



Summary of Results of Fiscal Year ended January 2016

March 7, 2016

PIGEON CORPORATION

(Securities code: 7956)

President & COO

Shigeru Yamashita

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Results of Term Ended Jan. 2016

Financial Highlights (Consolidated)



(¥ millions)	Jan. 2015		Jan. 2016					
	Amount	YoY Change	Forecast	Revised Forecast	Amount	% of Forecast	% of Revised Forecast	YoY Change
Net sales	84,113	108.6%	92,000	95,500	92,209	100.2%	96.6%	109.6%
Operating income	12,780	123.3%	13,900	15,000	14,521	104.5%	96.8%	113.6%
Ordinary income	13,299	120.9%	14,000	15,100	15,080	107.7%	99.9%	113.4%
Net income	8,451	121.0%	8,900	9,600	10,197	114.6%	106.2%	120.7%
Net assets	47,297	118.3%	48,900	49,653	50,792	103.9%	102.3%	107.4%
Total assets	72,367	124.9%	72,000	75,795	73,943	102.7%	97.6%	102.2%
EPS (¥)	70.55	121.3%	74.31	80.16	85.15	114.6%	106.2%	120.7%
BPS (¥)	385.46	118.3%	408.75	404.65	413.88	101.3%	102.3%	107.4%
ROA*	20.4%	—	19.4%	20.4%	20.6%	—	—	—
ROE*	19.8%	—	19.0%	20.3%	21.3%	—	—	—

※ 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. 15		Jan. 16			
	Amount	% of Total	Amount	% of Total	YoY Change	Remarks
Net sales	84,113	100.0%	92,209	100.0%	109.6%	
Cost of sales	45,817	54.5%	48,864	53.0%	106.7%	
Gross profit	38,296	45.5%	43,345	47.0%	113.2%	■ Main changes in SG&A expenses
SG&A expenses	25,515	30.3%	28,823	31.3%	113.0%	Personal expenses: + ¥896m
Operating income	12,780	15.2%	14,521	15.7%	113.6%	Sales Promotion expenses: + ¥396m
Non-operating income (expenses)	518	0.6%	559	0.7%	107.9%	Advertising expenses: + ¥266m
Ordinary income	13,299	15.8%	15,080	16.4%	113.4%	■ Main changes in non-operating income (expenses)
Extraordinary income (loss)	▲ 159	▲ 0.2%	▲ 193	▲ 0.2%	—	Balance of financial expenses: +¥56m
Less: Minority Interest in Net Income of Consolidated Subsidiaries	185	0.2%	265	0.3%	143.5%	
Net income	8,451	10.1%	10,197	11.1%	120.7%	

Net Sales by Business Segment (Consolidated)



(¥ millions)	Jan. 15				Jan. 16				
	Amount	% of Total	Gross Margin	Segment Profit	Amount	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated net sales	84,113	100.0%	45.5%	12,780	92,209	100.0%	109.6%	47.0%	14,521
Domestic Baby and Mother Care Business	24,432	29.0%	46.0%	3,752	28,053	30.4%	114.8%	44.4%	4,383
Child-rearing Support Services	6,722	8.0%	11.2%	189	6,757	7.3%	100.5%	10.7%	148
Health Care and Nursing Care Business	6,761	8.0%	28.7%	260	6,499	7.0%	96.1%	28.3%	140
Overseas Business	23,373	27.8%	53.7%	4,969	25,234	27.4%	108.0%	55.4%	5,579
China Business	26,301	31.3%	43.7%	7,525	31,688	34.4%	120.5%	44.6%	8,586
Elimination of internal trading between segments	▲4,754	▲5.6%	—	—	▲7,306	▲7.9%	—	—	—
Other	1,276	1.5%	16.6%	173	1,283	1.4%	100.6%	15.4%	152

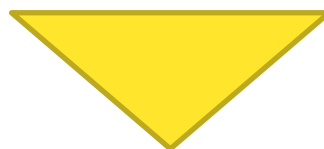
※ Segment profit in the consolidated amount has been adjusted (all non-allocable operating expenses) and posted as operating income in the consolidated statements of income.

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

<Ref.> Results by Business Segment (Consolidated: prior to sales channels transfer)



(¥ millions)	Jan. 15				Jan. 16				
	Amount	% of Total	Gross Margin	Segment Profit	Amount	% of Total	YoY Change	Gross Margin	Segment Profit
Overseas Business	23,373	27.8%	53.7%	4,969	25,234	27.4%	108.0%	55.4%	5,579
China Business	26,301	31.3%	43.7%	7,525	31,688	34.4%	120.5%	44.6%	8,586
Elimination of internal trading between segments	▲4,754	▲5.6%	—	—	▲7,306	▲7.9%	—	—	—



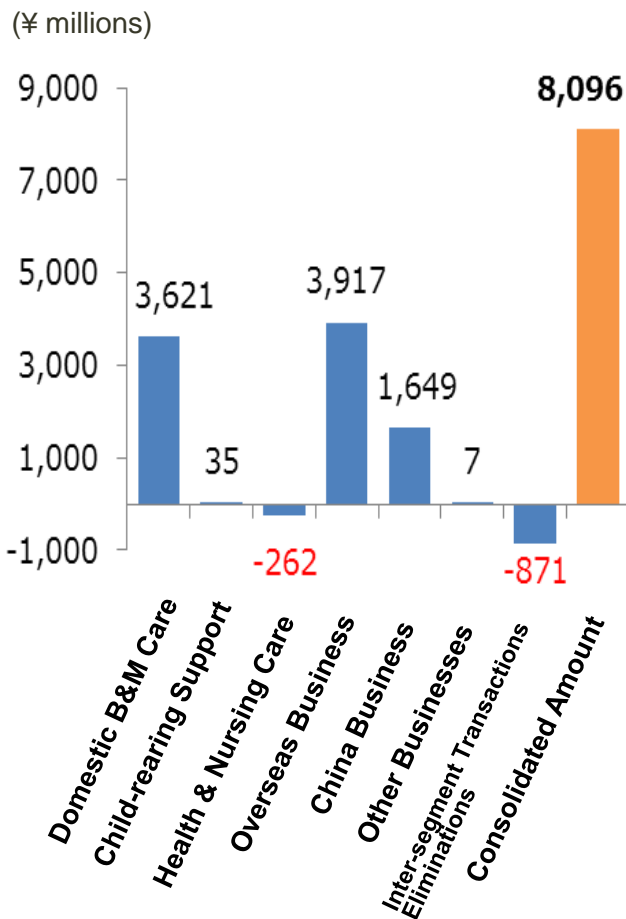
Prior to sales channels transfer
(Overseas Business includes Korea, Hong Kong, Taiwan etc)

(¥ millions)	Jan. 15				Jan. 16				
	Amount	% of Total	Gross Margin	Segment Profit	Amount	% of Total	YoY Change	Gross Margin	Segment Profit
Overseas Business	23,373	27.8%	53.7%	4,969	27,291	29.6%	116.8%	54.2%	5,939
China Business	26,301	31.3%	43.7%	7,525	27,951	30.3%	106.3%	48.0%	8,308
Elimination of internal trading between segments	▲4,754	▲5.6%	—	—	▲5,627	▲6.1%	—	—	—

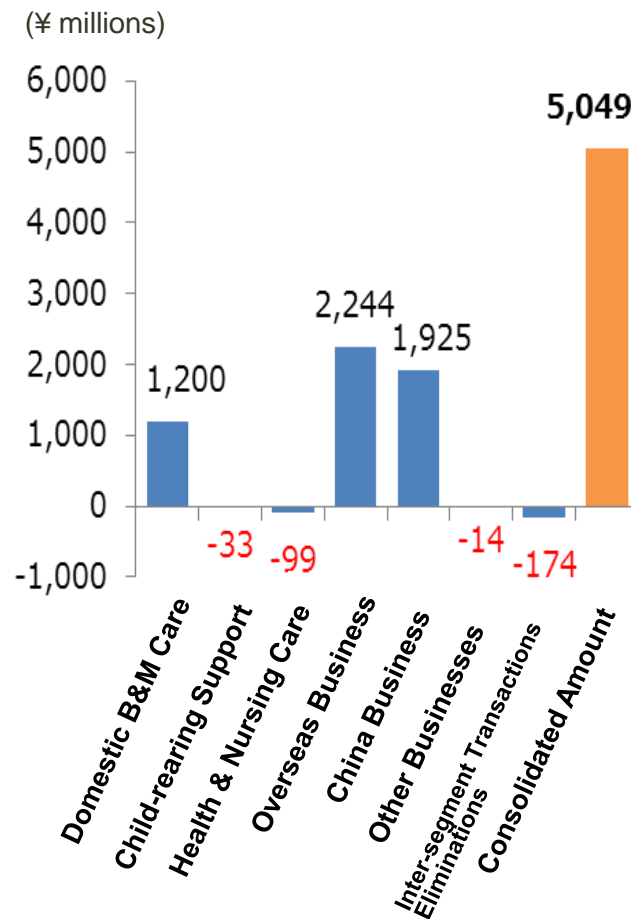
<Ref.> Results by Business Segment (Consolidated: prior to sales channels transfer)



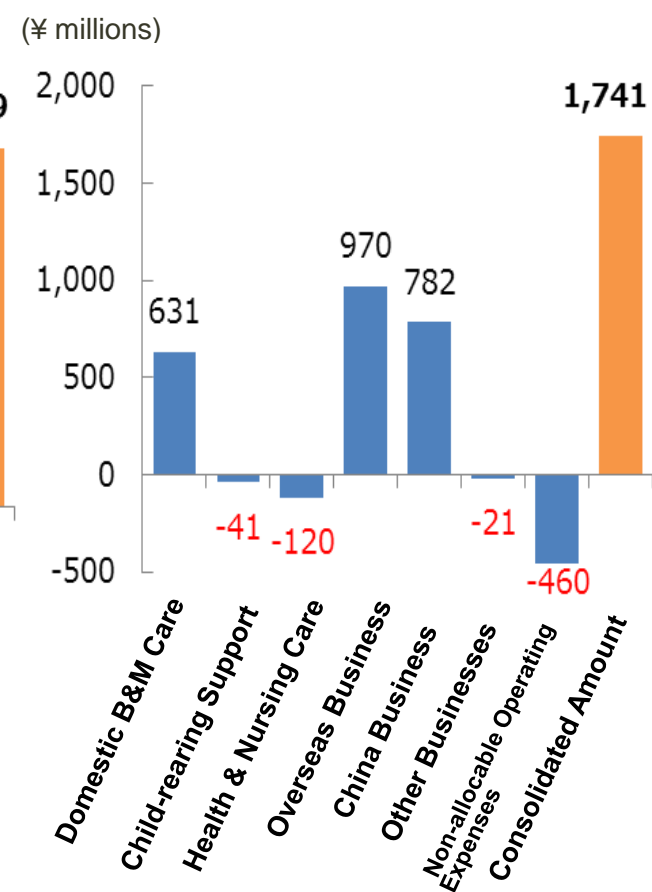
Difference in Sales from Jan. 2014



Difference in Gross Profit from Jan. 2014



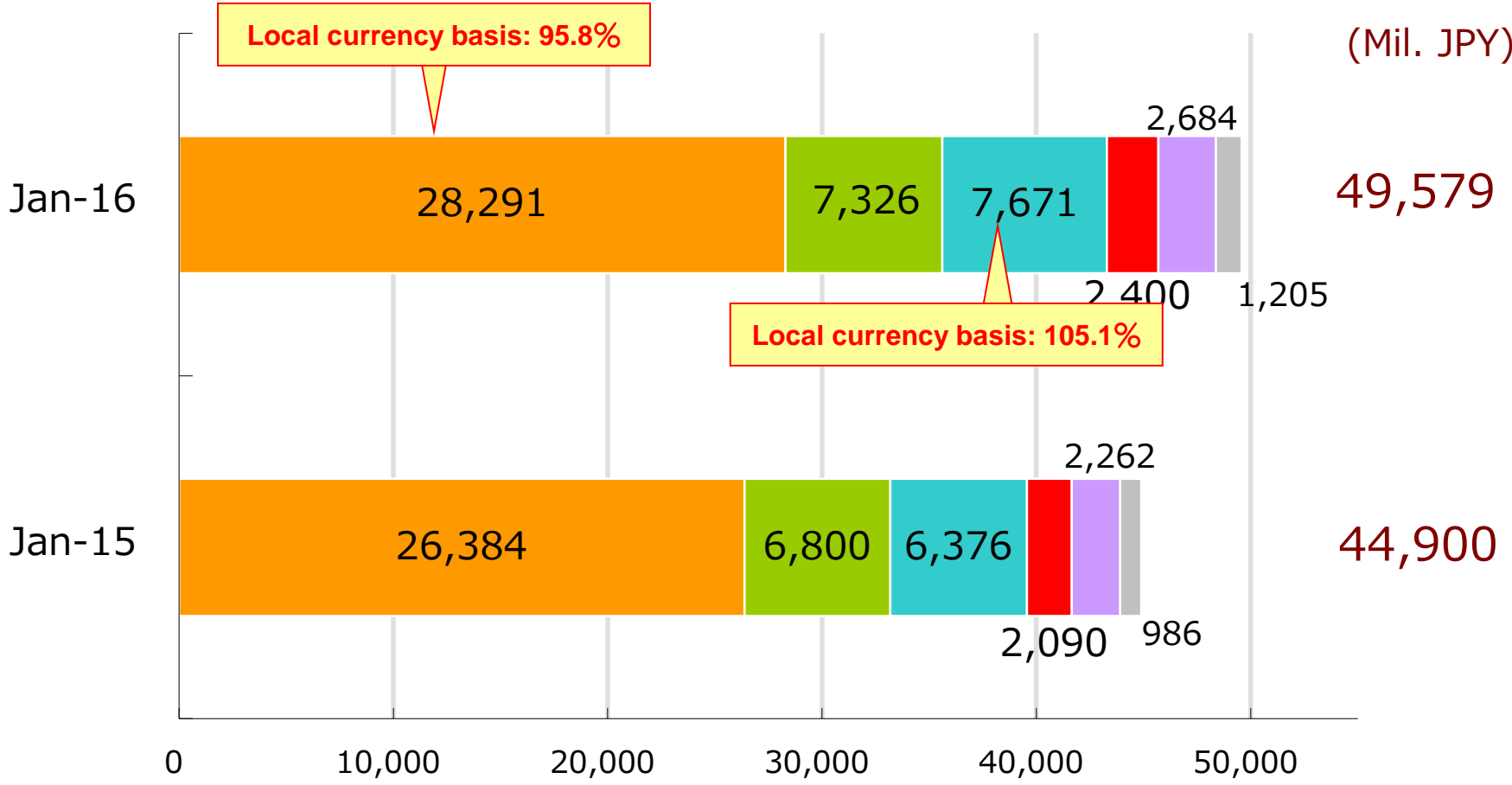
Difference in Segment Profit from Jan. 2014



Overseas Business Sales by Region



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



※ [Currency rates] Jan. 2016: US\$1 = ¥121.10, 1 yuan = ¥19.22; Jan 2015:US\$1 = ¥105.78, 1 yuan = ¥17.17

- **Domestic Baby and Mother Care Business**

- Reliable growth of large merchandise by launching new competitive products
- Enhancement of brand loyalty through strategic PR measures and others
- Strengthening of our approach to maternity care and sales expansion in women's care category

- **Child-rearing Support Services**

- Review of growth strategies and business system to raise profitability
- Maintenance and improvement of business quality through fostering and education of human resources engaged in child-rearing

- **Health Care and Nursing Care Business**

- Reinforcement of our sales capacities focused on facility routes and strengthening of joint efforts with our sales representatives
- Improvement in gross profit margin by launching new competitive products

● **China Business**

- Building of a business management system including our Korean subsidiary
- Sales policy review in line with business expansion
- Steady growth in the disposable diapers business based on our commitment to secure gains

● **Overseas Business (Other than China)**

- Growth centered on five key categories (nursing bottles and nipples, breast pumps, skin care products, breast pads, and pacifiers)
- Europe and America:
 - Sales expansion of our core products - nursing bottles and nipples
 - Expansion of selling functions in areas of Central and South America by changing the commercial distribution
 - Business expansion and system maintenance in Europe
- Asia: Review of business operation system (sales, marketing, SCM system rebuilding) and improvement of operating results in Singapore
 - Raise in earnings by starting operations at a new factory in India
- New markets:
 - Continuation of activities paving the way for advancement into the Brazilian market

Domestic Baby and Mother Care Business Status



● Large merchandise

- "Premige" premium baby stroller launched
- Press conference held in December at the Tokyo Station Hotel (48 media agencies, 73 participants)

● New products

- "HAJIMETE no Mask" 7 sanitary mask pack,
- "UV Baby Milk Waterproof Sunscreen SPF50+" renewed
- "Baby wipes with a soft thick texture," "Pigeon Vaseline," etc.

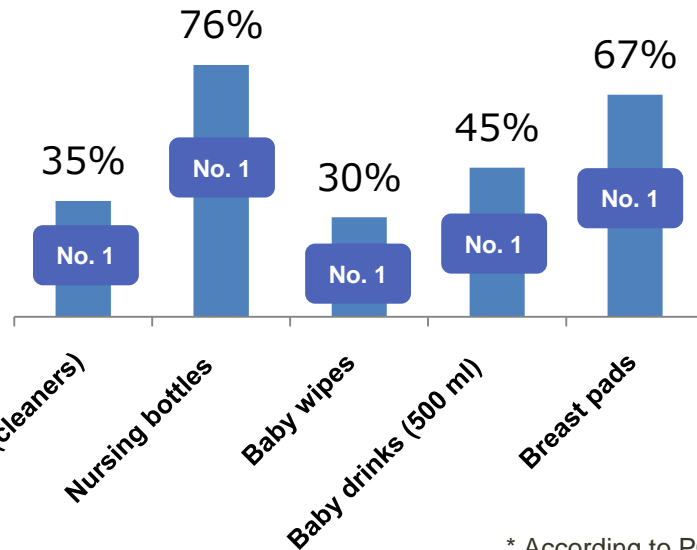


Premige

● Promotion activities

- Information meetings in maternity and general hospitals for health care professionals: 108 events/124 times/1,635 participants

Market Share (January 2016)



Press conference on December 2, 2015



Talk session with Yoshino Kimura



Touch & Try corner

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

* Value share for nursing bottles and breast pads. Quantity share of other products.

Child-rearing Support Services / Health Care and Nursing Care Business Status

Child-rearing Support Services

● Pigeon Hearts

- [New additions of facilities managed] Five child-care facilities in-company establishments
→ Total 189 facilities (including those of the National Hospital Organization)
- [Preschool educational facilities] Kids World yoga classes opened

Health Care and Nursing Care Business

● Pigeon Tahira

- Effects of the drop in consumer spending through facility routes due to the impact of reducing compensation for nursing insurance in April
- Sales of renewed products "Kaori Kakumei" pinpoint/indoor air fresheners performed strong (up 142% YoY)



● Pigeon Manaka

- Sano Day-Service Center was opened



Kids World yoga classes opened in June



"Kaori Kakumei" pinpoint/indoor air fresheners



Opening ceremony of Pigeon Manaka Sano Day-Service Center

Overseas Business Status

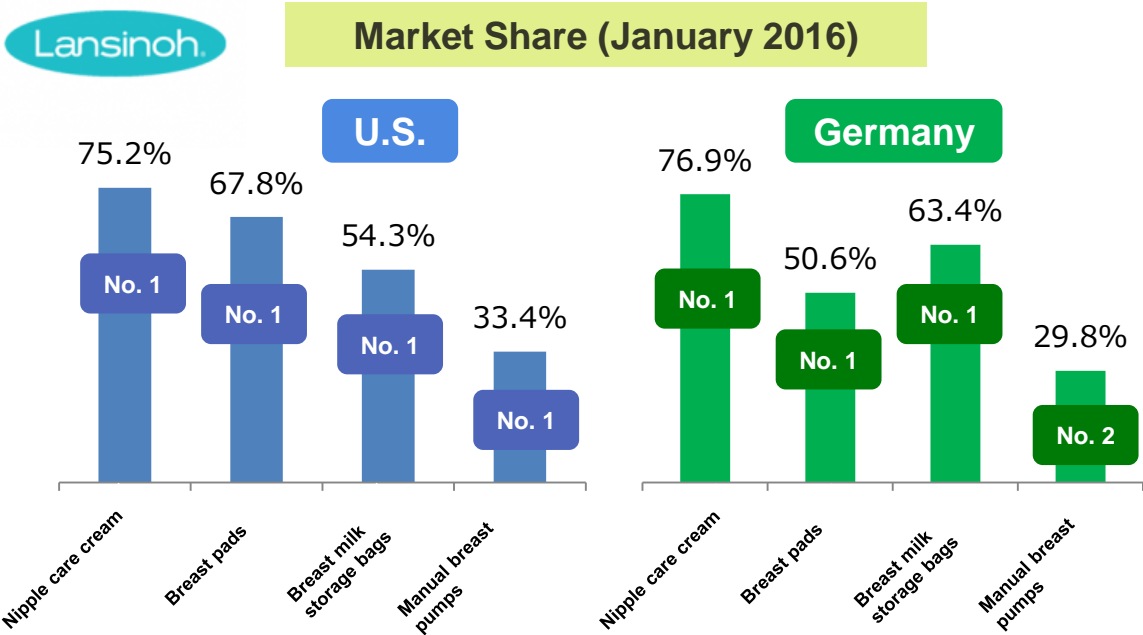


● Europe and America

- North America: The largest share was maintained in the market of nipple care cream, breast pads and breast milk storage bags.
Manual breast pumps ranked No. 1 in the market share.
- Europe: Sales increased in 3 main countries.
(Sales increase from Jan. 2014 (local currency): England 107%, Germany 124%, Turkey 140%)
Construction of a new factory in Turkey (to be completed in January 2017)

● Asia:

- India: Nursing bottle and nipple production and shipment started at the new factory from May.
Target stores for distribution: 7,401 (FY2014) → 10,194 (FY2015) (up 138% YoY)
- Singapore: High-class baby skincare product "Newborn Pure" launched.



Singapore new lineup over-the-counter trading status

● About Product Sales

- Strong consumer purchasing of our main products such as nursing bottles and nipples
Purchase location has changed significantly from OTC → EC (including inbound consumption in Japan).
- Skincare: Launch of new baby skincare series
- Disposable diapers: Enhanced sales results by conducting over-the-counter rounds
(door-to-door campaigns)

● Branding and Breastfeeding Awareness Programs

- Deployment of the newly designed Pigeon Corners to strengthen our brand activities further
- Our awareness program related to caring for breastfed infants conducted jointly with China's Ministry of Health is continually being implemented.
⇒ Establishment of breastfeeding consultation offices, seminars for health care professionals, etc.



Event to announce launch of the new baby skincare series



New Pigeon Corner



Workshop for health care professionals at maternity- and general-hospitals

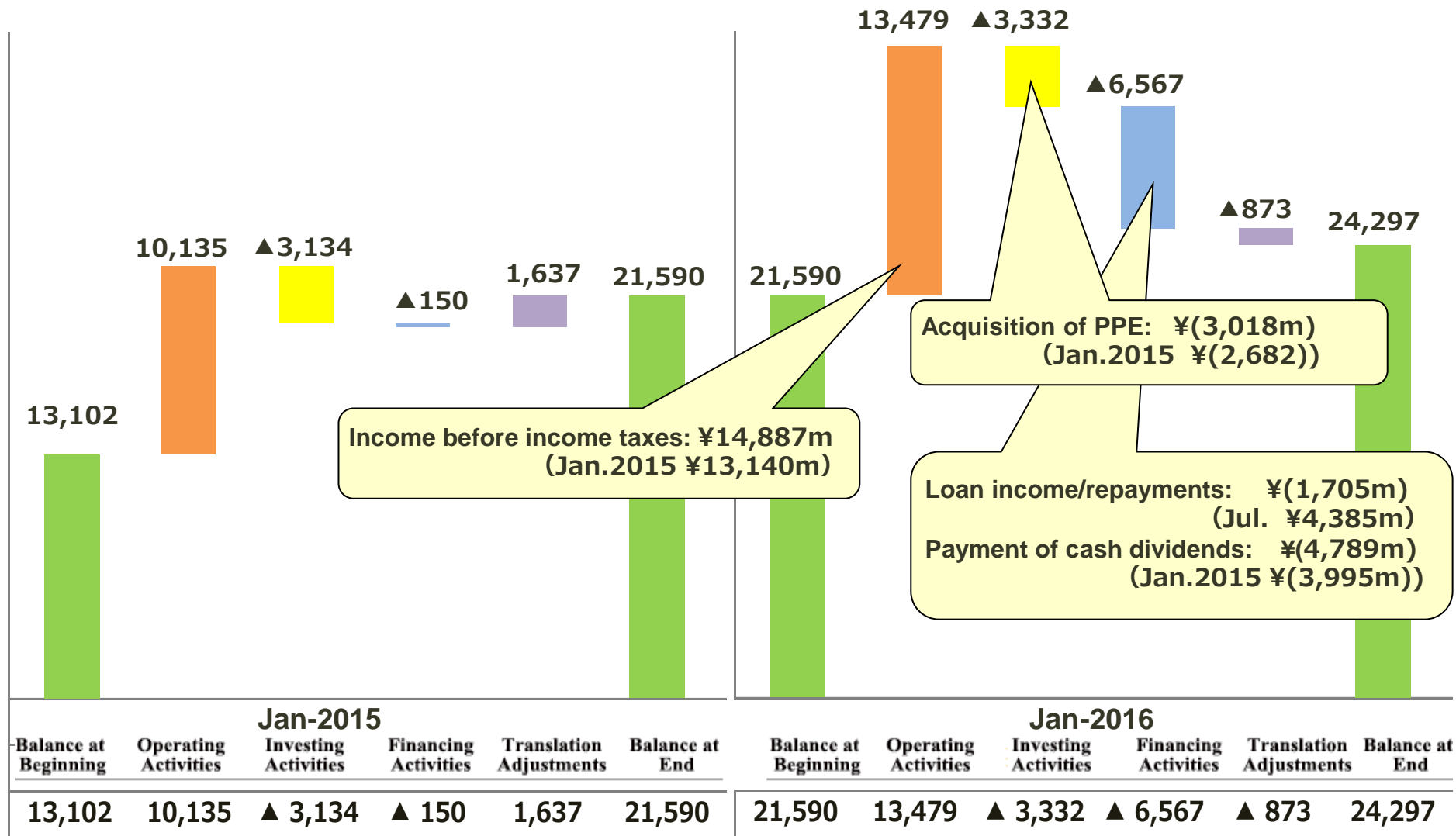
<Ref.> Consolidated Balance Sheet (Highlights)



(¥ millions)	Jan. 2015	Jul. 2016		
	Amount	Amount	YoY Change (Amount)	YoY Change (%)
Cash and deposits	21,590	24,297	+2,706	112.5%
Notes and accounts receivable	15,278	13,870	▲1,407	90.8%
Inventories	8,498	8,859	+360	104.2%
Notes and accounts payable	4,462	3,743	▲719	83.9%
Borrowings	8,018	6,308	▲1,709	78.7%
Net assets	47,297	50,792	+3,495	107.4%
Total assets	72,367	73,943	+1,576	102.2%
Equity ratio	63.8%	67.0%	–	+3.2 pt

<Ref.>Cash Flow

(¥ millions)



<Ref.>Investment-Related Indicators (Consolidated)



(¥ millions)	Jan. 2015		Jan. 2016	
	Interim (Results)	Full Year (Results)	Interim (Results)	Full Year (Result)
Capital investment ※1	1,672	3,204	1,610	2,639
Depreciation (tangible fixed assets)	780	1,705	1,018	2,133
Research and development ※2	938	1,932	1,181	2,263

※1 Refers to purchase of tangible fixed assets.

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

Forecasts for Term Ending Jan. 2017

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



(¥ millions)	Jan. 2016			Jan. 2017		
	Amount	% of Total	YoY Change	Forecast	% of Total	YoY Change
Net sales	92,209	100.0%	109.6%	95,000	100.0%	103.0%
Operating income	14,521	15.7%	113.6%	15,000	15.8%	103.3%
Ordinary income	15,080	16.4%	113.4%	15,300	16.1%	101.5%
Net income	10,197	11.1%	120.7%	10,400	10.9%	102.0%
Net assets	50,792	—	107.4%	51,668	—	101.7%
Total assets	73,943	—	102.2%	79,300	—	107.2%
EPS (¥)	85.15	—	120.7%	86.84	—	102.0%
BPS (¥)	413.88	—	107.4%	419.86	—	101.4%
ROA	20.6%	—	—	20.0%	—	—
ROE	21.3%	—	—	21.0%	—	—

※ 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)

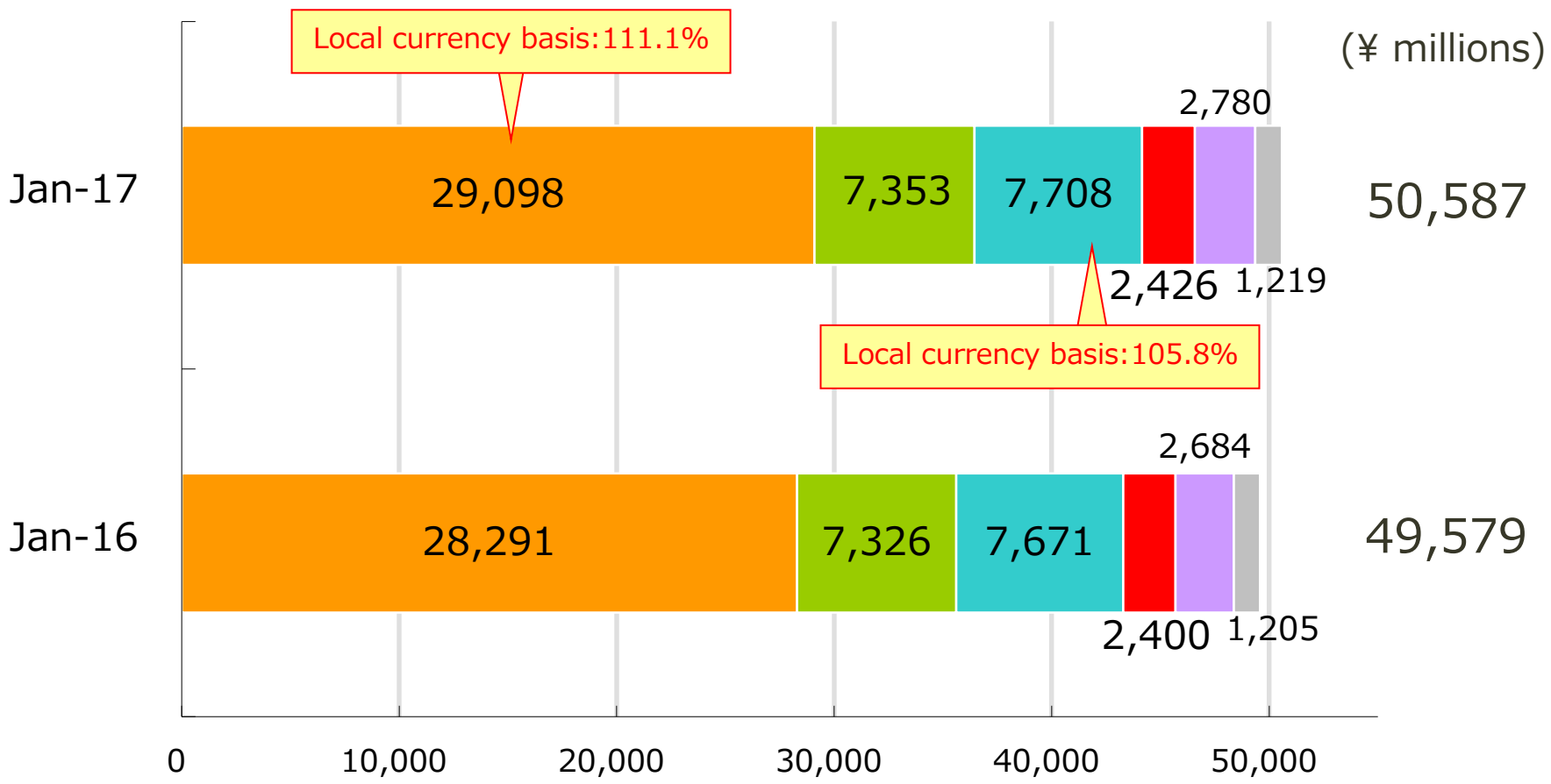


(¥ millions)	Jan. 2016 (Results)				Jan. 2017 (Change of Forecast)				
	Amount	% of Total	Gross Margin	Segment Profit	Amount	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated net sales	92,209	100.0%	47.0%	14,521	95,000	100.0%	103.0%	47.5%	15,000
Domestic Baby and Mother Care Business	28,053	30.4%	44.4%	4,383	29,501	31.1%	105.2%	44.2%	4,434
Child-rearing Support Services	6,757	7.3%	10.7%	148	6,911	7.3%	102.3%	10.9%	177
Health Care and Nursing Care Business	6,499	7.0%	28.3%	140	7,000	7.4%	107.7%	31.3%	400
Overseas Business	25,234	27.4%	55.4%	5,579	25,429	26.8%	100.8%	54.3%	5,348
China Business	31,688	34.4%	44.6%	8,586	32,518	34.2%	102.6%	47.2%	9,444
Elimination of internal trading between segments	▲7,306	▲7.9%	—	—	▲7,360	▲7.9%	—	—	—
Other	1,283	1.4%	15.4%	152	1,000	1.1%	77.9%	15.1%	159

※ 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.

Forecast of Overseas Business Sales by Region

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



※ [Assumed rates] Jan. 2017: US\$1 = ¥115.00; 1 yuan = ¥17.80
 [Actual rates] Jan. 2016: US\$1 = ¥121.10; 1 yuan = ¥19.22

● Domestic Baby and Mother Care Business

- Business expansion and enhanced market share through aggressive sales of large merchandise, such as baby strollers, and marketing activities
- Further enhancement of profitability by launching and expanding sales of high value-added products such as the latest nursing bottles and nipples, etc.



● Child-rearing Support Services

- Review of growth strategies and business system to raise profitability
- Maintenance and improvement of business quality through fostering and education of human resources engaged in child-rearing, crisis management; as well as, further enhancement of our crisis management plan

● Health Care and Nursing Care Business

- Sales expansion and business growth by strengthening joint efforts with our sales representatives
- Improvement of profitability by increasing the efficiency of our business operation system

● Overseas Business (except China)

- Growth centered on five key categories (nursing bottles and nipples, breast pumps, skin care products, breast pads, and pacifiers)
- Improvement of profitability by promoting parts in-house production and investing in facilities for this purpose

Lasinoh

- Sales expansion of the Group's core products—nursing bottles and nipples
- Establishment of local subsidiaries and full-scale entry into the Chinese market
- Maintenance and reinforcement of our production system by opening a new factory in Turkey
- Business expansion and system maintenance & reinforcement in Europe

Asia

- Continuation and reinforcement of our branding activities, and business expansion (profit on a single fiscal-year basis) in India
- Raise in earnings by improving performance of our new factory in India, including start of exports and production
- Reinforcement of marketing activities in Asia focused on Pigeon Singapore



India



Middle East



Singapore



England



Turkey

● China Business

- Sustained growth trend (local currency basis: 111%) and further increase in profitability
- Reinforcement of strategies and measures (sales promotion) to meet the boom in electronic commerce sales (start of EC sales of Japanese products)
- Increased sales of disposable diapers by maintaining and further expanding over-the-counter rounds (door-to-door campaigns)

Pigeon's flagship store on EC sites



Stores offering over-the-counter rounds (door-to-door campaigns)



[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 (Plan)	Interim (Forecast)	Year-End (Forecast)
Dividend per share (¥)	66 (11)	55 (18.3)	45 (15)	60 (20)	20	22	22	22
Payout ratio	50.4%		49.6%		49.3%		50.7%	

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

	Jan. 2015		Jan. 2016		Jan. 2017
	Interim (Results)	Year-End (Results)	Interim (Results)	Year-End (Results)	Year-End (Forecast)
Capital expenditures ※	1,672	3,204	1,610	2,639	3,722
Depreciation (tangible fixed assets)	780	1,705	1,018	2,133	2,487

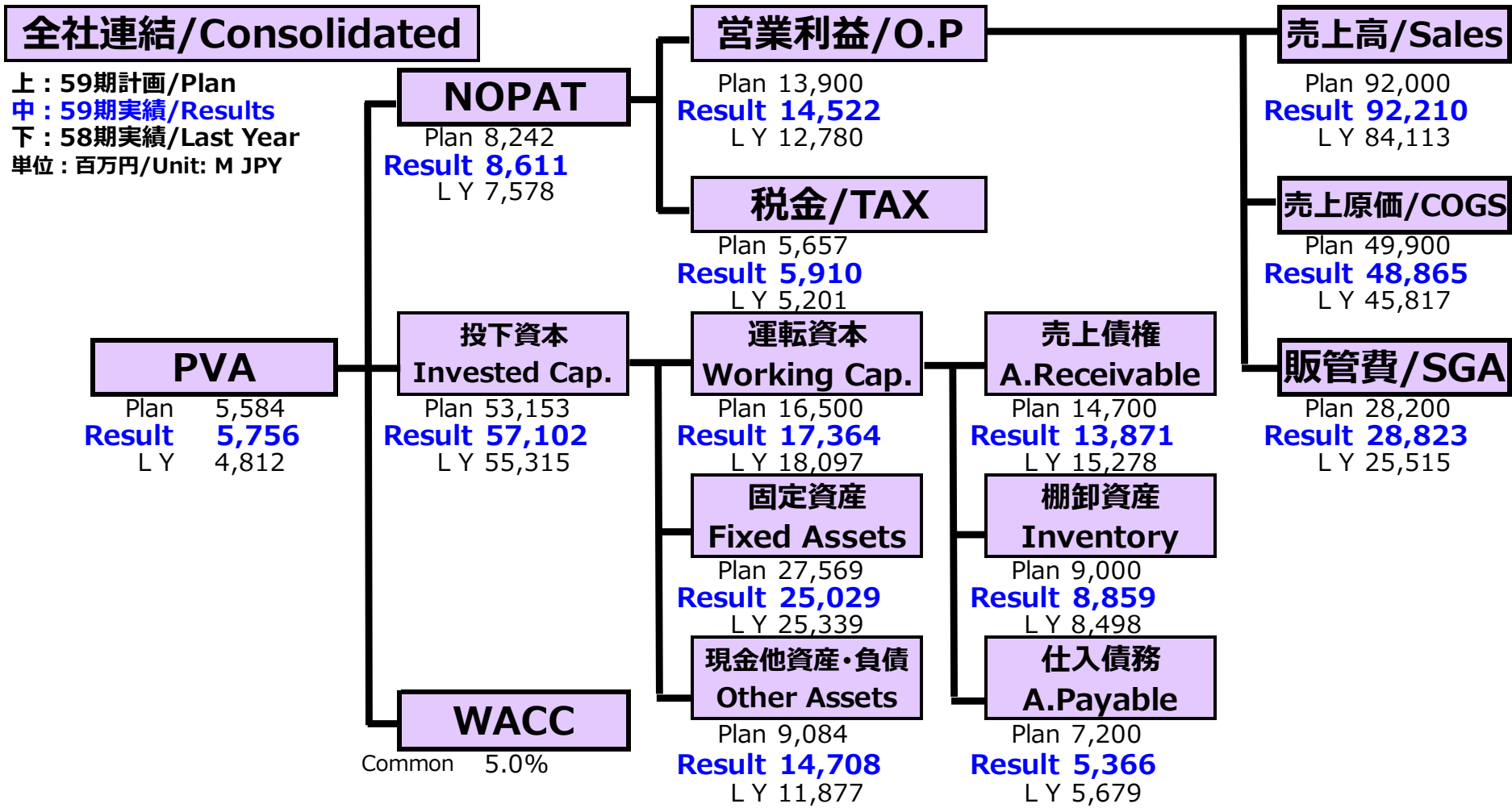
※ Refers to the amount accounted for purchasing of tangible fixed assets.

Approach to Enhance Corporate Value

12 Tasks to achieve “World-Class Business Excellence”



PVA Tree: Consolidated Results in the 59th Term

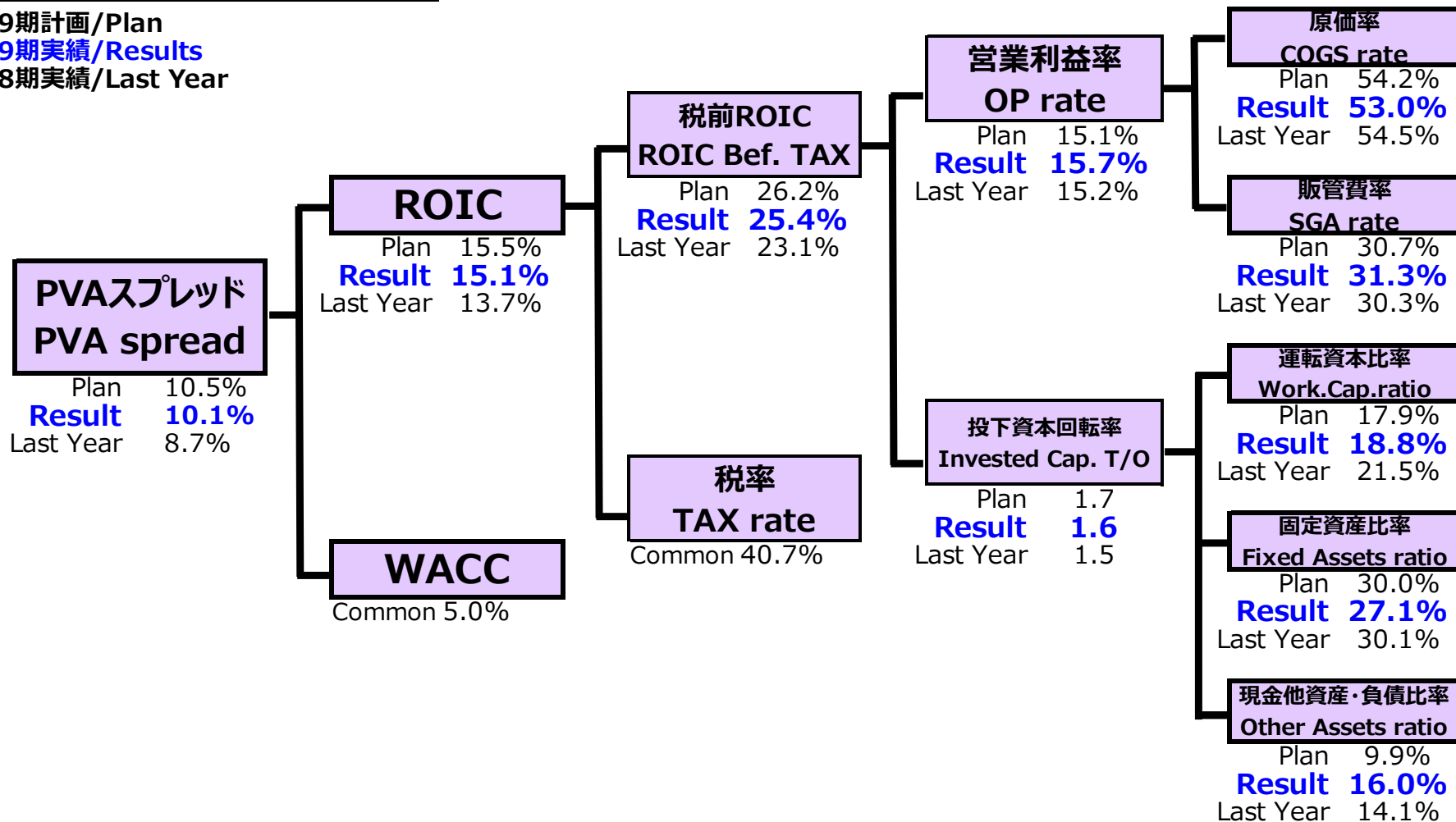


PVA (Ratio): Consolidated Results in the 59th Term



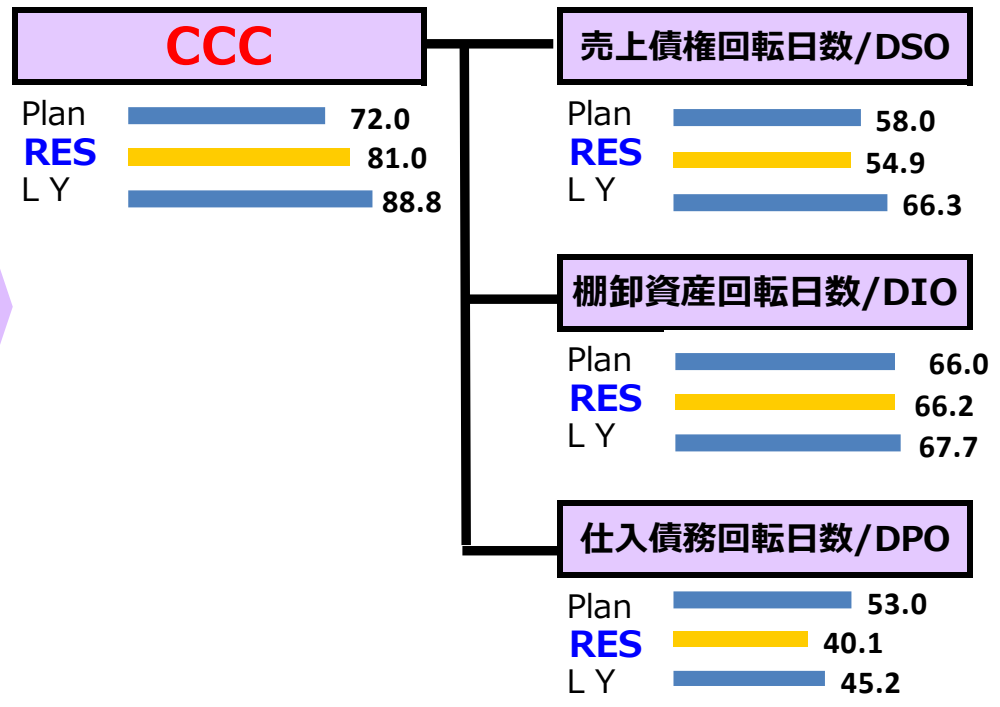
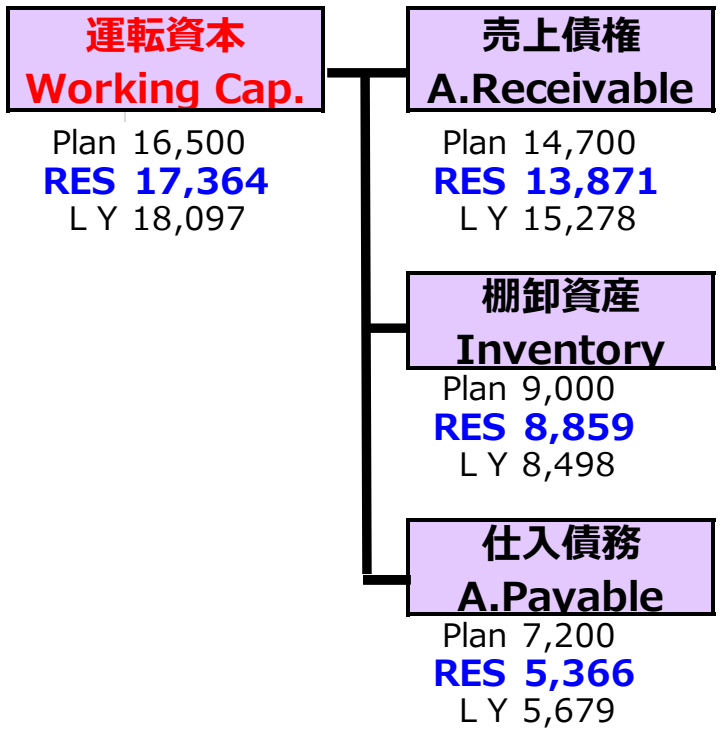
全社連結/Consolidated

上 : 59期計画/Plan
 中 : 59期実績/Results
 下 : 58期実績/Last Year



全社連結/Consolidated

上 : 59期計画/Plan
 中 : 59期実績/Results
 下 : 58期実績/Last Year
 単位 : 百万円/Unit: M JPY



Breastfeeding Room around the World



Japan (Pigeon HQ)



Russia



China

Public space
(Airport, Station,
Department store)



Breastfeeding room
in office



Breastfeeding room
in baby shop



Breastfeeding Room around the World



Singapore



Mexico

City hall in Mexico city



Thailand



Malaysia



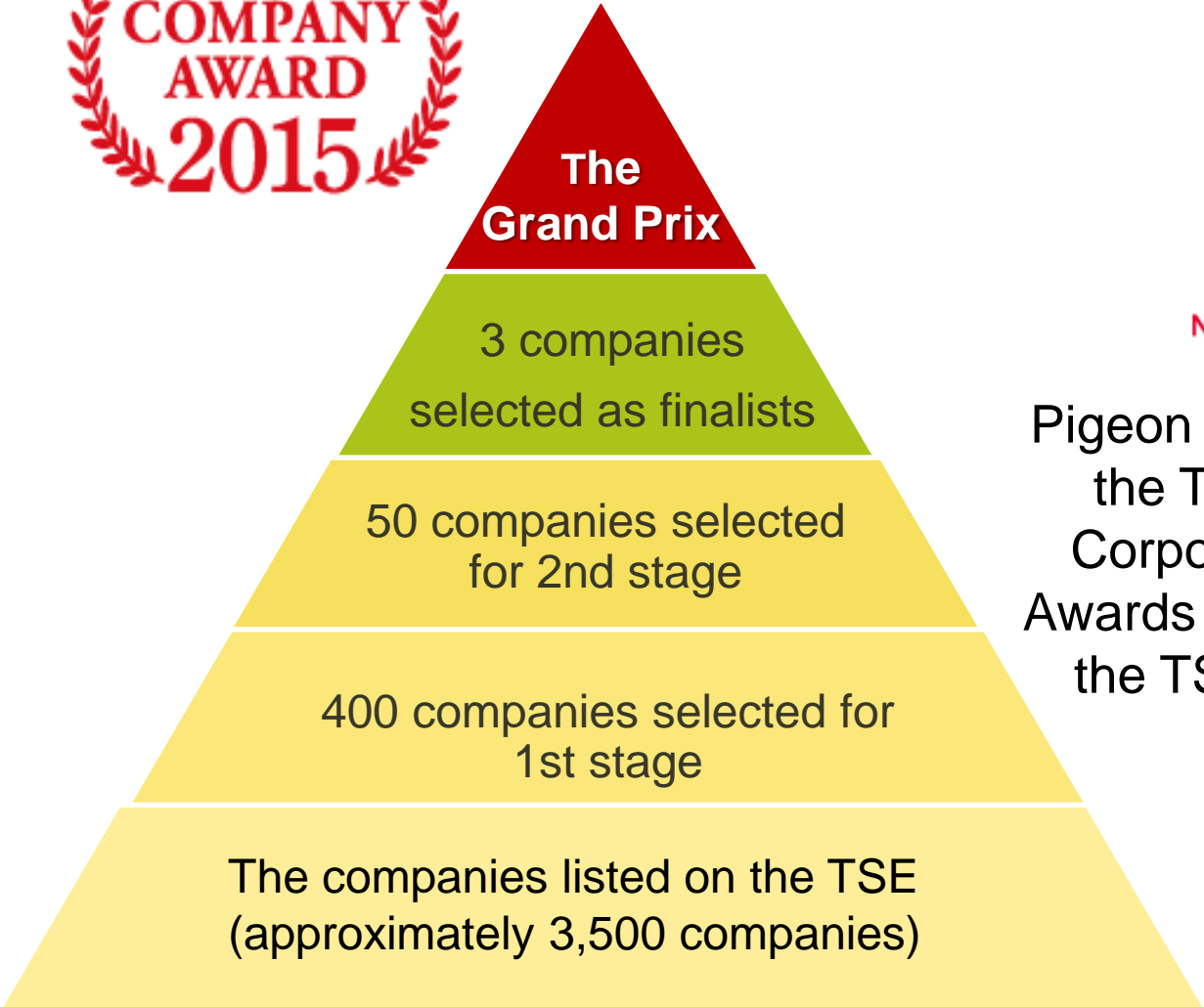
Breastfeeding Room around the World



Eg. Breastfeeding Room in Washington DC, U.S.



Tokyo Stock Exchange's Corporate Value Improvement Awards



Pigeon has won the Grand Prix in the Tokyo Stock Exchange's Corporate Value Improvement Awards in the companies listed on the TSE (approximately 3,500 companies)

Social Value

We should be the company that brings joy and happiness to people and that the society needs, by providing solutions and new values to our customers.

What makes it possible:

- ◆ Corporate identity, mission, value, action principle and vision shared across the company
- ◆ Company that provides job satisfaction to employees
- ◆ Development power, marketing power and brand power
- ◆ Innovation power
- ◆ Influence on and contribution to society

Economical Value

We should continue to increase free cash flow in an efficient and strategic way.
(Corporate Value = Aggregation of Present Value of Future Cash Flow)

What makes it possible:

- ◆ Style of work that is simple, but is hard to copy (enduring competitive advantage)
- ◆ **Corporate governance**
- ◆ Efficient investment recovery
- ◆ **Improvement of ROE, ROIC, CCC, PVA and various KPI (management quality)**
- ◆ Global cash management
- ◆ Withdrawal from unprofitable business



Achieve the two values	: Management
Enhance the two values	: Engagement
Continuously achieve and enhance the two values	: Governance

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