Summary of Financial Results for the Fiscal Year Ended January 31, 2017 [Japanese Standards] (Consolidated)

March 6, 2017

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 COO)
Contact person: Tsutomu Matsunaga (Managing Officer, Corporate Planning & Administration Division)/Tel: +81-3-3661-4188
Scheduled Date of Annual General Shareholders' Meeting: April 27, 2017
Scheduled Commencement Date of Dividend Payments: April 28, 2017
Scheduled Filling Date of Annual Securities Report: April 28, 2017
Preparation of Any Additional Explanatory Materials for Financial Results: None
Holding of Any Briefing Session for Financial Results: Yes (For analysts and institutional investors)

1. Consolidated Business Performance for the Fiscal Year Ended January 31, 2017 (February 1, 2016 to January 31, 2017)

(1) Consolidated Operating Results (cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY ended January 31, 2017	94,640	2.6	16,015	10.3	16,462	9.2	11,118	9.0
FY ended January 31, 2016	92,209	9.6	14,521	13.6	15,080	13.4	10,197	20.7

(Note) Comprehensive income: FY ended January 31, 2017 ¥8,647 million (3.6%)
FY ended January 31, 2016 ¥8,351 million (29.5% negative)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)	Return on Equity (%)	Total Assets/ Ordinary Income (%)	Operating Margin (%)
FY ended January 31, 2017	92.84	–	21.8	21.5	16.9
FY ended January 31, 2016	85.15	–	21.3	20.6	15.7

(Reference) Equity in earnings of affiliates: FY ended January 31, 2017 ¥25 million
FY ended January 31, 2016 ¥33 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets Per Share (¥)
FY ended January 31, 2017	78,889	53,736	66.4	437.43
FY ended January 31, 2016	73,943	50,792	67.0	413.88

(Reference) Shareholders' Equity: FY ended January 31, 2017 ¥52,387 million
FY ended January 31, 2016 ¥49,567 million

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
FY ended January 31, 2017	14,810	(1,854)	(6,223)	30,052
FY ended January 31, 2016	13,479	(3,332)	(6,567)	24,297

2. Cash Dividends

	Annual Dividend (¥)					Total Dividends Paid (full year) (¥ mil)	Consolidated Payout Ratio (%)	Dividends on Consolidated Net Assets (%)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
FY ended January 31, 2016	—	20.00	—	22.00	42.00	5,030	49.3	10.5
FY ended January 31, 2017	—	25.00	—	28.00	53.00	6,347	57.1	12.5
FY ending January 31, 2018 (Forecast)	—	28.00	—	28.00	56.00		56.8	

(Note) Breakdown of the year-end dividend for the fiscal year ended January 31, 2017: Commemorative dividend 3.00 yen

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending January 31, 2018 (February 1, 2017 to January 31, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	99,800	5.5	17,000	6.1	17,000	3.3	11,800	6.1	98.53

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) 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 “Changes in Accounting Policies” in “(5) Notes on Consolidated Financial Statements” from “4. Consolidated Financial Statements” on page 16.

(3) Number of outstanding shares (common stock)
1) Number of shares outstanding at term-end (including treasury stock)
FY ended January 31, 2017: 121,653,486 shares
FY ended January 31, 2016: 121,653,486 shares
2) Number of treasury stock for the period-end
FY ended January 31, 2017: 1,891,943 shares
FY ended January 31, 2016: 1,891,577 shares
3) Number of average shares outstanding during the period
FY ended January 31, 2017: 119,761,718 shares
FY ended January 31, 2016: 119,762,302 shares

* Indication regarding the situation of audit procedures
Financial results for this fiscal year are not subject of an audit procedure based on the Financial Instruments and Exchange Act, and at the time of disclosure of the report, audit procedures for consolidated financial statements 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) Prospects for the Next Term” in (1) Performance Analysis” from “1. Performance Analysis and Financial Position Analysis” on page 4 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

* Changes in the display units for amounts
The amounts for items listed in the consolidated financial statements and other items have hitherto been displayed in units of 1,000 yen. Beginning from the consolidated fiscal year under review, this is changed to units of 1 million yen. For fair comparison, the amounts reported for the previous fiscal year have been restated in units of 1 million yen.

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1. Performance Analysis and Financial Position Analysis

(1) Performance Analysis

1) Performance Overview

During this consolidated accounting year (February 1, 2016 to January 31, 2017), Japan's economy continued to recover at a gradual pace as a whole from the beginning of the fiscal year, despite weak results in some segments such as trends in personal consumption. On the other hand, a sense of uncertainty regarding the outlook for global economy including that of emerging nations increased due to the economic slowdown in China and concerns about the future of European economy after exit of the U.K. from the European Union, and instability in the exchange market is continuing since the presidential election in the U.S.
Amid such economic circumstances, the Group has worked on achieving further business growth in this final year of 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 aimed at expanding its business and improving management quality by providing the "Vision 2016."

< Vision 2016 >
i) Strengthening brand power (Global Number One manufacturer of baby 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, the Group has been developing the above business policies and strategies for each of our businesses and functions. As a result, although net sales were adversely affected by yen appreciation against the US dollar, they still amounted to ¥94,640 million (up 2.6% YOY), due to business growth in the Domestic Baby and Mother Care Business, propelled by expansion of inbound consumption from foreign visitors. Regarding earnings, operating income rose to ¥16,015 million (up 10.3% YOY) thanks to a number of causes including the effective use of selling, general and administrative expenses and a reduction of approximately 0.2 percentage points in the sales cost ratio from the previous term. Ordinary income recorded ¥16,462 million (up 9.2% YOY), and net income attributable to owners of parent also increased to ¥11,118 million (up 9.0% YOY), which means each of the above significantly exceeded the corresponding results of the previous term.
The main exchange rates used in the preparation of this consolidated period’s financial statements for the Company’s overseas consolidated subsidiaries (revenues and expenses) are as follows:
・1US$: 108.77 yen (121.10 yen)
・1 CNY: 16.35 yen (19.22 yen)
Note: Figures in parentheses represent the exchange rate in the same period of the previous fiscal year.

2) Segment Review

Our Group has a total of five reporting segments identified as: “Domestic Baby and Mother Care Business”, “Child Care Services Business”, “Health and Elder 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 ¥31,823 million (up 13.4% YOY). Segment profits increased to ¥6,244 million (up 42.4% YOY), which substantially exceeded the corresponding results of the previous term, thanks to increased sales of a number of products such as nursing bottles.

In this segment, we have released in February a renewed "Pure" series of laundry detergents for baby clothes and also a new version of "Runfee ef", our lightweight baby stroller with great roadability that now offers even more interior comfort; in March we also released four types of the redesigned "Bonyujikkan®,", while in August, we released the new version of "MIMI-Chibi-On®,," an improved ear thermometer that allows users to take and read temperature in an easier manner. Sales and market share are expanding smoothly.

Moreover, during this fiscal year, we have held a number of events planned as a part of our direct communications program such as our “Premama Class” for women expecting to give birth in the near future and a seminar about breastfeeding while parenting for health care professionals, organized 32 times. A total of approximately 2,700 women have participated. On "Pigeon Info," which is a site that supports women during pregnancy, in childbirth, and those raising children, we are continuing updates of Pigeon's merchandise available, and do a range of measures to make the portal even more convenient to use for our customers by various improvements, such as "Bonyuiku," a new portal opened in February to provide extensive information about breastfeeding, which currently offers video to assist parents in raising children with breastfeeding.

Child Care Service Business

Net sales of the segment amounted to ¥7,393 million (up 9.4% YOY). Segment profits increased to ¥211 million (up 41.9% YOY), thanks to a gross profit increase resulted from increased sales as well as effective use of selling, general and administrative expenses. We have launched 2 in-company child-care facilities, which we are currently operating while striving to improve the service quality.

Health and Elder Care Business

Net sales of the segment amounted to ¥6,901 million (up 6.2% YOY), driven by strong sales of bottom wipes, body wipes, skin care products, foods and products for oral cavity, while segment profits increased to ¥504 million (up 258.6% YOY), partly reflecting efforts to further optimize our business operating system as well as a reduction in selling, general and administrative expenses, in addition to the increase in sales. In February, the segment released the "Oral Cavity Care for Nursing of Senior Citizens" series of products for oral cavity care. Our Group will continue to focus on strengthening of marketing activities toward nursing care facilities and retail stores and ensure that improvements such of the quality of our nursing care services are carried out considerately.

Overseas Business

Net sales of the segment decreased to ¥23,051 million (down 8.6% YOY) partly due to the increased appreciation of the yen, while segment profits decreased to ¥5,352 million (down 4.1% YOY).

In North America and Europe, where we operate business mainly through Lansinoh Laboratories, Inc., one of our consolidated subsidiaries, sales of breastfeeding-related products including our flagship products such as nipple care cream, breast pads and breast pumps are growing at a good pace. Sales activity in China (Lansinoh Laboratories Shanghai), our new initiative, is also expanding steadily. Our Group will strengthen the production system of our new factory in Turkey (opened in January, 2017) and make efforts to expand the overseas business by various measures including reinforcement of the organizational sales system in Europe.

China Business

In this segment, although net sales increased on local currency basis, they still decreased to ¥30,533 million (down 3.6% YOY) due to the effects of parallel imports of products already being sold in

Japan, in addition to the yen's exacerbated tendency to rise against the Chinese Yuan since the beginning of the year. Segment profits decreased to ¥8,355 million (down 2.7% YOY).
In this segment, as it strives to expand operations, Pigeon is continuing to strengthen the sales activities in the continually expanding field of online sales and use social networking services to invigorate direct communication with consumers. We also engage in sales promotions at major retail stores and implementation of measures to expand disposable diapers business, in addition to further reinforcing offline sales activities aimed at hospitals and maternity clinics for enhancement in recognition of our products.

Other Businesses
Net sales of the segment amounted to ¥1,273 million (down 0.8% YOY), and the segment profits increased to ¥162 million (up 7.1% YOY).

3) Prospects for the Next Term
For the "Sixth Medium-Term Business Plan (for the period between fiscal year ending January 2018 and fiscal year ending January 2020)," our Group has put up the following slogan, "Building our dreams into the future – by creating a bridge towards the Global Number One manufacturer of baby products –." In this medium-term business plan, we have set the following three basic strategies that shall help us to expand the Group's business and improve its management quality. The next term shall be the first year of this sixth medium-term business plan, and the Group intends to make a strong effort to ensure its accomplishment.

1) Based on the Pigeon Way, create and implement all kinds of measures to achieve the goal of becoming ‘an indispensable company’ for the society and make our Vision “to be the baby product manufacturer most trusted by the world’s babies and families, i.e. ‘Global Number One’” come true.
2) A further increase in corporate value will be pursued through improvement in profitability and efficiency of the business, and maximization of cash flows. The organizational structure, management system and governance system will also be put in place and reinforced to ensure sustainable growth from a medium to long-term perspective.
3) During the three years of the sixth medium-term business plan, invest management resources giving priority to the key products and carry out strategic investments, laying solid foundations for the double-digit growth of Pigeon Group in the future.

(2) Financial Position Analysis

1) Assets
As of January 31, 2017, total assets amounted to ¥78,889 million, up ¥4,946 million from the previous consolidated fiscal year ended January 31, 2016.
Current assets had an increase of ¥6,331 million, while fixed assets had a decrease of ¥1,384 million.
Current assets increased mainly due to increases in cash and deposits of ¥5,754 million and in notes and accounts receivable – trade of ¥2,232 million, despite a decrease in merchandise and finished goods of ¥818 million.
Fixed assets decreased mainly due to decreases in buildings and structures of ¥382 million and in machinery, equipment and vehicles of ¥528 million.

2) Liabilities
As of January 31, 2017, total liabilities amounted to ¥25,152 million, up ¥2,002 million from the previous consolidated fiscal year ended January 31, 2016. Current liabilities had an increase of ¥7,158 million, while fixed liabilities had a decrease of ¥5,156 million.
Current liabilities increased mainly due to increases in notes and accounts payable - trade of ¥1,114 million and in current portion of long-term loans payable of ¥4,071 million.

Fixed liabilities decreased mainly due to decreases in long-term borrowings of ¥5,000 million and in net defined benefit liability of ¥304 million.

3) Net Assets

As of January 31, 2017, total net assets amounted to ¥53,736 million, up ¥2,944 million from the previous consolidated fiscal year ended January 31, 2016.

This increase resulted mainly from an increase in retained earnings of ¥5,489 million, despite a decrease in foreign currency translation adjustment of ¥2,682 million.

4) Cash Flows

As of January 31, 2017, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to ¥30,052 million, up ¥5,840 million from a year earlier.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥14,810 million, up from ¥13,479 million of the previous year. This increase is mainly due to ¥16,234 million in income before income taxes and ¥2,259 million in depreciation. Contrasting factors included a ¥2,927 million increase in notes and accounts receivable - trade and ¥4,295 million in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,854 million, down from ¥3,332 million of the previous year. This is mainly due to ¥2,424 million in purchases of tangible fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥6,223 million, down from ¥6,567 million of the previous year. This decrease is mainly due to ¥837 million in repayments of long-term loans payable and ¥5,622 million in payments of cash dividends.

[Reference] Cash Flow Indicators for the Fiscal Year Ended January 31

	FY2015	FY2016	FY2017
Equity Ratio (%)	63.8	67.0	66.4
Equity Ratio based on Market Price (%)	407.7	411.7	464.5
Debt Repayment Term (years)	0.8	0.5	0.4
Interest Coverage Ratio (times)	297.4	108.7	335.2

- Equity ratio: Total shareholders’ equity ÷ Total assets
- Equity ratio based on market price: Market value of total stock ÷ Total assets
- Debt repayment term: Interest-bearing debt ÷ Operating cash flows
- Interest coverage ratio: Operating cash flows ÷ Interest paid

Notes:

1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated by multiplying the stock price (closing price at the end of the term) by the number of shares outstanding at the end of the term (after deduction of treasury stock).
3. Operating cash flow figures are taken from the Cash Flows from Operating Activities section of the Consolidated Statements of Cash Flows.
4. Interest-bearing debt refers to all debt that incurs interest (listed in Consolidated Balance Sheets).
5. For interest paid, interest expenses (listed in Consolidated Statements of Cash Flows) are used.

(3) Income Appropriation Policy and Dividends for the Term Under Review and Next Term

The Pigeon Group regards the return of income to shareholders as an important management priority. Our policy is to actively return income to shareholders through appropriation of retained earnings and other means, while reinforcing our financial position based on considerations of medium-term changes in business conditions and the Group’s business strategies. In addition to strengthening our financial position, we effectively use retained earnings in a number of ways to fortify our operational base and improve future Group earnings. These include investing in new businesses for further growth and research and development, as well as investing in production facilities to raise production capacity, reduce costs, and enhance product quality.

With respect to targets of shareholder return, under the Fifth Medium-Term Business Plan announced in March 2014, we have set the equity ratio (ROE) to 21.0% or higher, and aim to

increase dividends every fiscal year compared to previous year. We are also targeting a consolidated total shareholder return of 45-50%. To this end, we have sought to further strengthen and upgrade measures for returning profits to all shareholders.
In addition to the above-mentioned objectives, this term marks the 60th anniversary for the Group, and as of August, 2017, Pigeon will be celebrating its founding, which makes this term a start of a new phase, we decided to show our appreciation for the support of our shareholders through dividends. As the interim dividend for the current business year, the Group has offered ¥25 per share (the ordinary dividend of ¥22 plus the commemorative dividend of ¥3 per share in recognition of the 60th anniversary of the Group's founding), but as the Group achieved strong performance exceeding the forecast for the profit in the current term, as the year-end dividend, we are planning to add to ¥25 per share (the ordinary dividend of ¥22 plus the commemorative dividend of ¥3 per share in recognition of the 60th anniversary of the Group's founding), which is the amount announced as the dividend forecast on September 5, 2016, ¥3 of ordinary dividend, with the resulting amount being ¥28 per share. As a result, the annual dividend for the term under review will total ¥53 per share, a per share increase by ¥11 from the previous year.
With respect to the return of profits to our shareholders for the next term, based on our targets of shareholder return listed in the Sixth Medium-Term Business Plan announced today (aim to increase dividends every fiscal year compared to previous year and target a consolidated total shareholder return of 55%), with abandoning the commemorative dividend in recognition of the 60th anniversary of the Group's founding, we plan to pay ¥56 per share — an increase of ¥3 from the current term under review.

2. Management Policies

(1) Basic Policies

The group deploys operation to fulfill its mission to bring joy, happiness and inspiration to babies and families around the world by providing them with products and services that embody its corporate philosophy “love.” Guided by this commitment, the Group has set in its medium to long-term corporate vision “to be the baby product manufacturer most trusted by the world’s babies and families i.e. “Global Number One.”

(2) Performance Targets

For the "Sixth Medium-Term Business Plan (for the period between fiscal year ending January 2018 and fiscal year ending January 2020)," our Group has put up the following slogan, "Building our dreams into the future – by creating a bridge towards the Global Number One manufacturer of baby products –." By steadily implementing a range of measures in line with the medium term goals stated in the following section, the level of achievements aimed at for the term ending January, 2020, which is the last fiscal year of the Plan, is net sales of ¥110 billion, operating income of ¥20 billion, and net income attributable to owners of parent of ¥13,800 million. Moreover, in order to ensure yet further improvement of profitability and efficiency of capital, the Group shall deem PVA (Pigeon Value Added), return on invested capital (ROIC), etc. as important management indices, and strive to improve each of them even more.

(3) Medium-Term Management Strategies

For the "Sixth Medium-Term Business Plan (for the period between fiscal year ending January 2018 and fiscal year ending January 2020)," we have set the following three basic strategies that shall help us to expand the Group's business and improve its management quality.

1) Based on the Pigeon Way, create and implement all kinds of measures to achieve the goal of becoming ‘an indispensable company’ for the society and make our Vision “to be the baby product manufacturer most trusted by the world’s babies and families, i.e. ‘Global Number One’” come true.

2) A further increase in corporate value will be pursued through improvement in profitability and efficiency of the business, and maximization of cash flows. The organizational structure, management system and governance system will also be put in place and reinforced to ensure sustainable growth from a medium to long-term perspective.
3) During the three years of the sixth medium-term business plan, invest management resources giving priority to the key products and carry out strategic investments, laying solid foundations for the double-digit growth of Pigeon Group in the future.

(4) Issues to Address

The Group expects uncertainty to linger in the economic environment in which it operates, due to concerns over the slowdown in business growth of China and uncertainties in the global economy centering on Europe and the U.S., but at the same time, consumption trends in China and Japan are quite steady and there is also much to be expected from economic growth of Asian countries and other newly emerging countries around the world.
Amid such circumstances, during the "Sixth Medium-Term Business Plan (for the period between fiscal year ending January 2018 and fiscal year ending January 2020)," the Group shall steadily implement a range of measures prescribed in the newly established "Strategy for Important Categories" and individual strategies of each segment. In particular, the Group is focusing on China and Overseas operations, which are positioned as a continuing growth field. In this arena the Group will expand and deepen its presence in existing markets, most notably in China and North America. In addition, we shall select a number of overseas markets of importance to us already, or those we want to expand our presence in in the future, and make strong efforts to establish firm business foundations in such areas in Asia, Africa, etc., which can play important roles for the future growth of the Group.
Further, with respect to the Group's Business Continuity Plan, we will further enhance the global risk management structure that has already been put in place.
Further, in order to further enhance the soundness and transparency of management going forward, a through enforcement of internal control systems, including the compliance organization will be made for fortifying corporate governance.

3. Basic approach for the selection of accounting standards

The consolidated financial statements of our Group are prepared based on Japanese standards.
In the future, we will have to prepare these statements based on the International Financial Reporting Standards (IFRS) for the purpose of improving global comparability of financial information, and we will continue to consider them, including the application period.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	At January 31, 2016	At January 31, 2017
ASSETS		
I. Current Assets:		
Cash and deposits	24,297	30,052
Notes and accounts receivable - trade	13,870	16,103
Merchandise and finished goods	6,146	5,328
Work in process	306	261
Raw materials and supplies	2,406	2,013
Deferred tax assets - current	685	665
Receivables	499	253
Other current assets	735	592
Allowance for doubtful accounts	(35)	(26)
Total Current Assets	48,913	55,244
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures	15,449	15,363
Accumulated depreciation	(8,077)	(8,373)
Buildings and structures, net	7,372	6,989
Machinery, equipment and vehicles	15,351	15,231
Accumulated depreciation	(9,097)	(9,505)
Machinery, equipment and vehicles, net	6,254	5,726
Tools, furniture and fixtures	6,098	6,250
Accumulated depreciation and accumulated impairment loss	(4,466)	(4,613)
Tools, furniture and fixtures, net	1,631	1,637
Land	6,018	5,683
Construction in progress	194	226
Total Tangible Fixed Assets	21,471	20,263
2. Intangible Fixed Assets:		
Goodwill	163	51
Software	554	502
Other intangible fixed assets	628	552
Total Intangible Fixed Assets	1,346	1,106
3. Investments and Other Assets:		
Investment securities	1,477	1,481
Bankruptcy claims	26	18
Deferred tax assets	205	262
Insurance reserve	175	176
Other	353	354
Allowance for doubtful accounts	(27)	(19)
Total Investments and Other Assets	2,211	2,273
Total Fixed Assets	25,029	23,644
Total Assets	73,943	78,889

(Millions of yen)

	At January 31, 2016	At January 31, 2017
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	3,743	4,857
Electronically recorded obligations - operating	1,623	1,693
Short-term borrowings	380	699
Current portion of long-term loans payable	928	5,000
Accounts payable	2,147	2,477
Income taxes payable	1,505	2,324
Accrued bonuses to employees	894	929
Reversal of reserve for returned products	48	73
Provision for loss on litigation	38	37
Other current liabilities	2,913	3,289
Total Current Liabilities	14,223	21,381
II. Fixed Liabilities:		
Long-term borrowings	5,000	—
Deferred tax liabilities	2,902	2,675
Net defined benefit liability	435	131
Provision for directors and corporate auditors' retirement benefits	409	445
Provision for special extra retirement payments	—	208
Other fixed liabilities	179	310
Total Fixed Liabilities	8,926	3,770
Total Liabilities	23,150	25,152
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,180	5,179
Retained earnings	36,790	42,280
Treasury stock	(947)	(948)
Total Shareholders' Equity	46,223	51,711
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	32	47
Foreign currency translation adjustment	3,311	628
Total Accumulated Other Comprehensive Income	3,344	676
III. Non-controlling Interests	1,225	1,349
Total Net Assets	50,792	53,736
Total Liabilities and Net Assets	73,943	78,889

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

(Millions of yen)

	Year Ended January 31, 2016	Year Ended January 31, 2017
I. Net Sales	92,209	94,640
II. Cost of Sales	48,862	49,941
Gross profit	43,347	44,698
Reversal of reserve for returned products	46	45
Transfer to reserve for returned products	48	55
Adjusted gross profit	43,345	44,688
III. Selling, General and Administrative Expenses	28,823	28,673
Operating Income	14,521	16,015
IV. Non-operating Income:		
Interest income	260	133
Dividend income	7	18
Share of profit of entities accounted for using equity method	33	25
Subsidy income	527	556
Other non-operating income	283	212
Total Non-operating Income	1,112	945
V. Non-operating Expenses:		
Interest expenses	84	42
Sales discounts	359	366
Foreign exchange losses	65	47
Other non-operating expenses	44	41
Total Non-operating Expenses	553	498
Ordinary Income	15,080	16,462
VI. Extraordinary Income:		
Gain on sales of fixed assets	10	122
Total Extraordinary Income	10	122
VII. Extraordinary Loss:		
Loss on sales of fixed assets	36	3
Loss on disposal of fixed assets	18	25
Loss on revision of retirement benefit plan	86	—
Loss on liquidation of subsidiaries and associates	62	46
Loss on liquidation of business	—	35
Special extra retirement payments	—	239
Total Extraordinary Loss	204	350
Income before Income Taxes	14,887	16,234
Income taxes - current	4,548	5,165
Income taxes - deferred	(124)	(273)
Total Corporate Income Tax	4,424	4,891
Net Income	10,462	11,342
Net Income Attributable to Non-controlling Interests	265	224
Net Income Attributable to Owners of Parent	10,197	11,118

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Year Ended January 31, 2016	Year Ended January 31, 2017
Net Income	10,462	11,342
Other Comprehensive income		
Valuation difference on available-for-sale securities	(3)	14
Foreign currency translation adjustment	(2,107)	(2,709)
Total Other Comprehensive Incomes	(2,111)	(2,694)
Comprehensive Income	8,351	8,647
(Breakdown)		
Comprehensive income on parent company	8,198	8,450
Comprehensive income on non-controlling interests	152	197

(3) Statement of Changes in Consolidated Shareholders' Equity

Fiscal Year Ended January 31, 2016

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	5,199	5,180	31,383	(942)	40,821
Changes during the period					
Dividends from surplus			(4,790)		(4,790)
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—
Net income attributable to owners of parent			10,197		10,197
Acquisition of treasury stock				(4)	(4)
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	—	5,406	(4)	5,401
Balance at the end of current period	5,199	5,180	36,790	(947)	46,223

	Accumulated other comprehensive income			Non-controlling Interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	36	5,306	5,342	1,132	47,297
Changes during the period					
Dividends from surplus					(4,790)
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—
Net income attributable to owners of parent					10,197
Acquisition of treasury stock					(4)
Changes in items other than shareholders' equity (net)	(3)	(1,994)	(1,998)	92	(1,906)
Total changes during the period	(3)	(1,994)	(1,998)	92	3,495
Balance at the end of current period	32	3,311	3,344	1,225	50,792

Fiscal Year Ended January 31, 2017

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	5,199	5,180	36,790	(947)	46,223
Changes during the period					
Dividends from surplus			(5,628)		(5,628)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(1)			(1)
Net income attributable to owners of parent			11,118		11,118
Acquisition of treasury stock				(1)	(1)
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	(1)	5,489	(1)	5,487
Balance at the end of current period	5,199	5,179	42,280	(948)	51,711

	Accumulated other comprehensive income			Non-controlling Interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	32	3,311	3,344	1,225	50,792
Changes during the period					
Dividends from surplus					(5,628)
Change in treasury shares of parent arising from transactions with non-controlling shareholders				(5)	(6)
Net income attributable to owners of parent					11,118
Acquisition of treasury stock					(1)
Changes in items other than shareholders' equity (net)	14	(2,682)	(2,668)	129	(2,538)
Total changes during the period	14	(2,682)	(2,668)	124	2,944
Balance at the end of current period	47	628	676	1,349	53,736

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year Ended January 31, 2016	Year Ended January 31, 2017
I. Cash Flows from Operating Activities:		
Income before income taxes	14,887	16,234
Depreciation	2,345	2,259
Amortization of goodwill	204	97
Increase (decrease) in allowance for doubtful accounts	(3)	(14)
Increase (decrease) in accrued bonuses to employees	113	46
Increase (decrease) in net defined benefit liability	128	(302)
Increase (decrease) in provision for directors and corporate auditors' retirement benefits	66	35
Increase (decrease) in provision for special extra retirement payments	—	208
Interest and dividend income	(268)	(151)
Share of (gain) loss of entities accounted for using equity method	(33)	(25)
Interest expenses	84	42
Foreign exchange loss (gain)	(43)	77
Loss (gain) on sales of property	25	(118)
Loss on disposal of property	18	25
Decrease (increase) in notes and accounts receivable - trade	843	(2,927)
Decrease (increase) in inventories	(636)	835
Increase (decrease) in notes and accounts payable - trade	1,187	1,482
Increase (decrease) in accounts payable	(1,275)	538
Increase (decrease) in accrued consumption taxes	(206)	811
Decrease (increase) in claims provable in bankruptcy/rehabilitation	8	8
Other	281	(209)
Subtotal	17,727	18,954
Interest and dividend income received	446	194
Interest expenses paid	(123)	(44)
Income taxes paid	(4,570)	(4,295)
Net Cash Provided by (Used in) Operating Activities	13,479	14,810
II. Cash Flows from Investing Activities:		
Purchase of tangible fixed assets	(3,018)	(2,424)
Proceeds from sales of tangible fixed assets	27	769
Purchase of intangible assets	(354)	(210)
Purchase of investment securities	(2)	(1)
Purchase of insurance funds	(1)	(165)
Proceeds from cancellation of insurance funds	40	165
Payments of loans receivable	(3)	(13)
Collection of loan receivable	2	9
Payment for lease deposits	(21)	(20)
Collection of lease deposits	20	10
Other	(19)	29
Net Cash Provided by (Used in) Investing Activities	(3,332)	(1,854)

(Millions of yen)

	Year Ended January 31, 2016	Year Ended January 31, 2017
III. Cash Flows from Financing Activities:		
Increase in short-term loans payable	—	485
Decrease in short-term loans payable	(505)	(179)
Repayments of long-term loans payable	(1,200)	(837)
Payment of cash dividends	(4,789)	(5,622)
Dividends paid to non-controlling interests	(59)	(67)
Purchase of treasury stock	(4)	(1)
Other	(7)	(0)
Net Cash Provided by (Used in) Financing Activities	(6,567)	(6,223)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(873)	(891)
V. Net Increase (Decrease) in Cash and Cash Equivalents	2,706	5,840
VI. Cash and Cash Equivalents at Beginning of Period	21,590	24,297
VII. Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	—	(86)
VIII. Cash and Cash Equivalents at End of Period	24,297	30,052

(5) Notes on Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Business Combination)

Effective from the current consolidated fiscal year, the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; hereinafter, referred to as “the Business Combinations Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter referred to as “the Consolidated Accounting Standard”), and the “Accounting Standard for Business Divestitures and Other Matters” (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as “the Business Divestitures Standard”) shall apply hereto. Accordingly, we recorded the difference arising from the change in the Company’s equity in controlled subsidiaries as capital surplus. At the same time, we now account the acquisition-related expenses as expensed in the consolidated fiscal year in which they arise. Also effective from the consolidated fiscal year under review, the Company is changing its treatment of business combinations. In the new method, revisions of allotments of acquisition cost due to establishment of provisional accounting procedures are reflected in the consolidated financial statements for the consolidated fiscal year that includes the date of the business combination. In addition, we have changed the representation of “net income,” as well as the representation of “minority interests” into “non-controlling interests.” To reflect these changes, we have restated the consolidated financial statements for both the current fiscal year and the previous fiscal year.

The Business Combinations Standard is applied in accordance with the transitional handling procedures stipulated in Paragraph 58-2(4) of the Business Combinations Standard, Paragraph 44-5(4) of the Consolidated Accounting Standard and Paragraph 57-4(4) of the Business Divestitures Standard, effective as of the beginning of the consolidated fiscal year under review.

This change had a minor impact on the Company's consolidated financial statements.

(Segment Information)

1. Summary of Reporting Segments

In respect of the Company's reporting segments, these are, of the constituent units in the Group, those for which separate financial information are available and those that are the subject of regular examination by the board of directors to make decisions on management resource allocation and assessment of performance.

The Company separates sales of principally nursing products into domestic and overseas sales and, in addition, is engaged in providing sales and services relating to health care and nursing care, services relating to supporting childcare. The Company has established business headquarters along products, services, and regions.

For this purpose, the Company is configured by segments by products and services and by regions. Our Group has a total of five reporting segments identified as: "Domestic Baby and Mother Care Business," "Child Care Services Business," "Health and Elder Care Business," "Overseas Business," and "China Business."

The Company's reporting segment types are as follows.

(i) Domestic Baby and Mother Care Business

It is engaged in the manufacture and sales of childcare products and feminine products in Japan.

(Principal Products) Breastfeeding-related products, weaning-related products, skincare products, wet tissues, baby foods, baby outing products, feminine care products (supplements, maternity products), other

(ii) Child Care Services Business

It is engaged in provision of Child Care Services Business in Japan.

(Principal Services) Operation and contracting of nursery facilities, operation of preschool educational facilities, babysitter dispatch services, other

(iii) Health and Elder Care Business

It is engaged in the manufacture and sales of health care products and nursing care products as well as provision of nursing care services in Japan.

(Principal Products) Incontinence protection products, skincare products, wet tissues, wheel chairs, products for nursing care facilities, nursing care support services, other

(iv) Overseas Business

It is engaged in the manufacture and sales of child care products and feminine products for all countries in the world except China, South Korea, Hong Kong, Taiwan, Russia, and some other countries.

(v) China Business

It is engaged in the manufacture and sales of child care products and feminine products in China, South Korea, Hong Kong, Taiwan, Russia, and some other countries.

2. Calculation Method for the Values in Segmental Sales, Profits or Losses, Assets and Other Items

The methodology adopted in calculating the segmental sales, profits or losses, assets and other items is generally the same as in "Basis for preparing Consolidated Financial Statements".

3. Information Regarding Net Sales, Profit (Loss), Assets and Other Items in Each Reporting Segment
Fiscal Year Ended January 31, 2016

(Millions of yen)

	Reporting Segment						Other Businesses (Note) 1	Total	Adjustments (Note) 2 (Note) 3 (Note) 4 (Note) 5	Amount Accounted on Consolidated Financial Statements (Note) 6
	Domestic Baby and Mother Care Business	Child Care Services Business	Health and Elder Care Business	Overseas Business	China Business	Sub Total				
Net Sales										
Net sales to external customers	28,053	6,757	6,499	18,421	31,194	90,925	1,283	92,209	―	92,209
Internal sale or exchange between segments	―	―	―	6,813	493	7,306	―	7,306	(7,306)	―
Total	28,053	6,757	6,499	25,234	31,688	98,232	1,283	99,516	(7,306)	92,209
Segment profit	4,383	148	140	5,579	8,586	18,839	152	18,991	(4,469)	14,521
Segment asset	11,651	1,271	3,425	19,034	25,660	61,044	1,283	62,327	11,615	73,943
Other Items										
Depreciation (Note) 7	411	23	91	758	785	2,069	49	2,119	226	2,345
Amortization of Good Will	―	2	―	201	―	204	―	204	―	204
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note) 8	683	52	150	869	832	2,589	37	2,626	410	3,036

(Notes)
1. "Other" represents a business segment not included in the reporting segments and principally covers manufacture and sales by manufacturing subsidiaries of the company for sales outside the Group.
2. The negative amount of ¥4,469 million from adjustments in segment profits includes a negative ¥19 million in elimination of intersegment transactions, and a negative ¥4,449 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
3. The amount of ¥11,615 million in adjustments in segment assets include a negative ¥2,499 million in eliminations of inter-segment transactions, and ¥14,114 million in the entire company assets consisting principally of investments of surplus of the parent company (Cash and Deposits), long term investment assets (Investment Securities and the Like) and assets relating to the administrative area.
4 Depreciation adjustments are depreciations relating the entire company assets.
5 Adjustments of increase in tangible fixed assets and intangible assets relate to the entire company assets.
6. Segment profit has been adjusted with the operating income in the consolidated financial statements
7. Amortization relating to long term pre-paid expenses are included in the depreciation expenses.
8. Increases in tangible fixed assets and intangible fixed assets include increases in long term pre-paid expenses.

Fiscal Year Ended January 31, 2017

(Millions of yen)

	Reporting Segment						Other Businesses (Note) 1	Total	Adjustments (Note) 2 (Note) 3 (Note) 4 (Note) 5	Amount Accounted on Consolidated Financial Statements (Note) 6
	Domestic Baby and Mother Care Business	Child Care Services Business	Health and Elder Care Business	Overseas Business	China Business	Sub Total				
Net Sales										
Net sales to external customers	31,823	7,393	6,901	16,932	30,315	93,366	1,273	94,640	―	94,640
Internal sale or exchange between segments	―	―	―	6,119	217	6,337	―	6,337	(6,337)	―
Total	31,823	7,393	6,901	23,051	30,533	99,704	1,273	100,977	(6,337)	94,640
Segment profit	6,244	211	504	5,352	8,355	20,668	162	20,831	(4,815)	16,015
Segment asset	11,.761	1,318	3,214	19,363	25,146	60,803	1,158	61,962	16,927	78,889
Other Items										
Depreciation (Note) 7	472	23	83	697	688	1,966	41	2,008	251	2,259
Amortization of Good Will	―	―	―	97	―	97	―	97	―	97
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note) 8	392	12	58	1,519	234	2,216	20	2,236	262	2,498

(Notes)

1. “Other” represents a business segment not included in the reporting segments and principally covers manufacture and sales by manufacturing subsidiaries of the company for sales outside the Group.
2. The negative amount of ¥4,815 million from adjustments in segment profits includes ¥101 million in elimination of intersegment transactions, and a negative ¥4,917 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
3. The amount of ¥16,927 million in adjustments in segment assets include a negative ¥2,709 million in eliminations of inter-segment transactions, and ¥19,636 million in the entire company assets consisting principally of investments of surplus of the parent company (Cash and Deposits), long term investment assets (Investment Securities and the Like) and assets relating to the administrative area.

4 Depreciation adjustments are depreciations relating the entire company assets.

5 Adjustments of increase in tangible fixed assets and intangible assets relate to the entire company assets.

6. Segment profit has been adjusted with the operating income in the consolidated financial statements
7. Amortization relating to long term pre-paid expenses are included in the depreciation expenses.
8. Increases in tangible fixed assets and intangible fixed assets include increases in long term pre-paid expenses.

(Per Share Information)

	Previous fiscal year (February 1, 2015 to January 31, 2016)	Current fiscal year (February 1, 2016 to January 31, 2017)
Net Assets per Share	¥413.88	¥437.43
Net Income per Share	¥85.15	¥92.84

(Notes) 1. With respect to Diluted Net Income per Share, there are no latent shares, thus, has not been disclosed.
2. The basis for the calculation of the Net Income per Share is as follows.

	Previous fiscal year (February 1, 2015 to January 31, 2016)	Current fiscal year (February 1, 2016 to January 31, 2017)
Net Income Attributable to Owners of Parent (¥ millions)	10,197	11,118
Amount not Attributable to Ordinary Shareholders (¥ millions)	—	—
Net Income Attributable to Owners of Parent Relating to Ordinary Shares (¥ millions)	10,197	11,118
Average Number of Shares during the Term (shares)	119,762,302	119,761,718

(Material Subsequent Events)

Not applicable.