



# Results Briefing for The Six Months Ended July 31, 2016

September 9, 2016

**PIGEON CORPORATION**

(Securities code: 7956)

President & COO

**Shigeru Yamashita**

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# Business Results at July 31, 2016

# Financial Highlights (Consolidated)



(¥ millions)	Jul. 2015		Jul. 2016	
	Amount	YoY Change	Amount	YoY Change
<b>Net sales</b>	46,522	118.6%	<b>46,302</b>	<b>99.5%</b>
<b>Operating income</b>	7,733	129.2%	<b>7,777</b>	<b>100.6%</b>
<b>Ordinary income</b>	7,873	132.2%	<b>7,671</b>	<b>97.4%</b>
<b>Net Income Attributable to Owners of Parent</b>	5,282	129.7%	<b>5,545</b>	<b>105.0%</b>
<b>Net assets</b>	50,758	127.0%	<b>48,870</b>	<b>96.3%</b>
<b>Total assets</b>	76,282	120.5%	<b>71,494</b>	<b>93.7%</b>
<b>EPS (¥)</b>	44.11	129.7%	<b>46.30</b>	<b>105.0%</b>
<b>BPS (¥)</b>	414.15	126.9%	<b>398.71</b>	<b>96.3%</b>
<b>ROA</b>	21.2%	—	<b>21.1%</b>	—
<b>ROE</b>	22.1%	—	<b>22.8%</b>	—

※ 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)	Jul. 2015		Jul. 2016			
	Results	% of Total	Results	% of Total	YoY Change	Remarks
<b>Net sales</b>	46,522	100.0%	46,302	100.0%	99.5%	■ Main changes in SG&A expenses
<b>Cost of sales</b>	24,720	53.1%	24,743	53.4%	100.1%	Personal expenses : ¥(17m)
<b>Gross profit</b>	21,801	46.9%	21,559	46.6%	98.9%	Delivery expenses : ¥(94m)
<b>SG&amp;A expenses</b>	14,067	30.3%	13,781	29.8%	98.0%	Outsourcing fees : ¥(45m)
<b>Operating income</b>	7,733	16.6%	7,777	16.8%	100.6%	Sales Promotion expenses : ¥(37m)
<b>Non-operating income (expenses)</b>	139	0.3%	(106)	—	—	
<b>Ordinary income</b>	7,873	16.9%	7,671	16.6%	97.4%	
<b>Extraordinary income (loss)</b>	2	0.0%	52	0.1%	2400.8%	■ Main changes in non-operating income (expenses)
<b>Net Income Attributable to Non-controlling Interests</b>	96	0.2%	110	0.2%	114.4%	Exchange gain and loss : ¥(91m)
<b>Net Income Attributable to Owners of Parent</b>	5,282	11.4%	5,545	12.0%	105.0%	

# Net Sales by Business Segment (Consolidated)



(¥ millions)	Jul. 2015				Jul. 2016				
	Amount	% of Total	Gross Margin	Segment Profit	Amount	% of Total	YoY Change	Gross Margin	Segment Profit
<b>Consolidated net sales</b>	46,522	100.0%	46.9%	7,733	<b>46,302</b>	<b>100.0%</b>	<b>99.5%</b>	<b>46.6%</b>	<b>7,777</b>
<b>Domestic Baby and Mother Care Business</b>	14,216	30.6%	44.5%	2,296	<b>16,365</b>	<b>35.3%</b>	<b>115.1%</b>	<b>46.3%</b>	<b>3,212</b>
<b>Child-rearing Support Services</b>	3,374	7.3%	11.0%	70	<b>3,652</b>	<b>7.9%</b>	<b>108.2%</b>	<b>10.4%</b>	<b>80</b>
<b>Health Care and Nursing Care Business</b>	3,466	7.5%	28.4%	127	<b>3,537</b>	<b>7.6%</b>	<b>102.1%</b>	<b>31.7%</b>	<b>298</b>
<b>Overseas Business</b>	11,980	25.8%	55.2%	2,625	<b>11,079</b>	<b>23.9%</b>	<b>92.5%</b>	<b>56.3%</b>	<b>2,584</b>
<b>China Business</b>	16,600	35.7%	44.5%	4,798	<b>13,741</b>	<b>29.7%</b>	<b>82.8%</b>	<b>43.7%</b>	<b>3,779</b>
<b>Elimination of internal trading between segments</b>	(3,749)	(8.1%)	—	—	<b>(2,722)</b>	<b>(5.9%)</b>	—	—	—
<b>Other</b>	633	1.4%	15.2%	73	<b>647</b>	<b>1.4%</b>	<b>102.3%</b>	<b>15.7%</b>	<b>84</b>

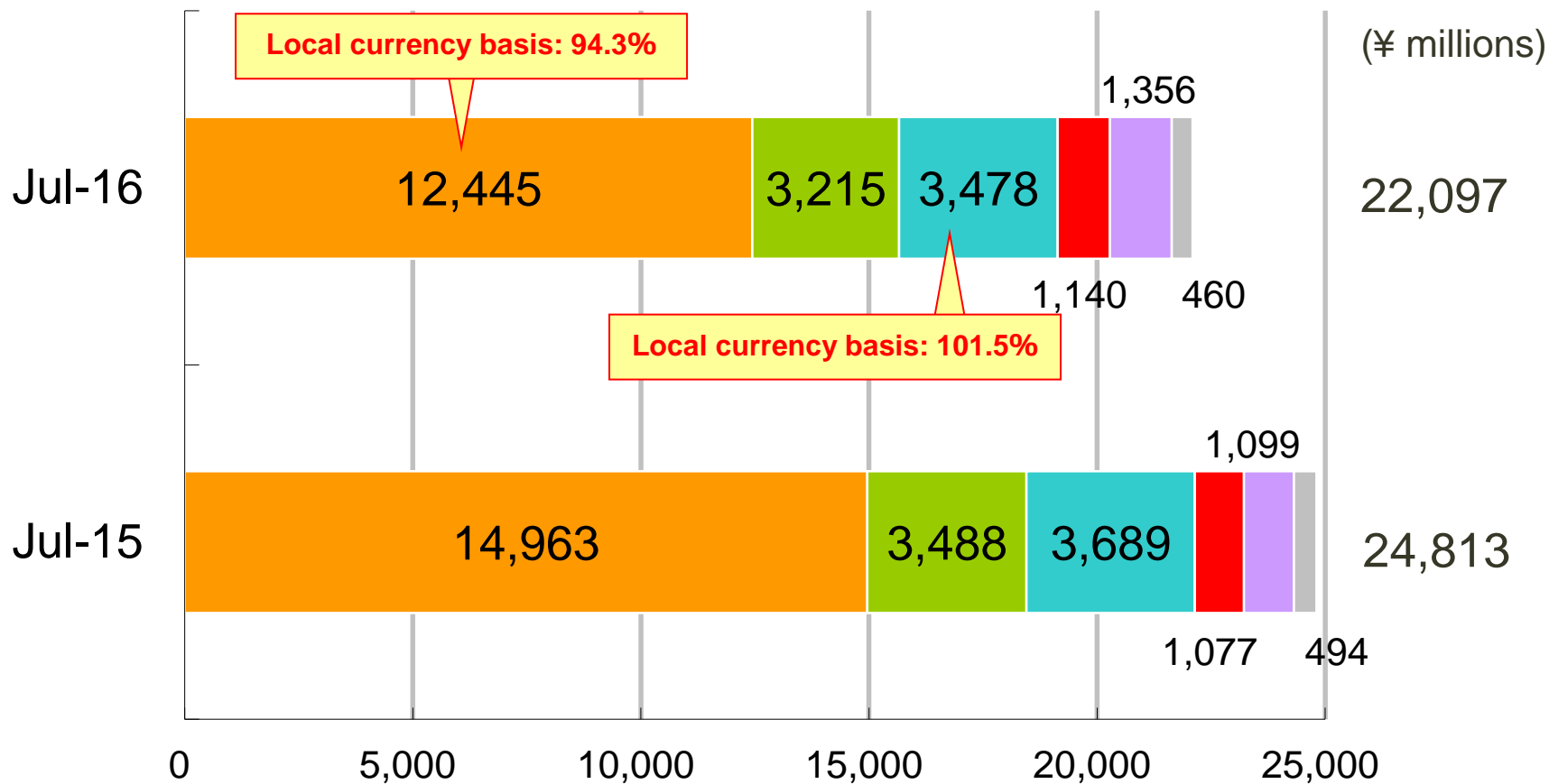
※ Segment profit in the consolidated amount has been adjusted (all non-allocable operating expenses) and posted as operating income in the consolidated statements of income.

※ The consolidated amount recorded has been posted as the sum resulted from eliminating intersegment transactions in the overseas and China businesses.

# Overseas Business Sales by Region



- China(incl.Hong Kong)
- Other Asian Countries
- North America
- Europe
- Near and Middle East
- Other Regions



※ [Currency rates] Jan. 2017: US\$1 = ¥111.69 1 yuan = ¥17.05; Jan 2016:US\$1 = ¥120.30, 1 yuan = ¥19.33

- **Domestic Baby and Mother Care Business**

- Expanding business and enhancing market share (with a value share target of 20%) through aggressive sales and marketing activities for large merchandise, such as baby strollers
- Further enhancing profitability by expanding sales through renewal of nursing bottles, nipples and other high value-added products

- **Child-rearing Support Services**

- Reviewing growth strategies and business system to raise profitability
- Further strengthening crisis management measures as well as maintaining and improving business quality through fostering and education of human resources engaged in child-rearing

- **Health Care and Nursing Care Business**

- Achieving sales expansion and business growth by strengthening joint efforts with our sales agents
- Improving profitability by increasing the efficiency of our business operation system



## ● Overseas Business (except China)

- Achieving sales expansion centered on five key categories (i.e., nursing bottles and nipples, breast pumps, skin care products, breast pads, and pacifiers)
- Improving profitability by promoting in-house production and making the relevant investment in facilities

### Lansinoh

- Expanding sales of the Group's core products—nursing bottles and nipples
- Establishing local subsidiaries and full-scale entry into the Chinese market
- Maintaining and reinforcing the production system by opening a new factory in Turkey
- Expanding business, and putting in place and reinforcing operating structure in Europe

### Asia

- Continuing and reinforcing branding activities and business expansion of operations in India (turning into profitability on a single fiscal-year basis)
- Strengthening profitability through increased utilization of our new factory in India by starting production for export
- Reinforcing marketing activities in Asia with a focus on Pigeon Singapore

## ● China Business

- Sustaining the growth trend (with a target of an 11% year-on-year increase on a local currency basis) and further increasing profitability
- Reinforcing strategies and (sales promotion) measures to meet the boom in electronic commerce sales (by starting EC sales of made-in-Japan products)
- Increasing sales of disposable diapers by maintaining and further expanding the store-to-store promotional campaign across the country

# Domestic Baby and Mother Care Business Status



- Large merchandise

- Two new colors of the “Runfee ef” baby stroller added to the lineup

- New products

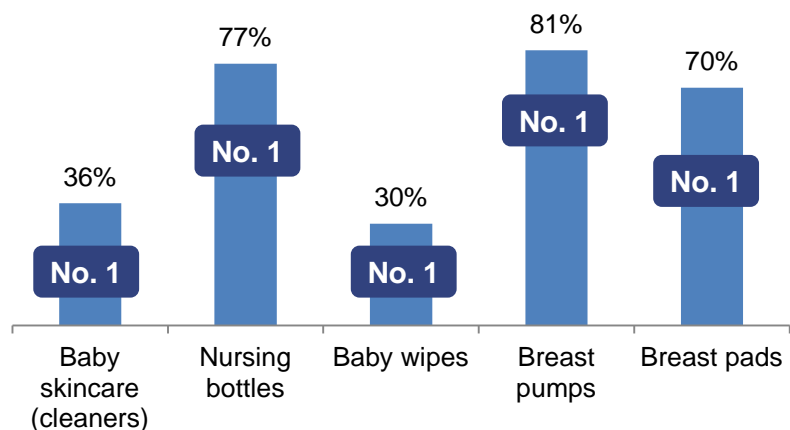
- “Hajimete no Kantan Ohashi” (meaning “My First and Easy-to-use Chop Sticks”), “Pure” laundry detergent series, “Bonyu Jikkan” nursing bottles with renewed design, etc.



- Direct communications

- Pregnancy information events: 12 events/700 participants
- Seminars for health care professionals: 7 events/820 participants

## Market share (1st Half of Jan. 2017)



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

\* Value share for nursing bottles, breast pumps and breast pads. Quantity share for the other products.

## Major new products to be released in fall 2016 (2nd half of Jan. 2017)



“Saratto Abura ga Ochiru Hajimete Apron”  
(Baby apron that can easily remove oil stain)



“Mini-Chibion”  
(Ear thermometer)

## Child-rearing Support Services

- **Pigeon Hearts**
  - [New additions of facilities under management]  
Two in-company child-care facilities  
→ Total 188 facilities (including those of the National Hospital Organization)

## Health Care and Nursing Care Business



- **Pigeon Tahira**
  - Reported strong sales of “bottom wipes” and “skincare” for nursing care – the main product categories.
  - Reported strong sales through retail channels.
- **Pigeon Manaka**
  - Started home delivery service of disposable diaper commissioned by the city of Tochigi in June 2016



“Bottom wipes” for nursing care



Opening ceremony of child-care facilities  
(at two corporate client sites)

# Overseas Business Status

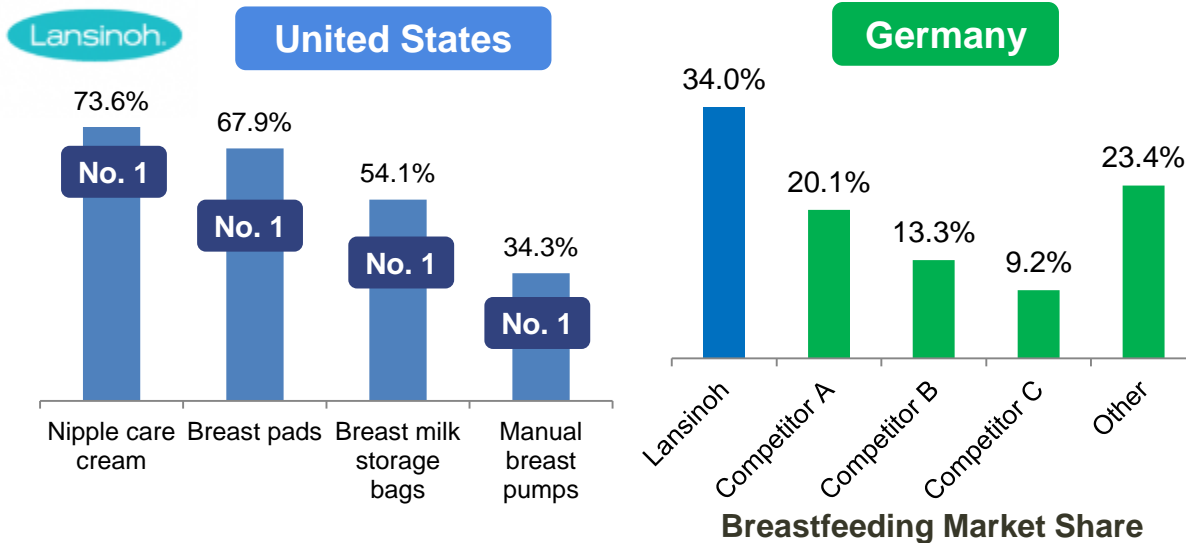
## ● Europe and America

- North America: Continued to command the top market share in nipple care cream, breast pads, breast milk storage bags and manual breast pumps.
- Europe: Also maintained the top share in Germany. Construction of a new factory in Turkey is progressing on schedule (to be operational in January 2017).

## ● Asia:

- India: Will start exporting the products made by the India factory in September 2016.
- Singapore: Implemented measures to strengthen the brand power in its territory.
- Lansinoh China: Marked a strong start (with 54% more than the plan)

### Market share (1st Half of Jan. 2017)



### Lansinoh China

Started a trial use at 133 hospitals



\* Lasinoh search : value share

# China Business Status

## ● Product Sales

- Recorded strong sales of nursing bottles and nipples.
- Significantly increased sales of disposable diapers thanks to the store-to-store promotional campaign across the country (with an 80% year-on-year increase)
- Strengthened efforts to promote sales through electronic commerce (scheduled to start on a full scale in the 2nd half)

## ● Branding and Breastfeeding Awareness Programs

- Strengthened deployment of the newly designed Pigeon Corners to further strengthen the branding activities.
- Continued to implement the awareness program related to caring for breastfed infants jointly conducted with the Ministry of Health of China.
  - ⇒ Established breastfeeding consultation offices, presented at academic conferences, and organized child-rearing seminars



Stores involved in the store-to-store promotional campaign



Presentation at academic conferences



Child-rearing seminars at maternity homes and general hospitals

# <Ref.>Consolidated Balance Sheet (Highlights)

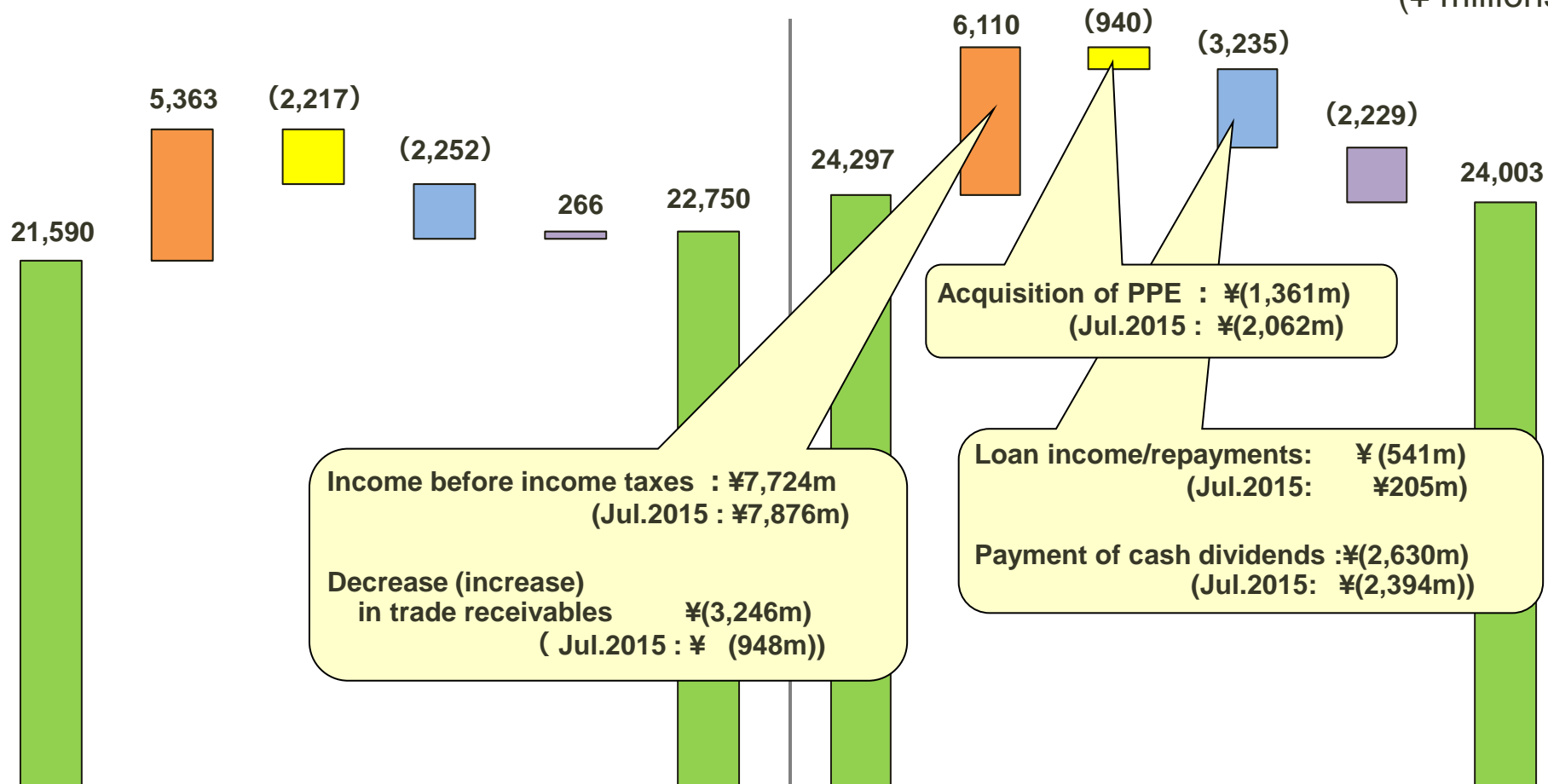


(¥ millions)	Jan. 2016	Jul. 2016		
	Amount	Amount	YoY Change (Amount)	YoY Change (%)
<b>Cash and deposits</b>	24,297	<b>24,003</b>	<b>(294)</b>	<b>98.8%</b>
<b>Notes and accounts receivable</b>	13,870	<b>15,242</b>	<b>1,371</b>	<b>109.9%</b>
<b>Inventories</b>	8,859	<b>7,660</b>	<b>(1,198)</b>	<b>86.5%</b>
<b>Notes and accounts payable</b>	3,743	<b>4,462</b>	<b>718</b>	<b>119.2%</b>
<b>Electronically recorded obligations – operating</b>	1,623	<b>2,194</b>	<b>571</b>	<b>135.2%</b>
<b>Borrowings</b>	6,308	<b>5,617</b>	<b>(691)</b>	<b>89.0%</b>
<b>Net assets</b>	50,792	<b>48,870</b>	<b>(1,922)</b>	<b>96.2%</b>
<b>Total assets</b>	73,943	<b>71,494</b>	<b>(2,449)</b>	<b>96.7%</b>
<b>Equity ratio</b>	67.0%	<b>66.8%</b>	-	<b>(0.2pt)</b>

# <Ref.>Cash Flow



(¥ millions)



Income before income taxes : ¥7,724m  
(Jul.2015 : ¥7,876m)

Decrease (increase)  
in trade receivables ¥(3,246m)  
( Jul.2015 : ¥ (948m))

Acquisition of PPE : ¥(1,361m)  
(Jul.2015 : ¥(2,062m))

Loan income/repayments: ¥(541m)  
(Jul.2015: ¥205m)

Payment of cash dividends :¥(2,630m)  
(Jul.2015: ¥(2,394m))

## Jul. 2015

Balance at Biginnig	Operating Activities	Investing Activities	Financing Activities	Translation Adjustment	Balance at End
21,590	5,363	(2,217)	(2,252)	266	22,750

## Jul. 2016

Balance at Biginnig	Operating Activities	Investing Activities	Financing Activities	Translation Adjustment	Balance at End
24,297	6,110	(940)	(3,235)	(2,229)	24,003

# <Ref.>Investment-Related Indicators (Consolidated)



(¥ millions)	Jan. 2016		Jan. 2017	
	Interim (Results)	Full Year (Results)	Interim (Results)	Full Year (Forecast)
<b>Capital investment ※1</b>	1,610	2,639	<b>1,164</b>	<b>3,165</b>
<b>Depreciation (tangible fixed assets)</b>	1,018	2,133	<b>1,014</b>	<b>2,115</b>
<b>Research and development ※2</b>	1,181	2,263	<b>1,085</b>	<b>2,200</b>

※1 Refers to purchase of tangible fixed assets.

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



# Jan. 2017 Full-Year Performance Forecasts

# Jan. 2016 Results and Jan. 2017 Forecast (Consolidated)



(¥ millions)	Jan. 2016			Jan. 2017 (Change of Forecast)		
	Amount	% of Total	YoY Change	Forecast	% of Total	YoY Change
<b>Net sales</b>	92,209	100.0%	109.6%	<b>93,500</b>	<b>100.0%</b>	<b>101.4%</b>
<b>Operating income</b>	14,521	15.7%	113.6%	<b>15,000</b>	<b>16.0%</b>	<b>103.3%</b>
<b>Ordinary income</b>	15,080	16.4%	113.4%	<b>14,900</b>	<b>15.9%</b>	<b>98.8%</b>
<b>Net Income Attributable to Owners of Parent</b>	10,197	11.1%	120.7%	<b>10,400</b>	<b>11.1%</b>	<b>102.0%</b>
<b>Net assets</b>	50,792	—	107.4%	<b>51,668</b>	—	<b>101.7%</b>
<b>Total assets</b>	73,943	—	102.2%	<b>79,300</b>	—	<b>107.2%</b>
<b>EPS (¥)</b>	85.15	—	120.7%	<b>86.84</b>	—	<b>102.0%</b>
<b>BPS (¥)</b>	413.88	—	107.4%	<b>419.86</b>	—	<b>101.4%</b>
<b>ROA</b>	20.6%	—	—	<b>19.5%</b>	—	—
<b>ROE</b>	21.3%	—	—	<b>21.0%</b>	—	—

※ [Assumed rates] Jan. 2017: US\$1 = ¥106.18; 1 yuan = ¥16.11

[Actual rates] Jan. 2016: US\$1 = ¥121.10; 1 yuan = ¥19.22

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

# Results and Forecast by Segment (Consolidated)



(¥ millions)	Jan. 2016 (Results)				Jan. 2017 (Change of Forecast)				
	Amount	% of Total	Gross Margin	Segment Profit	Amount	% of Total	YoY Change	Gross Margin	Segment Profit
<b>Consolidated net sales</b>	92,209	100.0%	47.0%	14,521	<b>93,500</b>	<b>100.0%</b>	<b>101.4%</b>	<b>46.7%</b>	<b>15,000</b>
<b>Domestic Baby and Mother Care Business</b>	28,053	30.4%	44.4%	4,383	<b>31,600</b>	<b>33.8%</b>	<b>112.6%</b>	<b>45.3%</b>	<b>5,522</b>
<b>Child-rearing Support Services</b>	6,757	7.3%	10.7%	148	<b>7,330</b>	<b>7.8%</b>	<b>108.5%</b>	<b>10.7%</b>	<b>211</b>
<b>Health Care and Nursing Care Business</b>	6,499	7.0%	28.3%	140	<b>7,020</b>	<b>7.5%</b>	<b>108.0%</b>	<b>30.6%</b>	<b>407</b>
<b>Overseas Business</b>	25,234	27.4%	55.4%	5,579	<b>22,280</b>	<b>23.8%</b>	<b>88.3%</b>	<b>56.2%</b>	<b>5,064</b>
<b>China Business</b>	31,688	34.4%	44.6%	8,586	<b>29,980</b>	<b>32.1%</b>	<b>94.6%</b>	<b>46.0%</b>	<b>8,669</b>
<b>Elimination of internal trading between segments</b>	(7,306)	(7.9%)	—	—	<b>(5,910)</b>	<b>(6.3%)</b>	—	—	—
<b>Other</b>	1,283	1.4%	15.4%	152	<b>1,200</b>	<b>1.3%</b>	<b>93.5%</b>	<b>12.4%</b>	<b>114</b>

※ Segment profit in the consolidated amount has been adjusted (all non-allocable operating expenses) and posted as operating income in the consolidated statements of income.

※ The consolidated amount recorded has been posted as the sum resulted from eliminating intersegment transactions in the overseas and China businesses.

# Shareholder Return and Investment-Related Indicators



[Shareholder return indicator under our 5th Medium-Term Business Plan]

Adopt flexible approach to upgrading shareholder return (incl. through share buybacks), aiming at a goal of increasing dividends compared with the previous term and of the total shareholder return ratio by approximately 45 to 50% in each business term.

Cash Dividends	Jan. 2014		Jan. 2015		Jan. 2016		Jan. 2017	
	Interim (Results)	Year-End (Results)	Interim (Results)	Year-End (Results)	Interim (Results)	Year-End (Results)	Interim (Plan)	Year-End (Forecast)
Dividend per share (¥)	<b>66</b> (11)	<b>55</b> (18.3)	<b>45</b> (15)	<b>60</b> (20)	<b>20</b>	<b>22</b>	<b>25</b> (Including Commemorative dividend: 3)	<b>25</b> (Including Commemorative dividend: 3)
Payout ratio	<b>50.4%</b>		<b>49.6%</b>		<b>49.3%</b>		<b>57.6%</b>	

\* 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

(¥ millions)	Jan. 2015		Jan. 2016		Jan. 2017	
	Interim (Results)	Year-End (Results)	Interim (Results)	Year-End (Results)	Interim (Results)	Year-End (Forecast)
Capital expenditures ※	<b>1,672</b>	<b>3,204</b>	<b>1,610</b>	<b>2,639</b>	<b>1,164</b>	<b>3,165</b>
Depreciation (tangible fixed assets)	<b>780</b>	<b>1,705</b>	<b>1,018</b>	<b>2,133</b>	<b>1,014</b>	<b>2,115</b>

※ Refers to the amount accounted for purchasing of tangible fixed assets.

# Approach to Enhance Corporate Value

# 12 Tasks to Achieve “World-Class Business Excellence”



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



Corporate Philosophy: “Love”    Credo: “Only love can beget love”

# Sharing corporate philosophy & values globally



We hold the Pigeon Way meetings all over the world.



India



Thailand



Singapore



China





# Sharing corporate philosophy & values globally



We post on our website the actual stories on how the Pigeon Way is embodied.



## My Pigeon Way Story

当社の社員全員が「Pigeon Way」を常に意識し日々活動しております。  
その活動の成果は、社内で共有する取組みも実施しておりますが、ここでは、当社社員の  
想いが込められた「My Pigeon Way Story」をいくつかご紹介いたします。

| ストーリーを見る



(Translation)

Every single employee of the Pigeon Group is engaged in their job bearing the Pigeon Way in mind all the time. While we are making an effort to share their achievements within the Group, let us introduce to you some of the stories about their passion for the job, or “My Pigeon Way Story.”

[Definition of brand]

Brand is a tool for consumer communication; in a sense, it signifies the **heart-to-heart connection between the company and consumers.**

For consumers, brand means a **“promise”** made by the manufacturer.

For Pigeon, a provider of products/services, brand is **evidence of the trust that consumers feel towards the company**, which is gained through a constant and clear presentation of the company’s philosophy, not betraying consumers.

## Seminars on Breastfeeding



Singapore



Indonesia



Malaysia



Russia

## Pigeon Corner



Middle East



Indonesia



India

## Breastfeeding room



Vietnam

## Seminars at maternity homes & general hospitals



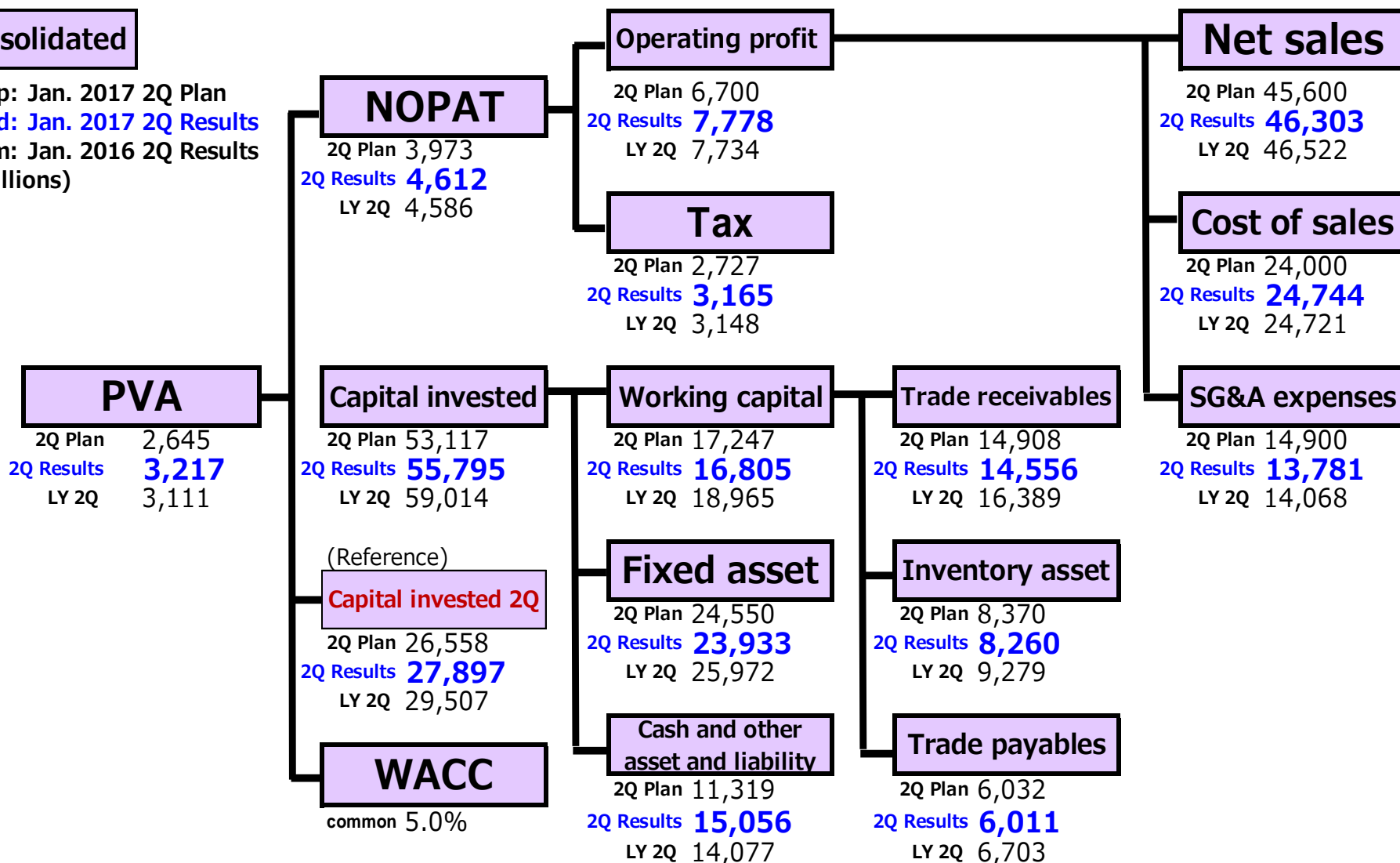
Middle East

# PVA Tree: Consolidated Results in Jul. 2016



## Consolidated

Top: Jan. 2017 2Q Plan  
 Mid: Jan. 2017 2Q Results  
 Bottom: Jan. 2016 2Q Results  
 (¥millions)



※For PVA calculation, B/S Factors are averaged between beginning and year-end figures, and adjusted into 1/2.

# PVA (Ratio): Consolidated Results in Jul. 2016

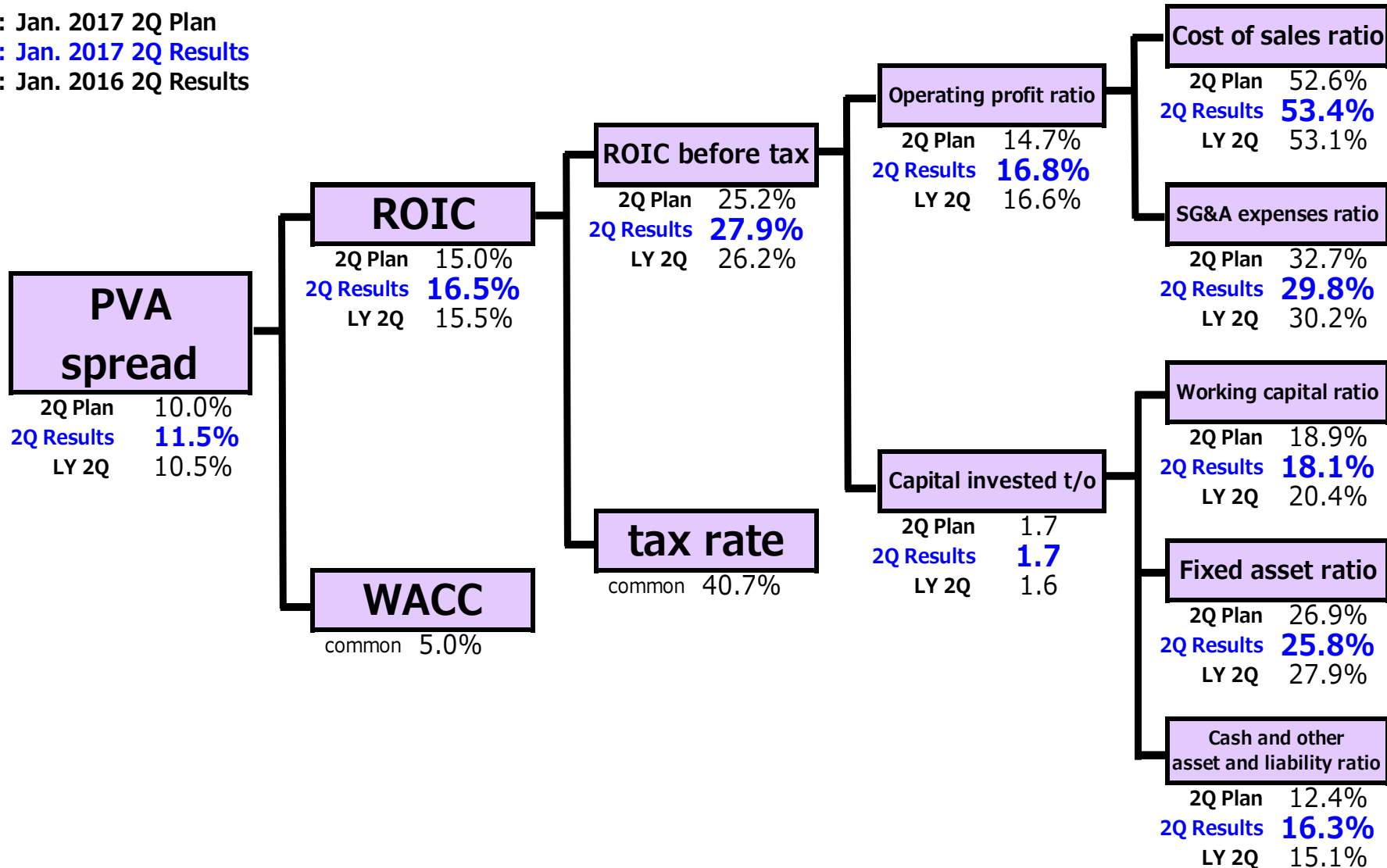


## Consolidated

Top: Jan. 2017 2Q Plan

Mid: Jan. 2017 2Q Results

Bottom: Jan. 2016 2Q Results



# CCC Tree: Consolidated Results in Jul. 2016



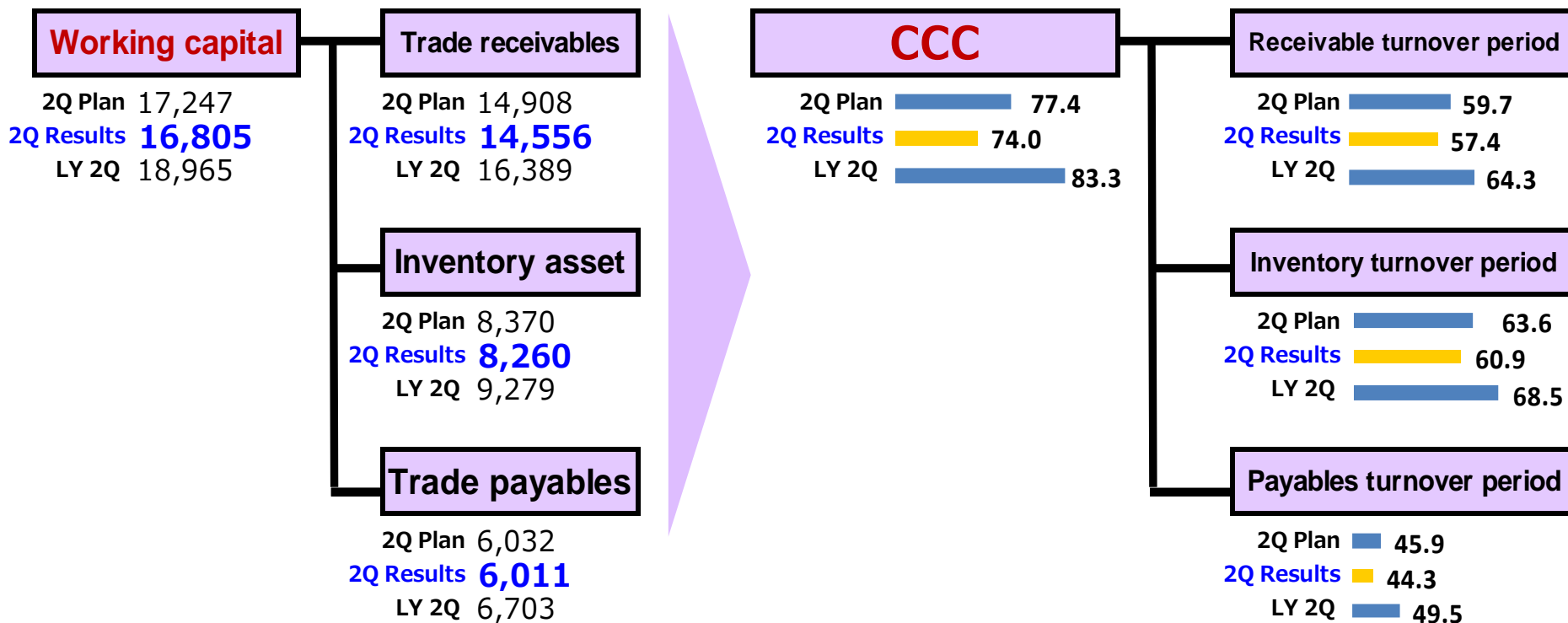
## Consolidated

Top: Jan. 2017 2Q Plan

Mid: Jan. 2017 2Q Results

Bottom: Jan. 2016 2Q Results

(¥millions)



※For CCC calculation, B/S Factors are averaged between beginning and year-end figures, and adjusted into 1/2.

Because we are Pigeon, a company that should take this issue earnestly, we are implementing the following three initiatives for advancement of women.

Utilization rate of one-month paternity leave for the previous year: **100%**

## Support System

- Work-at-home program
- Flexible time system to facilitate childcare
- Nursing care leaves
- Financial supports
- Support to facilitate married women to get pregnant (by offering “lifestyle” leave)
- Measures against children waiting for places in day care centers

## Mindset of Superiors & Peers

## Women's Feeling

## Spouse's Cooperation

- Succession plan (Plan to develop a successor to each manager)
- Training to know how to manage diversity
- Counselling for childcare with attendance of his/her superior
- Encouraging men to participate in childcare

- Career training for female employees who will have a life event
- Career training for female employees with children
- Lectures on diversity
- Operation of Okoshi School for developing female managers
- Attending manager development programs provided by external organizations
- Mentor-mentee system

**Females**  
hired as new employees

**42.6%**

Ratio of females hired as new employees to total new employees hired for the last ten years

**Females**  
in a managerial position

**20.0%**

Females in a managerial position include managers up to managing officers.



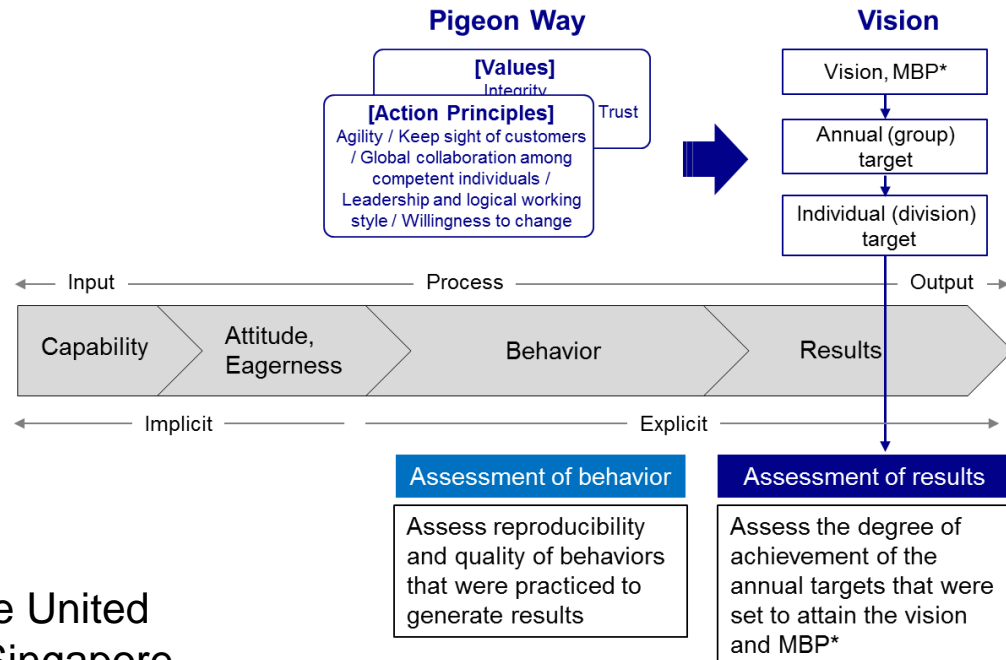
## [Introduction of the target management system on a global basis]

We have newly introduced a behavioral aspect as an assessment platform based on an (individual) performance target and the action principles of the Pigeon Way.

## [Global Leadership Program]

We had participation from employees in the United States, the United Kingdom, Turkey, India, Singapore, Thailand, China, South Korea and Japan.

### Overview of Assessment System



\*MBP: Medium-term Business Plan



## 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.