



# Results Briefing for the Six Months Ended July 31, 2018

September 4, 2018

**PIGEON CORPORATION**

(Securities Code: 7956)

President & COO

Shigeru Yamashita

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# Results for the Six Months Ended July 31, 2018

# Financial Highlights (Consolidated)



(millions of yen)	Jul. 2017		Jul. 2018	
	Results	YoY Change	Results	YoY Change
<b>Net Sales</b>	49,048	105.9%	52,847	107.7%
<b>Operating Income</b>	9,296	119.5%	10,907	117.3%
<b>Ordinary Income</b>	9,380	122.3%	11,679	124.5%
<b>Net Income Attributable to Owners of Parent</b>	6,493	117.1%	8,109	124.9%
<b>Net Assets</b>	56,779	116.2%	65,035	114.5%
<b>Total Assets</b>	75,437	105.5%	85,152	112.9%
<b>EPS (¥)</b>	54.22	117.1%	67.71	124.9%
<b>BPS (¥)</b>	462.27	115.9%	524.95	113.6%
<b>ROE*</b>	24.1%	—	26.3%	—
<b>ROIC*</b>	22.4%	—	23.9%	—

\*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)

# Statements of Income (Consolidated)



(millions of yen)	Jul. 2017		Jul. 2018			
	Results	% of Total	Results	% of Total	YoY Change	Remarks
<b>Net Sales</b>	49,048	100.0%	<b>52,847</b>	<b>100.0%</b>	<b>107.7%</b>	
<b>Cost of Sales</b>	25,277	51.5%	<b>25,783</b>	<b>48.8%</b>	<b>102.0%</b>	
<b>Gross Profit</b>	23,770	48.5%	<b>27,063</b>	<b>51.2%</b>	<b>113.9%</b>	■ Main changes in SG&A expenses
<b>SG&amp;A Expenses</b>	14,474	29.5%	<b>16,156</b>	<b>30.6%</b>	<b>111.6%</b>	Personal expenses: +¥499m
<b>Operating Income</b>	9,296	19.0%	<b>10,907</b>	<b>20.6%</b>	<b>117.3%</b>	Market research expense: +¥296m
<b>Non-Operating Income (Expenses)</b>	83	0.2%	<b>772</b>	<b>1.5%</b>	<b>924.7%</b>	Shipment/distribution expense: +¥199m
<b>Ordinary Income</b>	9,380	19.1%	<b>11,679</b>	<b>22.1%</b>	<b>124.5%</b>	R&D Expense: +¥118m
<b>Extraordinary Income (Loss)</b>	47	0.1%	<b>103</b>	<b>0.2%</b>	<b>220.7%</b>	
<b>Net Income Attributable to Non-controlling Interests</b>	110	0.2%	<b>216</b>	<b>0.4%</b>	<b>196.4%</b>	
<b>Net Income Attributable to Owners of Parent</b>	6,493	13.3%	<b>8,109</b>	<b>15.4%</b>	<b>124.9%</b>	

# Net Sales by Business Segment (Consolidated)



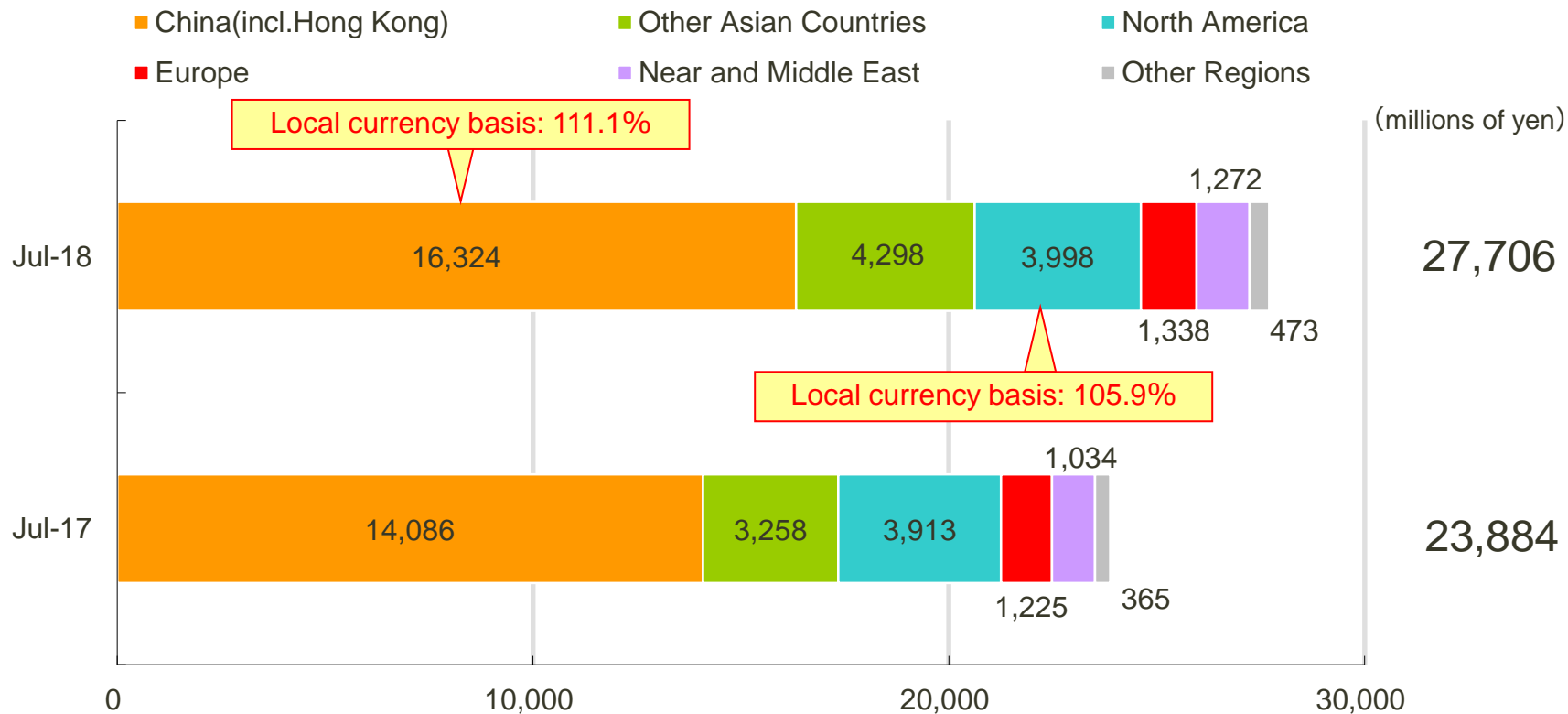
(millions of yen)	Jul. 2017(Ref.)				Jul. 2018					
	Results	% of Total	Gross Margin	Segment Profit	Results	% of Total	YoY Change	Gross Margin	Segment Profit	YoY Change
<b>Consolidated Net Sales</b>	49,048	100.0%	48.5%	9,296	52,847	100.0%	107.7%	51.2%	10,907	117.3%
<b>Domestic Baby and Mother Care</b>	17,302	35.3%	48.8%	3,058	18,428	34.9%	106.5%	49.2%	3,516	114.9%
<b>Child Care Service</b>	3,759	7.7%	10.0%	81	2,563	4.9%	68.2%	12.3%	74	91.0%
<b>Health and Elder Care</b>	3,446	7.0%	31.3%	244	3,519	6.7%	102.1%	32.1%	240	98.1%
<b>China</b>	15,167	30.9%	54.2%	5,134	17,364	32.9%	114.5%	56.2%	6,183	120.4%
<b>Singapore</b>	4,799	9.8%	48.1%	1,285	5,915	11.2%	123.3%	49.7%	1,437	111.8%
<b>Lansinoh</b>	5,914	12.1%	55.5%	898	6,316	12.0%	106.8%	59.4%	1,005	111.8%
<b>Elimination of Internal Trading Between Segments</b>	(1,994)	(4.1%)	—	—	(1,889)	(3.6%)	—	—	—	—
<b>Other</b>	653	1.3%	12.9%	65	628	1.2%	96.2%	12.1%	57	88.4%

※ 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 China, Singapore and Lansinoh Business.

※ The figures for FY Jul.2017 are based on our current estimation and presented for reference only.

# Overseas Business Sales by Region



\* [Currency rates] Jul. 2018: US\$1 = ¥108.67 1 yuan = ¥17.08; Jul. 2017: US\$1 = ¥112.33 1 yuan = ¥16.38

# Key Priorities for FY Jan. 2019



## ● Domestic Baby and Mother Care Business

- 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



Runfee Renewal

## ● 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



<China> Exhibition



<China> Products

# Domestic Baby and Mother Care Business Status



- **Large-sized products**

- Released a new baby stroller “Runfee,” enabling a smoother push even in an opposed face hand-push state.
- Increased our share in the baby stroller market to a record high of 24.8% (in Apr. 2018).



- **New products**

- Released “Medicated Foam Baby Soap (Leaves of Peach)” as a line of “Medicated Lotion (Leaves of Peach)”.
- Released four types of postpartum remodeling underwear to shape up post-birth mothers.

Runfee

- **Direct communications**

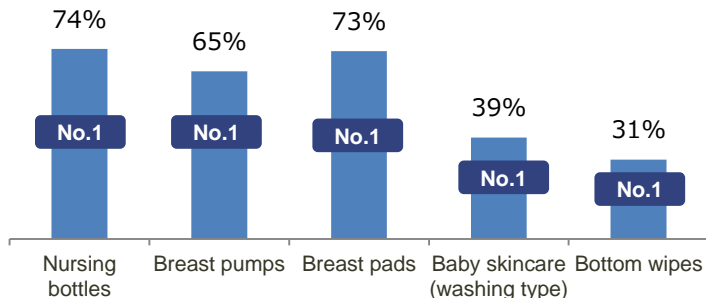
- Seminars for health care professionals: 9 events/approx. 600 participants
- Pregnancy information events: 6 events/approx. 670 participants



Medicated Foam Body Soap (Leaves of Peach)

Postpartum remodeling underwear

## Market Share (Jul. 2018)



## Major new products released in Autumn 2018



Breast Pump “Bonyu Assist®” Series



New Series “Bonyu Jikkan® Coating”

\* According to POS Nationwide Drugstore Growth Estimates, INTAGE Inc. (monthly data).

\* Value share for nursing bottles, breast pumps and breast pads. Quantity share for the other products.

## Child Care Service Business

- **Pigeon Hearts**
  - New additions of facilities under management: Launched four in-company child-care facilities → 75 in total

## Health & Elder Care Business



- **Pigeon Tahira**
  - Reported strong sales of “Bottom Wipes,” “Body Wipes,” and “Oral Cavity Care for Nursing of Senior Citizens” series.
  - Reported strong sales of new products “Medicated Aloe Lotion” and “Additive free Vaseline” in retail routes.
- **Pigeon Manaka**
  - Implemented training for newly hired care workers and practitioners.



Keywords for nursing care products



Health & Elder care products



Childcare facilities opened

# China Business Status



## ● Product sales

- Enjoyed growing sales for the main products including nursing bottles and nipples.
- Reported strong sales of Disney series products (incl. nursing bottles, pacifiers, cups, and skincare products).
- Released “Medicated Lotion (Leaves of Peach)” and “my Precious” series of Bonyu Jikkan®, of which sales expanded in inbound demand by foreigners visiting Japan.
- Strengthened sales through EC channels and at flagship stores (with an EC ratio of 44%).



Series of “Leaves of Peach” skincare products

## ● Branding and breastfeeding awareness programs

- Implemented consumer participation type events to further strengthen branding activities.
- Promoted direct communications with customers by utilizing SNS and other digital marketing tools.
- Introduced AI Chatbot to provide 24-hour customer service for product inquiries.
- Continuing to implement the breastfeeding awareness program conducted jointly with the Ministry of Health of China primarily through establishing breastfeeding consultation offices and holding seminars for health care professionals.



Gift set products



Shopfronts



24-hour customer service by using AI Chatbot



CBME Exhibition



Disposable diapers sold through EC channels<sub>12</sub>



# Singapore Business Status



## ● Status by market

- Singapore: Released a Pigeon Singapore 40th anniversary nursing bottle. Gained the No. 1 market share of nursing bottles. Reported strong sales through EC channels. Strengthened digital marketing in the market.
- Malaysia: Reported strong sales of nursing bottles and nipples. Enhanced communication with mothers through events and SNS for brand penetration.
- India: Achieved 38,000+ drug store coverage. Reported strong sales through EC channels.
- Indonesia: Reported strong production and sales of both domestic and export-oriented products. Continuing to further strengthen marketing in Indonesia.



# Lansinoh Business Status



- **Status by market**

- North America: Reported strong sales of electric breast pumps through newly developed channels including the DME(Durable Medical Equipment) channel. Continued to gain top share in categories: nipple care cream and breast pad.
- Europe: Expanded sales in France and Germany. Reported strong sales of nursing bottles in Germany. Reported a high capacity utilization ratio at the factory in Turkey. Strengthened product development.
- Lansinoh Shanghai: Continued to strengthen sales through EC channels.

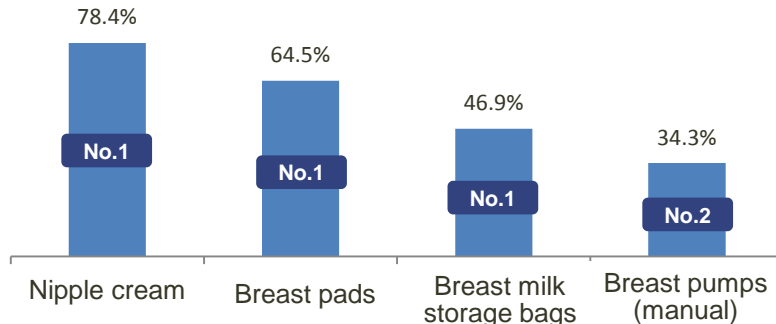


Smartpump™

- **Branding and breastfeeding awareness programs**

- Implemented digital campaigns to reinforce brand penetration.

Market Share in US (Jul. 2018)



Promotion activities in Germany



Lansinoh China



# <Ref.>Consolidated Balance Sheet (Highlights)

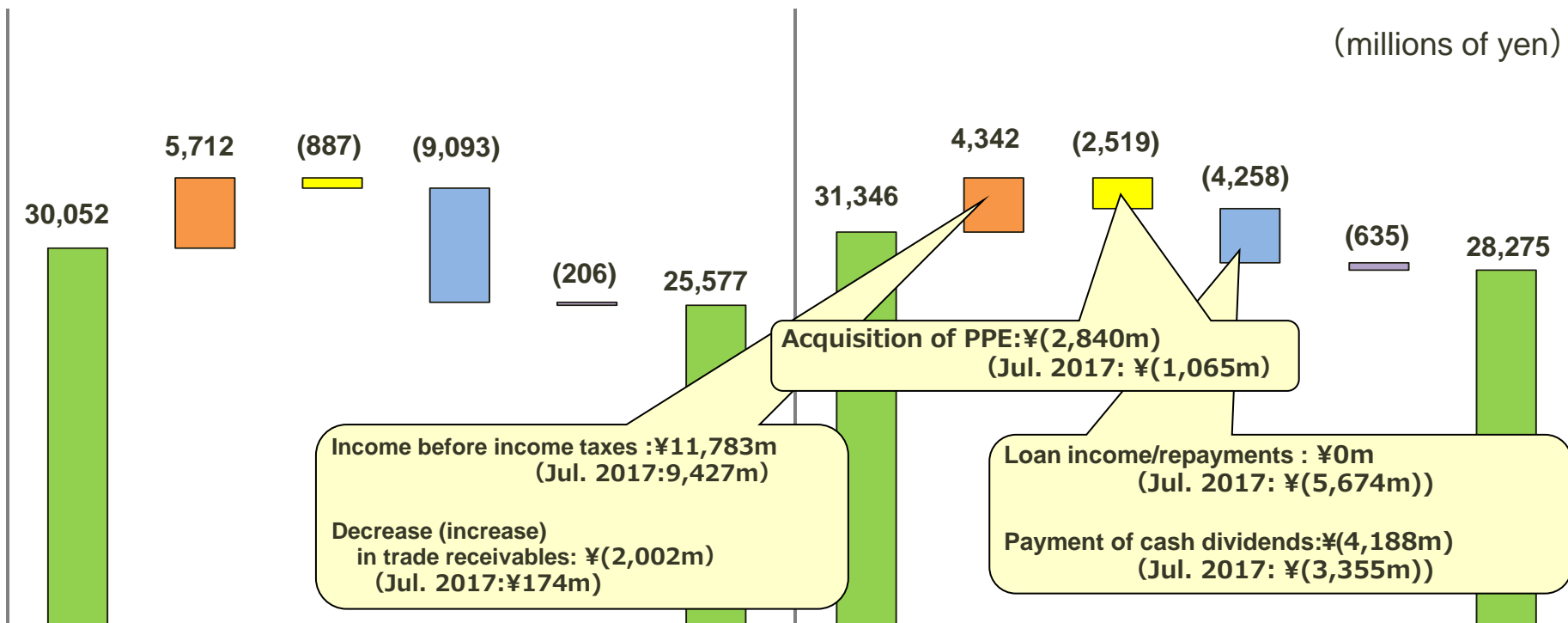


(millions of yen)	Jan. 2018	Jul. 2018		
	Results	Results	YoY Change (Amount)	YoY Change (%)
<b>Cash and Deposits</b>	31,346	<b>28,275</b>	<b>(3,071)</b>	<b>90.2%</b>
<b>Notes and Accounts Receivable</b>	16,440	<b>17,902</b>	<b>+1,461</b>	<b>108.9%</b>
<b>Inventories</b>	8,713	<b>10,093</b>	<b>+1,380</b>	<b>115.8%</b>
<b>Notes and Accounts Payable</b>	5,194	<b>5,587</b>	<b>+393</b>	<b>107.6%</b>
<b>Electronically Recorded Obligations – Operating</b>	1,797	<b>2,188</b>	<b>+390</b>	<b>121.7%</b>
<b>Borrowings</b>	0	<b>0</b>	-	-
<b>Net Assets</b>	62,812	<b>65,035</b>	<b>+2,222</b>	<b>103.5%</b>
<b>Total Assets</b>	84,467	<b>85,152</b>	<b>+684</b>	<b>100.8%</b>
<b>Equity Ratio</b>	71.9%	<b>73.8%</b>	-	<b>+2.0pt</b>

# <Ref.>Cash Flow



(millions of yen)



Jul. 2017					
Balance at Biginnig	Operating Activities	Investing Activities	Financing Activities	Translation Adjustment	Balance at End
30,052	5,712	(887)	(9,093)	(206)	25,577

Jul. 2018					
Balance at Biginnig	Operating Activities	Investing Activities	Financing Activities	Translation Adjustment	Balance at End
31,346	4,342	(2,519)	(4,258)	(635)	28,275



# <Ref.>Investment-Related Indicators (Consolidated)



(millions of yen)	Jan. 2018		Jul. 2018	
	Interim (Results)	Full Year (Results)	Interim (Results)	Full Year (Forecast)
<b>Capital Investment (*1)</b>	1,252	3,546	2,795	<b>5,000</b>
<b>Depreciation (*2)</b>	1,206	2,451	1,301	<b>3,000</b>
<b>Research and Development (*3)</b>	1,221	2,670	1,479	<b>3,150</b>

\*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

# **FY Jan. 2018 Full-Year Performance Forecasts**

# Jan. 2019 Forecast (Consolidated)



(millions of yen)	Jan. 2018			Jan. 2019		
	Results	% of Total	YoY Change	Forecast	% of Total	YoY Change
<b>Net Sales</b>	102,563	100.0%	108.4%	<b>107,000</b>	<b>100.0%</b>	<b>104.3%</b>
<b>Operating Income</b>	19,412	18.9%	121.2%	<b>20,400</b>	<b>19.1%</b>	<b>105.1%</b>
<b>Ordinary Income</b>	20,129	19.6%	122.3%	<b>20,400</b>	<b>19.1%</b>	<b>101.4%</b>
<b>Net Income Attributable to Owners of Parent</b>	14,515	14.2%	130.5%	<b>14,100</b>	<b>13.2%</b>	<b>97.1%</b>
<b>Net Assets</b>	62,812	—	116.9%	<b>68,648</b>	—	<b>109.3%</b>
<b>Total Assets</b>	84,467	—	107.1%	<b>90,996</b>	—	<b>107.7%</b>
<b>EPS (¥)</b>	121.20	—	130.6%	<b>117.73</b>	—	<b>97.1%</b>
<b>BPS (¥)</b>	506.79	—	115.9%	<b>554.68</b>	—	<b>109.5%</b>
<b>ROE*</b>	25.7%	—	—	<b>22.2%</b>	—	—
<b>ROIC*</b>	22.2%	—	—	<b>21.7%</b>	—	—

\*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)

# Results and Forecast by Segment (Consolidated)



(millions of yen)	Jan. 2018(Ref.)				Jan. 2019					
	Results	% of Total	Gross Margin	Segment Profit	Results	% of Total	YoY Change	Gross Margin	Segment Profit	YoY Change
<b>Consolidated Net Sales</b>	102,563	100.0%	49.3%	19,412	<b>107,000</b>	<b>100.0%</b>	<b>104.3%</b>	<b>51.1%</b>	<b>20,400</b>	<b>105.1%</b>
<b>Domestic Baby and Mother Care</b>	33,841	33.0%	48.9%	5,928	<b>35,452</b>	<b>33.1%</b>	<b>104.8%</b>	<b>49.1%</b>	<b>6,116</b>	<b>103.2%</b>
<b>Child Care Service</b>	7,541	7.4%	10.4%	218	<b>4,309</b>	<b>4.0%</b>	<b>57.1%</b>	<b>13.7%</b>	<b>69</b>	<b>31.7%</b>
<b>Health and Elder Care</b>	7,058	6.9%	31.3%	468	<b>7,228</b>	<b>6.8%</b>	<b>102.4%</b>	<b>32.1%</b>	<b>424</b>	<b>90.6%</b>
<b>China</b>	34,494	33.6%	54.7%	11,643	<b>38,742</b>	<b>36.2%</b>	<b>112.3%</b>	<b>54.5%</b>	<b>12,776</b>	<b>109.7%</b>
<b>Singapore</b>	10,286	10.0%	47.0%	2,415	<b>11,781</b>	<b>11.0%</b>	<b>114.5%</b>	<b>46.8%</b>	<b>2,341</b>	<b>96.9%</b>
<b>Lansinoh</b>	12,532	12.2%	56.4%	1,365	<b>13,118</b>	<b>12.3%</b>	<b>104.7%</b>	<b>57.9%</b>	<b>1,717</b>	<b>125.8%</b>
<b>Elimination of Internal Trading Between Segments</b>	(4,479)	(4.4%)	—	—	<b>(▲4,926)</b>	<b>(▲4.6%)</b>	—	—	—	—
<b>Other</b>	1,289	1.3%	12.8%	126	<b>1,296</b>	<b>1.2%</b>	<b>100.5%</b>	<b>11.5%</b>	<b>110</b>	<b>87.3%</b>

※ The figures for FY Jan. 2018 are based on our current estimation and presented for reference only.

# 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.

Dividends	FY Jan. 2016		FY Jan. 2017		FY Jan. 2018		FY Jan. 2019	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Plan)	Year-end (Estimate)
Dividend per Share (yen)	20	22	25 <small>(including commemorative dividend of 3 yen)</small>	28 <small>(including commemorative dividend of 3 yen)</small>	31	35	34	34
Dividend Payout Ratio	49.3%		57.1%		54.5%		57.8%	

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

(millions of yen)	FY Jan.2017		FY Jan. 2018		FY Jan. 2019	
	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Actual)	Interim (Actual)	Year-end (Estimate)
Capital Expenditures (※1)	1,250	2,498	1,252	3,546	2,795	5,000
Depreciation (※2)	1,191	2,357	1,206	2,451	1,301	3,000

\*1 Property, plant and equipment and intangible assets (including long-term prepaid expense)

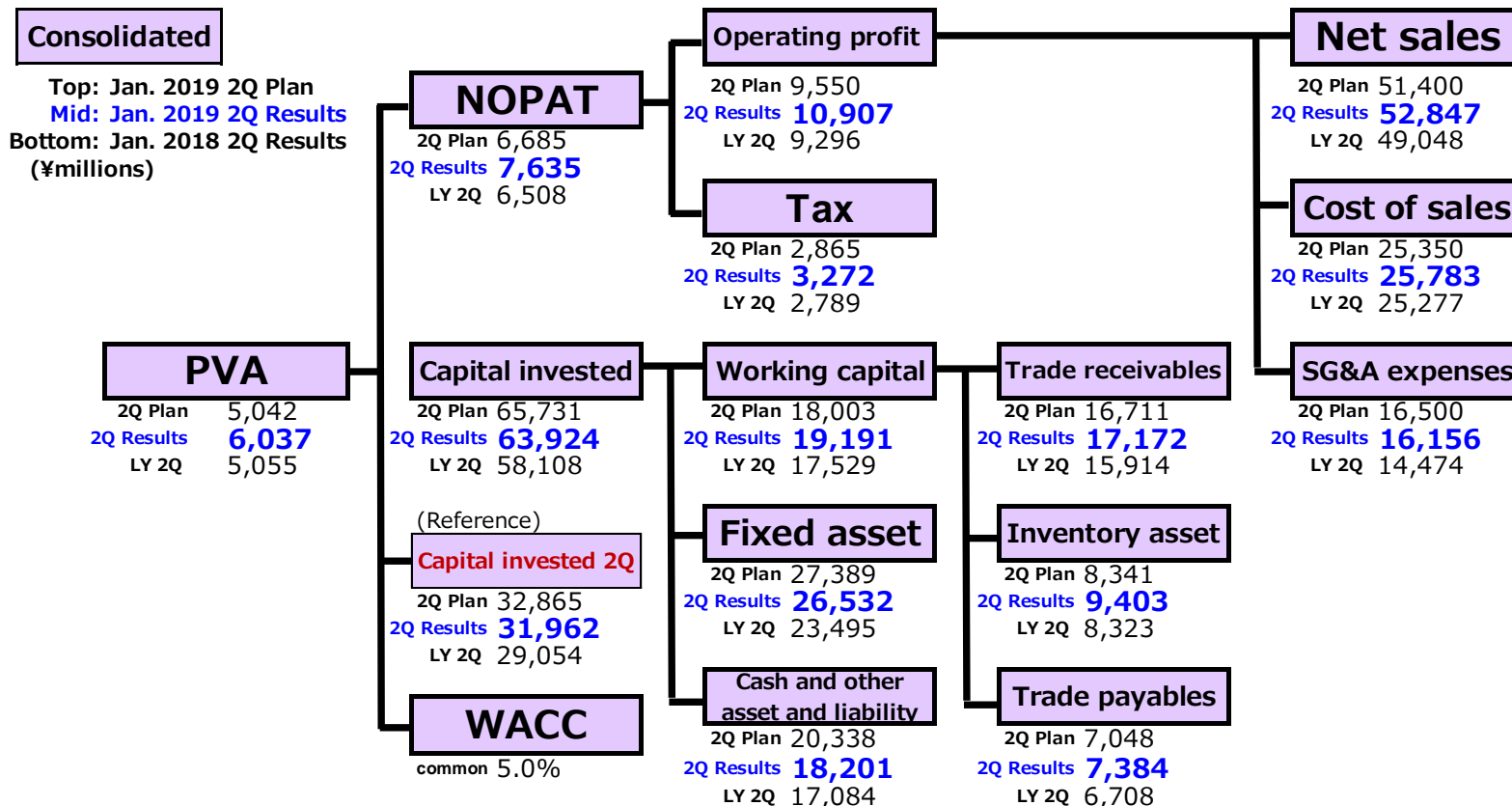
\*2 Depreciation (including amortization of goodwill)

# Approach to Enhance Corporate Value

# 6<sup>th</sup> Medium-term Business Plan: 12 tasks



# PVA Tree: Consolidated Results in Jul. 2018



※From Jan. 2017, B/S Factors for PVA calculation are averaged between beginning and year-end figures.

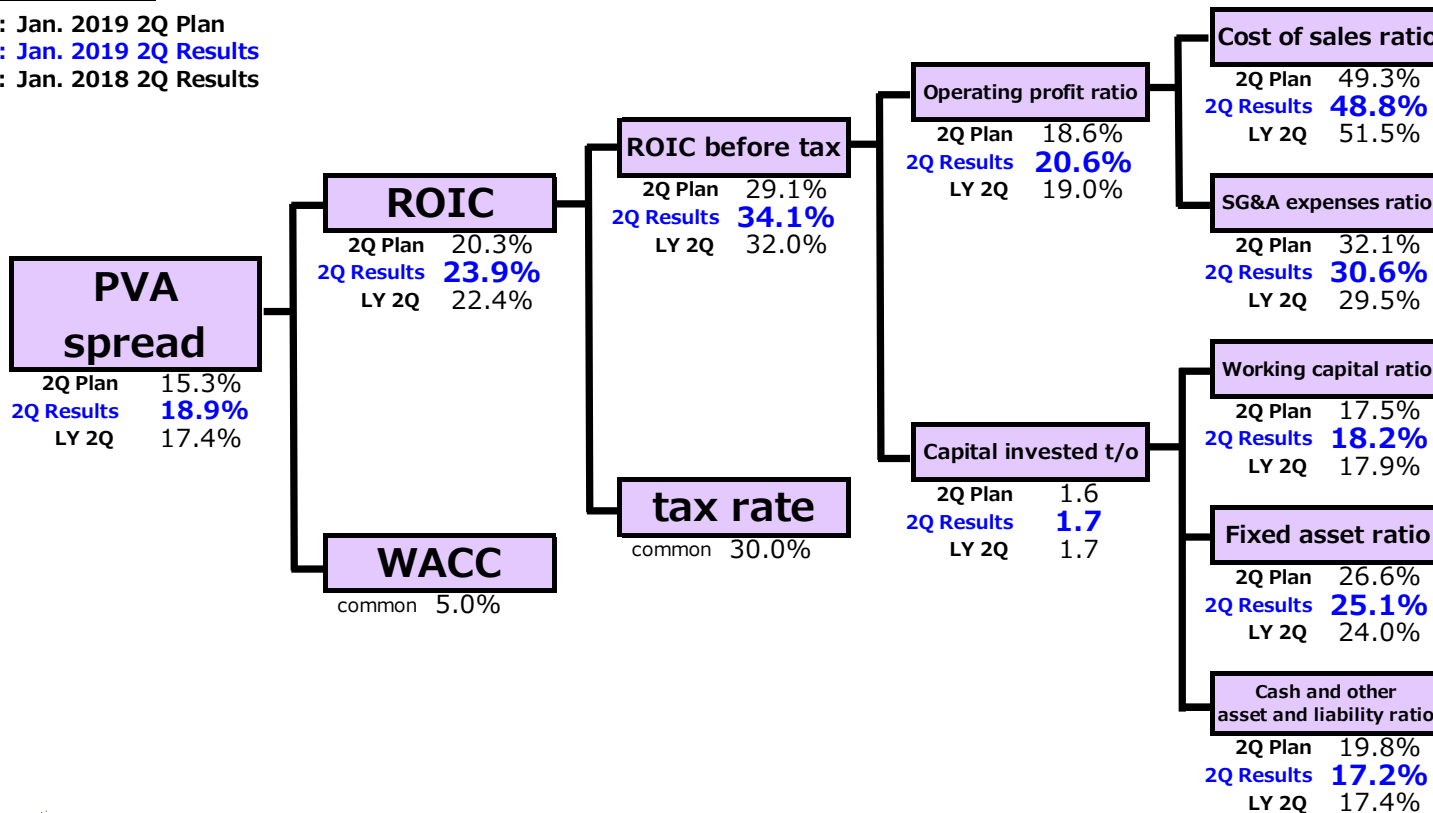


# PVA (Ratio): Consolidated Results in Jul. 2018



## Consolidated

Top: Jan. 2019 2Q Plan  
 Mid: Jan. 2019 2Q Results  
 Bottom: Jan. 2018 2Q Results



# CCC Tree: Consolidated Results in Jul. 2018



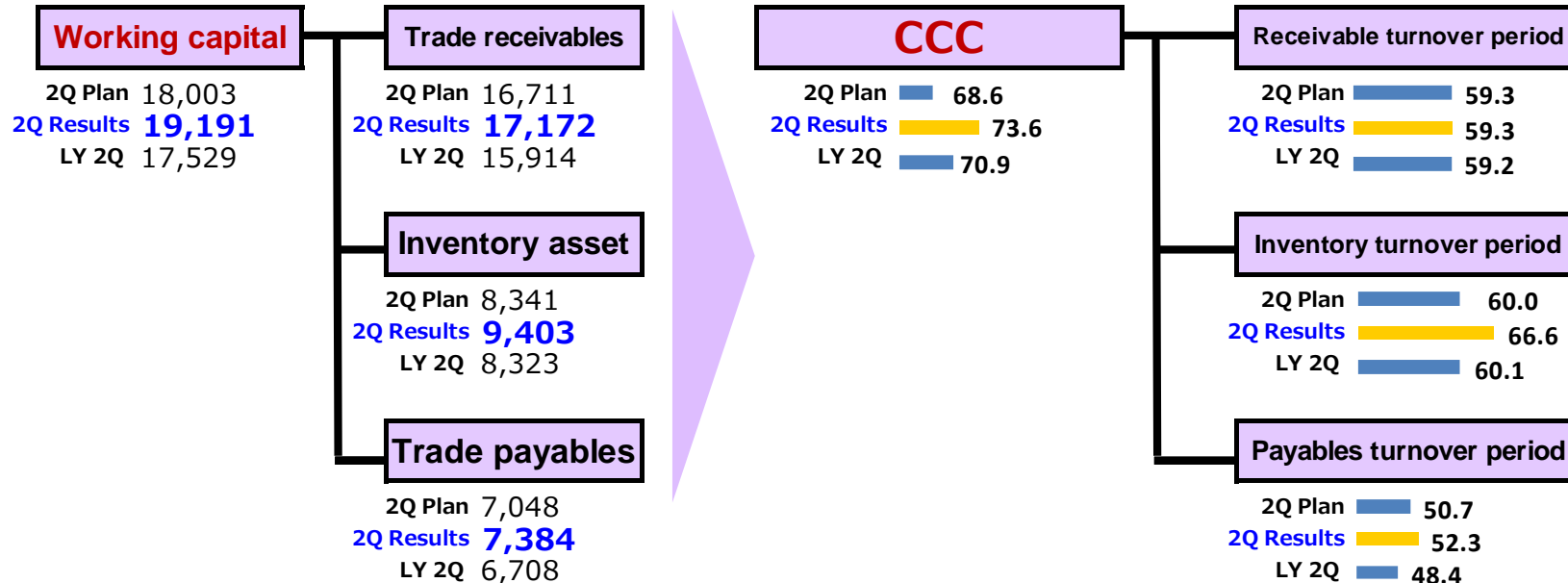
## Consolidated

Top: Jan. 2019 2Q Plan

Mid: Jan. 2019 2Q Results

Bottom: Jan. 2018 2Q Results

(¥millions)



※From Jan. 2017, B/S Factors for CCC calculation are averaged between beginning and year-end figures.

# Appendix

# 6<sup>th</sup> Medium-term Business Plan: 12 tasks



ESG

# To Enhance Corporate Value: ESG Core Issues



ESG	Increasing Corporate Value	Reducing Risk
<b>Environment</b>	<ul style="list-style-type: none"> <li>● Develop environmentally friendly products</li> </ul>	<ul style="list-style-type: none"> <li>● Address climate change/biodiversity challenges</li> <li>● Promote CSR-oriented procurement</li> <li>● Prevent pollution</li> <li>● Protect the global environment (environmental opportunities)</li> <li>● Introduce environmental management system</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>● Improve human capital</li> <li>● Boost Diversity</li> <li>● Foster global human resources and managerial human resources</li> <li>● Establish goal management system</li> <li>● Increase support of women's advancement</li> <li>● Enhance child-rearing support</li> <li>● Promote work-life balance</li> <li>● Engage in regional activities</li> <li>● Resolve social issues</li> <li>● Resolve consumer issues</li> </ul>	<ul style="list-style-type: none"> <li>● Promote occupational health and safety</li> <li>● Develop human resources</li> <li>● Entrench fair business practices</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>● Executive remuneration</li> <li>● Commissioned operating officer system</li> <li>● Responsible dialogue with shareholders and other investors</li> </ul>	<ul style="list-style-type: none"> <li>● Strengthen corporate governance</li> <li>● Strengthen internal audit</li> <li>● Strengthen compliance</li> </ul>

## Environmentally Friendly Products

Pigeon Group is committed to preventing global warming and realizing a sustainable society. In addition to complying with relevant laws, such as the Energy Saving Act and Law Concerning the Promotion of Measures to Cope with Global Warming, we undertake Groupwide environmental initiatives, such as establishing energy-efficient systems. As a manufacturer of daily commodities, the Group is committed to ensuring that its products do not have a bad effect on the global environment, not only while in use but also after they are discarded. To this end, we pay meticulous attention at each stage of manufacturing -including selection of raw materials and ingredients- and have created a lineup of numerous environmentally friendly products.

### <Microwavable Steamed Cupcake>

We modified the material of our cooking cup, which are now mainly composed of cornstarch



### <Foam Body Soap Refill>

Paper container that is easy to dismantle and recycle after use; big enough for two refills



### <Fluoride Dental Treatment>

Usage of FSC certified packaging



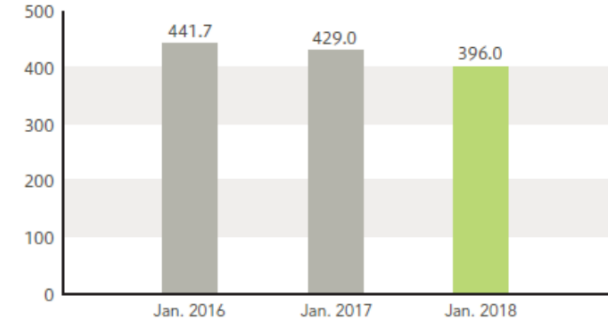
## Climate Change and Biodiversity

Pigeon Group gives full consideration to climate change mitigation and biodiversity. To this end, we have specified the volume of our greenhouse gas emissions, both direct and indirect, and we are working to save electricity. We have also established a consistent method for calculating reductions in greenhouse gas emission volumes at all of our production facilities and strengthened our management systems. At our Chinese production facilities, though on a small scale, we are working to maximize solar and wind power generation under the theme of “environmentally friendly factories,” and we are promoting all-LED lighting to save electricity.

### 3 domestic production companies

(Pigeon Home Products Corporation, PHP Hyogo Corporation, PHP Ibaraki Corporation)

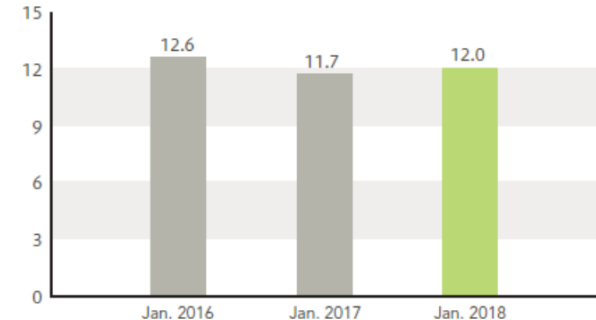
CO<sub>2</sub> emissions (kg)/Net sales (¥ millions)



### 2 Chinese production companies

(Pigeon Manufacturing (Shanghai) Co., Ltd., Pigeon Industries (Changzhou) Co., Ltd.)

CO<sub>2</sub> emissions (kg)/Net sales (¥ millions)





## CSR Oriented Procurement

Pigeon is committed to the sustainable use of resources. Among chemically derived materials that we handle, we use rubber as the raw material for our nursing bottle nipples. Here, we do not use any natural rubber, but rather silicon and silica gel.

## Pollution Prevention

Since practically all of our end-users are babies, we are very stringent and cautious when selecting raw materials and ingredients to ensure that they are based upon food additives that have no impact on the human body. For our body soaps and other liquids and detergents, we strive to prevent pollution by identifying sources of pollution and waste related to our production activities while working to reduce the volume of waste and minimize the operation time of our waste incinerators.

Raw Materials Procurement Volume (ton)	Silicon	PPSU
Pigeon Manufacturing (Shanghai) Co., Ltd.	516	189
Thai Pigeon Co., Ltd.	420	208
Pigeon India Pvt. Ltd.	32	-
PT Pigeon Indonesia	368	-

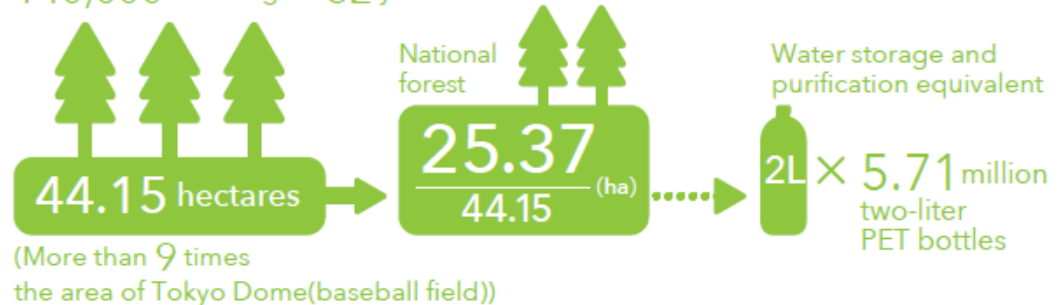


## Environmental Opportunities

For the past 32 year we have been continuously held our annual Newborn Baby Commemorative Tree-Planting Campaign, which begin in 1986. This campaign is held at the “Pigeon Miwa no Mori” site, a combination of national forest and Pigeon-owned land near Hitachi-Omiya City, Ibaraki Prefecture. In addition to providing parents with memories of their babies’ birth the campaign contributes in a small way to educational awareness about environmental protection. Forests help prevent global warming by absorbing carbon. In addition, they play a role in preventing floods and erosion while preserving high water quality, to the extent that they are referred to as “green dams.”



140,000 seedlings in 32 years



## Work-Life Balance

As a matter of course, we comply with domestic regulations on worker protection and work hours established by legislation and labor agreements. We are also implementing various measures to increase labor productivity by discouraging excessively long working hours and fostering a good work-life balance. These include establishing a rule to leave the workplace by 7pm and setting one day per week as a “no overtime day.”

We are also focusing on helping employees return to the workplace after childbirth, including introduction of a “Life Design Leave” system, a women’s early-return support system, and a system to help subsidize future child care costs.

Use of Systems Related to Child Care Services and Work-Life Balance

System	Details	Usage status
One Month Together	1-month parental leave system for male employees	Take-up rate: 100% (3 consecutive years since fiscal 2015) Users: 32 persons (3 consecutive years since fiscal 2015; cumulative)
Leave the workplace (go home) by 7:00pm rule	Rule to leave the workplace by 7:00pm in principle, even when doing overtime	Average monthly overtime: 4.5 hours; Paid leave take-up rate: 53.4% (fiscal 2017)
No overtime day (1 day per week)	Every Wednesday designated as “no overtime day” to promote consistent departures	
Life Design Leave	System enabling up to 2 years of leave for infertility treatment and adoption processes	Positive outcomes in fiscal 2015, fiscal 2016, and fiscal 2017
Work-at-home system	System enabling employees to work at home for the purpose of child care, elder care, etc.	Take-up: 12 persons (fiscal 2017)



## Community Activities: Lactation Lounges

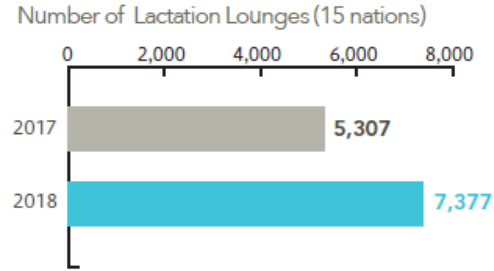
We have set up a breastfeeding/pumping rooms called Lactation Lounges with the aims of creating comfortable working environments for employees with small babies and contributing to local communities. In addition to employees, the rooms are available for use by mothers working in the vicinity, as well as mothers and babies living nearby. In other nations, as well, we provide support to establish breastfeeding/pumping rooms in various locations, including within general corporations, with the aim of helping female employees return to work after giving birth. As of January 2018, we had more that 7,000 Lactation Lounges in 15 countries around the world.



Singapore



China



United States

# Our Definition of Corporate Value



## Social Value

To be indispensable for the society and our customers

Provision of solutions and new values

Corporate philosophy shared by all employees and other stakeholders

Development capabilities and brand power

Competency of each employee

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

## Economic Value

Sum of present values of future free cash flows

Free cash flows  
= NOPAT + Depreciation  
- Investments  
- Incremental working capital

$(WTP^* - Cost) \times Volume = Profit$

Business models and competitive advantages that are hard to copy

Marketing capabilities

KPIs (PVA, CCC, ROE, ROIC) and actions for their improvement

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### **Disclaimer on Forward-Looking Statements**

This material includes certain forward-looking statements about the Pigeon Group. To the extent that statements in this material do not related to historical or current facts, they constitute forward-looking statements.

These forward-looking statements are based on the current assumptions and judgments of the Pigeon Group in light of the information currently available to it, and involve know and unknown risks, uncertainties and other factors, which may affect the statements made in this material.