

Pigeon Corporation (TSE: 7956)

Price (as of July 31, 2017): **¥4,090** (retroactively adjusted) **P/E** (forward): **43.2** **EPS** (CE): **¥108.55**

Sector: Manufacturing of baby and mother care products

Fundamentals	July 2017
Market Cap (¥ M)	517,636
PE Forward (times)	43.2
Dividend Yield (%)	1.32

	July 2017
Net Sales (¥ M)	49,048
Operating Income (¥ M)	9,296
Net Income (¥ M)	6,493

	July 2017
Total Assets (¥ M)	75,437
Total Shareholders' Equity (¥ M)	54,849
Interest-Bearing Debt (¥ M)	-
Retained Earnings (¥ M)	45,420

Key Financial Indicators	July 2017
Gross Profit/Net Sales (%)	48.5
Operating Income/Net Sales (%)	19.0
Net Income/Net Sales (%)	13.3
SG&A/Net Sales (%)	29.5
Equity Ratio (%)	73.4

Segment Information	July 2017
Domestic Baby and Mother Care Business (¥ M)	17,302
Child Care Service Business (¥ M)	3,759
Health and Elder Care Business (¥ M)	3,446
Overseas Business (¥ M)	12,043
China Business (¥ M)	15,198

Shareholder Profile	July 2017
Financial Institutions (%)	26.7
Individuals and Others (%)	11.6
Non-Japanese Corporations (%)	49.7
Japanese Corporations (%)	7.5
Treasury Stock (%)	1.6

Stock Data	July 2017
Number of Shares Outstanding	121,653,486
Number of Shareholders	12,063

Currency exchange rate (as of July 31, 2017): \$1 = ¥112.33

Business Profile

Pigeon has the top share in baby and child care products in Japan. More than 90% of revenue comes from **Domestic Baby and Mother Care** (35.3%) and **Oversea Business** (24.6%), **China Business** (31.0%), and the rest comes from **Child-rearing Support Services** and **Health Care and Nursing Care Business**. Our overseas business is expanding due mainly to sales expansion in China.

Performance Overview (2nd Quarter)

During the consolidated first six-month period under review, we implemented strategies for each of our business and function on the basis of the business policies. As the result, net sales amounted to ¥49,048 million (up 5.9% YOY), as supported by sales increases mainly in Japan, China and North America. Regarding earnings, operating income rose to ¥9,296 million (up 19.5% YOY) thanks to a reduction of approximately 1.9 percentage points in the sales cost ratio from the previous term. Ordinary income recorded ¥9,380 million (up 22.3% YOY), and net income attributable to owners of parent also increased to ¥6,493 million (up 17.1% YOY).

Forecast

	¥ Million			\$ Thousand	YOY Change (%)
	2018(A) Q2	2017(A) Full-year	2018(CE) Full-year	2018(CE) Full-year	
Net Sales	49,048	94,640	101,200	900,917	6.9
Operating Income	9,296	16,015	18,700	166,474	16.8
Net Income	6,493	11,118	13,000	115,730	16.9

	¥			\$	YOY Change (%)
	2018(A) Q2	2017(A) Full-year	2018(CE) Full-year	2018(CE) Full-year	
EPS	54.22	92.84	108.55	0.97	16.9
Cash Dividend per Share	31.00	53.00	62.00	0.55	17.0

A: Actual; CE: Company Estimate

Strengths

- Top domestic provider of baby and child care products and services
- Strong presence in overseas markets: significant share in three baby care products in the United States; expansion of sales channel from metropolitan areas to regional areas in China

Disclaimers:

This report may contain information pertaining to forward-looking statements, such as projected results. Consequently, it is possible that the actual results may vary significantly from such projections due to a wide range of factors such as social, economic and industry conditions. Readers of this report are requested to make decisions on investment after referring to financial materials submitted by issuing companies, such as reports on securities, and based on his/her individual judgment. Pigeon Corporation bears no liability whatsoever should any damage or injury be caused by any errors contained in information or content contained in this report.

Summary Financial Data

(Years ended January 31)

(Six months ended July 31)

Profit and Loss	¥ Million				\$ Thousand	YOY Change (%)	¥ Million			\$ Thousand	YOY Change (%)
	2015	2016	2017	2017			2016	2017	2017		
Net Sales	84,113	92,209	94,640	842,518	2.6		46,302	49,048	436,642	5.9	
Cost of Sales	45,817	48,864	49,951	444,681	2.2		24,743	25,277	225,024	2.2	
Gross Profit	38,296	43,345	44,688	397,828	3.1		21,559	23,770	211,609	10.3	
SG&A Expenses	25,515	28,823	28,673	255,257	(0.5)		13,781	14,474	128,852	5.0	
Operating Income	12,780	14,521	16,015	142,571	10.3		7,777	9,296	82,756	19.5	
Other Income (Loss)	519	559	447	3,979	(20.0)		(106)	83	739	-178.3	
Ordinary Income	13,299	15,080	16,462	146,550	9.2		7,671	9,380	83,504	22.3	
Extraordinary Income (Loss)	(159)	(193)	(228)	(2,030)	18.1		52	47	418	-9.6	
Net Income Attributable to Non-controlling Interests	185	265	224	1,994	(15.5)		110	110	979	0.0	
Net Income Attributable to Owners of Parent	8,451	10,197	11,118	98,976	9.0		5,545	6,493	57,803	17.1	

Profit and Loss	¥				\$	YOY Change (%)	¥			\$	YOY Change (%)
	2015	2016	2017	2017			2016	2017	2017		
EPS	70.55	85.15	92.84	0.8	9.0		46.30	54.22	0.5	17.1	
Cash Dividend per Share	35.00	42.00	53.00	0.5	26.2		25.00	31.00	0.3	24.0	

The Group conducted a stock split at the ratio of 3 shares for every 1 share of common shares. The effective date of the stock split was May 1, 2015. The stock split is reflected in the amount of the EPS and the year-end annual dividends for the year ended January 31, 2014.

Balance Sheet	¥ Million				\$ Thousand	YOY Change (%)	¥ Million			\$ Thousand	YOY Change (%)
	2015	2016	2017	2017			2016	2017	2017		
Cash and Time Deposits	21,590	24,297	30,052	267,533	23.7		24,003	25,577	227,695	6.6	
Notes and Accounts Receivable	15,278	13,870	16,103	143,354	16.1		15,242	15,725	139,989	3.2	
Inventories	8,498	8,858	7,602	67,676	(14.2)		7,660	9,041	80,486	18.0	
Tangible Fixed Assets	21,383	21,471	20,263	180,388	(5.6)		19,551	20,082	178,777	2.7	
Intangible Fixed Assets	1,724	1,346	1,106	9,846	(17.8)		1,130	1,183	10,531	4.7	
Total Assets	72,367	73,943	78,889	702,297	6.7		71,494	75,437	671,566	5.5	
Notes and Accounts Payable	4,462	3,743	4,857	43,239	29.8		4,462	4,713	41,957	5.6	
Interest-Bearing Debt	8,018	6,308	5,699	50,734	(9.7)		5,617	-	-		
Total Net Assets	47,297	50,792	53,736	478,376	5.8		48,870	56,779	505,466	16.2	
Total Shareholders' Equity	40,821	46,223	51,711	460,349	11.9		49,133	54,849	488,285	11.6	
Equity Ratio (%)	63.8	67.0	66.4		(0.9)		66.8	73.4		9.9	

Currency exchange rate (as of July 31, 2017) : \$1 = ¥112.33

Corporate Data

(As of July 31, 2017)

Head Office

4-4, Nihonbashi-Hisamatsucho, Chuo-ku,
Tokyo 103-8480
TEL: +81-3-3661-4200 FAX: +81-3-3661-4320
<http://english.pigeon.co.jp>

Established

August 15, 1957

Paid-in Capital

¥5,199,597 thousand

Number of Employees

3,821 (Consolidated)
977 (Non-Consolidated)

Fiscal Year-End

January 31

Annual Shareholders' Meeting

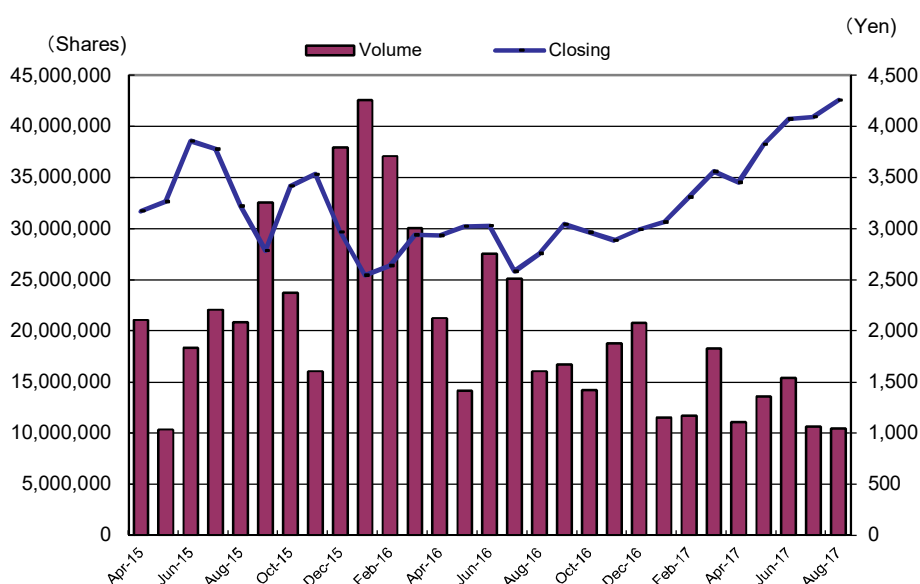
End of April

Stock Trading Unit

100 shares

Inquiries

Corporate Administration Division
Investor & Public Relation Department
(InvestorRelations@pigeon.com)



* stock split (1⇒3): May 1, 2015

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