

Pigeon Corporation (TSE: 7956)

Price (as of July 31, 2018): ¥5,370 (retroactively adjusted) P/E (forward): 45.6 EPS (CE): ¥117.73

Sector: Manufacturing of baby and mother care products

Fundamentals	July 2018
Market Cap (¥M)	653,279
PE Forward (times)	45.6
Dividend Yield (%)	0.63
	July 2018
Net Sales (¥M)	52,847
Operating Income (¥M)	10,907
Net Income (¥M)	8,109
	July 2018
Total Assets (¥M)	85,152
Total Shareholders' Equity (¥M)	62,869
Interest-Bearing Debt (¥M)	-
Retained Earnings (¥M)	53,647
Key Financial Indicators	July 2018
Gross Profit/Net Sales (%)	51.2
Operating Income/Net Sales (%)	20.6
Net Income/Net Sales (%)	15.4
SG&A/Net Sales (%)	30.6
Equity Ratio (%)	73.8
Segment Information	July 2018
Domestic Baby and Mother Care Business (¥M)	18,428
Child Care Service Business (¥M)	2,563
Health and Elder Care Business (¥M)	3,519
China Business (¥M)	17,364
Singapore Business (¥M)	5,915
Lansinoh Business (¥M)	6,316
Shareholder Profile	July 2018
Financial Institutions (%)	28.7
Individuals and Others (%)	10.7
Non-Japanese Corporations (%)	47.5
Japanese Corporations (%)	7.0
Treasury Stock (%)	1.6
Stock Data	July 2018
Number of Shares Outstanding	121,653,486
Number of Shareholders	12,242

Currency exchange rate (as of July 31, 2018): \$1 = ¥108.67

Business Profile

Pigeon has the top share in baby and child care products in Japan. More than 90% of revenue comes from **Domestic Baby and Mother Care** (34.9%) and **China Business** (32.9%), **Singapore Business** (11.2%), **Lansinoh Business** (12.0%), and the rest comes from **Child Care Service** and **Health and Elder Care Business**. Our overseas business is expanding due mainly to sales expansion in China.

Performance Overview (2nd Quarter)

During the consolidated first six-month period under review, we implemented a range of strategies for each of our businesses and functions on the basis of the business policies. As a result, due to a favorable performance of the Domestic Baby & Mother Care Business, China Business, Singapore Business, and Lansinoh Business, net sales amounted to ¥52,847 million (up 7.7% YOY). Regarding earnings, operating income rose to ¥10,907 million (up 17.3% YOY) thanks to a reduction of approximately 2.8 percentage points in the sales cost ratio from the previous term. Ordinary income recorded ¥11,679 million (up 24.5% YOY), and net income attributable to owners of parent also increased to ¥8,109 million (up 24.9% YOY).

Forecast

	¥ Million			\$ Thousand	YOY Change (%)
	2019 Q2	2018 Full-year	2019(CE) Full-year	2019 (CE) Full-year	
Net Sales	52,847	102,563	107,000	984,632	4.3
Operating Income	10,907	19,412	20,400	187,724	5.1
Net Income	8,109	14,515	14,100	129,751	(2.9)

	¥			\$	YOY Change (%)
	2019 Q2	2018 Full-year	2019(CE) Full-year	2019 (CE) Full-year	
EPS	67.71	121.20	117.73	1.08	(2.9)
Cash Dividend per Share	34.00	66.00	68.00	0.63	3.0

A: Actual; CE: Company Estimate

Strengths

- Top domestic provider of baby and child care products and services
- Strong presence in overseas markets: significant share in three baby care products in the United States; expansion of sales channel from metropolitan areas to regional areas in China

Disclaimers:

This report may contain information pertaining to forward-looking statements, such as projected results. Consequently, it is possible that the actual results may vary significantly from such projections due to a wide range of factors such as social, economic and industry conditions. Readers of this report are requested to make decisions on investment after referring to financial materials submitted by issuing companies, such as reports on securities, and based on his/her individual judgment. Pigeon Corporation bears no liability whatsoever should any damage or injury be caused by any errors contained in information or content contained in this report.



Summary Financial Data

(Years ended January 31)

(Six months ended July 31)

Profit and Loss	¥ Million				YOY Change (%)	¥ Million			YOY Change (%)
	2016	2017	2018	2018		2017	2018	2018	
Net Sales	92,209	94,640	102,563	943,802	8.4	49,048	52,847	486,307	7.7
Cost of Sales	48,864	49,951	51,991	478,430	4.1	25,277	25,783	237,260	2.0
Gross Profit	43,345	44,688	50,572	465,372	13.2	23,770	27,063	249,038	13.9
SG&A Expenses	28,823	28,673	31,159	286,730	8.7	14,474	16,156	148,670	11.6
Operating Income	14,521	16,015	19,412	178,633	21.2	9,296	10,907	100,368	17.3
Other Income (Loss)	559	447	716	6,589	60.2	83	772	7,104	830.1
Ordinary Income	15,080	16,462	20,129	185,231	22.3	9,380	11,679	107,472	24.5
Extraordinary Income (Loss)	(193)	(228)	787	7,242		47	103	948	119.1
Net Income Attributable to Non-controlling Interests	265	224	244	2,245	8.9	110	216	1,988	96.4
Net Income Attributable to Owners of Parent	10,197	11,118	14,515	133,570	30.6	6,493	8,109	74,620	24.9

Profit and Loss	¥				YOY Change (%)	¥			YOY Change (%)
	2016	2017	2018	2018		2017	2018	2018	
EPS	85.15	92.84	121.20	1.1	30.5	54.22	67.71	0.6	24.9
Cash Dividend per Share	42.00	53.00	66.00	0.6	24.5	31.00	34.00	0.3	9.7

Balance Sheet	¥ Million				YOY Change (%)	¥ Million			YOY Change (%)
	2016	2017	2018	2018		2017	2018	2018	
Cash and Time Deposits	24,297	30,052	31,346	288,451	4.3	25,577	28,275	260,191	10.5
Notes and Accounts Receivable	13,870	16,103	16,440	151,284	2.1	15,725	17,902	164,737	13.8
Inventories	8,859	7,602	8,711	80,160	14.6	9,041	10,093	92,878	11.6
Tangible Fixed Assets	21,471	20,263	21,116	194,313	4.2	20,082	21,098	194,147	5.1
Intangible Fixed Assets	1,346	1,106	3,307	30,432	199.0	1,183	3,955	36,395	234.3
Total Assets	73,943	78,889	84,467	777,280	7.1	75,437	85,152	783,583	12.9
Notes and Accounts Payable	3,743	4,857	5,194	47,796	6.9	4,713	5,587	51,413	18.5
Interest-Bearing Debt	6,308	5,699	-	-		-	-	-	
Total Net Assets	50,792	53,736	62,812	578,007	16.9	56,779	65,035	598,463	14.5
Total Shareholders' Equity	49,567	52,387	60,693	558,507	15.9	54,849	62,869	578,531	14.6
Equity Ratio (%)	67.0	66.4	71.9		8.3	73.4	73.8		0.5

Currency exchange rate (as of July 31, 2018) : \$1 = ¥108.67

Corporate Data (As of July 31, 2018)

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<https://www.pigeon.com/>

Established

August 15, 1957

Paid-in Capital

¥5,199,597 thousand

Number of Employees

3,828 (Consolidated)

362 (Non-Consolidated)

Fiscal Year-End

January 31

Annual Shareholders' Meeting

End of April

Stock Trading Unit

100 shares

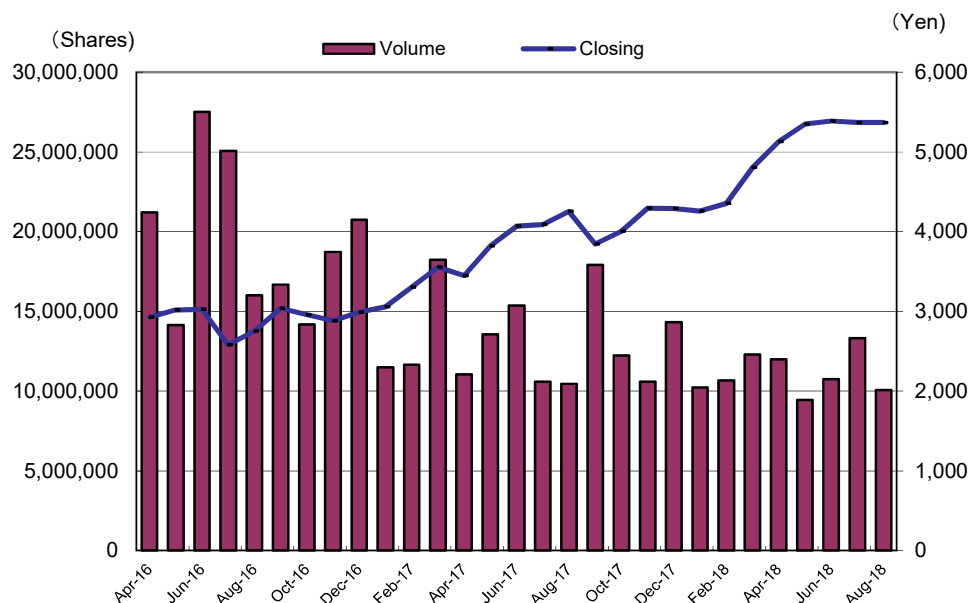
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