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On **December 3, 2018**, Pigeon Corp. announced earnings results for Q3 FY01/19.

Cumulative (JPYmn)	FY01/18				FY01/19				FY01/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	23,977	49,048	75,350	102,563	25,798	52,847	79,394		74.2%	107,000
YoY	5.4%	5.9%	7.9%	8.4%	7.6%	7.7%	5.4%			4.3%
Gross profit	11,715	23,770	37,029	50,572	12,986	27,063	41,215			
YoY	12.7%	10.3%	12.8%	13.2%	10.9%	13.9%	11.3%			
GPM	48.9%	48.5%	49.1%	49.3%	50.3%	51.2%	51.9%			
SG&A expenses	6,774	14,474	22,090	31,159	7,540	16,156	24,354			
YoY	1.7%	5.0%	6.5%	8.7%	11.3%	11.6%	10.2%			
SG&A ratio	28.3%	29.5%	29.3%	30.4%	29.2%	30.6%	30.7%			
Operating profit	4,940	9,296	14,938	19,412	5,446	10,907	16,860		82.6%	20,400
YoY	32.4%	19.5%	23.8%	21.2%	10.2%	17.3%	12.9%			5.1%
OPM	20.6%	19.0%	19.8%	18.9%	21.1%	20.6%	21.2%			19.1%
Recurring profit	4,858	9,380	15,171	20,129	5,380	11,679	17,684		86.7%	20,400
YoY	35.1%	22.3%	24.7%	22.3%	10.7%	24.5%	16.6%			1.3%
RPM	20.3%	19.1%	20.1%	19.6%	20.9%	22.1%	22.3%			19.1%
Net income	3,473	6,493	10,434	14,515	3,852	8,109	12,243		86.8%	14,100
YoY	39.9%	17.1%	21.8%	30.5%	10.9%	24.9%	17.3%			-2.9%
Net margin	14.5%	13.3%	13.8%	14.2%	14.9%	15.4%	15.4%			13.2%

Quarterly (JPYmn)	FY01/18				FY01/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	23,977	25,071	26,302	27,212	25,798	27,049	26,547	
YoY	5.4%	6.4%	11.9%	9.6%	7.6%	7.9%	0.9%	
Gross profit	11,715	12,056	13,258	13,543	12,986	14,077	14,152	
YoY	12.7%	8.0%	17.7%	14.1%	10.9%	16.8%	6.7%	
GPM	48.9%	48.1%	50.4%	49.8%	50.3%	52.0%	53.3%	
SG&A expenses	6,774	7,700	7,616	9,069	7,540	8,616	8,198	
YoY	1.7%	8.1%	9.3%	14.5%	11.3%	11.9%	7.6%	
SG&A ratio	28.3%	30.7%	29.0%	33.3%	29.2%	31.9%	30.9%	
Operating profit	4,940	4,356	5,642	4,474	5,446	5,461	5,953	
YoY	32.4%	7.7%	31.4%	13.5%	10.2%	25.4%	5.5%	
OPM	20.6%	17.4%	21.5%	16.4%	21.1%	20.2%	22.4%	
Recurring profit	4,858	4,521	5,791	4,958	5,380	6,299	6,005	
YoY	35.1%	11.0%	28.8%	15.4%	10.7%	39.3%	3.7%	
RPM	20.3%	18.0%	22.0%	18.2%	20.9%	23.3%	22.6%	
Net income	3,473	3,020	3,941	4,081	3,852	4,257	4,134	
YoY	39.9%	-1.4%	30.4%	59.9%	10.9%	41.0%	4.9%	
Net margin	14.5%	12.0%	15.0%	15.0%	14.9%	15.7%	15.6%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Estimates represent most recent company forecast.

Quarterly segment performance (new segments)

Cumulative (JPYmn)	FY01/18			FY01/19			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Sales	23,977	49,048	75,350	25,798	52,847	79,394	
YoY	5.4%	5.9%	7.9%	7.6%	7.7%	5.4%	
Domestic Baby & Mother Care	8,729	17,302	25,840	9,393	18,429	27,301	
YoY	-	-	-	7.6%	6.5%	5.7%	
Child Care Service	1,931	3,759	5,623	1,664	2,564	3,499	
YoY	-	-	-	-13.8%	-31.8%	-37.8%	
Health & Elder Care	1,681	3,446	5,059	1,673	3,519	5,158	
YoY	-	-	-	-0.5%	2.1%	2.0%	
China	7,124	15,167	24,454	7,806	17,364	26,879	
YoY	-	-	-	9.6%	14.5%	9.9%	
Singapore	2,311	4,799	7,595	2,928	5,915	9,150	
YoY	-	-	-	26.7%	23.3%	20.5%	
Lansinoh	2,935	5,914	8,903	2,948	6,316	9,406	
YoY	-	-	-	0.4%	6.8%	5.7%	
Eliminations	-1,060	-1,994	-3,088	-931	-1,889	-3,021	
Other	323	653	962	314	628	1,020	
Operating profit	4,940	9,296	14,938	5,446	10,907	16,860	
YoY	32.4%	19.5%	23.8%	10.2%	17.3%	12.9%	
Domestic Baby & Mother Care	1,752	3,058	4,605	1,875	3,516	5,082	
YoY	-	-	-	7.0%	14.9%	10.4%	
Child Care Service	53	81	141	44	74	112	
YoY	-	-	-	-16.2%	-9.0%	-20.4%	
Health & Elder Care	97	244	315	80	240	236	
YoY	-	-	-	-17.3%	-1.9%	-25.2%	
China	2,477	5,134	8,671	2,961	6,183	9,893	
YoY	-	-	-	19.5%	20.4%	14.1%	
Singapore	664	1,285	2,036	731	1,437	2,425	
YoY	-	-	-	10.1%	11.8%	19.1%	
Lansinoh	544	898	1,257	463	1,005	1,405	
YoY	-	-	-	-14.9%	11.8%	11.8%	
Eliminations	-683	-1,472	-2,182	-737	-1,606	-2,396	
Other	35	65	92	26	58	99	

Quarterly (JPYmn)	FY01/18			FY01/19			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Sales	23,977	25,071	26,302	25,798	27,049	26,547	
YoY	5.4%	6.4%	11.9%	7.6%	7.9%	0.9%	
Domestic Baby & Mother Care	8,729	8,573	8,538	9,393	9,036	8,872	
YoY	-	-	-	7.6%	5.4%	3.9%	
Child Care Service	1,931	1,828	1,864	1,664	900	935	
YoY	-	-	-	-13.8%	-50.8%	-49.8%	
Health & Elder Care	1,681	1,765	1,613	1,673	1,846	1,639	
YoY	-	-	-	-0.5%	4.6%	1.6%	
China	7,124	8,043	9,287	7,806	9,558	9,515	
YoY	-	-	-	9.6%	18.8%	2.5%	
Singapore	2,311	2,488	2,796	2,928	2,987	3,235	
YoY	-	-	-	26.7%	20.1%	15.7%	
Lansinoh	2,935	2,979	2,989	2,948	3,368	3,090	
YoY	-	-	-	0.4%	13.1%	3.4%	
Eliminations	-1,060	-934	-1,094	-931	-958	-1,132	
Other	323	330	309	314	314	392	
Operating profit	4,940	4,356	5,642	5,446	5,461	5,953	
YoY	32.4%	7.7%	31.4%	10.2%	25.4%	5.5%	
Domestic Baby & Mother Care	1,752	1,306	1,547	1,875	1,641	1,566	
YoY	-	-	-	7.0%	25.5%	1.2%	
Child Care Service	53	28	60	44	29	38	
YoY	-	-	-	-17.0%	5.0%	-36.7%	
Health & Elder Care	97	147	71	80	160	-4	
YoY	-	-	-	-17.5%	8.3%	-105.6%	
China	2,477	2,657	3,537	2,961	3,222	3,710	
YoY	-	-	-	19.5%	21.3%	4.9%	
Singapore	664	621	751	731	706	988	
YoY	-	-	-	10.1%	13.7%	31.6%	
Lansinoh	544	354	359	463	542	400	
YoY	-	-	-	-14.9%	52.7%	11.4%	
Eliminations	-683	-789	-710	-737	-869	-790	
Other	35	30	27	26	31	41	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: From Q1 FY01/19, Pigeon breaks down the Overseas segment into Singapore and Lansinoh segments. The Singapore segment is involved with procurement and sales of Pigeon-branded products mainly in ASEAN and Middle Eastern countries; the Lansinoh segment operates Lansinoh brand business centered in Europe and the US. FY01/18 figures are provided for reference based on company estimates.

GPM by segment (half-year basis)

Gross profit margin	FY01/18			FY01/19		
	1H	2H	FY	1H	2H	FY
Consolidated total	48.5%	50.0%	49.3%	51.2%		
YoY change	+1.9pp	+2.3pp	+2.1pp	+2.7pp		
Domestic Baby & Mother Care	48.8%	49.0%	48.9%	49.2%		
YoY change	-	-	-	+0.4pp		
Child Care Service	10.0%	10.8%	10.4%	12.3%		
YoY change	-	-	-	+2.3pp		
Health & Elder Care	31.3%	31.3%	31.3%	32.1%		
YoY change	-	-	-	+0.8pp		
Overseas	54.2%	55.1%	54.7%	56.2%		
YoY change	-	-	-	+2.0pp		
Overseas	48.1%	46.0%	47.0%	49.7%		
YoY change	-	-	-	+1.6pp		
China	55.5%	57.2%	56.4%	59.4%		
YoY change	-	-	-	+3.9pp		

Source: Shared Research based on company data

Note: From Q1 FY01/19, Pigeon breaks down the Overseas segment into Singapore and Lansinoh segments. The Singapore segment is involved with procurement and sales of Pigeon-branded products mainly in ASEAN and Middle Eastern countries; the Lansinoh segment operates Lansinoh brand business centered in Europe and the US. FY01/18 figures are provided for reference based on company estimates.

Sales by overseas region (half-year basis)

	FY01/18			FY01/19		
	1H	2H	FY	1H	2H	FY
USD/JPY (average)	112.33	111.99	112.16	108.67		
CNY/JPY (average)	16.38	16.86	16.62	17.08		
China (JPYmn)	14,086	17,816	31,902	16,324		
YoY	13.2%	14.6%	14.0%	15.9%		
Other Asia (JPYmn)	3,258	3,957	7,215	4,298		
YoY	1.3%	18.0%	9.8%	31.9%		
North America (JPYmn)	3,913	4,196	8,109	3,998		
YoY	12.5%	17.1%	14.8%	2.2%		
Europe (JPYmn)	1,225	1,441	2,666	1,338		
YoY	7.5%	28.4%	17.9%	9.2%		
Near and Middle East (JPYmn)	1,034	985	2,019	1,272		
YoY	-23.7%	-4.0%	-15.2%	23.0%		
Other (JPYmn)	365	552	917	473		
YoY	-20.7%	7.0%	-6.0%	29.9%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Q3 FY01/19 results

- ▷ Sales: JPY79.4bn (+5.4% YoY)
- ▷ Operating profit: JPY16.9bn (+12.9% YoY)
- ▷ Recurring profit: JPY17.7bn (+16.6% YoY)
- ▷ Net income: JPY12.2bn (+17.3% YoY)

*Net income refers to net income attributable to parent company shareholders.

FY01/19 marks the second year of the sixth medium-term management plan (FY01/18–FY01/20). As Pigeon implemented business strategies according to the medium-term plan, it reported a 5.4% YoY rise in consolidated sales to JPY79.4bn. Sales in the Domestic Baby & Mother Care, China, Singapore, and Lansinoh businesses were strong.

Operating profit rose 12.9% YoY to JPY16.9bn owing to a 2.8pp YoY improvement in CoGS ratio. Recurring profit rose 16.6% YoY to JPY17.7bn. Net income attributable to parent company shareholders was up 17.3% YoY to JPY12.2bn.

Exchange rates applied to earnings of consolidated subsidiaries (regarding sales and expenses) in cumulative Q3 FY01/19 were JPY109.60/USD (vs. JPY111.88/USD in cumulative Q3 FY01/18) and JPY16.84/CNY (vs. JPY16.46/CNY).

From Q1 FY01/19, the Overseas segment was renamed to the Singapore segment, which is involved in procurement and sales of Pigeon-branded products mainly in ASEAN and Middle Eastern countries. The Lansinoh brand business centered in Europe and North America, which was part of the Overseas segment in FY01/18, became an independent segment and newly named as the Lansinoh segment.

Domestic Baby & Mother Care

- ▷ Sales: JPY27.3bn (+5.7% YoY)
- ▷ Operating profit: JPY5.1bn (+10.4% YoY)

Inbound demand from overseas visitors continued to increase. In addition, in July Pigeon launched a complete renewal of the Nursing Assist® series, breast pumps with “Baby Comfort Rhythm” technology born from over 60 years of nursing research. In August, the company also launched the new product Pigeon electric nasal aspirator vacuum suction, which was jointly developed with ears, nose, and throat doctors. Furthermore, the company launched the Pigeon Before Sleeping Fluoride Coating to prevent cavities in babies. The launch of new products contributed to sales growth.

To improve direct customer communication, Pigeon held 21 events in cumulative Q3 FY01/19, including Breastfeeding College—a class for expecting mothers, and seminars on the theme of breast feeding for medical professionals who work with nursing mothers (total of roughly 2,600 attendees). The company is also working to update information and improve the user-friendliness of Pigeon Info, a website supporting women who are expecting, just gave birth, or are raising children.

Childcare Service

- ▷ Sales: JPY3.5bn (-37.8% YoY)
- ▷ Operating profit: JPY112mn (-20.4% YoY)

The company’s contract to operate on-site child-care facilities in National Hospital Organization hospitals ended in March 2018, resulting in fewer facilities under management. However, in cumulative Q3 FY01/19, the company began operating four new contracted onsite company childcare centers and expanded services to a total of 75 locations.

Health & Elder Care

- ▷ Sales: JPY5.2bn (+2.0% YoY)
- ▷ Operating profit: JPY236mn (-25.2% YoY)

The company displayed new products it plans to launch in 2019 at the International Home Care and Rehabilitation Exhibition held in October. The company will continue strengthening sales to retailers and nursing facilities as well as improving the quality of its nursing services.

China

- ▷ Sales: JPY26.9bn (+9.9% YoY)
- ▷ Operating profit: JPY9.9bn (+14.1% YoY)

Sales and operating profit rose driven by sales of core products such as nursing bottles, nipples, and skincare products. In particular, sales of its medicated skin lotion series (peach leaves) and Bonyu Jikkan® Nursing bottle my Precious have continued to be strong. Products launched in 2H, including handled nursing bottles and steam disinfectants, also received strong reviews.

In addition to strengthening initiatives geared toward e-commerce, the company plans to bolster direct communications with customers through social networking services and influencers, and expand its offline activities, such as sales promotions at retail stores and activities in maternity and general hospitals.

Singapore

- ▷ Sales: JPY9.2bn (+20.5% YoY)
- ▷ Operating profit: JPY2.4bn (+19.1% YoY)

Sales increased mainly on strong sales of nursing bottles and nipples in Middle Eastern and ASEAN countries, including Indonesia. The company intends to continue working toward market penetration of its brand.

Lansinoh

- ▷ Sales: JPY9.4bn (+5.7% YoY)
- ▷ Operating profit: JPY1.4bn (+11.8% YoY)

In North America, sales of breast pumps and other products via new sales channels including the durable medical equipment (DME) and maternity center channel grew. Further, the company is working on measures to strengthen marketing and its brand in Europe and Lansinoh Shanghai with an aim of expanding business in the regions.

This note is the most recent addition to the [full report](#).

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