Summary of Consolidated Financial Results
For the Nine Months Ended October 31, 2011
[Japanese Standards] (Consolidated)

December 5, 2011

Company name: Pigeon Corporation (Stock code: 7956)
Listings: First Section, Tokyo Stock Exchange
Website: www.pigeon.co.jp
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Date of release of Business Report: December 15, 2011
Planned Commencement Date of Dividend Payment: Not yet determined
Supplementary materials for the quarterly financial results: None
Investor conference for the quarterly financial results: None (For analysts and institutional investors)

1. Consolidated Financial Results (February 1 – October 31, 2011)
(1) Performance

(¥ millions, rounded down, % figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Nine Months Ended October 31, 2011	43,595	4.7%	3,552	31.6%	3,426	29.6%	2,089	25.6%
Nine Months Ended October 31, 2010	41,621	4.5%	2,699	(24.9)%	2,644	(26.5)%	1,663	(27.1)%

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)
Nine Months Ended October 31, 2011	104.41	―
Nine Months Ended October 31, 2010	83.10	―

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets Per Share (¥)
At October 31, 2011	43,191	26,480	60.1	1,297.42
At January 31, 2011	42,684	27,044	62.2	1,325.71

Reference: Equity: ¥25,966 million (At October 31, 2011); ¥26,533 million (At January 31, 2011)

2. Cash Dividends

	Annual Dividends (¥)				
	1Q	2Q	3Q	Year-end	Full-year
Year Ended January 31, 2011	―	44.00	―	44.00	88.00
Year Ending January 31, 2012	―	44.00			
Year Ending January 31, 2012 (Forecast)			―	44.00	88.00

(Note) Changes in dividend forecasts during the quarter under review: None

3. Forecast for the Year Ending January 31, 2012
(February 1, 2011 – January 31, 2012)

(¥ millions, rounded down)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (¥)
Year Ending January 31, 2012 (% figures denote year-on-year change)	61,100	7.1 %	5,000	10.0%	4,950	11.6%	3,300	12.7%	164.88

(Note) Changes in projections during the quarter under review: None

4. Other (For details, please see “Other Information” on page 7 of “Appendix.”)

(1) Changes in important subsidiaries during the period: No

(Note) Whether or not specified subsidiaries were changed resulting in the changes in scope of consolidation during the period.

(2) Application of simplified methods of accounting and specific accounting methods: Yes

(Note) Whether or not the simplified accounting methods or the accounting methods specific for producing quarterly consolidated financial statements was applied.

(3) Changes in accounting principles, processes, presentation methods, etc.

1) Changes due to revisions to accounting standards, etc.: Yes

2) Changes other than 1): Yes

(Note) Whether or not accounting principles, processes and presentation methods associated with producing of quarterly consolidated financial statements were changed. These are indicated in changes to important items that form the basis for preparation of quarterly consolidated financial statements.

(4) Number of outstanding shares (ordinary shares)

1) Number of shares outstanding at term-end (including treasury shares)
Nine Months ended October 31, 2011: 20,275,581
Year ended January 31, 2011: 20,275,581

2) Number of treasury shares at term-end
Nine Months ended October 31, 2011:261,608
Year ended January 31, 2011: 261,343

3) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period)
Nine Months ended October 31, 2011: 20,014,128
Nine Months ended October 31, 2010: 20,014,586

*Indication regarding the situation of quarterly review procedures

Financial results for this third quarter is not the subject of a quarterly review procedure based on the Financial Instruments and Exchange Act, and at the point in time when these financial results was disclosed, review procedures for quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed.

*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 actual results could differ significantly from forecast figures depending on a variety of factors.

For details on the conditions that form the assumptions used for earnings forecasts, and notes on using earnings forecasts, please refer to appendix page 5, “(3) Qualitative Information Regarding Consolidated Performance Forecasts”.

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

(1) Qualitative Information Regarding Consolidated Business Results

Overview of Performance

In the third quarter under review—nine months ended October 31, 2011—the Japanese economy at first showed a tendency towards recovery due to the improvement of corporate profits and the overseas economy. However, due to the large-scale and widespread damage of the infrastructure caused by the Great East Japan Earthquake on March 11, many enterprises experienced either a suspension or a sharp decline of production activities, there was a lot of confusion in the supply chain centering on the areas stricken by the disaster, and there was a severe stagnation in economic activities. Subsequently, the situation is already on the path of gradual recovery and personal consumption has also recovered as compared to the downturn immediately after the earthquake. Even so, due to concern regarding the global economic recession originating from financial and currency instability in European countries such as Greece, rapid appreciation of the yen, and large-scale damage to associated factories of Japanese corporations due to flooding in Thailand, there is a risk of a downward turn in the Japanese economy.

Due to power outages, water cutoff, and facility damage caused by the Great East Japan Earthquake on March 11, the Group at first temporarily suspended or scaled down operations at two distribution sites in Ibaraki and the production site of its consolidated subsidiary PHP Ibaraki. Since the damage was comparatively small and limited, the ordinary operation system recovered by late March and after that the Group has by and large been conducting business as usual.

Moreover, in order to ensure safety regarding Thailand flooding that occurred due to heavy rain in late October, we temporarily stopped operation at our local production base THAI PIGEON CO., LTD. However, we subsequently resumed operation and restored normal operating systems from late November.

Under these circumstances, the Group made a new start in the initial year of the fourth medium-term business plan “Independence as a Global Company,” starting February 2011 and ending January 2014. The business policies in the medium-term business plan are as follows:

1) Focus on positive business development in overseas markets, aiming to further grow and expand as a global company.
2) In our domestic and international operations, we will seek to further strengthen and improve the profitability of current existing businesses as well as work to achieve solid growth in new and developing businesses.
3) Build a global business management system based on the core components of “Fostering Human Resources” and “Creating new value based on fundamental research.”

The segments below have been set for this consolidated fiscal year that is the first year of the fourth medium-term business plan. In the nine-month period of the third quarter of consolidated accounting, starting February 1, 2011 and ending October 31, 2011, the Group implemented activities steadily in accordance with the segments.

Domestic Baby and Mother Care Business

By establishing and extending the large merchandise business and promoting the category of women’s care, the Group will improve profitability in the current fields. Furthermore, the Group will establish and extend the Mamas & Papas business to launch new business in the IT field.

Child-rearing Support Services

The Group will continue steady business development by enriching the personnel development system, extending services, and further improving child-rearing quality.

Health Care and Nursing Care Business
The Group will restructure the business operation system and take efficient measures to improve brand awareness and promote the understanding of merchandise. By cultivating priority merchandise categories, the Group will improve merchandise competitiveness and aggressively find new sales channels.

Overseas Business
The Group will target aggressive investment in proactive business as a growth driver of the Group to extend the production system and strengthen the business operation system. In China, tie-ups with the current agencies will be strengthened and new agencies will be fostered. Accompanying the launch of the new Changzhou Factory, the Group will strengthen the development system and in-house production system. In North America and Europe, the Group will extend the merchandise category centered on the mOmma brand and develop new markets.

As a result, consolidated net sales for the period amounted to ¥43,595 million, up 4.7% from the previous corresponding period. With respect to earnings, although new investments in plants and equipment were made to promote the expansion of foreign operations, costs decreased due to in-house production and efficient utilization was realized for marketing expenses, etc. As a result, operating income was ¥3,552 million, up 31.6%, and ordinary income was ¥3,426 million, up 29.6% from the previous corresponding period. Net income for the period was ¥2,089 million, up 25.6% from the previous corresponding period as ¥150 million was accounted as extraordinary loss mainly for repairing facilities and discarding merchandise damaged by the Great East Japan Earthquake.

The business report segments are "Domestic Baby and Mother Care Business," "Child-rearing Support Services," "Health Care and Nursing Care Business," and "Overseas Business." Each segment is outlined below. In accordance with "Accounting Standards Regarding the Disclosure of Segment Information etc.," the segments have been changed from "Baby and Child Care segment", "Healthcare segment", and "Other segment") to the above, starting from this consolidated fiscal year. In the outline for each segment, descriptions on comparisons with the same quarter of the previous year provide figures calculated by replacing performance in the same quarter of the previous year.

Domestic Baby and Mother Care Business
Sales in this segment amounted to ¥18,087 million, up 0.4% from the same quarter of the previous year. Segment income was ¥2,753 million, up 8.6% from the same quarter of the previous year. In terms of new products, the Group marketed "MOGUTTOYASAI" as single-meal retort-pouched baby foods all enriched with vegetables, "Body Massage Cream" and "Body HIKISHIME Gel" containing hyaluronic acid for skin care during pregnancy and after birth, easy-to-prepare "Range de MUSHI-PAN" baby snacks by mixing milk or water, "MAGUMAGU Baby", "MAGUMAGU Spout", "SODACHI OUEN Sandal YOCHIYOCHI-ANYO/TOKOTOKO-ANYO" baby sandals for selection according to the growth of your baby in February, and the "MUSHI-KURURIN OHEYANIOKU Type" insect repellent using natural ingredients in March, and in June newly released an infant seat "SALVAJE " which can be used for children starting right from birth and that offer high safety and amenity. In August, we launched the new brand "Baby Laundry," a laundry series which is gentle to the skin for mothers and babies, "Skin Thermometer H20—CHIBION Touch," a thermometer which measures body temperature at the forehead, "Baby Oil Jelly," a gel-type skin care product, "HAJIMETE no Mask," sanitary masks which can be used from 18 months of age, "Dental Paste (Medicated)," a low-stimuli toothpaste which can be easily used during pregnancy, and "ONEGAI Origo," water which is Pigeon’s first specified health food. Furthermore, in October, we launched "Baby Rhythm Breast Pump—Electric Premium Model," a

highly-functional breast pump which replicates lactation rhythms.

Regarding the maternity events we are committed to as part of our direct communications program aimed at strengthening brand loyalty, although under the influence of the Great East Japan Earthquake we canceled a part of them, in the cumulative consolidated quarterly accounting period we have held 21 such events, during which a total of about 1,500 people who are pregnant have participated. Another new venture was to hold "First Steps in Preparing for Pregnancy" class targeting those beginning preparations for pregnancy. We made good progress in attracting new members to “Pigeon Info”—a word-of-mouth community portal that supports women during pregnancy, in childbirth, and when raising children. In the Internet and home shopping business, order reception and shipping were suspended temporarily under the influence of the Great East Japan Earthquake but returned to the ordinary sales system from April.

Child-rearing Support Services

Sales in this segment amounted to ¥4,457 million, up 10.0% from the same quarter of the previous year. Segment income was ¥108 million, up 23.0% from the same quarter of the previous year. Some facilities were temporarily closed under the influence of the Great East Japan Earthquake. In April, however, one authorized nursery school and three nursery facilities within business establishments were launched under a new contract of entrustment, and while improving the service quality, the Group is raising sales steadily.

Health Care and Nursing Care Business

Sales in this segment amounted to ¥4,800 million, down 0.4% from the same quarter of the previous year. Segment income was ¥298 million, up 704.2% from the same quarter of the previous year, as selling, general and administrative expenses were suppressed by effective and efficient marketing measures suited to the characteristics of the merchandise and sales channels greatly improving the profitability of the enterprise. As for the Habinurse brand of elder care products, the Group newly marketed the "HAGUKI NI YASASHII Brush" and "FUSSOIRI HAMIGAKI Gel" oral care series for the elderly and "YAWARARKAI KAIJO Spoon" nursing-care tableware designed for care providers and care receivers in February. Regarding the brand "Recoup" for elderly people seeking good health, the Group marketed an environmentally-friendly, easy-to-use "NUNO Type KYUSYU Pad" for attachment on regular underwear in the same month. In the future, the Group will extend business by marketing merchandise through intensive research on priority categories and implementing efficient measures.

Overseas Business

Sales in this segment amounted to ¥15,481 million, up 11.0% from the same quarter of the previous year. Segment income was ¥2,688 million, up 12.1% from the same quarter of the previous year. In China, the distribution system has been improved and restructured to a stable level. The sale of various products including newly released ones is also progressing steadily. On the basis of local currency, net sales are greatly exceeding over the same quarter of the previous year. To strengthen the merchandise supply system, Pigeon Industries (Changzhou) Co., Ltd., located in Changzhou, Jiangsu Province started operations in January of this year. As the second production site in China, this consolidated subsidiary is working steadily, expanding the quantity of output and the number of products handled. In India, a distribution system is being constructed, the sales network is being extended, and Pigeon Corner is being set up as dedicated sales floors, thanks to the activities of the consolidated subsidiary PIGEON INDIA PVT. LTD. In Malaysia, where the consolidated subsidiary PIGEON SINGAPORE PTE.LTD. acquired the shares of a local sales agency in January (company renamed to PIGEON MALAYSIA (TRADING) SDN.BHD. after stock acquisition), we are steadily going forward with our business on the basis of a newly adopted system striving to extend business while remaining especially committed to branding activities. In North America and Europe, the consolidated subsidiary LANSINOH LABORATORIES,INC. is carrying out sales activities steadily. Including the mOmma business that was acquired by the subsidiary last

December, the Group will further promote business aggressively.

Others
Sales in this segment amounted to ¥768 million, down 1.9% from the same quarter of the previous year, due to a decline of OEM merchandise orders. Segment income was ¥97 million, up 2.9% from the same quarter of the previous year.

(2) Qualitative Information Regarding Consolidated Financial Position

1) Assets
As of October 31, 2011, Pigeon had consolidated total assets of ¥43,191 million, up ¥506 million from a year earlier. Within this amount, total current assets increased ¥703 million, and total fixed assets decreased ¥196 million.

The major factor boosting current assets was a ¥1,210 million increase in goods and products.

The main reasons for the decline in fixed assets were depreciation and amortization of goodwill.

2) Liabilities
Total liabilities as of October 31, 2011 stood at ¥16,711 million, up ¥1,070 million from the previous fiscal year-end. Current liabilities increased ¥42 million, and long-term liabilities increased by ¥1,028 million.

Main factor boosting current liabilities was a ¥977 million decrease in current portion of long-term loans payable while there were a ¥449 million increase in notes and accounts payable and a ¥455 million increase in accrued bonuses to employees.

Main factor boosting long-term liabilities was a ¥1,019 million increase in long-term borrowings.

3) Net Assets
At October 31, 2011, consolidated net assets amounted to ¥26,480 million, down ¥563 million from January 31.

(3) Qualitative Information Regarding Consolidated Performance Forecasts
In the fourth medium-term business plan “Independence As a Global Company,” the Group aims to improve profitability in the current business fields and increase new merchandise fields and sales channels by enriching the merchandising categories for Domestic Baby and Mother Care Business in Japan, extending new business in IT home shopping, deeply cultivating priority merchandise categories in the Health Care and Nursing Care Business, and finding new sales channels. Regarding Overseas Business, the Group aims to deeply cultivate current markets and implement business expansion in China and North America by enriching merchandise categories while extending the production system and strengthening the business operation system by aggressive business investment. In India, the Middle and Near East, Korea, and South and Central America, the Group aims to promote aggressive market development. Regarding this consolidated fiscal year as the first year of the fourth medium-term business plan, the basic policies below are set. We will do our utmost to achieve the plan securely while considering how the domestic economy and Group performance is influenced by the Great East Japan Earthquake which occurred on March 11th, the global economic recession due to financial and currency instability in European countries, and rapid appreciation of the yen.

Basic Policies
1. To realize the objectives of our fourth medium-term business plan, we will put together strategies for each business and functional strategies that serve as the basis for such businesses into a specific enforcement plan, which we will steadily implement.

2. By effectively utilizing production facilities and capacity within the Group, we will improve our cost of sales situation and enhance profitability.
3. Seeking “Independence As a Global Company,” we will focus on nurturing human resources, while formulating medium-term strategies of each business and building organizational frameworks according to our growth potential.

The prospects of the Group throughout the term remain unchanged from the performance predictions announced on March 7, 2011.

2. Other Information

(1) Changes in important subsidiaries during the period (changes in specific subsidiaries affecting the scope of consolidation)

Not applicable.

(2) Overview of simplified accounting method or accounting methods specific to the preparation of quarterly financial statements

1) Simplified Accounting Method

- Calculation of estimated bad debt losses on general receivables
  For the end of the quarter under review, the Company has used the estimated bad debt loss ratio that was used for the end of the previous fiscal year, recognizing that no significant changes have arisen since that time.
- Valuation of inventory assets
  The value of inventories at the end of the quarter under review is calculated using a rational method, based on physical inventories at the end of the previous fiscal year, rather than physical inventories at the end of the quarter under review.
  The Company has reduced the book price of certain inventory assets that were clearly deemed to be declining in profitability, after estimating the net selling value of such assets.
- Method of calculating depreciation of fixed assets
  For fixed assets that are depreciated using the declining-balance method, the depreciation expense is computed by the proportional distribution of the depreciation expense for the fiscal year.
- Determining recoverability of deferred tax assets
  In judging the recoverability of deferred tax assets, the Corporation employs a method using future performance forecasts using results from the previous fiscal year, as well as tax planning, having confirmed that that no significant changes in the operating environment or temporary differences have occurred since the end of the previous fiscal year.

2) Special accounting treatment applied in preparation of quarterly financial statements

Not applicable.

(3) Changes in accounting principles, processes, presentation methods, etc., related to the preparation of quarterly consolidated financial statements

1) Changes of matters pertaining to the scope of consolidation

- Change in scope of consolidation
  From the first quarter of this consolidated accounting period, PIGEON MALAYSIA (TRADING) SDN.BHD., is included in the scope of consolidation by stock acquisition.
  During the third quarter of this consolidated accounting period, HealthQuest Ltd. was made a consolidated subsidiary through stock acquisition. However, during the same consolidated accounting period, HealthQuest Ltd. merged with the consolidated subsidiary LANSINOH LABORATORIES, INC. As a result, there was no change in the number of consolidated subsidiaries.
- Number of consolidated subsidiaries after change: 17

2) Changes of matters pertaining to accounting standards

- Application of "Accounting Standards Regarding the Equity Method" and "Temporary Treatment Regarding the Accounting of Affiliates Subject to the Equity Method"
  From the first quarter of this consolidated fiscal year, "Accounting Standards Regarding the Equity Method" (ASBJ No. 16, March 10, 2008) and "Temporary Treatment Regarding the Accounting of Affiliates Subject to the Equity Method" (Practical Solutions Report No. 24, March 10, 2008) have been applied.
  This affected ordinary income or income before income taxes and minority interests only

slightly.

- Application of "Accounting Standards Regarding Asset Retirement Obligations"
  From the first quarter of this consolidated fiscal year, "Accounting Standards Regarding Asset Retirement Obligations" (ASBJ No. 18, March 31, 2008), and "Application Guidelines for Accounting Standards Regarding Asset Retirement Obligations" (ASBJ Guideline No. 21, March 31, 2008) have been applied.
  This affected ordinary income or income before income taxes and minority interests only slightly.
- Application of ""Accounting Standards for Business Combinations"
  From the first quarter of this consolidated fiscal year, "Accounting Standards for Business Combinations" (ASBJ No. 21, December 26, 2008), "Accounting Standards for Consolidated Financial Statements"(ASBJ No. 22, December 26, 2008), "Partial Revision of Accounting Standards Regarding Research and Development Costs" (ASBJ No. 23, December 26, 2008), "Accounting Standards for Business Divestitures" (ASBJ No. 7, December 26, 2008), "Accounting Standards Regarding the Equity Method" (ASBJ No. 16 announced on December 26, 2008), and "Application Guidelines for Accounting Standards Regarding Business Combinations and Accounting Standards Regarding Business Divestitures" (ASBJ Guideline No. 10, December 26, 2008) have been applied.

3) Changes in Description Method
(Quarterly consolidated financial statements)

- In the third quarter of this consolidated fiscal year, this has been presented by the account of "Income before minority interest" because of the "Cabinet Order for Partial Revision of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Cabinet Order No. 5, March 24, 2009) based on the "Accounting Standards for Consolidated Financial Statements" (ASBJ No. 22 dated December 26, 2008)."
- Since "rental income" which had been recorded separately for the previous third cumulative consolidated quarterly accounting period was 20/100 or less of the total amount of other income, it was decided to list it under "other" heading among other income. The amount of "rental income" listed under "other" heading among other income of this third cumulative consolidated quarterly accounting period was ¥24,718 thousand.
- Since the degree of importance of "rental income-related costs "which had been recorded separately for the previous third cumulative consolidated quarterly accounting period became low, it was decided to list it under "other" heading among other income. The amount of "rental income-related costs" listed under "other" heading among other income of this third cumulative consolidated quarterly accounting period was ¥19,440 thousand.

3. Quarterly Consolidated Financial Statement
(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	At October 31, 2011	At January 31, 2011
ASSETS		
I. Current Assets:		
Cash and time deposit	6,056,925	6,827,706
Notes and accounts receivable	10,103,575	9,874,273
Goods and products	5,760,113	4,549,808
Goods in process	145,843	54,401
Raw material and inventory goods	1,363,063	1,194,021
Other current assets	1,547,100	1,776,585
Allowance for doubtful accounts	(110,575)	(113,948)
Total Current Assets	**24,866,046**	**24,162,848**
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures-net	5,071,021	5,350,520
Land	5,978,173	6,012,825
Other tangible fixed assets-net	3,981,099	4,045,967
Total Tangible Fixed Assets	**15,030,295**	**15,409,313**
2. Intangible Fixed Assets:		
Goodwill	790,549	599,728
Other intangible fixed assets	534,757	588,350
Total Intangible Fixed Assets	**1,325,306**	**1,188,079**
3. Investments and Other Assets:		
Other	2,046,966	2,001,729
Allowance for doubtful accounts	(76,888)	(77,222)
Total Investments and Other Assets	**1,970,078**	**1,924,506**
Total Fixed Assets	**18,325,679**	**18,521,899**
Total Assets	**43,191,726**	**42,684,748**

(Thousands of yen)

	At October 31, 2011	At January 31, 2011
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable	4,434,298	3,984,705
Short-term borrowings	2,153,300	2,258,000
Current portion of long-term loans payable	22,966	1,000,000
Income taxes payable	495,502	561,952
Accrued bonuses to employees	992,624	537,505
Returned goods adjustment reserve	54,617	46,084
Other current liabilities	4,116,099	3,838,892
Total Current Liabilities	**12,269,409**	**12,227,140**
II. Long-Term Liabilities:		
Long-term borrowings	2,634,516	1,615,000
Employees' retirement benefits	252,613	243,710
Retirement benefits for directors and corporate auditors	348,694	322,447
Other long-term liabilities	1,206,093	1,232,411
Total Long-Term Liabilities	**4,441,918**	**3,413,570**
Total Liabilities	**16,711,327**	**15,640,710**
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199,597	5,199,597
Additional paid-in capital	5,180,246	5,180,246
Retained earnings	18,779,868	18,451,368
Treasury stock	(448,423)	(447,673)
Total Shareholders' Equity	**28,711,289**	**28,383,538**
II. Valuation and Translation Adjustments:		
Net unrealized gains on securities	3,206	11,237
Foreign currency translation adjustment	(2,747,816)	(1,861,586)
Total Valuation and Translation Adjustments	**(2,744,609)**	**(1,850,348)**
III. Minority Interests	**513,719**	**510,847**
Total Net Assets	**26,480,398**	**27,044,037**
Total Liabilities, Minority Interests and Net Assets	**43,191,726**	**42,684,748**

(2) Quarterly Consolidated Statements of Income

(Thousands of yen)

	Nine months ended October 31, 2010	Nine months ended October 31, 2011
I. Net Sales	**41,621,822**	**43,595,355**
II. Cost of Sales	**24,631,530**	**25,724,040**
Gross profit	**16,990,291**	**17,871,314**
Reversal of reserve for returned products	62,095	46,015
Transfer to reserve for returned products	62,389	55,402
Adjusted gross profit	**16,989,997**	**17,861,927**
III. Selling, General and Administrative Expenses	**14,290,194**	**14,309,618**
Operating Income	**2,699,802**	**3,552,308**
IV. Other Income:		
Interest income	21,481	25,276
Rental income	75,534	—
Equity in earnings of non consolidated subsidiaries and affiliates	48,011	49,133
Other	175,207	216,680
Total Other Income	**320,235**	**291,091**
V. Other Expenses:		
Interest expense	36,158	57,714
Sales discounts	165,792	164,803
Rental income-related costs	45,818	—
Foreign exchange losses	118,973	150,435
Other	8,720	43,900
Total Other Expenses	**375,462**	**416,854**
Ordinary Income	**2,644,575**	**3,426,545**
VI. Extraordinary Income:		
Gain on sales of property	666	2,224
Reversal of allowance for doubtful accounts	—	3,426
Other	163	—
Total Extraordinary Income	**829**	**5,651**
VII. Extraordinary Loss:		
Loss on sales of property	429	23
Loss on disposal of property	7,622	13,612
Loss on liquidation of subsidiaries and affiliates	71,769	—
Loss on disaster	—	132,371
Other	12,522	4,692
Total Extraordinary Loss	**92,343**	**150,700**
Income before Income Taxes	**2,553,061**	**3,281,496**
Income Taxes	972,795	1,139,275
Adjustment for Corporate Tax	(155,794)	(36,308)
Total Corporate Income Tax	817,000	1,102,967
Income before minority interests	—	2,178,529
Less: Minority Interest in Net Income of Consolidated Subsidiaries	72,799	88,780
Net Income	**1,663,261**	**2,089,748**

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Nine months ended October 31, 2010	Nine months ended October 31, 2011
I. Cash Flows from Operating Activities:		
Income before income taxes	2,553,061	3,281,496
Depreciation	1,210,028	1,234,057
Amortization of goodwill	236,850	197,952
Increase (decrease) in allowance for doubtful accounts	20,921	(2,581)
Increase (decrease) in accrued bonuses to employees	393,807	460,161
Increase (decrease) in employees' retirement benefits	17,310	9,172
Increase (decrease) in directors' retirement benefits	18,788	26,247
Interest and dividend income	(25,270)	(28,884)
Equity in (gains) losses of non consolidated subsidiaries and affiliates	(48,011)	(49,133)
Interest expense	36,158	57,714
Loss (gain) on sale of fixed assets	(237)	(2,200)
Loss on disposal of fixed assets	7,622	13,612
Loss (gain) on liquidation of subsidiaries and affiliates	71,769	—
Decrease (increase) in trade receivables	(905,508)	(293,133)
Decrease (increase) in inventories	(884,040)	(1,412,231)
Increase (decrease) in trade payables	229,829	513,170
Increase (decrease) in account payable	477,020	316,728
Increase (decrease) in consumption tax payable	70,728	(64,458)
Decrease (increase) in bankruptcy claims	89	289
Other	(246,531)	(194,706)
Subtotal	**3,234,386**	**4,063,272**
Interest and dividends received	54,449	27,407
Interest paid	(41,928)	(58,011)
Income taxes paid	(1,368,534)	(1,206,033)
Net Cash Provided by Operating Activities	**1,878,372**	**2,826,634**
II. Cash Flows from Investing Activities:		
Acquisition of property, plant and equipment	(1,821,268)	(1,107,759)
Proceeds from sales of property, plant and equipment	13,830	5,645
Acquisition of intangible assets	(125,511)	(84,023)
Purchase of insurance funds	(3,730)	(3,744)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(348,040)
Loans advanced	(2,016)	(2,515)
Collection of loan receivables	2,362	16,045
Payment for lease deposits	(18,770)	(17,691)
Proceeds from recovery of lease deposits	25,294	15,025
Other	(9,578)	(28,312)
Net Cash Used in Investing Activities	**(1,939,390)**	**(1,555,369)**
III. Cash Flows from Financing Activities:		
Proceeds from short-term debt	5,963,510	7,450,440
Repayment of short-term debt	(4,745,130)	(7,652,063)
Proceeds from long-term loans payable	—	1,074,200
Repayment of long-term debt	(105,120)	(1,019,816)
Payment of cash dividends	(1,509,551)	(1,750,181)
Payment of cash dividends to minority shareholders	(49,894)	(39,212)
Acquisition of treasury stock	(382)	(750)
Other	(11,621)	(8,515)
Net Cash Used in Financing Activities	**(458,189)**	**(1,945,899)**
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(171,077)**	**(96,146)**
V. Net Change in Cash and Cash Equivalents	**(690,284)**	**(770,780)**
VI. Cash and Cash Equivalents at Beginning of the Period	**6,905,541**	**6,827,706**
VII. Cash and Cash Equivalents at End of the Period	**6,215,257**	**6,056,925**

(4) Notes Regarding Going Concern Assumptions

Not applicable.

(5) Segment Information

Performance by Business Segment

Nine Months Ended October 31, 2010 (¥ thousands)

	Baby and child care	Healthcare	Others	Total	Eliminations or corporate	Consolidated
Sales						
(1) Sales to outside customers	33,947,449	4,782,529	2,891,843	41,621,822	—	41,621,822
(2) Intersegment sales	—	—	—	—	(—)	—
Total	33,947,449	4,782,529	2,891,843	41,621,822	(—)	41,621,822
Operating income	4,630,678	71,874	398,327	5,100,881	(2,401,078)	2,699,802

Notes:

1. The Company's business is segmented for internal control purposes.
2. Main products/services of each segment are shown below.

Segment	Main products/services
Baby and child care	Breastfeeding and weaning products, skincare products, child-rearing support services, other
Healthcare	Elder care products, elder care services, other
Others	Women's care products (supplements, maternity products, etc.), wet tissues, other

Performance by Geographic Region

Nine Months Ended October 31, 2010 (¥ thousands)

	Japan	Asia	Others	Total	Eliminations or corporate	Consolidated
Sales						
(1) Sales to outside customers	29,670,618	8,328,987	3,622,216	41,621,822	—	41,621,822
(2) Inter-segment sales	1,731,912	1,804,703	—	3,536,616	(3,536,616)	—
Total	31,402,531	10,133,691	3,622,216	45,158,439	(3,536,616)	41,621,822
Operating income	3,605,765	1,263,813	275,932	5,145,511	(2,445,708)	2,699,802

Notes:

1. Segmentation of countries and regions is based on geographic proximity.
2. Major countries and regions are as follows:
   (1) Asia: Singapore, Thailand, China, India
   (2) Other: United States, etc.
3. Geographical Segment Name Change
   In conjunction with the establishment in November 2009 of consolidated subsidiary Pigeon India Pvt. Ltd., the Group has changed the name of the "East Asia" geographical segment to "Asia."

Oversea Sales

Nine Months Ended October 31, 2010 (¥ thousand)

	Asia	North America	Middle East	Other	Total
Overseas sales	8,757,005	2,881,554	1,123,061	1,152,428	13,914,051
Consolidated net sales	—	—	—	—	41,621,822
Share of overseas sales in consolidated net sales (%)	21.0	6.9	2.7	2.8	33.4

Notes:

1. Segmentation of countries and regions is based on geographic proximity.
2. Major countries and regions are as follows:
   (1) Asia: China, Singapore, South Korea, etc.
   (2) North America: United States, Canada, etc.
   (3) Middle East: United Arab Emirates, etc.
   (4) Other: South Africa, Panama, United Kingdom, etc.
3. Overseas sales refer to sales in countries or regions outside of Japan reported by the Company and its consolidated subsidiaries.
4. Overseas sales Segment Name Change
   In conjunction with the establishment in November 2009 of consolidated subsidiary Pigeon India Pvt. Ltd., the Group has changed the name of the “East Asia” geographical segment to “Asia.”

Segment Information

1. Outline of Report Segments

The report segments are units of organization of the Group for which financial information is separately available and reviewed periodically by the Board of Directors to determine the distribution of managerial resources and to evaluate performance.

The Group mainly sells baby-care products separately in and outside Japan and is engaged in sales and service related to health & elder care, service related to the support of nursing, and product and other services by business activities through localized business div.

Therefore, the Group consists of segments by products and services based on business div. and by area. The report segments are four: "Domestic Baby and Mother Care Business," "Child-rearing Support Services," "Health Care and Nursing Care Business," and "Overseas Business."

The report segments of the Group are as follows:

1) Domestic Baby and Mother Care Business

In Japan, we mainly manufacture and sell baby-care products and products for women's use.

(Main products) Breastfeeding and weaning products, skincare products, wet tissues, baby foods, baby products for outside use, women's care products (supplements, maternity products), and others.

2) Child-rearing Support Services

In Japan, we provide child-rearing support services.

(Main services) Management of own or entrusted nursery facilities, management of nursery schools, provision of baby-sitting services, and others.

3) Health Care and Nursing Care Business

In Japan, we manufacture and sell healthcare products and elder care products and provide care services.

(Main products) Products for urination, skincare products, wet tissues, wheelchairs, products for care facilities, elder care services, and others.

4) Overseas Business

In the world, we mainly manufacture and sell baby-care products and products for women's use.

2. Information Regarding Net Sales and Profit & Loss in Each Report Segment

Nine Months Ended October 31, 2011 (¥ thousand)

	Report Segment					Other (Note) 1	Total	Adjustments (Note) 2	Amount Accounted on Quarterly Consolidated Statements of Income (Note)3
	Domestic Baby and Mother Care Business	Child-rearing Support Services	Health Care and Nursing Care Business	Overseas Business	Sub Total				
Sales Sales to outside customers	18,087,852	4,457,385	4,800,005	15,481,844	42,827,087	768,267	43,595,355	—	43,595,355
Total	18,087,852	4,457,385	4,800,005	15,481,844	42,827,087	768,267	43,595,355	—	43,595,355
Segment income	2,753,615	108,410	298,391	2,688,297	5,848,714	97,170	5,945,885	(2,393,576)	3,552,308

Notes:
1. "Other" means a segment not in the report segments and mainly includes manufacture and sale by our production subsidiaries outside the Group.
2. Operating income adjustments are all selling costs that cannot be allocated. Main adjustments are costs in the management division and the research and development division of the Group
3. Operating income is adjusted with that in Quarterly Consolidated Statements of Income.

(Additional Information)

From the first quarter of this consolidated fiscal year, "Accounting Standards Regarding the Disclosure of Segment Information etc." (ASBJ No. 17, March 27, 2009), and "Application Guidelines for Accounting Standards Regarding the Disclosure of Segment Information, etc." (ASBJ Guideline No. 20, March 21, 2008) have been applied.

(6) Notes Regarding Substantial Changes in Shareholders' Equity

Not applicable.

(7) Notes Regarding Relationships Such As Business Combination

Third quarter of this consolidated accounting period (August 1st, 2011 to October 31st, 2011)

Business combinations due to acquisition.

1. Name and business activities of acquired corporation, main purpose for business combination, date of business combination, legal form of business combination and name of corporation after combination, acquired ratio of voting rights and major grounds leading to determination of acquired corporation.

(1) Name and business activities of acquired corporation

HealthQuest Ltd.

Manufacturing and sales of skincare products

(2) Main purpose for business combination

The purpose is to promote expansion of the categories of the products handled and market channels.

(3) Date of business combination

July 20th, 2011

(4) Legal form of business combination and name of corporation after combination

Legal form of business combination: Acquisition of stock through cash considerations

Name of corporation after combination: HealthQuest Ltd.

On August 31st, 2011, HealthQuest Ltd. merged with the subsdiary LANSINOH LABORATORIES,INC.

(5) Acquired ratio of voting rights

100%

(6) Major grounds leading to determination of acquired corporation

By acquiring stock through cash considerations, LANSINOH LABORATORIES,INC. acquired 100% of voting rights for HealthQuest Ltd.

2. Period of performance for the acquired corporation included within the quarterly consolidated statements of income related to the consolidated quarterly accounting period and the cumulative consolidated quarterly accounting period

July 21st, 2011 to September 30th, 2011

3. Cost of acquisition for acquired corporation and related details

Acquisition considerations	Cash and time deposit	3 million ￡
Acquisition cost		3 million ￡

4. Amount, factors that arose goodwill, amortization method and amortization period of arising goodwill (1) Amount of resulting goodwill

2.425 million ￡

(2) Factors that arose goodwill

Rational estimate of future excess earnings power.

(3) Amortization method and period

Straight-line amortization over a 5-year period.

5. Assuming that business combination is completed on the starting date for this consolidated fiscal year, approximate amount of influence on the quarterly consolidated statements of income related to this cumulative consolidated quarterly accounting period

This item is omitted due to difficulty in calculating the effects.