Summary of Financial Results for the First Quarter of Fiscal Year Ending January 2017 [Japanese Standards] (Consolidated)

June 6, 2016

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
Listing: First Section, Tokyo Stock Exchange
Website: www.pigeon.co.jp
Representative: Shigeru Yamashita (President and COO)
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Scheduled Filing Date of Quarterly Report: June 10, 2016
Scheduled Commencement Date of Dividend Payments: None
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, 2017 (February 1 to April 30, 2016)

(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	
1Q ended April 30, 2016	22,746	4.3%	3,732	3.8%	3,597	(1.8)%	2,482	0.5%
1Q ended April 30, 2015	21,809	15.6%	3,596	34.0%	3,662	37.7%	2,469	39.3%

(Note) Comprehensive income: 1Q ended April 30, 2016 ¥1,529 million (32.9% negative)
1Q ended April 30, 2015 ¥2,279 million (161.5%)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)
1Q ended April 30, 2016	20.72	–
1Q ended April 30, 2015	20.62	–

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
1Q ended April 30, 2016	72,919	49,627	66.5
FY ended January 31, 2016	73,943	50,792	67.0

(Reference) Shareholders' Equity: 1Q ended April 30, 2016 ¥48,468 million
FY ended January 31, 2016 ¥49,567 million

2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended January 31, 2016	–	20.00	–	22.00	42.00
FY ending January 31, 2017	–				
FY ending January 31, 2017 (Forecast)		22.00	–	22.00	44.00

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

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

(% figures denote year-on-year change)

	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	95,000	3.0%	15,000	3.3%	15,300	1.5%	10,400	2.0%	86.84

(Note) Revision of forecasts to the most recent announcement: None

Notes

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

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

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

(4) Number of outstanding shares (common stock)
1) Number of shares outstanding at the period-end (including treasury stock)
1Q ended April 30, 2016: 121,653,486
FY ended January 31, 2016: 121,653,486
2) Number of treasury stock at the period-end
1Q ended April 30, 2016: 1,891,661
FY ended January 31, 2016: 1,891,577
3) Number of average shares outstanding during the period (quarter accumulation)
1Q ended April 30, 2016: 119,761,829
1Q ended April 30, 2015: 119,763,131

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

* Cautionary Statement regarding Performance Forecasts
The forecasts and future projections stated in this report have been prepared on the basis of the information and assumption that shall be reasonable as of the date of announcement of this summary information, and the forecasts and future projections stated in this report are in no way intended as a promise of achievement as a company.
In addition, the actual results could differ significantly from forecast figures depending on a variety of factors. See the section "(3) Explanation of Consolidated Performance Forecast and Other Future Predictions" in "1. Qualitative Information Regarding the Financial Results for the Current Quarter" on page 4 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

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

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

(1) Explanation of Business Performance

During the consolidated first three-month period under review, Japan's economy continued to recover at a gradual pace, despite weak results in some segments. Overseas, on the other hand, the future remains hard to predict, as shown by the anemic condition of some emerging countries such as China, the yen's appreciation trend against the dollar, and the obvious instability of the stock market. Amid such economic circumstances, the Group is working on achieving further business growth during 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 aims at expanding its business and improving management quality by providing the following "Vision 2016."

< Vision 2016 >

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

During the consolidated first three-month period under review, we have been developing the above business policies and strategies for each of our business and function. As a result, net sales amounted to ¥22,746 million (up 4.3% YOY), as supported by the expansion in the Domestic Baby and Mother Care Business. The main factors of this expansion were sales growth of nursing bottles and nipples, increase in revenue from the baby stroller category, and inbound tourism consumption. Regarding earnings, operating income rose to ¥3,732 million (up 3.8% YOY) thanks to higher revenues which exceeded the increase of selling, general and administrative expenses. On the other hand, ordinary income fell to ¥3,597 million (down 1.8% YOY) due to factors such as higher non-operating expenses resulted from foreign exchange losses. Nevertheless, net income attributable to owners of parent scored ¥2,482 million (up 0.5% YOY).

The main exchange rates used in the preparation of this first quarter's financial statements for the Company's overseas consolidated subsidiaries (revenues and expenses) are as follows:

・1US$: 115.35 yen (119.15 yen)
・1 CNY: 17.60 yen (19.08 yen)

Note: Figures in parentheses represent the exchange rate in the same period of the previous fiscal year.

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

Domestic Baby and Mother Care Business

Net sales of the segment amounted to ¥8,451 million (up 20.5% YOY). Segment profits increased to ¥1,722 million (up 42.4% YOY), exceeding the results of the same period last fiscal year, despite the increase in selling, general and administrative expenses resulted from marketing activities for new products. In February, Pigeon launched its updated "Pure" series of laundry detergents for babies. At this time, the Company also introduced the "Runfee ef" baby stroller, a stroller that boasts not only lighter weight for improved mobility but also greater living comfort for babies. In

March, the Company launched an update to its "Bonyu Jikkan®" series of nursing bottles, offering a choice of four appealing designs for today's design-conscious mothers. Sales of this series are growing steadily. Moreover, during the period under review, we have held a number of events planned as a part of our direct communications program such as our "Breast Feeding Seminar" for women expecting to give birth in the near future and a seminar about breastfeeding while parenting for health care professionals, organized 9 times. A total of 959 women have participated. Our Company will continue to make progresses in providing to its customers more easily accessible information including updates of its merchandise information also on Pigeon Info, which is a portal that supports women during pregnancy, in childbirth, and those raising children.

Child-rearing Support Services
Net sales of the segment amounted to ¥1,838 million (up 5.6% YOY). Segment profits decreased to ¥39 million (down 23.5% YOY), falling below the results of the same period last fiscal year, mainly due to rises in personnel expenses. We have launched one in-company child-care facility, which we are currently operating while striving to improve the service quality.

Health Care and Nursing Care Business
Net sales of the segment amounted to ¥1,792 million (up 3.4% YOY), driven by strong sales of body wipes, skin care products, foods and products for oral cavity. Segment profits increased to ¥137 million (up 78.1% YOY), well above the results of the same period last fiscal year, thanks to an effective use of selling, general and administrative expenses, in addition to the increase in sales. In February, we launched "Oral Cavity Care for Elderly Series," a new easy to use and secure product line. Our Group will continue to focus on marketing products and ensure that improvements such of the quality of our nursing care services are carried out considerately.

Overseas Business
Net sales of the segment amounted ¥5,446 million (down 3.0% YOY). This decrease is attributable to the appreciation of the yen against the dollar since the beginning of the year. Segment profits decreased to ¥1,166 million (down 3.5% YOY). We are steadily expanding sales of breastfeeding-related products such as our flagship products, including nipple cream, breast pads, breast pumps and milk bags, through our subsidiary Lasinoh covering the North American and European markets, where revenue has exceeded results of the same period last fiscal year on local currency basis. Furthermore, we are further pursuing strengthening of our production system, therefore we plan to start operations at our new plant in Turkey in January 2017. Also, we continue to aim at expanding this business by reinforcing the organizational system of each sales branch based in European countries such as England and Germany.

China Business
In this segment, both net sales and profits decreased to ¥6,163 million (down 14.6% YOY) and ¥1,688 million (down 18.9% YOY), respectively. This was mainly due to the postponement of sales promotion activities to the second quarter of this fiscal year at the effects of parallel imports of products already being sold in Japan, in addition to the appreciation of the yen against the Chinese yuan since the beginning of the year. As it strives to expand operations, Pigeon is continuing to build and strengthen distribution systems in the rapidly expanding field of online sales and use social networking services to invigorate direct communication with consumers. The Company is also continuing to reinforce sales promotions at major retail stores and offline sales activities aimed at hospitals and maternity clinics.

Other Businesses
Net sales of the segment amounted to ¥326 million (up 6.3% YOY), and the segment profits stood at ¥42 million (up 20.1% YOY).

(2) Explanation of Financial Position

As of April 30, 2016, our Group recorded total assets of ¥72,919 million, down ¥1,023 million from the previous consolidated fiscal year ended January 31, 2016. Both current and fixed assets decreased by ¥336 million and ¥687 million, respectively.

Current assets decreased mainly due to a decrease in cash and deposits of ¥2,180 million, despite the increase in notes and accounts receivable - trade of ¥1,732 million.

Fixed assets decreased mainly due to decreases in machinery, equipment and vehicles (included in other tangible fixed assets) and in buildings and structures of ¥458 million and ¥287 million, respectively, despite the increase in construction in progress (included in other tangible fixed assets) of ¥264 million.

As of April 30, 2016, our Group recorded total liabilities of ¥23,291 million, up ¥141 million from the previous consolidated fiscal year ended January 31, 2016. Current liabilities increased by ¥5,863 million, while fixed liabilities decreased by ¥5,721 million.

Current liabilities increased mainly due to increases in current portion of long-term loans payable and in notes and accounts payable - trade of ¥4,938 million and ¥798 million, respectively, despite the decrease in income taxes payable of ¥318 million.

Fixed liabilities decreased mainly due to a decrease in long-term borrowings of ¥5,000 million.

As of April 30, 2016, our Group recorded total net assets of ¥49,627 million, down ¥1,165 million from the previous consolidated fiscal year ended January 31, 2016.

Net assets decreased mainly due to a decrease in foreign currency translation adjustment of ¥942 million.

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

For the “Fifth Medium-Term Business Plan (for the period between fiscal year ended January 2015 and fiscal year ending January 2017),” our Group has put up the following slogan, “Pursuing world class business excellence, think globally, plan agilely, and implement locally.” We will further develop and enhance our business operating system, while pursuing in the improvement of management quality and steadily implementing the measures grounded on the newly formulated strategies for each business segment and the functional strategy that serves as the foundation thereof. We find particularly important to continue to expand and enrich business in the existing markets concentrated in China and North America regarding the Overseas and China businesses, which our Group still positions as growing fields. Moreover, we will we will aim at further improvement in business performance through actively pursuing new markets. In this consolidated fiscal year in which concludes 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

(Application of Accounting Standard for Business Combination)
Effective from the first quarter of the consolidated fiscal year under review, 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 first quarter of 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 quarterly consolidated financial statements for the consolidated quarter 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 first three-month period of the previous fiscal year and the entire 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 first quarter of the consolidated fiscal year under review.
This change had no impact on the Company’s quarterly consolidated financial statements.

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

(Millions of yen)

	At January 31, 2016	At April 30, 2016
ASSETS		
I. Current Assets:		
Cash and deposits	24,297	22,116
Notes and accounts receivable - trade	13,870	15,603
Merchandise and finished goods	6,146	6,023
Work in process	306	312
Raw materials and supplies	2,406	2,447
Other current assets	1,921	2,106
Allowance for doubtful accounts	(35)	(34)
Total Current Assets	48,913	48,577
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures, net	7,372	7,085
Land	6,018	5,982
Other tangible fixed assets, net	8,080	7,795
Total Tangible Fixed Assets	21,471	20,863
2. Intangible Fixed Assets:		
Goodwill	163	123
Other intangible fixed assets	1,183	1,140
Total Intangible Fixed Assets	1,346	1,264
3. Investments and Other Assets:		
Other	2,238	2,241
Allowance for doubtful accounts	(27)	(27)
Total Investments and Other Assets	2,211	2,214
Total Fixed Assets	25,029	24,342
Total Assets	73,943	72,919
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	3,743	4,541
Electronically recorded obligations - operating	1,623	2,020
Short-term borrowings	380	169
Current portion of long-term loans payable	928	5,867
Income taxes payable	1,505	1,187
Accrued bonuses to employees	894	1,217
Reversal of reserve for returned products	48	55
Provision for loss on litigation	38	36
Other current liabilities	5,061	4,990
Total Current Liabilities	14,223	20,086
II. Fixed Liabilities:		
Long-term borrowings	5,000	—
Net defined benefit liability	435	102
Provision for directors and corporate auditors' retirement benefits	409	395
Other fixed liabilities	3,082	2,707
Total Fixed Liabilities	8,926	3,205
Total Liabilities	23,150	23,291

(Millions of yen)

	At January 31, 2016	At April 30, 2016
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,180	5,180
Retained earnings	36,790	36,637
Treasury stock	(947)	(947)
Total Shareholders' Equity	46,223	46,070
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	32	29
Foreign currency translation adjustment	3,311	2,368
Total Accumulated Other Comprehensive Income	3,344	2,398
III. Non-controlling Interests	1,225	1,159
Total Net Assets	50,792	49,627
Total Liabilities and Net Assets	73,943	72,919

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

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

(Millions of yen)

	Three months ended April 30, 2015	Three months ended April 30, 2016
I. Net Sales	21,809	22,746
II. Cost of Sales	11,708	12,348
Gross profit	10,101	10,398
Reversal of reserve for returned products	45	50
Transfer to reserve for returned products	54	56
Adjusted gross profit	10,093	10,391
III. Selling, General and Administrative Expenses	6,496	6,659
Operating Income	3,596	3,732
IV. Non-operating Income:		
Interest income	80	41
Share of profit of entities accounted for using equity method	10	—
Foreign exchange gains	18	—
Other non-operating income	62	47
Total Non-operating Income	171	88
V. Non-operating Expenses:		
Interest expense	21	20
Sales discounts	76	89
Share of loss of entities accounted for using equity method	—	0
Foreign exchange losses	—	106
Other non-operating expenses	7	6
Total Non-operating Expenses	104	223
Ordinary Income	3,662	3,597
VI. Extraordinary Income:		
Gain on sales of fixed assets	6	0
Total Extraordinary Income	6	0
VII. Extraordinary Loss:		
Loss on sales of fixed assets	0	0
Loss on disposal of fixed assets	1	2
Loss on liquidation of subsidiaries and associates	—	58
Total Extraordinary Loss	1	61
Income before Income Taxes	3,668	3,537
Income Taxes - current	1,171	1,649
Income Taxes - deferred	(11)	(643)
Total Corporate Income Tax	1,160	1,005
Net Income	2,508	2,531
Net Income Attributable to Non-controlling Interests	38	49
Net Income Attributable to Owners of Parent	2,469	2,482

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

(Millions of yen)

	Three months ended April 30, 2015	Three months ended April 30, 2016
Net Income	2,508	2,531
Other Comprehensive Income		
Valuation difference on available-for-sale securities	18	(3)
Foreign currency translation adjustment	(247)	(998)
Total Other Comprehensive Income	(228)	(1,001)
Quarterly Comprehensive Income	2,279	1,529
(Break down)		
Quarterly comprehensive income on parent company	2,232	1,536
Quarterly comprehensive income on non-controlling interests	47	(6)

(3) Notes on Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Three months ended April 30, 2015

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

(Millions of yen)

	Reporting Segment						Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 3)
	Domestic Baby and Mother Care Business	Child-rearing Support Services	Health Care and Nursing Care Business	Overseas Business	China Business	Subtotal				
Net sales										
Net sales to external customers	7,014	1,740	1,733	3,958	7,056	21,502	307	21,809	―	21,809
Internal sales or exchange between segments	―	―	―	1,655	157	1,813	―	1,813	(1,813)	―
Total	7,014	1,740	1,733	5,613	7,214	23,316	307	23,623	(1,813)	21,809
Segment profit	1,209	51	76	1,208	2,083	4,630	35	4,665	(1,069)	3,596

(Notes)

1. The "Other Businesses" classification refers to businesses not included in the reporting segments, and consists mainly of our Group's manufacturing subsidiaries, but also of those manufacturing and selling products to companies outside our Group.
2. The negative amount of ¥1,069 million from adjustments in segment profits includes a negative ¥26 million in elimination of intersegment transactions, and a negative ¥1,043 million 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 statement 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.

Three months ended April 30, 2016

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

(Millions of yen)

	Reporting Segment						Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 3)
	Domestic Baby and Mother Care Business	Child-rearing Support Services	Health Care and Nursing Care Business	Overseas Business	China Business	Subtotal				
Net sales										
Net sales to external customers	8,451	1,838	1,792	4,228	6,109	22,420	326	22,746	―	22,746
Internal sales or exchange between segments	―	―	―	1,217	54	1,271	―	1,271	(1,271)	―
Total	8,451	1,838	1,792	5,446	6,163	23,692	326	24,018	(1,271)	22,746
Segment profit	1,722	39	137	1,166	1,688	4,753	42	4,796	(1,063)	3,732

(Notes)

1. The "Other Businesses" classification refers to businesses not included in the reporting segments, and consists mainly of our Group's manufacturing subsidiaries, but also of those manufacturing and selling products to companies outside our Group.
2. The negative amount of ¥1,063 million from adjustments in segment profits includes an ¥82 million in elimination of intersegment transactions, and a negative ¥1,146 million 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 statement of income.