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

June 10, 2019

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
Listing: First Section, Tokyo Stock Exchange
Website: www.pigeon.co.jp
Representative: Norimasa Kitazawa (President and COO)
Contact person: Tsutomu Matsunaga (Managing Officer, Business Strategy Division)/Tel: +81-3-3661-4188
Scheduled Filing Date of Quarterly Report: June 14, 2019
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 December 31, 2019 (February 1 to April 30, 2019)

(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, 2019	25,458	(1.3)%	4,501	(17.3)	4,459	(17.1)	3,140	(18.5)
1Q ended April 30, 2018	25,798	7.6%	5,446	10.2%	5,380	10.7%	3,852	10.9%

(Note) Comprehensive income: 1Q ended April 30, 2019 ¥4,015 million (32.9%)
1Q ended April 30, 2018 ¥3,020 million (8.9% negative)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)
1Q ended April 30, 2019	26.22	−
1Q ended April 30, 2018	32.17	−

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
1Q ended April 30, 2019	87,234	66,439	73.4
FY ended January 31, 2019	85,618	66,582	75.0

(Reference) Shareholders' Equity: 1Q ended April 30, 2019 ¥64,067 million
FY ended January 31, 2019 ¥64,242 million

2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended January 31, 2019	−	34.00	−	34.00	68.00
FY ending December 31, 2019	−				
FY ending December 31, 2019 (Forecast)		35.00	−	35.00	70.00

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

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending December 31, 2019 (February 1, 2019 to December 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	106,200	－	20,000	－	20,000	－	14,300	－	119.40

(Notes) 1. Revision of forecasts from the most recent announcement: None

2. Pursuant to the approval of the "partial revision of the Articles of Incorporation" at the 62nd Ordinary General Meeting of Shareholders (fiscal year ended January 31, 2019) on April 25, 2019, the fiscal period has changed from the year ending January 31 to the year ending December 31, beginning with the 2019 fiscal year. As such, in the fiscal year ending December 31, 2019 now in progress, the consolidation period in 2019 for the subsidiaries that currently settle their accounts on January 31 shall be the 11-month period from February 1 to December 31, 2019. Subsequent consolidation periods shall be from January 1 to December 31 of each year.
For subsidiaries that currently settle their accounts on December 31, or that are doing so temporarily, the consolidation period shall continue to be the 12-month period from January 1 to December 31.

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: Yes
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, 2019: 121,653,486
FY ended January 31, 2019: 121,653,486
2) Amount of treasury stock at the period-end
1Q ended April 30, 2019: 1,892,722
FY ended January 31, 2019: 1,892,704
3) Number of average shares outstanding during the period (quarter accumulation)
1Q ended April 30, 2019: 119,760,773
1Q ended April 30, 2018: 119,761,117

* 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.

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

(1) Explanation of Business Performance

During the consolidated first quarter under review, a cautiously optimistic tone in the Japanese economy was counterbalanced by cause for concern on the world business stage. The Japanese economy maintained an overall gradual pace of recovery, as the employment and personal-income environments continued to improve despite lingering weakness in exports and production. The global economy, on the other hand, was significantly impacted by factors such as trade friction between China and the United States and other commercial issues. On this front, the outlook remained as difficult to read as ever.
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 December 2019), 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 final 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, net sales amounted to ¥25,458 million (down 1.3% YOY). Earnings were curtailed in the period under review, as an approximately 0.2 percentage-point improvement in the sales cost ratio from the previous term was outweighed by a decline in sales and a rise in selling, general and administrative expense ratio. Operating income contracted to ¥4,501 million (down 17.3% YOY). Ordinary income fell to ¥4,459 million (down 17.1% YOY), while net income attributable to owners of parent shrank to ¥3,140 million (down 18.5% 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$: 110.21 yen (108.22 yen)
・1 CNY: 16.32 yen (17.04 yen)
Note: Figures in parentheses represent the exchange rate in the same period of the previous fiscal year.

This report consists of information from six Group reporting segments: the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, China Business, Singapore Business and Lansinoh Business.
Each segment is outlined below.

Domestic Baby & Mother Care Business
Against a trend of weak inbound demand, segment net sales amounted to ¥9,093 million (down 3.2% YOY). Segment profit dropped compared with the corresponding period of last year to ¥1,560 million (down 16.8% YOY), as declining net sales pared gross profit even as selling, general and administrative expenses mounted. In February this segment enhanced its Peach Leaves Skincare lineup with the launch of Pigeon UV Baby Lotion (Peach Leaves), a roll-on sunblock product, and Pigeon Medicated Perspiration Sheets (Peach Leaves), a sheet product that wipes away perspiration and dirt while moisturizing the skin. Also during the period under review, the segment launched Runfee RA9, a stroller that adopts ball-bearing casters for easy pushing and a more comfortable ride, enjoying steadily expanding 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 522 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 ¥992 million (down 40.4% YOY). Segment profit decreased compared with the corresponding period of last year to ¥20 million (down 53.5% YOY). The main factor in this change in business results was the closure of Japan's National Hospital Organization (NHO)'s childcare facility management business as of March 2018. During the period under review, we have concluded a new contract for one in-company child-care facility. We currently provide services to a total of seventy-three facilities, and shall continue to develop this business further from now on striving to improve the quality of the content we offer.

Health & Elder Care Business
Net sales of the segment amounted to ¥1,752 million (up 4.7% YOY). Segment profit increased to ¥118 million (up 46.0% YOY). In February this segment launched the ProFitCare series, a product line focused on maintaining good seated posture in nursing-care facility users. The segment also introduced the Sanitary Care Inspired by Nursing Series, a skincare product that enables people who are unable to take a bath to maintain their bodily hygiene.
The segment continues to roll out products of superior competitive power and other initiatives to improve the quality of nursing-care services.

China Business
Net sales in this segment amounted to ¥7,751 million (down 0.7% YOY), and segment profit also decreased to ¥2,870 million (down 3.1% YOY). Amid brisk sales of nursing bottles, sales results firmed for Medicated Skincare Series (Peach Leaves), Bonyu Jikkan® Nursing Bottle my Precious and breast pumps. For each of these products, sales results improved YoY in local-currency terms. The segment will continue to implement an array of measures geared to ramping up customer contact and expanding operations, including reinforcing efforts centered on e-commerce, where continued expansion is anticipated; active use of direct communication with consumers through social networks; and continued strengthening of offline activities such as in-store sales promotions and activities in maternity and other hospitals.

Singapore Business
Net sales of the segment amounted to ¥3,177 million (up 8.5% YOY), and segment profit also increased to ¥755 million (up 3.3% YOY). In ASEAN, the Middle East, India and other countries in this segment's sales region, the Singapore Business segment is moving forward with the development and introduction of products aimed at middle-class consumers and is continuing vigorous sales and marketing activities to propagate the Pigeon brand in these markets.

Lansinoh Business

Net sales of the segment amounted to ¥3,279 million (up 11.2% YOY), and segment profit increased to ¥470 million (up 1.5% YOY). In North America, sales of breast pumps through the DME Channel are expanding steadily. To build out operations still further in China (through Lansinoh Laboratories Shanghai) and Europe, the segment is working to bolster sales through e-commerce and raise the brand's profile.

Other Businesses

Net sales of the segment amounted to ¥350 million (up 11.2% YOY), while segment profit stood at ¥26 million (down 0.7% YOY).

(2) Explanation of Financial Position

(Assets)

As of April 30, 2019, our Group recorded total assets of ¥87,234 million, up ¥1,615 million from the previous consolidated fiscal year ended January 31, 2019. Both current and fixed assets increased by ¥616 million and ¥998 million, respectively.

Current assets increased mainly due to increases in notes and accounts receivable - trade of ¥3,492 million and in merchandise and finished goods of ¥549 million, despite a decrease in cash and deposits of ¥3,487 million.

Fixed assets increased mainly due to an increase in buildings and structures of ¥782 million.

(Liabilities)

As of April 30, 2019, our Group recorded total liabilities of ¥20,795 million, up ¥1,758 million from the previous consolidated fiscal year ended January 31, 2019. Both current and fixed liabilities increased by ¥1,159 million and ¥599 million, respectively.

Current liabilities increased mainly due to increases in notes and accounts payable - trade and in electronically recorded obligations - operating of ¥932 million and ¥378 million, respectively, despite a decrease in income taxes payable of ¥711 million.

Fixed liabilities increased, mainly because other fixed liabilities increased by ¥1,186 million, despite a decrease in provision for directors and corporate auditors' retirement benefits of ¥599 million.

(Net Assets)

As of April 30, 2019, our Group recorded total net assets of ¥66,439 million, down ¥142 million from the previous consolidated fiscal year ended January 31, 2019.

Net assets decreased mainly due to a decrease in retained earnings of ¥931 million, despite an increase in foreign currency translation adjustment of ¥753 million.

(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 December 2019), 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 final year of our Sixth Medium-Term Business Plan, we will strive to ensure completion of our plans.

As approved at the 62nd Ordinary General Meeting of Shareholders (fiscal year ended January 31, 2019) on April 25, 2019, the fiscal period has changed from the year ending January 31 to the year ending December 31, beginning with the 2019 fiscal year.

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	At January 31, 2019	At April 30, 2019
ASSETS		
I. Current Assets:		
Cash and deposits	30,949	27,462
Notes and accounts receivable - trade	15,004	18,496
Merchandise and finished goods	7,360	7,910
Work in process	405	493
Raw materials and supplies	2,839	2,985
Other current assets	1,840	1,670
Allowance for doubtful accounts	(197)	(199)
Total Current Assets	58,201	58,818
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures, net	6,689	7,472
Land	5,577	5,588
Other tangible fixed assets, net	8,859	9,136
Total Tangible Fixed Assets	21,127	22,197
2. Intangible Fixed Assets:		
Goodwill	1,000	970
Other intangible fixed assets	3,223	3,222
Total Intangible Fixed Assets	4,223	4,192
3. Investments and Other Assets:		
Other	2,071	2,031
Allowance for doubtful accounts	(5)	(5)
Total Investments and Other Assets	2,066	2,026
Total Fixed Assets	27,417	28,416
Total Assets	85,618	87,234
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,567	5,500
Electronically recorded obligations - operating	1,960	2,338
Income taxes payable	1,951	1,239
Accrued bonuses to employees	972	1,218
Provision for sales returns	32	40
Provision for loss on litigation	—	8
Other current liabilities	6,138	6,437
Total Current Liabilities	15,623	16,783
II. Fixed Liabilities:		
Net defined benefit liability	309	321
Provision for directors and corporate auditors' retirement benefits	599	—
Other fixed liabilities	2,503	3,690
Total Fixed Liabilities	3,412	4,011
Total Liabilities	19,036	20,795

(Millions of yen)

	At January 31, 2019	At April 30, 2019
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,179	5,179
Retained earnings	55,704	54,772
Treasury stock	(951)	(951)
Total Shareholders' Equity	65,131	64,199
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	21	24
Foreign currency translation adjustment	(910)	(157)
Total Accumulated Other Comprehensive Income	(888)	(132)
III. Non-controlling Interests	2,339	2,372
Total Net Assets	66,582	66,439
Total Liabilities and Net Assets	85,618	87,234

(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, 2018	Three months ended April 30, 2019
I. Net Sales	25,798	25,458
II. Cost of Sales	12,778	12,594
Gross profit	13,020	12,863
Reversal of provision for sales returns	34	30
Provision for sales returns	68	40
Adjusted gross profit	12,986	12,854
III. Selling, General and Administrative Expenses	7,540	8,352
Operating Income	5,446	4,501
IV. Non-operating Income:		
Interest income	73	47
Other non-operating income	39	64
Total Non-operating Income	113	111
V. Non-operating Expenses:		
Interest expenses	3	1
Sales discounts	116	116
Foreign exchange losses	47	6
Other non-operating expenses	12	28
Total Non-operating Expenses	179	153
Ordinary Income	5,380	4,459
VI. Extraordinary Income:		
Gain on sales of fixed assets	1	1
Gain on sales of investment securities	108	113
Total Extraordinary Income	109	115
VII. Extraordinary Loss:		
Loss on sales of fixed assets	0	1
Loss on disposal of fixed assets	3	9
Total Extraordinary Loss	3	10
Income before Income Taxes	5,485	4,563
Income taxes - current	1,874	1,232
Income taxes - deferred	(345)	122
Total Corporate Income Tax	1,529	1,355
Net Income	3,955	3,208
Net Income Attributable to Non-controlling Interests	102	68
Net Income Attributable to Owners of Parent	3,852	3,140

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

(Millions of yen)

	Three months ended April 30, 2018	Three months ended April 30, 2019
Net Income	3,955	3,208
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(2)	2
Foreign currency translation adjustment	(933)	803
Total Other Comprehensive Income	(935)	806
Quarterly Comprehensive Income	3,020	4,015
(Break down)		
Quarterly comprehensive income on parent company	2,977	3,896
Quarterly comprehensive income on non-controlling interests	43	118

(3) Notes on Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of IFRS 16, "Leases")

From the beginning of the consolidated first quarter under review, the Pigeon Group applies IFRS 16, "Leases," the new lease accounting standard published by the International Accounting Standards Board (IASB). This accounting change does not apply to Pigeon Corporation and its subsidiaries in Japan, which apply Japanese accounting standards, or to Pigeon subsidiaries in the United States, which apply US accounting standards. With this accounting change, in principle lessees recognize assets and liabilities with respect to all leases.

Effects of this accounting change on the financial condition and business results of the Group are negligible.

(Additional Information)

(Application of the Partial Revision of Accounting Standards Regarding Tax-effect Accounting, etc.)

From the beginning of the consolidated first quarter under review, the Pigeon Group applies the Partial Revision of Accounting Standards Regarding Tax-effect Accounting, etc. (Corporate Accounting Standard No. 28, February 16, 2018). Under this partial revision, Deferred Tax Assets are appropriated under Investments and Other Assets and Deferred Tax Liabilities are appropriated under Fixed Liabilities.

(Segment Information)

Three months ended April 30, 2018

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.

Three months ended April 30, 2019

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	9,093	992	1,752	7,717	2,272	3,279	25,108	350	25,458	—	25,458
Internal sales or exchange between segments	—	—	—	33	904	—	938	—	938	(938)	—
Total	9,093	992	1,752	7,751	3,177	3,279	26,046	350	26,396	(938)	25,458
Segment profit	1,560	20	118	2,870	755	470	5,795	26	5,821	(1,320)	4,501

(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 ¥1,320 million from adjustments in segment profit includes ¥17 million in elimination of intersegment transactions, and negative ¥1,338 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.