

# **Fiscal Year to January 2010 Summary of Results**

**March 9, 2010**

**PIGEON CORPORATION**

**(Securities code: 7956)**

**President & CEO Akio Okoshi**

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(3rd Medium-Term Business Plan: Progress Report)

# Jan. 2010 Results

# Jan. 2009 Results and Jan. 2010 Results (Consolidated)

(¥ millions)	Jan. 2009		Jan. 2010			
	Amount	YoY Change	Forecast	Amount	YoY Change	% of Revised Forecast
Net sales	53,092	107.8%	56,000	53,431	100.6%	95.4%
Operating income	4,269	133.7%	4,700	4,604	107.8%	98.0%
Ordinary income	4,293	135.1%	4,700	4,609	107.3%	98.1%
Net income	2,854	194.0%	3,000	2,840	99.5%	94.7%
Net assets	24,324	102.1%	26,550	26,264	108.0%	98.9%
Total assets	38,407	102.6%	40,200	39,493	102.8%	98.2%
EPS(¥)	142.75	193.2%	149.88	141.89	99.4%	94.7%
BPS (¥)	1,195.45	101.8%	1,299.00	1,288.14	107.8%	99.2%
ROA	11.3%	—	12.0%	11.8%	—	—
ROE	12.1%	—	12.0%	11.4%	—	—

※ ROA = Ordinary income ÷ Total assets; ROE = Net income ÷ Equity (in both cases, denominators are averaged between beginning and year-end figures)

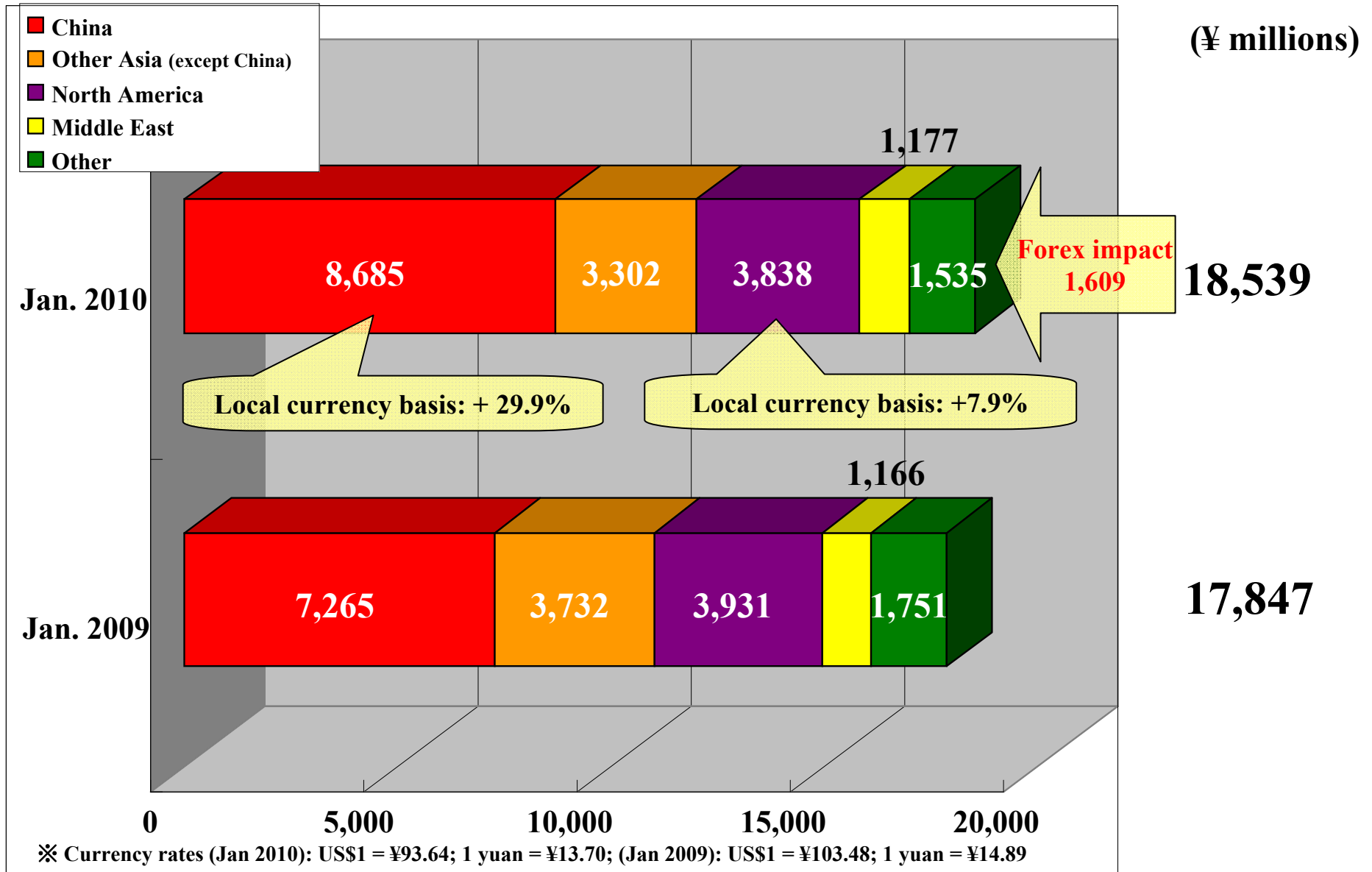
# Statements of Income (Consolidated)

(¥ millions)	Jan. 2009		Jan. 2010			
	Amount	% of Total	Amount	% of Total	YoY Change	summary
Net sales	53,092	100.0 %	53,431	100.0 %	100.6 %	
Cost of sales	32,927	62.0 %	32,528	60.9 %	98.8 %	
Gross Profit	20,164	38.0 %	20,902	39.1 %	103.7 %	
Selling, General and Administrative Expenses	15,895	30.0 %	16,298	30.5 %	102.5 %	■ Main SG&A changes Selling +¥185m Personnel +¥193m
Operating income	4,269	8.0 %	4,604	8.6 %	107.8 %	
Total Other Income and Expenses	24	0.1 %	5	0.0 %	20.9 %	
Ordinary income	4,293	8.1 %	4,609	8.6 %	107.3 %	
Total Extraordinary Income and Loss	(273)	(0.5) %	(444)	(0.8) %	—	■ Main extraordinary item changes
Less: Minority Interest in Net Income of Consolidated Subsidiaries	150	0.3 %	115	0.2 %	76.3 %	Bad debt loss ¥(304)m Provision for allowance for doubtful accounts ¥(69)m
Net income	2,854	5.4 %	2,840	5.3 %	99.5 %	

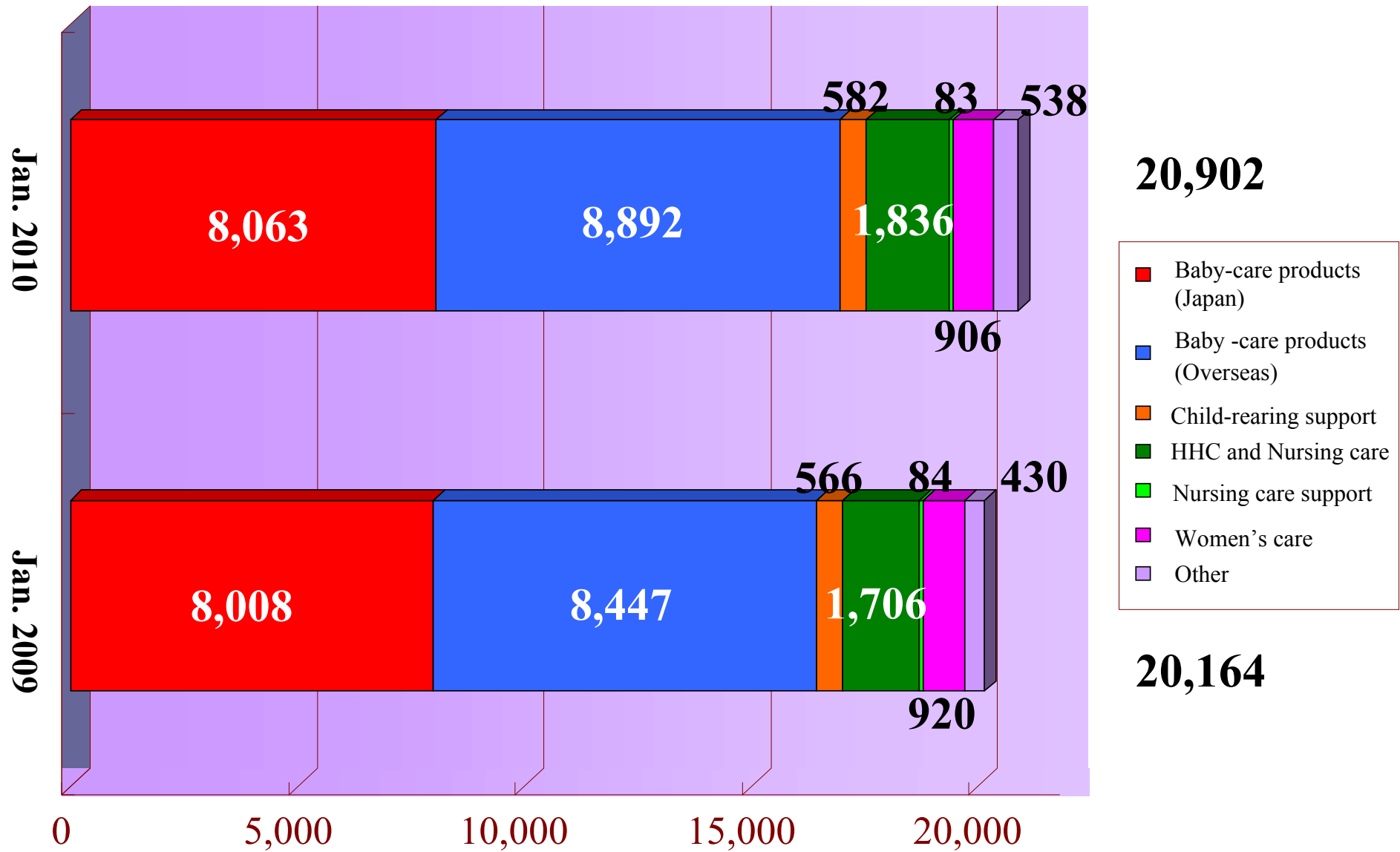
# Results by Segment (Consolidated)

(¥ millions)	Jan. 2009				Jan. 2010			
	Amount	% of Total	YoY Change	Gross Margin	Amount	% of Total	YoY Change	Gross Margin
<b>Consolidated net sales</b>	<b>53,092</b>	<b>100.0%</b>	<b>107.8%</b>	<b>38.0%</b>	<b>53,431</b>	<b>100.0%</b>	<b>100.6%</b>	<b>39.1%</b>
Baby-care products (Japan)	20,209	38.1%	98.1%	39.6%	19,735	36.9%	97.7%	40.9%
Baby-care products (overseas)	17,374	32.7%	125.5%	48.6%	18,050	33.8%	103.9%	49.3%
Child-rearing support services	5,079	9.6%	104.3%	11.2%	5,151	9.6%	101.4%	11.3%
HHC and nursing care products	5,839	11.0%	102.8%	29.2%	5,859	11.0%	100.3%	31.3%
Nursing care support services	582	1.1%	106.7%	14.4%	590	1.1%	101.4%	14.1%
Women's care products	2,515	4.7%	104.9%	36.6%	2,386	4.5%	94.9%	38.0%
Other	1,490	2.8%	115.4%	28.9%	1,657	3.1%	111.2%	32.5%
<b>Overseas business</b>	<b>17,847</b>	<b>33.6%</b>	<b>124.4%</b>	<b>48.7%</b>	<b>18,539</b>	<b>34.7%</b>	<b>103.9%</b>	<b>49.5%</b>

# Overseas Sales by Region



# Gross Profit by Business Segment (Consolidated)





# Domestic Baby and Child Care Products

## ■ Reinforced existing domestic businesses and nurtured new businesses

### Baby & child care products

“Environment” Calendar 09: 1.069 million childbirths (down 22,000 year-on-year)

Deflationary trend: Impacting overall business since 3rd quarter

“Actions to improve profitability” Reinforced intra-Group teamwork; strengthened sales capabilities

“Direct communication”

⇒ Events for expectant mothers: 41 events, attracting more than 3,000 expectant mothers

⇒ Baby style (mini TV program): Ongoing since 2007

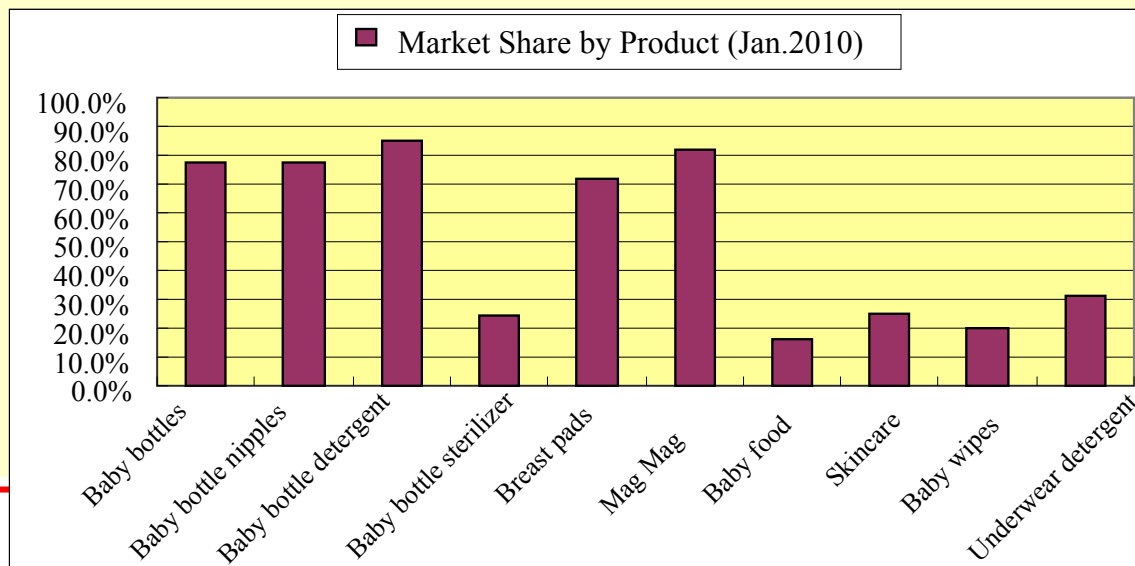
“IT” Pigeon Info (portal): More than 520,000 members

Mail-order business for Mamas&Papas products: Launched Feb. 2010

### Child-rearing support

Growing according to plan, driven mainly by consignment operation of in-company child-minding facilities

3-year ongoing staff education program ⇒ Improved child-care quality and retention ratio



Mail order site launched

※ Source: POS Nationwide Drugstore Growth Estimates, INTAGE Inc. (monthly data)

# Overseas Business

## ■ Globalization of baby and child care product and women's care product businesses

**Overseas business:** Impact of recession/forex factors → Year-on-year increase on local currency basis

**China:**

Pigeon Breastfeeding Advice Offices in 34 major hospitals (collaboration with China's Ministry of Health)

Pigeon sales corners: 958 at Dec. 31, 2009 (508 at Dec. 31, 2008)

Improving results in interior regions: Guangzhou branch office established (Dec. 09)

Product supply system: Increased internal manufacturing ratio due to Shanghai factory going on-stream (Stage 2 completed)

Production subsidiary established in Changzhou, Jiangsu Province (Aug. 09)

**North America:** Soothies brand sales progressing as planned (Lansinoh Laboratories)

**Europe:** Turkey branch opened (April 09; Lansinoh Laboratories)

**New markets:**

Sales subsidiary established in Mumbai, India (Nov. 09)

New distribution agreements signed: South Korea, Russia



Pigeon Breastfeeding Advice Offices opened (joint project with China's Ministry of Health)



Increase in Pigeon sales corners

# Healthcare Business

## ■ Reinforced existing domestic businesses and nurtured new businesses

### Habinurse brand

- New products: Easy-to grasp spoon, Easy-to grasp fork; Deodorant room spray; Tight-fitting cloth underpants with incontinence pads)

### Recoup brand

- New products: Mild detergent for dentures; A sheet-based mouth fresher
- Improved brand recognition: Recruited well-know image character (Yoshiko Kayama), held events, placed advertisements, distributed catalogs and product introduction videos, etc.
- New sales channels: TV shopping, department store mail-order catalogs, etc.
- Events: Exhibition participation, concert sponsorship, etc.



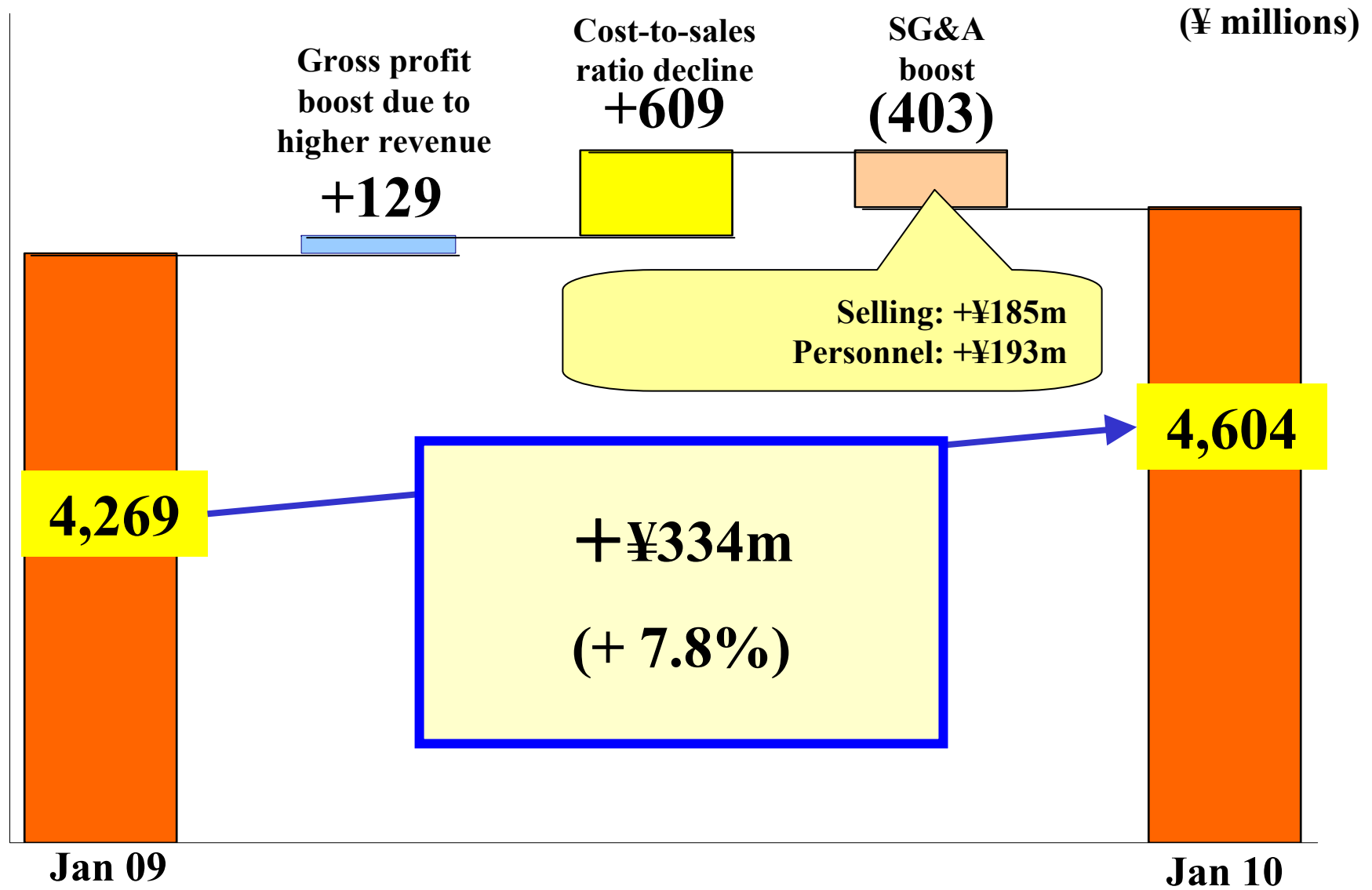
New Habinurse products

New Recoup products



Promotions featuring Yoshiko Kayama:  
Advertisement (left), catalog (right)

# Operating Income: Main Changes (Consolidated)



## Reference: Balance Sheet Highlights (Consolidated)

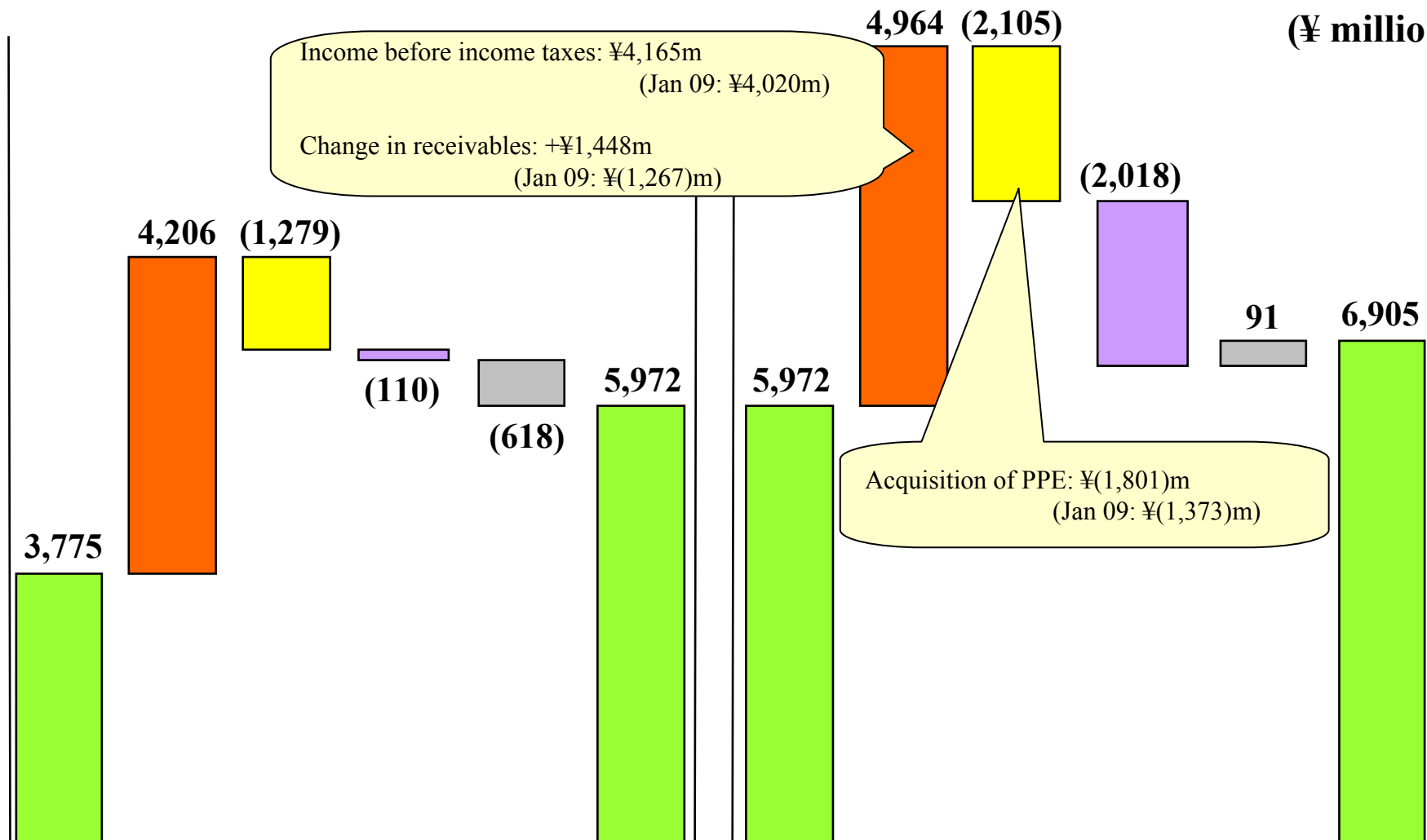
	Jan 09	Jan 10 (¥ millions)		
	Amount	Amount	YoY Change (Amount)	YoY Change (%)
Cash and deposits	5,972	6,905	+ 932	115.6 %
Notes and accounts receivable	10,118	8,757	(1,360)	86.6 %
Inventories	4,641	5,507	+ 866	118.7 %
Notes and accounts payable	4,674	4,311	( 362)	92.2 %
Borrowings	3,139	2,469	( 669)	78.7 %
Net assets	24,324	26,264	+ 1,939	108.0 %
Total assets	38,407	39,493	+ 1,085	102.8 %
Equity ratio	62.3%	65.3%	—	+ 3.0pt

■ Notes and accounts receivable: Shift from bills to cash (change in credit management for domestic business partners)

■ Inventories: Increase in business scope

# Reference: Cash Flows

(¥ millions)



Jan. 2009					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation/Valuation Gain (Loss)	Balance at End
3,775	4,206	(1,279)	(110)	(618)	5,972

Jan. 2010					
Balance at Beginning	Operating Activities	Investing Activities	Financing Activities	Translation/Valuation Gain (Loss)	Balance at End
5,972	4,964	(2,105)	(2,018)	91	6,905

## Reference: Investment-Related Indicators (Consolidated)

(¥ millions)

[Reference] Capital expenditure indicators	Jan. 2009		Jan. 2010	
	Interim (Result)	Full Year (Result)	Interim (Result)	Full Year (Plan)
Capital expenditure ※1	1,035	1,431	613	1,558
Depreciation (tangible fixed assets)	607	1,307	547	1,180
Research and development ※2	525	1,128	626	1,210

※1 Refers to purchase of tangible fixed assets, excluding construction in progress

※2 Refers to total R&D expenditures, including personnel-related

# Jan. 2011 Forecasts



## Jan. 2010 Results and Jan. 2011 Forecast (Consolidated)

(¥ millions)	Jan. 2010			Jan. 2011 (Forecast)		
	Amount	% of Total	YoY Change	Amount	% of Total	YoY Change
Net sales	53,431	100.0%	100.6%	60,700	100.0%	113.6%
Operating income	4,604	8.6%	107.8%	5,500	9.1%	119.5%
Ordinary income	4,609	8.6%	107.3%	5,400	8.9%	117.2%
Net income	2,840	5.3%	99.5%	3,500	5.8%	123.2%
Net assets	26,264	—	108.0%	28,450	—	108.3%
Total assets	39,493	—	102.8%	44,000	—	111.4%
EPS(¥)	141.89	—	99.4%	174.87	—	123.2%
BPS (¥)	1,288.14	—	107.8%	1,394.35	—	108.2%
ROA	11.8%	—	—	12.9%	—	—
ROE	11.4%	—	—	13.0%	—	—

※ ROA = Ordinary income ÷ Total assets; ROE = Net income ÷ Equity (in both cases, denominators are averaged between beginning and year-end figures)

# Results and Forecast by Segment (Consolidated)

(¥ millions)	Jan. 2010				Jan. 2011 (Forecast)			
	Amount	% of Total	YoY Change	Gross Margin	Amount	% of Total	YoY Change	Gross Margin
<b>Consolidated net sales</b>	<b>53,431</b>	<b>100.0%</b>	<b>100.6%</b>	<b>39.1%</b>	<b>60,700</b>	<b>100.0%</b>	<b>113.6%</b>	<b>40.8%</b>
Baby-care products (Japan)	19,735	36.9%	97.7%	40.9%	22,034	36.3%	111.6%	45.1%
Baby-care products (overseas)	18,050	33.8%	103.9%	49.3%	20,980	34.6%	116.2%	49.3%
Child-rearing support services	5,151	9.6%	101.4%	11.3%	5,443	9.0%	105.7%	11.6%
HHC and nursing care products	5,859	11.0%	100.3%	31.3%	7,140	11.8%	121.9%	30.3%
Nursing care support services	590	1.1%	101.4%	14.1%	700	1.2%	118.5%	13.7%
Women's care products	2,386	4.5%	94.9%	38.0%	2,905	4.8%	121.8%	37.5%
Other	1,657	3.1%	111.2%	32.5%	1,495	2.5%	90.2%	32.8%
<b>Overseas business</b>	<b>18,539</b>	<b>34.7%</b>	<b>103.9%</b>	<b>49.5%</b>	<b>21,526</b>	<b>35.5%</b>	<b>116.1%</b>	<b>49.3%</b>

# Key Priorities for Year to Jan. 2011

## ■ Globalization of baby and child care product and women's care product businesses

- **China:** Further strengthen sales base; continue expanding production facilities
- **North America:** Maintain/expand high share of breastfeeding-related product
- **Europe:** Expand sales in Turkey
- **New markets:** Build brand and expand sales via local subsidiary in India; advance into new core markets (South Korea, Russia, etc.)

## ■ Reinforce existing domestic businesses and nurture new businesses

- **Baby and child care products:** Reinforce existing businesses; nurture new businesses; continue direct communication campaign; improve profitability
- **IT business:** Expand sales through focus on mail-order and child-rearing sites
- **Child-rearing support:** Improve quality of both human skills and services
- **Healthcare:** Promote brand of Recoup; secure new sales channels

# Shareholder Return: Capital Expenditure Plan

- We will bolster shareholder return in a flexible manner, including through share buybacks, targeting a total shareholder return ratio of 50% or higher by Jan. 2011.

(¥)

Dividend Status	Jan. 2009		Jan. 2010		Jan. 2011 (Forecast)	
	Interim	Year-End	Interim	Year-End	Interim	Year-End
Dividend per share	23	32	32	32	44	44
Payout ratio	38.5%		45.1%		50.3%	

- We will improve ROE to 12% or higher by the year ending Jan. 2011.

(¥ millions)

[Reference] Capital expenditure indicators	Jan. 2009		Jan. 2010		Jan. 2011 (Forecast)
	Interim	Full Year	Interim	Full Year	Full Year
Capital expenditure	1,035	1,431	613	1,558	3,260
Depreciation (tangible fixed assets)	607	1,307	547	1,180	1,444

Capital expenditure refers to purchase of tangible fixed assets, excluding construction in progress.

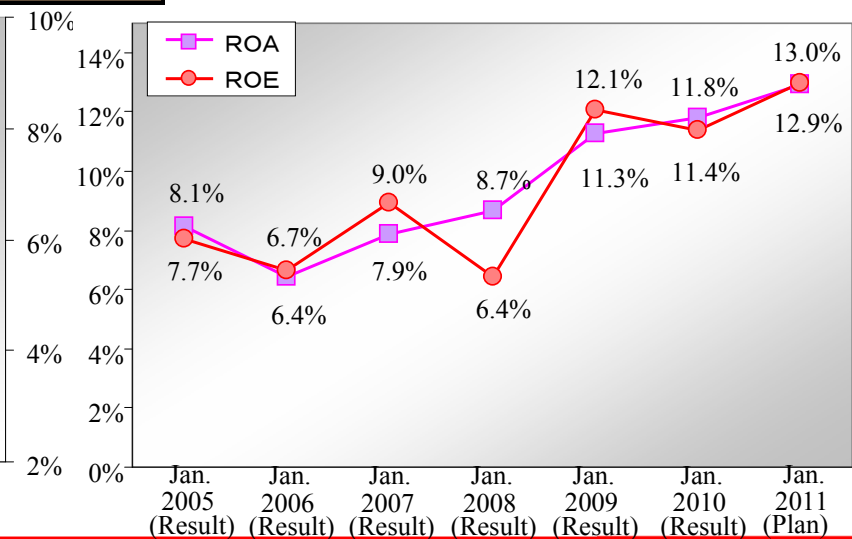
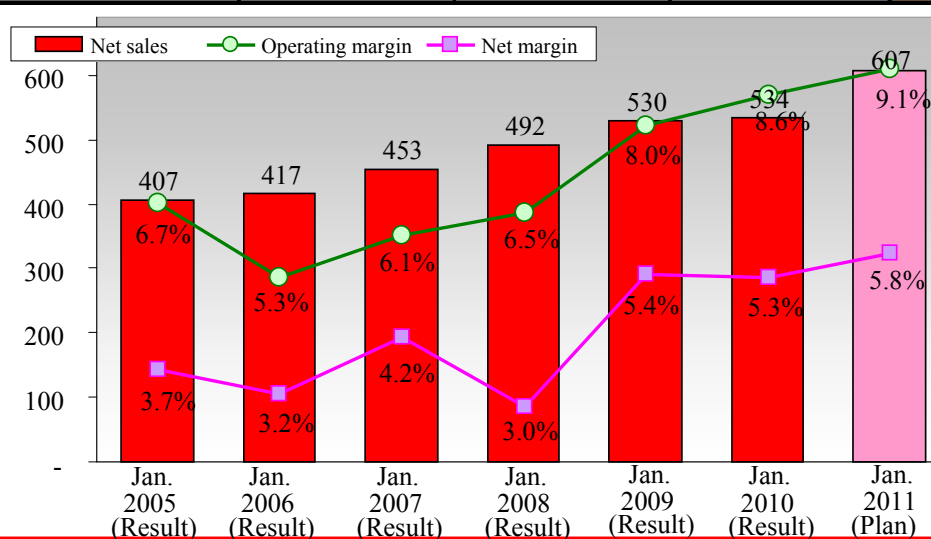
# 3rd Medium-Term Business Plan: Progress Report

# Quantitative Targets

¥ 100 millions	Jan. 2008 (Result)	Jan. 2009 (Result)	Jan. 2010 (Result)	Jan. 2011 (Plan)
Net sales	492	530	534	607
Gross profit	186	201	209	247
Operating income	31	42	46	55
Ordinary income	31	42	46	54
Net income	14	28	28	35
EPS (¥)	73	142	141	174
Gross margin	37.9%	38.0%	39.1%	40.8%
Operating margin	6.5%	8.0%	8.6%	9.1%
Ordinary margin	6.5%	8.1%	8.6%	8.9%
Net margin	3.0%	5.4%	5.3%	5.8%
ROA	8.7%	11.3%	11.8%	12.9%
ROE	6.4%	12.1%	11.4%	13.0%

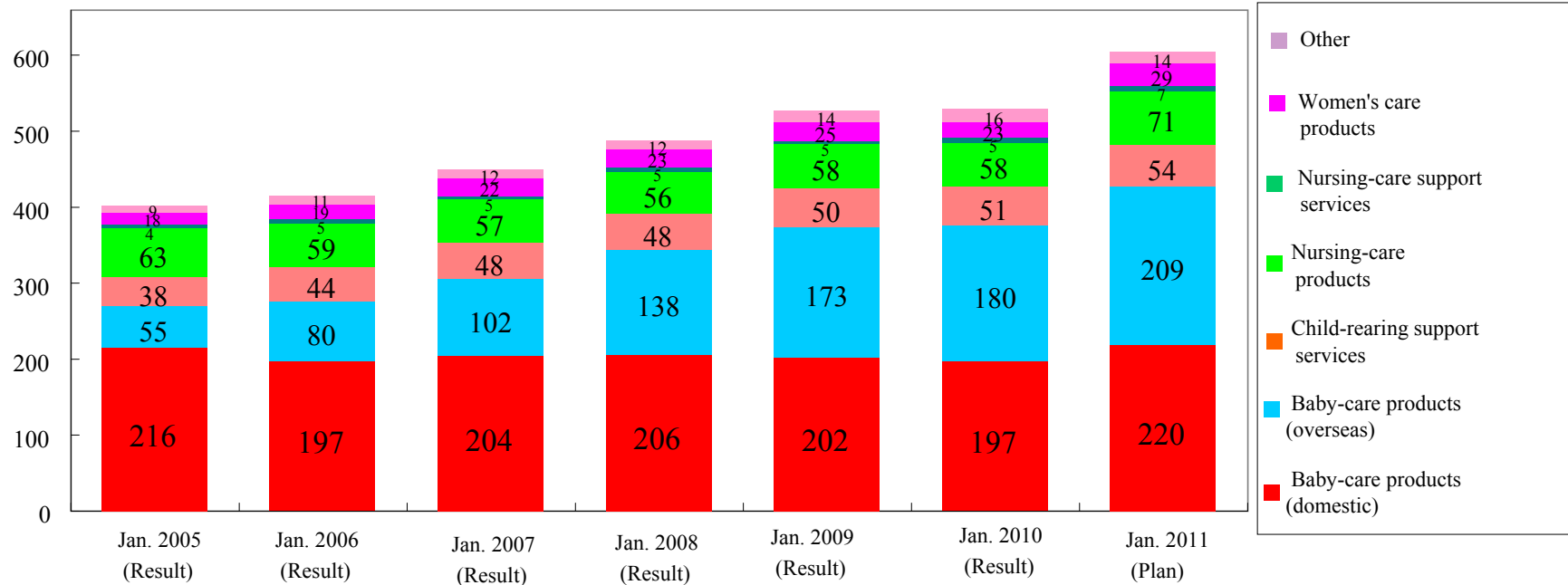
Growth rate (base year: Jan. 2008)
23.3%
32.8%
72.3%
69.9%
137.9%

- \* The number of shares for EPS is before adjustment for residual securities
- \* ROA is the ratio of ordinary income to total assets. ROE is the ratio of net income to shareholders' equity. The denominator for both is the average of the figures at the beginning and end of the fiscal year.

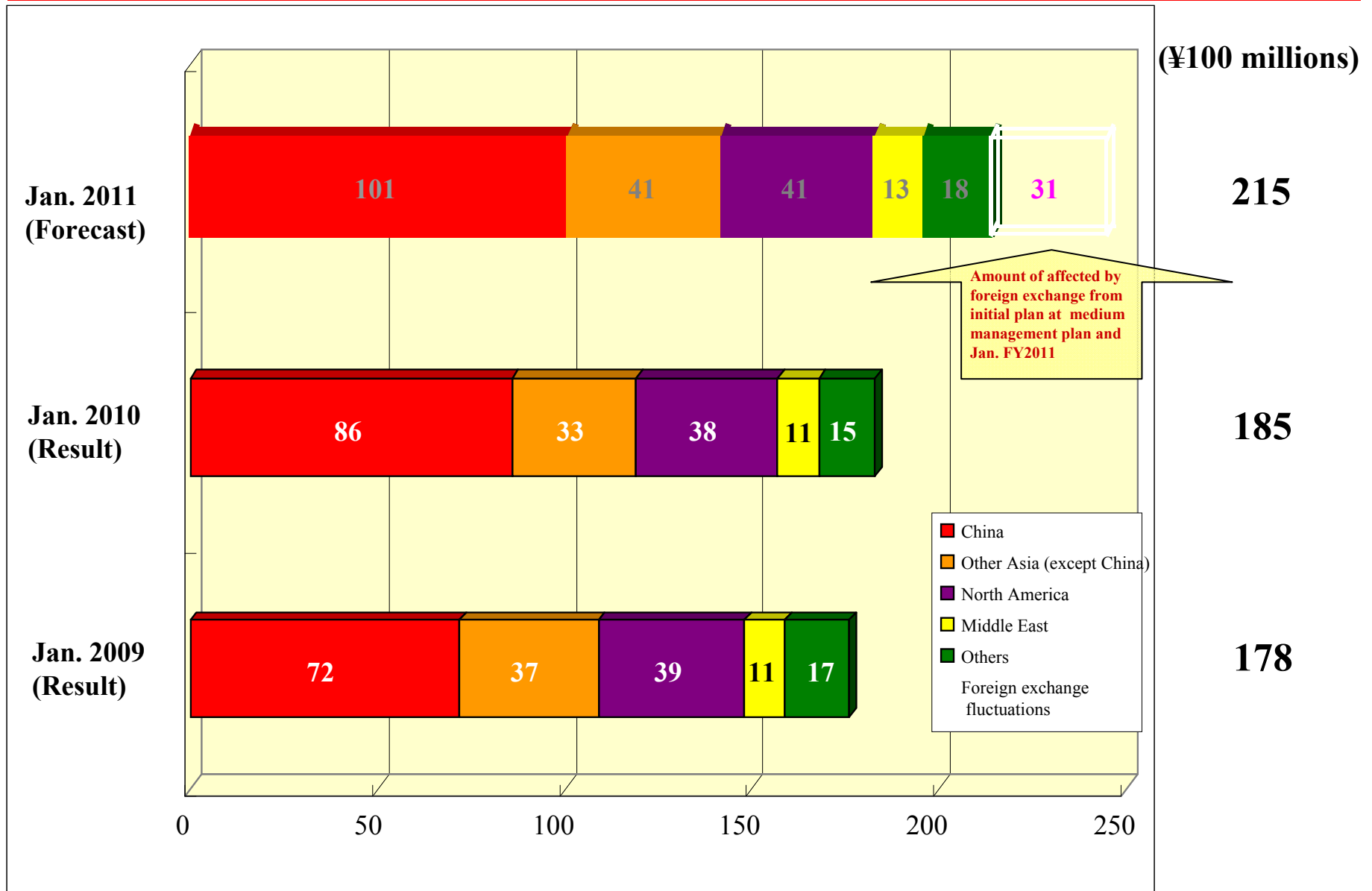


# Sales and Income Forecasts by Segment

¥ 100 millions	Jan. 2008 (Result)	% of total	Gross margin	Jan. 2009 (Result)	Jan. 2010 (Result)	Jan. 2011 (Plan)	% of total	Gross margin	Growth rate (base year: Jan. 2008)
<b>Net sales</b>	<b>492</b>	<b>100.0%</b>	<b>37.9%</b>	<b>530</b>	<b>534</b>	<b>607</b>	<b>100.0%</b>	<b>40.8%</b>	<b>23.3%</b>
Baby-care products (domestic)	206	41.9%	39.6%	202	197	220	36.3%	45.1%	6.9%
Baby-care products (overseas)	138	28.1%	48.3%	173	180	209	34.6%	49.3%	51.5%
Child-rearing support services	48	9.9%	13.6%	50	51	54	9.0%	11.6%	11.8%
Nursing-care products	56	11.5%	30.2%	58	58	71	11.8%	30.3%	25.7%
Nursing-care support services	5	1.1%	19.7%	5	5	7	1.2%	13.7%	28.2%
Women's care products	23	4.9%	37.2%	25	23	29	4.8%	37.5%	21.2%
Other	12	2.6%	31.6%	14	16	14	2.5%	32.8%	15.8%
Overseas business	143	29.1%	48.5%	178	185	215	35.5%	49.3%	50.0%



# Overseas Sales by Region





# Corporate Overview

## PIGEON CORPORATION

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