

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

June 1, 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: June 5, 2015
 Scheduled Commencement Date of Dividend Payments: Not yet scheduled
 Preparation of Any Additional Explanatory Materials for Quarterly Financial Results: None
 Holding of Any Briefing Session for Quarterly Financial Results: None

1. Consolidated Business Performance for the First Quarter of Fiscal Year Ending January 31, 2016 (February 1 to April 30, 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	
1Q ended April 30, 2015	21,809	15.6%	3,596	34.0%	3,662	37.7%	2,469	39.3%
1Q ended April 30, 2014	18,859	11.6%	2,683	40.3%	2,659	21.6%	1,772	33.5%

(Note) Comprehensive income: 1Q ended April 30, 2015 ¥2,279 million (161.5%)
 1Q ended April 30, 2014 ¥871 million (68.0% negative)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)
1Q ended April 30, 2015	20.62	—
1Q ended April 30, 2014	14.78	—

(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 (%)
1Q ended April 30, 2015	72,050	47,128	63.8
FY ended January 31, 2015	72,367	47,297	63.8

(Reference) Shareholders' Equity: 1Q ended April 30, 2015 ¥45,999 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	—				
FY ending January 31, 2016 (Forecast)		18.00	—	18.00	36.00

(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	92,000	9.4%	13,900	8.8%	14,000	5.3%	8,900	5.3%	74.31

(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. For net income per share for business performance forecasts for the fiscal year ending January 31, 2016, the amount that considers the relevant stock split is described.

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 4.

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the term-end (including treasury stock)

1Q ended April 30, 2015: 121,653,486

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

2) Number of treasury stock for the period-end

1Q ended April 30, 2015: 1,890,552

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

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

1Q ended April 30, 2015: 119,763,131

1Q ended April 30, 2014: 119,898,669

(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 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 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.

Table of Contents of the Appendix

1. Qualitative Information Regarding the Financial Results for the Current Quarter.....	2
(1) Explanation of Business Performance.....	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Performance Forecast and Other Future Predictions.....	4
2. Issues Regarding Summary Information (Notes).....	4
(1) Significant Changes in Subsidiaries During the Period Under Review	4
(2) Application of Any Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements.....	4
(3) Changes in Accounting Policies, Changes in Accounting-based Estimates, and Restatements	4
3. Quarterly Consolidated Financial Statement.....	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statement of Comprehensive Income	8
Quarterly Consolidated Statements of Income (Scope of Consolidation of First Quarter)	8
Quarterly Consolidated Statement of Comprehensive Income (Scope of Consolidation of First Quarter).....	9
(3) Notes on Consolidated Financial Statement.....	10
(Notes Regarding Going Concern Assumption)	10
(Additional Information)	10
(Notes Regarding Substantial Changes in Shareholders' Equity).....	10
(Segment Information)	11

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

(1) Explanation of Business Performance

In the first quarter of this consolidated fiscal year under review, due to an improvement in business earnings against the backdrop of financial policies and economic measures by the government and boost to personal consumption by the improvement in the employment and income environment, Japan's economy has continued moving toward a gradual economic recovery. Overseas, on the other hand, although a slowdown in emerging countries was seen, economies gradually recovered as well due to an increase in personal consumption and rise in capital investment in the U.S. and recovery of exports in Europe.

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 ¥21,809 million (up 15.6% 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 ¥3,596 million (up 34.0% YOY), ordinary income recorded ¥3,662 million (up 37.7% YOY), and net income was ¥2,469 million (up 39.3% YOY), which means each significantly exceeded the previous corresponding result. This was due to a reduction of approximately 1.9 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 ¥7,014 million (up 15.8% YOY). Segment profits increased to ¥1,209 million (up 15.2% YOY) which exceeded the previous corresponding result despite the increase in selling, general and administrative expenses due to marketing activities for new products. In this segment, in January, we released a new baby stroller "Runfee" which can easily adjust to level gaps and sales and market share have been steadily increasing. Moreover, during the period under review, we have held events planned as a part of our direct communications program such as "Premama Class" for women expecting to give birth in the near future and participation in maternity events as an exhibitor, and seminars for health care professionals targeting breastfeeding related specialists, midwives, and nurses, etc., organized for 2 times. A total of approximately 151 people 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 ¥1,740 million (up 1.9% YOY). Although there has been an increase in cost for recruitment due to current shortage of nursery teachers, the segment profits rose to ¥51 million (up 45.7% YOY), as gross profit improved. 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 ¥1,733 million (down 2.9% YOY) while competition in the market of consumables continued to intensify. Segment profits decreased to ¥76 million (down 37.7% 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 considerably.

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 ¥5,613 million (up 9.1% YOY). Segment profits increased to ¥1,208 million (up 8.9% YOY). In India, we are continuing to actively expand sales and marketing activities with a view to establish our brand in the market. In addition, in March, operation began in a new local production factory, and starting with nursing bottles and nipples which are flagship products, establishment of a supply system of more products and enhancement of the sales and distribution system will be worked on. In North America and Europe, we are aiming for business expansion by strengthening the organizational structure of each sale base and by enhancing our product categories centered on nursing bottles launched last year in addition to breastfeeding related products such as nipple care cream and disposable breast pads.

China Business

Net sales of the segment amounted to ¥7,214 million (up 50.0% 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 ¥2,083 million (up 56.8% 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. Deployment of a new “Pigeon corner” design started at the end of April, and communication with consumers is being activated by using SNS. Through these measures, we will continue to aim for further business expansion at stores and through websites.

Other Businesses

Net sales of the segment amounted to ¥307 million (down 10.2% YOY), and the segment profits decreased to ¥35 million (down 31.4% YOY).

(2) Explanation of Financial Position

1) Assets

As of April 30, 2015, our Group recorded total assets of ¥72,050 million, down ¥316 million from the previous consolidated fiscal year ended January 31, 2015. Current assets had a decrease of ¥606 million, and fixed assets had an increase of ¥289 million.

Current assets decreased mainly due to a decrease in cash and deposits of ¥1,243 million in spite of an increase in merchandise and finished goods of ¥867 million.

Fixed assets increased mainly due to an increase in construction in progress of ¥530 million despite the decrease in machinery and transportation equipment included in other tangible fixed assets of ¥151 million.

2) Liabilities

As of April 30, 2015, our Group recorded total liabilities of ¥24,921 million, down ¥148 million from the previous consolidated fiscal year ended January 31, 2015. Current liabilities had a decrease of ¥295 million, and fixed liabilities had an increase of ¥147 million.

Current liabilities decreased mainly due to a decrease in income taxes payable of ¥428 million and a decrease of ¥239 million in accrued expenses included in other current liabilities despite the increase in notes and accounts payable – trade of ¥309 million and accrued bonuses to employees of ¥300 million.

3) Net Assets

As of April 30, 2015, our Group recorded total net assets of ¥47,128 million, down ¥168 million from the previous consolidated fiscal year ended January 31, 2015.

(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. Especially concerning the overseas business which our Group positions as a growing field, we will continue to expand and enrich business in the existing markets concentrated in China and North America. Moreover, we will continue to aim for further growth in our 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.

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 April 30, 2015
ASSETS		
I. Current Assets:		
Cash and deposits	21,590,935	20,347,299
Notes and accounts receivable -trade	15,278,435	14,763,234
Merchandise and finished goods	5,899,152	6,766,564
Work in process	242,058	319,923
Raw materials and supplies	2,357,688	2,262,020
Other current assets	1,689,971	1,994,181
Allowance for doubtful accounts	(31,073)	(32,453)
Total Current Assets	47,027,168	46,420,770
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures, net	6,802,457	6,782,140
Land	6,138,953	6,133,731
Other tangible fixed assets, net	8,441,947	8,753,497
Total Tangible Fixed Assets	21,383,358	21,669,369
2. Intangible Fixed Assets:		
Goodwill	302,173	249,575
Other intangible fixed assets	1,422,182	1,455,433
Total Intangible Fixed Assets	1,724,355	1,705,008
3. Investments and Other Assets:		
Other	2,267,439	2,292,932
Allowance for doubtful accounts	(35,242)	(37,874)
Total Investments and Other Assets	2,232,197	2,255,057
Total Fixed Assets	25,339,911	25,629,435
Total Assets	72,367,080	72,050,205
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,462,757	4,772,216
Short-term borrowings	890,205	1,097,845
Current portion of long-term loans payable	1,200,000	1,200,000
Income taxes payable	1,535,554	1,106,901
Accrued bonuses to employees	783,744	1,083,958
Reversal of reserve for returned products	46,207	54,527
Provision for loss on litigation	38,571	38,450
Other current liabilities	6,315,702	5,623,206
Total Current Liabilities	15,272,743	14,977,105
II. Fixed Liabilities:		
Long-term borrowings	5,928,235	5,925,309
Net defined benefit liability	315,383	324,983
Provision for directors and corporate auditors' retirement benefits	342,566	354,824
Other fixed liabilities	3,210,936	3,339,127
Total Fixed Liabilities	9,797,120	9,944,244
Total Liabilities	25,069,864	24,921,349

(Thousands of yen)

	At January 31, 2015	At April 30, 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	31,457,748
Treasury stock	(942,114)	(943,741)
Total Shareholders' Equity	40,821,604	40,893,850
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	36,811	55,668
Foreign currency translation adjustment	5,306,072	5,050,216
Total Accumulated Other Comprehensive Income	5,342,883	5,105,885
III. Minority Interests	1,132,727	1,129,120
Total Net Assets	47,297,215	47,128,856
Total Liabilities and Net Assets	72,367,080	72,050,205

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

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

(Thousands of yen)

	Three months ended April 30, 2014	Three months ended April 30, 2015
I. Net Sales	18,859,156	21,809,803
II. Cost of Sales	10,446,251	11,708,304
Gross profit	8,412,904	10,101,498
Reversal of reserve for returned products	56,671	45,999
Transfer to reserve for returned products	90,089	54,341
Adjusted gross profit	8,379,486	10,093,156
III. Selling, General and Administrative Expenses	5,695,747	6,496,886
Operating Income	2,683,738	3,596,270
IV. Non-operating Income:		
Interest income	35,038	80,391
Share of profit of entities accounted for using equity method	—	10,708
Foreign exchange gains	—	18,207
Other	52,853	62,222
Total Non-operating Income	87,892	171,529
V. Non-operating Expenses:		
Interest expense	12,988	21,044
Sales discounts	65,967	76,615
Share of loss of entities accounted for using equity method	1,451	—
Foreign exchange losses	23,387	—
Other fixed liabilities	7,905	7,296
Total Non-operating Expenses	111,700	104,956
Ordinary Income	2,659,930	3,662,844
VI. Extraordinary Income:		
Gain on sales of fixed assets	669	6,983
Total Extraordinary Income	669	6,983
VII. Extraordinary Loss:		
Loss on sales of fixed assets	259	108
Loss on disposal of fixed assets	6,442	1,024
Total Extraordinary Loss	6,702	1,133
Income before Income Taxes	2,653,896	3,668,694
Income Taxes - current	895,339	1,171,990
Income Taxes - deferred	(51,736)	(11,305)
Total Corporate Income Tax	843,603	1,160,684
Income before Minority Interests	1,810,292	2,508,009
Minority Interests in Income	37,738	38,867
Net Income	1,772,554	2,469,142

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

	(Thousands of yen)	
	Three months ended April 30, 2014	Three months ended April 30, 2015
Income before Minority Interests	1,810,292	2,508,009
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(228)	18,857
Foreign currency translation adjustment	(938,432)	(247,409)
Total Other Comprehensive Income	(938,661)	(228,551)
Quarterly Comprehensive Income	871,631	2,279,458
(Break down)		
Quarterly comprehensive income on parent company	843,354	2,232,144
Quarterly comprehensive income on minority interests	28,277	47,313

**(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)

Three months ended April 30, 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	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
Internal sales or exchange between segments	—	—	—	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 profit	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

(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 ¥1,016,390 thousand from adjustments in segment profits includes a negative ¥34,062 thousand in elimination of intersegment transactions, and a negative ¥982,327 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.

Three months ended April 30, 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	7,014,004	1,740,582	1,733,642	3,958,149	7,056,409	21,502,788	307,014	21,809,803	—	21,809,803
Internal sales or exchange between segments	—	—	—	1,655,788	157,680	1,813,468	—	1,813,468	(1,813,468)	—
Total	7,014,004	1,740,582	1,733,642	5,613,938	7,214,090	23,316,257	307,014	23,623,271	(1,813,468)	21,809,803
Segment profit	1,209,618	51,999	76,949	1,208,368	2,083,118	4,630,054	35,476	4,665,530	(1,069,260)	3,596,270

(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 ¥1,069,260 thousand from adjustments in segment profits includes a negative ¥26,044 thousand in elimination of intersegment transactions, and a negative ¥1,043,215 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.