Summary of Financial Results for the 1st Quarter of Fiscal Year Ending January 2015 [Japanese Accounting Standards] (Consolidated)

June 2, 2014

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
Listings: First Section, Tokyo Stock Exchange
Website: www.pigeon.co.jp
Representative: Shigeru Yamashita (President and Representative Director)
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Scheduled Date to file Quarterly Reports: June 6, 2014
Scheduled Date to Commence Dividend Payment: Not yet scheduled
Supplementary explanatory materials prepared for the quarterly financial results: None
Explanatory meetings for the quarterly financial results: None

1. Consolidated Operating Results for the 1st Quarter of Fiscal Year Ending January 2015 (February 1 to April 30, 2014)

(1) Performance (on a cumulative basis)

(¥ million, rounded down, % figures denote year-on-year change from the previous nine months)

	Net Sales		Operating Income		Ordinary Income		Net Income	
1Q of Fiscal Year ending Jan 2015	18,859	11.6%	2,683	40.3%	2,659	21.6%	1,772	33.5%
1Q of Fiscal Year ended Jan 2014	16,895	17.8%	1,913	35.9%	2,187	36.1%	1,328	26.4%

(Note) Comprehensive income: 1Q of Fiscal Year ending January 2015 ¥871 million ((68.0%));
1Q of Fiscal Year ended January 2014 ¥2,727 million (54.0%)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)
1Q of Fiscal Year ending Jan 2015	44.35	—
1Q of Fiscal Year ended Jan 2014	33.18	—

(Note) The Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013.
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 (%)
1Q of Fiscal Year ending Jan 2015	61,832	38,122	60.3
1Q of Fiscal Year ended Jan 2014	57,955	39,981	67.5

(Reference) Shareholders' Equity: 1Q of Fiscal Year ending January 2015 ¥37,282 million
1Q of Fiscal Year ending January 2014 ¥ 39,124 million

2. Dividend Payment

	Annual Dividend (¥)				
	1Q	2Q	3Q	Year-end	Full-year
Fiscal Year ended Jan 2014	—	66.00	—	55.00	—
Fiscal Year ending Jan 2015	—				
Fiscal Year ending Jan 2015 (Forecast)		45.00	—	45.00	90.00

(Note) Changes in dividend forecasts to the most recent announcement: None.
The Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013.

3. Forecast for the Consolidated Operating Results (February 1, 2014 to January 31, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (¥)
Full year	84,500	9.1%	11,600	11.9%	11,800	7.3%	7,300	4.5%	182.38

(Note) Changes in dividend forecasts to the most recent announcement: None

* Notes

(1) Changes in significant subsidiaries during the period under review (Changes in specific subsidiaries accompanying changes in scope of consolidation): None.

(2) Adoption of special accounting methods to preparation of quarterly consolidated financial statements: None.

(3) Changes in accounting policies, changes in accounting estimates, and restatements
1) Changes in accounting policies pursuant to revision of accounting standards: No
2) Changes in accounting policies other than the above 1): Yes
3) Changes in accounting estimates: No
4) Restatements: No

(Note)
From the first quarter of the consolidated current term, the depreciation method has been changed and this change is applicable to “a case when it is difficult to distinguish between a change in an accounting policy and a change in an accounting estimate”. For further information, please refer to 2. Summary Information (Notes) and related items: (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements on page 6.

(4) Number of outstanding shares (common stock)
1) Number of outstanding shares issued at the term-end (including treasury stock)
1Q of Fiscal Year ending January 2015: 40,551,162
1Q of Fiscal Year ended January 2014: 40,551,162
2) Number of treasury stock for the period-end
1Q of Fiscal Year ending January 2015: 629,672
1Q of Fiscal Year ended January 2014: 525,652
3) Average number of shares outstanding during the fiscal year (on a cumulative basis of the quarters)
1Q of Fiscal Year ending January 2015: 39,966,223
1Q of Fiscal Year ended January 2014: 40,026,704

* Indication regarding the situation of quarterly review procedures

Financial results for this first 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 actual results could differ significantly from forecast figures depending on a variety of factors.

For the information regarding performance forecasts, please refer to “(3) Qualitative Information Regarding Consolidated Performance Forecasts” on page 4.

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

(1) Qualitative Information Regarding Consolidated Business Results

In the first quarter of this consolidated fiscal year under review, Japan`s economy continued to recover at a moderate pace. Business earnings improved and capital investments rose, supported by government`s economic and financial policies.
Overseas, there is a slowdown in emerging countries and an uncertainty over the future of political instability in Europe. Also there is a persistent risk of downward pressures on Japanese economy, such as a weaker consumer spending after raising the consumption tax rate.

Amid such economic circumstances, our Group has issued its fifth medium-term business plan (for the period between the fiscal year ending 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". Thus, our Group have made a fresh start in this first year for the plan to be implemented. 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 the Group`s business
iii) Improving management quality by focusing on cash flow
iv) Fostering the Group`s global personnel, establishing human resources systems and promoting its employee`s 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 ¥18,859 million (up 11.6% YOY), due to factors including healthy business expansion in Overseas Business centered on operations in China. Regarding earnings, operating income rose to ¥2,683 million (up 40.3% YOY), ordinary income recorded ¥2,659 million (up 21.6% YOY), and net income was ¥1,772 million (up 33.5% YOY), which means each significantly exceeded the previous corresponding result. This was due to a reduction of approximately 0.9 percentage points 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.

So far, "Domestic Baby and Mother Care Business", "Child-rearing Support Services", "Health Care and Nursing Care Business" and "Overseas Business" have been identified as the Group`s reporting segments. However, from this first consolidated quarter of the fiscal year under review, we separated our China-related operations from the "Overseas Business", which is why there is now a total of five reporting segments. Each segment is outlined below.
The following comparisons with the prior year quarter have been made with figures for the prior year quarter reclassified into the segmentation after such change.

Domestic Baby and Mother Care Business
Net sales in this segment were ¥6,057 million (up 1.8% YOY). Segment profits increased ¥1,050 million (up 33.7% YOY). This resulted from an increase in selling, general and administrative expenses due to reviewing marketing expenses.
In this segment, we have released products such as a reversible stroller "Mahalo" designed to ensure the comfort of the baby, an electric breast pump called "SAKU NYUKI DENDO First Class", which provides a comfortable breastfeeding routine while reducing frustrations of any mother willing to breastfeed her baby, and also "Pigeon's Skin Care Products" formulated with moisturizing ingredients close to those found in baby's vernix. Moreover, during the first quarter of the

consolidated period under review, we have held a number of events planned as a part of our direct communications program such as our "Ante-Natal Classes" for women expecting to give birth in the near future and "Women Meeting for Pregnancy Training" for those who are preparing for pregnancy, organized for three times. A total of approximately 240 women have participated.
We have conducted a renewal of top page, making good progress in providing to our customers a more easily accessible “Pigeon Info”—a word-of-mouth community portal that supports women during pregnancy, in childbirth, and those raising children.

Child-rearing Support Services
Net sales of the segment amounted to ¥178 million (up 1.8% YOY). Although there has been an increase in cost for recruitment due to current shortage of nursery teachers, the segment profits rose to ¥35 million (up 51.6% YOY), as gross profit improved. We have launched two in-house nursery facilities and while improving the service quality, the Group is steadily promoting sales.
Furthermore, since April we have implemented a mathematical experience program in Preschool Educational Facilities, called "Math Program", with much favorable feedback.

Health Care and Nursing Care Business
Net sales of the segment amounted to ¥7,327 million (up 8.0% YOY). In addition to an increase in gross profit, efforts have been made toward the effective use of selling, general and administrative expenses, while segment profits amounted to ¥123 million (up 44.9% YOY).
In February, we launched in this segment "Recoup KARURU", a new baby underwear which maintains conventional products' properties in absorption of liquids, and still it is more comfortable and has improved its functionality in urine leakage absorption.
The Group will continue to focus on marketing products through intensive research on priority categories and to ensure sales activities focusing on facility routes are carried out considerately.

Overseas Business
Sales of the segment amounted to ¥5,143 million (up 15.9% YOY). Segment profits amounted to ¥119 million (up 19.2% YOY).
In India, we are continuing to actively expand sales and marketing activities with a view to establish our brand on the market. In the future we intend to further strengthen the sales/distribution system and also to tune up the product supply organization.
Full-scale sales of baby bottles have been launched this January in North America, and we aim to continue expanding the business, by means of expanding product categories and consolidating our organizational structure.

China Business
Net sales of the segment amounted to ¥489 million (up 32.8% 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 amounted to ¥1,328 million (up 39.3% YOY). This segment recorded an increase in net sales and segment profits from the previous same period, assisted by the effects of a steady growth in product categories such as baby bottles and baby bottle nipples, due to continuous reinforcement of marketing and sales promotion activities.
Furthermore, sales of disposable diapers for babies released last July, have gradually increased, despite initial forecast drop, and we aim to further expand sales in the future.

Others
Net sales in this segment amounted to ¥342 million (up 19.8% YOY), as OEM product orders increased. The segment profits amounted to ¥51 million (up 52.7% YOY).

(2) Qualitative Information Regarding Consolidated Financial Position

As of the first consolidated quarter end of the fiscal year under review, the Group has recorded total assets of ¥61,832 million, up ¥3,877 million from the previous fiscal year end.
Current assets had an increase of ¥3,613 million, and fixed assets rose up to ¥263 million. The major factor boosting current assets was a ¥2,541 million increase in cash and deposits, and a ¥543 million increase in goods and products.
Fixed assets increased mainly due to an increase of ¥1,134 million in construction in progress, despite a decrease of ¥235 million in machinery, equipment and vehicles.
As of the first consolidated quarter end of the fiscal year under review, the Group has recorded total liabilities of ¥23,710 million, up ¥5,736 million from the previous fiscal year end.
Current liabilities had an increase of ¥716 million, and fixed liabilities rose up to ¥5,019 million. Current liabilities increased mainly due to an increase of ¥413 million in notes and accounts payable and of ¥428 million in other ones, despite a decrease of ¥288 million in income taxes payable.
As of the first consolidated quarter end of the fiscal year under review, the Group has recorded total net assets of ¥38,122 million, up ¥1,858 million from the previous fiscal year end.

(3) Qualitative Information Regarding Consolidated Performance Forecasts
For the "Fifth Medium-Term Business Plan (for the period between the fiscal year ending January 2015 and the fiscal year ending January 2017)", the Group has put up the following slogan, “Pursuing world class business excellence, think globally, plan agilely, and implement locally”. Also, our Group has made a fresh start in this first year for the plan to be implemented.
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.
Especially concerning the overseas business which the Group positions as a growing field, we will continue to expand and enrich business in the existing markets concentrated in China and North America, and in addition, we will pursuit our goal to further expand performance, due to actively pursuing new markets.
The Group aims to corporate business expansion and improvement of management quality, since it has established the following “Vision 2016” and “Business and Functional Strategies”. In this consolidated fiscal year, the first year of our fifth medium-term business plan, we will strive to ensure completion of our plans.

"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 the Group`s business
iii) Improving management quality by focusing on cash flow
iv) Fostering the Group`s global personnel, establishing human resources systems and promoting its employee`s activities
v) Further enhancing corporate value

■ Summary of Business and System Strategies
Overseas Business
・Key markets: Cultivation and deep penetration of markets in the prioritized countries from their market potential, including a medium-to-long-term perspective
・Key categories: Focusing our efforts on the categories that can make the most of Pigeon`s "strengths". (Baby bottles and nipples, breast pump, pacifiers, skin care products, and nursing pads)
・Activities in hospitals: Synergy between horizontal deployment of a model for activities in hospitals and strengthening brand power
1) Chinese market
- Business expansion
・Growth of existing categories and growth in new products such as disposable diapers
- Strengthening its operating base

・Capital investment in line with business expansion
・Cost containment and stable supply benefits of automation in the production lines
・Further strengthening of its organizational system in line with business expansion
2) U.S. and European markets
- Enhancement of our brand power in breastfeeding corporate support
・Feeding device: Introducing the actual experience of breastfeeding provided by NEXT in the markets of European and the United States markets
・Strengthening its total support to child care scene in terms of "Expressing breast milk → Storing → Feeding"
・Reinforcement of activities in hospitals
- Business expansion in Central and South America and cultivation of new markets
3) Asian and the Near and Middle Eastern markets
- Growth centered on five key categories (baby bottles, baby bottle nipples, breast pump, pacifiers, skin care products, and breast pads)
- Further strengthening of Pigeon`s products and accelerating their market penetration
- India: Operating plants for local production and bolstering marketing functions

Domestic Business
Baby and Mother Care Business
The Group aims to develop business growth in the existing fields and to improve profitability, by improving the profitability of current businesses and achieving solid growth for large-scale businesses in the segment of Baby and Mother Care, but also by reinforcing the management system focused on nursing care facility routes, and marketing products with a competitive advantage in the segment of Health Care and Nursing Care.
1) Domestic Baby and Mother Care Business
- Improve profitability of current businesses
- Establish a large-scale merchandise business and consider entering in new categories
2) Health Care and Nursing Care Business
- Reinforce sales in nursing care facility routes
- Achieve growth in both facilities and existing routes by marketing products with competitive advantage
- Further enhancement of nursing care service quality
3) Child-rearing Support Services
- Further improve child-rearing quality and achieve a steady business growth
- Foster human resources to ensure a high quality child-rearing

Functional strategies
1) Research and Development
- Enrich researches on "Baby Theories" and improve our product development capabilities by means of a consistent customer orientation.
- Establish and strengthen a structure for global business development by reviewing functions related to research, planning and development
2) Quality Control
- Reinforce quality control functions of each production site
- Establish the PIGEON PRODUCTIVE MANAGEMENT (PPM) system
3) Production, Procurement and Logistics
- Reduce costs by implementing an efficient production, procurement and logistics system
- Establish a Global Supply Chain Management system.
4) Global Human Resources System
- Foster individuals capable of playing an active role in global society and establish such human resources system, while meeting the further expansion of our business overseas.
5) Global Headquarters
- Reinforce the Corporate Center`s functions
・Strengthen planning and promotion functions of Group strategies

・Strengthen functions toward compliance and fulfillment of our corporate social responsibility

Consolidated performance forecasts for the Group remain unchanged from the forecasts announced on March 3, 2014.

2. Issues Regarding Summary (Notes) Information

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

Not applicable.

(2) Adoption of Special Accounting Procedures for Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

(Changes in accounting policies)

Change in the method for determining depreciation of tangible fixed assets

The Group and its consolidated subsidiaries previously used the declining-balance method for depreciation and amortization of property, plant and equipment (straight-line method had been applied to buildings, excluding facilities attached to buildings, acquired after April 1, 1998), but effective from this consolidated fiscal year, the straight-line method has been applied to all tangible fixed assets.

In the Group’s fifth medium-term business plan, effective from this current consolidated fiscal year, taking into consideration the Group’s further global business development going forward and the substantial growth in corporate earnings expected overseas, the change in method was made following a review of the investment effect of tangible fixed assets from the perspective of integrating Group accounting policies and properly adjusting periodic income, as it has been motivated by changes in the Group’s capital investment circumstances.

Consequently, property, plant and equipment held by the Group and its consolidated subsidiaries generally are subject to steady operation over their expected lifetime. In addition, as we can expect also from the Group’s product lines to generate stable profits, the change has been implemented because, firstly, it is reasonable, from a cost distribution point of view, to adopt the straight-line method as a depreciation method for the tangible fixed assets, and secondly, the economic conditions should be more appropriately reflected by doing so.

As a result of this change, operating income, ordinary income, and net income before income taxes all increased by 32,051 thousand yen compared with the results under the previous method.

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

(Thousands of yen)

	At January 31, 2014	At April 30, 2014
ASSETS		
I. Current Assets:		
Cash and deposits	13,102,606	15,643,792
Notes and accounts receivable	12,569,111	12,743,097
Goods and products	5,350,773	5,894,568
Goods in process	281,547	317,034
Raw material and inventory goods	2,420,080	2,569,319
Other current assets	1,670,255	1,861,697
Allowance for doubtful accounts	(30,988)	(52,145)
Total Current Assets	35,363,386	38,977,364
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures-net	6,238,559	6,075,324
Land	6,080,256	6,072,369
Other tangible fixed assets-net	6,704,646	7,192,120
Total Tangible Fixed Assets	19,023,463	19,339,814
2. Intangible Fixed Assets:		
Goodwill	441,108	388,834
Other intangible fixed assets	1,000,222	992,593
Total Intangible Fixed Assets	1,441,331	1,381,427
3. Investments and Other Assets:		
Other	2,170,610	2,177,747
Allowance for doubtful accounts	(43,424)	(43,414)
Total Investments and Other Assets	2,127,185	2,134,333
Total Fixed Assets	22,591,980	22,855,575
Total Assets	57,955,367	61,832,940

(Thousands of yen)

	At January 31, 2014	At April 30, 2014
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable	4,518,251	4,807,153
Short-term borrowings	395,212	514,600
Current portion of long-term loans payable	1,004,953	1,000,000
Income taxes payable	1,155,862	742,669
Accrued bonuses to employees	782,653	1,048,049
Returned goods adjustment reserve	57,318	90,177
Other current liabilities	4,904,682	5,333,139
Total Current Liabilities	12,818,934	13,535,789
II. Long-Term Liabilities:		
Long-term borrowings	2,011,503	6,992,484
Employees' retirement benefits	287,276	290,806
Retirement benefits for directors and corporate auditors	323,894	335,114
Other long-term liabilities	2,532,144	2,555,848
Total Long-Term Liabilities	5,154,818	10,174,253
Total Liabilities	17,973,753	23,710,043
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	26,929,960	26,501,111
Treasury stock	(455,960)	(940,213)
Total Shareholders' Equity	36,853,843	35,940,742
II. Valuation and Translation Adjustments:		
Net unrealized gains on securities	30,520	30,291
Foreign currency translation adjustment	2,240,472	1,311,501
Total Valuation and Translation Adjustments	2,270,992	1,341,793
III. Minority Interests	856,777	840,361
Total Net Assets	39,981,614	38,122,897
Total Liabilities, Minority Interests and Net Assets	57,955,367	61,832,940

(2) Quarterly Consolidated Statements of Income

(Thousands of yen)

	First Quarter ended April 30, 2013	First Quarter ended April 30, 2014
I. Net Sales	16,895,717	18,859,156
II. Cost of Sales	9,532,677	10,446,251
Gross profit	7,363,039	8,412,904
Reversal of reserve for returned products	46,037	56,671
Transfer to reserve for returned products	57,599	90,089
Adjusted gross profit	7,351,478	8,379,486
III. Selling, General and Administrative Expenses	5,438,060	5,695,747
Operating Income	1,913,417	2,683,738
IV. Other Income:		
Interest income	26,027	35,038
Equity in earnings of non consolidated subsidiaries and affiliates	18,795	—
Foreign exchange gains	248,794	—
Other	54,429	52,853
Total Other Income	348,046	87,892
V. Other Expenses:		
Interest expense	8,029	12,988
Sales discounts	57,076	65,967
Equity in losses of non consolidated subsidiaries and affiliates	—	1,451
Foreign exchange losses	—	23,387
Other	8,592	7,905
Total Other Expenses	73,697	111,700
Ordinary Income	2,187,766	2,659,930
VI. Extraordinary Income:		
Gain on sales of property	2,179	669
Total Extraordinary Income	2,179	669
VII. Extraordinary Loss:		
Loss on sales of property	31	259
Loss on disposal of property	5,219	6,442
Total Extraordinary Loss	5,251	6,702
Income before Income Taxes	2,184,695	2,653,896
Income Taxes	681,028	895,339
Adjustment for Corporate Tax	146,339	(51,736)
Total Corporate Income Tax	827,368	843,603
Income before minority interests	1,357,326	1,810,292
Less: Minority Interest in Net Income of Consolidated Subsidiaries	29,200	37,738
Net Income	1,328,126	1,772,554

Quarterly Consolidated Statement of Comprehensive Income
(First Quarter ended April 30, 2014)

(Thousands of yen)

	First Quarter ended April 30, 2013	First Quarter ended April 30, 2014
Quarterly net income before adjusted minority interests income	1,357,326	1,810,292
Other comprehensive income		
Valuation difference on available-for-sale securities	39,326	(228)
Foreign currency translation adjustment	1,331,056	(938,432)
Total other comprehensive income	1,370,383	(938,661)
Quarterly comprehensive income	2,727,710	871,631
(Break down)		
Quarterly comprehensive income on parent company	2,610,641	843,354
Quarterly comprehensive income on minority interests	117,069	28,277

(3) Notes Regarding Going Concern Assumptions

Not applicable.

(4) Notes Regarding Substantial Changes in Shareholders' Equity

Not applicable.

(5) Segment Information

1Q of Consolidated Previous Term (February 1, 2013 - April 30, 2013)

Information Regarding Net Sales and Profit & Loss in Each Reporting Segment

(Thousands of yen)

	Reporting 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	China-related Business	Sub Total				
Net sales										
Sales to outside customers	5,951,750	1,677,647	1,653,422	3,758,714	3,568,626	16,610,160	285,556	16,895,717	—	16,895,717
Inter-segment sales or transfers	—	—	—	650,354	52,078	702,432	—	702,432	(702,432)	—
Total	5,951,750	1,677,647	1,653,422	4,409,068	3,620,704	17,312,593	285,556	17,598,150	(702,432)	16,895,717
Segment Profits	785,913	23,544	85,221	931,477	954,217	2,780,375	33,838	2,814,214	(900,796)	1,913,417

(Note)
1. "Others" are business segments not included in reporting segments and mostly are the Group's production subsidiaries manufacturing and selling products to companies outside the Group.
2. The amount of (¥900,796) thousand in adjustments in segment profits include (¥27,057) thousand in eliminations of inter-segment transactions, and (¥873,738) thousand in non-allocable operating expenses. Non-distributable operating expenses are mainly administrative costs of the Group.
3. Segment profits are adjusted to operating income in the consolidated statement of income.

1Q of Consolidated Current Term (February 1, 2014 - April 30, 2014)

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

(Thousands of yen)

	Reporting 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	China-related Business	Sub Total				
Net Sales										
Sales to outside customers	6,057,765	1,708,026	1,786,123	4,354,780	4,610,426	18,517,122	342,033	18,859,156	—	18,859,156
Inter-segment sales or transfers	—	—	—	788,973	198,743	987,717	—	987,717	(987,717)	—
Total	6,057,765	1,708,026	1,786,123	5,143,753	4,809,170	19,504,839	342,033	19,846,873	(987,717)	18,859,156
Segment Profits	1,050,463	35,701	123,521	1,109,929	1,328,830	3,648,445	51,683	3,700,129	(1,016,390)	2,683,738

(Note)
1. "Others" are business segments not included in reporting segments and mostly are the Group's production subsidiaries manufacturing and selling products to companies outside the Group.
2. The amount of (¥1,016,390) thousand in adjustments in segment profits include (¥34,062) thousand in eliminations of inter-segment transactions, and (¥982,327) thousand in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of the Group.
3. Segment profits are adjusted to operating income in the consolidated statement of income.

2. Matters concerning Changes in the Reporting Segments
Since this first quarter of the consolidated current term, the Group made changes in its business classification, reorganizing its business in five reporting segments, "Domestic Baby and Mother Care Business", "Child-rearing Support Services", "Health Care and Nursing Care Business" and "Overseas Business" and "China-related Business", as the latter, included before in the Overseas Business segment, increased in importance.
In this regard, the reporting segments for first quarter of the consolidated previous term are prepared and disclosed based on the segmentation after this change, effective from the first quarter of the consolidated current term.

3. Changes in the Method for Determining Depreciation of Tangible Fixed Assets
(3) As stated in the "2. Summary Information (Notes) and related items: Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements", the Group and its consolidated subsidiaries have switched to the straight-line method from the depreciation method for a part of its tangible fixed assets, effective the first quarter end of the consolidated current term.
The impact of this change on segment profits rose to ¥17,756 thousand in "Domestic Baby and Mother Care Business", ¥881 thousand in "Child-rearing Support Services", ¥3,422 thousand in "Health Care and Nursing Care Business", ¥3,069 thousand in "Overseas Business", and ¥1,853 thousand in "Other Businesses". Also, the amount of not-allocable operating expenses recorded an increase of ¥5,068 thousand.