Results Briefing for Fiscal Year Ended Jan. 31, 2019

March 5, 2019

PIGEON CORPORATION
(Securities Code : 7956)

President & COO
Shigeru Yamashita
<table>
<thead>
<tr>
<th>Title, Contents</th>
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</thead>
<tbody>
<tr>
<td>Results for Term Ended Jan.2019</td>
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<td>18 - 31</td>
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<td>Approach to Enhance Corporate Value</td>
<td>32 - 36</td>
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</table>
Results for Term
Ended Jan. 31, 2019
### Financial Highlights (Consolidated)

<table>
<thead>
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</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>YoY Change</td>
<td>Plan</td>
<td>Results</td>
<td>vs Plan</td>
</tr>
<tr>
<td>Net Sales</td>
<td>102,563</td>
<td>108.4%</td>
<td>107,000</td>
<td>104,747</td>
<td>97.9%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>19,412</td>
<td>121.2%</td>
<td>20,400</td>
<td>19,612</td>
<td>96.1%</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>20,129</td>
<td>122.3%</td>
<td>20,400</td>
<td>20,398</td>
<td>99.9%</td>
</tr>
<tr>
<td>Net Income Attributable to Owners of Parent</td>
<td>14,515</td>
<td>130.5%</td>
<td>14,100</td>
<td>14,238</td>
<td>101.0%</td>
</tr>
<tr>
<td>Net Assets</td>
<td>62,812</td>
<td>116.9%</td>
<td>68,648</td>
<td>66,582</td>
<td>97.0%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>84,467</td>
<td>107.1%</td>
<td>90,996</td>
<td>86,006</td>
<td>94.5%</td>
</tr>
<tr>
<td>EPS (¥)</td>
<td>121.20</td>
<td>130.6%</td>
<td>117.73</td>
<td>118.89</td>
<td>101.0%</td>
</tr>
<tr>
<td>BPS (¥)</td>
<td>506.79</td>
<td>115.9%</td>
<td>554.68</td>
<td>536.43</td>
<td>96.7%</td>
</tr>
<tr>
<td>ROE*</td>
<td>25.7%</td>
<td>—</td>
<td>22.2%</td>
<td>22.8%</td>
<td>—</td>
</tr>
<tr>
<td>ROIC*</td>
<td>22.2%</td>
<td>—</td>
<td>21.7%</td>
<td>21.2%</td>
<td>—</td>
</tr>
</tbody>
</table>

*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)
<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>% of Total</td>
<td>Results</td>
<td>% of Total</td>
</tr>
<tr>
<td>Net Sales</td>
<td>102,563</td>
<td>100.0%</td>
<td>104,747</td>
<td>100.0%</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>51,990</td>
<td>50.7%</td>
<td>50,889</td>
<td>48.6%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>50,572</td>
<td>49.3%</td>
<td>53,858</td>
<td>51.4%</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>31,159</td>
<td>30.4%</td>
<td>34,246</td>
<td>32.7%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>19,412</td>
<td>18.9%</td>
<td>19,612</td>
<td>18.7%</td>
</tr>
<tr>
<td>Non-Operating Income (Expenses)</td>
<td>716</td>
<td>0.7%</td>
<td>786</td>
<td>0.8%</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>20,129</td>
<td>19.6%</td>
<td>20,398</td>
<td>19.5%</td>
</tr>
<tr>
<td>Extraordinary Income (Loss)</td>
<td>787</td>
<td>0.8%</td>
<td>(136)</td>
<td>(0.2%)</td>
</tr>
<tr>
<td>Net Income Attributable to Non-controlling Interests</td>
<td>244</td>
<td>0.2%</td>
<td>356</td>
<td>0.3%</td>
</tr>
<tr>
<td>Net Income Attributable to Owners of Parent</td>
<td>14,515</td>
<td>14.2%</td>
<td>14,238</td>
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- Main changes in SG&A expenses
  - Personal expenses: + 969M JPY
  - Market research expense: + 495M JPY
  - Shipment/distribution expense: + 316M JPY
  - Advertising expense: + 171M JPY
<table>
<thead>
<tr>
<th>(millions of yen)</th>
<th>Jan. 2018 (Ref.)</th>
<th>Jan. 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>% of Total</td>
</tr>
<tr>
<td>Consolidated net sales</td>
<td>102,563</td>
<td>100.0%</td>
</tr>
<tr>
<td>Domestic Baby and Mother Care Business</td>
<td>33,841</td>
<td>33.0%</td>
</tr>
<tr>
<td>Child Care Service Business</td>
<td>7,541</td>
<td>7.4%</td>
</tr>
<tr>
<td>Health and Elder Care Business</td>
<td>7,058</td>
<td>6.9%</td>
</tr>
<tr>
<td>China Business</td>
<td>34,305</td>
<td>33.4%</td>
</tr>
<tr>
<td>Singapore Business</td>
<td>10,286</td>
<td>10.0%</td>
</tr>
<tr>
<td>Lansinoh Business</td>
<td>12,523</td>
<td>12.2%</td>
</tr>
<tr>
<td>Elimination of internal trading between segments</td>
<td>(4,284)</td>
<td>(4.2%)</td>
</tr>
<tr>
<td>Other</td>
<td>1,289</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

*Starting from the current fiscal year, non-allocable operating expenses associated with the R&D Department, which had previously been included in the Adjustments section, have been reflected in segment profit of each reportable segment. Accordingly, the figures for the same period of the previous year have been adjusted in accordance with the calculation method after the above revision.

*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 Overseas Business and the China Business.
Overseas Business Sales by Region

- China (including HK)
- Other Asian Counties
- North America
- Europe
- Near and Middle East
- Other Regions

Local currency basis: 103.9%

Jan. 19
- Overseas Business Sales: 56,292
  - China (including HK): 33,320
  - Other Asian Countries: 9,052
  - North America: 7,715
  - Europe: 2,845
  - Near and Middle East: 1,072
  - Other Regions: 2,285

Local currency basis: 96.8%

Jan. 18
- Overseas Business Sales: 52,828
  - China (including HK): 31,902
  - Other Asian Countries: 7,215
  - North America: 8,109
  - Europe: 2,019
  - Near and Middle East: 917
  - Other Regions: 2,666

* [Currency rates] Jan 19 US$1 = ¥110.43  1 yuan = ¥16.70; Jan 2018: US$1 = ¥112.16  1 yuan = ¥16.62
Key Priorities for FY Jan. 2019

- **Domestic Baby and Mother Care Business**
  - Consistently strengthening six key product categories
    - Implementing comprehensive measures against competing products to sustain the present high market share in the nursing bottle/nipple category
    - Implementing measures and making necessary investments to sustain the present high market share in the breast pump category
  - Implementing aggressive sales, marketing and investing activities to increase the market share of the baby strollers and other large-sized products (market share target for 6th MTBP: 25%)
  - Getting more involved in promotional activities to achieve collaboration with healthcare professionals

- **Child Care Service Business**
  - Clarify the positioning of business and streamlining business operations leading to improved profitability
  - Secure quality of child-rearing service by improving employee’s compensation and by securing and training child-rearing staff
  - Further strengthening safety measures including reinforcement of crisis management

- **Health and Elder Care Business**
  - Achieving growth by streamlining and strengthening the sales and distribution network
  - Developing concepts and ideas of products to support the in-house care through working with professionals at care facilities
  - Improving profitability by more efficient business system
Key Priorities for FY Jan. 2019

- **Singapore, Lansinoh and China Businesses (common issues)**
  - Consistently reinforcing six key product categories primarily through:
    - Further increasing our share in the nursing bottles/ nipples category, and
    - Implementing measures to expand the breast pump category.

- **Singapore Business**
  - Strengthening merchandizing targeted for the middle-class consumers.
  - Expanding the business in India and improving profitability by increasing the capacity utilization ratio.
  - Improving production efficiency in Indonesia and preparing for production of new products.
  - Exploring feasibility of entering new markets including countries in Africa to achieve growth for the next MTBP period and onwards

- **Lansinoh Business**
  - Aggressively expanding business with improved profitability in priority countries (particularly in Europe).
  - Strengthening initiatives to develop new sales channels (i.e., EC and DME channels).
  - Expanding sales at real stores of Lansinoh China.

- **China Business**
  - Sustaining the high growth rate by taking advantage of the expansion of purchasing population
  - Rebuilding the sales/distribution system in response to developments in EC channels
  - Ensuring growth of the disposable diaper categories
Domestic Baby & Mother Care Business Status

- **Large-sized products**
  - Released premium single-tire baby stroller "Fino Polish Grey."
  - Improved our share in the baby stroller market to an annual average of 20.9% (Feb. 2018 – Jan. 2019).

- **New products**
  - Completely redesigned "Bonyu Assist®" breast pump series, equipped with the "Baby Rhythm" technology created through more than 60 years of baby nursing research.
  - Released "Pigeon Electric Baby Nasal Aspirator," developed jointly with otolaryngologists.

- **Direct communications**
  - Seminars for healthcare professionals: 17 events/approx. 1,500 participants
  - Seminars for expectant mothers: 14 events/approx.1,300 participants

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### Market Share (FY Jan/2019)

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing bottles</td>
<td>79%</td>
</tr>
<tr>
<td>Breast pumps</td>
<td>62%</td>
</tr>
<tr>
<td>Breast pads</td>
<td>71%</td>
</tr>
<tr>
<td>Baby skincare (washing type)</td>
<td>37%</td>
</tr>
<tr>
<td>Bottom wipes</td>
<td>33%</td>
</tr>
</tbody>
</table>

* No.1

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### Major new products released in Spring 2019

- "Leaves of Peach" Skincare
- "Medicated wet wipes for heat rash" "UV baby lotion"
- "Bonyu Jikkan® Coating" New "fruits" design

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* According to POS Nationwide Drugstore Growth Estimates, INTAGE Inc.
* Value share for nursing bottles, breast pumps and breast pads. Quantity share for the other products.
Child Care Service Business / Health & Elder Care Business Status

### Child Care Service Business
- **Pigeon Hearts**
  - New additions to facilities under management: Launched five in-company childcare facilities → Total of 56 facilities (excluding those of the National Hospital Organization)

### Health & Elder Care Business
- **Pigeon Tahira**
  - Showcased new products at the International Home Care & Rehabilitation Exhibition held in October 2018.
  - Released "Sitting Posture Assisting Wheelchair" and "Nursing Care Table" from the new "Profit Care" series.
  - Released "Hygiene Care" series, created based on experience and expertise in the nursing care segment, in February 2019.

- **Pigeon Manaka**
  - In-Home Care Support and Day Service Center in Sano has continued to grow steadily.
China Business Status

- **Product sales**
  - Released 70 SKUs of new products in 2018
    - Among others, "Leaves of Peach" series products (bottom wipes and baby bath wash) sold well.
  - Strengthened sales through EC channels and at flagship stores (with a 114% YoY increase in sales).
  - Expanded the share of nursing bottles and nipples in overall EC sales to nearly 30%.

- **Branding and breastfeeding awareness programs**
  - Further strengthened branding activities.
  - Strengthened online sales activities by utilizing SNS and other digital marketing tools.
  - Promoted direct communications with customers through seminars and other opportunities.
Singapore Business Status

- **Status by market**
  - **Singapore:** Gained and maintained the No.1 market share in nursing bottles. Reported strong sales through EC channels. Strengthened digital marketing to enhance communications with customers.
  - **Malaysia:** Continued to report strong sales of nursing bottles and nipples. Promoted brands by enhancing communications with customers through events and SNS.
  - **India:** Achieved coverage of 50,000+ pharmacies.
  - **Indonesia:** Reported strong production and sales with both domestic and export products. Further strengthening marketing in Indonesia.

- **Shopfront in each country**
  - Singapore
  - Malaysia
  - Indonesia

- **Breastfeeding seminar**
  - Indonesia

Held an event, participated by guests including key opinion leaders and expectant and new mothers (Malaysia)
Lansinoh Business Status

- **Status by market**
  - **North America:**
    Increased sales of electric breast pumps through new routes, including DME (Durable Medical Equipment) channels. Continued to gain top share in categories: nipple care cream and breast pad.
  - **Europe:**
    Expanded sales in France and Germany. Reported a high capacity utilization ratio at the factory in Turkey. Strengthened product development.
  - **Lansinoh Shanghai:** Continued to strengthen sales through EC channels.

- **Branding and breastfeeding awareness programs**
  - Implemented digital campaigns to reinforce brand penetration.

### Market Share in US (Jan. 2019)

<table>
<thead>
<tr>
<th>Category</th>
<th>Rank</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nipple cream</td>
<td>No.1</td>
<td>74.6%</td>
</tr>
<tr>
<td>Breast pads</td>
<td>No.1</td>
<td>54.8%</td>
</tr>
<tr>
<td>Breast milk storage bags</td>
<td>No.2</td>
<td>43.7%</td>
</tr>
<tr>
<td>Breast pumps (manual)</td>
<td>No.2</td>
<td>30.5%</td>
</tr>
</tbody>
</table>

- **Nipple cream**
- **Breast pads**
- **Breast milk storage bags**
- **Breast pumps (manual)**

Lansinoh China

Breastmilk Collector

Washable Nursing Pads
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Deposits</strong></td>
<td>31,346</td>
<td>30,949</td>
<td>(397)</td>
<td>98.7%</td>
</tr>
<tr>
<td><strong>Notes and Accounts Receivable</strong></td>
<td>16,440</td>
<td>15,004</td>
<td>(1,436)</td>
<td>91.3%</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>8,713</td>
<td>10,605</td>
<td>+1,891</td>
<td>121.7%</td>
</tr>
<tr>
<td><strong>Notes and Accounts Payable</strong></td>
<td>5,194</td>
<td>4,567</td>
<td>(627)</td>
<td>87.9%</td>
</tr>
<tr>
<td><strong>Electronically Recorded Obligations – Operating</strong></td>
<td>1,797</td>
<td>1,960</td>
<td>+163</td>
<td>109.1%</td>
</tr>
<tr>
<td><strong>Borrowings</strong></td>
<td>0</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>62,812</td>
<td>66,582</td>
<td>+3,770</td>
<td>106.0%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>84,467</td>
<td>86,006</td>
<td>+1,539</td>
<td>101.8%</td>
</tr>
<tr>
<td><strong>Equity Ratio</strong></td>
<td>71.9%</td>
<td>74.7%</td>
<td>-</td>
<td>+2.8pt</td>
</tr>
</tbody>
</table>
**Consolidated Cash Flow**

(Million JPY)

### Jan. 2018
- **Balance at Beginning**: 30,052
- **Operating Activities**: 17,094
- **Investing Activities**: (3,586)
- **Financing Activities**: (12,812)
- **Translation Adjustment**: 599
- **Balance at End**: 31,346

### Jan. 2019
- **Balance at Beginning**: 31,346
- **Operating Activities**: 13,632
- **Investing Activities**: (4,704)
- **Financing Activities**: (8,338)
- **Translation Adjustment**: (986)
- **Balance at End**: 30,949

**Income before income taxes**: ¥20,262m (LY: ¥20,916m)

**Loan income/repayments**: ¥0m (LY¥(5,673m))

**Payment of cash dividends**: ¥(8,260m) (LY¥(7,066m))

**Acquisition of PPE&IA**: ¥(5,391m) (LY ¥(3,254m))
### Investment-Related Indicators (Consolidated)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>Interim</td>
<td>Full Year</td>
<td>Interim</td>
<td>Full Year</td>
</tr>
<tr>
<td></td>
<td>(Results)</td>
<td>(Results)</td>
<td>(Results)</td>
<td>(Forecast)</td>
</tr>
<tr>
<td>Capital Investment (*1)</td>
<td>1,252</td>
<td>3,546</td>
<td>2,795</td>
<td>5,376</td>
</tr>
<tr>
<td>Depreciation (*2)</td>
<td>1,206</td>
<td>2,451</td>
<td>1,383</td>
<td>2,804</td>
</tr>
<tr>
<td>Research and Development (*3)</td>
<td>1,221</td>
<td>2,670</td>
<td>1,479</td>
<td>3,119</td>
</tr>
</tbody>
</table>

*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
Forecasts for Term Ending Dec. 2019
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:

### 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).
### Dec. 2019 Plan (consolidated)  【Planned rate】

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Result</td>
<td>% of Total</td>
<td>6th MTP</td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>104,747</td>
<td>100.0%</td>
<td>110,000</td>
</tr>
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<td><strong>Cost of Sales</strong></td>
<td>50,889</td>
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<td>356</td>
<td>0.3%</td>
<td>190</td>
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<tr>
<td><strong>Net Income Attributable to Owners of Parent</strong></td>
<td>14,238</td>
<td>13.6%</td>
<td>13,800</td>
</tr>
</tbody>
</table>

※Planned rate for this term  US$1=¥109.00  1 yuan=¥16.00 (12 months assumed for both of Domestic and Overseas)
### Dec. 2019 Plan (consolidated)
【excluding currency rate impact (same as actual rate of previous year)】

<table>
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</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>20,398</td>
<td>19.5%</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Extraordinary Income (Loss)</strong></td>
<td>(136)</td>
<td>(0.2%)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net Income Attributable to Non-controlling Interests</strong></td>
<td>356</td>
<td>0.3%</td>
<td>190</td>
</tr>
<tr>
<td><strong>Net Income Attributable to Owners of Parent</strong></td>
<td>14,238</td>
<td>13.6%</td>
<td>13,800</td>
</tr>
</tbody>
</table>

※ Assumed the same as the previous rate （US$=¥110.43  1yuen=¥16.70）（12 months assumed for both of Domestic and Overseas）
Dec. 2019 Plan (consolidated)
【Planned rate and change fiscal year end】

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Result</td>
<td>% of Total</td>
<td>6th MTP</td>
</tr>
<tr>
<td>Net Sales</td>
<td>104,747</td>
<td>100.0%</td>
<td>110,000</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>50,889</td>
<td>48.6%</td>
<td>55,000</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>53,858</td>
<td>51.4%</td>
<td>55,000</td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>34,246</td>
<td>32.7%</td>
<td>35,000</td>
</tr>
<tr>
<td>Operating Income</td>
<td>19,612</td>
<td>18.7%</td>
<td>20,000</td>
</tr>
<tr>
<td>Non-Operating Income (Expenses)</td>
<td>786</td>
<td>0.8%</td>
<td>0</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>20,398</td>
<td>19.5%</td>
<td>20,000</td>
</tr>
<tr>
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<td>13,800</td>
</tr>
</tbody>
</table>

※Planned rate Dec. 2019 US$1=¥109.00  1 yuan = ¥16.00（Domestic 11months ・ Overseas 12 months）
## Dec. 2019 Plan (Consolidated) 【Planned rate】

<table>
<thead>
<tr>
<th></th>
<th>Jan. 2019</th>
<th>Dec. 2019 (12 months Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Result</td>
<td>% of Total</td>
</tr>
<tr>
<td>Net Sales</td>
<td>104,747</td>
<td>100.0%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>19,612</td>
<td>18.7%</td>
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<tr>
<td>Ordinary Income</td>
<td>20,398</td>
<td>19.5%</td>
</tr>
<tr>
<td>Net Income Attributable to Owners of Parent</td>
<td>14,238</td>
<td>13.6%</td>
</tr>
<tr>
<td>Net Assets</td>
<td>66,582</td>
<td>—</td>
</tr>
<tr>
<td>Total Assets</td>
<td>86,006</td>
<td>—</td>
</tr>
<tr>
<td>EPS (¥)</td>
<td>118.89</td>
<td>—</td>
</tr>
<tr>
<td>BPS (¥)</td>
<td>536.43</td>
<td>—</td>
</tr>
<tr>
<td>ROE*</td>
<td>22.8%</td>
<td>—</td>
</tr>
<tr>
<td>ROIC*</td>
<td>21.2%</td>
<td>—</td>
</tr>
</tbody>
</table>

※【Planned rate Dec.2019】US$1=¥109.00  1 yuan = ¥16.00 ←  【Actual rate Jan.2019】US$1=110.43  1 yuan = ¥16.70

*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)
## Planned rate and change fiscal year end

**【Planned rate and change fiscal year end】**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>% of Total</td>
</tr>
<tr>
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<tr>
<td><strong>ROE</strong></td>
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<td>–</td>
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<tr>
<td><strong>ROIC</strong></td>
<td>21.2%</td>
<td>–</td>
</tr>
</tbody>
</table>

※【Planned rate Dec. 2019】: US$1=¥109.00  1 yuan = ¥16.00 ←  【Actual Rate Jan.2019】 J. 2019 US$1=¥110.43  1 yuan = ¥16.70

*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)
### Net Sales by Business Segment (Consolidated) 【Planned Exchange Rate】

<table>
<thead>
<tr>
<th>Segment</th>
<th>Jan. 2019</th>
<th>Dec. 2019 (12 months Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>% of Total</td>
</tr>
<tr>
<td>Consolidated net sales</td>
<td>104,747</td>
<td>100.0%</td>
</tr>
<tr>
<td>Domestic Baby and Mother Care Business</td>
<td>35,593</td>
<td>34.0%</td>
</tr>
<tr>
<td>Child Care Service Business</td>
<td>4,472</td>
<td>4.3%</td>
</tr>
<tr>
<td>Health and Elder Care Business</td>
<td>6,986</td>
<td>6.7%</td>
</tr>
<tr>
<td>China Business</td>
<td>35,581</td>
<td>34.0%</td>
</tr>
<tr>
<td>Singapore Business</td>
<td>12,133</td>
<td>11.6%</td>
</tr>
<tr>
<td>Lansinoh Business</td>
<td>12,753</td>
<td>12.2%</td>
</tr>
<tr>
<td>Elimination of internal trading between</td>
<td>(4,176)</td>
<td>(4.0%)</td>
</tr>
<tr>
<td>segments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,402</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

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Net Sales by Business Segment (Consolidated)  
【Same rate as previous year】

<table>
<thead>
<tr>
<th>(millions of yen)</th>
<th>Jan. 2019</th>
<th></th>
<th>Dec. 2019 (12 months Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>% of Total</td>
<td>Gross Margin</td>
</tr>
<tr>
<td><strong>Consolidated net sales</strong></td>
<td>104,747</td>
<td>100.0%</td>
<td>51.4%</td>
</tr>
<tr>
<td><strong>Domestic Baby and Mother Care Business</strong></td>
<td>35,593</td>
<td>34.0%</td>
<td>48.6%</td>
</tr>
<tr>
<td><strong>Child Care Service Business</strong></td>
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<td>12,753</td>
<td>12.2%</td>
<td>59.5%</td>
</tr>
<tr>
<td><strong>Elimination of internal trading between segments</strong></td>
<td>(4,176)</td>
<td>(4.0%)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>1,402</td>
<td>1.3%</td>
<td>13.1%</td>
</tr>
</tbody>
</table>
## Net Sales by Business Segment (Consolidated)

### 【Planned rate and change fiscal year end】

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
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<td>(4,176)</td>
<td>(4.0%)</td>
</tr>
<tr>
<td>Other</td>
<td>1,402</td>
<td>1.3%</td>
</tr>
</tbody>
</table>
Plan of Overseas Business Sales by Region

Local currency basis: 110.2%

Dec-19

Region

China (including HK)
Other Asia
North America
Europe
Near Middle East
Other

Sales (Million JPY)

35,184
9,536
8,160
2,845
1,136

Local currency basis: 107.2%

Jan-19

Region

China (including HK)
Other Asia
North America
Europe
Near Middle East
Other

Sales (Million JPY)

33,320
9,052
7,715
2,285
1,072

※【Planned rate】Dec. 2019 : US$1=¥109.00  1 yuan = ¥16.00 ← 【Actual Rate】 Jan. 2019 US$1=¥110.43  1 yuan = ¥16.70
Key Priorities for FY Dec. 2019

**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 study
- 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

**Health & 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 action

**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
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.

● 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 including countries in Africa to achieve growth for the next MTBP period and beyond.

● 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 Africa.
  - Expand new channels including EC and DME.
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.

<table>
<thead>
<tr>
<th>Dividends</th>
<th>FY Jan/2017</th>
<th>FY Jan/2017</th>
<th>FY Jan/2019</th>
<th>FY Dec/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interim (Actual)</td>
<td>Year-end (Actual)</td>
<td>Interim (Actual)</td>
<td>Year-end (Scheduled)</td>
</tr>
<tr>
<td>Dividend per share (Yen)</td>
<td>25 (including commemorative dividend of 3 yen)</td>
<td>28 (including commemorative dividend of 3 yen)</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>34</td>
<td>34</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>57.1%</td>
<td>54.5%</td>
<td>57.2%</td>
<td>58.6%</td>
</tr>
</tbody>
</table>

* Our Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013. It also carried out a 3-for-1 stock split with respect to its common stock, effective as of May 1, 2015. The values given in the parentheses for dividend per share above are reference values converted based on the number of shares after the stock split.

<Reference> Investment-related indicators

<table>
<thead>
<tr>
<th></th>
<th>FY Jan/2018</th>
<th>FY Jan/2019</th>
<th>FY Dec/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interim (Actual)</td>
<td>Full-year (Actual)</td>
<td>Interim (Actual)</td>
</tr>
<tr>
<td>Capital Expenditures (*1)</td>
<td>1,252</td>
<td>3,546</td>
<td>2,795</td>
</tr>
<tr>
<td>Depreciation (*2)</td>
<td>1,206</td>
<td>2,451</td>
<td>1,383</td>
</tr>
</tbody>
</table>

*1 Property, plant and equipment and intangible assets (including long-term prepaid expense)
*2 Depreciation (including amortization of goodwill)
Approach to Enhance Corporate Value
Enhancing Management Quality: 12 Tasks of 6th MTBP

**ESG**

Global sharing of corporate philosophy & values

**World-class brand power**

Development capabilities

**Logical work process**

**Salary increase**

Global human resource development

**Diversity/women in management**

**Global SCM**

Cash flow management (PVA)

Global cash management

**Sustainable growth**

**World-class Business Excellence**

Nurture employees’ motivation, satisfaction, confidence, sense of pride and belonging to the company
### PVA Tree: Consolidated Results in Jan. 2019

**Consolidated**

**Top:** Jan. 2019 Plan
**Mid:** Jan. 2019 Results
**Bottom:** Jan. 2018 Results

(¥millions)

---

**NOPAT**

- **Plan:** 14,280
  - **Results:** 13,729
  - **LY:** 13,589

---

**Capital invested**

- **Plan:** 65,731
  - **Results:** 64,698
  - **LY:** 61,124

---

**Operating profit**

- **Plan:** 20,400
  - **Results:** 19,612
  - **LY:** 19,413

---

**Tax**

- **Plan:** 6,120
  - **Results:** 5,884
  - **LY:** 5,824

---

**Fixed asset**

- **Plan:** 27,389
  - **Results:** 26,685
  - **LY:** 24,967

---

**Working capital**

- **Plan:** 18,003
  - **Results:** 18,622
  - **LY:** 17,659

---

**Trade receivables**

- **Plan:** 16,711
  - **Results:** 15,723
  - **LY:** 16,272

---

**Inventory asset**

- **Plan:** 8,341
  - **Results:** 9,659
  - **LY:** 8,158

---

**Trade payables**

- **Plan:** 7,048
  - **Results:** 6,760
  - **LY:** 6,772

---

**Net sales**

- **Plan:** 107,000
  - **Results:** 104,748
  - **LY:** 102,563

---

**Cost of sales**

- **Plan:** 52,300
  - **Results:** 50,889
  - **LY:** 51,991

---

**SG&A expenses**

- **Plan:** 34,300
  - **Results:** 34,246
  - **LY:** 31,160

---

**Cash and other asset and liability**

- **Plan:** 20,338
  - **Results:** 19,391
  - **LY:** 18,499

---

**WACC**

- **common:** 5.0%

---

※From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.
PVA (Ratio): Consolidated Results in Jan. 2019

Consolidated

Top: Jan. 2019 Plan
Mid: Jan. 2019 Results
Bottom: Jan. 2018 Results

PVA spread

ROIC
Plan
Results
LY
21.7%
21.2%
22.2%

ROIC before tax
Plan
Results
LY
31.0%
30.3%
31.8%

WACC
common
5.0%

ROIC
Plan
Results
LY
16.7%
16.2%
17.2%

Operating profit ratio
Plan
Results
LY
19.1%
18.7%
18.9%

Cost of sales ratio
Plan
Results
LY
48.9%
48.6%
50.7%

SG&A expenses ratio
Plan
Results
LY
32.1%
32.7%
30.4%

Working capital ratio
Plan
Results
LY
16.8%
17.8%
17.2%

Capital invested t/o
Plan
Results
LY
1.6
1.6
1.7

Fixed asset ratio
Plan
Results
LY
25.6%
25.5%
24.3%

Cash and other asset and liability ratio
Plan
Results
LY
19.0%
18.5%
18.0%

Consolidated

Top: Jan. 2019 Plan
Mid: Jan. 2019 Results
Bottom: Jan. 2018 Results

Plan
Results
LY
Consolidated
PVA
spread
ROIC
tax rate
WACC

Operating profit ratio
Plan
Results
LY
19.1%
18.7%
18.9%

Cost of sales ratio
Plan
Results
LY
48.9%
48.6%
50.7%

SG&A expenses ratio
Plan
Results
LY
32.1%
32.7%
30.4%

Working capital ratio
Plan
Results
LY
16.8%
17.8%
17.2%

Capital invested t/o
Plan
Results
LY
1.6
1.6
1.7

Fixed asset ratio
Plan
Results
LY
25.6%
25.5%
24.3%

Cash and other asset and liability ratio
Plan
Results
LY
19.0%
18.5%
18.0%

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CCC Tree: Consolidated Results in Jan. 2019

**Consolidated**

Top: Jan. 2019 Plan
Mid: Jan. 2019 Results
Bottom: Jan. 2018 Results
(¥millions)

**Working capital**
- Plan 18,003
- Results 18,622
- LY 17,659

**Trade receivables**
- Plan 16,711
- Results 15,723
- LY 16,272

**Inventory asset**
- Plan 8,341
- Results 9,659
- LY 8,158

**Trade payables**
- Plan 7,048
- Results 6,760
- LY 6,772

**CCC**
- Plan 66.0
- Results 75.6
- LY 67.6

**Receivable turnover period**
- Plan 57.0
- Results 54.8
- LY 57.9

**Inventory turnover period**
- Plan 58.2
- Results 69.3
- LY 57.3

**Payables turnover period**
- Plan 49.2
- Results 48.5
- LY 47.5

※From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.
Appendix
Sharing what it takes for us to grow in the future
6th Medium-term Business Plan: 12 tasks

- ESG
- Logical work process
- Salary increase
- Global human resource development
- Global sharing of corporate philosophy & values
- World-class brand power
- Development capabilities
- Business model for success
- Cash flow management (PVA)
- Global SCM
- World-class Business Excellence

Sustainable growth

Nurture employees’ motivation, satisfaction, confidence, sense of pride and belonging to the company
From our public notice on January 15 2019

1. Overview of Organizational Changes

To bolster enterprise value, the Pigeon Group has established a global head office (GHO), to integrate head-office functions Group-wide. Under this framework, the Group is working continually to concentrate and strengthen those functions. In addition, the Group is dividing its segments responsible for operations and growth into four businesses, mostly by region: The Japan Business (Domestic Baby & Mother Care Business, Health & Elder Care Business, Child Care Service Business), China Business, Singapore Business and Lansinoh Business. With these clearly defined roles and responsibilities, these four businesses maintain liaison with GHO to pursue continuous, long-term growth.

The point is...
What I would like to achieve under the new organization structure

In accordance with a growth scenario of the Pigeon Group formulated by GHO from a “total optimization” perspective, we will preferentially invest our management resources to make the scenario a reality. In line with the basic strategy, four profit-earning business divisions (namely, Japan, China, Singapore, and Lansinoh) agilely address changes in environment with autonomous leadership to continue enhancing profitability of the Group as a whole, thus making Pigeon a great place to work with higher employee morale and higher corporate value.
New Organization

To clarify roles, function and responsibility on Head Office and each Business Unit

**Head Office**

- Global Head Office (GHO)
  - Business Strategy Div.
  - Accounting&Finance Div.

**Business Unit**

- **Japan Business**
  - Domestic B&M Div.
  - Health&Elder Care Business Div.
  - Child Care Service Business Div.
  - HR&GA Div.

- **China Business**
  - China Business Div.
    (Including HR&GA, Customer Communication, R&D etc.)

- **Singapore Business**
  - Singapore Business Div.
    (Including HR&GA, Customer Communication, R&D etc.)

- **Lansino Business**
  - Lansino Business Div.
    (Including HR&GA, Customer Communication, R&D etc.)

- **Lansino Business**
  - Customer Communication Div.
  - Logistics Div.
  - R&D Div.
  - Quality Control Div.
Roles and function that GHO is expected to perform

Target: Four profit-earning business divisions (Japan, China, Singapore and Lansinoh)

1. Binding us together
   To share and practice the Pigeon Way across the Group to enhance our brand equity.

2. Helping to increase the medium-to-long term corporate value
   To enhance corporate value of the Group as a whole through consistently growing business by means of optimizing management resources and appropriately investing them.

3. Helping to create the our future
   To formulate future business models from a medium- to long-term perspective while getting involved in assessment and implementation of M&A opportunities, incubation (i.e., creation and support) of new businesses and restructuring of or withdrawal from the existing businesses.
Formulated Pigeon’s corporate value model (most recently updated in February 2019)

Social Value

To be indispensable for the society and our customers

- Provision of solutions and new values
- Development capabilities
- Innovation
- Brand power

Reduction of environmental impact and contribution to society in the fields other than our own business (SDGs)

Economic Value

Sum of present values of future free cash flows*

- Increase in NOPAT for a medium to long term with consistent enhancement of capital productivity
- (WTP** - Cost) x Volume = Profit
- Business models and competitive advantages that are hard to copy
- Brand power/Marketing capabilities
- KPIs (PVA***, CCC, ROE, ROIC) and actions for their improvement

*Free cash flow = NOPAT + Depreciation — Capex — Incremental working capital

**WTP: willingness to pay

***PVA: Pigeon value added

(Drivers)

Corporate philosophy shared by all employees and other stakeholders

Capability and motivation of each employee

Corporate governance

Compliance

(Sustainability)

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