

# Results briefing for the six months ended July 31, 2011

September 7, 2011

**PIGEON CORPORATION**

(Securities code: 7956)

**President & CEO Akio Okoshi**

# Contents

- Title, Contents 1 - 2
- Jul. 2011 Results 3 - 14
- Jan. 2012 Full Year Business Forecasts 15 - 18

# Jul. 2011 Results

## Jul. 2010 Results and Jul. 2011 Results (Consolidated)

(¥ millions)	Jul. 2010		Jul. 2011			
	Amount	YoY Change	Forecast	Amount	YoY Change	% of Forecast
Net sales	27,236	103.7%	28,300	28,432	104.4%	100.5%
Operating income	1,715	79.6%	1,800	2,087	121.7%	116.0%
Ordinary income	1,755	80.5%	1,800	2,064	117.6%	114.7%
Net income	1,098	84.0%	1,100	1,214	110.6%	110.4%
Net assets	26,317	103.4%	—	27,270	103.6%	—
Total assets	40,655	103.1%	—	44,207	108.7%	—
EPS (¥)	54.88	84.0%	54.96	60.69	110.6%	110.4%
BPS (¥)	1,290.92	103.3%	—	1,336.67	103.5%	—

# Statements of Income (Consolidated)

(¥ millions)	Jul. 2010		Jul. 2011			
	Amount	% of Total	Amount	% of Total	YoY Change	summary
Net sales	27,236	100.0 %	28,432	100.0 %	104.4 %	
Cost of sales	16,076	59.0 %	16,880	59.4 %	105.0 %	
Gross Profit	11,160	41.0 %	11,552	40.6 %	103.5 %	
Selling, General and Administrative Expenses	9,444	34.7 %	9,464	33.3 %	100.2 %	■ Main SG&A changes Personnel: +¥192m
Operating income	1,715	6.3 %	2,087	7.3 %	121.7 %	Selling: -¥115m Advertisement: -¥68m
Total Other Income and Expenses	39	0.1 %	(22)	0.0 %	—	
Ordinary income	1,755	6.4 %	2,064	7.3 %	117.6 %	
Total Extraordinary Income and Loss	(91)	(0.3) %	(126)	(0.5) %	—	■ Main extraordinary losses Disaster-related: -¥113m
Less: Minority Interest in Net Income of Consolidated Subsidiaries	49	0.2 %	61	0.2 %	125.7 %	
Net income	1,098	4.0 %	1,214	4.3 %	110.6 %	

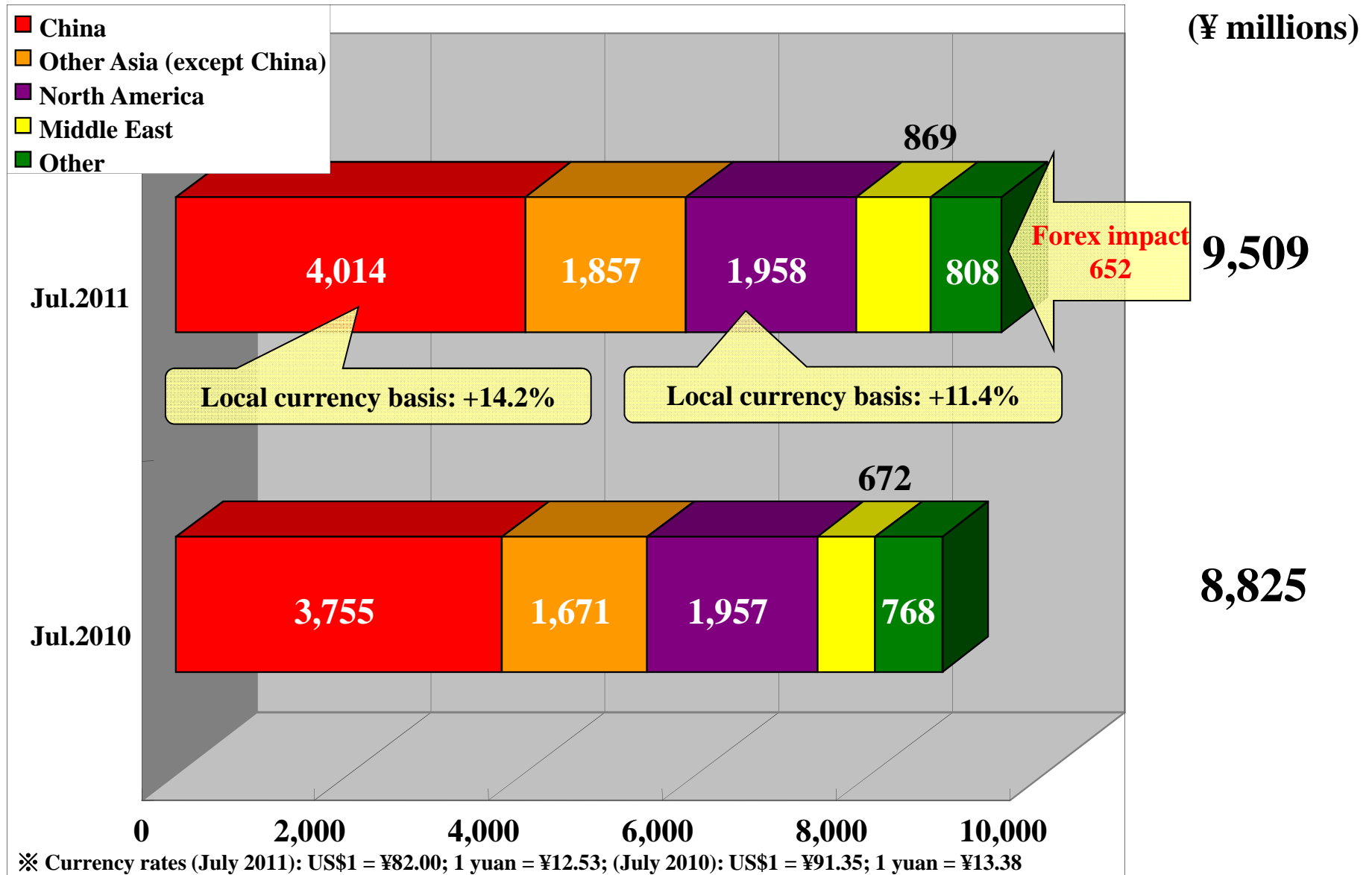
# Results by Segment (Consolidated)

(¥ millions)	Jul. 2010				Jul. 2011				
	Amount	% of Total	Gross Margin	Segment Income	Amount	% of Total	YoY Change	Gross Margin	Segment Income
<b>Consolidated net sales</b>	<b>27,236</b>	<b>100.0%</b>	<b>41.0%</b>	<b>1,715</b>	<b>28,432</b>	<b>100.0%</b>	<b>104.4%</b>	<b>40.6%</b>	<b>2,087</b>
<b>Domestic Baby and Mother Care Business</b>	<b>11,904</b>	<b>43.7%</b>	<b>44.9%</b>	<b>1,724</b>	<b>12,142</b>	<b>42.7%</b>	<b>102.0%</b>	<b>45.7%</b>	<b>1,805</b>
<b>Child-rearing Support Services</b>	<b>2,683</b>	<b>9.9%</b>	<b>12.6%</b>	<b>64</b>	<b>2,946</b>	<b>10.4%</b>	<b>109.8%</b>	<b>11.2%</b>	<b>59</b>
<b>Health Care and Nursing Care Business</b>	<b>3,266</b>	<b>12.0%</b>	<b>28.4%</b>	<b>31</b>	<b>3,303</b>	<b>11.6%</b>	<b>101.2%</b>	<b>29.9%</b>	<b>234</b>
<b>Overseas Business</b>	<b>8,852</b>	<b>32.5%</b>	<b>50.4%</b>	<b>1,490</b>	<b>9,534</b>	<b>33.5%</b>	<b>107.7%</b>	<b>48.3%</b>	<b>1,559</b>
<b>Other</b>	<b>528</b>	<b>1.9%</b>	<b>16.9%</b>	<b>74</b>	<b>505</b>	<b>1.8%</b>	<b>95.6%</b>	<b>15.2%</b>	<b>57</b>

※Jul. 2010 figures have been calculated by substituting new report segment results for this quarter, and are for your reference

※Segment income in consolidated amount (all unclassifiable operating expenses) have been adjusted and posted as operating income in the quarterly consolidated statements of income

# Overseas Sales by Region



# Key Priorities for Year to Jan. 2012

## **Domestic Baby and Mother Care Business**

- Establish and extend large merchandise business and promote the category of women's care
- Ensure growth of IT business, establish a Mamas & Papas business

## **Child-rearing Support Services**

- Realize further improvements in child-rearing quality; continue steady expansion of business

## **Health Care and Nursing Care Business**

- Restructure business operation system
- Improve merchandise competitiveness specializing in priority categories
- Take action to develop new channels

## **Overseas Business**

- **China:** Strengthen alliances with current agencies; foster new agencies  
Begin operations at new Changzhou Factory; strengthen development and in-house production systems
- **Europe and America:** Extend merchandise category centered on the mOmma brand
- Start tapping new markets



# Domestic Baby and Mother Care Business / Child-rearing Support Services

## Domestic Baby and Mother Care Business

[New Products]

MOGUTTOYASAI, MAGUMAGU Baby/Spout, Range de MUSHI-PAN, MUSHI- KURURIN OHEYANIOKU Type, Other

[Women's care]

Body Massage Cream, Body HIKISHIME Gel

[Large merchandise business]

SALVAJE

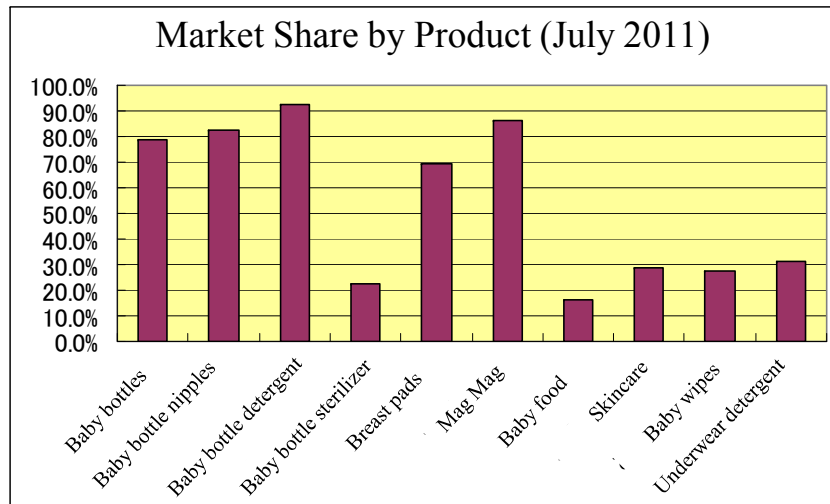
## Child-rearing Support Services

[New contract of entrustment]

Authorized nursery school (1)

Nursery facilities within business establishments (3) (April)

Main Products to be Launched  
During Second Half of the Year



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



Skin thermometer H20  
Chibi-on Touch  
(Takes temperature by contact  
with forehead for just a second)



Baby's First  
Mask



ONEGAI ORIGO  
(Company's first Food  
for Specified Health  
Uses)

# Health Care and Nursing Care Business

## Health Care and Nursing Care Business

- [Habinurse] Focus on Pigeon Tahira (agent for distribution to healthcare facilities)  
Walking aid products: Wheelchair sales are strong  
New products: YAWARAKAI KAIJO Spoon, HAGUKI NI YASASHII Brush, FUSOIRI HAMIGAKI Gel
- [Recoup] New products: NUNO Type KYUSYU Pad  
Expanding sales through catalog mail orders and TV shopping



Full reclining chair

Wheelchair with automatic brakes

The brakes are applied automatically when the occupant tries to stand, and released when he/she sits down



New products, Habinurse and Recoup

# Overseas Business

## ■ Overseas Businesses

**Major overseas expansion with products sold in the local currency in overseas markets including China and North America**

**[China]** Efforts to create/re-establish distribution system since the previous period proceeding smoothly  
Focusing on sales to baby-care product chains  
Increasing the number of stores that handle volume sales  
New products selling strongly  
Production subsidiary in Changzhou, Jiangsu Province proceeding smoothly  
Our awareness program related to caring for breastfed infants conducted jointly with our Sanitation department has drawn the participation of over 1,100 hospitals.

**[Europe and America]** Acquisition of brands aimed at expanding merchandise categories:  
“mOmma” (January) and “earth friendly baby”(July)

**[New markets]** India: Working on brand development by setting up “Pigeon Corners” in stores  
Malaysia: Major expansion through the acquisition of local sales agencies as subsidiaries



**Breastfed Infant Care Awareness Program in china**



**earth friendly baby®**



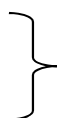
**India: Pigeon Corner**

## Reference: Balance Sheet Highlights (Consolidated)

	Jan. 11	Amount	Jul. 11	(¥ millions)
	Amount		YoY Change (Amount)	YoY Change (%)
Cash and time deposit	6,827	6,895	+ 68	101.0 %
Notes and accounts receivable	9,874	10,615	+741	107.5 %
Inventories	5,798	6,930	+1,132	119.5 %
Notes and accounts payable	3,984	4,808	+823	120.7 %
Borrowings	4,873	4,876	+ 3	100.1 %
Net assets	27,044	27,270	+ 226	100.8 %
Total assets	42,684	44,207	+1,522	103.6 %
Equity ratio	62.2%	60.5%	—	- 1.7 pt

■ Notes and accounts receivable:

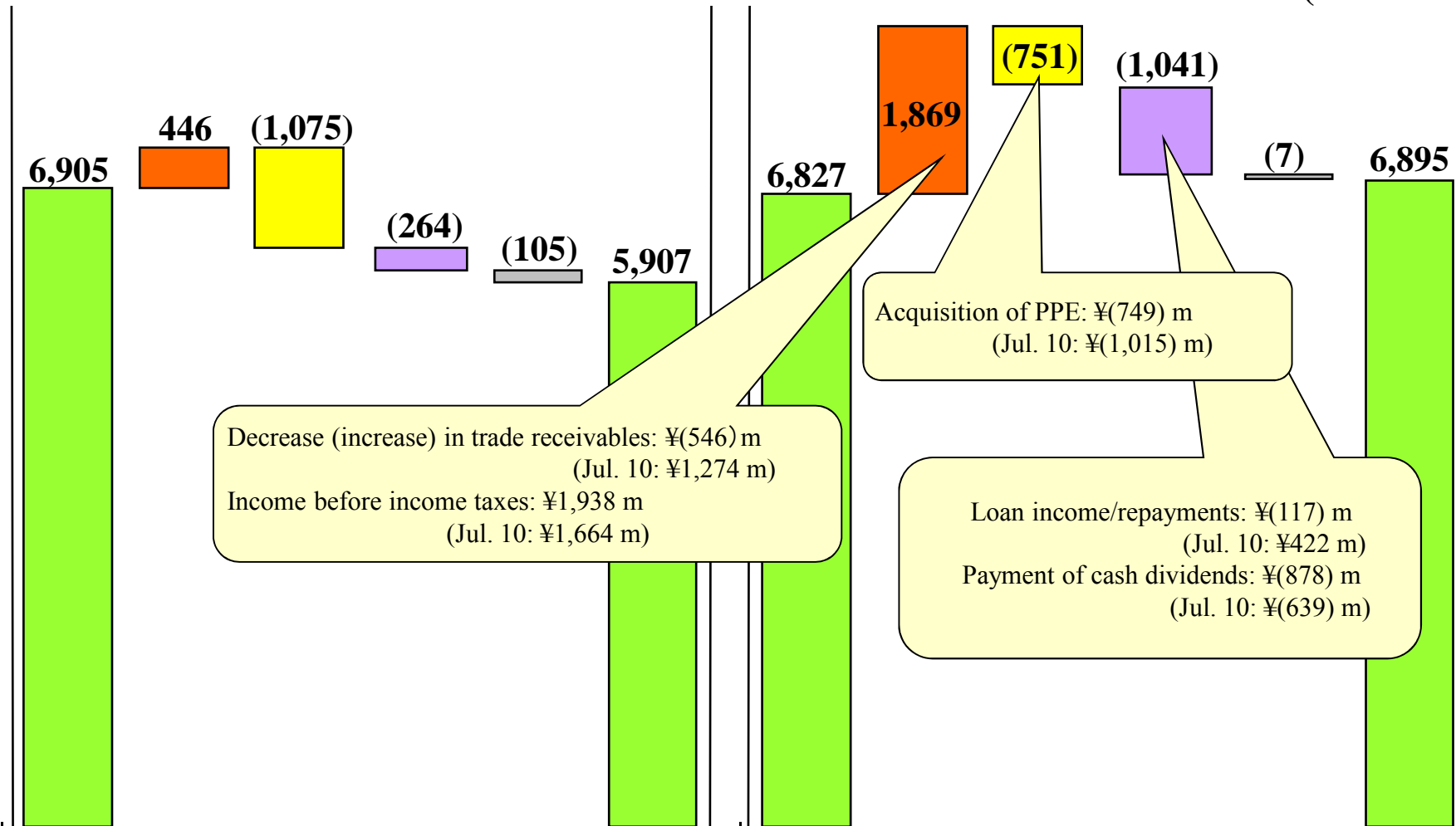
■ Inventories:



Increase due to business expansion

# Reference: Cash Flows

(¥ millions)



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

Jul. 2011					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation/Valuation Gain (Loss)	Balance at End
6,827	1,869	(751)	(1,041)	(7)	6,895

## Reference: Investment-Related Indicators (Consolidated)

(¥ millions)

	Jan. 2011		Jan. 2012	
	Interim (Result)	Full Year (Result)	Interim (Result)	Full Year (Plan)
Capital expenditure ※1	954	2,938	1,085	1,594
Depreciation (tangible fixed assets)	650	1,364	722	1,548
Research and development ※2	682	1,359	755	1,558

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

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

# Jan. 2012 Full Year Business Forecasts



## Jan. 2011 Results and Jan. 2012 Forecast (Consolidated)

(¥ millions)	Jan. 2011			Jan. 2012 (Forecast)		
	Amount	% of Total	YoY Change	Amount	% of Total	YoY Change
Net sales	57,061	100.0%	106.8%	61,100	100.0%	107.1%
Operating income	4,546	8.0%	98.8%	5,000	8.2%	110.0%
Ordinary income	4,435	7.8%	96.2%	4,950	8.1%	111.6%
Net income	2,928	5.1%	103.1%	3,300	5.4%	112.7%
Net assets	27,044	—	103.0%	28,723	—	106.2%
Total assets	42,684	—	108.1%	44,960	—	105.3%
EPS(¥)	146.31	—	103.1%	164.88	—	112.7%
BPS (¥)	1,325.71	—	102.9%	1,406.65	—	106.1%
ROA	10.8%	—	—	11.3%	—	—
ROE	11.2%	—	—	12.1%	—	—

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



# Results and Forecast by Segment (Consolidated)

(¥ millions)	Jan. 2011				Jan. 2012 (Forecast)				
	Amount	% of Total	Gross Margin	Segment Income	Amount	% of Total	YoY Change	Gross Margin	Segment Income
<b>Consolidated net sales</b>	<b>57,061</b>	<b>100.0%</b>	<b>40.8%</b>	<b>4,546</b>	<b>61,100</b>	<b>100.0%</b>	<b>107.1%</b>	<b>40.8%</b>	<b>5,000</b>
<b>Domestic Baby and Mother Care Business</b>	<b>24,145</b>	<b>42.3%</b>	<b>45.3%</b>	<b>3,601</b>	<b>24,616</b>	<b>40.3%</b>	<b>102.0%</b>	<b>46.0%</b>	<b>3,859</b>
<b>Child-rearing Support Services</b>	<b>5,455</b>	<b>9.6%</b>	<b>12.2%</b>	<b>119</b>	<b>5,700</b>	<b>9.3%</b>	<b>104.5%</b>	<b>11.8%</b>	<b>125</b>
<b>Health Care and Nursing Care Business</b>	<b>6,504</b>	<b>11.4%</b>	<b>28.7%</b>	<b>129</b>	<b>6,909</b>	<b>11.3%</b>	<b>106.2%</b>	<b>28.3%</b>	<b>248</b>
<b>Overseas Business</b>	<b>19,907</b>	<b>34.9%</b>	<b>48.6%</b>	<b>3,762</b>	<b>22,802</b>	<b>37.3%</b>	<b>114.5%</b>	<b>47.8%</b>	<b>4,083</b>
<b>Other</b>	<b>1,049</b>	<b>1.8%</b>	<b>14.9%</b>	<b>125</b>	<b>1,071</b>	<b>1.8%</b>	<b>102.1%</b>	<b>10.1%</b>	<b>100</b>

※Jan. 2011 figures have been calculated by substituting new report segment results for this term-end, and are for your reference

※Segment income in consolidated amount (all unclassifiable operating expenses) have been adjusted and posted as operating income in the quarterly consolidated statements of income

# Shareholder Return

## [Shareholder return indicators under Fourth Medium-Term Business Plan]

- Adopt flexible approach to upgrading shareholder return (incl. through share buybacks), targeting continued total shareholder return ratio of 50% or higher

Dividend Status	Jan. 2009 (Result)		Jan. 2010 (Result)		Jan. 2011 (Result)		Jan. 2012 (Forecast)	
	Interim	Year-End	Interim	Year-End	Interim	Year-End	Interim	Year-End
Dividend per share (yen)	23	32	32	32	44	44	44	44
Payout ratio	38.5%		45.1%		60.1%		53.4%	

# Corporate Overview

## PIGEON CORPORATION

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