December 2, 2019

Company name: Pigeon Corporation
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Notice Regarding Revision of Earnings Forecast

In view of recent business trends and related factors, Pigeon Corporation has revised the earning forecast for the fiscal year ending December 31, 2019, which was released on September 2, 2019, as follows:

1. Consolidated Business Performance for the Fiscal Year Ending December 31, 2019 (February 1 to December 31, 2019)

(Millions of yen, %)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Income per Share
Previous forecast (A)	106,200	20,000	20,000	14,300	119.40
Revised forecast (B)	99,000	16,800	16,900	11,800	98.54
Increase (decrease) (B-A)	(7,200)	(3,200)	(3,100)	(2,500)	—
Percentage of increase (decrease) (%)	(6.8)	(16.0)	(15.5)	(17.5)	—

Notes:

- The values in the previous forecast (A) are identical to those in the forecast issued at the beginning of the current fiscal year.
- Beginning in the 2019 fiscal year, the fiscal year-end is changed from January 31 to December 31.
- As a result of the above change of fiscal year-end, the current fiscal year consists only of time elapsed, so comparison on the same standards is difficult. Accordingly, results for the previous fiscal year are omitted.

2. Reason for Revision

The consolidated first nine-month period of the current fiscal year fell short of those of the same period of the previous fiscal year on all measures, as Pigeon sustained pressure on multiple fronts. The Domestic Baby & Mother Care Business was impacted by a dramatic decrease in inbound demand, natural disasters and further acceleration in the decline of Japan's birth rate. In the Singapore Business, slowing sales in the Middle East combined with factors such as economic recession and declining demand in India to create an overall difficult business environment and trend in business results. Consolidated net sales failed to pace those of the same period of the previous fiscal year. Operating income, ordinary income and net income attributable to owners of parent all declined year-on-year. Moreover, gross profit declined amid a rising sales-cost ratio, while selling, general and administrative expenses mounted in proportion to net sales, further contributing to the decline against the same period of the previous fiscal year.

As the Company enters the second half of the fiscal year, the changes in the business environment outlined above are proving even more serious than was forecast at the beginning of the fiscal year. As a result, the business results for the consolidated first nine-month period of the current fiscal year have fallen below the Company's forecast, and Pigeon expects this discouraging trend to continue.

In view of the business results for the consolidated first nine-month period of the current fiscal year and the Company's forecast going forward, as indicated above, Pigeon is revising its forecast for the full fiscal year downward from its previously announced forecast.

The present revision of our earnings forecast is based on the average exchange rates expected in the second half of the fiscal year under review. The average exchange rate for the second half of the year is assumed to be approximately 108.00 yen against the US dollar (compared to 109.12 yen in the first nine-month period and 109.00 yen in the plan announced at the beginning of the fiscal year), and approximately 15.30 yen against the Chinese yuan (compared to 15.89 yen in the first nine-month period and 16.00 yen in the plan announced at the beginning of the fiscal year).

Note: The above-mentioned forecasts are based on information available at the time of this news release. Actual results may differ from such forecasts due to various future circumstances.