

# Results briefing for the six months ended July 31, 2010

September 6, 2010

**PIGEON CORPORATION**

(Securities code: 7956)

**President & CEO Akio Okoshi**

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# Jul. 2010 Results

## Jul. 2009 Results and Jul. 2010 Results (Consolidated)

(¥ millions)	Jul. 2009		Jul. 2010			
	Amount	YoY Change	Forecast	Amount	YoY Change	% of Forecast
Net sales	26,258	98.5%	28,700	27,236	103.7%	94.9%
Operating income	2,154	101.7%	1,800	1,715	79.6%	95.3%
Ordinary income	2,180	103.6%	1,800	1,755	80.5%	97.5%
Net income	1,307	95.8%	1,000	1,098	84.0%	109.9%
Net assets	25,449	103.8%	—	26,317	103.4%	—
Total assets	39,441	100.3%	—	40,655	103.1%	—
EPS(¥)	65.30	95.6%	49.96	54.88	84.0%	109.8%
BPS (¥)	1,249.35	103.6%	—	1,290.92	103.3%	—

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

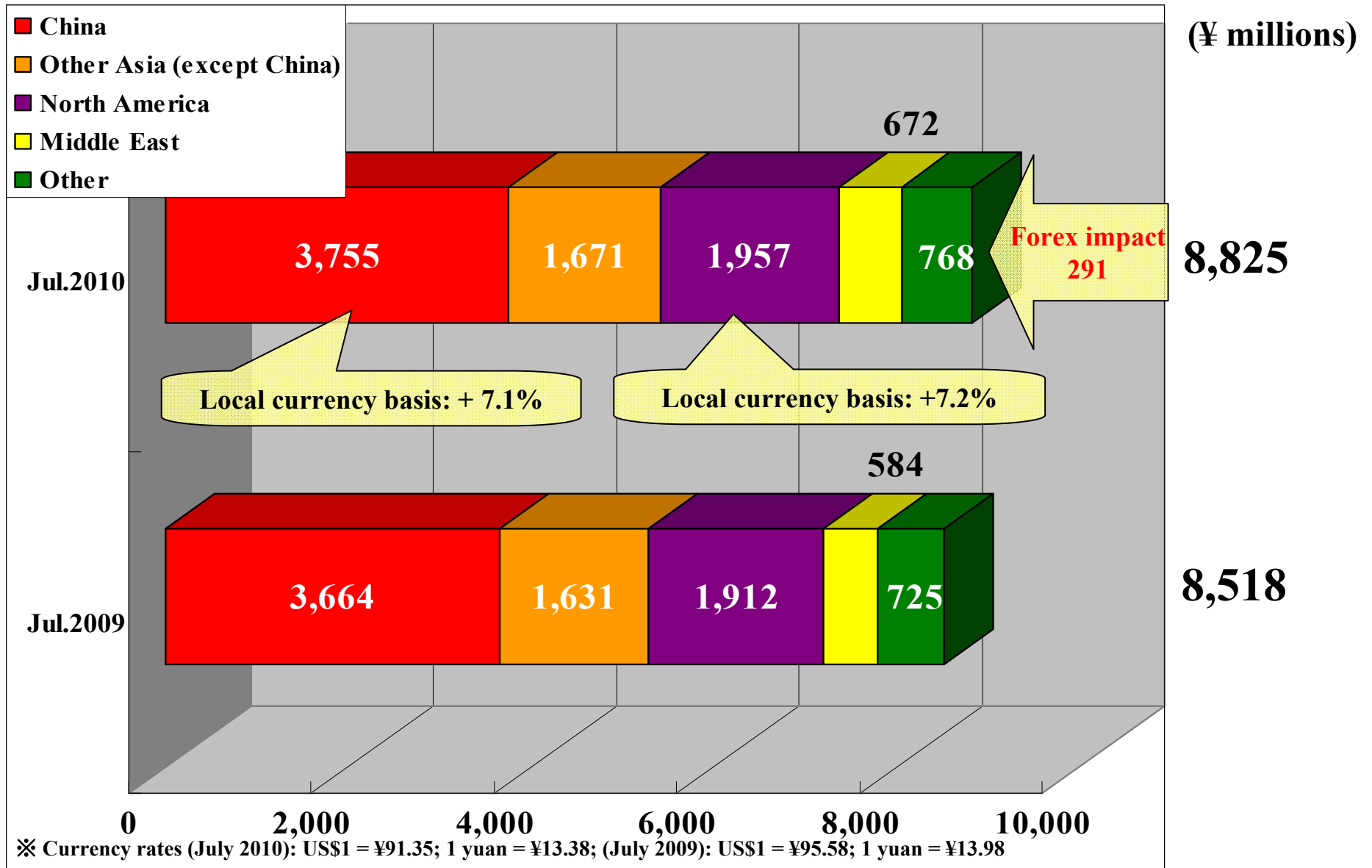
# Statements of Income (Consolidated)

(¥ millions)	Jul. 2009		Jul. 2010			
	Amount	% of Total	Amount	% of Total	YoY Change	summary
Net sales	26,258	100.0 %	27,236	100.0 %	103.7 %	
Cost of sales	16,112	61.4 %	16,076	59.0 %	99.8 %	
Gross Profit	10,145	38.6 %	11,160	41.0 %	110.0 %	
Selling, General and Administrative Expenses	7,991	30.4 %	9,444	34.7 %	118.2 %	■ Main SG&A changes Selling: +¥921m
Operating income	2,154	8.2 %	1,715	6.3 %	79.6 %	Advertisement: +¥189m Personnel: +¥166m
Total Other Income and Expenses	25	0.1 %	39	0.1 %	155.9 %	
Ordinary income	2,180	8.3 %	1,755	6.4 %	80.5 %	
Total Extraordinary Income and Loss	(398)	(1.5) %	(91)	(0.3) %	—	
Less: Minority Interest in Net Income of Consolidated Subsidiaries	61	0.2 %	49	0.2 %	79.8 %	
Net income	1,307	5.0 %	1,098	4.0 %	84.0 %	

# Results by Segment (Consolidated)

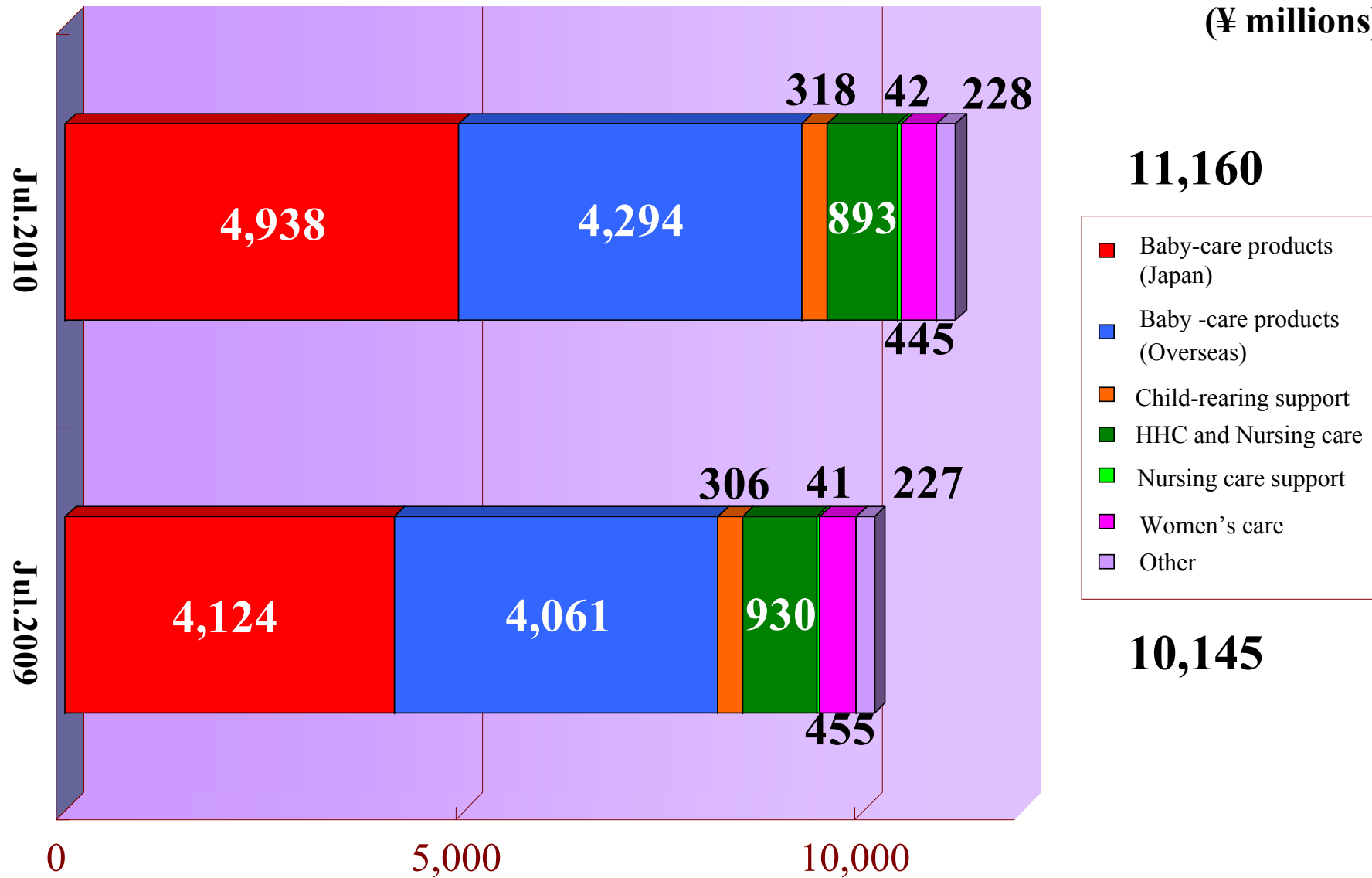
(¥ millions)	Jul. 2009				Jul. 2010			
	Amount	% of Total	YoY Change	Gross Margin	Amount	% of Total	YoY Change	Gross Margin
<b>Consolidated net sales</b>	<b>26,258</b>	<b>100.0%</b>	<b>98.5%</b>	<b>38.6%</b>	<b>27,236</b>	<b>100.0%</b>	<b>103.7%</b>	<b>41.0%</b>
Baby-care products (Japan)	10,136	38.6%	98.1%	40.7%	10,822	39.7%	106.8%	45.6%
Baby-care products (Overseas)	8,286	31.6%	97.6%	49.0%	8,582	31.5%	103.6%	50.0%
Child-rearing support services	2,608	9.9%	102.3%	11.7%	2,695	9.9%	103.4%	11.8%
HHC and nursing care products	3,034	11.6%	101.7%	30.7%	2,944	10.8%	97.0%	30.3%
Nursing care support services	292	1.1%	101.5%	14.2%	302	1.1%	103.4%	14.1%
Women's care products	1,195	4.6%	93.8%	38.1%	1,206	4.4%	100.8%	36.9%
Other	703	2.7%	94.7%	32.3%	683	2.5%	97.2%	33.4%
<b>Overseas business</b>	<b>8,518</b>	<b>32.4%</b>	<b>97.2%</b>	<b>49.2%</b>	<b>8,825</b>	<b>32.4%</b>	<b>103.6%</b>	<b>50.3%</b>

# Overseas Sales by Region



# Gross Profit by Business Segment (Consolidated)

(¥ millions)





# Domestic Baby and Child Care Products

## Reinforced existing domestic businesses and nurtured new businesses

### Baby and Child Care Products

**Overview:** Personal consumption (especially of regular consumables) remained weak

**New products:** Baby Flower Scent Full-Body Foam Soap and Baby Flower Scent Foam Shampoo, UV Baby Water Milk (sunscreen), Bonyu Jikkan (baby bottles), Straw Bottle Tall (baby bottle with straw), others

**New product category:** Launched Pixy-turn (stroller), others

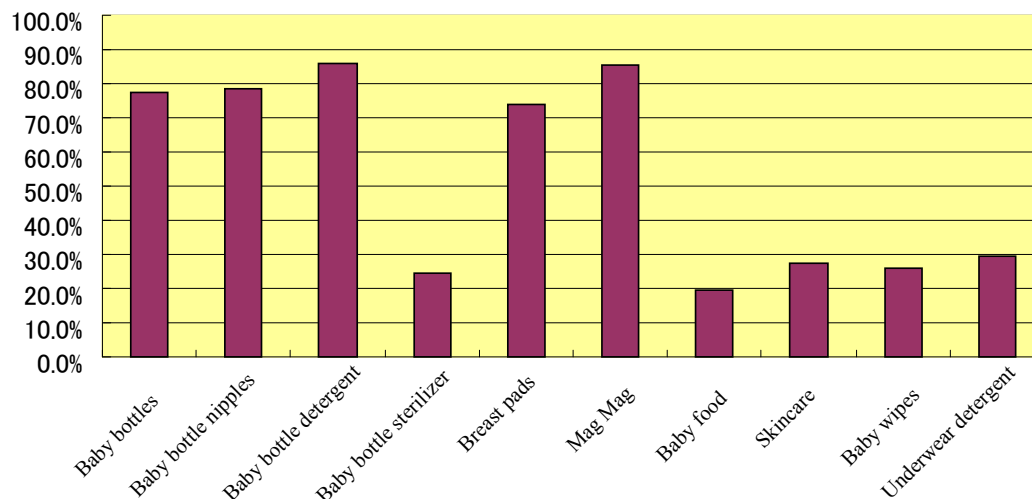
**Direct communication:** Pre-maternity events (20 events; more than 1,300 attendees)

**IT:** Started mail order sales of Mamas&Papas brand (March)

### Child-Rearing Support

- Growing according to plan, driven mainly by consignment operation of in-company child-minding facilities
- Started operation of five new centers under consignment

Market Share by Product (July 2010)



Renewed Bonyu Jikkan line of baby bottles



Pixy-turn stroller

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



# Overseas Business

## Globalization of baby and child care product and women's care product businesses

**Overseas Business:** Year-on-year sales increases on local-currency basis, centering on China and USA

### **China:**

Expanded network of Pigeon Breastfeeding Advice Offices (joint program with China's Ministry of Health) to 188 hospitals to promote education about breastfeeding

Pigeon sections opened in 470 additional stores in first half

Supply system: Production subsidiary in Changzhou, Jiangsu Province ⇒ Phase 1 plant construction proceeding as planned

**North America:** Lansinoh's sales performed mostly as planned

**Europe:** Good progress in Germany and Turkey despite some foreign exchange impact

### **New markets:**

**India:** Skincare line launched by Pigeon India (April)

**South Korea:** Started business development under Double Heart brand



**Pigeon Industries Changzhou  
(Changzhou, Jiangsu Province)**



**Double Heart products in South Korea**

# Healthcare Business

## Reinforced existing domestic businesses and nurtured new businesses

### 【Habinurse brand】

- New products: “Mimamori Sencer” (movement monitoring sensor)

### 【Recoup brand】

- New products: Super absorption incontinence pads and incontinence under pants
- Walking support shoes
- Boosting brand recognition: Recruited Yoshiko Kayama (image character actress); held events, produced ads and dedicated catalogs, etc.
- New sales channel: Boosted sales via TV shopping
- Brand fostering: Established Recoup sections in around 200 stores



New Habinurse products

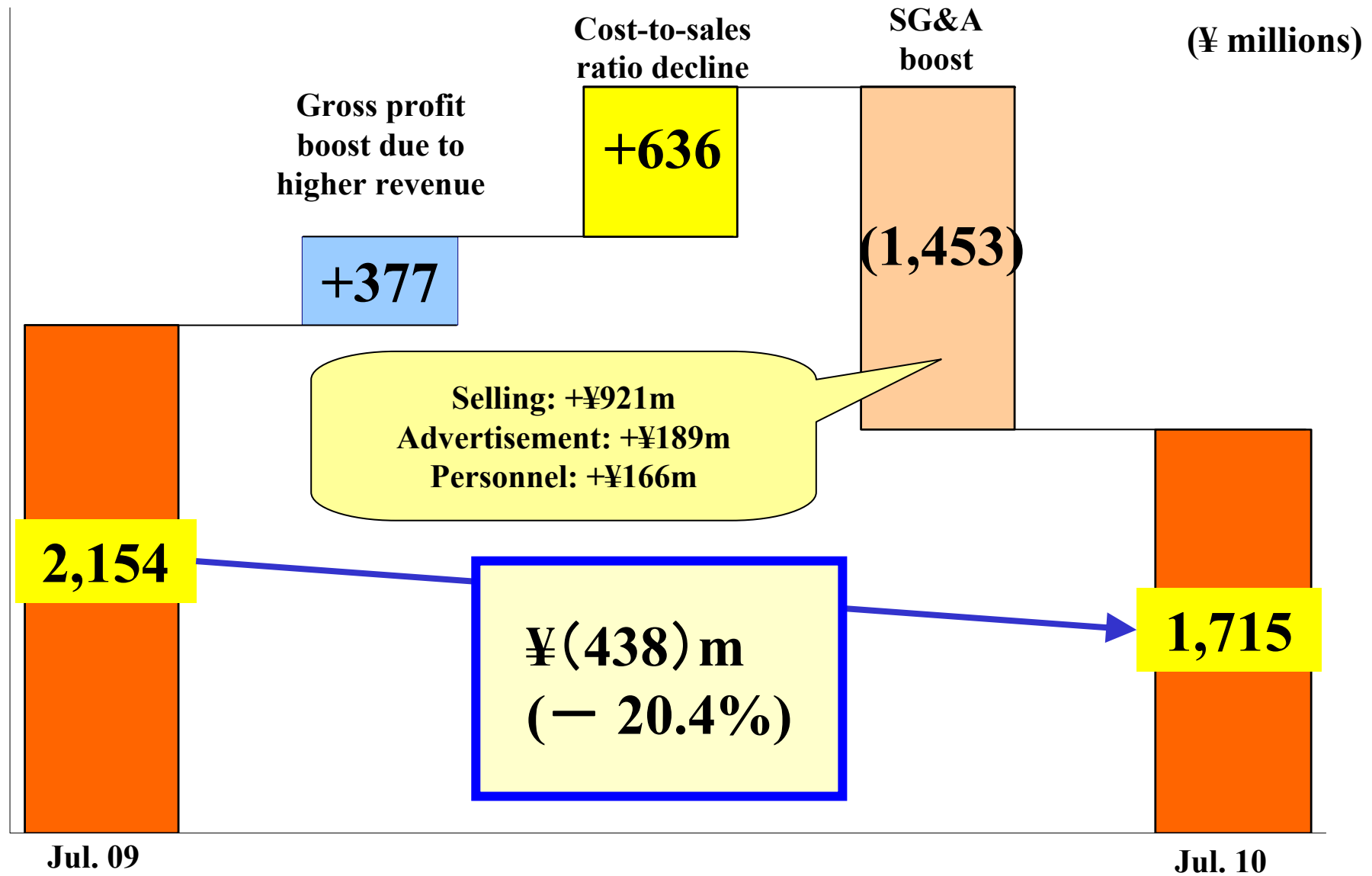


New Recoup products



Recoup ad

# Operating Income: Main Changes (Consolidated)

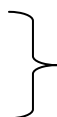


## Reference: Balance Sheet Highlights (Consolidated)

	Jul. 09	Jul. 10 (¥ millions)		
	Amount	Amount	YoY Change (Amount)	YoY Change (%)
<b>Cash and deposits</b>	6,905	5,907	(998)	85.5 %
<b>Notes and accounts receivable</b>	8,757	9,886	+ 1,129	112.9 %
<b>Inventories</b>	5,507	6,201	+ 693	112.6 %
<b>Notes and accounts payable</b>	4,311	4,635	+ 324	107.5 %
<b>Borrowings</b>	2,469	2,865	+ 395	116.0 %
<b>Net assets</b>	26,264	26,317	+ 52	100.2 %
<b>Total assets</b>	39,493	40,655	+ 1,161	102.9 %
<b>Equity ratio</b>	65.3%	63.6 %	—	— 1.7 pt

■ Notes and accounts receivable:

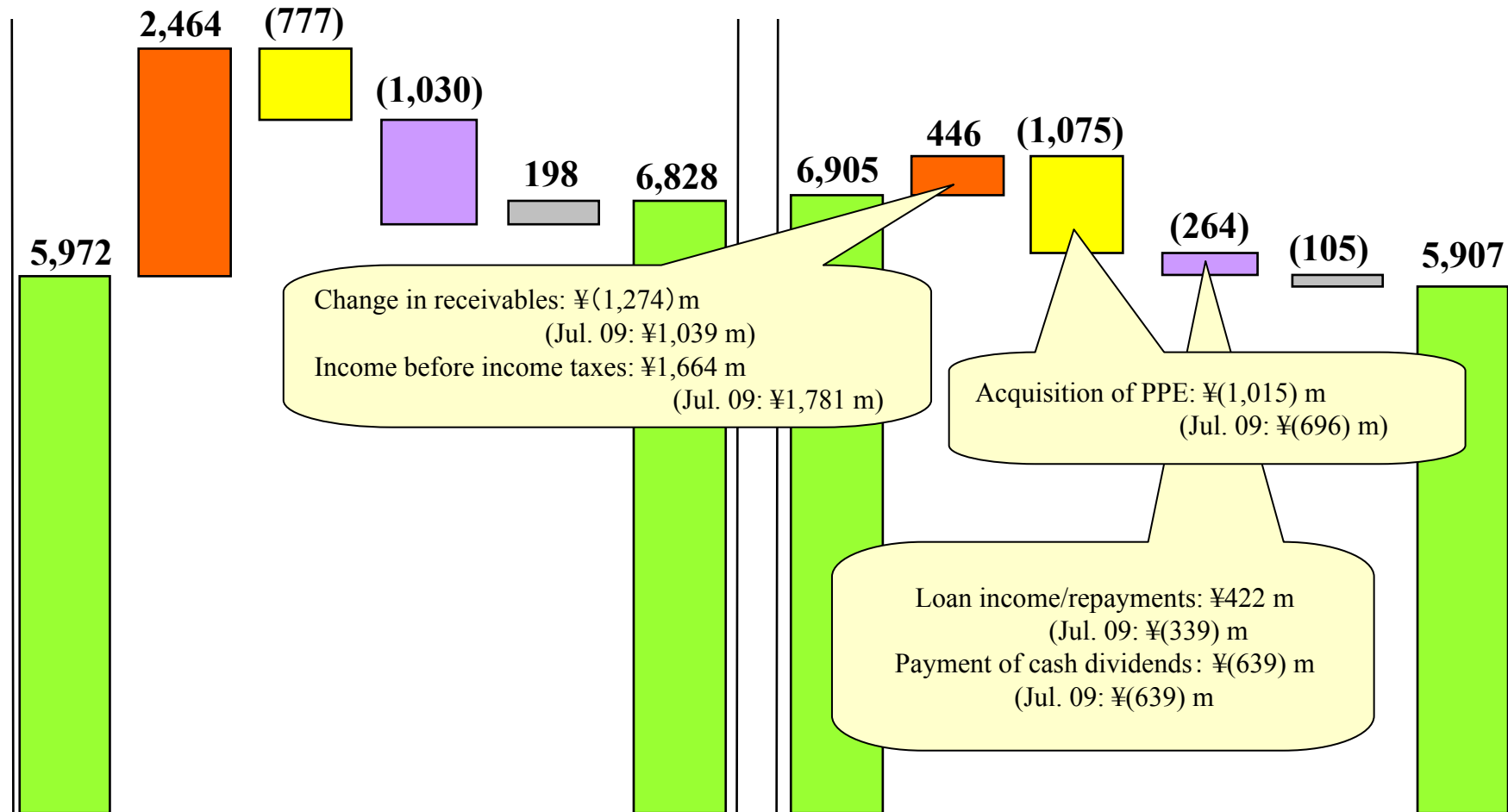
■ Inventories:



Increase due to business expansion

# Reference: Cash Flows

(¥ millions)



Jul. 2009					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation/Valuation Gain (Loss)	Balance at End
5,972	2,464	(777)	(1,030)	198	6,828

Jul. 2010					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation/Valuation Gain (Loss)	Balance at End
6,905	446	(1,075)	(264)	(105)	5,907

## Reference: Investment-Related Indicators (Consolidated)

(¥ millions)

	Jul. 2009		Jul. 2010	
	Interim (Result)	Full Year (Result)	Interim (Result)	Full Year (Plan)
<b>Capital expenditure ※1</b>	613	1,558	954	3,260
<b>Depreciation (tangible fixed assets)</b>	547	1,180	650	1,444
<b>Research and development ※2</b>	626	1,210	682	1,350

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

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

# **Jan. 2011 Full Year Business Forecasts**

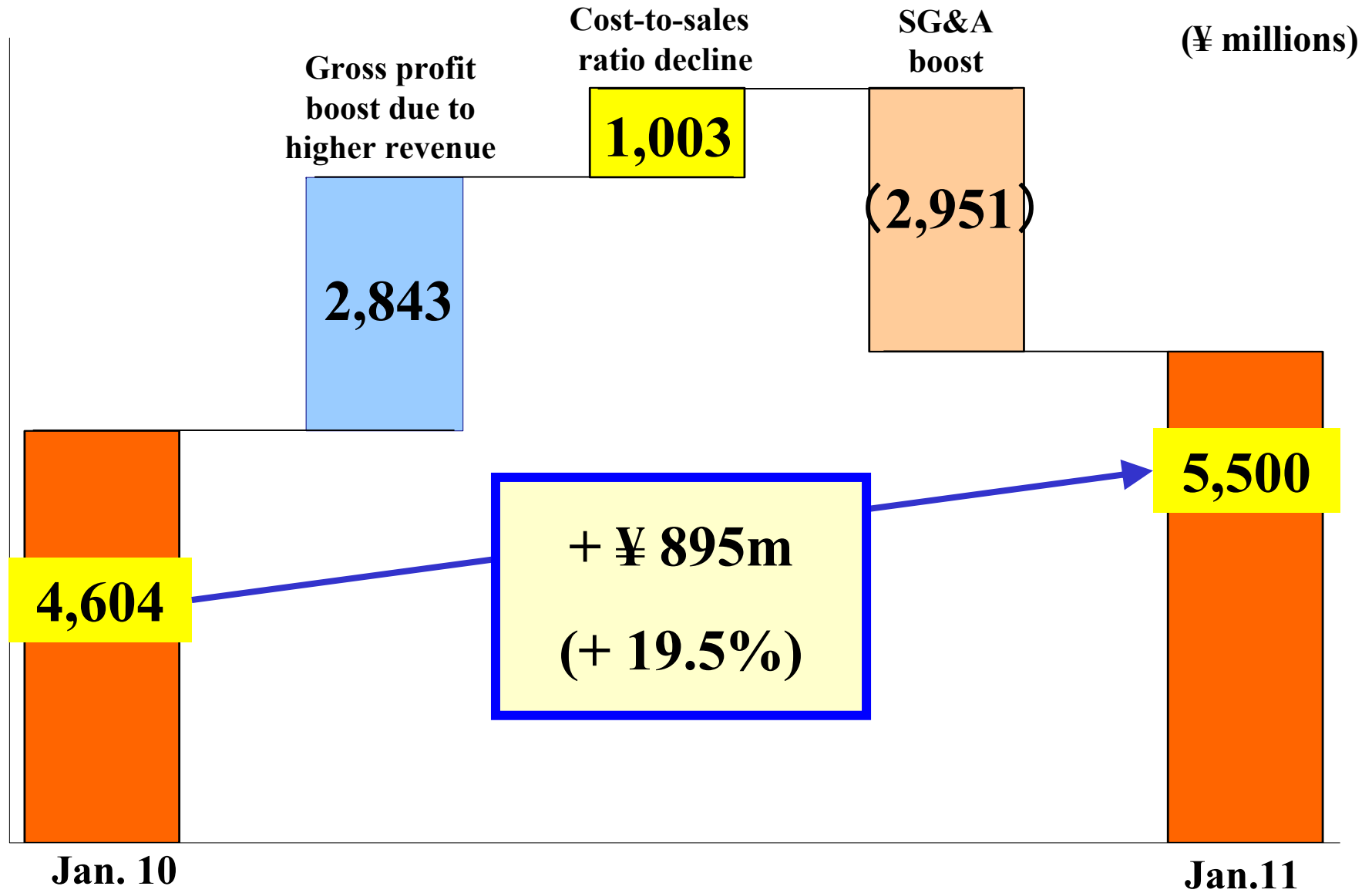


## Jan. 2010 Results and Jan. 2011 Forecast (Consolidated)

(¥ millions)	Jan. 2010			Jan. 2011 (Forecast)		
	Amount	% of Total	YoY Change	Amount	% of Total	YoY Change
Net sales	53,431	100.0%	100.6%	60,700	100.0%	113.6%
Operating income	4,604	8.6%	107.8%	5,500	9.1%	119.5%
Ordinary income	4,609	8.6%	107.3%	5,400	8.9%	117.2%
Net income	2,840	5.3%	99.5%	3,500	5.8%	123.2%
Net assets	26,264	—	108.0%	27,900	—	106.2%
Total assets	39,493	—	102.8%	42,100	—	106.6%
EPS(¥)	141.89	—	99.4%	174.87	—	123.2%
BPS (¥)	1,288.14	—	107.8%	1,365.33	—	106.0%
ROA	11.8%	—	—	13.2%	—	—
ROE	11.4%	—	—	13.2%	—	—

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

# Operating Income: Main Changes Forecast (Consolidated)



# Results and Forecast by Segment (Consolidated)

(¥ millions)	Jan. 2010				Jan. 2011 (Forecast)			
	Amount	% of Total	YoY Change	Gross Margin	Amount	% of Total	YoY Change	Gross Margin
<b>Consolidated net sales</b>	<b>53,431</b>	<b>100.0%</b>	<b>100.6%</b>	<b>39.1%</b>	<b>60,700</b>	<b>100.0%</b>	<b>113.6%</b>	<b>40.8%</b>
Baby-care products (Japan)	19,735	36.9%	97.7%	40.9%	22,034	36.3%	111.6%	45.3%
Baby-care products (Overseas)	18,050	33.8%	103.9%	49.3%	20,980	34.6%	116.2%	49.5%
Child-rearing support services	5,151	9.6%	101.4%	11.3%	5,443	9.0%	105.7%	11.6%
HHC and nursing care products	5,859	11.0%	100.3%	31.3%	7,140	11.8%	121.9%	29.8%
Nursing care support services	590	1.1%	101.4%	14.1%	700	1.2%	118.5%	13.9%
Women's care products	2,386	4.5%	94.9%	38.0%	2,905	4.8%	121.8%	36.7%
Other	1,657	3.1%	111.2%	32.5%	1,495	2.5%	90.2%	31.8%
<b>Overseas business</b>	<b>18,539</b>	<b>34.7%</b>	<b>103.9%</b>	<b>49.5%</b>	<b>21,526</b>	<b>35.5%</b>	<b>116.1%</b>	<b>49.6%</b>

# Key Priorities for Year to Jan. 2011

## ■ Globalization of baby and child care product and women's care product businesses

- **China:** Further strengthen sales base; continue expanding production facilities
- **North America:** Maintain/expand high share of breastfeeding-related product
- **Europe:** Expand sales in Turkey
- **New markets:** Build brand and expand sales via local subsidiary in India; advance into new core markets (South Korea, Russia, etc.)

## ■ Reinforce existing domestic businesses and nurture new businesses

- **Baby and child care products:** Reinforce existing businesses; nurture new businesses; continue direct communication campaign; improve profitability
- **IT business:** Expand sales through focus on mail-order and child-rearing sites
- **Child-rearing support:** Improve quality of both human skills and services
- **Healthcare:** Promote brand of Recoup; secure new sales channels

# Shareholder Return

## 【Shareholder return indicators under Third Medium-Term Business Plan】

- We will bolster shareholder return in a flexible manner, including through share buybacks, targeting a total shareholder return ratio of 50% or higher by Jan. 2011.

Dividend Status	Jan. 2008 (Result)		Jan. 2009 (Result)		Jan. 2010 (Result)		Jan. 2011 (Forecast)	
	Interim	Year-End	Interim	Year-End	Interim	Year-End	Interim	Year-End
Dividend per share (yen)	13	15	23	32	32	32	44	44
Payout ratio	37.9%		38.5%		45.1%		50.3%	

# Corporate Overview

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