Summary of Financial Results
for the Fiscal Year Ended January 31, 2015
[Japanese Standards] (Consolidated)

March 2, 2015

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 28, 2015
Scheduled Commencement Date of Dividend Payments: April 30, 2015
Scheduled Filling Date of Business Report: April 30, 2015
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, 2015 (February 1, 2014 to January 31, 2015)

(1) Consolidated operating results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
FY ended January 31, 2015	84,113	8.6%	12,780	23.3%	13,299	20.9%	8,451	21.0%
FY ended January 31, 2014	77,465	19.0%	10,365	46.3%	11,002	48.9%	6,985	52.7%

(Note) Comprehensive income: FY ended January 31, 2015 ¥11,849 million (12.8%)
FY ended January 31, 2014 ¥10,505 million (68.7%)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)	Return on Equity (%)	Total Assets/ Ordinary Income (%)	Operating Margin (%)
FY ended January 31, 2015	211.65	—	19.8	20.4	15.2
FY ended January 31, 2014	174.53	—	19.7	20.7	13.4

(Reference) Equity in earnings of affiliates: FY ended January 31, 2015 ¥23 million
FY ended January 31, 2014 ¥58 million

(Note) Our Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013. The figures for net income per share are calculated on the assumption that this stock split had been conducted at the beginning of the fiscal year ended January 31, 2014.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets Per Share (¥)
FY ended January 31, 2015	72,367	47,297	63.8	1,156.39
FY ended January 31, 2014	57,955	39,981	67.5	977.50

(Reference) Shareholders' Equity: FY ended January 31, 2015 ¥46,164 million
FY ended January 31, 2014 ¥39,124 million

(Note) Our Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013. The figures for net assets per share are calculated on the assumption that this stock split had been conducted at the beginning of the fiscal year ended January 31, 2014.

(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, 2015	10,135	(3,134)	(150)	21,590
FY ended January 31, 2014	7,930	(3,794)	(3,163)	13,102

2. Cash Dividends

	Annual Dividends (¥)					Total Dividends Paid (full year) (¥ mil)	Consolidated Payout Ratio (cons.) (%)	Dividends on Consolidated Net Assets (cons.) (%)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
FY ended January 31, 2014	–	66.00	–	55.00	–	3,522	50.4	10.0
FY ended January 31, 2015	–	45.00	–	60.00	105.00	4,191	49.6	9.8
FY ending January 31, 2016 (Forecast)	–	54.00	–	54.00	108.00		48.4	

(Note) Our Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013.

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending January 31, 2016 (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%	222.94

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: None
2) Changes in accounting policies other than the above 1): Yes
3) Changes in accounting-based estimates: None
4) Restatements: None

(Note) From the consolidated accounting year under review, the depreciation method of tangible fixed assets has been changed. For further information, please refer to "Changes in Accounting Policies" in "(5) Notes on Consolidated Financial Statements" on page 15.

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at term-end (including treasury stock)
FY ended January 31, 2015: 40,551,162 shares
FY ended January 31, 2014: 40,551,162 shares
2) Number of treasury stock for the period-end
FY ended January 31, 2015: 629,996 shares
FY ended January 31, 2014: 525,652 shares
3) Number of average shares outstanding during the period
FY ended January 31, 2015: 39,932,252 shares
FY ended January 31, 2014: 40,026,022 shares

(Note) Our Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013. 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, 2014.

* Indication regarding the situation of audit procedures
Financial results for this fiscal year is not the subject of an audit procedure based on the Financial Instruments and Exchange Act, and at the point in time when these financial results were disclosed, audit procedures for consolidated financial statements are being conducted.

* Cautionary Statement regarding Performance Forecasts
The forecasts and future projections stated in this report have been prepared on the basis of the information and assumption that shall be reasonable as of the date of announcement of this summary information, and the actual results could differ significantly from forecast figures depending on a variety of factors.
See the section "(1) Performance Analysis" in "1. Performance Analysis and Financial Position Analysis" on page 4 regarding the relevant matters for the above forecast for the business performance.

Table of Contents of the Appendix

1. Performance Analysis and Financial Position Analysis

(1) Performance Analysis

1) Performance Overview

During this consolidated accounting year (February 1, 2014 to January 31, 2015), Japan's economy was showing some signs of picking up, underpinned by stock price rise and weak-yen trend which were backed by the economic and monetary policies of the government and the Bank of Japan. However, influenced by a rise in price of imported materials due to the yen depreciation, and sluggishness in private consumption accompanying the consumption tax hike, the outlook for the economy remains uncertain. Meanwhile, overseas, although signs of economic recovery in the United States were emerging, there has been still an economic slowdown in China and other emerging countries, and uncertainty over the economic outlook in Europe. Therefore, the domestic economy is subject to downward pressures until now.
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". Thus, our Group has made a fresh start in this first year for the plan to be implemented. Also, as its business policy, our Group aims at expanding its business and improving management quality by providing the following "Vision 2016".

< Vision 2016 >

i) Strengthening brand power (Global Number One manufacturer of baby and child care products)
ii) Reinforcing the management system toward a sustainable growth of 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 of our businesses and functions. As a result, net sales amounted to ¥84,113 million (up 8.6% YOY), due to factors including healthy business expansion in our overseas operations centered on China. Regarding earnings, operating income rose to ¥12,780 million (up 23.3% YOY), ordinary income recorded ¥13,299 million (up 20.9% YOY), and net income was ¥8,451 million (up 21.0% YOY), which means each significantly exceeded the previous corresponding result although the provision of allowance for recall loss (extraordinary loss) by a voluntary product recall recorded 104 million yen. This was due to a reduction of approximately 1.0 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.

2) Segment Review

So far, "Domestic Baby and Mother Care Business", "Child-rearing Support Services", "Health Care and Nursing Care Business" and "Overseas Business" have been identified as our Group's reporting segments. However, from the first quarter of the fiscal year under review, we separated our China Business from the "Overseas Business", which is why there is now a total of five reporting segments. Each segment is outlined below.

Domestic Baby and Mother Care Business

Net sales of the segment amounted to ¥24,432million (down 0.1% YOY). Segment profits increased to ¥3,752 million (up 10.0% YOY). This resulted also from a decrease in selling, general and administrative expenses due to reviewing marketing expenses and cost reductions in production

companies resulting from an increase in the production of in-house products including new merchandise.
In this segment, we have released products such as a reversible stroller “Mahalo laule’a” (in February) designed to ensure the comfort of the baby, an Electric Breast Pump "First Class", which provides a comfortable breastfeeding routine while reducing frustrations of any mother willing to breastfeed her baby, and also “Pigeon’s Skin Care Products” (in March) formulated with moisturizing ingredients close to those found in baby’s vernix. Furthermore, in August, we released “Puti-gurt”, a yogurt flavor lactic drink designed for babies aged 7 months and older, as well as “Animal Mini-pancakes” and “Baby Pudding” in our Handmade Snack Series which feature a suitable level of sweetness for infants. Finally, in December, we released a new baby stroller “Runfee” which can easily adjust to level gaps thanks to its 16.5 cm diameter single tire. Moreover, during the consolidated 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 “Working Women Meetings for Pregnancy Training” for those who are preparing for pregnancy, organized for 40 times. A total of approximately 2,120 women have participated. Furthermore, our Company has staged a total of 10 seminars for health care professionals, addressing the theme of breastfeeding while parenting. A total of approximately 1,030 women have participated.
In order to aid fathers who challenge various aspects of child-rearing, we carried out a parents-and-children-oriented interactive event, “Enjoyable event for both parents and children about fathers involved in child-rearing” and the press announcement of a new-model baby stroller, “Runfee”. We will aid families during times of pregnancy, childbirth, and childcare through merchandises, events, and providing information, and aim to expand our business steadily.

Child-rearing Support Services
Net sales of the segment amounted to ¥6,722 million (up 1.9% YOY). Although there has been an increase in cost for recruitment due to the current continuing shortage of nursery teachers, we worked on the effective use of selling, general and administrative expenses, therefore, segment profits rose to ¥189 million (up 7.9% YOY).
We have launched four in-company child-care facilities and while improving the service quality, our Group is steadily promoting sales. Moreover, in Kids World, our early childhood education center, a mathematical experience program, “Math-Program” which we have introduced from last April gained favorable comments.

Health Care and Nursing Care Business
Net sales of the segment amounted to ¥6,761 million (up 0.6% YOY) which slightly exceeded the previous corresponding result, while competition in the market of consumables continued to intensify. We carried out proactive activities such as the execution of marketing measures that match the characteristics of products and sales channels, and, at the same time, efforts have been made toward the effective use of selling, general and administrative expenses, and as a result, segment profits increased to ¥260 million (up 22.9% YOY). In February, we launched in this segment “Recoup KARURU”, a new underwear which maintains conventional products’ properties in absorption of liquids, and still it is more comfortable and has improved its functionality in urine leakage absorption. In addition, in August, we also launched the “No Spread Sheet”, a product that resolves leak problems in toilet support. Our Group will continue to focus on marketing products through intensive research on priority categories and to ensure sales activities focusing on facility routes are carried out considerately.

Overseas Business
Net sales of the segment amounted to ¥23,373 million (up 15.1% YOY). Segment profits increased to ¥4,969 million (up 30.8% YOY).

In North America, full-scale sales of nursing bottles were launched in January 2014. While we are making efforts to further expand our product categories, we will promote enhancement of our brand as a company that provides assistance for breastfeeding with total support from breast pumps, storage of breast milk, and breastfeeding. In India, we are continuing to actively expand sales and marketing activities with a view to establish our brand on the market. In the future we intend to further strengthen the sales/distribution system. In addition, we have been promoting the streamlining of the product supply organization starting with our flagship baby bottle nipples by plant operation. In addition, in March, 2014 we have established a consolidated subsidiary, PIGEON PRODUTOS INFANTIS LTDA. in Brazil for the purpose of the local marketing research to get access to new markets. We will continue the operation aiming at further business expansion.

China Business

Net sales of the segment amounted to ¥26,301 million (up 19.7% 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 ¥7,525 million (up 25.5% YOY).

This segment recorded an increase in net sales and segment profits from the previous year, assisted mainly by the effects of a steady growth in product categories such as nursing bottles and nipples, due to continuous reinforcement of marketing and sales promotion activities, and an efficient utilization of production bases within China accompanying strong sales of existing products including consumables. We aim to steadily expand sales, as we will continue to implement effective marketing initiatives.

Other Businesses

Net sales of the segment amounted to ¥1,276 million (up 10.8% YOY), as OEM product orders increased. The segment profits decreased to ¥173 million (down 15.2% YOY).

(2) Financial Position Analysis

1) Assets

As of January 31, 2015, total asset amounted to ¥72,367 million, up ¥1,441 million (or 24.9%) from the previous fiscal year ended January 31, 2014.

Current assets had an increase of ¥47,027 million (or 33.0%), and fixed assets had an increase of ¥25,339 million (or 12.2%).

Current assets increased mainly due to an increase in cash and deposits of ¥8,488 million (or 64.8%) and an increase in notes and accounts receivable-trade of ¥2,709 million (or 21.6%).

Fixed assets increased mainly due to an increase in machinery and transportation equipment of ¥1,224 million (or 24.9%) and an increase in buildings and structures of ¥563 million (or 9.0%).

2) Liabilities

As of January 31, 2015, total liabilities amounted to ¥25,069 million, up ¥7,096 million (or 39.5%) from the fiscal year ended January 31, 2014. Current liabilities had an increase of ¥2,453 million (or 19.1%), and fixed liabilities had an increase of ¥4,642 million (or 90.1%).

Current liabilities increased mainly due to an increase in short-term borrowings of ¥494 million (or 125.2%), an increase in accrued expenses of ¥478 million (or 40.5%) as included in other current liabilities, an increase in income taxes payable of ¥381 million (or 33.0%), and an increase in accrued account payable of ¥377 million (or 11.1%).

Fixed liabilities increased mainly due to an increase in long-term borrowings of ¥3,916 million (or 194.7%) and an increase in deferred tax liabilities of ¥682 million (or 28.9%).

3) Net Assets

As of January 31, 2015, net assets amounted to 47,297 million, up ¥7,315 million (or 18.3%) from the fiscal year ended January 31, 2014.

This increase resulted mainly from an increase in foreign currency translation adjustment of ¥3,065 million (or 136.88%) and an increase in retained earnings of ¥4,453 million (or 16.5%).

4) Cash Flow

As of January 31, 2015, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to ¥21,590 million, up ¥8,488 million from a year earlier.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥10,135 million, up from ¥7,930 million of the previous year. Factors increasing operating cash flows included a ¥13,140 million in income before income taxes and a ¥1,914 million in depreciation. Contrasting factors included an increase of ¥1,312 million in trade receivables and a ¥3,444 million in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥3,134 million, down from ¥3,794 million of the previous year. Main factors included expenditures of ¥2,682 million in the acquisition of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥150 million, down from ¥3,163 million of the previous year. Decreases resulted primarily from ¥1,000 million in repayment of short-term debt and ¥3,995 million in payment of cash dividends. Contrasting factors included a ¥1,390 million in proceeds from short-term debt and a ¥5,000 million in proceeds from long-term loans payable.

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

	FY2013	FY2014	FY2015
Equity Ratio (%)	65.3	67.5	63.8
Equity Ratio based on Market Price (%)	205.7	325.6	407.7
Debt Repayment Term (years)	0.4	0.4	0.8
Interest Coverage Ratio (times)	98.1	334.5	297.4

Notes:
- 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

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

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 are aiming to increase dividends compared to previous year and targeting a consolidated total shareholder return of 45-50%.To this end, we are seeking to further strengthen and upgrade measures for returning profits to all shareholders.

Based on such policies, with respect to the interim dividends for this fiscal year, an ordinary dividend of ¥45 per share was made. With the strong performance that significantly exceeded the current profit plan, with respect to the end of term dividend, the Company has planned an ordinary

dividend of ¥60 per share which represents an increase by ¥8 per share compared to forecast of the annual dividends released on Dec 1, 2014 (ordinary dividend per share ¥52).
As a result, the annual dividend for the fiscal year will total ¥105 per share, a per share increase by ¥17 from the previous year. (Calculation is based on the number of shares after 2-for-1 stock split)

2. Management Policies

(1) Basic Policies

By delivering on its corporate commitment, “providing the gift of love to all” in the form of products and services, the Group deploys operations to fulfill its mission of bringing joy, happiness and delight to babies and families around the world. Guided by this philosophy, the Group has set in its medium-term corporate vision the goal of becoming global number one in its field, as the producer of childcare products that is most trusted by the world’s parents and families.

(2) Performance Targets

The Group has drafted its fifth medium-term business plan, covering the period from February 1, 2015 to January 31, 2017, adopting the slogan, “Pursuing world class business excellence, think globally, plan agilely, and implement locally”. By resolutely implementing the necessary measures, the Group aims to achieve the following targets by the final year of the plan, the fiscal year ending January 31, 2017: Net sales of ¥100 billion, operating income of ¥15 billion and net income of ¥9 billion. Moreover, to achieve further improvements in profitability and capital efficiency, the Group will focus on management indices such as return on equity (ROE) and return on invested capital (ROIC), with the aim of attaining further improvements.

(3) Medium-Term Management Strategies

In its fifth medium-term business plan, covering the period from February 1, 2015 to January 31, 2017, the Group has stipulated Vision 2016 as outlined below, aiming to expand Group operations and improve management quality.

< 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

(4) Issues to Address

The Group expects uncertainty to linger in the economic environment in which it operates. A substantial recovery in the Japanese economy is slow to arrive, while trends remain unclear in the global economy and particularly in North America and Europe. However, the Group expects to see continuation of the trend in which the nations of East Asia ex-Japan and other emerging nations drive growth in the world economy.
To thrive in this environment, the Group is steadily implementing a series of measures in new strategies drafted for each business segment, along with a functional strategy on which these are based. In particular, the Group is focusing on 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, while making determined inroads in new markets. In so doing, the Group aims for further expansion in business results.
Further, for enterprises, the primal mandate is the continuation of business and 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. Consolidated Financial Statement
(1) Consolidated Balance Sheets

(Thousands of yen)

	At January 31, 2014	At January 31, 2015
ASSETS		
I. Current Assets:		
Cash and deposit	13,102,606	21,590,935
Notes and accounts receivable - trade	12,569,111	15,278,435
Merchandise and finished goods	5,350,773	5,899,152
Work in process	281,547	242,058
Raw materials and supplies	2,420,080	2,357,688
Deferred tax assets - current	825,622	772,892
Receivables	369,348	396,872
Other current assets	475,283	520,206
Allowance for doubtful accounts	(30,988)	(31,073)
Total Current Assets	35,363,386	47,027,168
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures	13,421,260	14,538,984
Accumulated depreciation	(7,182,701)	(7,736,527)
Buildings and structures, net	6,238,559	6,802,457
Machinery and transportation equipment	12,998,456	6,223,775
Accumulated depreciation	(8,076,077)	(4,519,669)
Machinery and transportation equipment, net	4,922,379	1,704,105
Tools, furniture and fixtures	5,463,526	14,921,816
Accumulated depreciation and accumulated impairment loss	(4,158,908)	(8,775,324)
Tools, furniture and fixtures, net	1,304,618	6,146,492
Land	6,080,256	6,138,953
Construction in progress	477,649	591,349
Total Tangible Fixed Assets	19,023,463	21,383,358
2. Intangible Fixed Assets:		
Goodwill	441,108	302,173
Software	415,512	486,464
Other intangible fixed assets	584,710	935,717
Total Intangible Fixed Assets	1,441,331	1,724,355
3. Investments and Other Assets:		
Investment securities	1,448,245	1,531,542
Bankruptcy claims	45,441	34,873
Deferred tax assets	120,483	130,823
Insurance reserve	206,197	214,125
Other	350,241	356,075
Allowance for doubtful accounts	(43,424)	(35,242)
Total Investments and Other Assets	2,127,185	2,232,197
Total Fixed Assets	22,591,980	25,339,911
Total Assets	57,955,367	72,367,080

(Thousands of yen)

	At January 31, 2014	At January 31, 2015
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,518,251	4,462,757
Short-term borrowings	395,212	890,205
Current portion of long-term loans payable	1,004,953	1,200,000
Accrued account payable	3,401,135	3,778,828
Income taxes payable	1,155,862	1,535,554
Accrued bonuses to employees	782,653	783,744
Reversal of reserve for returned products	57,318	46,207
Provision for loss on litigation	—	38,571
Other current liabilities	1,503,546	2,536,873
Total Current Liabilities	12,818,934	15,272,743
II. Fixed Liabilities:		
Long-term borrowings	2,011,503	5,928,235
Deferred tax liabilities	2,356,706	3,038,815
Net defined benefit liability	287,276	315,383
Provision for directors and corporate auditors' retirement benefits	323,894	342,566
Other fixed liabilities	175,438	172,121
Total Fixed Liabilities	5,154,818	9,797,120
Total Liabilities	17,973,753	25,069,864
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199,597	5,199,597
Capital surplus	5,180,246	5,180,246
Retained earnings	26,929,960	31,383,875
Treasury stock	(455,960)	(942,114)
Total Shareholders' Equity	36,853,843	40,821,604
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	30,520	36,811
Foreign currency translation adjustment	2,240,472	5,306,072
Total Accumulated Other Comprehensive Income	2,270,992	5,342,883
III. Minority Interests	856,777	1,132,727
Total Net Assets	39,981,614	47,297,215
Total Liabilities, Minority Interests and Net Assets	57,955,367	72,367,080

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

(Thousands of yen)

	Year Ended January 31, 2014	Year Ended January 31, 2015
I. Net Sales	77,465,007	84,113,237
II. Cost of Sales	42,992,337	45,830,574
Gross profit	34,472,670	38,282,662
Reversal of reserve for returned products	47,123	57,414
Transfer to reserve for returned products	55,431	44,013
Adjusted gross profit	34,464,362	38,296,063
III. Selling, General and Administrative Expenses	24,098,736	25,515,329
Operating Income	10,365,625	12,780,734
IV. Non-operating Income:		
Interest income	105,184	189,276
Dividend income	19,051	2,730
Foreign exchange gains	410,098	162,186
Equity in earnings of non-consolidated subsidiaries and affiliates	58,102	23,568
Refund of consumption tax	99,914	372,547
Other	281,886	172,994
Total Non-operating Income	974,238	923,304
V. Non-operating Expenses:		
Interest expense	43,350	64,795
Sales discounts	258,685	293,076
Other	35,547	46,982
Total Other Expenses	337,583	404,854
Ordinary Income	11,002,280	13,299,184
VI. Extraordinary Income:		
Gain on sales of property	5,345	8,259
Gain on negative goodwill	3,480	
Total Extraordinary Income	8,825	8,259
VII. Extraordinary Loss:		
Loss on sales of property	2,616	4,817
Loss on disposal of property	21,640	24,364
Provision for loss on litigation	—	33,845
Loss on recall	—	104,382
Total Extraordinary Loss	24,257	167,410
Income before Income Taxes	10,986,848	13,140,033
Income taxes - current	3,077,667	3,768,140
Income taxes - deferred	705,869	734,969
Total Corporate Income Tax	3,783,537	4,503,110
Income before Minority Interests	7,203,311	8,636,923
Minority interests in income	217,640	185,144
Net Income	6,985,670	8,451,778

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Year Ended January 31, 2014	Year Ended January 31, 2015
Income before minority interests	7,203,311	8,636,923
Other comprehensive income		
Valuation difference on available-for-sale securities	3,875	6,290
Foreign currency translation adjustment	3,298,595	3,206,483
Total Other Comprehensive Incomes	3,302,470	3,212,774
Comprehensive Income	10,505,781	11,849,697
(Breakdown)		
Comprehensive income on parent company	10,200,672	11,523,669
Comprehensive income on minority interests	305,109	326,028

(3) Statement of Changes in Consolidated Shareholders' Equity

Fiscal Year Ended January 31, 2014

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	5,199,597	5,180,246	22,686,099	(450,289)	32,615,653
Changes during the period					
Dividends from surplus			(2,741,809)		(2,741,809)
Net income			6,985,670		6,985,670
Acquisition of treasury stock				(5,671)	(5,671)
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	—	4,243,861	(5,671)	4,238,189
Balance at the end of current period	5,199,597	5,180,246	26,929,960	(455,960)	36,853,843

	Accumulated other comprehensive income			Minority 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	26,644	(970,653)	(944,008)	693,726	32,365,371
Changes during the period					
Dividends from surplus					(2,741,809)
Net income					6,985,670
Acquisition of treasury stock					(5,671)
Changes in items other than shareholders' equity (net)	3,875	3,211,126	3,215,001	163,051	3,378,053
Total changes during the period	3,875	3,211,126	3,215,001	163,051	7,616,243
Balance at the end of current period	30,520	2,240,472	2,270,992	856,777	39,981,614

Fiscal Year Ended January 31, 2015

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	5,199,597	5,180,246	26,929,960	(455,960)	36,853,843
Changes during the period					
Dividends from surplus			(3,997,863)		(3,997,863)
Net income			8,451,778		8,451,778
Acquisition of treasury stock				(486,154)	(486,154)
Changes in items other than shareholders' equity (net)					
Total changes during the period			4,453,914	(486,154)	3,967,760
Balance at the end of current period	5,199,597	5,180,246	31,383,875	(942,114)	40,821,604

	Accumulated other comprehensive income			Minority 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	30,520	2,240,472	2,270,992	856,777	39,981,614
Changes during the period					
Dividends from surplus					(3,997,863)
Net income					8,451,778
Acquisition of treasury stock					(486,154)
Changes in items other than shareholders' equity (net)	6,290	3,065,599	3,071,890	275,950	3,347,840
Total changes during the period	6,290	3,065,599	3,071,890	275,950	7,315,601
Balance at the end of current period	36,811	5,306,072	5,342,883	1,132,727	47,297,215

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year Ended January 31, 2014	Year Ended January 31, 2015
I. Cash Flows from Operating Activities:		
Income before income taxes	10,986,848	13,140,033
Depreciation	1,865,351	1,914,284
Amortization of goodwill	205,951	180,292
Increase (decrease) in allowance for doubtful accounts	(707)	(11,978)
Increase (decrease) in accrued bonuses to employees	163,978	(22,032)
Increase (decrease) in provision for employees' retirement benefits	(39,548)	18,506
Increase (decrease) in provision for directors and corporate auditors' retirement benefits	(65,870)	18,671
Interest and dividend income	(124,236)	(192,007)
Share of (gain) loss of entities accounted for using equity method	(58,102)	(23,568)
Interest expense	43,350	64,795
Foreign exchange loss (gain)	(377,564)	(282,987)
Loss (gain) on sale of property	(2,728)	(3,441)
Loss on disposal of property	21,640	24,564
Decrease (increase) in notes and accounts receivable - trade	(587,612)	(1,312,697)
Decrease (increase) in inventories	(480,119)	136,281
Increase (decrease) in notes and accounts payable - trade	(154,424)	(721,411)
Increase (decrease) in account payable	(1,534)	(110,848)
Increase (decrease) in accrued consumption taxes	(123,120)	412,686
Decrease (increase) in claims provable in bankruptcy/rehabilitation	8,698	10,568
Other	(218,452)	295,223
Subtotal	11,061,797	13,534,934
Interest and dividend income received	133,527	79,271
Interest expenses paid	(23,705)	(34,083)
Income taxes paid	(3,241,602)	(3,444,658)
Net Cash Provided by Operating Activities	7,930,017	10,135,463
II. Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(3,223,309)	(2,682,791)
Proceeds from sales of property, plant and equipment	15,969	48,472
Purchase of intangible assets	(453,270)	(472,653)
Purchase of investment securities	(1,825)	(1,846)
Purchase of investments in subsidiaries	(87,300)	—
Purchase of insurance funds	(8,754)	(7,178)
Proceeds from cancellation of insurance funds	41,492	—
Payments of loans receivable	(1,995)	(2,194)
Collection of loan receivables	1,678	2,151
Payment for lease deposits	(17,606)	(39,678)
Collection of lease deposits	12,193	36,399
Other	(71,735)	(14,804)
Net Cash Used in Investing Activities	(3,794,463)	(3,134,124)

(Thousands of yen)

	Year Ended January 31, 2014	Year Ended January 31, 2015
III. Cash Flows from Financing Activities:		
Increase in short-term loans payable	7,079,810	1,390,866
Decrease in short-term loans payable	(8,153,100)	(1,000,000)
Proceeds from long-term loans payable	752,444	5,000,000
Repayments of long-term loans payable	(29,688)	(1,005,031)
Payment of cash dividends	(2,740,876)	(3,995,361)
Cash dividends paid to minority shareholders	(51,276)	(50,078)
Purchase of treasury stock	(5,671)	(486,154)
Other	(14,923)	(4,669)
Net Cash Used in Financing Activities	(3,163,282)	(150,427)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,556,008	1,637,416
V. Net Increase (Decrease) in Cash and Cash Equivalents	2,528,280	8,488,328
VI. Cash and Cash Equivalents at Beginning of Period	10,574,326	13,102,606
VII. Cash and Cash Equivalents at End of Period	13,102,606	21,590,935

(5) Notes on Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

Changes in the Method for Determining Depreciation of Tangible Fixed Assets

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

In our Group's fifth medium-term business plan, effective from this current consolidated fiscal year, taking into consideration our Group's further global business development going forward and the substantial growth in corporate earnings expected overseas, the change in method was made following a review of the investment effect of tangible fixed assets from the perspective of integrating Group accounting policies and properly adjusting periodic income, as it has been motivated by changes in our Group's capital investment circumstances. Consequently, property, plant and equipment held by our Group and its consolidated subsidiaries generally are subject to steady operation over their expected lifetime. In addition, as we can expect also from our Group's product lines to generate stable profits, the change has been implemented because, firstly, it is reasonable, from a cost distribution point of view, to adopt the straight-line method as a depreciation method for the tangible fixed assets, and secondly, the economic conditions should be more appropriately reflected by doing so.

As a result of this change, operating income, ordinary income, and net income before income taxes all increased by ¥189,891 thousand compared with the results under the previous method.

(Change in Method of Presentation)

With the application of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, May 17, 2012), those indicated as "provision for employees' retirement benefits" in the previous consolidated accounting year are shown as "net defined benefit liability" from this consolidated accounting year.

(Change in Basis of Presenting Consolidated Financial Statements)

Revisions to amounts of the deferred tax asset and deferred tax liability due to change in rate of corporate income tax

"Act for Partial Revision of the Income Tax Act, etc." (Law No. 10 of 2014) will be promulgated on March 31, 2014, and a special corporate tax for reconstruction will not be imposed from the fiscal year which starts on or after the April 1, 2014. Accordingly, the effective tax rate used to calculate deferred tax assets and deferred tax liabilities will change from 38.0% to 35.6% for those expected to be recovered or paid on or after the fiscal year 2015 (February 1, 2015 to January 31, 2016).

The effects to deferred tax assets, deferred tax liabilities, and income taxes-deferred for this fiscal year are immaterial.

(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 and constituted by 4 reporting segments, namely, "Domestic Baby and Mother Care Business", "Child-rearing Support Services", "Health Care and Nursing Care Business" and "Overseas 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-rearing Support Services

It is engaged in provision of child-rearing support services in Japan.

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

(iii) Health Care and Nursing 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 sale of principally child-rearing products and feminine care products for overseas countries.

2. Calculation Method for the Values in Segmental Sales, Income 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 2014

(Thousands of yen)

	Reporting Segment						Other Businesses (Note) 1	Total	Adjustments (Note) 2 (Note) 3 (Note) 4 (Note) 5	Amount Accounted on Quarterly Consolidated Statements of Income (Note) 6
	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	24,451,183	6,599,506	6,721,454	16,857,087	21,683,867	76,313,096	1,151,911	77,465,007	—	77,465,007
Internal sale between segments, or exchange	—	—	—	3,448,890	296,415	3,745,305	—	3,745,305	(3,745,305)	—
Total	24,451,183	6,599,506	6,721,454	16,857,087	21,683,867	76,313,096	1,151,911	77,465,007	(3,745,305)	77,465,007
Segment profit	3,411,850	176,026	212,061	3,798,120	5,997,633	13,972,292	204,390	14,176,682	(3,811,056)	10,365,625
Segment asset	10,372,814	1,214,589	3,417,813	14,891,988	19,718,580	49,615,791	1,085,308	50,701,099	7,254,267	57,955,367
Other Items										
Depreciation (Note) 7	376,917	29,571	108,709	555,801	538,533	1,609,533	47,067	1,656,600	208,751	1,865,351
Amortization of Good Will	—	3,720	—	202,231	—	205,951	—	205,951	—	205,951
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note) 8	508,748	23,146	110,573	1,053,440	1,754,106	3,261,794	47,345	3,309,139	266,438	3,575,578

(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 ¥3,434,457 thousand from adjustments in segment profits includes ¥376,599 thousand in elimination of intersegment transactions, and a negative ¥3,811,057 thousand in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
3. Segment asset adjustments are all company assets and consist 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 is depreciations relating the entire company assets。

5 Tangible fixed assets and intangible assets relate to all 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 2015

(Thousands of yen)

	Reporting Segment						Other Businesses (Note) 1	Total	Adjustments (Note) 2 (Note) 3 (Note) 4 (Note) 5	Amount Accounted on Quarterly Consolidated Statements of Income (Note) 6
	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	24,432,198	6,722,562	6,761,631	19,144,378	25,776,288	82,837,060	1,276,176	84,113,237	—	84,113,237
Internal sale between segments, or exchange	—	—	—	4,229,573	525,412	4,754,986	—	4,754,986	(4,754,986)	—
Total	24,432,198	6,722,562	6,761,631	23,373,952	26,301,701	82,837,060	1,276,176	84,113,237	(4,754,986)	84,113,237
Segment profit	3,752,460	189,985	260,699	4,969,294	7,525,898	16,698,319	173,406	16,871,725	(4,090,991)	12,780,734
Segment asset	10,984,153	1,264,594	3,763,827	18,234,518	24,224,772	58,471,865	1,265,630	59,737,496	12,629,583	72,367,080
Other Items										
Depreciation (Note) 7	283,918	19,441	75,279	644,352	667,984	1,690,976	36,171	1,727,147	187,136	1,914,281
Amortization of Good Will	2,790	—	—	270,383	—	—	—	302,173	—	302,173
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note) 8	942,606	20,806	173,303	1,510,373	593,482	3,240,573	187,407	187,407	333,246	3,761,226

(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 ¥4,090,991 thousand from adjustments in segment profits includes a negative ¥19,948 thousand in elimination of intersegment transactions, and a negative ¥4,110,940 thousand in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
3. Segment asset adjustments are all company assets and consist 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 is depreciations relating the entire company assets。

5 Tangible fixed assets and intangible assets relate to all 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。

4. Matters concerning Changes in the Reporting Segments

Starting with the first quarter of the consolidated current term, our Group made changes in its business classification, reorganizing its business in five reporting segments – "Domestic Baby and Mother Care Business", "Child-rearing Support Services", "Health Care and Nursing Care Business", "Overseas Business", and "China Business" - as the latter, included before in the Overseas Business segment, had increased in importance.

In addition, please note that, the reporting segments disclosed in the previous fiscal year differ as they were prepared pursuant to the reporting segment classification subsequent to the changes and reflected in this consolidated financial report.

5. Changes in the Method for Determining Depreciation of Tangible Fixed Assets

As stated in the "Changes in Accounting Policies" (page 15), our Group and its consolidated subsidiaries have switched to the straight-line method from the depreciation method for a part of its tangible fixed assets, effective from the consolidated accounting year under review.

The impact of this change on segment profits rose by ¥105,778 thousand in "Domestic Baby and Mother Care Business", ¥3,897 thousand in "Child-rearing Support Services", ¥16,879 thousand in "Health Care and Nursing Care Business", ¥18,971 thousand in "Overseas Business", and ¥13,931 thousand in "Other Businesses". Also, the amount of not-allocable operating expenses recorded an increase of ¥30,433 thousand.

(Per Share Information)

	Previous fiscal year (February 1, 2013 to January 31, 2014)	Current fiscal year (February 1, 2014 to January 31, 2015)
Net Assets per Share	¥977.49	¥260.93
Net Income per Share	¥174.52	¥211.65

(Notes) 1. With respect to Net Income for the Term after Adjustments for Latent Shares, there are no latent shares existing, thus, has not been included.

2. The basis for the calculation of the Net Income per Share is as follows.

	Previous fiscal year (February 1, 2013 to January 31, 2014)	Current fiscal year (February 1, 2014 to January 31, 2015)
Net Income (¥ thousands)	6,985,670	8,451,778
Amount not Attributable to Ordinary Shareholders (¥ thousands)	—	—
Net Income Relating to Ordinary Shares (¥ thousands)	6,985,670	8,451,778
Average Number of Shares during the Term (shares)	40,026,022	39,932,252

3. Our Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013. The figures for net assets per share and net income per share are calculated on the assumption that this stock split had been conducted at the beginning of the fiscal year ended January 31, 2014.

(Material Subsequent Events)

Capital increase in a consolidated subsidiary

We determined to increase the capital of PIGEON (SHANGHAI) CO., LTD, a consolidated subsidiary, at a meeting of the Board of Directors held on January 13, 2015.

1. Reason for capital increase

In order to establish a base of business and strengthen the administrative function of the Group business corresponding to business expansion in China, we plan to change the subsidiary to “a regional-headquarters of the multinational firm with administrative function” and satisfy the requirement.

2. Details of the capital increase

The amount of capital increase: 1,050,000 US$
Date of capital increase: February, 2015

3. Overview of concerned subsidiary

Company name: PIGEON (SHANGHAI) CO., LTD
Location: Shanghai, People’s Republic of China
Capital stock before capital increase: 950,000 US$ (wholly-owned subsidiary)
Capital stock after capital increase: 2 million US$ (wholly-owned subsidiary)