(1,848)	(3,149)	622	10,574





# Reference: Investment-Related Indicators (Consolidated)

(¥ millions)

	Jan. 2012		Jan. 2013	
	Interim (Result)	Full Year (Result)	Interim (Result)	Full Year (Result)
<b>Capital expenditures ※1</b>	<b>1,085</b>	<b>1,672</b>	<b>710</b>	<b>1,204</b>
<b>Depreciation (tangible fixed assets)</b>	<b>722</b>	<b>1,381</b>	<b>681</b>	<b>1,426</b>
<b>Research and development ※2</b>	<b>755</b>	<b>1,497</b>	<b>764</b>	<b>1,620</b>

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

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

# Jan. 2014 Full Year Business Forecasts

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

(¥ millions)	Jan. 2013			Jan. 2014 (Forecast)		
	Amount	% of Total	YoY Change	Amount	% of Total	YoY Change
Net sales	<b>65,075</b>	<b>100.0 %</b>	<b>110.0 %</b>	<b>73,500</b>	<b>100.0 %</b>	<b>112.9 %</b>
Operating income	<b>7,086</b>	<b>10.9 %</b>	<b>140.5 %</b>	<b>7,800</b>	<b>10.6 %</b>	<b>110.1 %</b>
Ordinary income	<b>7,389</b>	<b>11.4 %</b>	<b>150.3 %</b>	<b>7,800</b>	<b>10.6 %</b>	<b>105.6 %</b>
Net income	<b>4,573</b>	<b>7.0 %</b>	<b>143.7 %</b>	<b>4,850</b>	<b>6.6 %</b>	<b>106.0 %</b>
Net assets	<b>32,365</b>	—	<b>115.9 %</b>	<b>34,733</b>	—	<b>107.3 %</b>
Total assets	<b>48,538</b>	—	<b>110.9 %</b>	<b>51,392</b>	—	<b>105.9 %</b>
EPS(¥)	<b>228.53</b>	—	<b>143.7 %</b>	<b>242.34</b>	—	<b>106.0 %</b>
BPS (¥)	<b>1,582.51</b>	—	<b>115.5 %</b>	<b>1,697.77</b>	—	<b>107.3 %</b>
ROA	<b>16.0 %</b>	—	—	<b>15.6 %</b>	—	—
ROE	<b>15.5 %</b>	—	—	<b>14.8 %</b>	—	—

\*ROA refers to current return on total assets, ROE refers to Net return on equity. Denominator in each case is then average for the term



# Sales by Business Segment (Consolidated)

(¥ millions)	Jan. 2013				Jan. 2014 (Forecast)				
	Amount	% of Total	Gross Margin	Segment Income	Amount	% of Total	YoY Change	Gross Margin	Segment Income
<b>Consolidated net sales</b>	<b>65,075</b>	<b>100.0%</b>	<b>42.7%</b>	<b>7,086</b>	<b>73,500</b>	<b>100.0%</b>	<b>112.9%</b>	<b>42.2%</b>	<b>7,800</b>
<b>Domestic Baby and Mother Care Business</b>	<b>23,882</b>	<b>36.7%</b>	<b>46.8%</b>	<b>3,379</b>	<b>24,956</b>	<b>34.0%</b>	<b>104.5%</b>	<b>45.7%</b>	<b>3,785</b>
<b>Child-rearing Support Services</b>	<b>6,388</b>	<b>9.8%</b>	<b>11.4%</b>	<b>182</b>	<b>6,435</b>	<b>8.8%</b>	<b>100.7%</b>	<b>11.9%</b>	<b>219</b>
<b>Health Care and Nursing Care Business</b>	<b>6,699</b>	<b>10.3%</b>	<b>30.6%</b>	<b>212</b>	<b>7,000</b>	<b>9.5%</b>	<b>104.5%</b>	<b>30.7%</b>	<b>352</b>
<b>Overseas Business</b>	<b>26,964</b>	<b>41.4%</b>	<b>50.6%</b>	<b>6,387</b>	<b>34,084</b>	<b>46.4%</b>	<b>126.4%</b>	<b>49.7%</b>	<b>7,830</b>
<b>Other</b>	<b>1,140</b>	<b>1.8%</b>	<b>15.2%</b>	<b>141</b>	<b>1,023</b>	<b>1.4%</b>	<b>89.7%</b>	<b>12.2%</b>	<b>103</b>

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

※Assumed exchange rates of Overseas Business: US\$1 = ¥84.00 ; 1 yuan = ¥13.30

# Key Priorities for Year to Jan. 2014

## ■ Domestic Baby and Mother Care Business

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

## ■ Child-rearing Support Services

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

## ■ Health Care and Nursing Care Business

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

## ■ Overseas Business

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

# Shareholder Return and Investment-Related Indicators

## [Shareholder return indicators under Fourth Medium-Term Business Plan]

- Adopt flexible approach to upgrading shareholder return (incl. through share buybacks), targeting continued total shareholder return ratio of 50% or higher

Dividend Status	Jan. 2011		Jan. 2012		Jan. 2013		Jan. 2014	
	Interim (Result)	Year-End (Result)	Interim (Result)	Year-End (Result)	Interim (Result)	Year-End (Plan)	Interim (Plan)	Year-End (Plan)
Dividend per share	44	44	44	44	44	71	61	61
Payout ratio	60.1%		55.3%		50.3%		50.3%	

## [Reference] Capital expenditure indicators

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

	Jan. 2011		Jan. 2012		Jan. 2013		Jan. 2014
	Interim (Result)	Year-End (Result)	Interim (Result)	Year-End (Result)	Interim (Result)	Year-End (Result)	Year-End (Plan)
Capital expenditure※	954	2,938	1,085	1,672	710	1,204	2,561
Depreciation (tangible fixed assets)	650	1,364	722	1,381	681	1,426	1,381

# Corporate Overview

## PIGEON CORPORATION

### Head office

**4-4, Nihonbashi-Hisamatsucho, Chuo-ku, Tokyo**

**103-8480, Japan**

**Tel: +81-3-3661-4200**

**+81-3-3661-4188 (Investor Relations)**

**Fax: +81-3-3661-4320**

### E-mail address

**InvestorRelations@pigeon.com**

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

**<http://english.pigeon.co.jp/>**

In this document, statements other than historical facts related to plans, forecasts, and strategies are based on information available at the time of writing.

The Corporation cannot provide guarantees or commitments for these forward-looking statements.

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