

Pigeon Corporation (TSE: 7956)

Price (as of October 31, 2018): **¥4,790** (retroactively adjusted) P/E (forward): **40.7** EPS (CE): **¥117.73**

Sector: **Manufacturing of baby and mother care products**

| Fundamentals | Oct. 2018 |
|---|-------------|
| Market Cap (¥M) | 582,720 |
| PE Forward (times) | 40.7 |
| Dividend Yield (%) | 0.71 |
| | |
| | Oct. 2018 |
| Net Sales (¥M) | 79,394 |
| Operating Income (¥M) | 16,860 |
| Net Income (¥M) | 12,243 |
| | |
| | Oct. 2018 |
| Total Assets (¥M) | 85,464 |
| Total Shareholders' Equity (¥M) | 62,813 |
| Interest-Bearing Debt (¥M) | - |
| Retained Earnings (¥M) | 53,709 |
| | |
| Key Financial Indicators | Oct. 2018 |
| Gross Profit/Net Sales (%) | 51.9 |
| Operating Income/Net Sales (%) | 21.2 |
| Net Income/Net Sales (%) | 15.4 |
| SG&A/Net Sales (%) | 30.7 |
| Equity Ratio (%) | 73.5 |
| | |
| Segment Information | Oct. 2018 |
| Domestic Baby and Mother Care Business (¥M) | 27,301 |
| Child Care Service Business (¥M) | 3,499 |
| Health and Elder Care Business (¥M) | 5,158 |
| China Business (¥M) | 26,879 |
| Singapore Business (¥M) | 9,150 |
| Lansinoh Business (¥M) | 9,406 |
| | |
| 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 |

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** (33.1%) and **China Business** (32.6%), **Singapore Business** (11.1%), **Lansinoh Business** (11.4%), and the rest comes from **Child Care Service** and **Health and Elder Care Business**. Our oversea business is expanding due mainly to sales expansion in China.

Performance Overview (3rd Quarter)

During the consolidated nine-month period under review, we implemented a range of strategies for each of our businesses and functions on the basis of the above 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 ¥79,394 million (up 5.4% YOY). Regarding earnings, operating income rose to ¥16,860 million (up 12.9% YOY) thanks to a reduction of approximately 2.8 percentage points in the sales cost ratio from the previous term. Ordinary income recorded ¥17,684 million (up 16.6% YOY), and net income attributable to owners of parent also increased to ¥12,243 million (up 17.3% YOY).

Forecast

| | ¥ Million | | | \$ Thousand | YOY Change (%) |
|------------------|------------|-------------------|--------------------|---------------------|----------------|
| | 2018(A) Q3 | 2018(A) Full-year | 2019(CE) Full-year | 2019 (CE) Full-year | |
| Net Sales | 79,394 | 102,563 | 107,000 | 976,277 | 4.3 |
| Operating Income | 16,860 | 19,412 | 20,400 | 186,131 | 5.1 |
| Net Income | 12,243 | 14,515 | 14,100 | 128,650 | (2.9) |

| | ¥ | | | \$ | YOY Change (%) |
|-------------------------|------------|-------------------|--------------------|---------------------|----------------|
| | 2018(A) Q3 | 2018(A) Full-year | 2019(CE) Full-year | 2019 (CE) Full-year | |
| EPS | 102.23 | 121.20 | 117.73 | 1.07 | (2.9) |
| Cash Dividend per Share | 34.00 | 66.00 | 68.00 | 0.62 | 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)

(Nine months ended October 31)

| Profit and Loss | ¥ Million | | | | \$ Thousand | YOY Change (%) | ¥ Million | | | YOY Change (%) |
|--|-----------|--------|---------|---------|-------------|----------------|-----------|---------|-------|----------------|
| | 2016 | 2017 | 2018 | 2018 | | | 2017 | 2018 | 2018 | |
| Net Sales | 92,209 | 94,640 | 102,563 | 935,794 | 8.4 | 75,350 | 79,394 | 724,398 | 5.4 | |
| Cost of Sales | 48,864 | 49,951 | 51,991 | 474,370 | 4.1 | 38,321 | 38,179 | 348,349 | (0.4) | |
| Gross Profit | 43,345 | 44,688 | 50,572 | 461,423 | 13.2 | 37,029 | 41,215 | 376,049 | 11.3 | |
| SG&A Expenses | 28,823 | 28,673 | 31,159 | 284,297 | 8.7 | 22,090 | 24,354 | 222,208 | 10.2 | |
| Operating Income | 14,521 | 16,015 | 19,412 | 177,117 | 21.2 | 14,938 | 16,860 | 153,832 | 12.9 | |
| Other Income (Loss) | 559 | 447 | 716 | 6,533 | 60.2 | 233 | 823 | 7,509 | 253.2 | |
| Ordinary Income | 15,080 | 16,462 | 20,129 | 183,659 | 22.3 | 15,171 | 17,684 | 161,350 | 16.6 | |
| Extraordinary Income (Loss) | (193) | (228) | 787 | 7,181 | | 45 | 68 | 620 | 51.1 | |
| Net Income Attributable to Non-controlling Interests | 265 | 224 | 244 | 2,226 | 8.9 | 177 | 327 | 2,984 | 84.7 | |
| Net Income Attributable to Owners of Parent | 10,197 | 11,118 | 14,515 | 132,436 | 30.6 | 10,434 | 12,243 | 111,706 | 17.3 | |

| 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 | 87.13 | 102.23 | 0.9 | 17.3 | |
| 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 | | | | \$ Thousand | YOY Change (%) | ¥ Million | | | YOY Change (%) |
|-------------------------------|-----------|--------|--------|---------|-------------|----------------|-----------|---------|-------|----------------|
| | 2016 | 2017 | 2018 | 2018 | | | 2017 | 2018 | 2018 | |
| Cash and Time Deposits | 24,297 | 30,052 | 31,346 | 286,004 | 4.3 | 25,676 | 27,726 | 252,974 | 8.0 | |
| Notes and Accounts Receivable | 13,870 | 16,103 | 16,440 | 150,000 | 2.1 | 16,403 | 16,594 | 151,405 | 1.2 | |
| Inventories | 8,859 | 7,602 | 8,711 | 79,480 | 14.6 | 9,234 | 11,550 | 105,383 | 25.1 | |
| Tangible Fixed Assets | 21,471 | 20,263 | 21,116 | 192,664 | 4.2 | 20,325 | 21,207 | 193,495 | 4.3 | |
| Intangible Fixed Assets | 1,346 | 1,106 | 3,307 | 30,173 | 199.0 | 1,584 | 4,219 | 38,495 | 166.4 | |
| Total Assets | 73,943 | 78,889 | 84,467 | 770,684 | 7.1 | 77,418 | 85,464 | 779,781 | 10.4 | |
| Notes and Accounts Payable | 3,743 | 4,857 | 5,194 | 47,391 | 6.9 | 4,731 | 5,585 | 50,958 | 18.1 | |
| Interest-Bearing Debt | 6,308 | 5,699 | - | - | | 16 | - | - | | |
| Total Net Assets | 50,792 | 53,736 | 62,812 | 573,102 | 16.9 | 57,628 | 65,170 | 594,617 | 13.1 | |
| Total Shareholders' Equity | 49,567 | 52,387 | 60,693 | 553,768 | 15.9 | 56,103 | 62,813 | 573,111 | 12.0 | |
| Equity Ratio (%) | 67.0 | 66.4 | 71.9 | | 8.3 | 72.5 | 73.5 | | 1.4 | |

Currency exchange rate (as of October 31, 2018) : \$1 = ¥109.60

Corporate Data (As of July 31, 2018)

Head Office

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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

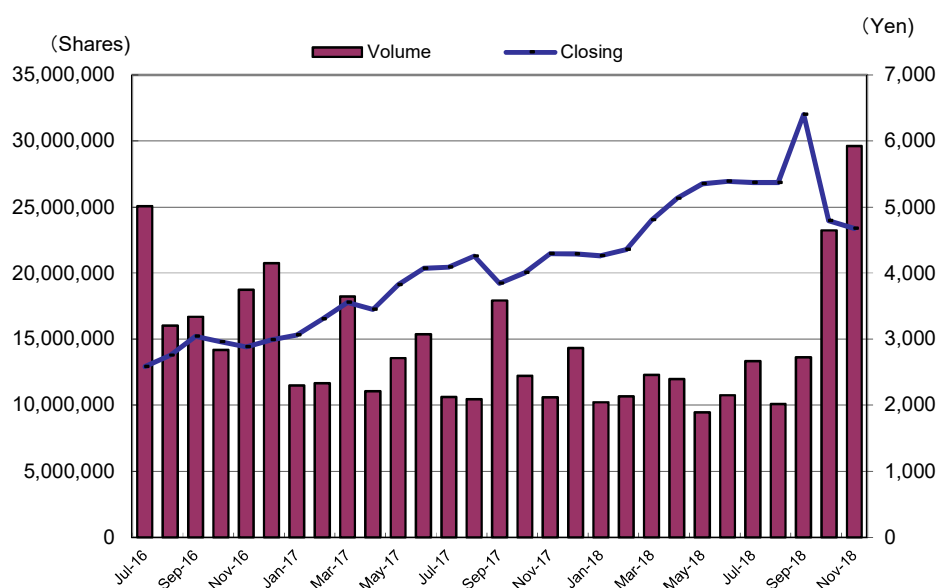
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