Summary of Financial Results
for the Second Quarter of Fiscal Year Ending January 2016
[Japanese Standards] (Consolidated)

September 7, 2015

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
Listing: First Section, Tokyo Stock Exchange
Website: www.pigeon.co.jp
Representative: Shigeru Yamashita (President and COO)
Contact person: Tsutomu Matsunaga (Managing Officer, Corporate Planning & Administration Division)/Tel: +81-3-3661-4188
Scheduled Filing Date of Quarterly Report: September 11, 2015
Scheduled Commencement Date of Dividend Payments: October 13, 2015
Preparation of Any Additional Explanatory Materials for Quarterly Financial Results: Yes
Holding of Any Briefing Session for Quarterly Financial Results: Yes (For analysts and institutional investors)

1. Consolidated Business Performance for the First Half of Fiscal Year Ending January 31, 2016 (February 1 to July 31, 2015)

(1) Consolidated Operating Results (cumulative)

(Millions of yen, rounded down, % figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
2Q ended July 31, 2015	46,522	18.6%	7,733	29.2%	7,873	32.2%	5,282	29.7%
2Q ended July 31, 2014	39,229	7.1%	5,985	24.3%	5,957	15.4%	4,074	30.5%

(Note) Comprehensive income: 2Q ended July 31, 2015 ¥5,913 million (118.9%)
2Q ended July 31, 2014 ¥2,701 million (47.9% negative)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)
2Q ended July 31, 2015	44.11	–
2Q ended July 31, 2014	34.00	–

(Note) Our Group carried out a 3-for-1 stock split with respect to its common stock, effective as of May 1, 2015.
The figures for quarterly net income per share are calculated on the assumption that this stock split had been conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
2Q ended July 31, 2015	76,282	50,758	65.0
FY ended January 31, 2015	72,367	47,297	63.8

(Reference) Shareholders' Equity: 2Q ended July 31, 2015 ¥49,599 million
FY ended January 31, 2015 ¥46,164 million

2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended January 31, 2015	–	45.00	–	60.00	105.00
FY ending January 31, 2016	–	20.00			
FY ending January 31, 2016 (Forecast)			–	20.00	40.00

(Note) Changes in dividend forecasts to the most recent announcement: Yes
Our Group carried out a 3-for-1 stock split with respect to its common stock, effective as of May 1, 2015.
For the fiscal year ended January 31, 2015, the actual dividend before the relevant stock split is described.

3. Consolidated Business Performance Forecasts (February 1, 2015 to January 31, 2016)

(% figures denote year-on-year change from the previous term)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	95,500	13.5%	15,000	17.4%	15,100	13.5%	9,600	13.6%	80.16

(Note) Revision of forecasts to the most recent announcement: Yes
Our Group carried out a 3-for-1 stock split with respect to its common stock, effective as of May 1, 2015.

Notes

(1) Changes in major subsidiaries (or changes in specific subsidiaries that affect the scope of consolidation) during the period under review: None
New: － (Company name: －), Excluded: － (Company name: －)

(2) Application of any accounting procedures specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting-based estimates, and restatements
1) Changes in accounting policies associated with revision of accounting standards: Yes
2) Changes in accounting policies other than the above 1): None
3) Changes in accounting-based estimates: None
4) Restatements: None
(Note) For further information, please refer to “(3) Changes in Accounting Policies, Changes in Accounting-based Estimates, and Restatements” in “2. Issues Regarding Summary Information (Notes)” on page 5.

(4) Number of outstanding shares (common stock)
1) Number of shares outstanding at the term-end (including treasury stock)
2Q ended July 31, 2015: 121,653,486
FY ended January 31, 2015: 121,653,486
2) Number of treasury stock for the period-end
2Q ended July 31, 2015: 1,891,387
FY ended January 31, 2015: 1,889,988
3) Number of average shares outstanding during the period (quarter accumulation)
2Q ended July 31, 2015: 119,762,652
2Q ended July 31, 2014: 119,830,395
(Note) Our Group carried out a 3-for-1 stock split with respect to its common stock, effective as of May 1, 2015. The number of shares listed above was calculated on the assumption that this stock split had been conducted at the beginning of the fiscal year ended January 31, 2015.

* Indication regarding the situation of quarterly review procedures
Financial results for this second 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 were 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 forecasts and future projections stated in this report are in no way intended as a promise of achievement as a company. In addition, the actual results could differ significantly from forecast figures depending on a variety of factors. See the section “(3) Explanation of Consolidated Performance Forecast and Other Future Predictions” in “1. Qualitative Information Regarding the Financial Results for the Current Quarter” on page 2 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

Table of Contents of the Appendix

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

(1) Explanation of Business Performance

During the consolidated six-month period under review, the global economy continued to recover at a gradual pace, despite lingering concerns regarding the European sovereign debt crisis and a slowdown in the economic growth of China. This favorable trend was due to factors such as a recovery in exports, backed by the personal consumption increase boosted by the improvement of the employment conditions in the United States, and a weaker euro in the Eurozone. The Japanese economy continued to show a gradual recovery, thanks to a gradual increase in capital investment supported by improvement in corporate earnings, as well as to signs of a recovery in personal consumption due to the improvement of employment and income conditions. Amid such economic circumstances, our Group has issued its fifth medium-term business plan (for the period between the fiscal year ended January 2015 and the fiscal year ending January 2017), and has put up the following slogan, "Pursuing world class business excellence, think globally, plan agilely, and implement locally". As it is the second year of the period targeted by the fifth medium-term business plan, we have been making efforts toward further growth. In addition, as our business policy, our Group aims at expanding our business and improving management quality by providing the following "Vision 2016".

< Vision 2016 >

i) Strengthening brand power (Global Number One manufacturer of baby and child care products)
ii) Reinforcing the management system toward a sustainable growth of our Group's business
iii) Improving management quality by focusing on cash flow
iv) Fostering our Group's global personnel, establishing human resources systems and promoting its employees' activities
v) Further enhancing corporate value

During the consolidated period under review we have been developing the above business policies, and strategies for each business and function. As a result, net sales for the period amounted to ¥46,522 million (up 18.6% YOY), due to factors including healthy business expansion in our Overseas Business centered on operations in China and Domestic Baby and Mother Care Business. Regarding earnings, operating income rose to ¥7,733 million (up 29.2% YOY), ordinary income recorded ¥7,873 million (up 32.2% YOY), and net income was ¥5,282 million (up 29.7% YOY), which means each significantly exceeded the previous corresponding result. This was due to a reduction of approximately 1.7 percentage point in the sales cost ratio from the previous same period, as a result of increased sales and efficient utilization of production bases accompanying business expansion.
"Domestic Baby and Mother Care Business", "Child-rearing Support Services", "Health Care and Nursing Care Business", "Overseas Business" and "China Business" have been identified as our Group's reporting segments. Each segment is outlined below.

Domestic Baby and Mother Care Business
Net sales of the segment amounted to ¥14,216 million (up 14.7% YOY). Segment profits increased to ¥2,296 million (up 13.2% YOY) which exceeded the previous corresponding result despite the increase in selling, general and administrative expenses due to marketing activities for new products. In January, we launched "Runfee", a new stroller that easily overcomes level differences, and in July, we added two new colors for this fall/winter season. Sales and market share are expanding smoothly. Moreover, during the period under review, we have held a number of events planned as a part of our direct communications program such as our "Breast Feeding Seminar" for women

expecting to give birth in the near future and a seminar about breastfeeding while parenting for health care professionals, organized 6 times. A total of approximately 670 women have participated. We updated product information and made continuing progress in providing to our customers a more easily accessible “Pigeon Info” website that supports women during pregnancy, in childbirth, and those raising children.

Child-rearing Support Services

Net sales of the segment amounted to ¥3,374 million (up 0.3% YOY). Segment profits decreased to ¥70 million (down 27.0%) due to a rise in the sales cost ratio. For in-company child-care facilities, we received one consignment and started the service. While improving the service quality, we have been working on management of these facilities.

Health Care and Nursing Care Business

Net sales of the segment amounted to ¥3,466 million (down 1.6% YOY), while the revision of the nursing care insurance system and the competition in the market of consumables continued to intensify. Segment profits decreased to ¥127 million (down 39.8% YOY) due to an increase in selling, general and administrative expenses from enhancing sales activities. In February, we released in this segment “assista ease I and II” wheel chairs for seniors. The assista ease I and II allow the posture to be kept straight and enables comfortable sitting for a long period of time. In addition, in April, we launched a new citrus green scent for the indoor “Kaori Kakumei” deodorant series. The spray type room air freshener eliminates indoor odors caused by problems with leaking and leaves behind a nice scent. Our Group will continue to focus on marketing products and ensure sales activities focusing on facility routes are carried out considerately.

Overseas Business

In this segment, although management of regions including Korea, Hong Kong, Taiwan, and Russia was transferred to the China Business Division from this consolidated fiscal year under review, net sales of the segment amounted to ¥11,980 million (up 13.9% YOY). Segment profits increased to ¥2,625 million (up 16.1% YOY). In India, we are continuing to actively expand sales and marketing activities with a view to establish our brand in the market. In May, we began shipping goods from our new local production plant. So we will continue to tune up the product supply organization even more, starting from our flagship nursing bottles and nipples, and to strengthen the sales/distribution system. Furthermore, we continue to aim at expanding our business in North America and Europe by reinforcing the organizational system of each sales branch based in countries such as England and Germany. Other efforts in this direction include expanding our product categories centered on nursing bottles, which were sold anew last year, in addition to breastfeeding-related products such as our flagship nipple cream and breast pads.

China Business

Net sales of the segment amounted to ¥16,600 million (up 51.6% YOY). Although the selling, general and administrative expenses increased as a result of marketing activities conducted along with an active expansion of the business, the segment profits increased to ¥4,798 million (up 45.2% YOY). This segment recorded a significant increase in net sales and segment profits from the previous year, assisted mainly by the effects of steady growth in product categories such as nursing bottles and nipples, due to continuous reinforcement of marketing and sales promotion activities in addition to transferring management of regions including Korea, Hong Kong, Taiwan, and Russia to the China Business Division from the Overseas Business Division. In May, we launched new skin care products. We aim at expanding our business even more, by also focusing on product categories other than our flagship nursing bottles and nipples, such as renewing disposable diapers to get an even greater level of absorption.

Other Businesses
Net sales of the segment amounted to ¥633 million (down 3.2% YOY), and the segment profits decreased to ¥73 million (down 14.9% YOY).

(2) Explanation of Financial Position

(Assets)
As of July 31, 2015, our Group recorded total assets of ¥76,282 million, up ¥3,915 million from the previous consolidated fiscal year ended January 31, 2015. Current assets had an increase of ¥3,284 million, and fixed assets had an increase of ¥631 million.
Current assets increased mainly due to an increase in cash and deposits of ¥1,159 million, an increase in notes and accounts receivable - trade of ¥1,111 million, and an increase in merchandise and finished goods of ¥689 million.
Fixed assets increased mainly due to an increase in buildings and structures of ¥218 million and an increase in machinery and transportation equipment included in other tangible fixed assets of ¥537 million.

(Liabilities)
As of July 31, 2015, our Group recorded total liabilities of ¥25,524 million, up ¥454 million from the previous consolidated fiscal year ended January 31, 2015. Current liabilities had an increase of ¥1,236 million, and fixed liabilities had a decrease of ¥782 million.
Current liabilities increased mainly due to an increase in notes and accounts payable – trade of ¥644 million and an increase in current portion of long-term loans payable of ¥942 million despite the decrease in income taxes payable of ¥177 million.
Fixed liabilities decreased mainly due to a decrease in long-term borrowings of ¥928 million despite an increase in deferred tax liabilities included in other fixed liabilities of ¥73 million.

(Net Assets)
As of July 31, 2015, our Group recorded total net assets of ¥50,758 million, up ¥3,461 million from the previous consolidated fiscal year ended January 31, 2015.
Net assets increased mainly due to an increase in retained earnings of ¥2,887 million and an increase in foreign currency translation adjustment of ¥533 million.

(3) Explanation of Consolidated Performance Forecast and Other Future Predictions
For the “Fifth Medium-Term Business Plan (for the period between fiscal year ending January 2015 and fiscal year ending January 2017)”, our Group has put up the following slogan, “Pursuing world class business excellence, think globally, plan agilely, and implement locally.” We will further develop and enhance our business operating system, while pursuing in the improvement of management quality and steadily implementing the measures grounded on the newly formulated strategies for each business segment and the functional strategy that serves as the foundation thereof.
During the consolidated fiscal year under review, the second year of our fifth medium-term business plan, we will continue to expand and enrich business in the existing markets concentrated in China and North America regarding the overseas business which our Group positions as a growing field, even though it is important to consider the trends in the American financial measures and the crude oil price, the future of Europe, China and emerging economies as well as geopolitical risks. Moreover, we will strive to ensure completion of our plans through actively pursuing new markets.
The performance forecast for the entire year, released on March 2, 2015, has been revised upward on September 7, 2015, based on the performance of the consolidated six-month period under review. Therefore, we forecast net sales of ¥95,500 million (up 3.8% compared with the previous forecast), operating income of ¥15,000 million (up 7.9% compared with the previous forecast), ordinary income of ¥15,100 million (up 7.9% compared with the previous forecast) and net income of ¥9,600 million (up 7.9% compared with the previous forecast).

2. Issues Regarding Summary Information (Notes)

(1) Significant Changes in Subsidiaries During the Period Under Review

Not applicable.

(2) Application of Any Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting-based Estimates, and Restatements

Changes in Accounting Policies

(Application of Accounting Standard, etc. Regarding Retirement Benefits)

Regarding the “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26, May 17, 2012. Hereinafter, referred to as “Retirement Benefits Accounting Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, May 17, 2012. Hereinafter, referred to as “Guidance on Retirement Benefits Accounting Standard”), the provisions stipulated in the main clause of Article 35 of the Retirement Benefit Accounting Standard and in the main clause of Article 67 of the Guidance on Retirement Benefits Accounting Standard has been applied since the first quarter of the consolidated current term, and calculation methods for retirement benefit obligations and service costs were reviewed. As a result, attribution of expected benefit payments was changed from the straight-line basis to salary amount basis. At the same time, the determination method of the discount rate was changed from the discount rate determined based on the average period up to the estimated timing of benefit payment to the discount rate reflecting the estimated timing of each benefit payment.

There is no impact on retained earnings and gain or loss due to this change at the beginning of the fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	At January 31, 2015	At July 31, 2015
ASSETS		
I. Current Assets:		
Cash and deposits	21,590,935	22,750,631
Notes and accounts receivable - trade	15,278,435	16,389,440
Merchandise and finished goods	5,899,152	6,588,326
Work in process	242,058	266,094
Raw materials and supplies	2,357,688	2,424,209
Other current assets	1,689,971	1,927,160
Allowance for doubtful accounts	(31,073)	(34,598)
Total Current Assets	47,027,168	50,311,264
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures, net	6,802,457	7,021,428
Land	6,138,953	6,125,793
Other tangible fixed assets, net	8,441,947	8,881,406
Total Tangible Fixed Assets	21,383,358	22,028,628
2. Intangible Fixed Assets:		
Goodwill	302,173	203,254
Other intangible fixed assets	1,422,182	1,478,457
Total Intangible Fixed Assets	1,724,355	1,681,711
3. Investments and Other Assets:		
Other	2,267,439	2,299,128
Allowance for doubtful accounts	(35,242)	(37,869)
Total Investments and Other Assets	2,232,197	2,261,258
Total Fixed Assets	25,339,911	25,971,598
Total Assets	72,367,080	76,282,862
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,462,757	5,107,657
Short-term borrowings	890,205	1,112,304
Current portion of long-term loans payable	1,200,000	2,142,865
Income taxes payable	1,535,554	1,358,356
Accrued bonuses to employees	783,744	839,229
Reversal of reserve for returned products	46,207	53,220
Provision for loss on litigation	38,571	39,179
Other current liabilities	6,315,702	5,856,919
Total Current Liabilities	15,272,743	16,509,731
II. Fixed Liabilities:		
Long-term borrowings	5,928,235	5,000,000
Provision for employees' retirement benefits	315,383	329,671
Provision for directors and corporate auditors' retirement benefits	342,566	392,482
Other fixed liabilities	3,210,936	3,292,160
Total Fixed Liabilities	9,797,120	9,014,314
Total Liabilities	25,069,864	25,524,045

(Thousands of yen)

	At January 31, 2015	At July 31, 2015
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199,597	5,199,597
Capital surplus	5,180,246	5,180,246
Retained earnings	31,383,875	34,271,375
Treasury stock	(942,114)	(946,436)
Total Shareholders' Equity	40,821,604	43,704,782
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	36,811	55,058
Foreign currency translation adjustment	5,306,072	5,839,626
Total Accumulated Other Comprehensive Income	5,342,883	5,894,684
III. Minority Interests	1,132,727	1,159,348
Total Net Assets	47,297,215	50,758,816
Total Liabilities and Net Assets	72,367,080	76,282,862

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statements of Income

(Scope of Consolidation of Second Quarter)

(Thousands of yen)

	Six months ended July 31, 2014	Six months ended July 31, 2015
I. Net Sales	39,229,251	46,522,451
II. Cost of Sales	21,524,123	24,725,666
Gross profit	17,705,128	21,796,785
Reversal of reserve for returned products	56,594	46,170
Transfer to reserve for returned products	59,577	41,185
Adjusted gross profit	17,702,145	21,801,770
III. Selling, General and Administrative Expenses	11,716,300	14,067,791
Operating Income	5,985,845	7,733,978
IV. Non-operating Income:		
Interest income	83,938	147,618
Share of profit of entities accounted for using equity method	1,955	24,234
Foreign exchange gains	—	4,607
Other non-operating income	97,683	187,263
Total Non-operating Income	183,577	363,724
V. Non-operating Expenses:		
Interest expense	30,245	40,952
Sales discounts	134,261	167,016
Foreign exchange losses	29,774	—
Other non-operating expenses	17,245	15,898
Total Non-operating Expenses	211,526	223,867
Ordinary Income	5,957,896	7,873,836
VI. Extraordinary Income:		
Gain on sales of fixed assets	1,432	7,247
Total Extraordinary Income	1,432	7,247
VII. Extraordinary Loss:		
Loss on sales of fixed assets	1,778	150
Loss on disposal of fixed assets	20,731	4,898
Total Extraordinary Loss	22,510	5,049
Income before Income Taxes	5,936,818	7,876,034
Income Taxes - current	1,749,125	2,430,495
Income Taxes - deferred	29,346	66,281
Total Corporate Income Tax	1,778,471	2,496,777
Income before Minority Interests	4,158,346	5,379,257
Minority Interests in Income	83,881	96,486
Net Income	4,074,465	5,282,770

Quarterly Consolidated Statement of Comprehensive Income
(Scope of Consolidation of Second Quarter)

	Six months ended July 31, 2014	Six months ended July 31, 2015
Income before Minority Interests	4,158,346	5,379,257
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(265)	18,247
Foreign currency translation adjustment	(1,456,569)	516,404
Total Other Comprehensive Income	(1,456,835)	534,651
Quarterly Comprehensive Income	2,701,511	5,913,908
(Break down)		
Quarterly comprehensive income on parent company	2,640,702	5,834,571
Quarterly comprehensive income on minority interests	60,808	79,337

(Thousands of yen)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended July 31, 2014	Six months ended July 31, 2015
I. Cash Flow from Operating Activities		
Income before Income Taxes	5,936,818	7,876,034
Depreciation	887,064	1,131,160
Amortization of goodwill	87,442	101,236
Increase (decrease) in allowance for doubtful accounts	27,263	5,616
Increase (decrease) in accrued bonuses to employees	(30,855)	54,158
Increase (decrease) in provision for employees' retirement benefits	6,193	—
Increase (decrease) in net defined benefit liability	—	15,423
Increase (decrease) in provision for directors and corporate auditors' retirement benefits	4,101	49,916
Interest and dividend income	(85,137)	(150,076)
Share of (gain) loss of entities accounted for using equity method	(1,955)	(24,234)
Interest expenses	30,245	40,952
Loss (gain) on sales of property	346	(7,096)
Loss on disposal of property	20,731	4,898
Decrease (increase) in notes and accounts receivable - trade	(2,134,689)	948,573
Decrease (increase) in inventories	(661,290)	(717,425)
Increase (decrease) in notes and accounts payable - trade	262,972	567,302
Increase (decrease) in accounts payable	55,636	42,742
Increase (decrease) in accrued consumption taxes	334,158	(51,185)
Decrease (increase) in claims provable in bankruptcy/rehabilitation	20	(3,117)
Other	(324,786)	(203,634)
Subtotal	4,414,282	7,784,097
Interest and dividend income received	73,331	284,279
Interest expenses paid	(5,518)	(82,241)
Income taxes paid	(1,885,828)	(2,622,540)
Net Cash Provided by Operating Activities	2,596,266	5,363,595
II. Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(1,607,232)	(2,062,525)
Proceeds from sales of property, plant and equipment	2,216	33,894
Purchase of intangible assets	(89,594)	(168,260)
Purchase of investment securities	(329)	(1,046)
Purchase of insurance funds	(3,168)	(1,151)
Proceeds from cancellation of insurance funds	—	624
Payments of loans receivable	(865)	(1,239)
Collection of loans receivable	1,117	1,147
Payments for lease deposits	(31,058)	(11,091)
Collection of lease deposits	14,923	9,623
Other	233	(17,765)
Net Cash Used in Investing Activities	(1,713,756)	(2,217,790)

(Thousands of yen)

	Six months ended July 31, 2014	Six months ended July 31, 2015
III. Cash Flows from Financing Activities		
Increase in short-term loans payable	1,153,675	887,720
Decrease in short-term loans payable	(1,000,000)	(682,195)
Proceeds from long-term loans payable	5,000,000	－
Repayments of long-term loans payable	(4,860)	－
Payment of cash dividends	(2,198,754)	(2,394,623)
Cash dividends paid to minority shareholders	(44,693)	(52,716)
Purchase of treasury stock	(485,068)	(4,321)
Other	(5,898)	(6,513)
Net Cash Provided by (Used in) Financing Activities	2,414,399	(2,252,649)
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	(458,859)	266,541
V. Net Increase (Decrease) in Cash and Cash Equivalents	2,838,050	1,159,696
VI. Cash and Cash Equivalents at Beginning of Period	13,102,606	21,590,935
VII. Cash and Cash Equivalents at End of Period	15,940,657	22,750,631

(4) Notes on Consolidated Financial Statement

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Additional Information)

(Modification of Amount of Deferred Tax Assets and Deferred Tax Liabilities Due to Tax Rate Change of Corporate Income Tax, etc.)

The Act on the Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015) and the Act on Partial Revision of Local Tax Act, etc. (Act No. 2 of 2015) were issued on March 31, 2015, and reductions of corporate income tax, etc. are applied to the consolidated fiscal year starting from April 1, 2015. Due to the change, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 35.64%. 33.10% is applied to temporary differences, etc. that are expected to be dissipated in the consolidated fiscal year starting on February 1, 2016 while 32.34% is applied to temporary differences, etc. that are expected to be dissipated in the consolidated fiscal year starting on February 1, 2017 and later.

The impact due to this tax rate change is minor.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Six months ended July 31, 2014

1. Information Regarding Net Sales and Profit (Loss) in Each Reporting Segment

(Thousands of yen)

	Reporting Segment						Other Businesses (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	China Business	Sub Total				
Net sales										
Net sales to external customers	12,391,921	3,364,614	3,521,826	8,647,332	10,649,378	38,575,074	654,177	39,229,251	—	39,229,251
Internal sales or exchange between segments	—	—	—	1,874,772	302,318	2,177,091	—	2,177,091	(2,177,091)	—
Total	12,391,921	3,364,614	3,521,826	10,522,105	10,951,697	40,752,165	654,177	41,406,342	(2,177,091)	39,229,251
Segment profit	2,029,703	96,301	212,313	2,261,681	3,303,648	7,903,647	86,923	7,990,571	(2,004,726)	5,985,845

(Notes)

1. The "Other Businesses" classification refers to businesses not included in the reporting segments, which are mainly our Group's production subsidiaries manufacturing, and those selling products to companies outside our Group.
2. The negative amount of ¥2,004,726 thousand from adjustments in segment profits includes a ¥51,290 thousand in elimination of intersegment transactions, and a negative ¥2,056,016 thousand in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
3. Segment profits are adjusted to operating income in the quarterly consolidated statements of income.

Six months ended July 31, 2015

Information Regarding Net Sales and Profit (Loss) in Each Reporting Segment

(Thousands of yen)

	Reporting Segment						Other Businesses (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	China Business	Sub Total				
Net sales										
Net sales to external customers	14,216,389	3,374,549	3,466,611	8,525,482	16,306,365	45,889,398	633,052	46,522,451	—	46,522,451
Internal sales or exchange between segments	—	—	—	3,455,246	294,066	3,749,312	—	3,749,312	(3,749,312)	—
Total	14,216,389	3,374,549	3,466,611	11,980,728	16,600,432	49,638,711	633,052	50,271,764	(3,749,312)	46,522,451
Segment profit	2,296,752	70,313	127,774	2,625,079	4,798,185	9,918,105	73,975	9,992,081	(2,258,102)	7,733,978

(Notes)

1. The "Other Businesses" classification refers to businesses not included in the reporting segments, which are mainly our Group's production subsidiaries manufacturing, and those selling products to companies outside our Group.
2. The negative amount of ¥2,258,102 thousand from adjustments in segment profits includes a ¥12,829 thousand in elimination of intersegment transactions, and a negative ¥2,270,932 thousand in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
3. Segment profits are adjusted to operating income in the quarterly consolidated statements of income.
4. Due to the transfer of management of businesses in regions including Korea, Hong Kong, Taiwan, and Russia from "Overseas Business" to "China Business" from this consolidated fiscal year under review, intersegment transactions between "Overseas Business" and "China Business" increased.