



Results Briefing for the Six Months Ended July 31, 2019

September 3, 2019

PIGEON CORPORATION

(Securities Code: 7956)

President & COO

Norimasa Kitazawa

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Results for the Six Months Ended July 31, 2019



Bottle and Nipple Sales
at JD.com and Tmall
for the second straight year

No.1

Sales growth rate at
E-commerce
Tmall Flagship
shop

230%
(YoY basis)

Q2 Highlights : Sales of China BU

*LC basis, excl. Korea 



Sales^{*1}
YoY

+8%

Sales ratio^{*2}
E-commerce

52%

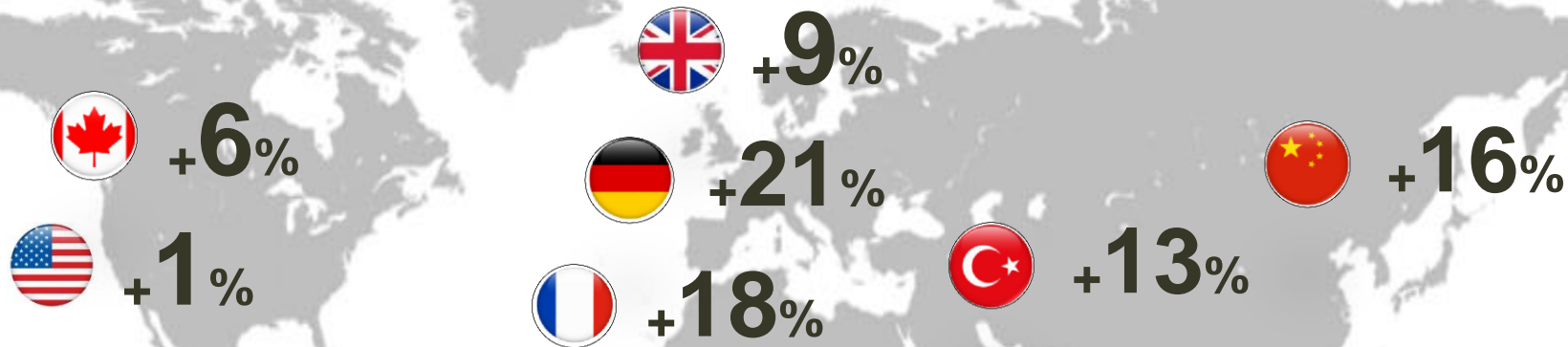
YoY +7 pt

*1: Sell-in of Pigeon Shanghai *2: Our sell-out estimate

Stretched in our major markets



on a local currency basis



- Released a NEW 3-wheel stroller, "Palskip"
- Recorded the highest market share,
No.2 in June alone



Our market share of strollers*

30.3%

* the value share based on the research by Pigeon.

- **Contracted a new distributor to enter Nigerian market**



Local
distributor

UNIVERSAL
Hair Care
www.universalhaircare.com

Number of Annual Births

7.56 million*

Net Sales by Business Segment (Consolidated)



(millions of yen)	Jul. 2018 (Ref.)				Jul. 2019					
	Result	% of Total	Gross Margin	Segment Profit	Result	% of Total	YoY Change	Gross Margin	Segment Profit	YoY Change
Consolidated Net Sales	52,847	100.0%	51.2%	10,907	52,519	100.0%	99.4%	50.7%	9,257	84.9%
Domestic Baby and Mother Care	18,428	34.9%	49.2%	3,516	17,964	34.2%	97.5%	48.4%	2,971	84.5%
Childcare Service	2,563	4.9%	12.3%	74	1,920	3.7%	74.9%	13.6%	42	58.1%
Health and Elder Care	3,519	6.7%	32.1%	240	3,480	6.6%	98.9%	31.3%	221	92.3%
China	17,364	32.9%	56.2%	6,183	17,672	33.6%	101.8%	56.3%	6,291	101.7%
Singapore	5,915	11.2%	49.7%	1,437	6,079	11.6%	102.8%	45.2%	1,305	90.8%
Lansinoh	6,316	12.0%	59.4%	1,005	6,572	12.5%	104.1%	59.1%	906	90.1%
Elimination of Inter-segment Transactions	(1,889)	(3.6%)	—	—	(1,895)	(3.6%)	100.3%	-	-	-
Other	628	1.2%	12.1%	57	725	1.4%	115.4%	9.6%	44	76.4%

* Segment profit on a consolidated basis has been adjusted (by deducting non-allocable operating expenses) to be equal to operating income in the consolidated statement of income.

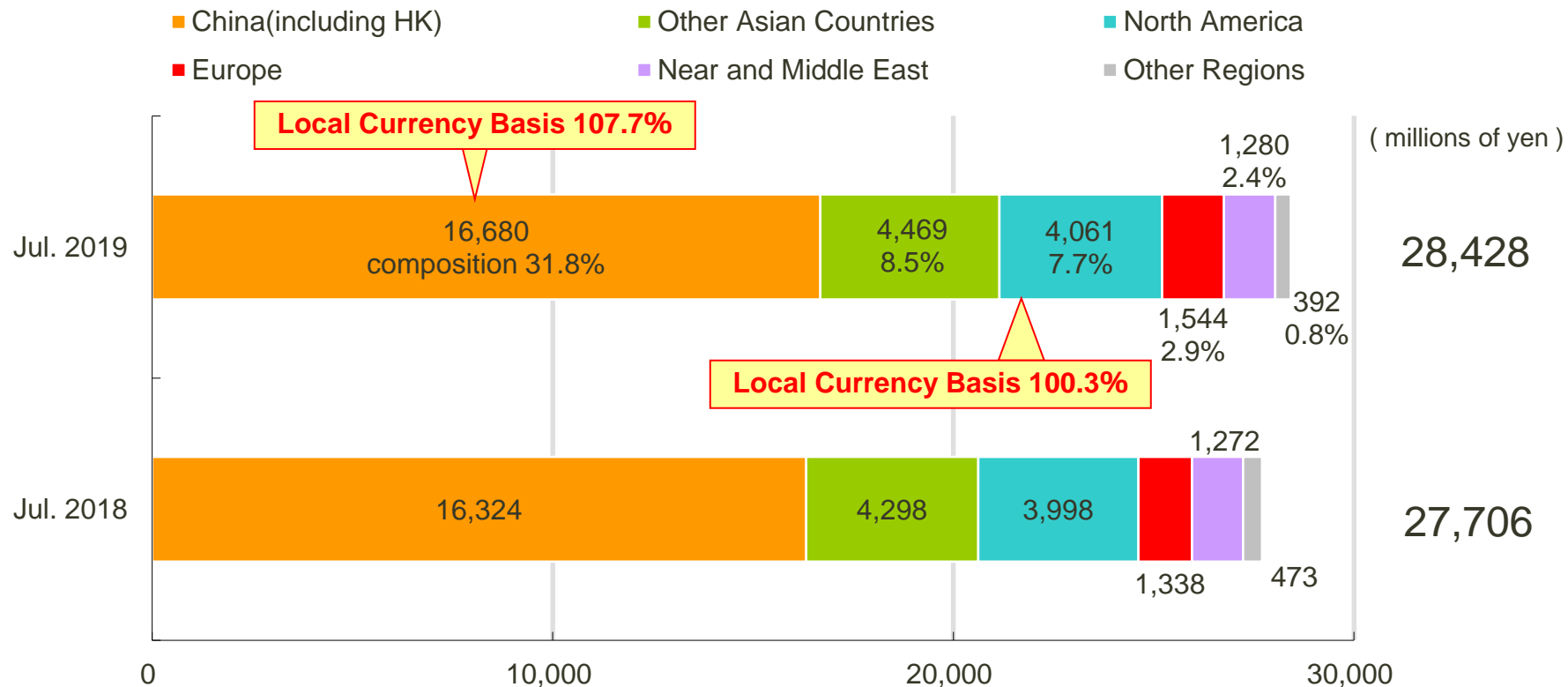
* Consolidated net sales have been presented after eliminating intersegment transactions of the China, Singapore and Lansinoh Business.

Statements of Income (Consolidated)



(millions of yen)	Jul. 2018		Jul. 2019			
	Result	% of Total	Result	% of Total	YoY Change	Remarks
Net Sales	52,847	100.0%	52,519	100.0%	99.4%	
Cost of Sales	25,783	48.8%	25,886	49.3%	100.4%	
Gross Profit	27,063	51.2%	26,632	50.7%	98.4%	■ Main Changes in SG&A Expenses Depreciation/Amortization +¥545m Personal expenses: +¥517m Market research expense: +¥189m Commission fee: +¥149m Shipment/distribution expense: +¥131m
SG&A Expenses	16,156	30.6%	17,375	33.1%	107.5%	
Operating Income	10,907	20.6%	9,257	17.6%	84.9%	
Non-Operating Income(Expenses)	772	1.5%	351	0.7%	45.5%	
Ordinary Income	11,679	22.1%	9,608	18.3%	82.3%	
Extraordinary Income	103	0.2%	67	0.1%	65.0%	
Net Income Attributable to Non-controlling Interests	216	0.4%	134	0.3%	61.9%	
Net Income Attributable to Owners of Parent	8,109	15.4%	6,565	12.5%	81.0%	

Overseas Business Sales by Region



* [Currency rates] Dec 19 US\$1 = ¥110.05 1 yuan = ¥16.20; Jan 2018: US\$1 = ¥ 108.67 1 yuan = ¥ 17.08

FY Dec. 2019 Full-Year Performance Forecasts

At present, the initial plan remains unchanged.

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

Results and Forecast by Segment (Consolidated)



At present, the initial plan remains unchanged.

(millions of yen)	Jan. 2019				Dec. 2019 Plan (Japan 11months)				
	Result	% of Total	Gross Margin	Segment Profit	Plan	% of Total	YoY Change	Gross Margin	Segment Profit
Consolidated Net Sales	104,747	100.0%	51.4%	19,612	106,200	100.0%	-	52.1%	20,000
Domestic Baby and Mother care	35,593	34.0%	48.6%	6,096	34,771	32.7%	-	48.7%	5,944
Childcare Service	4,472	4.3%	14.0%	169	3,312	3.1%	-	14.3%	138
Health and Elder care	6,986	6.7%	32.4%	353	6,874	6.5%	-	30.5%	375
China	35,581	34.0%	56.0%	11,972	37,491	35.3%	-	56.9%	12,797
Singapore	12,133	11.6%	49.3%	2,744	12,656	11.9%	-	47.9%	2,650
Lansinoh	12,753	12.2%	59.5%	1,576	13,771	13.0%	-	59.2%	1,984
Elimination of Inter-segment Transactions	(4,176)	(4.0%)	-	-	(4,043)	(3.8%)	-	-	-
Other	1,402	1.3%	13.1%	142	1,368	1.3%	-	10.7%	98

- **New Category** - Deliver new skincare product straight from factory to consumers
- **Estimated +10% growth** YoY on a local currency basis



Dedicated production equipment installed in our factory

2nd Half New Product (Asia & Others)



- Launch new products targeting middle-income groups in emerging markets
- Go Mini Electrical Breast Pump : Attractive products in every aspect - function, design and price



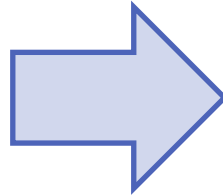
reddot design award
winner 2019



- **Planning a launch of a new model as a further evolution of Smart Pump (Electrical Breast Pump)**



**Smart Pump
Current Model**



**Smart Pump
New Model***

*Image is for illustrative purposes only.

New skin care product based on skin research



Peach Leaves New moisturizing skin care product for Fall & Winter



Examples of new products to be marketed

New Foods



2nd Half New Product (Domestic Baby and Mother care)

- **CaBoo**, a new baby carrier was launched on 21st Aug.
- Entering domestic market with a size of 10 billion yen to aim for further growth in this category



Shareholder Return and Investment-Related Indicators



Shareholder return indicator under our 6th Medium-Term Business Plan

We adopt a flexible approach (incl. through share buybacks) to increasing shareholder return with a target to achieve a year-on-year increase in dividends and approximately 55% of the consolidated total shareholder return ratio in each fiscal year.

Dividends	FY Jan/17		FY Jan/18		FY Jan/19		FY Dec/19	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Plan)	Year-end (Estimate)
Dividend per share (Yen)	25 <small>(including commemorative dividend of 3 yen)</small>	28 <small>(including commemorative dividend of 3 yen)</small>	31	35	34	34	35	35
Dividend payout ratio	57.1%		54.5%		57.2%		58.6%	

<Reference> Investment-related indicators

(millions of yen)	FY Jan/18		FY Jan/19		FY Dec/19	
	Interim (Actual)	Full-year (Actual)	Interim (Actual)	Full-year (Actual)	Interim (Actual)	Year-end (Estimate)
Capital Expenditures (*1)	1,252	3,546	2,795	5,376	2,009	6,100
Depreciation (*2)	1,206	2,451	1,383	2,804	1,966	3,000

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

*2 Depreciation (including amortization of goodwill)

Approach to Enhance Corporate Value

6th Medium-term Business Plan: 12 tasks



Environmentally friendly products



Foam Body Soap Refill etc.

Paper container is easy to disassemble and recycle after use. Contributes to the reduction of plastic usage.



Microwavable Steamed Cupcake

The cooking cup is made mostly of corn starch.

Solar panels installed at our manufacturing facilities

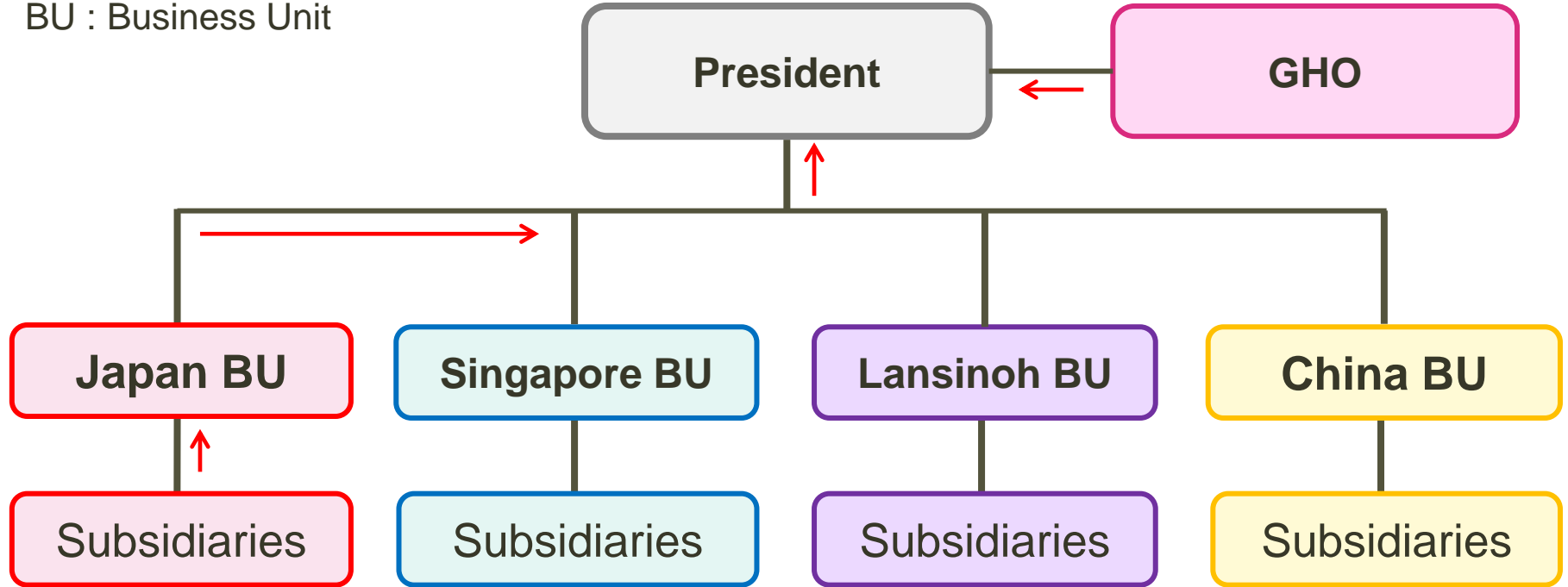
(China and India)



Corporate Structure (Governance) : Four Business Units



BU : Business Unit



Organizational operation (Succession plan & Organization)

Appendix

Financial Highlights (Consolidated)



(millions of yen)	Jul. 2018		Jul. 2019	
	Result	YoY Change	Result	YoY Change
Net Sales	52,847	107.7%	52,519	99.4%
Operating Profit	10,907	117.3%	9,257	84.9%
Ordinary Profit	11,679	124.5%	9,608	82.3%
Net Income Attributable to Owners of Parent	8,109	124.9%	6,565	81.0%
Net Asset	65,035	114.5%	68,681	105.6%
Total Asset	85,152	112.9%	88,714	104.2%
EPS (¥)	67.71	124.9%	54.83	81.0%
BPS (¥)	524.95	113.6%	553.29	105.4%
ROE	26.3%	—	20.1%	—
ROIC	23.9%	—	19.2%	—

*ROE = Net income ÷ Equity (in both cases, denominators are averaged between beginning and year-end figures)

*ROIC: Return On Invested Capital (NOPAT/Capital Invested, calculated with a tax rate of 30%, Capital Invested is averaged between beginning and year-end figures)

<Ref.>Consolidated Balance Sheet (Highlights)



(millions of yen)	Jan. 2019	Jul. 2019		
	Result	Result	vs Jan 2019 (Amount)	vs Jan2019 (%)
Cash and Deposits	30,949	29,745	(1,204)	96.1%
Notes and Accounts Receivable	15,004	18,442	+3,437	122.9%
Inventories	10,605	11,009	+404	103.8%
Notes and Accounts Payable	4,567	5,624	+1,056	123.1%
Electronically Recorded Obligations – Operating	1,960	2,471	+511	126.1%
Net Assets	66,582	68,681	+2,098	103.2%
Total Assets	85,618	88,714	+3,095	103.6%
Equity Ratio	75.0%	74.7%	–	(0.3pt)

<Ref.>Investment-Related Indicators (Consolidated)



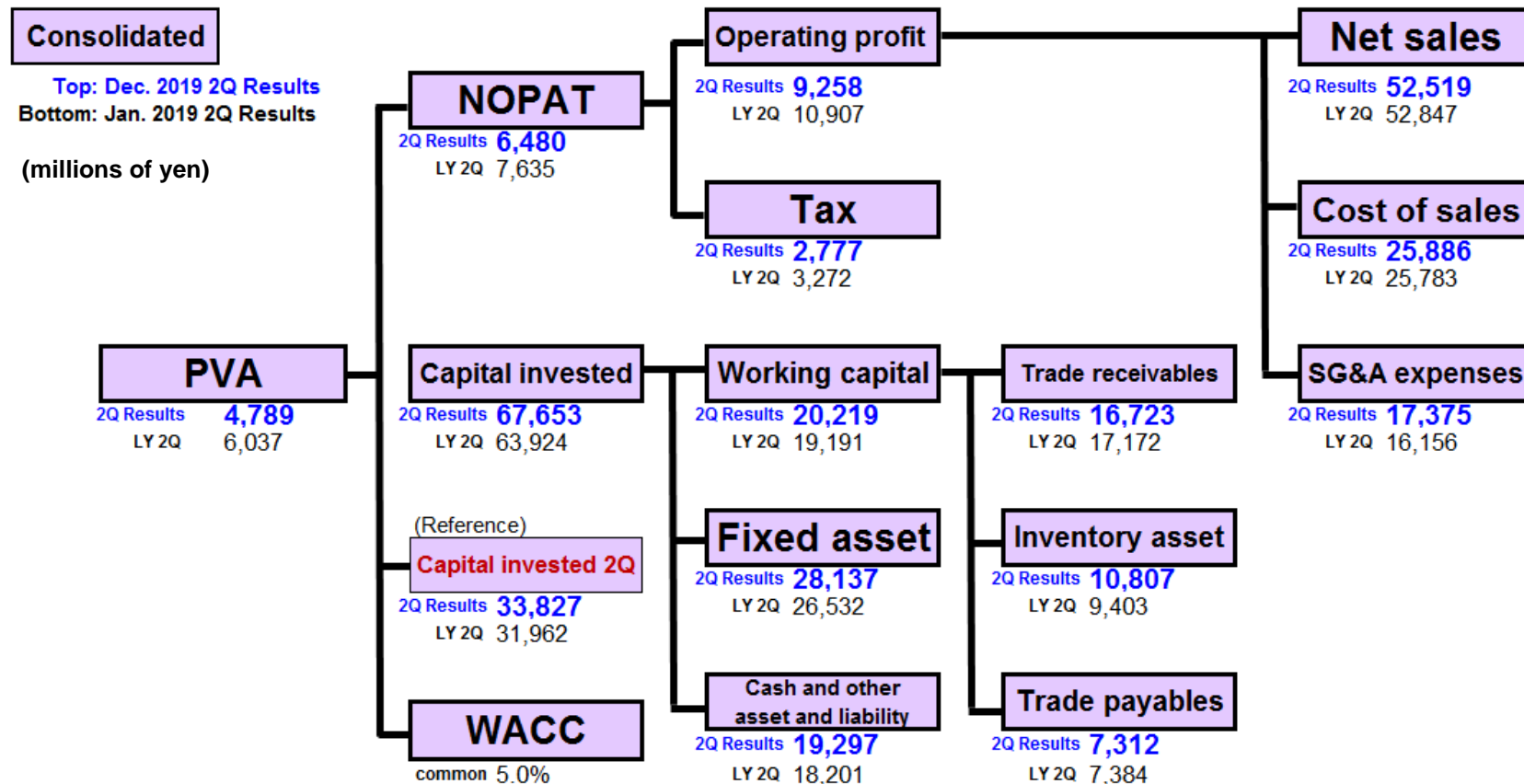
(millions of yen)	FY Jan/19		FY Dec/19	
	Interim (Result)	Full Year (Result)	Interim (Result)	Full Year (Forecast)
Capital Investment (*1)	2,795	5,376	2,009	6,100
Depreciation (*2)	1,383	2,804	1,966	3,000
Research and Development (*3)	1,479	3,119	1,536	3,300

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

*2 Depreciation (including amortization of goodwill)

*3 Total amount of expenses incurred for research and development activities including personnel expenses

PVA Tree: Consolidated Results in Jul. 2019

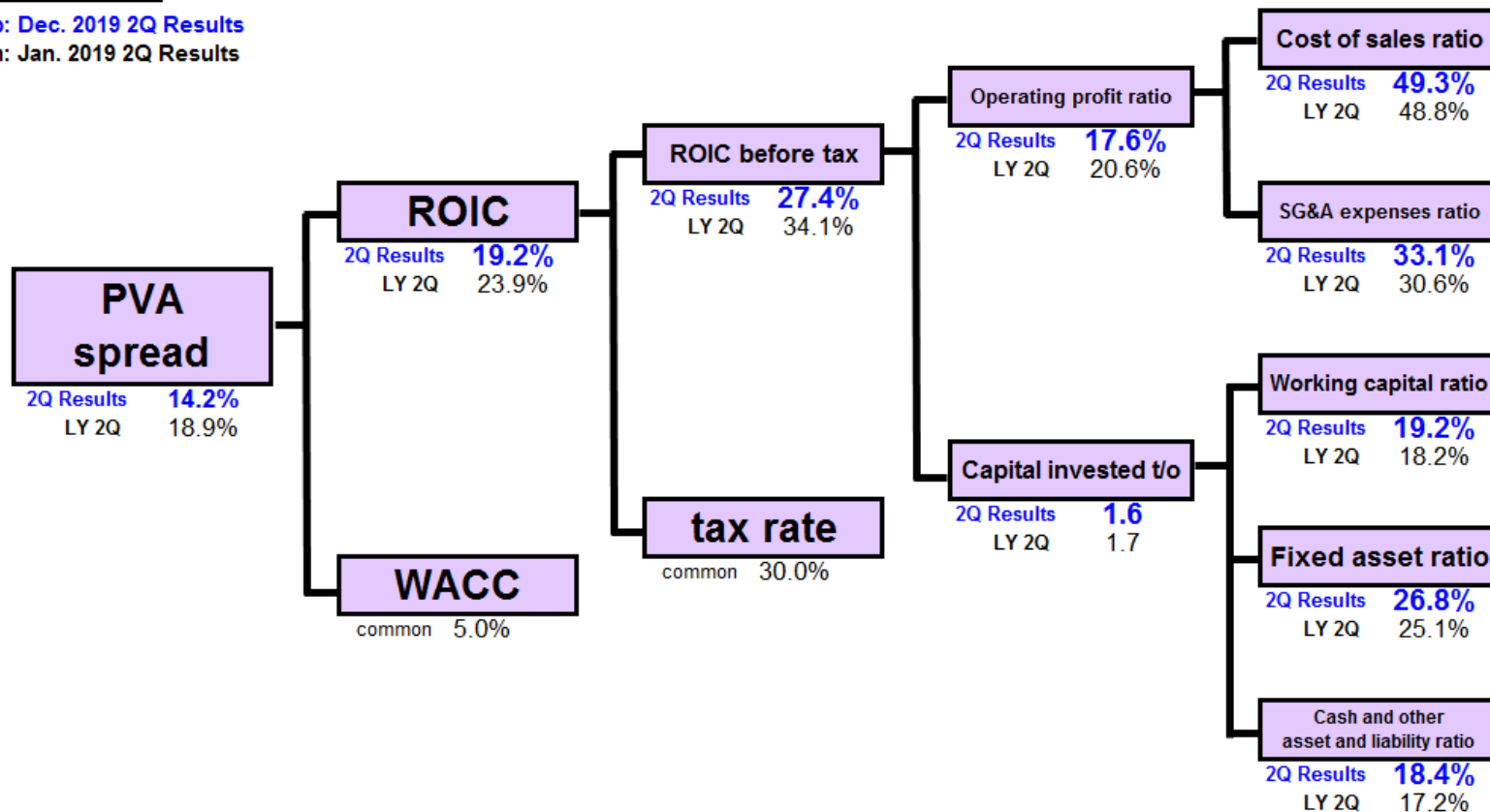


PVA (Ratio): Consolidated Results in Jul. 2019



Consolidated

Top: Dec. 2019 2Q Results
Bottom: Jan. 2019 2Q Results



CCC Tree: Consolidated Results in Jul. 2019

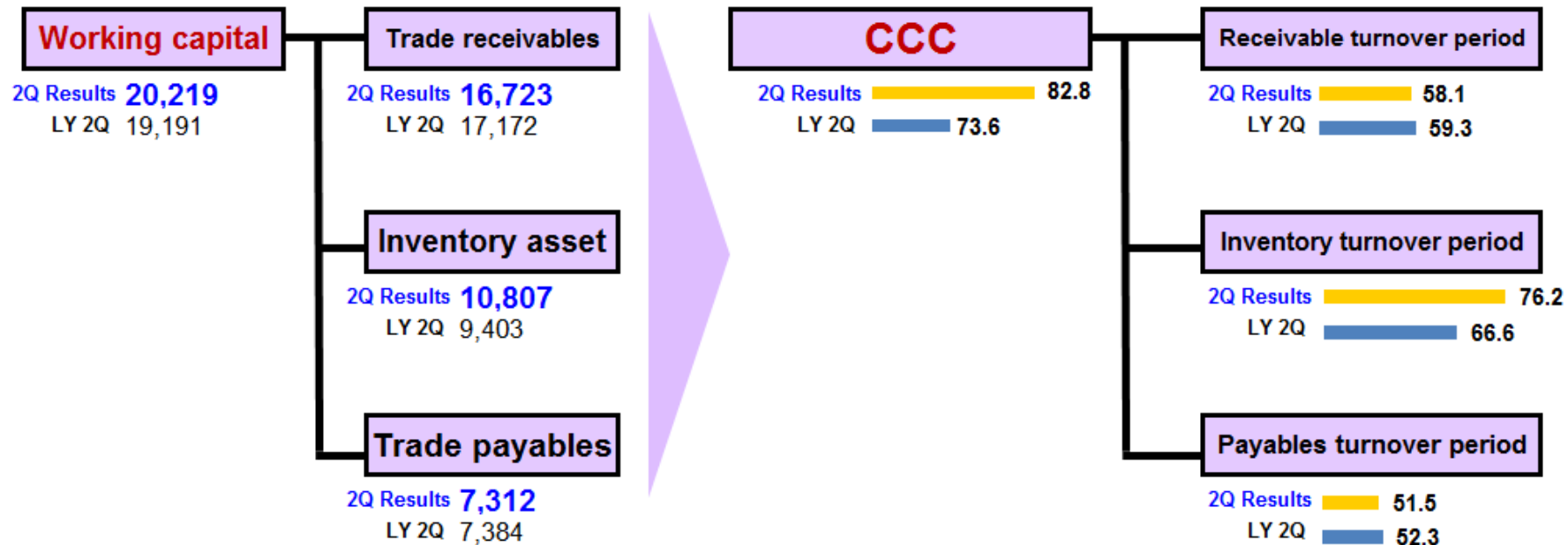


Consolidated

Top: Dec. 2019 2Q Results

Bottom: Jan. 2019 2Q Results

(millions of yen)



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

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● Domestic Baby and Mother Care Business

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



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

● Heath & Elder Care Business

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

● Child Care Service Business

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



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

Key Priorities for FY Dec. 2019



● China Business

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



<China>
Strengthening branding activities

● Singapore Business

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

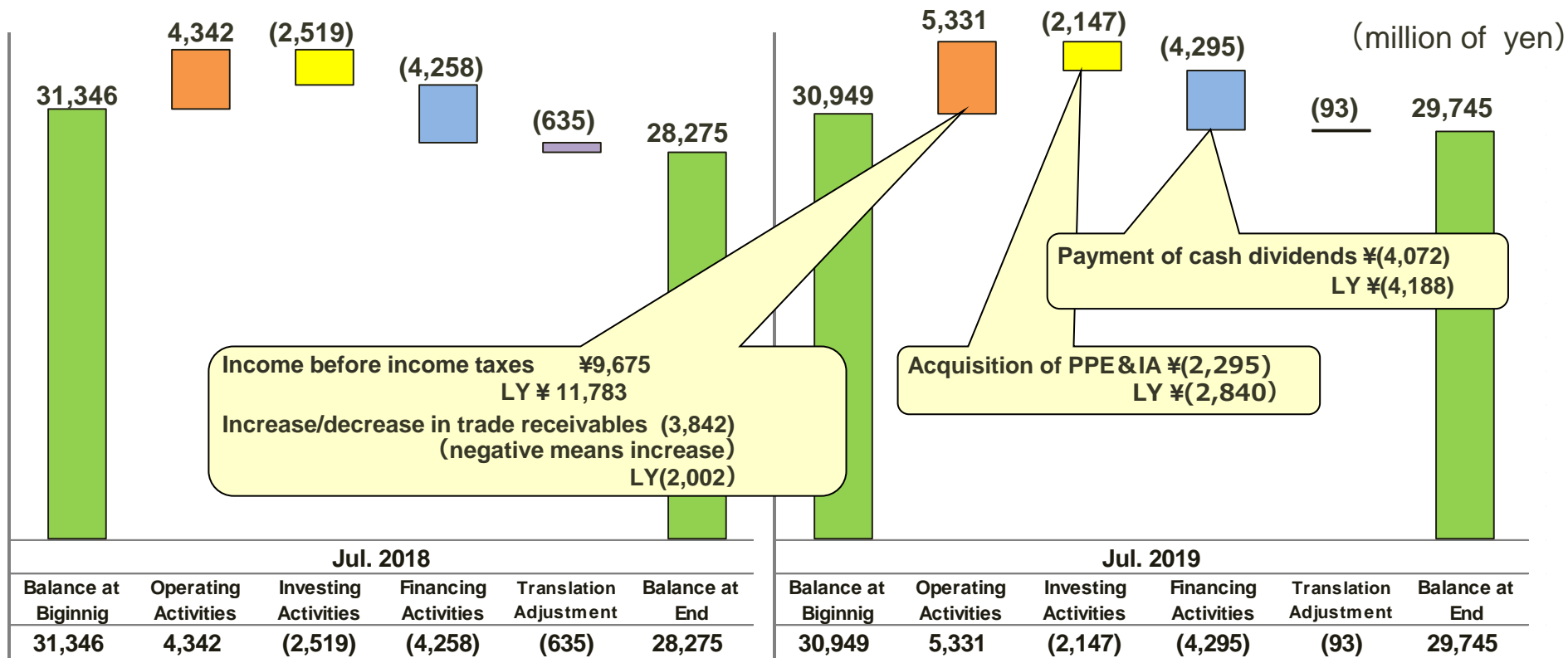


<India>
TV commercial for improving brand recognition

● Lansinoh Business

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

<Ref.> Consolidated Cash Flow



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



As part of efforts to promote global business management, the Company is working to achieve further transparency through timely and precise disclosure of management information. In addition, the International Financial Reporting Standards (IFRS) which are being considered for future implementation require consistent accounting periods for all consolidated companies. For these reasons, the accounting period is being changed as follows:

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

【Measures for the transitional period (current period)】

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

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Disclaimer on Forward-Looking Statements

This material includes certain forward-looking statements about the Pigeon Group. To the extent that statements in this material do not related to historical or current facts, they constitute forward-looking statements.

These forward-looking statements are based on the current assumptions and judgments of the Pigeon Group in light of the information currently available to it, and involve know and unknown risks, uncertainties and other factors, which may affect the statements made in this material.