

## **Summary of Results briefing for the six months ended July 31, 2019**

[Points of Attention]

This “Summary” is a reference for those who would like to review the Results briefing hold by Pigeon Corporation on September 3, 2019.

Please note that this is not the entire text of the all sessions at the briefing.

Forward-looking statements in these materials are based on management's assumptions and beliefs in light of the information currently available to it and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may affect the Company's performance.

### **Event Summary**

[Date] September 3, 2019

[Time] 15:00 –

[Venue] Sumitomo Mitsui Banking Corporation East Rising Square, 3F  
1-3-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005

[Number of Speakers] 7

|                   |  |
|-------------------|--|
| Norimasa Kitazawa | President and COO                              |
| Eiji Akamatsu     | Director and Senior Managing Executive Officer |
| Tadashi Itakura   | Director and Managing Executive Officer        |
| Ryo Yano          | Senior Managing Officer                        |
| Yusuke Nakata     | Senior Managing Officer                        |
| Tsutomu Matsunaga | Managing Officer                               |
| Hiroyasu Maki     | Managing Officer                               |

**Kitazawa:** Thanks for your participation today. This is my first financial results briefing since my appointment.

As previously announced, earnings declined about 15% year-on-year. This is very close to what we were expecting.

Regarding to this briefing, changing a bit from usual, I would like to talk about events that happened in this half-year period. After that, I will mainly introduce very useful elements for the future.

Q2 Highlights : 618 Shopping Week (China)



**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)

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First of all, China. On June 18, we ranked first in e-commerce for nursing bottles and nipples. At this time, the Company ranked first not only in nursing bottles and nipples but also in the cosmetics sector. Our flagship Tenmao store on the Taobao platform has achieved remarkable growth of 230% compared to the previous year.

Q2 Highlights : Sales of China BU

\*LC basis, excl. Korea 



Sales<sup>\*1</sup>  
YoY

**+8%**

Sales ratio<sup>\*2</sup>  
E-commerce

**52%**

YoY **+7 pt**

\*1: Sell-in of Pigeon Shanghai \*2: Our sell-out estimate <sub>5</sub>

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Sales in the first half of the fiscal year have undoubtedly recovered from the previous year, increasing by 8% on a local currency basis. This is partly due to the impact of the e-commerce festival on June 18. Additionally, the share of total sales from e-commerce rose to 52%. This figure is about 7 percentage points higher than the same period of the previous year.

Q2 Highlights : Sales of Lansinoh BU - YoY



**Stretched in our major markets**

on a local currency basis



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Next is Lansinoh. Although Lansinoh's growth rate is not so high on JPY basis, but it is growing at a very high pace in all countries on local currency basis. In particular in Germany, it is growing by 21%, and the growth rate in France is 18%. In China, it continues to enjoy growth with a 16% increase.

Q2 Highlights : Stroller category (Japan)



- Released a NEW 3-wheel stroller, "Palskip"
- Recorded the highest market share,

No.2 in June alone

Our market share of strollers\*

**30.3%**



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\* the value share based on the research by Pigeon. 7

Moving on to Japan. The market share of our stroller achieved 30% in single month in the period. 25% was the highest record before. This figure has seen a gradual upward trend. In the period from January to June, the figure has remained above 20%. A slight contribution to this figure was made by the three-wheeled Palskip, which was launched in May.

Q2 Highlights : New Market Penetration (Singapore BU)



- Contracted a new distributor to enter Nigerian market



Local distributor **UNIVERSAL Hair Care**  
www.universalhaircare.com

Number of Annual Births

**7.56**million\*

\*Euromonitor 2019

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This is Singapore territory. I have mentioned this before, but I think India will be important in the medium term and beyond. Indonesia is also important. After that is Africa, where preparations are progressing steadily. We are moving into the largest market in Africa, where 7.56 million babies are born annually. We have been able to set up a distribution agent there. I think that we will continue to see developments in this market.

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

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\* 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.

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This figure is sales by segment. Overall sales were 99.4% of those of the previous year. Gross profit was 84.9%. Compared with the previous year, sales in Japan's Domestic Baby and Mother Care Business were 97.5%, followed by sales in the Health and Elder Care Business, which were 98.9%. All of the three overseas divisions were able to exceed their level in previous fiscal year.

## Statements of Income (Consolidated)

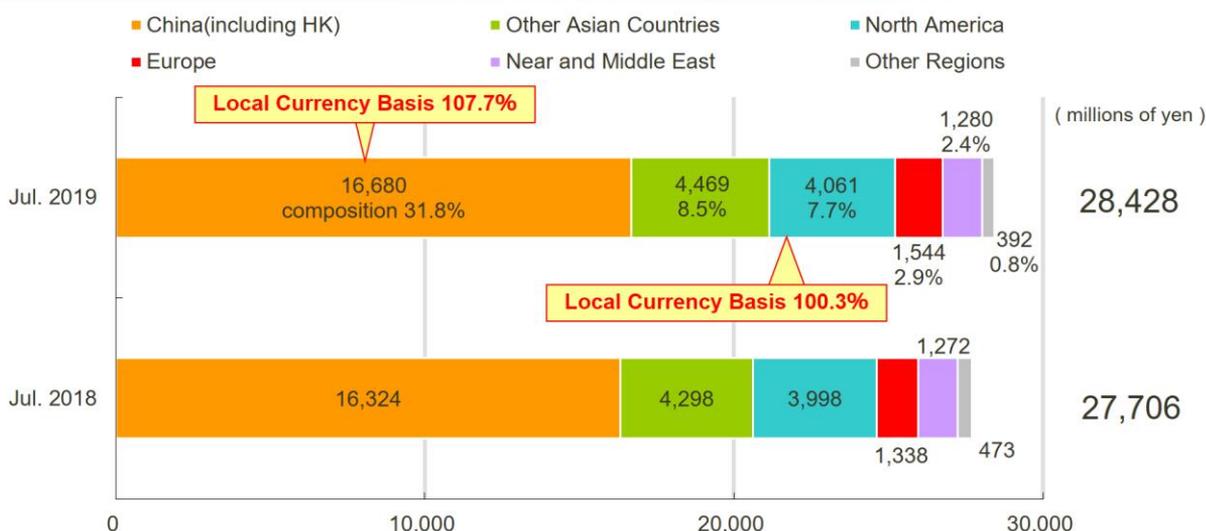


| (millions of yen)   | Jul. 2018 |            | Jul. 2019 |            |            | Remarks                                  |
|---|-----------|------------|-----------|------------|------------|--|
|   | Result    | % of Total | Result    | % of Total | YoY Change |  |
| Net Sales   | 52,847    | 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<br>in SG&A Expenses       |
| SG&A Expenses   | 16,156    | 30.6%      | 17,375    | 33.1%      | 107.5%     | Depreciation/Amortization<br>+¥545m      |
| Operating Income  | 10,907    | 20.6%      | 9,257     | 17.6%      | 84.9%      | Personal expenses: +¥517m                |
| Non-Operating<br>Income(Expenses)                           | 772       | 1.5%       | 351       | 0.7%       | 45.5%      | Market research expense:<br>+¥189m       |
| Ordinary Income   | 11,679    | 22.1%      | 9,608     | 18.3%      | 82.3%      | Commission fee: +¥149m                   |
| Extraordinary Income  | 103       | 0.2%       | 67        | 0.1%       | 65.0%      | Shipment/distribution<br>expense: +¥131m |
| Net Income<br>Attributable to Non-<br>controlling Interests | 216       | 0.4%       | 134       | 0.3%       | 61.9%      |  |
| Net Income<br>Attributable to Owners<br>of Parent           | 8,109     | 15.4%      | 6,565     | 12.5%      | 81.0%      |  |

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These are the consolidated figures. Compared with the previous year, net sales were 99.4%, and operating income was 84.9%. SG&A expenses were considerably higher than sales growth. Breaking down these figures, we see that depreciation and amortization costs, which are related to ERP, were 500 million yen. Personnel expenses are mainly related to retirement benefits for directors. Later, shipping costs have increased because of market-wide increases in costs of shipping.

## 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

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This is a breakdown of overseas operations by region. As usual, Lansinoh's sales in China are included in the China segment. This is a table that focuses exclusively on performance in each geographical area.

## Dec. 2019 Forecast (Consolidated)



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%      | -          |

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\* Calculated with our current estimation, US\$1 = ¥109.00 1 yuan = ¥16.00 Japan 11 & Overseas 12months

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As for the full-year plan, we have decided to leave it unchanged from the original plan. Nevertheless, the current fiscal year in Japan is 11 months long, and even taking this into account, I would very much like to see the figures exceed those for the previous year.

## 2nd Half New Product (China BU)



- **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

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I would like to talk about the reasons for not changing the full fiscal year sales forecast. We have been working to introduce a new skin care product in China in the second half of the year, and we will finally launch the new product in October.

The concept of this is to deliver fresh products directly to customers from the factory. Fundamentally, it is a product with zero preservatives. This means that we can't keep it for a long time. The product will be delivered to the customer and will be used up within two weeks or one month.

This will be a new business model, and orders will only be taken at our flagship e-commerce store. We send orders directly to customers from our PMFG plant. This is a new model as direct sales of products. Order will be taken only through our flagship shop. The order directly goes to our factory, the order is manufactured, delivered to the customer directly.

## 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



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Next is a new product in Singapore. The brand name, Go Mini, is trademarked. In Europe, we won the Red Dot Design prize. Then there was Japan's Good Design Award, and Singapore Good Design. We intend to expand this product mainly in Indonesia, one of our key target markets.

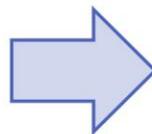
## 2nd Half New Product (Lansinoh BU)



- 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.

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Next is Lansinoh. We will be replacing our current products with new second-generation breast pumps. The big difference is there is no sound at all. I would like you to hear the sound in practice. This is such a tremendous

and innovative product. This will gradually enter the market towards the second half of the year, and I think we can expect good sales.

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



New skin care product based on skin research



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Peach Leaves  
New moisturizing skin care  
product for Fall & Winter



Examples of new products  
to be marketed

New Foods



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Moving on to Japan. Filbaby has already been on the market. This is based on research and development that is actually carried out in China. This process of R&D was in China and launching as the finished product in Japan. Pigeon split into four divisions this year. I think the effect comes out immediately. In addition, we expect to launch new products worth approximately 700 million yen in the second half of the fiscal year by adding the peach leaves and baby food series.

## 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



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We are entering a baby carrier market in Japan. This is likely to be worth 10 billion yen, even more than we had anticipated. For the time being, I think we are aiming for a market share of about 15% over the next three years. We have high expectations for this product in the next medium term and beyond.

## 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<br>(including commemorative dividend of 3 yen) | 28<br>(including commemorative dividend of 3 yen) | 31               | 35                | 34               | 34                | 35             | 35                  |
| Dividend payout ratio    | 57.1%   |   | 54.5%            |                   | 57.2%            |                   | 58.6%          |                     |

## &lt;Reference&gt; 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)

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The dividend will be 35 yen per share as interim and at the end of the fiscal year, unchanged from the initial dividend.

## 6th Medium-term Business Plan: 12 tasks



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※SCM: Supply Chain Management 22

During this mid-term period, we have been tackling 12 issues. Good progress has been made in each category, but today I will talk about ESG. In the medium-term plan to be announced next year, we will set KPIs within this ESG category. The plan is due to be announced in February of the next fiscal year, but we have already released some information.

## ESG Activities (Environment)



### 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)



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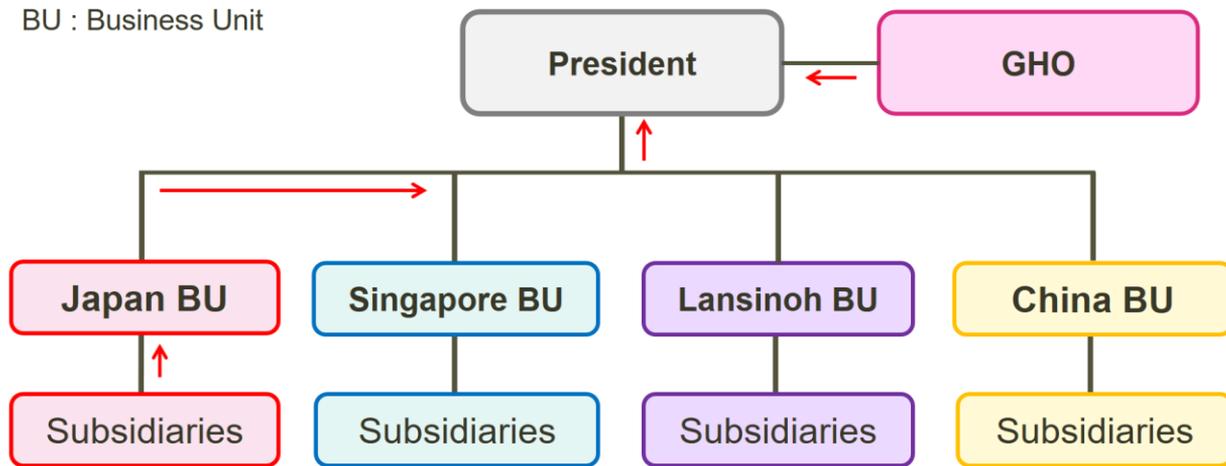
First of all, containers. Some baby soap containers have already been switched with paper cartons. This product is a steamed bread for babies. The container used here, which is made mainly of cornstarch, is coming into use.

In addition, we are working on installing solar panels at our three plants: in India and China. Solar panels are already operating at our two plants in China. They are currently being installed in India. This process will be completed by October.

Corporate Structure (Governance) : Four Business Units



BU : Business Unit



**Organizational operation (Succession plan & Organization)**

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Next, a few words regarding organization. At the beginning of this year, the Company was clearly divided into four business divisions. This red line gives an idea of the succession plan built into the Company's new organizational structure.

Basically, the president of a subsidiary is brought to the top of the division, and that person can go on to become the CEO. I think this is the basic structure. Of course, this is not always the case. With regards to the succession plan, a compensation committee has already been created, and we are considering setting up a Nomination Committee within this year.

This concludes my presentation. I would now like to take as many questions as possible in the time that we have. Thank you very much.

## Question & Answer

\*Q&A are listed by Business.

### [China Business]

**Q. Second quarter performance in China. The bar was already high from strong results in the second quarter of last year, but I understand that there has been a 10% increase in sales year-on-year. Could you tell us specifically which products have been selling well and, secondly, whether you feel this level of growth is sustainable?**

A. Skincare performed very well last year. In the current fiscal year, shipments of last year's new product have been completed. The growth rate for other products was particularly large compared to the growth rate for skincare products. In terms of nursing bottles and nipples, we were able to sustain growth of 10% on the previous year. In recent years, breast pads have struggled slightly. However, as a result of the launch of new products, the market has been recovering. We also have launched new breast pump and it contribute our results from last year onwards.

**Q. What is the situation with shipping and inventories?**

A. Recently, the e-commerce ratio has been extremely high, and the time lag between accumulating inventory and then delivering it to the marketplace has been very short in recent years. We are launching new products at the same time as on major e-commerce platforms. There have not been any issues with inventory accumulation.

**Q. What is a concept of new skincare which will be shipped out directly from the factory?**

A. Development of this product was originally triggered six years ago by a desire to provide completely preservative-free products for infants. This is, in a sense, branding. This began by considering babies and offering products that are truly good for babies. Considered with a brand policy, this is one of our drivers.

**Q. Which part of skincare product is novel?**

A. I'm not sure how much I'm allowed to say about the active ingredient, but it is interesting.

**Q. Which channel will you use for the skincare product?**

A. We think our flagship shop only because T-mall is best for distributing our knowledge to customers.

**Q. Tell me about unit price, market, margin, impact for overall performance and so on.**

A. Regarding skincare, I don't presently have much information available about the marketability of direct-delivery products. However, as a business model and from the results of R&D, we will be able to launch the first such product in the baby care industry. We are planning to hold a high-profile presentation on the new brand in the future.

The price will be the high price range, it will be double price or more than existing skincare products. This will be the most premium series of all the products the Company has launched.

In terms of unit price, it is about double the price of a conventional product or maybe more. However, this product has been developed based on data discovered independently by Pigeon's R&D team. This means that we have no competitors in this area and are planning to bring it to market with that in mind.

Initially, we will be starting with an unprecedented business model, so we anticipate that the profit margin will be somewhat lower than in the past. However, if we assume that this machine will continue to be used in the future, we will be able to secure a profit margin equal to or higher than that of conventional products.

I think the impact for our result is a bit because the sales will start in November.

On the other hand, I think it will take some time to develop this business model. I believe it will take time to educate consumers on the results of this unprecedented sales method, which is based on unprecedented research. Our current thinking is that we want to grow this area to roughly 5% of our total sales.

**Q. Tell me relation of sell-in and sell-out. How are the situations of e-commerce and offline?**

A. It's best to consider sell-in and sell-out as being essentially equal. At present, distribution inventories are not increasing, so we consider them as developing in the same way.

As for the transaction with a big EC platform, there were various negotiations and relationship has been recovering as of March. We are currently co-operating well including a big event on June 18. This has led to an increase in sales.

On the offline side, trends continue as in the first quarter. In this environment, we are working closely with Chain baby care shops, and we are now strengthening our efforts with small regional chain shops, such as individual shops and small 10- to 20-shop companies.

Regarding the number of stores we do business with, we are looking at the number of newly opened stores, those that have closed. In the second quarter of this year, the development of new stores has accelerated compared to the previous full year, so I think that things are already moving in that direction. In the second half of the year, we would like to make more efforts in the offline area.

We are very pleased with the performance of our flagship stores. This is from our policy to grow it. As such, we are eagerly awaiting the Singles Day initiative, which will take place in the second half of the year. We are currently working towards maximizing sales at this event.

we are taking various measures to further expand our business. One of these is the fresh direct-shipping skin care product that we announced today. We will continue to launch nearly 100 SKUs of new products each year. We have launched advertising centered on e-commerce for all the new products that we have launched in recent years. The results have been very positive. We intend to raise the efficiency of these efforts and expand them further.

E-commerce and our work offline with chain shops and baby shops is progressing well. The key from here is tier three and below cities, where we are unlikely to have much penetration. We have started considering a strategy for this, and are looking at how much we can recover.

**Q. Have the market share of bottles and nipples been growing in China? Could you tell me it by online and offline channel. How do you think the risk on it and how does it goes up?**

A. First, regarding China, we do not have a complete grasp of our market share in the offline market for nursing bottles and nipples. Our market share is growing based on POS data and direct sales as evidences.

We can get this data about e-commerce sales. There has been an increase of about 2 points over the previous year. For your image, I think our market share is 35% in total of online and offline.

There are various factors regarding risk, but the biggest trend is a decrease in the number of births. However, the decline in births is the same in Japan, and there are other countries where our bottle share is more than 50%. I think there is plenty of room for growth even there is a lot of competitions in China and they are very tough. In the bottle, related products are also being introduced for the current model. For example, with handle, with straw. These products are the result of gathering feedback from customers, and the market share has been expanded through the launch of new products that reflect the feedback.

**Q. Pigeon did not change the assumption rate from the year's plan. How do you think?**

A. The Chinese yuan rate is set at 16 yen for the current fiscal year. Based on average rates at 16.2 in the first half of the fiscal year, the yen is still slightly weaker than planned. Six months have passed, but it is still in line with the planned rate.

The yen is appreciating at present, but we believe that this impact is limited on our full year results.

**Q. How do you think e-commerce from now on?**

A. I think e-commerce will continue to grow at the current rate, so I think it would be better to assume about 60% in the next mid-term plan. However, Pigeon does believe that profitability will not decline even if e-commerce increases. I think the profitability will be the same through e-commerce as it has been through distribution agents in the past.

**Q. I which area is Pigeon's market share growing? How about forecast?**

A. Growth this year is from the first- to third-tier cities. When we go inland, we know that there are some areas where brand recognition is not a big driver of sales in this area. Therefore, we will continue to focus on these regions for future growth.

**[Domestic Baby and Mother Care Business]**

**Q. I would like to ask about Japan's inbound tourism. It seems that it has been negative since the second quarter. How do you estimate it for 2<sup>nd</sup> half? What percentage of inbound tourist sales were from Peach Leaves lotion in the first half of the fiscal year?**

A. In the previous fiscal year, inbound tourist sales were 2.1 billion yen in the first quarter, 2.1 billion yen in the second quarter, and 1.8 billion yen in the third quarter. This was partly due to the closure of Kansai Airport. In the fourth quarter, it was 1.4 billion yen, I think you have reported it at 7.4 billion yen per year.

At the beginning of the fiscal year under review, we reported that the first quarter was about the same as the previous fiscal year at 2.1 billion yen, and we believe that the second quarter saw a slight decline on the retail front. As a result, the figure was lower year-on-year by about 300 million yen to 1.8 billion yen. I think 1.8 billion yen for the second quarter, which is the same level as it of second quarter. The estimation is difficult because sales trends are different in each shops.

Last year, we reported sales of 4.3 million units of Peach Leaves. In the first half of the previous fiscal year, sales were about 2.3 million. In the first half of the fiscal year under review, there was a decline of 7% to 8% to a little over 2 million. The composition ratio was not significant decline.

**Q. I understand that the new product announced by Mr. Kitazawa has associated costs of 700 million yen in the second half of the fiscal year. Were these sales included in the forecast at the beginning of the fiscal year?**

A. Yes, we have factored in them.

**Q. How do you think a strategy and target share for newly launched baby carrier?**

A. Our baby carrier is soft type and the price range is almost half of the big brand price. Initially, this concept should be thoroughly understood and broadened to include specific retailers without suddenly expanding to raise awareness of the concept. We will announce our target share in our medium-term management plan in February. This product was just launched in late August, so I feel that we are looking at the situation as the product enters stores.

**[Singapore Business]**

**Q. As inbound tourism in the second quarter became negative, exports of nursing bottles from Thailand to Japan declined but looking at gross profit, things seem to have improved. If inbound tourism flattens year on year after the third quarter, will the gross profit margin of the Singaporean business revert to the previous year's level?**

A. This is very difficult, but the first point is how numbers of inbound tourists will change. Other than that, the Singapore Business Division is responsible for sales in other areas also, so we are able to make up for the inbound decline. Ultimately, there is some reliance on inbound tourists, but if we can do the same as last year, we believe that we will ultimately be able to reach a level close to the plan.

**Q. How about the situation the other areas including India?**

A. In India, in the first half of the year, the inventory turnover of distributors was not very good due to the presidential elections and other factors. However, in terms of sell-outs themselves, sales are growing in the top-line pharmacy and e-commerce channels. For the full year, I think India is slightly below the forecast. However, other areas, such as Indonesia and Malaysia, are performing well, so I think we can cover this.

**[Lansinoh Business]**

**Q. Which are areas and product growing? What plans are there for further growth of Lansinoh globally?**

A. Basically, sales of electric breast pumps grew dramatically in all countries in the current fiscal year. On the other hand, sales of consumables, such as breast pads, are rather flat.

Regarding growth by country, the cause is different depending on the country. In Germany, the sales are through Amazon. In Turkey, major baby chain stores are driving growth with standard items and electric breast pumps. In Turkey, sales of nursing bottles have increased significantly also. In France also, the proportion of e-commerce is gradually rising. Since the Chinese e-commerce ratio was high from the start, the Chinese market is growing even further.

**Q. Regarding electric breast pumps, what are your strengths in this market, function or price? How is your expectation of sales and margins?**

A. Smart pump linked to smartphones is our strong point. Smartphone-linked products are welcomed globally. I think it is very reasonable compared to big competitor. The new version I mentioned earlier is quite good, so I believe that it will also make progress.

**[Others]**

**Q. How was the level of transient SGA expenses vs plan as overall group? How about next fiscal year?**

A. All matters relating to directors are temporary. We hope that you will understand that these expenses will not occur. Regarding to ERP cost, we had initial cost for this year. However, this is temporary and has already been factored in. We know some billion yen will occur every year as running cost.

Over.