



# PIGEON

Annual Report

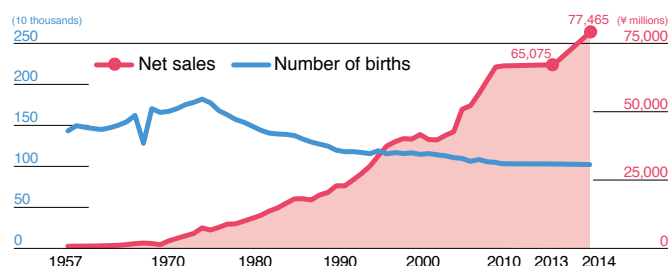
# 2014

For the year ended January 31, 2014




# PIGEON HISTORY

	1950~	1970~	1980~	1990~
<b>Corporate</b>	<ul style="list-style-type: none"> <li>▶ 1949 Dofu Boeki, Pigeon's predecessor, established</li> <li>▶ 1952 Yuichi Nakata appointed President</li> <li>▶ 1957 Pigeon Honyuki Honpo (Nursing Bottle Manufacturing) Corporation, established</li> <li>▶ 1966 Name changed from Pigeon Honyuki Honpo Corporation, to Pigeon Corporation</li> </ul>	<ul style="list-style-type: none"> <li>▶ 1973 Head office building in Kanda-Tomiyama-cho, Chiyoda-ku, Tokyo, constructed</li> <li>▶ 1975 Kyowa Tokushu Shiko Co., Ltd. (now Pigeon Home Products Corporation), joins the Pigeon Group</li> </ul>	<ul style="list-style-type: none"> <li>▶ 1982 Pigeon Textiles (Pigeon Will Corporation) established to manufacture and sell maternity wear</li> <li>▶ 1983 Yoichi Nakata appointed President; Yuichi Nakata appointed Chairman</li> <li>▶ 1985 Corporate identity based on the Pigeon philosophy of "Love" adopted</li> <li>▶ 1988 Stores registered with the Securities Dealers Association of Japan (present-day JASDAQ)</li> </ul>	<ul style="list-style-type: none"> <li>▶ 1993 Joso Research Center (now Central Research Center) established</li> <li>▶ 1995 Listed on the Second Section of the Tokyo Stock Exchange (July 7)</li> <li>▶ 1996 Fukuyo Ibaraki Corporation (now PHP Ibaraki Corporation), joins the Pigeon Group</li> <li>▶ 1997 Listed on the First Section of the Tokyo Stock Exchange</li> </ul>
<b>Domestic Baby &amp; Mother Care Business</b>	<ul style="list-style-type: none"> <li>▶ 1949 First nursing bottle in Japan with wide cap(A-type) launched</li> <li>▶ 1956 Baby and child care/related products launched</li> <li>▶ 1963 Milk powder case and sponge brush for nursing bottles launched</li> <li>▶ 1966 Baby powder, first in a new range of baby hygiene products, launched</li> </ul>	<ul style="list-style-type: none"> <li>▶ 1975 World's first diaper liner made using binderfree manufacturing method launched</li> <li>▶ 1976 World's first rubber toothbrush for milk teeth launched</li> <li>▶ 1977 P-type nursing bottle for babies with poor sucking strength launched</li> <li>▶ 1979 New-standard K-type nursing bottle (still used today) launched</li> </ul>	<ul style="list-style-type: none"> <li>▶ 1982 MagMag training cup with adjustable tops for different ages launched</li> <li>▶ 1985 Fit, Japan's first seamless breast pad, launched</li> <li>▶ 1987 Chibion digital thermometer for babies launched</li> <li>▶ 1988 Baby's natural sucking peristaltic motion revealed</li> </ul>	<ul style="list-style-type: none"> <li>▶ 1992 Baby Wipes launched</li> <li>▶ 1993 Entry into baby food market</li> <li>▶ 1994 UV Baby Skincare, first ultraviolet-ray skincare product for babies, released</li> <li>▶ 1995 Nursing bottle disinfectant Milkpon launched</li> </ul>
<b>Child-rearing Support Services</b>				<ul style="list-style-type: none"> <li>▶ 1993 Pigeon Land Joso, child-minding center for infants, opened</li> <li>▶ 1996 Pigeon Wendy, babysitter dispatch service, launched</li> <li>▶ 1999 Pigeon Kids World Corporation (now Pigeon Hearts Corporation), established</li> </ul>
<b>Health Care &amp; Nursing Care Business</b>		<ul style="list-style-type: none"> <li>▶ 1975 Habilis Business Department, targeting the senior market, established</li> </ul>	<ul style="list-style-type: none"> <li>▶ 1983 Nursing care products under the Habinurse brand launched</li> </ul>	
<b>Overseas Business</b>	<ul style="list-style-type: none"> <li>▶ 1966 Exports to other countries started</li> </ul>	<ul style="list-style-type: none"> <li>▶ 1973 First overseas office established in Singapore</li> <li>▶ 1978 Pigeon Singapore Pte. Ltd. established in Singapore</li> </ul>		<ul style="list-style-type: none"> <li>▶ 1990 Thai Pigeon Co., Ltd. established in Thailand</li> <li>▶ 1996 Pigeon Industries (Thailand) Co., Ltd. established in Thailand</li> </ul>

■ Net Sales (Pigeon Consolidated Sales from 1997); / Number of Births (Japan)



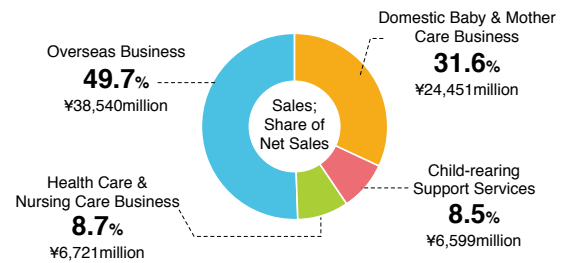
After reaching its peak in 1973, birthrate in Japan has been declining and reached about 1,060,000 newborns in 2005 or the total fertility rate of 1.26, which is the lowest ever point in the available statistics since 1947. Although birthrate did recover somewhat since then, the figures calculated for 2013 show an annual number of newborns of about 1,030,000 or a total fertility rate of 1.43. This shows that the downward birthrate trend is still continuing. In these conditions, Pigeon Group managed to achieve steady growth by focusing on business for the domestic market up to around 2000, and by expanding overseas sales since then. Also, Pigeon Group is actively expanding its business overseas.

2000~	2010~
<ul style="list-style-type: none"> <li>▶ 2000 Seiichi Matsumura appointed President and Chief Operating Officer; Yoichi Nakata appointed Chairman and Chief Executive Officer</li> <li>▶ 2002 PHP Hyogo Corporation joins the Pigeon Group</li> <li>▶ 2006 Head office relocated to Nihonbashi-Hisamatsu-cho, Chuo-ku, Tokyo</li> <li>▶ 2007 Akio Okoshi appointed President and Chief Operating Officer; Seiichi Matsumura appointed Chairman and Chief Executive Officer; Yoichi Nakata appointed Executive Advisor and Member of the Board</li> </ul>	<ul style="list-style-type: none"> <li>▶ 2011 Formulation and implementation of Fourth Medium-Term Business Plan</li> <li>▶ 2013 Shigeru Yamashita appointed President and Chief Operating Officer; Akio Okoshi appointed Chairman and Chief Executive Officer</li> <li>▶ 2014 Pigeon Corporation absorbed and merged Pigeon Will Corporation</li> <li>▶ Formulation and implementation of Fifth Medium-Term Business Plan</li> </ul>
<ul style="list-style-type: none"> <li>▶ 2002 Wide neck "Bonyu Jikkan" nursing bottles, which promote a baby's natural sucking peristaltic motion, launched</li> <li>▶ 2003 Baby shoes designed using research on toddlers' walking patterns released</li> </ul>	<ul style="list-style-type: none"> <li>▶ 2010 Renewal of "Bonyu Jikkan" series of nursing bottle nipples</li> <li>▶ Full-scale entry into baby stroller market</li> </ul> 
<ul style="list-style-type: none"> <li>▶ 2001 Operation of in-company child-minding facilities launched</li> <li>▶ 2002 Operation of approval child-care center launched</li> <li>▶ 2004 Operation of 113 child-care facilities in hospitals of the National Hospital Organization (independent administrative agency)</li> </ul>	
<ul style="list-style-type: none"> <li>▶ 2000 Pigeon Manaka Corporation established</li> <li>▶ 2004 Tahira Corporation (now Pigeon Tahira Corporation), joins the Pigeon Group</li> <li>▶ 2007 Recoup brand of anti-aging products launched</li> </ul>	<ul style="list-style-type: none"> <li>▶ 2011 Pigeon Manaka Corporation launched day care service</li> </ul> 
<ul style="list-style-type: none"> <li>▶ 2002 Pigeon (Shanghai) Co., Ltd. established in Shanghai, China</li> <li>▶ 2004 Lansinoh Laboratories, Inc. in USA joins the Pigeon Group</li> <li>▶ 2006 Pigeon Manufacturing (Shanghai) Co., Ltd. established in Shanghai, China</li> <li>▶ 2009 Pigeon India Pvt. Ltd., a sales subsidiary established in India</li> <li>▶ 2009 Pigeon Industries (Changzhou) Co., Ltd. established in Changzhou, China</li> </ul> 	<ul style="list-style-type: none"> <li>▶ 2010 Lansinoh Laboratories Medical Devices Design Industry and Commerce Ltd. Co. established in Turkey</li> <li>▶ 2010 Lansinoh Laboratories, Inc. in the USA acquired mOmma business</li> <li>▶ 2011 Lansinoh Laboratories, Inc. in the USA similarly acquired the earth friendly baby brand</li> <li>▶ 2011 Pigeon Malaysia Trading Sdn. Bhd. established in Malaysia</li> <li>▶ 2012 DoubleHeart Co. Ltd. established in Korea</li> </ul>

## Pigeon Annual Report 2014 Contents

■ PIGEON HISTORY .....	1	■ Pigeon CSR Initiatives .....	23
■ At a Glance .....	3	For Customers .....	24
■ Key Ratio .....	4	For the Environment .....	25
■ Interview with the President .....	5	For Local Communities .....	26
■ Pigeon Way .....	9	For Business Partners .....	27
■ Fifth Medium-Term Business Plan .....	11	For Employees .....	27
■ Pigeon Group's Business Development .....	13	Corporate Governance / Compliance .....	28
Domestic Baby & Mother Care Business .....	13	■ Management's Discussion & Analysis .....	29
Child-rearing Support Services .....	15	■ Financial Data .....	31
Health Care & Nursing Care Business .....	16	Balance Sheets .....	
Overseas Business .....	17	Statements of Income, Statement of Cash Flows .....	
Research & Development .....	22	■ Corporate Information .....	33

# At a Glance

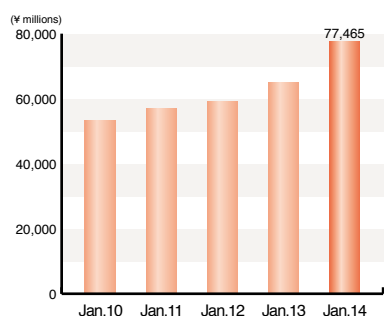


**Consolidated Net Sales ¥77,465million**

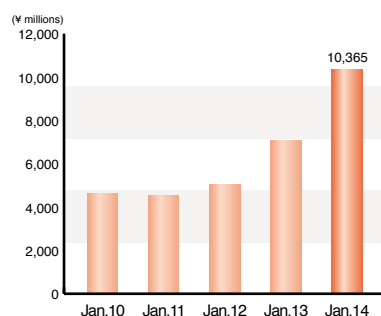
	Products; Services	Business Environment; Our Competitive Edge
Domestic Baby & Mother Care Business	<p><b>Breastfeeding-related products, weaning-related products, skincare products, women's care products, other baby-related products, IT services, large-sized products</b></p> 	<p>The number of births in Japan was 1.03 million in 2013, the lowest level since statistics were first compiled in 1899. For half a century, we have conducted in-depth research into babies' breastfeeding patterns and early childhood development and persistently developed and improved products arising from such research. Accordingly, Pigeon is widely recognized as a brand that delivers safety and peace of mind, capturing a large share of the market. We also provide high-value-added services and are strengthening direct communication with customers. This includes hosting maternity events all over Japan, as well as operating Pigeon. info, an Internet portal for word-of-mouth information about pregnancy and child care.</p> <p><b>Affiliated Companies</b> Pigeon Home Products Corporation, PHP Hyogo Corporation, PHP Ibaraki Corporation</p>
Child-rearing Support Services	<p><b>Child-rearing services, operation of in-company child-minding facilities and daycare centers, babysitter dispatch services, preschool education services</b></p> 	<p>There are an increasing number of women who want children but who wish to keep working. Similarly, more and more women want to return to work while raising children. These factors are providing the impetus for the advancement of child-rearing support services, including the opening of child-minding centers and the enhancement and diversification of child-minding services. Through its provision of baby and mother care offerings, Pigeon has built a reputation for safe and reliable products. Deploying this brand strength, we are building a child-rearing support services under the principle that "raising children comes first." By achieving a top-class domestic business scale and offering high-quality services, we are earning the trust of customers. Going forward, we will target ongoing improvements in business efficiency and reliability by further improving child-rearing quality.</p> <p><b>Affiliated Companies</b> Pigeon Hearts Corporation</p>
Health Care & Nursing Care Business	<p><b>Elder care products, anti-aging products, elder care support services</b></p> 	<p>In Japan, it is estimated that 26.8% of the total population, or one in every four Japanese, will be at least 65 years old by 2015. Accordingly, competing companies are launching new products and stepping up sales activities, while numerous companies are entering the market for the first time. Despite the challenges, Pigeon is building a presence in this field by deploying the strengths it has amassed in the baby and mother care business—track record, reputation for trust, and brand appeal. Pigeon plans to nurture its Health Care &amp; Nursing Care Business into a major pillar supporting its future vision. To this end, we are focusing on strengthening our business foundation and building a growth-oriented infrastructure. Going forward, we will further strengthen sales channels via institutions and entrench our core product categories, including the Habinurse brand of elder care products. In these ways, we will work actively to address the growing market underpinned by Japan's aging society.</p> <p><b>Affiliated Companies</b> Pigeon Home Products Corporation, PHP Hyogo Corporation, PHP Ibaraki Corporation, Pigeon Manaka Corporation, Pigeon Tahira Corporation</p>
Overseas Business	<p><b>Baby &amp; mother related products</b></p> 	<p>In China, in addition to expanded sales, profitability has increased significantly due to our Shanghai Plant which began operation in 2008 (production items include skin care products, toiletries, nursing bottle nipples, etc.), as well as to a new plant in Changzhou, Jiangsu Province began full-scale operation in 2011 (production items include nursing pads, baby wipes, baby disposable diapers, etc.). In North America and Europe, we seek steady growth through expansion of product categories.</p> <p><b>Affiliated Companies</b> Pigeon Singapore Pte. Ltd., Pigeon India Pvt. Ltd., Pigeon Malaysia (Trading) Sdn. Bhd., Pigeon (Shanghai) Co., Ltd., Pigeon Manufacturing (Shanghai) Co., Ltd., Pigeon Industries (Changzhou) Co., Ltd., Lansinoh Laboratories, Inc., Lansinoh Laboratories Medical Devices Design Industry And Commerce Ltd. Co., DoubleHeart Co. Ltd., Pigeon Industries (Thailand) Co., Ltd., Thai Pigeon Co., Ltd., P.T. Pigeon Indonesia (an equity-method subsidiary)</p>

# Key Ratio

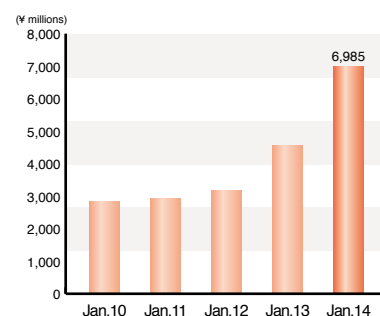
## Net Sales



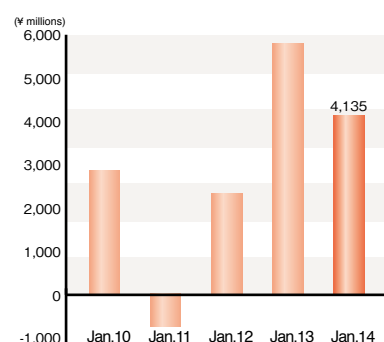
## Operating Income



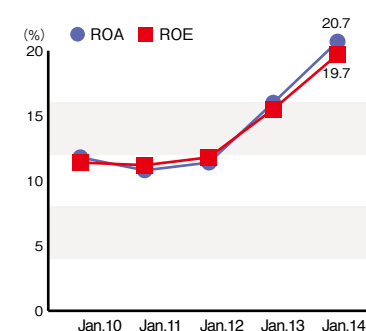
## Net Income



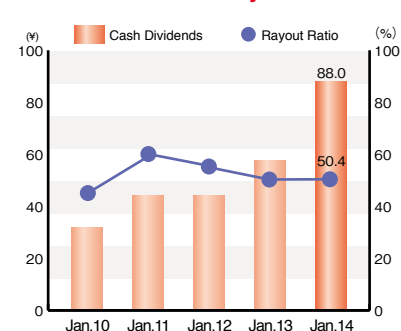
## Free Cash Flow



## ROA / ROE



## Cash Dividends/Payout Ratio



## Consolidated Financial Statements

	<span style="float: right;">(¥ millions) (US\$ thousands)</span>					
	Jan. 10	Jan. 11	Jan. 12	Jan. 13	Jan. 14	Jan. 14 (Note 1)
<b>Net Sales</b>	53,431	57,061	59,145	65,075	77,465	792,724
<b>Gross Profit</b>	20,902	23,281	24,319	27,760	34,464	352,681
<b>Operating Income</b>	4,604	4,546	5,042	7,086	10,365	106,068
<b>Ordinary Income</b>	4,609	4,435	4,917	7,389	11,002	112,587
<b>Net Income</b>	2,840	2,928	3,183	4,573	6,985	71,480
<b>Total Assets</b>	39,493	42,684	43,772	48,538	57,955	593,072
<b>Net Assets</b>	26,264	27,044	27,935	32,365	39,981	409,138
<b>Free Cash Flow</b>	2,859	(743)	2,341	5,807	4,135	42.3
<b>ROA (%) (Note 2)</b>	11.8	10.8	11.4	16.0	20.7	
<b>ROE (%) (Note 2)</b>	11.4	11.2	11.8	15.5	19.7	
<b>EPS (yen) (Note 4)</b>	70.9	73.1	79.5	114.2	174.5	1.8
<b>Dividend per Share (yen) (Note 4)</b>	44.0	44.0	44.0	57.5	88.0	0.9
<b>Payout Ratio (%) (Note 4)</b>	45.1	60.1	55.3	50.3	50.4	
<b>Employees (persons)</b>	2,318	2,678	2,963	3,304	3,458	

Notes: 1. Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥97.72=US\$1.0.

2. ROA is the ratio of ordinary income to total assets. ROE is the ratio of net income to shareholders' equity. The denominator for both is the average of the figures at the beginning and end of the fiscal year.

3. The number of shares for EPS is before adjustment for residual securities.

4. The Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013. Figures for number of shares have been calculated assuming this stock split was conducted at the beginning of the fiscal year ended January 2010.

# Building up a global, worldwide-known PIGEON on top of the pillars of our nationwide success...

Interview with the President



山下 茂

**Shigeru Yamashita**

President and Chief Operating Officer

## Fiscal 2013 was your first year as president of Pigeon. Looking back, how do you evaluate the Group's performance?

In my first year as president, I focused on laying the foundation for broadening the Japanese market and on solidifying our operational base. Since the term of the previous president, our management has been guided by the "global" keyword. Some people claimed that espousing the word "global" might give the impression that we emphasize overseas operations rather than our domestic business. However, this is not the case. In itself, the word "global" implies "worldwide in scale." So when we say "global" we mean not simply focusing on overseas markets. What remains unchanged is the fact that Japan, which serves as one pillar of the global economy, is an extremely important market for the Pigeon Group.

In fiscal 2013, ended January 2014, we started construction

of a new plant in India. However, the key to success in overseas markets, such as China and India, lies in our track record of success in Japan. In the mature domestic market, we need to employ carefully crafted business models and mechanisms, and our ability to consistently expand sales in such a challenging market is a crucial prerequisite for growth on a global scale.

Although the Group again reported a healthy performance in fiscal 2013, the real "outcomes" of my first year as president are yet to spring forth and cannot be expressed in charts and graphs. Nevertheless, I feel that the market is responding well and, by implementing our Fifth Medium-Term Business Plan, we will make Pigeon stronger than ever before.

## You mentioned the Group's healthy performance in fiscal 2013. Can you elaborate further, and also talk about results in each business?

For the year, we posted consolidated net sales of ¥77,465 million, up 19.0% from the previous year. Operating income increased 46.3%, to ¥10,365 million, and ordinary income grew 48.9%, to ¥11,002 million. Net income jumped 52.7%, to ¥6,985 million. Indeed, it was a very solid performance. The main driver of these good results was our overseas business, centered on China. Accounting for 49.7% of net sales, our overseas business is now on a par with our domestic operations. While foreign exchange factors generally had a positive effect, we posted continued year-on-year growth in local currency terms in our main overseas markets, such as China and the North America. In China, where our products are sold at 15,000 outlets, the Pigeon name is steadily proliferating. In addition to existing products like nursing bottles and nursing bottle nipples, we experienced a boost in sales of breast pads and other consumables, including such newly launched items as disposable diapers. These results are partly attributable to our two local production facilities—one in Shanghai and one in Changzhou. This strength on the production side helped us generate income and also contributed to our performance. From the current fiscal year, ending January 2015, we will report our Chinese results as a single business segment, separated from other overseas business results.

By contrast, sales in Japan—consisting of the Domestic Baby & Mother Care Business, Child-rearing Support Business, and Health Care & Nursing Care Business—were sluggish. In the Domestic Baby & Mother Care Business, we reported year-on-year increases in revenue and earnings. We continued allocating significant resources to strengthen our busi-

ness in large-sized products, such as baby strollers and child seats, with the aim of making this category into a new pillar of Group revenue. We also worked to enhance administrative efficiency. To this end, Pigeon Will Corporation, a wholly owned subsidiary that mainly sells maternity-related undergarments, was merged into Pigeon Corporation, effective February 1, 2014.

In the Child-rearing Support Business, we posted healthy sales, having been newly entrusted to operate three in-company child-minding facilities. However, we reported a decline in segment income due mainly to increased expenses aimed at addressing the ongoing shortage of child-minding personnel.

In the Health Care & Nursing Care Business, we sought to integrate and centralize sales of the Habinurse brand of elder care products and Recoup brand of products for the active elderly within Pigeon Tahira Corporation. Although sales were sluggish, we reported an improved performance, returning the segment to profitability. In fiscal 2014, we plan to launch new products that we have been developing over the past two years. Leveraging our strength in elder care facilities, we will also actively market our products in drugstores and other outlets in order to expand top-line revenue.



## Can you please give an overview of the Fifth Medium-Term Business Plan, which was announced in March 2014?

One point I'd like to make is that we managed to formulate the "Pigeon Way" as a first step, built upon the importance of fully understanding and sharing corporate philosophy among all Pigeon employees everywhere, and reflecting it in practice, as we developed and implemented the Group's Fifth Medium-Term Business Plan. For details, please refer to page 9-10.

The slogan of the plan is "Pursuing world class business

excellence, think globally, plan agilely, and implement locally." Under the plan, we will further expedite global operational management with the goal of being recognized as an excellent corporation based on world-class standards. We have formulated "Vision 2016" aimed at expanding Group operations and improving management quality. Vision 2016 has five key objectives: (1) Become the global number one in childcare products; (2) Strengthen the management frame-

work for continuous business development; (3) Improve management quality by focusing on cash flows; (4) Construct a global system for personnel training and promote employee dynamism; and (5) Further enhance enterprise value. The Group aims to achieve the following targets by the final year of the plan (fiscal 2016, ending January 2017): Net sales of ¥100 billion, operating income of ¥15 billion, ordinary income of ¥15 billion, and net income of ¥9 billion.

We are no longer in an era in which “large beats small.” Nowadays, rather, “fast beats slow.” The key to success in expediting global operational management is to achieve “speed” in decision-making, together with “overall optimization.” Under the new plan, we will implement core priority initiatives for each of business segment. At the same time, we will pursue reforms that will facilitate speedy decision-making across our entire organization.

With respect to specific organizational function strategies, we will seek to delegate more authority to the strategic business units (SBUs) in each geographical region—Japan, China, Europe and the Americas, and Asia—to allow swift decision-making and implementation close to the front lines. Meanwhile, our global head

office (GHO) will function as a corporate center handling such tasks as business planning, accounting and finance, and personnel and general affairs. We will also establish a Pigeon functional unit (PFU) to handle product development, quality assurance, and logistics. Together, the SBUs, GHO, and PFU will enable us to maintain a firm grip on our operations from the perspective of overall optimization. In the plan’s slogan, the GHO will handle the “think globally” role by deciding on allocation of business resources on a global scale. The “implement locally” part will be handled by the SBUs, which will take measures according to locally formulated plans. With respect to the “plan agilely” part, the GHO will take the lead in some cases and formulate plans jointly with the SBUs in others, but we want to gradually shift the onus onto the SBUs. As for key performance indicators, such as cash conversion cycle (CCC) and return on investment capital (ROIC), the SBUs and GHO will maintain close communication in order to achieve both “speed” and “overall optimization.”

( SBU : Strategic Business Unit  
GHO : Global Head Office  
PFU : Pigeon Functional Unit )

### How will the Group advance its overseas business under the plan?

In fiscal 2016 (ending January 2017), the final year of the plan, we are targeting consolidated net sales of ¥100 billion, up 29% from fiscal 2013 just ended. Of this total, we are aiming for overseas sales of ¥57.3 billion, up 49% from fiscal 2013. We are often asked about our thoughts on the desirable ratio of domestic versus overseas sales, but personally I don’t have any particular benchmarks that I feel must be attained. An increasing ratio of overseas sales also comes with growing risk. At the same time, in no way are we satisfied with local business contraction. Most definitely not! In the domestic market, we must constantly look for new budding opportunities to grow our business and increase revenues. To reiterate, success in Japan is key to success overseas, so we cannot advance our business overseas without first succeeding domestically. One ongoing challenge is effective use of expenditures. Using the Japanese market as a basic model, we could measure the effectiveness of advertising, for example, which may provide a model that we could use for overseas business development.

Under the medium-term plan, our overseas business strategy is to cultivate and deepen our presence in markets specified as key nations based on market potential, including from medium- and

long-term perspectives. We will also focus on key categories where Pigeon’s strengths can be applied most effectively, namely, nursing bottles, nursing bottle nipples, breast pumps, pacifiers, skincare products, and breast pads. In addition, we will continue advancing maternity hospital activities to spread the appeal of the Pigeon brand. In the Chinese market, we will target growth in new products, such as disposable diapers, while pursuing expansion in existing categories. In Europe and North America, where we are promoting the Lansinoh brand, we have been successful in rejuvenating personnel and reinforcing sales activities, and our business results are improving. Going forward, we will strengthen Our appeal as a breastfeeding and childcare support company. In other regions, such as India, South Korea, Vietnam, Indonesia, Singapore, and the Middle East, we will leverage our strengths in the five aforementioned key product categories to expedite the reinforcement and proliferation of the Pigeon brand.



### In fiscal 2013, you announced plans to construct a plant in India. Are you confident that you can translate your success in China to India and other regions?

We have had many successful experiences in China that we can use elsewhere, I believe. Let’s cite purchasing motivation as an example. When one wonders about the motives or incentives behind a person’s decision to buy a Pigeon product, it’s interesting to note that “word of mouth” would top the list in any market. After “word of mouth” would come “recommendations from specialists, such as doctors and nurses” and “noticing the products in a store.” I think this would be the order of motivation in any market. In China, we conduct “pre-maternity classes” and other direct communication events and proactively pursue maternity hospital activities. As a result, we have generated synergies that have boosted recognition

of the Pigeon brand’s appeal and enabled it to proliferate. We plan to replicate these activities outside of China in the hope of growing our business and bolstering brand recognition and proliferation in other markets.

It’s simple to say “overseas,” but each market has its own distinctive characteristics. In fiscal 2013, we announced plans to construct a plant in India that will make nursing bottles and nursing bottle nipples. The plant is scheduled to start operation in January 2015. I am aware of rising expectations that we can succeed in India as we did in China. Both nations are similar in that their consumers place high emphasis on brands. However, they differ significantly in



other respects, such as legal systems, import taxes, maturity of logistics systems, geographical distribution of target customer segments, and consumer value perceptions. In China, we have been successful in selling our products in baby-related shops, but in India we are focusing on the drugstore route to expand sales. In China, our target consumers are wealthy people concentrated mostly in large cities, such as Beijing and Shanghai, whereas in India around half of the wealthy populace live in regional areas. So there's a difference in geographical distribution. In India, where very little product information is provided to consumers, there is a distinctive and entrenched belief that "highly priced items are not necessarily good," and even wealthy people tend to emphasize price in their purchasing activities. Under the one-child policy, people in China do not hesitate to spend money on their child. In India, however, there are many

children, and people are frugal when spending money on children, so we need to get closer to the consumer when determining our pricing points.

It has been four years since we entered India, which is a market with high potential in medium- and long-term perspective. Now that we understand the distinctive characteristics of each market, we can envisage how we should forge ahead so that we can succeed in India as we have in China. Import taxes on products in our price range are high in India, so expanding our customer base there would take some time. For this reason, we decided to commence local production. We will also constantly provide customers with value-added product information to differentiate ourselves from the competition with the aim of further spreading the Pigeon brand in India.

## Q How does Pigeon intend to grow its domestic business under the medium-term plan?

In the Domestic Baby & Mother Care Business, we will strive to increase profitability of existing businesses while establishing a firm foundation for large-sized products, such as baby strollers and child seats. We will also continue looking at ways to enter new categories. In fiscal 2016, ending January 2017, we are targeting segment sales of ¥27.0 billion, up 10% from fiscal 2013.

In the Child-rearing Support Business, we will aim for steady growth while working harder than ever to raise the quality of our business, which means quality of both operational

management and personnel training. In fiscal 2016, we are targeting segment sales of ¥6.7 billion. While this is only 2% higher than the fiscal 2103 figure, we will emphasize further improvement in segment profits.

In the Health Care & Nursing Care Business, we will step up sales via elder care facilities while launching new products that excel against the competition, in order to establish a solid model for this business. In fiscal 2016, we are targeting segment sales of ¥8.0 billion, up 19% from fiscal 2013, as well as a significant improvement in profitability.

## Q Can you share your thoughts on CSR?

Reflecting its corporate philosophy, "Love" Pigeon is committed to supporting the lives of all people—while pregnant, approaching childbirth, and when raising children—as well as the elderly, through the provision of products and services. In this respect, we believe our business activities themselves entail an element of corporate social responsibility (CSR). We attribute our ongoing business success to the support we receive from local communities and society. Seeking to give

something back, we hold annual newborn baby commemorative tree-planting events in Japan and donate funds to elementary schools in China. Continuing our business enables us to conceive products that make a difference and put smiles on the faces of more and more people. If we can help people feel happier, then we can make a significant social contribution.

## Q Do you have any final comments for shareholders and other investors?

Once again, we managed to deliver healthy results in the year under review. To continue raising corporate value, however, we need to target stable business expansion. At the moment, our mainstay overseas markets of China and the United States are moving steadily, and the Domestic Baby & Mother Care Business, our cornerstone business in Japan, is showing solid growth. The Child-rearing Support Business and the Health Care & Nursing Care Business are also progressing well. Under the Fifth Medium-Term Business Plan, we will aim for further improvements in revenue and earnings in each segment. We will strive to promote timely, accurate and transparent IR activities to all our investors and shareholders. We look forward to your ongoing support.



PIGEON History

At a Glance Key Ratio

Interview with the President

Pigeon Way

Fifth Medium-Term Business Plan

Pigeon Group's Business Development

Pigeon CSR Initiatives

Management's Discussion & Analysis

Financial Data

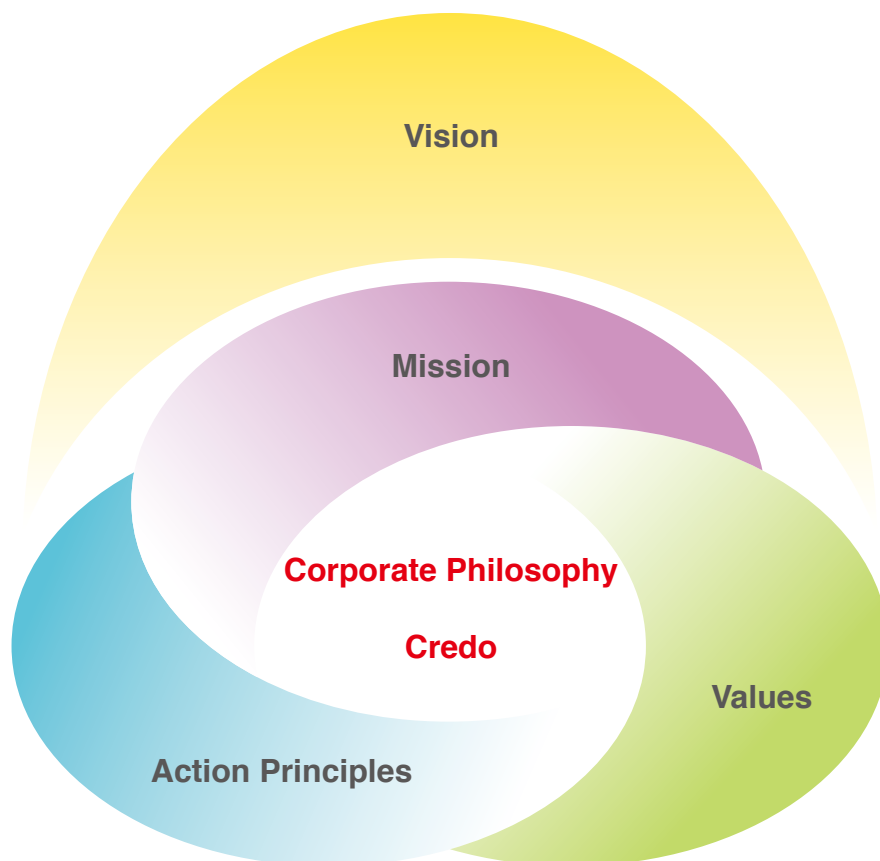
Corporate Information

# Pigeon Way

## What is the Pigeon Way?

The “Pigeon Way” is the cornerstone of all our activities. It embodies our “heart and soul” and sets the grounds for our actions to stream from this core.

## Pigeon Way



### Corporate Philosophy

The essence and core of our company

## Love

### Credo

Our fundamental brief based on the corporate philosophy

# Only love can beget love

## ■ Mission

Our purpose of working and what we promise to achieve for consumers

- **We will bring joy, happiness and inspiration to babies and families around the world by providing them with products and services that embody love.**

## ■ Values

Important attributes for all Pigeon employees

- **Integrity**
- **Communication, Consent, Trust**
- **Passion**

## ■ Action Principles

The basic guideline for driving all of our actions

- **Agility**
- **Keep sight of customers**
- **Global collaboration among competent individuals**
- **Leadership and logical working style**
- **Willingness to change**

## ■ Vision

The goal Pigeon Group aims to achieve

- **To be the baby product manufacturer most trusted by the world' s babies and families, i.e. "Global Number One"**

# Fifth Medium-Term Business Plan

The Pigeon Group is currently promoting various strategies outlined in its Fifth Medium-Term Business Plan, covering the three-year period from February 2014 to January 2017. Under the plan, the Group will work to improve management quality by implementing newly formulated business strategies and pursuing various measures based on functional strategies that form the foundation of those business strategies. At the same time, we will step up efforts to establish and reinforce our business operational framework. In our overseas business, positioned as a domain for continuous growth, we are targeting business expansion and entrenchment in existing markets, centered mainly on China and North America, while actively entering new markets in order to further boost our business results.

The Group aims to achieve the following targets by the final year of the plan (fiscal 2016, ending January 2017): Net sales of ¥100 billion, operating income of ¥15 billion, ordinary income of ¥15 billion, and net income of ¥9 billion. We are also targeting an operating margin of 15.0% or higher, up from 13.4% in fiscal 2013. Moreover, we will strive to further improve profitability and capital efficiency by emphasizing return on equity (ROE), return on invested capital (ROIC), and other performance indicators.

## The “Pigeon Way”

As shown before, by delivering on its corporate commitment, “Love” in the form of products and services, the Group is advancing its operations to fulfill its “Mission,” which is to bring joy, happiness, and delight to babies and families around the world. Guided by this philosophy, the Group has set in its medium-term corporate “Vision” the goal of becoming global number one maker of childcare products that is most trusted by the world’s parents and families.

To guide its operations, the Group has formulated the “Pigeon Way.” The Pigeon Way consists of the Mission and Vision described above, the three “Values” that each employee must treasure, and the five “Action Principles” that form the base and guide for all actions. All Group employees in Japan and overseas shall work to understand and share the Pigeon Way, constantly striving as a team to achieve the Vision.

## Medium-Term Business Policies and Strategies

In its Fifth Medium-Term Business Plan, the Group has adopted the slogan, “Pursuing world class business excellence, think globally, plan agilely, and implement locally.” Under the plan, we have formulated “Vision 2016” aimed at expanding Group operations and improving management quality. Vision 2016 has five key objectives: (1) Become the global number one in

childcare products; (2) Strengthen the management framework for continuous business development; (3) Improve management quality by focusing on cash flows; (4) Construct a global system for personnel training and promote employee dynamism; and (5) Further enhance enterprise value.

## Quantitative Targets

(¥ millions)

	Jan. 2014	Jan. 2015E	Jan. 2016E	Jan. 2017E	Growth Rate (2017/2014)
Net Sales	77,465	84,500	92,500	100,000	129.1%
Gross Profit	34,464	37,400	40,700	44,200	128.2%
Operating Income	10,365	11,600	13,000	15,000	144.7%
Ordinary Income	11,002	11,800	13,000	15,000	136.3%
Net Income	6,985	7,300	8,000	9,000	128.8%
EPS (yen)	174	182	199	224	
Gross Margin	44.5%	44.3%	44.0%	44.2%	
Operating Margin	13.4%	13.7%	14.1%	15.0%	
Ordinary Margin	14.2%	14.0%	14.1%	15.0%	
Net Margin	9.0%	8.6%	8.6%	9.0%	

Jan. 2014	Fifth Medium-Term Business Plan
ROA 20.7%	More than 22.0%
ROE 19.7%	More than 21.0%
ROIC 14.2%	More than 15.0%

\* ROA is the ratio of ordinary income to total assets. ROE is the ratio of net income to shareholders' equity. The denominator for both is the average of the figures at the beginning and end of the fiscal year.

\* ROIC: Rate of return on invested capital (NOPAT/invested capital and tax rate use 40.7%)  
E: Estimate

## Business Strategies

### Overseas Business

In our overseas business, we will cultivate and deepen our presence in markets specified as key nations based on market potential, including from medium- and long-term perspectives. We will also focus on key categories where Pigeon's strengths can be applied most effectively, namely, nursing bottles, nursing bottle nipples, breast pumps, pacifiers, skincare products, and breast pads. In addition, we will continue advancing maternity hospital activities pursued to date in Japan and China, in order to generate synergies with the Pigeon brands and strengthen its appeal.

#### (1) China

In the Chinese market, we will target renewed business expansion by pursuing growth in existing categories together with growth in new products, such as disposable diapers. We will also make capital investments to address our business expansion, while automating production lines and taking other measures to reduce costs and ensure stable supply. In addition, we will build a robust business foundation by further strengthening our

### Domestic Business

#### (1) Domestic Baby & Mother Care Business

In this segment, the Group will aim for improved growth and profitability in existing businesses and steady growth in the large-size products business. We will also consider entry into new business categories.

#### (2) Health Care & Nursing Care Business

In this segment, we will strengthen sales via the nursing care facility sales route. At the same time, we will target growth of this route, as well as existing sales routes, by launching highly

## Functional Strategies

#### (1) Research and development

The Group will improve its product development capabilities through more in-depth "baby theory" research and observing the behaviors of the customer. We will also reassess our research, planning, and development functions in order to build and reinforce our global product development framework.

#### (2) Quality control

We will establish the "Pigeon Productive Management (PPM)" system by bolstering our quality control capabilities at each production site.

#### (3) Production, purchasing, and logistics

By achieving an efficient production, purchasing, and logistics system, we will target cost reductions and establish a global supply chain management system.

## Shareholder Return and Reinforcement of Internal Control Systems

With respect to shareholder return, under the Fifth Medium-Term Business Plan we are targeting a total consolidated return of 45–50%. In addition to following basic policies currently in place, this effort will include year-on-year increases in cash dividends and/or share buybacks in each fiscal period. Our objective is to continue meeting the expectations of shareholders and all other investors.

Under the Pigeon Way, the executives and employees of the

operational framework according to business expansion.

#### (2) Europe and the Americas

In Europe and North America, we will reinforce our brand as a child-rearing support company. For example, we will introduce the NaturalWave™ line of nursing bottles and strengthen our support comprehensively across the entire breastfeeding scene, from breast pumping to breast-milk preservation to feeding. We will also strengthen maternity-hospital-related activities. In Central and South America, meanwhile, we will work to expand operations and tap new markets.

#### (3) Asia and Middle East

In Asian and Middle Eastern markets, we will target growth centered on five key categories—nursing bottles, nursing bottle nipples, breast pumps, pacifiers, skincare products, and breast pads—while expediting reinforcement and proliferation of the Pigeon brand. In India, we will focus on operation of local production facilities and reinforcement of marketing functions.

competitive products. We will also strive to further improve the quality of our nursing-care services.

#### (3) Child-rearing Support Services

In this segment, we will aim for steady business growth while improving the quality of operational management. At the same time, we will continue working to foster high-quality childcare personnel.

#### (4) Global personnel system

To address further expansion of our overseas business, we will work to foster personnel capable of acting on the global stage. At the same time, we will build a global personnel system.

#### (5) Global head office

The Pigeon Group will deploy its global head office to strengthen its Group strategy planning and advancement functions and reinforce its compliance and CSR capabilities, with the aim of fortifying the head office's function as a corporate center.

Pigeon Group will aim to fulfill the Group's corporate social responsibilities by maintaining a consistently strong ethical outlook and compliance-focused management in all aspects of its business activities. In our rapidly expanding overseas operations, we are working to further enhance our global risk management system. We are committed to rigorously implementing compliance and other internal control systems in order to fortify corporate governance.

PIGEON  
History

At a Glance  
Key Ratio

Interview with  
the President

Pigeon  
Way

Fifth Medium-Term  
Business Plan

Pigeon Group's  
Business  
Development

Pigeon CSR  
Initiatives

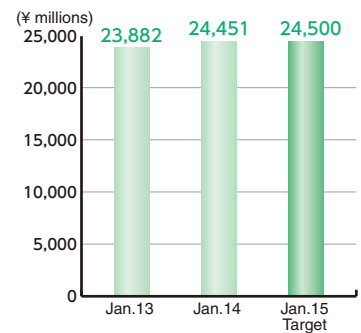
Management's  
Discussion  
& Analysis

Financial Data

Corporate  
Information

# Domestic Baby & Mother Care Business

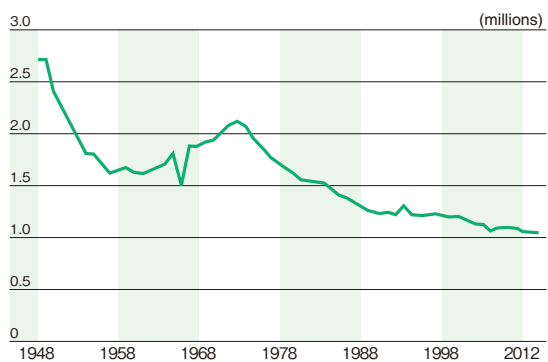
Sales of Domestic Baby & Mother Care Business



## Business Environment

In this segment, the Pigeon Group continued facing challenging market conditions, with no recovery in the number of births. The total number of births in Japan was 1.03 million in 2013, down about 7,000 from 2012. Although the domestic economy showed a recovery trend in 2013, our business environment will continue to defy optimism amid progressive oligopolization of retailers and uncertainty among consumers about the future.

### Number of Childbirths in Japan



Source: Ministry of Health, Labor and Welfare

## Our Competitive Edge

Based on half a century of research into breastfeeding and infant and child development, the predominance of the Pigeon brand is the result of creating and developing a wide range of high-quality products. Here, we use the discoveries we have made via in-depth research into the growth processes of babies, and we have uncovered various problems that parents encounter when raising children. Our competitive edge lies in our high public profile as an industry leader and creator of the prominent Pigeon brand.



Baby and Mother Care-related products featuring a wide variety of items

## Business Strategy

In the year under review, we focused on expanding our presence in new business domains, such as large-sized products. We also continued releasing numerous new products and sought to further strengthen our existing business in Japan through our ongoing direct communication policy.

### Existing Market Initiatives

We are conducting more in-depth research into the physical development of babies with the aim of further raising the appeal of our products. At the same time, we are addressing the diversifying needs of customers, including by providing products for children in an older age bracket than our traditional baby segment. We are also striving to boost our market shares for all product categories by stepping up educational activities. Pigeon is renowned for its ability to offer a full range of baby products. Deploying this capability, we have been working in collaboration with large retailers to establish in-store Pigeon product sections and develop sales promotion strategies.

### New Market Initiatives

Amid changes in consumer purchasing behavior, the Pigeon Group is creating business models that are appropriate for such patterns. In large-sized products, a new category, we launched the "SALVAJE" child seat in June 2011. In February 2012, we released the "SOLACICA", an A-shaped baby stroller with both forward- and rear-facing selections and a 50cm high-set position to avoid ground-level stress. In March 2012, we unveiled the "contento" baby stroller, with a rear-facing design and other functions to make babies feel calm. In the Internet shopping business, in July 2012 we opened a Pigeon-brand store within Amazon.co.jp, a comprehensive online shopping site, enabling us to offer all of our products, from maternity items to baby-related products.

We are also emphasizing direct communication to strengthen our brand appeal. In this context, we hold maternity events around Japan, which is reaping benefits in terms of attracting pregnant women. In addition, we conduct "pre-maternity classes" targeting women beginning preparations for pregnancy, as well as ongoing "Mama classes" for women who have recently given birth.

The membership of Pigeon.info, our website for word-of-mouth information designed to help women with pregnancy, childbirth, and child-rearing, continues to grow. With steadily increasing in members, Pigeon.info has become one of the most popular sites of its type in Japan. Through such measures, we continue to ensure a high level of brand loyalty even though Pigeon's customer base changes from year to year. At present, we are creating a new business model that integrates various functions, including online sales, community sites, and the Internet.

## Performance and Highlights

In the year under review, sales in the Domestic Baby & Mother Care Business segment totaled ¥24,451 million, up 2.4% year-on-year. In addition to an increase in cost of sales, we reported higher selling, general, and administrative expenses stemming from our marketing activities for consumable products and aggressive implementation of sales strategies. Accordingly, segment income rose 1.0%, to ¥3,411 million.

We launched a host of exciting new products during the year. In February 2013, for example, we released the “Mahalo” baby stroller, equipped with Pigeon’s original “hug seat” to ensure maximum comfort for infants. We also unveiled six items in the “UV Baby series” of lotions to protect babies from UV rays in three steps, namely, protecting, removing, and moistening. In March, we launched three new bottle pattern in the “Bonyu Jikkan series” of nursing bottles enabling mothers to make selections according to their individual tastes. In July, we released “Oshiri Nap Tappuri Aqua” baby wipes featuring newly developed sheets and use of 99% pure water. In August, we unveiled “Kande Oishii Yosan Tablet Calcium Plus”, a chewable supplement for women preparing for pregnancy and those already pregnant, for whom it is important to have a sufficient intake of folic acid, iron, and calcium.

During the year, we held 48 events as part of our direct communication program, attracting around 3,600 people. The events included “pre-maternity classes” for women preparing to become pregnant and “Mama classes” for those who have given birth.

## Average Monthly Expenditures per Infant

Segment	2009	2010	2011	2012	2013
Baby formula	1,233	1,188	1,203	994	828
Baby foods	725	673	755	645	572
Cow's milk	281	245	259	354	360
Snacks	560	536	494	578	576
Other (foods)	1,346	1,296	1,380	1,632	1,741
Subtotal (foods)	4,145	3,940	4,094	4,203	4,077
Clothes, underwear, shoes, etc.	3,541	2,601	2,558	2,483	2,679
Cloth diapers, diaper liners, etc.	216	171	149	160	120
Disposable diapers	3,437	3,279	3,117	3,002	3,176
Subtotal (clothes, diapers)	7,193	6,051	5,824	5,646	5,974
Medical treatment	905	1,157	755	705	912
Toys	1,190	1,145	1,313	1,240	1,137
Picture books	425	384	469	467	372
Subtotal (toys, picture books)	1,615	1,530	1,783	1,707	1,509
Breastfeeding, baby food crockery	342	315	324	292	343
Bathing/hygiene accessories	1,200	1,165	1,146	1,080	1,285
Subtotal (breastfeeding, baby food crockery, bathing, hygiene)	1,542	1,480	1,470	1,372	1,628
Outing products, furniture, beds, etc.	2,644	2,038	2,362	2,087	1,987
Total	18,044	16,198	16,291	15,719	16,087

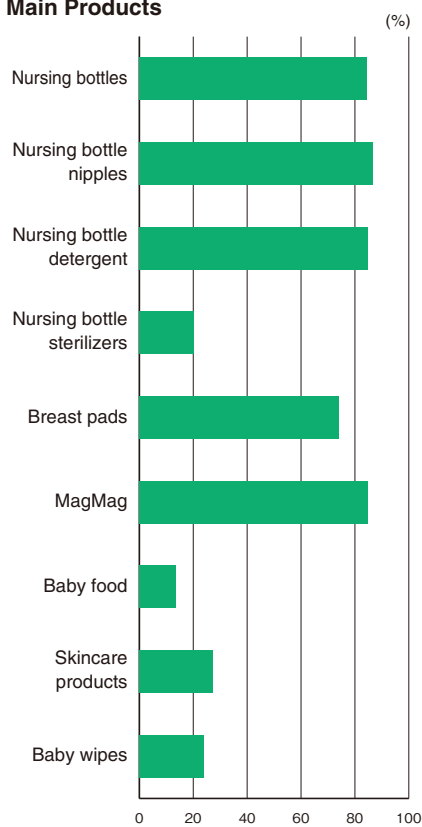
Source: Figures compiled by Pigeon.

## Outlook

The birthrate in Japan is not expected to increase in the future. To boost growth amid such conditions, Pigeon will deploy its strength in basic research to develop highly distinctive products and reinforce its existing product categories, in order to raise profitability. At the same time, we will focus on steadily expanding our presence in the market for large-sized products, a category in which we have already launched new offerings. Meanwhile, we will work to consider entering in new categories.

In February 2014, Pigeon Will Corporation, a wholly owned subsidiary that sells maternity-related undergarments, was merged into the parent company. The aim of the merger is to reinforce our marketing capabilities and allocate business resources to achieve more efficient operational management. In addition, we will work to further strengthen store-based initiatives and continue enhancing profitability by engaging closely with distributors and retailers. Through these measures, we forecast sales in the Domestic Baby & Mother Care Business segment of ¥24.5 billion for the year ending January 2015.

## Domestic Market Share of Pigeon's Main Products



(Jan. 2014)  
From INTAGE Inc's POS national drug expansion/  
promotion value (amount of money per month)

PIGEON  
History

At a Glance  
Key Ratio

Interview with  
the President

Pigeon  
Way

Fifth Medium-Term  
Business Plan

Pigeon Group's  
Business Development

Pigeon CSR  
Initiatives

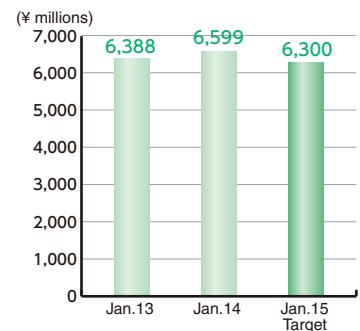
Management's  
Discussion & Analysis

Financial Data

Corporate  
Information

# Child-rearing Support Services

Sales of Child-rearing Support Services



## Business Environment

There are an increasing number of women who want children but who wish to keep working. Similarly, more and more women want to return to work while raising children. Despite a declining birthrate, the market for child-rearing support services is expanding. In particular, the number of children on waiting lists to enter daycare continues to increase in urban areas. There is a strong push for action to be taken immediately, and the national government is examining specific measures, such as a framework for additional daycare facilities and new systems for children and child-rearing.

Such measures are being implemented through the cooperation of the public and private sectors. All of society is working to enact measures for addressing the declining birthrate and for supporting child-rearing. There are high expectations for our company to fulfill a major role. Specifically, we believe that there will be a positive influence on the expansion of our Child-rearing Support Services. For example, new kindergartens will be established and a variety of childcare services will be enhanced.



## Our Competitive Edge

Through its provision of baby and child-care offerings, Pigeon has built a reputation for safe and reliable products. Deploying this brand strength, we are building our Child-rearing Support Services under the principle that “children’s growth is first priority.” Today, the Pigeon Group provides a host of child-rearing support services that meet the varied needs of users. These include the operation of child-minding facilities, such as licensed and certified daycare centers and in-company child-minding facilities. The Pigeon Group also operates preschool education facilities, such as Kids World, which is implementing new programs, and provides a service that dispatches babysitters to people’s homes. Pigeon has earned the trust of parents for the high quality of its services while operating one of Japan’s largest Child-rearing Support Services.



Child-minding facility

## Business Strategy

The solid reputation and trust earned by our Child-rearing Support Services represent real social value, which in turn leads to further business growth. For this reason, we are working to strengthen the quality of this business as our top priority. We will continue building a foundation for steady growth using added value that only the private sector can effectively deliver. We do this by providing child-care and educational services, spearheaded by highly competent staff working within systems that incorporate risk management to guarantee safety and peace of mind. Through ongoing classes at Pigeon Heartner Open College, our training facility for child-care workers and other staff members, we endeavor to uphold our reputation as a provider with unparalleled knowledge of babies and young children.

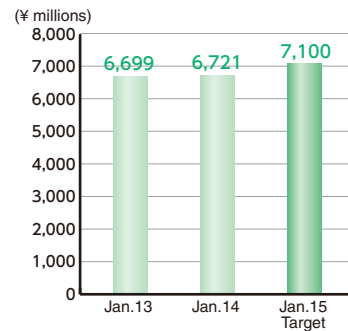
## Performance and Highlights

In the year under review, sales in the Child-rearing Support Services segment amounted to ¥6,599 million, up 3.3% from the previous year. Segment income declined 3.6%, to ¥176 million, due mainly to an increase in selling, general, and administrative expenses stemming from higher recruiting costs aimed at addressing the ongoing shortage of child-minding personnel. In March and April 2013, we were newly entrusted to operate three-company child-minding facilities. Sales this business category are growing firmly alongside improvements in service quality. The number of corporate contacts for our babysitter dispatch service is also rising steadily. Going forward, we will step up our pursuit of highly specialized child-minding capabilities to address the distinctive characteristics of children. At the same time, we will entrench a management framework that delivers greater levels of safety and peace of mind.



# Health Care & Nursing Care Business

Sales of Health Care & Nursing Care Business

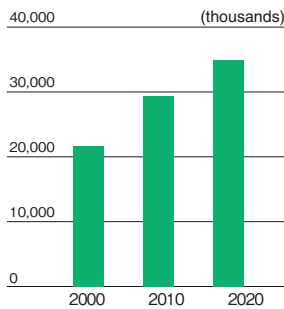


## Business Environment

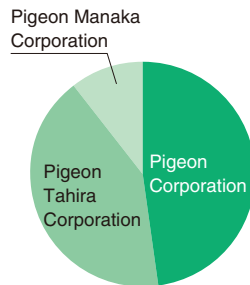
Japan's population is aging rapidly while the number of births declines. When baby boomers born between 1947 and 1949 begin to enter the 65-plus age bracket in 2015, it is estimated that this group's population will grow to 33,950,000, equivalent to 26.8% of the total population. This means that one in every four Japanese will be at least 65 years old by 2015. Moreover, the upward trend will continue after that. Although the number of elderly will start declining from around 2042, the percentage of elderly in the total population will rise further.

This market is expanding steadily against the backdrop of a society that is aging more rapidly than anywhere else in the world. The result is an extremely competitive environment, where other companies are launching new products and many dynamic enterprises are venturing into the market for the first time.

Estimate of Future Population in Japan (age 65 and older)



Share of Sales (image)



## Our Competitive Edge

Pigeon's Health Care & Nursing Care Business revolves around two brands: the Habinurse brand of nursing care products and the Recoup brand of products that support the active elderly. Together, these two brands offer items in many product categories, including toileting, bathing, hygiene, meals, sleeping, and mobility. Pigeon's strengths in this segment lie in its ability to investigate unsatisfied customer demand, as well as its product planning capabilities and advanced quality control systems acquired in the course of developing baby care products. The Pigeon Group has two sales channels for health and elder care products: retail stores and institutions/hospitals. We also possess know-how and a proven track record in public information events and communication activities to support provision of health and elder care services.

## Business Strategy

To date, we have advanced our Health Care & Nursing Care Business through the Habinurse brand of elder care products and the Recoup brand of products for the active elderly. In the fiscal

year ended January 2012, we restructured the organization of this segment by slimming down and concentrating managerial resources around the Habinurse brand of elder care products that are enjoying strong demand. We are now striving to improve the competitive power of our products by focusing on core categories. The Habinurse brand of elder care products is a central part of Pigeon's elder care business, which was launched in 1975.

Through its retail store and healthcare facility sales channels, the Pigeon Group fully meets the needs of people receiving care in their homes or in healthcare facilities.

As for the Recoup brand of anti-aging products, launched in August 2007, we will streamline our product lineup and concentrate on new sales channels, such as catalog and TV shopping.

## Performance and Highlights

The business environment for the Health Care & Nursing Care Business segment remained challenging, with intensifying price competition in the consumable products category. Sales in this segment edged up 0.3%, to ¥6,721 million, and operating income slipped 0.4%, to ¥212 million. During the period under review, we launched a number of new products. In August 2013, for example, we unveiled "Recoup Futan Keigen Supporter Hizakansetsu Ugoki Smooth", a supporter that helps wearers with weakened knee joints to move more easily. In September, we released "Habinurse Yaburenikui Taipu no Oshirifuki" wipes for adults, which enable users to clean themselves while also keeping hands clean. In November, we launched "Habinurse Lock Assista", a new wheelchair that locks the wheels automatically when the user stands up.

## Outlook

The Group will continue expanding the scale of its Health Care & Nursing Care Business segment, recognizing the important role of this business in boosting revenue and earnings.

Going forward, we will rebuild our Group business operational system and enhance profitability by reinforcing sales activities centered on elder care facilities. We will also seek to launch products derived from in-depth research into carefully targeted core categories. These products will form the cornerstone of our rigorous growth strategy.

Regarding the Habinurse brand, we will enhance our product lineup by bringing to market items in our well-performing skincare and food-related areas. We will also boost sales activities targeting retail stores, care facilities, and hospitals. In addition, the Group will enhance the content and user-friendliness of the "Guide for Pigeon Tahira's Health and Nursing Care Products" site, which provides information on health and home nursing care for people aged 50 or older. The Group plans to increase sales in this segment to ¥7.1 billion in the year ending January 2015.

PIGEON History

At a Glance Key Ratio

Interview with the President

Pigeon Way

Fifth Medium-Term Business Plan

Pigeon Group's Business Development

Pigeon CSR Initiatives

Management's Discussion & Analysis

Financial Data

Corporate Information

# Overseas Business

## Business Overview

In the year under review, the Overseas Business segment posted sales of ¥38,540 million, up 42.9% from the previous year. Segment income jumped 59.3%, to ¥10,172 million, despite an increase in selling, general, and administrative expenses associated with marketing activities to support our proactive overseas business advancement. In China, we enjoyed a substantial year-on-year rise in sales, buoyed by the launch in July 2013 of disposable diapers for babies, as well as reinforcement of marketing and sales promotion activities. At our two Chinese manufacturing facilities, we steadily expanded production and worked to enhance efficiency. In India, meanwhile, we continued pursuing aggressive sales and marketing activities aimed at market proliferation of the Pigeon brand. Going forward, we will further strengthen our sales and logistics systems in India, while upgrading our product supply capabilities with the construction of a local plant. In North America, we will continue enhancing our product categories and expanding operations, including by reinforcing our organizational framework.

## Business Strategies

Our competitive advantage in overseas markets derives from two key strengths.

One is the appeal of our products. We conduct basic research through in-depth consideration of “what is the best for babies and their mothers?” and make products accordingly. In stores, meanwhile, we create displays to permit an instant understanding of our product appeal, and we are building a system to allow explanation of displays and product features in an easy-to-understand manner. Pigeon intends to advance its business model, well established in Japan, across the world.

Another strength is teamwork with high-quality business partners. Since we began exporting to China in the 1990s, we have been fortunate to have reliable sales partners (primary distributors). To advance our overseas business, not only in China, it is extremely important that we build good relationships with local partners—including distributors and retailers—with excellent local knowledge. We are mindful that reviews and updates of our promotions and their results are in the best interests of our customers. Accordingly, we closely monitor market conditions, and take timely action where necessary.

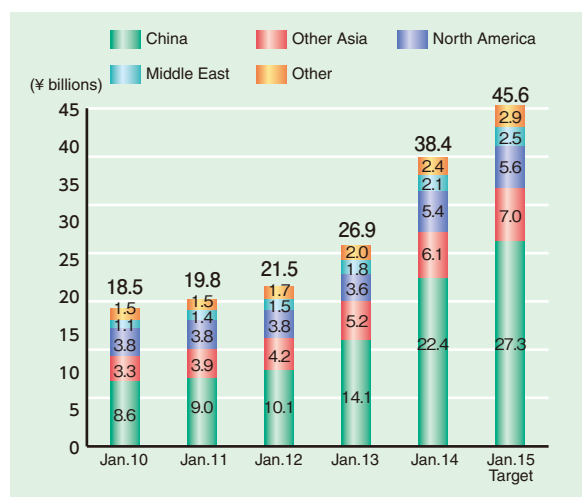
## Outlook

According to the Fifth Medium-Term Business Plan, the Group will further cultivate and deepen its presence in the existing markets and new ones in the established prioritized countries, while focusing on sales of the priority merchandise categories. Also, we will continue generating synergy with Pigeon brand power enhancement through horizontal deployment of a model for activities in maternity hospitals.

At the same time, we will more deeply cultivate and expand our presence in existing markets, such as China and North America, while enhancing our product categories. Meanwhile, we will actively tap other overseas markets, such as India, Malaysia, and South Korea. In the Chinese market, we will strengthen our brand power and expand the business. We will also emphasize new products and step up sales of products made at the new plant in Changzhou. In Europe and North America, we will achieve steady growth by enhancing our product categories and reinforcing our brand power. Through these initiatives, we forecast sales in the Overseas Business segment of ¥45.6 billion in the year ending January 2015.

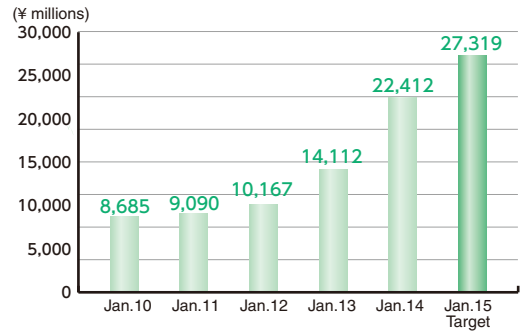
We recognize the particular importance of recruiting and promoting highly talented staff in realizing our global strategies. Pigeon already has numerous personnel with diverse skills in the Overseas Business Division and the China Business Division. Going forward, we will focus on enhancing the mobility of personnel in Japan and overseas, strengthening language training, and recruiting local employees at our overseas sites, in order to strengthen our operating foundation.

## Overseas Business Sales by Region



# China

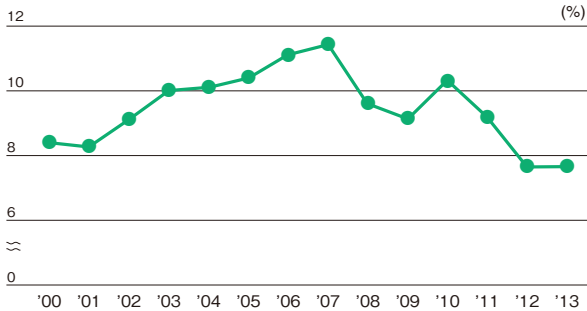
## Sales in China



## Business Overview

With a population of around 1.3 billion, China's annual childbirths have averaged about 15–17 million over the past several years, which is 14–16 times the number of births of Japan. Pigeon is targeting the wealthiest 15%–20% of the market, representing 2.25–3.4 million people. Given that we generate around ¥24.4 billion from our baby and child care products business in Japan, where only about 1.03 million babies are born annually, we feel it is possible to achieve annual sales in China of around ¥40 billion. In 2012, Pigeon celebrated the 10th anniversary of full-scale entry into the Chinese market. In the beginning, we developed our business mainly in coastal areas around large cities, such as Shanghai and Beijing. More recently, however, we have broadened our coverage across all areas, including interior regions.

## GDP in China



Source: The figures are compiled by Pigeon Corporation with data from the International Monetary Fund (IMF) (–2006) and the Organization for Economic Cooperation and Development (OECD) (2007–).

## Our Position

The target for Pigeon's products is the "new rich" market. We are advancing our business by proposing innovative lifestyle scenarios, with an emphasis on toiletry-related products. With more than 500 types of products on the Chinese market, we supply higher-priced items to meet high-end demand from the growing number of newly wealthy people in major coastal cities. Despite recent signs of a slowdown, economic growth in China continues at rapid speed, and we have steadily expanded our business through various measures. These include good timing of market entry, extensive face-to-face sales activities based on stable pricing that reflects sharp economic growth, and the high quality of our products, as well as increasing the number of stores and dedicated in-store Pigeon sections handling our offerings.

## Business Strategies

From the beginning, Pigeon has regarded China as a market rather than a production center. With this in mind, we have worked to strengthen brand awareness and proliferation by deploying the sales prowess of our partner companies.



A Mother receiving counseling in the Breastfeeding Advice Offices

In Chinese hospitals, for example, we have held various events, such as product exhibitions, product explanation forums, and child-care information sessions. In 2009, we opened Pigeon Breastfeeding Advice Offices in 34 hospitals as a joint project with China's Ministry of Health (44 hospitals as of the year ended January 2014). In these ways, we have stepped up our focus on brand appeal reinforcement. As of January 31, 2014, we have formed partnerships with more than 250 hospitals throughout the country in order to offer educational activities related to breastfeeding, including our Pigeon Breastfeeding Advice Offices.

With respect to manufacturing, Pigeon Manufacturing (Shanghai) Co., Ltd., established in Shanghai's Qingpu Industrial Zone in January 2008, has been manufacturing and assembling various products. These include silicon nursing bottle nipples, detergents, and toiletries, as well as nursing bottles. In January 2011, Pigeon Industries (Changzhou) Co., Ltd. started operations at its plant in Changzhou, Jiangsu Province, producing breast pads and baby wipes.

Pigeon's sales growth in China has been steady. With its products available at around 15,000 retail outlets, Pigeon is becoming widely recognized among customers as a highly reliable brand. We achieved Chinese sales of ¥22.4 billion in the year ended January 2014. However, we can now envisage potential sales of more than ¥40 billion in the future.

In China, we expect the large birthrate to continue for some time, and with disposable incomes rising among Chinese people in general, consumers are growing more and more conscious of product safety. We regard this as a positive factor that will underpin growth of our Chinese business. In addition to existing products, notably nursing bottles and nipples and toiletries, we anticipate sharp growth in the market for consumables, such as breast pads and baby wipes, on a par with industrialized nations. In November 2013, we augmented our offerings in China with the launch of baby food.

Recently, there have been concerns about rising anti-Japanese sentiment in China. However, the impact on the Group's business in China has been minimal.

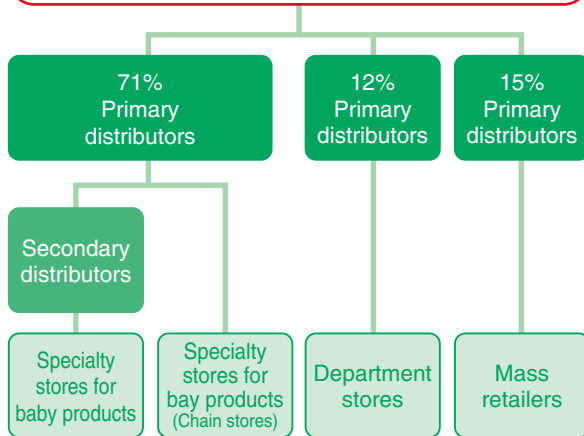
## Sales Development

We are expanding ties with local distributors in order to develop our sales network across the entire nation. Through agreements with three primary distributors by sales channel and establishment of secondary distributors for baby specialty stores, we are steadily increasing the number of stores handling our products.

In the future as well, seeking to further boost sales in China, we will continue rebuilding our distribution network by selecting and mobilizing both primary and secondary distributors.

## Sales Organization

### PIGEON (SHANGHAI) CO., LTD.



\*Figures marked with "%" shows the composition ratio out of total sales.

## Expanding Our Sales Network

Through our focus on establishing dedicated Pigeon counters within baby specialty stores, we are making steady sales progress in China's interior regions. As of January 31, 2014, a total of 2,763 such dedicated sections were in operation, up 272 from a year earlier. In addition to Shanghai, where we have a business base, we opened a branch in Beijing in 2008, and in Guangzhou in 2009. We will continue expanding our presence across the nation.



Pigeon counters in China

## Performance and Highlights

In the year under review, sales in China totaled ¥22.4 billion, a significant 58.8% increase (26.4% rise in local-currency terms) from ¥14.1 billion in the previous fiscal year. In China, we have finished rebuilding our distribution system and continue to maintain favorable relationships with distributors. Sales of new products are progressing well, and we are steadily expanding production at our two manufacturing bases in line with business growth. These factors have contributed significantly to improved profitability. During the year, we also continued educational activities related to breastfeeding in cooperation with China's Ministry of Health. We also focused on promotional activities, including live performances of maternity-oriented plays.



PIGEON INDUSTRIES (CHANGZHOU) CO.,LTD.  
Factory in Changzhou, Jiangsu Province, China

## Outlook

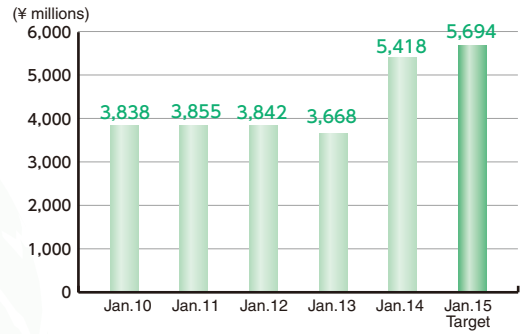
Looking at demand for products aimed at children from birth to 24 months, there is no major difference between China and Japan. We look forward to further market growth in China, centering on consumable products, in line with economic expansion. China also has greater growth potential than Japan with respect to the number of births, and that nation's finances are also stable. The Chinese government is also swift to take action, including public spending and consumption stimulatory measures. Over the long term, therefore, there is minimal cause for instability despite some concerns about anti-Japanese sentiment in China. For these reasons, Pigeon has not changed its view that China should remain a priority market. While we recognize the existence of income differences between people living in coastal and regional areas, our total sales in China have grown steadily thanks to our nationwide business advancement strategy. Indeed, sales in interior regions now exceed those in major coastal cities, such as Shanghai, Beijing, and Guangzhou, and we look forward to further growth in the future.

## Sales Channel Expansion in China



# North America & Europe

Sales in North America



## Business Overview

With respect to total fertility rate and childbirth numbers, the United States is relatively stable among advanced countries. Doctors in that nation generally recommend breastfeeding, so demand for breastfeeding-related products is rising. In April 2004, Pigeon acquired Lansinoh Laboratories, Inc., based in Virginia, and transformed it into a subsidiary. Since then, Lansinoh has been building sales platforms in the United States and Europe based on medium- and long-term perspectives, and its products have garnered strong support. In December 2010, Lansinoh took over business related to the "mOmma" brand of child-care products, sold mainly in Europe, from Baby Solutions SA and Baby Solutions Italia Srl. Targeting further business expansion, in November 2011 U.K. company HealthQuest, which sells the "earth friendly baby" brand and other organic/natural skincare products mainly in Europe, was merged into Pigeon Corporation.

## Our Position

The Lansinoh range of breastfeeding-related products includes nipple creams, breast pads, breast milk storage bags, and breast pumps. It is recognized for its unmatched product quality and brand strength, and its offerings are handled by more than 40,000 stores in the United States. In January 2009, Lansinoh acquired the sales rights for the Soothies brand of breastfeeding-related products from Puronyx, Inc. Here, our aim is to strengthen our business in the United States by upgrading our lineup of breastfeeding-related products and securing sales channels into hospitals. We are seeking to further expand our business by upgrading our product categories. From January 2014, Lansinoh made a full-scale launch of nursing bottles. This has enabled the Group to strengthen its total support to child care scene in terms of "Expressing breast milk → Storing → Feeding". We will further boost enhancement of our brand power in breastfeeding corporate support.



"Lansinoh" brand products

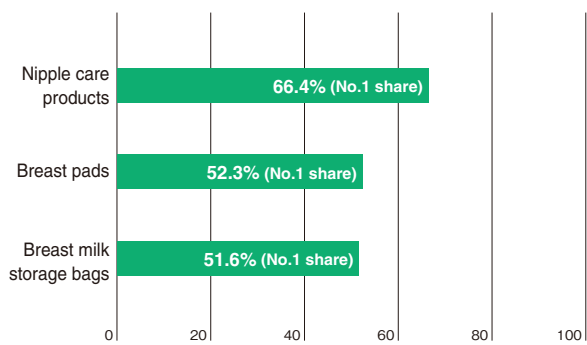


Full-scale launch of nursing bottles NaturalWave™



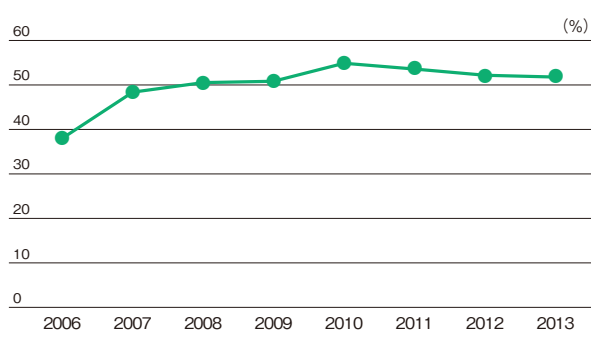
Lansinoh counters in North America

Lansinoh Laboratories, Inc.: U.S. Market Share (yearly average)



Source: Figures compiled by Pigeon (as of January 2013).

Lansinoh Laboratories, Inc.: Breast Pad Market Share in North America



Source: Figures compiled by Pigeon.

PIGEON History

At a Glance Key Ratio

Interview with the President

Pigeon Way

Fifth Medium-Term Business Plan

Pigeon Group's Business Development

Pigeon CSR Initiatives

Management's Discussion & Analysis

Financial Data

Corporate Information

## Performance and Outlook

In the year under review, we posted a significant improvement in results, having successfully rejuvenated our personnel and reinforced our sales activities. Sales in North America totaled ¥5,418 million, up 47.7% from the previous year (up 20.6% in local-currency terms). In Europe, we expanded our lineup of

offerings for the breastfeeding-related market while increasing the number of retailers and stores handling our products. We will focus on further reinforcing our brand, while aiming to release new products in the marketplace and to tap new markets in Central and South America as we are working to expand our Group's business.

## Other Countries

### Business Strategies

In addition to China and North America, the Pigeon Group is actively entering new markets in order to expand its business. In Asia, we are upgrading our production base in Thailand, and we established a new subsidiary in India that is building a distribution network, increasing the number of outlets handling our products, and establishing dedicated Pigeon sections in retail stores. In South Korea, we transformed our sales branch into a subsidiary in order to reinforce our structure and achieve business expansion. We are also steadily broadening our business in Russia.

#### ■ Initiatives in Asia

Pigeon launched its business in South Korea in the 1980s, focusing primarily on exports from Japan. In February 2009, we changed our brand name for the local market to "DoubleHeart," which has since won high recognition mainly for its breastfeeding- and weaning-related products. Our branch office in South Korea, opened in July 2010, has been gathering information and conducting activities while also providing sales support. Seeking to reinforce our operations and achieve future business expansion, in August 2012 we transformed the sales branch into a subsidiary. Through the new subsidiary, in the year under review we worked to further raise brand recognition and broaden our range of offerings through collaboration with local distributors. In Malaysia, our local sales company, now a Pigeon Group member, will target business expansion while deploying our strong brand power and marketing expertise.

In India, the population has been growing at the rate of more than 10 million per year, reaching over 1.2 billion in March 2011. More than half the population is under 25. Although there are major discrepancies between rich and poor, considerable growth in the wealthy population is boosting the number of childbirths. Currently, there are no dominant brands of baby and child care products in India. We will respond to demand by raising recognition of Pigeon as a top-quality brand with high added value, as we have done in Japan and China. In India, we have already expanded mainly in major cities such as Delhi and Mumbai. We are also implementing sales displays that are linked with the community. Since April 2010, we have engaged in full-scale activities in India. Initiatives include local procurement of skincare items and establishment of dedicated Pigeon sections in retail stores. Going forward, we will work to reinforce our distribution system and expand our sales network, with the aim of achieving renewed business growth.

#### ■ Other Markets

In the Middle East, we will reinforce strategies related to our flagship product of nursing bottles, while expanding other categories, such as skincare products.

In Russia, we will advance our business, centering on our new distribution agency, appointed in 2010.



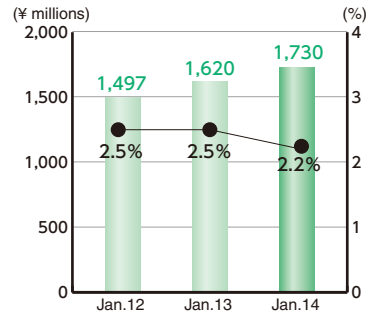
Exhibition in Singapore



Pigeon counters in India

# Research & Development

R&D expenditure/R&D expenditure ratio to sales



## Our R&D Mission

At Pigeon, our R&D activities seek to constantly create the highest level of products. In particular, in the field of breastfeeding research, have observed the behavior of infants continuously for more than 50 years in an effort to clarify how infants drink when breastfeeding. Based on these observations, we consider it our mission to provide infants throughout the world with the best nipples for nursing bottles. At the core of such R&D activities is our Central Research Center, which was opened in 1991 in Tsukuba Mirai City, Ibaraki Prefecture. When conducting breastfeeding research, we initially attached cameras to the bottom of nursing bottles in order observe the movement of infants' tongues. Today, we use ultrasonic echo technology for such observation.

Today, Pigeon's product group has expanded greatly. Our behavior observation has also broadened to include such themes as maternity products and products for the elderly. Every day, we work our hardest to solve the problems of people leading a variety of different lifestyles.

## Basic Research and Achievements

Basic research on infants, the target of our baby and child care products, is handled by our basic research department in Japan. We also integrate research findings by coordinating individual research projects undertaken by our various overseas companies in Japan.

Our baby shoes are a good example of a best-selling product to emerge from basic research conducted at the Central Research Center. This product required eight years of research before its launch in 2003. Pigeon's core products—nursing bottles and nipples—are the result of suckling-related research extending back more than 50 years since its establishment. We have been expanding our body of knowledge on the suckling movements established by Pigeon well before, which consists of the three principles of "adsorption," "suckling," and "swallowing." One finding from this research has been applied to a new nursing bottle nipple called Bonyu Jikkan. Launched in spring 2010, this new product allows babies to suckle in a more natural way.

# Overseas Research & Development

## Overseas Business and R&D

For more than 50 years since our founding, we have created a diverse range of products based on research into breastfeeding and other aspects of child development. Overseas, we have successfully marketed the same products that were originally known in Japan for their high quality and advanced technological functions. This has enabled Pigeon to satisfy customers and earn their trust in overseas markets, such as China.

By contrast, some products, such as breast pumps and other breastfeeding-related products, may have different features according to user ethnicity. In 2011, we opened a special section of the Central Research Center in Singapore, which collects and monitors statistical data relevant to breastfeeding-related products.

## Localized R&D and Quality Control

Pigeon is steadily expanding its business in China, North America, and other countries and regions. The establishment of product supply and development systems and the training of personnel are pivotal for promoting further globalization. Consequently, Pigeon's R&D focuses on developing products that address local needs and on establishing a highly reliable quality control system. At present, we have regional R&D bases in Shanghai and Singapore, which receive research personnel dispatched from Japan.

New products sold in overseas countries are subject to stringent quality control checks by the Central Research Center before their release. Quality confirmation related to mass production is handled by the Center's quality control section. This framework assures consistent product quality across the Pigeon Group.

PIGEON History

At a Glance Key Ratio

Interview with the President

Pigeon Way

Fifth Medium-Term Business Plan

Pigeon Group's Business Development

Pigeon CSR Initiatives

Management's Discussion & Analysis

Financial Data

Corporate Information



# Pigeon CSR Initiatives

Reflecting its corporate philosophy, “Love” Pigeon is committed to supporting the lives of women—while pregnant, approaching childbirth, and when raising children—as well as the elderly, through the provision of high-quality products and services. In this respect, we believe our business activities themselves entail an element of corporate social responsibility (CSR). Moreover, we feel that ensuring a favorable balance with all stakeholders, whom we treat as customers, is key to effective CSR and also helps increase corporate value.

Guided by the Pigeon Way, all employees of the Group share the meaning and significance of our corporate philosophy, which is thus reflected in the specific actions of each individual. This is the true essence of Pigeon’s CSR.





## Customer-focused management

Companies that fail to satisfy customers with their products and services cannot be expected to return profits to shareholders. Since the 1960s, Pigeon has established customer consultation rooms, which were unusual in those days, to quickly gain customer feedback for reflection in its business. These activities underscore our commitment to customer-focused management.

Recently, we have stepped up activities aimed at delivering safe, reliable products according to the Pigeon Quality Standard.

## Products derived from more than 50 years of research into infants

The Pigeon Group deploys its brand appeal and management quality to achieve a global presence as a lifestyle support company centered on child-rearing. This is our mission. The development of Pigeon's products is based on more than 50 years of research into infants and feedback from customers raising children.

For example, the Company's nursing bottles and nipples are being created based on an ongoing research into the breastfeeding exercise, from various perspectives including observation of baby's oral cavity through monitoring and measurement conducted at the Central Research Center, home visit observation, and ultrasonic tomography (echo). The Group has been also jointly conducting observation and research with medical doctors on breastfeeding of babies with low birth weights.

### For all babies

Pigeon produces nursing bottles and nipples in order to "allow all babies enjoy a better suckling". Moreover, the Group has been developing exclusive products in order for infants with low birth weight or special needs to also be able to suckle 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 elaborately designed "nursing bottle specially designed for babies with cleft lips and/or palates" by providing them with



Nursing bottle and nipple to use in hospitals on low birth weight babies



Nursing bottle specially designed for babies with cleft lips and/or palates

an ingenious selection of their structure, shape and even bottle, as Pigeon always supports breastfeeding exercise for babies lacking strength to suckle milk on their own.

## Child-rearing and nursing care information

In modern Japan with the emergence of the nuclear family, there are many mothers who have nobody to consult when faced with anxieties about child-rearing. In the face of such difficulties, the Pigeon Company aims through its business activities to reduce and even to eliminate the anxieties and inconveniences our customers face while raising a child. To this end, the Company provides a wide range of services and information not only through its products, but also through its website and events.

For example, we operate Pigeon.info, a community website that serves as a forum for customers raising children around Japan to exchange and gather helpful information. The site now has more than 700,000 members.

As for nursing care, the Group presents its products and describes how to use them according to your purpose and scene, by providing a "Guide for Pigeon Tahira's Health and Nursing Care Products" that even beginners can easily understand.



<http://pigeon.info/>



<http://www.pigeontahira.co.jp/>

# For the Environment

## Basic approach to environmental protection

The Pigeon Group regards global warming as a very serious problem and is committed to preventing such warming and realizing a sustainable society.

In addition to complying with relevant laws, such as the Energy Saving Act and Law Concerning the Promotion of Measures to Cope with Global Warming, each year we step up Groupwide environmental initiatives. These include establishing energy-efficient systems and various specific activities.

As a maker of daily commodities, the Group is committed to ensuring that its products do not have a bad effect on the global environment, not only while in use but also after they are discarded. To this end, we pay meticulous attention at each stage of manufacture, including selection of raw materials and parts.

In addition to product-related initiatives, for the past 27 years we have held the annual Newborn Baby Commemorative Tree-Planting Campaign at the Pigeon Miwa no Mori site, leased from Japan's Forestry Agency in a national forest near Hitachi-Omiya City. So far, more than 110,000 people have taken part in tree-planting activities, within a total plantation area greater than 33ha.

Pigeon is responsible for the sustainable management of the part of the site until the trees are ready to be felled (around 50 or 60 years). Revenue raised from tree-felling will be donated to social benefit causes.

As well as creating lifelong memories for parents and children, the tree-planting campaign helps safeguard the environment by protecting the forest. It also contributes to educational awareness about global environmental protection.



## Environmental initiatives

In Japan, for example, the Tsukuba Office and PHP Hyogo corporation earned certification in 2001 and 2006, respectively. Overseas, Pigeon Industries (Thailand) Co., Ltd. was certified in 2000, followed by Thai Pigeon Co., Ltd. in 2002.

At our production facility in China, meanwhile, we have started trialing the use of solar and wind power generation on a small scale.

### Environmental management certification

The Pigeon Group has obtained ISO-14001 certification for environmental management systems at many of its business operations and affiliated companies.

Our environmental activities are not aimed simply at temporarily reducing the impact of our operations on the environment. By adopting the PDCA (plan-do-check-act) cycle as well, as work hard to maintain an upward spiral for our environmental management systems.



# For Local Communities

## From Local Activities to Global Development

The Pigeon Group has achieved harmonious coexistence with people in local communities through a positive communication approach, which fosters a sense of trust. As our business becomes more and more global in nature, we will broaden this approach and related actions on a global scale.

### [Japan]

#### ● Environmental benefits of tree-planting campaign

In 1986, Pigeon launched the Newborn Baby Commemorative Tree-Planting Campaign and since 1987 it has held tree-planting drives on an annual basis, which in 2013 saw its 28th anniversary. Under the slogan "Raising Children, Raising Trees: The Spirit Is The Same," the campaign seeks to share the emotion and joy of childbirth with as many people as possible. It also serves to create forests and environments that will remain into the children's future and this continued campaign will surely make people more conscious about the issues of environmental conservation. Pigeon's Tree-Planting Campaign was launched in 1987 and has managed to plant so far more than 110,000 trees through 27 years of activity within a total plantation area greater than 33ha.



#### ● Children's art exhibition

Pigeon is a supporter of the Tomorrow's Science Children's Art Exhibition, which encourages children, our future world leaders, to freely express their visions of future science. The exhibition is hosted by the Japan Institute of Invention and Innovation (JIII). Our involvement stems from an endowment made to JIII by Pigeon founder Yuichi Nakata in order to help foster children's creativity. The endowment funds prize



money presented every year by the Institute to kindergartens attended by children who win the JIII Chairman's Award or the Excellence Award in the Kindergarten Section.

### [Overseas]

The Pigeon Group bases its overseas business expansion on the following philosophy: Instead of merely seeking the growth of Pigeon's business, we shall exist as a corporation that contributes to the countries where we do business. Following the Sichuan Earthquake of 2008, our local Chinese subsidiary, Pigeon (Shanghai) Co., Ltd., provided various forms of aid, including donating funds for the reconstruction of a local elementary school. Construction of the school buildings proceeded smoothly, and an opening ceremony was held in December 2009 for the Pigeon Hope Elementary School in Meishan District of Sichuan Province. In 2010, we donated a school building to Huzhu Tu Autonomous County in Qinghai Province, and in 2011 we donated a kindergarten building to Xinjiang Uygur Autonomous Region. In 2012, we donated a school building to Yuping Dong Autonomous County in Guizhou Province. Our exchange-related activities are ongoing. In 2011, for example, we revisited the donated primary school in Sichuan Province and spent time interacting with the students and delivering donated school equipment, and in May 2012 we invited teachers and students to attend a ceremony in Shanghai, commemorating Pigeon's 10th anniversary of doing business in China.



PIGEON  
History

At a Glance  
Key Ratio

Interview with  
the President

Pigeon  
Way

Fifth Medium-Term  
Business Plan

Pigeon Group's  
Business  
Development

Pigeon CSR  
Initiatives

Management's  
Discussion  
& Analysis

Financial Data

Corporate  
Information

## For Business Partners

### ■ Providing products to be appropriately used worldwide

An important raison d'être for Pigeon is to boost the profits of business partners who handle its products. In Japan, we have a diverse array of such business partners, including drugstores, specialty stores for babies, supermarkets, home centers, department stores, nursing homes, and hospitals. These partners handle a variety of Pigeon items, such as child care products, elder care products, and maternity products. Overseas, our offerings, mainly child care products, are sold via department stores, specialty stores for babies and other stores.

### ■ Support for raising children and women's social advancement

In our Child-rearing Support Services, we help employees of companies and government entities raise children, including through the operation of in-company child-minding centers, in which we are an industry leader.

### ■ Fair trading

The Pigeon Group is working meticulously to ensure against transactions with antisocial forces. This effort covers not only Group companies but also business partners. For example, we confirm with business partners that they are not engaging in such transactions.

### ■ Pigeon Partners Line (Counter for compliance reporting and consultations for our business partners)

We established a Speak Up as a reporting/ consulting system when an employee learns of any violation of compliance in this Company and other group companies. In order to expand a system similar to a Speak Up to our business partners as well, we established Pigeon Partners Line (a counter for compliance reporting and consultations for our business partners) in August 2008. If you have any doubts whether actions deemed to infringement of corporate ethics (compliance violations) are performed, or such actions being actually performed bred your mistrust over any transaction made with this Company or any other group company, you can use this line as a counter for your compliance reporting and consultations.

## For Employees

### ■ Building motivating work environments and corporate culture

Pigeon recognizes that corporate value represents the summation of shareholder value, customer value, and employee value. In order to deliver high-quality products to the world, we must create an environment that motivates employees to work. If we don't take care of our employees, we cannot succeed in business. For this reason, we are upgrading various frameworks and systems to create an appropriate working environment, while building a corporate culture that helps employees perform their tasks more easily. Previous to the enactment of the Law for the Equal Employment Opportunity of Men and Women, we have established a corporate culture where there is no gender difference in the occupational course, and employees, including the president, are on last name followed by "-san" (Mr./Mrs.) terms with each other, thus avoiding calling each other by one's position.

### ■ Initiatives matching our global advancement

In conjunction with its business growth on a global scale, the Pigeon Group is rapidly increasing the number of non-Japanese employees. Our aim is to create work environments in which employees of diverse backgrounds can excel, regardless of such aspects as gender, nationality, or culture. For this reason, the Group undertakes a variety of activities to promote diversification.

### ■ Child-rearing support activities

As a company involved in baby and child care, Pigeon has constantly upgraded its systems for supporting the child-rearing activities of employees. Back in 1999, for example, received an award from the Tokyo Metropolitan Government for helping employees balance work and family life. We also implemented a 12-month parental leave system one year before it became a legal requirement in Japan. Female employees took advantage of this system as a matter of course, but it was not well utilized by male employees. For this reason, in February 2006 we adopted a new parental leave scheme offering one month's paid leave for men as a means of encouraging more men to take parental leave, prompting 15 male employees to take leave in the subsequent three-year period. Indeed, we are gradually progressing to the stage where parental leave for male employees becomes commonplace. (For the fiscal year ended January 2014, the ratio of men entitled to the one month's paid leave reached approximately 21.6%). In addition to this, we focused on assisting women employees to smoothly return to work after childbirth, through programs for early reinstatement of women workers, monetary support for children waiting for admission to daycare, etc. Going forward, we will continue creating work environments aimed at fostering employees who are well-versed on the subject of raising children.

# Corporate Governance / Compliance

## Governance System

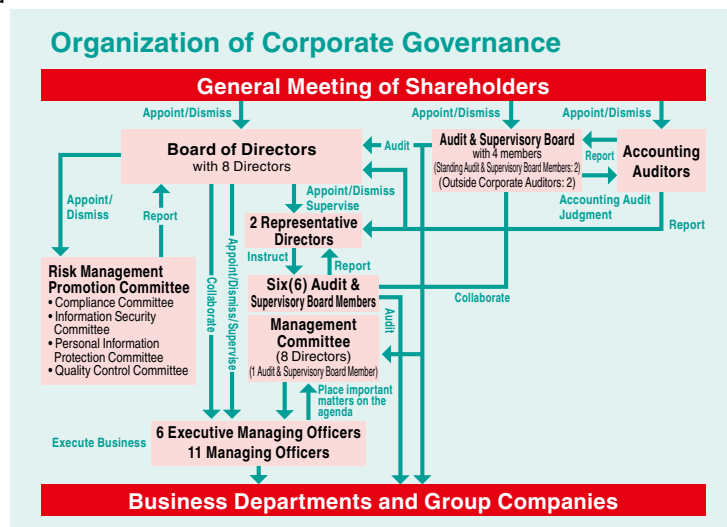
The founders of Pigeon Corporation have incrementally sold their shareholdings since the Company's over-the-counter registration in 1988 and its subsequent listings on the Second Section and First Section of the Tokyo Stock Exchange (TSE). At the same time, we have recognized the reinforcement and enhancement of corporate governance as an important management priority and made good progress as a public company in both name and reality. In the meantime, we introduced a managing officer system to strengthen the business execution function. In these and other ways, we have built a highly transparent system that enables governance to function properly.

Under the Companies Act, Audit & Supervisory Board Members are given strong authority to audit and supervise the Company's directors, including the right to attend Board of Directors' meetings to voice their opinions and the authority to monitor the Company's corporate governance, business operations, and financial status. Moreover, Audit & Supervisory Board Members are guaranteed terms of four years, which is longer than for directors. To ensure that the auditing function is performed optimally and appropriately, the Company has appointed two outside auditors to its Audit & Supervisory Board.

The outside auditors are Mr. Shigeru Nishiyama, a graduate school professor and certified public accountant, and Mr. Shuji Idesawa, who is an attorney. Both auditors offer impartial and

independent opinions, as well as specialist judgments and advice, in the best interests of not only the Company but also its shareholders, employees, and customers. In addition to Board of Directors' meetings, the outside corporate auditors attend other in-house meetings to exercise their legally accepted authority, and also hold regular meetings with representative directors, other directors, and executive officers in order to exchange opinions aimed at raising corporate value. In these ways, the Company works to ensure legal, appropriate, and effective decision-making processes.

Through ongoing communication with stakeholders, including shareholders and other investors, we will continue making improvements aimed at maximizing corporate value in the future.



## Corporate Ethics Policies

The following policies are established as universal guidelines for all Pigeon Group companies to put into practice "management with compliance commitment" (in other words, business operations in compliance with laws and regulations as well as corporate ethics). Pigeon hereby declares that every one of its employees will act in good faith with the highest ethical standards and in compliance with any and all applicable laws and regulations and social disciplines, as well as their underlying principles.

1. Pigeon shall promote "management with compliance commitment" and fulfill its social responsibility as a company in all aspects of its corporate activities by constantly adhering to the highest ethical standards and being consistent with its company philosophy that "Only love generates love."
2. Pigeon shall, through the provision of its products and services, strive for harmonization with society and promote extensive contribution to society as a good corporate citizen.
3. Pigeon shall be actively involved in environmental protection initiatives in every sphere of its corporate activities by acknowledging the preciousness of the planet Earth.
4. Pigeon shall respect its employees' human rights and personality at all times, ensuring them discrimination-free, equal job opportunity and rewarding work environments, and offering them fair merit ratings to help their self-fulfillment.
5. Pigeon shall seek fair and open competition in its corporate activities, which it believes contributes to the sound growth of its business.
6. Pigeon shall promote efficient management by ensuring the appropriate administration of its tangible and intangible assets.
7. Pigeon shall ensure communications not only with its shareholders but also with society in general and shall secure transparency through the timely and appropriate disclosure of its corporate data.

# Management's Discussion & Analysis

## Business Environment and Performance

### Business Conditions in Fiscal 2013

In fiscal 2013, ended January 31, 2014, the Japanese economy maintained a moderate recovery trend, buoyed by improvements in corporate earnings—owing to the effects of government financial and economic stimulus measures aimed at breaking the deflationary cycle—as well as increased personal consumption. However, the risk of downward pressure on the domestic economy remains real, reflecting uncertainty about the future of the world economy, surging raw materials prices due to the yen's depreciation, and concerns that the hike in the consumption tax rate will dampen consumption.

Under these conditions, the Pigeon Group focused on core issues according to the basic policies of its Fourth Medium-Term Business Plan, entitled "Achieving Global Business Success through Company and Individual Competence." (Fiscal 2013 was the third and final year of the plan.) As a result, consolidated net sales for the year amounted to ¥77,465 million, up 19.0% from fiscal 2012. Factors boosting revenue included steady growth in our overseas business, especially in the United States and China, and the yen's depreciation.

### Income Statement Analysis

Cost of sales increased 15.2% year on year, to ¥43,000 million, reflecting the rise in net sales. However, gross profit jumped 24.1%, to ¥34,464 million, growing at a higher rate than net sales.

Selling, general, and administrative (SG&A) expenses rose 16.6%, to ¥24,098 million. This was due mainly to an increase in personnel expenses in our overseas business, as well as our emphasis on efficiency of expenditures, including sales and marketing costs associated with cultivating new businesses. Among SG&A expenses, personnel expenses climbed ¥1,066 million, reflecting increases in employees at Lansinoh Laboratories and our Chinese operations. Operating income grew 46.3%, to ¥10,365 million, owing to higher net sales and

improved operating efficiency at production facilities in line with business expansion. Accordingly, the operating margin rose 2.5 points, to 13.4%. Among non-operating items, there was a ¥105 million year-on-year increase in foreign exchange gains due to greater-than-expected depreciation of the yen on foreign exchange markets. As a result, ordinary income rose 48.9%, to ¥11,002 million.

In addition to the above, there was an increase in minority interests. Consequently, net income for the year jumped 52.7%, to ¥6,985 million.

## Financial Position

### Assets

As of January 31, 2014, Pigeon had consolidated total assets of ¥57,955 million, up ¥9,416 million (19.4%) from a year earlier. Within this amount, current assets increased ¥6,260 million (21.5%), while fixed assets rose ¥3,156 million (16.2%). The major factor boosting current assets was a ¥2,528 million (23.9%) increase in cash and time deposits. The main reason for the rise in fixed assets was a ¥2,022 million (69.8%) jump in machinery and transportation equipment—net.

### Liabilities

Total liabilities at fiscal year-end stood at ¥17,973 million, up ¥1,800 million (11.1%) from a year earlier. Within this total, current liabilities increased ¥1,202 million (10.4%), and long-term liabilities grew ¥597 million (13.1%).

The main factors boosting current liabilities were a ¥978 million jump in current portion of long-term loans payable and a ¥654 million (16.9%) rise in notes and accounts payable. This was despite a ¥994 million (71.6%) fall in short-term borrowings. The main factor boosting long-term liabilities was an ¥826 million (50.4%) jump in deferred tax liabilities.

### Net Assets

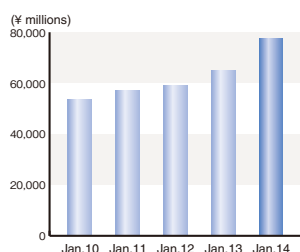
Consolidated net assets at fiscal year-end amounted to ¥39,981

## Sales by Segment (Consolidated)

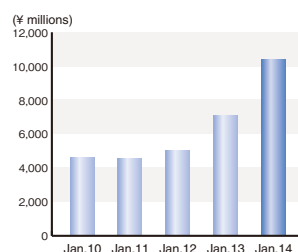
	Jan. 2013				Jan. 2014				
	Amount	Percentage (%)	Gross Margin (%)	Segment Profit	Amount	Percentage (%)	YoY Change (%)	Gross Margin (%)	Segment Profit
Registered amount	65,075	100.0%	42.7%	7,086	77,465	100.0%	119.0%	44.5%	10,365
Domestic Baby & Mother Care Business	23,882	36.7%	46.8%	3,379	24,451	31.6%	102.4%	45.8%	3,411
Child-rearing Support Services	6,388	9.8%	11.4%	182	6,599	8.5%	103.3%	11.5%	176
Health Care & Nursing Care Business	6,699	10.3%	30.6%	212	6,721	8.7%	100.3%	29.8%	212
Overseas Business	26,964	41.4%	50.6%	6,387	38,540	49.7%	142.9%	52.6%	10,172
Other	1,140	1.8%	15.2%	141	1,151	1.5%	101.0%	20.5%	204

The consolidated segment profits are adjusted (they are all unclassifiable expenses), and are posted as operating income in the consolidated statements of income.

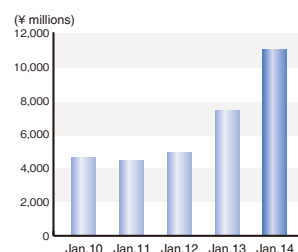
### Net sales



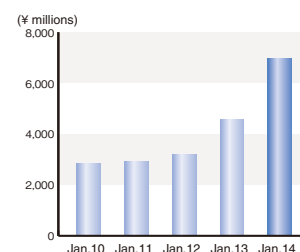
### Operating income



### Ordinary income



### Net income



million, up ¥7,616 million (23.5%) from a year earlier. This was due mainly to a ¥3,211 million increase in adjustment on foreign currency statement translation and a ¥4,243 million (18.7%) rise in retained earnings.

### Sound Financial Position

At fiscal year-end, the Group had cash and cash equivalents of ¥13,102 million, up ¥2,528 million (23.9%) from a year earlier, and interest-bearing debt of ¥3,411 million, down ¥208 million (5.8%). The equity ratio remained high, at 67.5%. As these figures suggest, the Group is well positioned to make flexible and aggressive investments, including in M&As, even in the event of a global credit contraction.

### Cash Flows

#### Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥7,930 million, up from ¥7,656 million in the previous year. Factors boosted operating cash flows included ¥10,986 million in income before income taxes and ¥1,865 million in depreciation. Contrasting factors included a ¥587 million increase in trade receivables and ¥3,241 million in income taxes paid.

#### Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥3,794 million, up from ¥1,848 million in the previous year. Main factors included ¥3,223 million in acquisition of property, plant, and equipment.

#### Cash Flows from Financing Activities

Net cash used in financing activities was ¥3,163 million, from ¥3,149 million in the previous year. Main factors boosting cash flows included ¥7,079 million in proceeds from short-term debt and ¥752 million in proceeds from long-term loans payable. Contrasting factors included ¥8,153 million in repayment of short-term debt and ¥2,740 million in payment of cash dividends.

### ROA and ROE

Seeking to improve profitability and capital efficiency, Pigeon uses return on equity (ROE) as a key performance indicator. At the fiscal year-end, ROE was up 4.2 percentage points from a year earlier, from 15.5% to 19.7%. Return on assets (ROA) at fiscal year-end was 20.7%, up 4.7 percentage points from 16.0% a year earlier.

### Profit Appropriation Policy

The Pigeon Group regards the return of profits to shareholders as an important management priority. Our policy is to actively return profits to shareholders through the appropriation of retained earnings and other means, while reinforcing our financial position based on considerations of medium-term

changes in business conditions and the Group's business strategies. In addition to strengthening our financial position, we effectively use retained earnings in a number of ways to fortify our operational base and improve future Group earnings. These include investing in new businesses and research and development, as well as investing in production facilities to raise production capacity, reduce costs, and enhance product quality. With respect to specific goals of shareholder return, under our Fourth Medium-Term Business Plan we have targeted a consolidated total shareholder return of more than 50%. To this end, we are striving to further strengthen and upgrade measures for returning profits to all shareholders. For the year, we paid an interim cash dividend of ¥66.00 per share (¥33.00 per share after the stock split, effective August 1, 2013). Thanks to healthy business results that greatly exceeded our profit targets, we declared a year-end dividend of ¥55.00 per share, up from our initial forecast of ¥37.00 (year-end dividend in fiscal 2012 was ¥71.00). This brought total annual dividends (after the stock split) to ¥88.00 per share, up ¥30.50 from the previous year, for a consolidated dividend payout ratio of 50.4%.

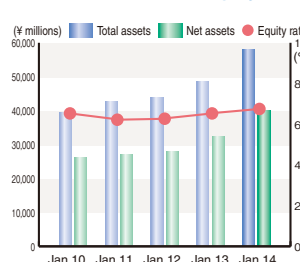
### Outlook

In January 2014, the Pigeon Group announced its Fifth Medium-Term Business Plan, covering the three-year period from February 2014 to January 2017. The slogan of the plan is "Pursuing world class business excellence, think globally, plan agilely, and implement locally." Under the plan, we have formulated "Vision 2016" aimed at expanding Group operations and improving management quality. Vision 2016 has five key objectives: (1) Become the global number one in childcare products; (2) Strengthen the management framework for continuous business development; (3) Improve management quality by focusing on cash flows; (4) Construct a global system for personnel training and promote employee dynamism; and (5) Further enhance enterprise value.

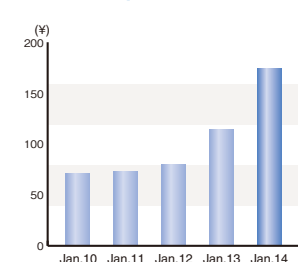
We have set the following consolidated performance targets for fiscal 2014, the first year of the plan: Net sales of ¥84.5 billion (up 9.1% year-on-year), operating income of ¥11.6 billion (up 11.9%), ordinary income of ¥11.8 billion (up 7.3%), and net income of ¥7.3 billion (up 4.5%).

(In this annual report, statements other than historical or present-day facts are regarded as future forecasts. Such future forecasts reflect the Pigeon Group's hypotheses and judgments based on information currently available, and thus contain discernable and unpredictable risks, uncertainties, and other factors that may impact on the Group's performance and financial position.)

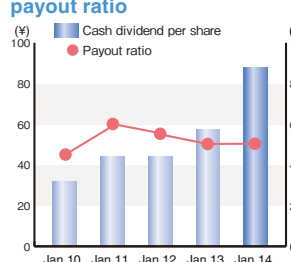
Total assets/Net assets/Equity ratio



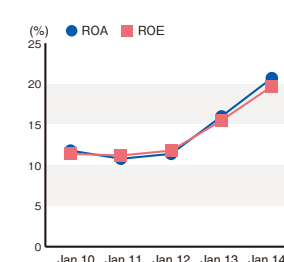
Net income per share



Dividend per share/Dividend payout ratio



ROA/ROE



Note: The Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013. Figures for number of shares have been calculated assuming this stock split was conducted at the beginning of the fiscal year ended January 2010.

ROA is the ratio of ordinary income to total assets. ROE is the ratio of net income to shareholders' equity. The denominator for both is the average of the figures at the beginning and end of the fiscal year.

PIGEON History

At a Glance Key Ratio

Interview with the President

Pigeon Way

Fifth Medium-Term Business Plan

Pigeon Group's Business Development

Pigeon CSR Initiatives

Management's Discussion & Analysis

Financial Data

Corporate Information

# Financial Data

## Consolidated Balance Sheets

Item	Period	(\$ millions)					(US\$ thousands)
		2010	2011	2012	2013	2014	2014
<b>Assets</b>							
Cash and Time Deposits		6,905	6,827	7,293	10,574	13,102	134,077
Notes and Accounts Receivable		8,757	9,874	9,993	10,540	12,569	128,623
Inventories		—	—	—	6,776	8,052	82,399
Goods and Products		4,358	4,549	5,332	4,816	5,350	54,748
Other Current Assets		2,250	2,911	2,823	3,171	4,340	44,413
Total Current Assets		22,272	24,162	25,443	29,103	35,363	361,881
Tangible Fixed Assets		14,039	15,409	15,058	16,208	19,023	194,668
Intangible Fixed Assets		1,230	1,188	1,285	1,176	1,441	14,746
Investment Securities		1,336	1,316	1,344	1,420	1,448	14,818
Investments and Other Assets		1,950	1,924	1,985	2,051	2,127	21,766
Total Fixed Assets		17,221	18,521	18,329	19,435	22,591	231,181
Total Assets		39,493	42,684	43,772	48,538	57,955	593,072
<b>Liabilities</b>							
Notes and Accounts Payable		4,311	3,984	3,758	3,864	4,518	46,234
Accrued Account Payable		2,238	2,687	2,755	3,179	3,401	34,804
Income Taxes Payable		682	561	704	1,134	1,155	11,819
Accrued Employees' Bonuses		531	537	587	606	782	8,002
Other Current Liabilities		2,929	4,455	4,577	2,832	2,962	30,301
Total Current Liabilities		10,694	12,227	12,382	11,615	12,818	131,171
Long-Term Borrowings		1,000	1,615	1,642	2,204	2,011	20,579
Long-Term Liabilities		1,535	1,798	1,812	2,353	3,143	32,163
Total Long-Term Liabilities		2,535	3,413	3,454	4,557	5,154	52,743
Total Liabilities		13,229	15,640	15,836	16,173	17,973	183,923
<b>Shareholders' Equity</b>							
Capital Stock		5,199	5,199	5,199	5,199	5,199	53,203
Additional Paid-in Capital		5,180	5,180	5,180	5,180	5,180	53,009
Retained Earnings		17,044	18,451	19,873	22,686	26,929	275,573
Treasury Stock		(446)	(447)	(448)	(450)	(455)	(4,656)
Net Unrealized Gain (Loss) on Securities		7	11	10	26	30	307
Adjustment on Foreign Currency Statement Translation		(1,203)	(1,861)	(2,386)	(970)	2,240	22,923
Minority Interests		482	510	507	693	856	8,760
Total Net Assets		26,264	27,044	27,935	32,365	39,981	409,138
Total Liabilities and Net Assets		39,493	42,684	43,772	48,538	57,955	593,072

Note: Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥97.72=U.S.\$1.00.

## Equity Ratio, ROA/ROE

	2010	2011	2012	2013	2014
Equity Ratio	65.3	62.2	62.7	65.3	67.5
ROA	11.8	10.8	11.4	16.0	20.7
ROE	11.4	11.2	11.8	15.5	19.7

ROA is the ratio of ordinary income to total assets.

ROE is the ratio of net income to shareholders' equity. The denominator for both is the average of the figures at the beginning and end of the fiscal year.



## Consolidated Statements of Income

Item	Period	(\$ millions)					(US\$ thousands)
		2010	2011	2012	2013	2014	2014
Net Sales		53,431	57,061	59,145	65,075	77,465	792,724
Cost of Sales		32,528	33,780	34,826	37,314	43,000	440,033
Gross Profit		20,902	23,281	24,319	27,760	34,464	352,681
Selling, General and Administrative Expenses		16,298	18,734	19,276	20,674	24,098	246,603
Operating Income		4,604	4,546	5,042	7,086	10,365	106,068
Other Income		409	372	373	656	974	9,967
Other Expenses		404	484	499	352	337	3,449
Ordinary Income		4,609	4,435	4,917	7,389	11,002	112,587
Extraordinary Income		4	20	19	7	8	82
Extraordinary Losses		448	86	213	26	24	246
Income before Income Taxes		4,165	4,369	4,723	7,369	10,986	112,423
Income Taxes		1,299	1,331	1,463	2,128	3,077	31,488
Adjustment for Corporate Tax		(89)	21	(10)	526	705	7,214
Minority Interest in Net Income of Consolidated Subsidiaries		115	88	87	140	217	2,221
Net Income		2,840	2,928	3,183	4,573	6,985	71,480

Note: Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥97.72=US\$1.00.

## Consolidated Statement of Cash Flows

Item	Period	(\$ millions)					(US\$ thousands)
		2010	2011	2012	2013	2014	2014
Cash Flows from Operating Activities		4,964	3,206	4,212	7,656	7,930	81,150
Cash Flows from Investing Activities		(2,105)	(3,949)	(1,871)	(1,848)	(3,794)	(38,825)
Cash Flows from Financing Activities		(2,018)	886	(1,776)	(3,149)	(3,163)	(32,368)
Translation Gain (Loss) Related to Cash and Cash Equivalents		91	(220)	(98)	622	1,556	15,923
Net Change in Cash and Cash Equivalents		932	(77)	465	3,280	2,528	25,870
Cash and Cash Equivalents at Beginning Year		5,972	6,905	6,827	7,293	10,574	108,207
Cash and Cash Equivalents at End of Year		6,905	6,827	7,293	10,574	13,102	134,077

Note: Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥97.72=US\$1.00.

## Per Share Data

The Group conducted a stock split at the ratio of 2 shares for every 1 share of common shares.

The effective date of the stock split was August 1, 2013.

The stock split is reflected in the amount of the EPS and the year-end annual dividends for the year ended January 31, 2010.

	(\$ millions)					(US\$)
	2010	2011	2012	2013	2014	2014
Net Income (yen)	70.9	73.1	79.5	114.2	174.5	1.8
Cash Dividends (yen)	44.0	44.0	44.0	57.5	88.0	0.9
Payout Ratio (%)	45.1	60.1	55.3	50.3	50.4	
Total Net Assets (yen)	644.2	662.8	685.2	791.2	977.5	10.0

Note: Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥97.72=US\$1.00.

## Employees

	(persons)				
	2010	2011	2012	2013	2014
Employees	2,318	2,678	2,963	3,304	3,458



# Corporate Information

## ■ Corporate Data (As of January 31, 2014)

Company Name	··· Pigeon Corporation
Address	····· 4-4, Nihonbashi-Hisamatsucho, Chuo-ku, Tokyo 103-8480, Japan Phone +81-3-3661-4200 Fax +81-3-3661-4320 URL <a href="http://www.pigeon.co.jp">http://www.pigeon.co.jp</a>
Established	····· August 15, 1957
Paid-in Capital	····· ¥5,199,597 thousand
Fiscal Year-End	····· January 31
Business	····· Manufacture, sales, import and export of baby and child care products, maternity items, women's care products, home healthcare products, nursing care products, etc.; operation of child-minding centers
Employees	····· (Consolidated) 3,458 persons, (regular and contract employees in the main unit of the Group) 968 persons

## ■ Board of Directors, Auditors and Officers (As of April 25, 2014)

<b>Executive Advisor and Member of the Board</b>	··· Yoichi Nakata	<b>Managing Officers</b>	··· Tsutomu Matsunaga <i>(Division Manager of Corporate Administration Div.)</i>
<b>Chairman of the Board and CEO</b>	····· Akio Okoshi		Hiroyasu Maki <i>(Division Manager of Accounting &amp; Finance Div.)</i>
<b>President and COO</b>	····· Shigeru Yamashita		Takatoshi Urakari <i>(Division Manager of Human Resources &amp; General Affairs Div.)</i>
<b>Director, Senior Managing Executive Officers</b>	··· Eiji Akamatsu Norimasa Kitazawa <i>(Division Manager of China Business Div.)</i>		Shinobu Iwamoto <i>(Division Manager of Quality Control Div.)</i>
<b>Director, Junior Managing Executive Officers</b>	··· Kazuhisa Amari <i>(Division Manager of Logistics Div.)</i> Yasunori Kurachi Tadashi Itakura <i>(Division Manager of Research &amp; Development Div.)</i>		Nobuyuki Hashimoto <i>(Division Manager of Domestic Baby &amp; Mother Care Business Div.)</i> Kaoru Kasahara <i>(Deputy Division Manager of Domestic Baby &amp; Mother Care Business Div.)</i>
<b>Standing Audit &amp; Supervisory Board Members</b>	··· Yasushi Takashima Hiroki Yuda		Koji Ishigami <i>(Division Manager of Health Care &amp; Nursing Care Business Div.)</i>
<b>Outside Audit &amp; Supervisory Board Members</b>	··· Shigeru Nishiyama Shuji Idesawa		Hiroyuki Masunari <i>(Division Manager of Overseas Business Div.)</i> Ken Kaku <i>(Deputy Division Manager of China Business Div.)</i> Takanori Tsuru <i>(Division Manager of Child-rearing Support Services Div.)</i> Yusuke Nakata <i>(President of Pigeon Singapore Pte. Ltd.)</i>

## ■ Consolidated Subsidiaries

- Pigeon Home Products Corporation
- Pigeon Hearts Corporation
- PHP Hyogo Corporation
- PHP Ibaraki Corporation
- Pigeon Tahira Corporation
- Pigeon Manaka Corporation
- Pigeon Will Corporation  
(was absorbed by Pigeon Corporation as of February 2014)
- Pigeon Singapore Pte. Ltd.
- Pigeon India Pvt. Ltd.
- Pigeon Malaysia (Trading) Sdn. Bhd.
- Pigeon (Shanghai) Co., Ltd.
- Pigeon Manufacturing (Shanghai) Co., Ltd.
- Pigeon Industries (Changzhou) Co., Ltd.
- Lansinoh Laboratories, Inc.
- Lansinoh Laboratories Medical Devices Design Industry And Commerce Ltd. Co.
- DoubleHeart Co., Ltd.
- Pigeon Industries (Thailand) Co., Ltd.
- Thai Pigeon Co., Ltd.

## ■ Equity Method Affiliate

- P.T. Pigeon Indonesia

## ■ Stock Data (As of January 31, 2014)

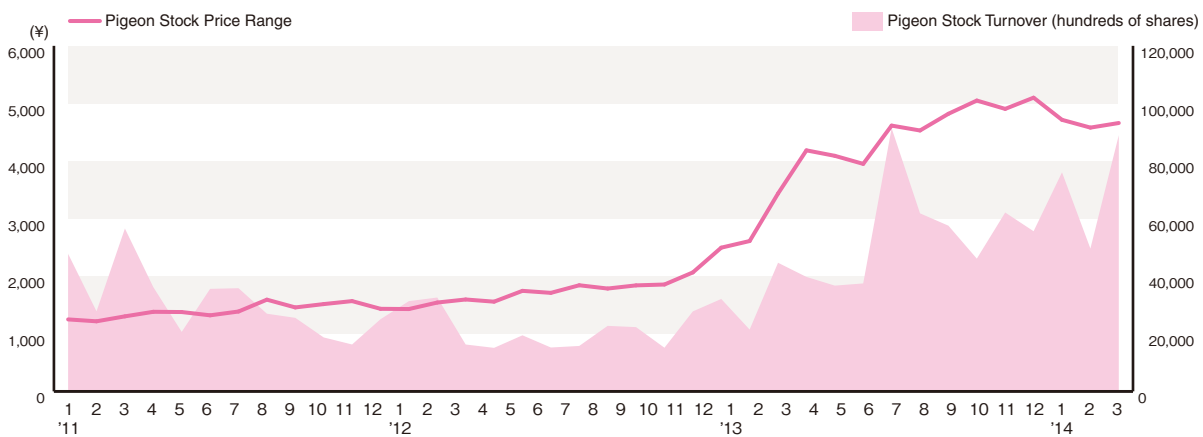
- Shares Authorized ..... 120 million
- Shares Issued ..... 40,551,162
- Number of Shareholders ..... 11,121
- Treasury Stock ..... 525,652

## ■ Ten Largest Shareholders (As of January 31, 2014)

Shareholder's Name	Shares Held (thousands)	Ownership* (%)
Yoichi Nakata	3,149	7.87
BBH Matthews Asia Dividend Fund	3,003	7.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,583	6.45
Japan Trustee Services Bank, Ltd. (Trust Account)	2,513	6.28
State Street Bank and Trust Company	1,730	4.32
BNP Paribas Sec Services Luxembourg/Jasdec/Aberdeen Global Client Assets	913	2.28
Nomura Bank (Luxembourg) S.A. S/A Nomura Multi Currency Jp Stock Leaders Fd	860	2.15
Deutsche Securities Inc.	837	2.09
HSBC Bank plc Account Seven Re Fidelity	665	1.66
Northern Trust Co. AVFC Re Fidelity Funds	647	1.62

\*Percentage of Ownership figures are based on 40,025,510 shares (40,551,162 shares issued and outstanding, minus 525,652 shares of treasury stock).

## ■ Stock Price Range/Turnover of Common Stock



Pigeon Website

<http://www.pigeon.co.jp/ir/index.html>



## PIGEON CORPORATION

(Securities Code: 7956)

Head Office: 4-4, Nihonbashi-Hisamatsucho,  
Chuo-ku, Tokyo 103-8480, Japan

TEL: +81-3-3661-4200

TEL: +81-3-3661-4188 (Investor Relations Department/Direct)

FAX: +81-3-3661-4320

[www.pigeon.co.jp](http://www.pigeon.co.jp)



As part of our ongoing support to the reconstruction efforts in the Tohoku region, we enlisted a design company from Tohoku to create this issue.



Printed in Japan

