

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

December 7, 2015

Name of Listed Company: Pigeon Corporation (Stock code: 7956)  
 Listing: First Section, Tokyo Stock Exchange  
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 Scheduled Filing Date of Quarterly Report: December 11, 2015  
 Scheduled Commencement Date of Dividend Payments: —  
 Preparation of Any Additional Explanatory Materials for Quarterly Financial Results: No  
 Holding of Any Briefing Session for Quarterly Financial Results: No

## 1. Consolidated Business Performance for the First Three Quarters of Fiscal Year Ending January 31, 2016 (February 1 to October 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	
3Q ended October 31, 2015	68,319	11.7%	11,128	14.6%	11,463	15.2%	7,789	22.1%
3Q ended October 31, 2014	61,167	6.3%	9,714	15.4%	9,950	11.9%	6,377	13.1%

(Note) Comprehensive income: 3Q ended October 31, 2015      ¥6,341 million (20.4% negative)  
 3Q ended October 31, 2014      ¥7,968 million (5.7%)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)
3Q ended October 31, 2015	65.04	—
3Q ended October 31, 2014	53.23	—

(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 (%)
3Q ended October 31, 2015	74,002	48,790	64.4
FY ended January 31, 2015	72,367	47,297	63.8

(Reference) Shareholders' Equity: 3Q ended October 31, 2015      ¥47,650 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: None  
 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: None

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)

3Q ended October 31, 2015: 121,653,486

FY ended January 31, 2015: 121,653,486

2) Number of treasury stock for the period-end

3Q ended October 31, 2015: 1,891,557

FY ended January 31, 2015: 1,889,988

3) Number of average shares outstanding during the period (quarter accumulation)

3Q ended October 31, 2015: 119,762,433

3Q ended October 31, 2014: 119,807,955

(Note) Our Group carried out a 3-for-1 stock split with respect to its common stock, effective as of May 1, 2015. The above figures were calculated on the assumption that this stock split has been conducted at the beginning of the fiscal year ended January 31, 2015.

\* Indication regarding the situation of quarterly review procedures

The report of the financial results for this third quarter are not the subject of a quarterly review procedure based on the Financial Instruments and Exchange Act, and at the time of disclosure of the report, review procedures for quarterly financial statements based on the Financial Instruments and Exchange Act were still in progress.

\* 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 4 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

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

### (1) Explanation of Business Performance

During the consolidated nine-month period under review, China's economic slowdown and other factors heightened concerns about the global economic recession, and thus the future remains hard to predict. Likewise, the price increase of imported raw materials due to the impact of the yen depreciation, and the economic recession of emerging countries, caused the sense of uncertainty over the future to increase in Japan, although personal consumption showed a robust trend, and improvement could be seen in company earnings and employment conditions. Amid such economic circumstances, the Group is working on achieving further business growth for this second year since we started implementing our fifth medium-term business plan (for the period between the fiscal year ended January 2015 and the fiscal year ending January 2017), under the slogan of "Pursuing world class business excellence, think globally, plan agilely, and implement locally". Also, as its business policy, our Group aims at expanding its 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 nine-month period under review, we have been developing the above business policies and strategies for each of our business and function. As a result, net sales amounted to ¥68,319 million (up 11.7% YOY), due to factors including continuous business growth in the Overseas Business and Domestic Baby and Mother Care Business. Regarding earnings, operating income rose to ¥11,128 million (up 14.6% YOY), ordinary income recorded ¥11,463 million (up 15.2% YOY), and net income was ¥7,789 million (up 22.1% YOY), which means each significantly exceeded the previous corresponding result. This was due to a reduction of approximately 1.6 percentage points in the sales cost ratio from the previous same period, as a result of the efficient utilization of production bases accompanying business expansion.

Our Group has a total of five reporting segments identified as: "Domestic Baby and Mother Care Business", "Child-rearing Support Services", "Health Care and Nursing Care Business", "Overseas Business", and "China Business". Each segment is outlined below.

#### Domestic Baby and Mother Care Business

Net sales of the segment amounted to ¥21,291 million (up 15.8% YOY). Segment profits increased to ¥3,413 million (up 17.2% YOY), exceeding the results of the previous same period, despite the higher cost of sales. 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 30 times. A total of approximately 2,300 people have participated. Our Company will continue to make progresses in providing to its customers more easily accessible information including updates of its merchandise information also on "Pigeon Info", which is a portal that supports women during pregnancy, in childbirth, and those

raising children.

### **Child-rearing Support Services**

Net sales of the segment amounted to ¥5,043 million (down 0.0% YOY). Segment profits decreased to ¥113 million (down 26.6% YOY) due to rises in cost of sales and SG&A expenses. We have launched one in-company child-care facility, which we are currently operating while striving to improve the service quality.

### **Health Care and Nursing Care Business**

Net sales of the segment amounted to ¥4,950 million (down 2.9% YOY), while the revision of the nursing care insurance system and the competition in the market of consumables continued to intensify. Segment profits decrease to ¥116 million (down 60.8% YOY) due to the impact of a decline in gross profit particularly in the facility routes, among other factors. 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, we managed to post growth in both sales and profits compared to the previous same period, with net sales that amounted to ¥18,546 million (up 11.5% YOY), and segment profits that recorded ¥4,243 million (up 16.5% YOY). In May, we began shipping Pigeon's flagship products —nursing bottles and nipples— from our new local production plant in India. Going forward, we will continue to strengthen the sales/distribution system. We are steadily expanding sales of breastfeeding-related products such as our flagship products, including nipple cream, breast pads, and breast pumps. Furthermore, we continue to aim at expanding our product categories centered on nursing bottles, which were sold anew last year. Other efforts in this direction include expanding our business in North America and Europe by reinforcing the organizational system of each sales branch based in European countries such as England and Germany.

### **China Business**

Net sales of the segment amounted to ¥23,004 million (up 24.0% 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 ¥6,568 million (up 16.9% YOY). This segment recorded an 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. Moreover, the changes in our primary distributors started this fiscal year were completed during this third quarter.

### **Other Businesses**

Net sales of the segment amounted to ¥956 million (down 1.7% YOY), and the segment profits decreased to ¥110 million (down 17.0% YOY).

## **(2) Explanation of Financial Position**

### **(1) Assets**

As of October 31, 2015, our Group recorded total assets of ¥74,002 million, up ¥1,635 million from the previous consolidated fiscal year ended January 31, 2015. Current assets increased by ¥1,651 million, while fixed assets decreased by ¥16 million.

Current assets increased mainly due to an increase in cash and deposits of ¥2,287 million, an increase in merchandise and finished goods of ¥854 million, and an increase in raw materials and supplies of ¥224 million, despite the decrease in notes and accounts receivable – trade of ¥2,126 million.

Fixed assets diminished due to a decrease in tools, furniture and fixtures included in other tangible fixed assets of ¥167 million.

### **(2) Liabilities**

As of October 31, 2015, our Group recorded total liabilities of ¥25,212 million, up ¥142 million from the previous consolidated fiscal year ended January 31, 2015. Current liabilities had an increase of ¥831 million, while fixed liabilities had a decrease of ¥689 million.

Current liabilities increased mainly due to an increase in current portion of long-term loans payable of ¥923 million and an increase in accrued bonuses to employees of ¥535 million, despite the decrease in income taxes payable of ¥420 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 ¥163 million.

### **(3) Net Assets**

As of October 31, 2015, our Group recorded total net assets of ¥48,790 million, up ¥1,493 million from the previous consolidated fiscal year ended January 31, 2015.

Net assets increased mainly due to an increase in retained earnings of ¥2,998 million, despite the decrease in foreign currency translation adjustment of ¥1,523 million.

## **(3) Explanation of Consolidated Performance Forecast and Other Future Predictions**

For the “Fifth Medium-Term Business Plan (for the period between fiscal year ended 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 (from February 1, 2015 to January 31, 2016), 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 aim at further improvement in business performance through actively pursuing new markets. In this consolidated fiscal year, the second year of our fifth medium-term business plan, we will strive to ensure completion of our plans.

The performance forecast for the entire year, released on March 4, 2015, has been revised upward on September 7, 2015. 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 October 31, 2015
<b>ASSETS</b>		
<b>I. Current Assets:</b>		
Cash and deposits	21,590,935	23,878,007
Notes and accounts receivable - trade	15,278,435	13,152,026
Merchandise and finished goods	5,899,152	6,753,563
Work in process	242,058	332,846
Raw materials and supplies	2,357,688	2,582,132
Other current assets	1,689,971	2,014,323
Allowance for doubtful accounts	(31,073)	(33,937)
<b>Total Current Assets</b>	<b>47,027,168</b>	<b>48,678,962</b>
<b>II. Fixed Assets:</b>		
<b>1. Tangible Fixed Assets:</b>		
Buildings and structures, net	6,802,457	7,213,456
Land	6,138,953	6,079,935
Other tangible fixed assets, net	8,441,947	8,237,426
<b>Total Tangible Fixed Assets</b>	<b>21,383,358</b>	<b>21,530,818</b>
<b>2. Intangible Fixed Assets:</b>		
Goodwill	302,173	202,369
Other intangible fixed assets	1,422,182	1,416,258
<b>Total Intangible Fixed Assets</b>	<b>1,724,355</b>	<b>1,618,627</b>
<b>3. Investments and Other Assets:</b>		
Other	2,267,439	2,211,532
Allowance for doubtful accounts	(35,242)	(37,472)
<b>Total Investments and Other Assets</b>	<b>2,232,197</b>	<b>2,174,060</b>
<b>Total Fixed Assets</b>	<b>25,339,911</b>	<b>25,323,505</b>
<b>Total Assets</b>	<b>72,367,080</b>	<b>74,002,468</b>
<b>LIABILITIES</b>		
<b>I. Current Liabilities:</b>		
Notes and accounts payable - trade	4,462,757	4,429,455
Electronically recorded obligations - operating	—	520,370
Short-term borrowings	890,205	1,064,787
Current portion of long-term loans payable	1,200,000	2,123,692
Income taxes payable	1,535,554	1,114,666
Accrued bonuses to employees	783,744	1,318,999
Reversal of reserve for returned products	46,207	63,967
Provision for loss on litigation	38,571	38,383
Other current liabilities	6,315,702	5,430,086
<b>Total Current Liabilities</b>	<b>15,272,743</b>	<b>16,104,408</b>
<b>II. Fixed Liabilities:</b>		
Long-term borrowings	5,928,235	5,000,000
Net defined benefit liability	315,383	327,617
Provision for directors and corporate auditors' retirement benefits	342,566	400,959
Other fixed liabilities	3,210,936	3,379,023
<b>Total Fixed Liabilities</b>	<b>9,797,120</b>	<b>9,107,599</b>
<b>Total Liabilities</b>	<b>25,069,864</b>	<b>25,212,008</b>

(Thousands of yen)

At January 31, 2015      At October 31, 2015

<b>NET ASSETS</b>		
<b>I. Shareholders' Equity:</b>		
Capital stock	5,199,597	5,199,597
Capital surplus	5,180,246	5,180,246
Retained earnings	31,383,875	34,382,691
Treasury stock	(942,114)	(947,007)
<b>Total Shareholders' Equity</b>	<b>40,821,604</b>	<b>43,815,528</b>
<b>II. Accumulated Other Comprehensive Income:</b>		
Valuation difference on available-for-sale securities	36,811	51,977
Foreign currency translation adjustment	5,306,072	3,782,965
<b>Total Accumulated Other Comprehensive Income</b>	<b>5,342,883</b>	<b>3,834,943</b>
<b>III. Minority Interests</b>	<b>1,132,727</b>	<b>1,139,987</b>
<b>Total Net Assets</b>	<b>47,297,215</b>	<b>48,790,460</b>
<b>Total Liabilities and Net Assets</b>	<b>72,367,080</b>	<b>74,002,468</b>

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

Quarterly Consolidated Statements of Income  
(Scope of Consolidation of Third Quarter)

(Thousands of yen)

	Nine months ended October 31, 2014	Nine months ended October 31, 2015
<b>I. Net Sales</b>	61,167,802	68,319,511
<b>II. Cost of Sales</b>	33,307,354	36,086,364
<b>Gross profit</b>	27,860,447	32,233,146
Reversal of reserve for returned products	56,713	46,271
Transfer to reserve for returned products	42,736	56,400
<b>Adjusted gross profit</b>	27,874,424	32,223,017
<b>III. Selling, General and Administrative Expenses</b>	18,160,294	21,094,023
<b>Operating Income</b>	9,714,129	11,128,993
<b>IV. Non-operating Income:</b>		
Interest income	131,894	206,998
Share of profit of entities accounted for using equity method	11,161	35,934
Foreign exchange gains	38,676	—
Refund of consumption tax	—	229,694
Other non-operating income	347,385	230,972
<b>Total Non-operating Income</b>	529,117	703,600
<b>V. Non-operating Expenses:</b>		
Interest expense	47,571	66,765
Sales discounts	210,348	258,282
Foreign exchange losses	—	19,325
Other non-operating expenses	35,307	24,986
<b>Total Non-operating Expenses</b>	293,227	369,360
<b>Ordinary Income</b>	9,950,020	11,463,233
<b>VI. Extraordinary Income:</b>		9,804
Gain on sales of fixed assets	6,267	9,804
<b>Total Extraordinary Income</b>	6,267	
<b>VII. Extraordinary Loss:</b>		
Loss on sales of fixed assets	5,842	822
Loss on disposal of fixed assets	19,514	10,558
Provision of allowance for recall loss	207,300	—
<b>Total Extraordinary Loss</b>	232,656	11,381
<b>Income before Income Taxes</b>	9,723,631	11,461,656
Income Taxes - current	2,943,000	3,429,695
Income Taxes - deferred	276,035	52,778
<b>Total Corporate Income Tax</b>	3,219,036	3,482,473
<b>Income before Minority Interests</b>	6,504,594	7,979,182
<b>Minority Interests in Income</b>	127,335	189,854
<b>Net Income</b>	6,377,259	7,789,328

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

(Thousands of yen)

	Nine months ended October 31, 2014	Nine months ended October 31, 2015
<b>Income before Minority Interests</b>	6,504,594	7,979,182
<b>Other Comprehensive Income</b>		
Valuation difference on available-for-sale securities	2,065	15,166
Foreign currency translation adjustment	1,461,419	(1,652,984)
<b>Total Other Comprehensive Income</b>	1,463,484	(1,637,817)
<b>Quarterly Comprehensive Income</b>	7,968,079	6,341,365
(Break down)		
Quarterly comprehensive income on parent company	7,788,848	6,281,388
Quarterly comprehensive income on minority interests	179,230	59,976

**(3) 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)**

Nine months ended October 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	18,385,948	5,044,063	5,096,668	13,560,993	18,106,770	60,194,445	973,357	61,167,802	—	61,167,802
Internal sales or exchange between segments	—	—	—	3,073,202	446,600	3,519,803	—	3,519,803	(3,519,803)	—
Total	18,385,948	5,044,063	5,096,668	16,634,196	18,553,371	63,714,248	973,357	64,687,605	(3,519,803)	61,167,802
Segment profit (loss)	2,913,766	154,508	297,565	3,642,451	5,618,023	12,626,316	132,798	12,759,115	(3,044,985)	9,714,129

(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 ¥3,044,985 thousand from adjustments in segment profits includes a ¥31,876 thousand in elimination of intersegment transactions, and a negative ¥3,076,862 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.

Nine months ended October 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	21,291,865	5,043,988	4,950,076	13,453,005	22,623,767	67,362,703	956,807	68,319,511	—	68,319,511
Internal sales or exchange between segments	—	—	—	5,093,416	380,978	5,474,395	—	5,474,395	(5,474,395)	—
Total	21,291,865	5,043,988	4,950,076	18,546,421	23,004,746	72,837,099	956,807	73,793,906	(5,474,395)	68,319,511
Segment profit (loss)	3,413,406	113,424	116,702	4,243,832	6,568,106	14,455,472	110,151	14,565,624	(3,436,630)	11,128,993

(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 ¥3,436,630 thousand from adjustments in segment profits includes a negative ¥50,449 thousand in elimination of intersegment transactions, and a negative ¥3,386,181 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.