

Summary of Financial Results for the First Quarter of Fiscal Year Ending January 2019 [Japanese Standards] (Consolidated)

June 4, 2018

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
 Listing: First Section, Tokyo Stock Exchange
 Website: www.pigeon.co.jp
 Representative: Shigeru Yamashita (President and COO)
 Contact person: Tsutomu Matsunaga (Managing Officer, Corporate Planning & Administration Division)/Tel: +81-3-3661-4188
 Scheduled Filing Date of Quarterly Report: June 8, 2018
 Scheduled Commencement Date of Dividend Payments: —
 Preparation of Any Additional Explanatory Materials for Quarterly Financial Results: None
 Holding of Any Briefing Session for Quarterly Financial Results: None

1. Consolidated Business Performance for the First Quarter of Fiscal Year Ending January 31, 2019 (February 1 to April 30, 2018)

(1) Consolidated Operating Results (cumulative)

(Millions of yen, rounded down, % figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
1Q ended April 30, 2018	25,798	7.6%	5,446	10.2%	5,380	10.7%	3,852	10.9%
1Q ended April 30, 2017	23,977	5.4%	4,940	32.4%	4,858	35.0%	3,473	39.9%

(Note) Comprehensive income: 1Q ended April 30, 2018 ¥3,020 million (8.9% negative)
 1Q ended April 30, 2017 ¥3,316 million (116.8%)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)
1Q ended April 30, 2018	32.17	—
1Q ended April 30, 2017	29.00	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
1Q ended April 30, 2018	81,855	61,572	72.7
FY ended January 31, 2018	84,467	62,812	71.9

(Reference) Shareholders' Equity: 1Q ended April 30, 2018 ¥59,478 million
 FY ended January 31, 2018 ¥60,693 million

2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended January 31, 2018	—	31.00	—	35.00	66.00
FY ending January 31, 2019	—				
FY ending January 31, 2019 (Forecast)		34.00	—	34.00	68.00

(Note) Changes in dividend forecasts to the most recent announcement: None

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending January 31, 2019 (February 1, 2018 to January 31, 2019)

(% figures denote year-on-year change from the previous term)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	107,000	4.3%	20,400	5.1%	20,400	1.3%	14,100	(2.9)%	117.73

(Note) Revision of forecasts to the most recent announcement: None

Notes

(1) Changes in major subsidiaries (or changes in specific subsidiaries that affect the scope of consolidation) during the period under review: None

New: — (Company name: —), Excluded: — (Company name: —)

(2) Application of any accounting procedures specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting-based estimates, and restatements

1) Changes in accounting policies associated with revision of accounting standards: None

2) Changes in accounting policies other than the above 1): None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the period-end (including treasury stock)

1Q ended April 30, 2018: 121,653,486

FY ended January 31, 2018: 121,653,486

2) Amount of treasury stock at the period-end

1Q ended April 30, 2018: 1,892,389

FY ended January 31, 2018: 1,892,329

3) Number of average shares outstanding during the period (quarter accumulation)

1Q ended April 30, 2018: 119,761,117

1Q ended April 30, 2017: 119,761,516

* Summaries of quarterly financial results are exempt from quarterly review by certified public accountants and auditing corporations.

* Cautionary Statement regarding Performance Forecasts

The forecasts and future projections stated in this report have been prepared on the basis of the information and assumption that shall be reasonable as of the date of announcement of this summary information, and the forecasts and future projections stated in this report are in no way intended as a promise of achievement as a company.

In addition, the actual results could differ significantly from forecast figures depending on a variety of factors. See the section “(3) Explanation of Consolidated Performance Forecast and Other Future Predictions” in “1. Qualitative Information Regarding the Financial Results for the Current Quarter” on page 4 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

Table of Contents of the Appendix

1. Qualitative Information Regarding the Financial Results for the Current Quarter.....	2
(1) Explanation of Business Performance.....	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Performance Forecast and Other Future Predictions	4
2. Issues Regarding Summary Information (Notes).....	5
(1) Significant Changes in Subsidiaries During the Period Under Review	5
(2) Application of Any Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements.....	5
3. Quarterly Consolidated Financial Statements.....	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	8
Quarterly Consolidated Statement of Income (Scope of Consolidation of First Quarter).....	8
Quarterly Consolidated Statement of Comprehensive Income (Scope of Consolidation of First Quarter)	9
(3) Notes on Consolidated Financial Statements	10
(Notes Regarding Going Concern Assumptions).....	10
(Notes Regarding Substantial Changes in Shareholders' Equity).....	10
(Segment Information)	11

1. Qualitative Information Regarding the Financial Results for the Current Quarter

(1) Explanation of Business Performance

During the consolidated first three-month period under review, Japan's economy continued to recover at a gradual pace as a whole, thanks to an increase in corporate earnings and enhancement in the employment environment. In the global economy, in addition to the European and U.S. economies continuing to recover at a gradual pace, the Chinese economy also picked up steadily. On the other hand, a latent sense of uncertainty remained due to geopolitical risks, etc.

Amid such economic circumstances, the Group developed the Sixth Medium-Term Business Plan (for the period between the fiscal year ended January 2018 and the fiscal year ending January 2020), under the slogan of "Building our dreams into the future – by creating a bridge towards the Global Number One manufacturer of baby products –," and has made efforts toward our further growth in the second year of this plan. In addition, we have set the following three basic strategies that would help us to expand the Group's business and improve its management quality.

- 1) Based on the Pigeon Way, create and implement all kinds of measures to achieve the goal of becoming 'an indispensable company' for the society and make our Vision "to be the baby product manufacturer most trusted by the world's babies and families, i.e. 'Global Number One'" come true.
- 2) A further increase in corporate value will be pursued through improvement in profitability and efficiency of the business, and maximization of cash flows. The organizational structure, management system and governance system will also be put in place and reinforced to ensure sustainable growth from a medium to long-term perspective.
- 3) During the three years of the Sixth Medium-Term Business Plan, invest management resources giving priority to the key products and carry out strategic investments, laying solid foundations for the double-digit growth of Pigeon Group in the future.

During the consolidated first three-month period under review, the Company implemented a wide range of measures on the basis of the above business policies as well as our business-related and functional strategies. As a result, due to a favorable performance of the Domestic Baby & Mother Care Business and China Business, net sales amounted to ¥25,798 million (up 7.6% YOY). Regarding earnings, due to a favorable performance by the nursing bottles and skincare products mainly supplied from production bases inside the Group, sales cost ratio improved by approximately 1.5 percentage points from the previous term, operating income recorded ¥5,446 million (up 10.2% YOY), ordinary income recorded ¥5,380 million (up 10.7% YOY), and net income attributable to owners of parent also increased to ¥3,852 million (up 10.9% YOY).

The main exchange rates used in the preparation of this first quarter's financial statements for the Company's overseas consolidated subsidiaries (revenues and expenses) are as follows:

- 1US\$: 108.22 yen (113.60 yen)
- 1 CNY: 17.04 yen (16.56 yen)

Note: Figures in parentheses represent the exchange rate in the same period of the previous fiscal year.

Although so far, our Group had a total of five reporting segments identified as "Domestic Baby & Mother Care Business," "Child Care Service Business," "Health & Elder Care Business," "Overseas Business," and "China Business", from the consolidated first three-month period under review, we decided to change the denomination of our "Overseas Business" renaming it to "Singapore Business" that shall be engaged in various businesses under the Pigeon brand mainly in the ASEAN and countries of the Middle East, while the business conducted under the Lansinoh brand and mainly developed in Europe and the U.S., which had been a part of the "Overseas Business" so far, was set up as an independent segment named "Lansinoh Business," and the reporting from now on

will be done based on a division into a total of six segments. Each segment is outlined below. In addition, we have made year-over-year comparisons by converting the figures in the same period of the last year into the figures calculated in accordance with the new calculation method after the above revision.

Domestic Baby & Mother Care Business

Net sales of the segment amounted to ¥9,393 million (up 7.6% YOY). Segment profit increased compared with the corresponding period of last year to ¥1,875 million (up 7.0% YOY). In this segment, in February, we newly released "Pigeon Medicated Bubble Body Soap (Leaves of Peach)," a product in the same series with the "Pigeon Medicated Lotion (Leaves of Peach)," a highly popular product that recorded sales of 2,700,000 items shipped last year. Furthermore, we launched a new version of "Runfee RA8" modified to make it more comfortable to push in the rear-facing position, and are steadily expanding its sales. Moreover, during the period under review, we have held a number of events planned as a part of our direct communications program such as our "Premama Class" for women expecting to give birth in the near future and a seminar about breastfeeding while parenting for health care professionals, organized five times. A total of approximately 280 people have participated. On "Pigeon Info," a website that supports women during pregnancy, in childbirth, and in raising children, we are continuing to improve the content so that users can use the site in a more convenient manner.

Child Care Service Business

Net sales of the segment amounted to ¥1,664 million (down 13.8% YOY). Segment profit decreased compared with the corresponding period of last year to ¥44 million (down 16.2% YOY) as a result of an increase in personnel expenses and other reasons. It should be also noted that as of March 2018, our bulk outsourcing agreement for childcare hospital centers under the National Hospital Organization (Incorporated Administrative Agency) expired, but we shall operate the business from now on striving to find new clients for our services and improve the quality of the content we offer further.

Health & Elder Care Business

Net sales of the segment amounted to ¥1,673 million (down 0.5% YOY). Segment profit decreased to ¥80 million (down 17.3% YOY). We will continue to focus on strengthening of sales activities toward retail stores and nursing care facilities further and will ensure that the quality of our nursing care services is improved.

China Business

Net sales in this segment amounted to ¥7,806 million (up 9.6% YOY), and segment profit also increased to ¥2,961 million (up 19.5% YOY). In the segment, sales of nursing bottles continued to increase, while the line of baby skin care products decorated with Disney characters that was launched in December 2017 has also steadily increased sales. In addition, we will continue to strengthen our activities in the E-commerce market, which is expected to grow further in the future; we will utilize social networking services further for the invigoration of direct communication with consumers, and will also continue to reinforce sales promotions at stores as well as offline sales activities aimed at hospitals and maternity clinics, in order to increase contact points with customers and expand our operations.

Singapore Business

Net sales of the segment amounted to ¥2,928 million (up 26.7% YOY), and segment profit also increased to ¥731 million (up 10.1% YOY). In Indonesia, which is one of the areas the segment covers, we changed P.T. Pigeon Indonesia, which was an equity method affiliate, into a consolidated subsidiary in October 2017, and are currently conducting measures to expand both production and sales in the company. In addition, we shall develop our sales and marketing activities in other ASEAN countries and the Middle East, striving to boost the presence of our

brands in these areas also.

Lansinoh Business

Net sales of the segment amounted to ¥2,948 million (up 0.4% YOY), while segment profit decreased to ¥463 million (down 14.9% YOY). Sales of breast pumps in North America are steadily expanding through a new sales route (DME Channel). In addition, to pave the way for our business expansion in China (Lansinoh Laboratories Shanghai), we shall conduct a wide range of measures including strengthening our activities in the E-commerce market and brand reinforcement.

Other Businesses

Net sales of the segment amounted to ¥314 million (down 2.8% YOY), and segment profit stood at ¥26 million (down 24.6% YOY).

(2) Explanation of Financial Position

1) Assets

As of April 30, 2018, our Group recorded total assets of ¥81,855 million, down ¥2,612 million from the previous consolidated fiscal year ended January 31, 2018. Both current and fixed assets decreased by ¥2,542 million and ¥70 million, respectively.

Current assets decreased mainly due to a decrease in cash and deposits of ¥4,441 million, despite increases in notes and accounts receivable - trade of ¥571 million and in raw materials and supplies of ¥442 million.

Fixed assets diminished due to a decrease in other investments and other assets of ¥198 million.

2) Liabilities

As of April 30, 2018, our Group recorded total liabilities of ¥20,283 million, down ¥1,372 million from the previous consolidated fiscal year ended January 31, 2018. Both current and fixed liabilities decreased by ¥866 million and ¥505 million, respectively.

Current liabilities decreased mainly due to decreases in income taxes payable and in other current liabilities of ¥946 million and ¥425 million, respectively, despite an increase in notes and accounts payable - trade of ¥405 million.

Fixed liabilities decreased, mainly because other fixed liabilities decreased by ¥510 million.

3) Net Assets

As of April 30, 2018, our Group recorded total net assets of ¥61,572 million, down ¥1,239 million from the previous consolidated fiscal year ended January 31, 2018.

Net assets decreased mainly due to decreases in retained earnings and in foreign currency translation adjustment of ¥338 million and ¥873 million, respectively.

(3) Explanation of Consolidated Performance Forecast and Other Future Predictions

For the Sixth Medium-Term Business Plan (for the period between the fiscal year ended January 2018 and the fiscal year ending January 2020), the Group has adopted the slogan, “Building our dreams into the future – by creating a bridge towards the Global Number One manufacturer of baby products –.” We will further develop and enhance our business operating system, while pursuing in the improvement of management quality and steadily implementing the measures grounded on the newly formulated strategies for each business segment and the functional strategy that serves as the foundation thereof.

In this consolidated fiscal year, the second year of our Sixth Medium-Term Business Plan, we will strive to ensure completion of our plans.

2. Issues Regarding Summary Information (Notes)

(1) Significant Changes in Subsidiaries During the Period Under Review

Not applicable.

(2) Application of Any Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	At January 31, 2018	At April 30, 2018
ASSETS		
I. Current Assets:		
Cash and deposits	31,346	26,904
Notes and accounts receivable - trade	16,440	17,012
Merchandise and finished goods	6,059	6,341
Work in process	293	390
Raw materials and supplies	2,359	2,802
Other current assets	1,898	2,346
Allowance for doubtful accounts	(221)	(162)
Total Current Assets	58,178	55,636
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures, net	7,105	6,930
Land	5,878	5,858
Other tangible fixed assets, net	8,131	8,191
Total Tangible Fixed Assets	21,116	20,980
2. Intangible Fixed Assets:		
Goodwill	1,271	1,193
Other intangible fixed assets	2,036	2,377
Total Intangible Fixed Assets	3,307	3,571
3. Investments and Other Assets:		
Other	1,877	1,679
Allowance for doubtful accounts	(12)	(12)
Total Investments and Other Assets	1,865	1,667
Total Fixed Assets	26,289	26,219
Total Assets	84,467	81,855
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	5,194	5,599
Electronically recorded obligations - operating	1,797	1,983
Income taxes payable	2,578	1,631
Accrued bonuses to employees	1,035	1,141
Reversal of reserve for returned products	51	67
Provision for special extra retirement payments	208	—
Other current liabilities	6,808	6,382
Total Current Liabilities	17,673	16,806
II. Fixed Liabilities:		
Net defined benefit liability	290	283
Provision for directors and corporate auditors' retirement benefits	516	528
Other fixed liabilities	3,175	2,664
Total Fixed Liabilities	3,982	3,476
Total Liabilities	21,655	20,283

(Millions of yen)

	At January 31, 2018	At April 30, 2018
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,179	5,179
Retained earnings	49,729	49,390
Treasury stock	(949)	(949)
Total Shareholders' Equity	59,158	58,819
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	44	42
Foreign currency translation adjustment	1,490	616
Total Accumulated Other Comprehensive Income	1,534	658
III. Non-controlling Interests	2,119	2,093
Total Net Assets	62,812	61,572
Total Liabilities and Net Assets	84,467	81,855

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income
(Scope of Consolidation of First Quarter)

(Millions of yen)

	Three months ended April 30, 2017	Three months ended April 30, 2018
I. Net Sales	23,977	25,798
II. Cost of Sales	12,263	12,778
Gross profit	11,714	13,020
Reversal of reserve for returned products	70	34
Transfer to reserve for returned products	69	68
Adjusted gross profit	11,715	12,986
III. Selling, General and Administrative Expenses	6,774	7,540
Operating Income	4,940	5,446
IV. Non-operating Income:		
Interest income	40	73
Share of profit of entities accounted for using equity method	5	—
Other non-operating income	67	39
Total Non-operating Income	113	113
V. Non-operating Expenses:		
Interest expenses	4	3
Sales discounts	92	116
Foreign exchange losses	90	47
Other non-operating expenses	7	12
Total Non-operating Expenses	195	179
Ordinary Income	4,858	5,380
VI. Extraordinary Income:		
Gain on sales of fixed assets	1	1
Gain on sales of investment securities	87	108
Total Extraordinary Income	88	109
VII. Extraordinary Loss:		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	13	3
Total Extraordinary Loss	14	3
Income before Income Taxes	4,933	5,485
Income Taxes - current	1,718	1,874
Income Taxes - deferred	(315)	(345)
Total Corporate Income Tax	1,403	1,529
Net Income	3,529	3,955
Net Income Attributable to Non-controlling Interests	56	102
Net Income Attributable to Owners of Parent	3,473	3,852

Quarterly Consolidated Statement of Comprehensive Income
(Scope of Consolidation of First Quarter)

(Millions of yen)

	Three months ended April 30, 2017	Three months ended April 30, 2018
Net Income	3,529	3,955
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(2)	(2)
Foreign currency translation adjustment	(210)	(933)
Total Other Comprehensive Income	(213)	(935)
Quarterly Comprehensive Income	3,316	3,020
(Break down)		
Quarterly comprehensive income on parent company	3,253	2,977
Quarterly comprehensive income on non-controlling interests	63	43

**(3) Notes on Consolidated Financial Statements
(Notes Regarding Going Concern Assumptions)**

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Three months ended April 30, 2017

1. Information Regarding Net Sales and Profit (Loss) in Each Reporting Segment

(Millions of yen)

	Reporting Segment							Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 3)
	Domestic Baby & Mother Care Business	Child Care Service Business	Health & Elder Care Business	China Business	Singapore Business	Lansinoh Business	Subtotal				
Net sales											
Net sales to external customers	8,729	1,931	1,681	7,092	1,282	2,935	23,653	323	23,977	—	23,977
Internal sales or exchange between segments	—	—	—	31	1,028	—	1,060	—	1,060	(1,060)	—
Total	8,729	1,931	1,681	7,124	2,311	2,935	24,714	323	25,038	(1,060)	23,977
Segment profit	1,752	53	97	2,477	664	544	5,589	35	5,624	(683)	4,940

(Notes)

1. The “Other Businesses” classification refers to businesses not included in the reporting segments, and consists of our Group’s manufacturing subsidiaries, but also of those manufacturing and selling products to companies outside our Group.
2. The negative amount of ¥683 million from adjustments in segment profit includes ¥11 million in elimination of intersegment transactions, and negative ¥694 million in non-allocable operating expenses. Non-allocable operating expenses are administrative costs of our Group.
3. Segment profits are adjusted to operating income in the quarterly consolidated statement of income.

Three months ended April 30, 2018

1. Information Regarding Net Sales and Profit (Loss) in Each Reporting Segment

(Millions of yen)

	Reporting Segment							Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 3)
	Domestic Baby & Mother Care Business	Child Care Service Business	Health & Elder Care Business	China Business	Singapore Business	Lansinoh Business	Subtotal				
Net sales											
Net sales to external customers	9,393	1,664	1,673	7,779	2,023	2,948	25,483	314	25,798	—	25,798
Internal sales or exchange between segments	—	—	—	27	904	—	931	—	931	(931)	—
Total	9,393	1,664	1,673	7,806	2,928	2,948	26,415	314	26,729	(931)	25,798
Segment profit	1,875	44	80	2,961	731	463	6,156	26	6,183	(737)	5,446

(Notes)

1. The “Other Businesses” classification refers to businesses not included in the reporting segments, and consists of our Group’s manufacturing subsidiaries, but also of those manufacturing and selling products to companies outside our Group.
2. The negative amount of ¥737 million from adjustments in segment profit includes ¥31 million in elimination of intersegment transactions, and negative ¥768 million in non-allocable operating expenses. Non-allocable operating expenses are administrative costs of our Group.
3. Segment profits are adjusted to operating income in the quarterly consolidated statement of income.

2. Changes in Reporting Segments, etc.

From the consolidated first three-month period under review, we decided to change the denomination of our "Overseas Business" renaming it to "Singapore Business" that shall be engaged in various businesses under the Pigeon brand mainly in the ASEAN and countries of the Middle East, while the business conducted under the Lansinoh brand and mainly developed in Europe and the U.S., which had been a part of the "Overseas Business" so far, was set up as an independent segment named "Lansinoh Business," and the reporting from now on will be done based on a division into a total of six segments.

The segment information in the consolidated first three-month period in the last fiscal year is adjusted in accordance with the new segment profit calculation method after the above revision.