

# Summary of Financial Results for the First Quarter of Fiscal Year Ending January 2018 [Japanese Standards] (Consolidated)

June 5, 2017

Name of Listed Company: Pigeon Corporation (Stock code: 7956)  
 Listing: First Section, Tokyo Stock Exchange  
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 Scheduled Filing Date of Quarterly Report: June 9, 2017  
 Scheduled Commencement Date of Dividend Payments: —  
 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, 2018 (February 1 to April 30, 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<br>Attributable to<br>Owners of Parent |       |
|-------------------------|-----------|------|------------------|-------|-----------------|--------|---|-------|
| 1Q ended April 30, 2017 | 23,977    | 5.4% | 4,940            | 32.4% | 4,858           | 35.0%  | 3,473   | 39.9% |
| 1Q ended April 30, 2016 | 22,746    | 4.3% | 3,732            | 3.8%  | 3,597           | (1.8)% | 2,482   | 0.5%  |

(Note) Comprehensive income: 1Q ended April 30, 2017      ¥3,316 million (116.8%)  
 1Q ended April 30, 2016      ¥1,529 million (32.9% negative)

|                         | Net Income per Share (¥) | Diluted Net Income Per<br>Share (¥) |
|-------------------------|--------------------------|-------------------------------------|
| 1Q ended April 30, 2017 | 29.00                    | —                                   |
| 1Q ended April 30, 2016 | 20.72                    | —                                   |

### (2) Consolidated Financial Position

|                           | Total Assets | Net Assets | Equity Ratio (%) |
|---------------------------|--------------|------------|------------------|
| 1Q ended April 30, 2017   | 72,607       | 53,637     | 72.0             |
| FY ended January 31, 2017 | 78,889       | 53,736     | 66.4             |

(Reference) Shareholders' Equity: 1Q ended April 30, 2017      ¥52,286 million  
 FY ended January 31, 2017      ¥52,387 million

## 2. Cash Dividends

|  | Annual Dividend (¥) |        |        |          |       |
|--|---------------------|--------|--------|----------|-------|
|  | 1Q-end              | 2Q-end | 3Q-end | Year-end | Total |
| FY ended January 31, 2017                | —                   | 25.00  | —      | 28.00    | 53.00 |
| FY ending January 31, 2018               | —                   |        |        |          |       |
| FY ending January 31, 2018<br>(Forecast) |                     | 28.00  | —      | 28.00    | 56.00 |

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

### 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<br>Attributable to<br>Owners of Parent |      | Net Income per<br>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                   |

(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: None

2) Changes in accounting policies other than the above 1): None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

1Q ended April 30, 2017: 121,653,486

FY ended January 31, 2017: 121,653,486

2) Number of treasury stock at the period-end

1Q ended April 30, 2017: 1,892,017

FY ended January 31, 2017: 1,891,943

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

1Q ended April 30, 2017: 119,761,516

1Q ended April 30, 2016: 119,761,829

\* This quarterly financial results report is exempt from quarterly review.

\* Cautionary Statement regarding Performance Forecasts

The forecasts and future projections stated in this report have been prepared on the basis of the information and assumption that shall be reasonable as of the date of announcement of this summary information, and the forecasts and future projections stated in this report are in no way intended as a promise of achievement as a company.

In addition, the actual results could differ significantly from forecast figures depending on a variety of factors. See the section “(3) Explanation of Consolidated Performance Forecast and Other Future Predictions” in “1. Qualitative Information Regarding the Financial Results for the Current Quarter” on page 4 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

## Table of Contents of the Appendix

|  |    |
|--|----|
| 1. Qualitative Information Regarding the Financial Results for the Current Quarter .....                                     | 2  |
| (1) Explanation of Business Performance .....  | 2  |
| (2) Explanation of Financial Position .....  | 4  |
| (3) Explanation of Consolidated Performance Forecast and Other Future Predictions .....                                      | 4  |
| 2. Issues Regarding Summary Information (Notes) .....  | 5  |
| (1) Significant Changes in Subsidiaries During the Period Under Review .....   | 5  |
| (2) Application of Any Accounting Procedures Specific to Preparation of Quarterly<br>Consolidated Financial Statements ..... | 5  |
| 3. Quarterly Consolidated Financial Statements .....   | 6  |
| (1) Quarterly Consolidated Balance Sheets.....   | 6  |
| (2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of<br>Comprehensive Income.....          | 8  |
| Quarterly Consolidated Statement of Income<br>(Scope of Consolidation of First Quarter) .....                                | 8  |
| Quarterly Consolidated Statement of Comprehensive Income<br>(Scope of Consolidation of First Quarter).....                   | 9  |
| (3) Notes on Consolidated Financial Statements.....  | 10 |
| (Notes Regarding Going Concern Assumptions) .....  | 10 |
| (Notes Regarding Substantial Changes in Shareholders' Equity).....   | 10 |
| (Segment Information).....   | 11 |

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

### (1) Explanation of Business Performance

During the consolidated first three-month period under review, although personal consumption lacked momentum, Japan's economy continued to recover at a gradual pace as a whole, thanks to continued recovery in corporate activities. On the other hand, conditions in the world economy remained uncertain. While overall inflation indices in the developed countries have risen due to recovery in resource prices, there is still the medium-term downward risk of deceleration in economic growth, caused by slackening export and import trade and foreign investment as well as mounting geopolitical tension.

Amid such economic circumstances, the Group developed the sixth medium-term business plan (for the period between the fiscal year ending January 2018 and the fiscal year ending January 2020), under the slogan of "Building our dreams into the future – by creating a bridge towards the Global Number One manufacturer of baby products –,” and has made efforts toward our further growth in the first year of this plan. In addition, we have set the following three basic strategies that would 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.

During the consolidated first three-month period under review, we implemented strategies for each of our business and function on the basis of the above business policies. As the result, net sales amounted to ¥23,977 million (up 5.4% YOY), as supported by sales increases mainly in China and North America. Regarding earnings, operating income rose to ¥4,940 million (up 32.4% YOY) thanks to a reduction of approximately 3.2 percentage points in the sales cost ratio from the previous term. Ordinary income recorded ¥4,858 million (up 35.0% YOY), and net income attributable to owners of parent also increased to ¥3,473 million (up 39.9% 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\$: 113.60 yen (115.35 yen)
- 1 CNY: 16.56 yen (17.60 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 Care Service Business," "Health and Elder Care Business," "Overseas Business," and "China Business." Each segment is outlined below.

Please take note that in order to explain the profit status of each segment in a more detailed manner, we decided to record expenses in non-allocable operating expenses associated with the Research and Development Department, which had been included in the Adjustment section so far, in the segment profit of each reporting segment starting from this consolidated first three-month period.

In addition, we have made year-over-year comparisons by converting the figures in the same period of the last year into the figures calculated in accordance with the new calculation method after the

above revision.

### **Domestic Baby and Mother Care Business**

Net sales of the segment amounted to ¥8,729 million (up 3.3% YOY). Segment profits increased to ¥1,752 million (up 28.8% YOY), thanks to enhancement in operation ratio of manufacturing plants as the result of a net sale increase, as well as effective use of selling, general and administrative expenses.

In this segment, we released “Baby Petit Ice,” the first hand-made ice cream for babies, in February. In addition, we released “Moisture Body Care Cream” for expectant mothers, which provides 24-hour moisture retention with a single treatment per day, and sales of the products have expanded at a good rate. 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 4 times. A total of approximately 500 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: for example, we provide the video introducing easy-to-push baby strollers in “Happy Travel,” Pigeon’s site focusing on baby strollers.

### **Child Care Service Business**

Net sales of the segment amounted to ¥1,931 million (up 5.1% YOY). Segment profits increased to ¥53 million (up 34.5% YOY). We have launched two 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 ¥1,681 million (down 6.2% YOY), due to weak sales of core products such as bottom wipes, body wipes and skin care products, which faced fiercer competition at retail store fronts, and segment profits decreased to ¥97 million (down 21.9% YOY). We will continue to focus on strengthening of sales activities toward retail stores and nursing care facilities further, and will ensure that the quality of our nursing care services is improved.

### **Overseas Business**

Net sales of the segment increased to ¥5,845 million (up 7.3% YOY). Segment profits also increased to ¥1,606 million (up 49.9% YOY), thanks to the improvement of gross profit margin, as well as effective use of selling, general and administrative expenses. 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 milk bags are growing at a good pace, and sales of breast pumps are also expanding in North America where we supply the products through a new sales channel. In addition, sales activity in China (Lansinoh Laboratories Shanghai), our new initiative started last year, is also expanding steadily, and we will make efforts to expand our business there.

### **China Business**

Despite the continuing trend of yen appreciation against the Chinese Yuan, net sales in this segment increased to ¥7,133 million (up 15.7% YOY), because sales of core products such as nursing bottles and nipples remained strong, particularly in the E-commerce channel. Segment profits increased to ¥2,126 million (up 25.9% YOY).

In this segment, we will continue to strengthen our activities toward the growing E-commerce market. In addition, we will aim to expand our operations using social networking services for invigoration of direct communication with consumers, and will continue to reinforce sales promotions at stores and offline sales activities aimed at hospitals and maternity clinics.

## **Other Businesses**

Net sales of the segment amounted to ¥323 million (down 0.8% YOY), and the segment profits stood at ¥35 million (down 17.4% YOY).

### **(2) Explanation of Financial Position**

#### 1) Assets

As of April 30, 2017, our Group recorded total assets of ¥72,607 million, down ¥6,281 million from the previous consolidated fiscal year ended January 31, 2017. Both current and fixed assets decreased by ¥5,682 million and ¥599 million, respectively.

Current assets decreased mainly due to a decrease in cash and deposits of ¥7,340 million, despite increases in merchandise and finished goods of ¥906 million and in raw materials and supplies of ¥476 million.

Fixed assets diminished due to decreases in buildings and structures as well as in other tangible fixed assets of ¥155 million and ¥266 million, respectively.

#### 2) Liabilities

As of April 30, 2017, our Group recorded total liabilities of ¥18,970 million, down ¥6,182 million from the previous consolidated fiscal year ended January 31, 2017. Both current and fixed liabilities decreased by ¥5,791 million and ¥390 million, respectively.

Current liabilities decreased mainly due to decreases in short-term borrowings and in current portion of long-term loans payable of ¥699 million and ¥5,000 million, respectively, despite increases in notes and accounts payable - trade of ¥341 million, in electronically recorded obligations – operating of ¥342 million and in accrued bonuses to employees of ¥343 million.

Fixed liabilities decreased, mainly because provision for special extra retirement payments decreased by ¥208 million after transferring it to current liabilities, and other fixed liabilities decreased by ¥203 million.

#### 3) Net Assets

As of April 30, 2017, our Group recorded total net assets of ¥53,637 million, down ¥99 million from the previous consolidated fiscal year ended January 31, 2017.

Net assets decreased mainly due to a decrease in foreign currency translation adjustment of ¥216 million, despite an increase in retained earnings of ¥119 million.

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

For the "Sixth Medium-Term Business Plan (for the period between the fiscal year ending January 2018 and the 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 –."

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 regarding the Overseas and China businesses, which our Group still positions as growing fields. Moreover, we will aim at further improvement in business performance through actively pursuing new markets. In this consolidated fiscal year, the first year of our sixth 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. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

|   | At January 31, 2017 | At April 30, 2017 |
|---|---------------------|-------------------|
| <b>ASSETS</b>   |                     |                   |
| <b>I. Current Assets:</b>   |                     |                   |
| Cash and deposits   | 30,052              | 22,711            |
| Notes and accounts receivable - trade                               | 16,103              | 16,015            |
| Merchandise and finished goods                                      | 5,328               | 6,234             |
| Work in process   | 261                 | 180               |
| Raw materials and supplies  | 2,013               | 2,489             |
| Other current assets  | 1,512               | 1,951             |
| Allowance for doubtful accounts                                     | (26)                | (20)              |
| <b>Total Current Assets</b>   | <b>55,244</b>       | <b>49,562</b>     |
| <b>II. Fixed Assets:</b>  |                     |                   |
| <b>1. Tangible Fixed Assets:</b>                                    |                     |                   |
| Buildings and structures, net                                       | 6,989               | 6,834             |
| Land  | 5,683               | 5,685             |
| Other tangible fixed assets, net                                    | 7,590               | 7,323             |
| <b>Total Tangible Fixed Assets</b>                                  | <b>20,263</b>       | <b>19,843</b>     |
| <b>2. Intangible Fixed Assets:</b>                                  |                     |                   |
| Goodwill  | 51                  | 48                |
| Other intangible fixed assets                                       | 1,055               | 1,096             |
| <b>Total Intangible Fixed Assets</b>                                | <b>1,106</b>        | <b>1,145</b>      |
| <b>3. Investments and Other Assets:</b>                             |                     |                   |
| Other   | 2,293               | 2,076             |
| Allowance for doubtful accounts                                     | (19)                | (19)              |
| <b>Total Investments and Other Assets</b>                           | <b>2,273</b>        | <b>2,056</b>      |
| <b>Total Fixed Assets</b>   | <b>23,644</b>       | <b>23,045</b>     |
| <b>Total Assets</b>   | <b>78,889</b>       | <b>72,607</b>     |
| <b>LIABILITIES</b>  |                     |                   |
| <b>I. Current Liabilities:</b>                                      |                     |                   |
| Notes and accounts payable - trade                                  | 4,857               | 5,199             |
| Electronically recorded obligations - operating                     | 1,693               | 2,035             |
| Short-term borrowings   | 699                 | —                 |
| Current portion of long-term loans payable                          | 5,000               | —                 |
| Income taxes payable  | 2,324               | 1,524             |
| Accrued bonuses to employees  | 929                 | 1,272             |
| Reversal of reserve for returned products                           | 73                  | 69                |
| Provision for loss on litigation                                    | 37                  | 35                |
| Provision for special extra retirement payments                     | —                   | 208               |
| Other current liabilities   | 5,766               | 5,244             |
| <b>Total Current Liabilities</b>                                    | <b>21,381</b>       | <b>15,590</b>     |
| <b>II. Fixed Liabilities:</b>                                       |                     |                   |
| Net defined benefit liability                                       | 131                 | 138               |
| Provision for directors and corporate auditors' retirement benefits | 445                 | 457               |
| Provision for special extra retirement payments                     | 208                 | —                 |
| Other fixed liabilities   | 2,986               | 2,783             |
| <b>Total Fixed Liabilities</b>                                      | <b>3,770</b>        | <b>3,379</b>      |
| <b>Total Liabilities</b>  | <b>25,152</b>       | <b>18,970</b>     |

(Millions of yen)

|   | At January 31, 2017 | At April 30, 2017 |
|---|---------------------|-------------------|
| <b>NET ASSETS</b>                                     |                     |                   |
| <b>I. Shareholders' Equity:</b>                       |                     |                   |
| Capital stock   | 5,199               | 5,199             |
| Capital surplus                                       | 5,179               | 5,179             |
| Retained earnings                                     | 42,280              | 42,400            |
| Treasury stock  | (948)               | (948)             |
| <b>Total Shareholders' Equity</b>                     | <b>51,711</b>       | <b>51,830</b>     |
| <b>II. Accumulated Other Comprehensive Income:</b>    |                     |                   |
| Valuation difference on available-for-sale securities | 47                  | 44                |
| Foreign currency translation adjustment               | 628                 | 411               |
| <b>Total Accumulated Other Comprehensive Income</b>   | <b>676</b>          | <b>456</b>        |
| <b>III. Non-controlling Interests</b>                 | <b>1,349</b>        | <b>1,350</b>      |
| <b>Total Net Assets</b>                               | <b>53,736</b>       | <b>53,637</b>     |
| <b>Total Liabilities and Net Assets</b>               | <b>78,889</b>       | <b>72,607</b>     |

**(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<br>April 30, 2016 | Three months ended<br>April 30, 2017 |
|---|--------------------------------------|--------------------------------------|
| <b>I. Net Sales</b>   | 22,746                               | 23,977                               |
| <b>II. Cost of Sales</b>                                      | 12,348                               | 12,263                               |
| <b>Gross profit</b>   | 10,398                               | 11,714                               |
| Reversal of reserve for returned products                     | 50                                   | 70                                   |
| Transfer to reserve for returned products                     | 56                                   | 69                                   |
| <b>Adjusted gross profit</b>                                  | 10,391                               | 11,715                               |
| <b>III. Selling, General and Administrative Expenses</b>      | 6,659                                | 6,774                                |
| <b>Operating Income</b>                                       | 3,732                                | 4,940                                |
| <b>IV. Non-operating Income:</b>                              |                                      |                                      |
| Interest income   | 41                                   | 40                                   |
| Share of profit of entities accounted for using equity method | —                                    | 5                                    |
| Other non-operating income                                    | 47                                   | 67                                   |
| <b>Total Non-operating Income</b>                             | 88                                   | 113                                  |
| <b>V. Non-operating Expenses:</b>                             |                                      |                                      |
| Interest expense  | 20                                   | 4                                    |
| Sales discounts   | 89                                   | 92                                   |
| Share of loss of entities accounted for using equity method   | 0                                    | —                                    |
| Foreign exchange losses                                       | 106                                  | 90                                   |
| Other non-operating expenses                                  | 6                                    | 7                                    |
| <b>Total Non-operating Expenses</b>                           | 223                                  | 195                                  |
| <b>Ordinary Income</b>  | 3,597                                | 4,858                                |
| <b>VI. Extraordinary Income:</b>                              |                                      |                                      |
| Gain on sales of fixed assets                                 | 0                                    | 1                                    |
| Gain on sales of investment securities                        | —                                    | 87                                   |
| <b>Total Extraordinary Income</b>                             | 0                                    | 88                                   |
| <b>VII. Extraordinary Loss:</b>                               |                                      |                                      |
| Loss on sales of fixed assets                                 | 0                                    | 0                                    |
| Loss on disposal of fixed assets                              | 2                                    | 13                                   |
| Loss on liquidation of subsidiaries and associates            | 58                                   | —                                    |
| <b>Total Extraordinary Loss</b>                               | 61                                   | 14                                   |
| <b>Income before Income Taxes</b>                             | 3,537                                | 4,933                                |
| Income Taxes - current  | 1,649                                | 1,718                                |
| Income Taxes - deferred                                       | (643)                                | (315)                                |
| <b>Total Corporate Income Tax</b>                             | 1,005                                | 1,403                                |
| <b>Net Income</b>   | 2,531                                | 3,529                                |
| <b>Net Income Attributable to Non-controlling Interests</b>   | 49                                   | 56                                   |
| <b>Net Income Attributable to Owners of Parent</b>            | 2,482                                | 3,473                                |

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

(Millions of yen)

|   | Three months ended<br>April 30, 2016 | Three months ended<br>April 30, 2017 |
|---|--------------------------------------|--------------------------------------|
| <b>Net Income</b>   | 2,531                                | 3,529                                |
| <b>Other Comprehensive Income</b>                           |                                      |                                      |
| Valuation difference on available-for-sale securities       | (3)                                  | (2)                                  |
| Foreign currency translation adjustment                     | (998)                                | (210)                                |
| <b>Total Other Comprehensive Income</b>                     | (1,001)                              | (213)                                |
| <b>Quarterly Comprehensive Income</b>                       | 1,529                                | 3,316                                |
| <b>(Break down)</b>   |                                      |                                      |
| Quarterly comprehensive income on parent company            | 1,536                                | 3,253                                |
| Quarterly comprehensive income on non-controlling interests | (6)                                  | 63                                   |

**(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, 2016

## 1. 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 Care Service Business | Health and Elder 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                              | 1,359                                  | 39                          | 125                            | 1,071             | 1,688          | 4,285    | 42                        | 4,327  | (594)                | 3,732   |

(Notes)

1. The “Other Businesses” classification refers to businesses not included in the reporting segments, and consists of our Group’s manufacturing subsidiaries, but also of those manufacturing and selling products to companies outside our Group.
2. The negative amount of ¥594 million from adjustments in segment profits includes ¥82 million in elimination of intersegment transactions, and a negative ¥677 million in non-allocable operating expenses. Non-allocable operating expenses are administrative costs of our Group.
3. Segment profits are adjusted to operating income in the quarterly consolidated statement of income.

Three months ended April 30, 2017

## 1. 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 Care Service Business | Health and Elder Care Business | Overseas Business | China Business | Subtotal |                           |        |                      |   |
| Net sales                                   |  |                             |                                |                   |                |          |                           |        |                      |   |
| Net sales to external customers             | 8,729                                  | 1,931                       | 1,681                          | 4,217             | 7,092          | 23,653   | 323                       | 23,977 | —                    | 23,977  |
| Internal sales or exchange between segments | —                                      | —                           | —                              | 1,627             | 40             | 1,668    | —                         | 1,668  | (1,668)              | —   |
| Total                                       | 8,729                                  | 1,931                       | 1,681                          | 5,845             | 7,133          | 25,322   | 323                       | 25,645 | (1,668)              | 23,977  |
| Segment profit                              | 1,752                                  | 53                          | 97                             | 1,606             | 2,126          | 5,635    | 35                        | 5,671  | (730)                | 4,940   |

(Notes)

1. The “Other Businesses” classification refers to businesses not included in the reporting segments, and consists of our Group’s manufacturing subsidiaries, but also of those manufacturing and selling products to companies outside our Group.
2. The negative amount of ¥730 million from adjustments in segment profits includes a negative ¥35 million in elimination of intersegment transactions, and a negative ¥694 million in non-allocable operating expenses. Non-allocable operating expenses are administrative costs of our Group.
3. Segment profits are adjusted to operating income in the quarterly consolidated statement of income.

## 2. Changes in Reporting Segments, etc.

In order to understand our profit status of each segment in a more detailed manner, we decided to report expenses in non-allocable operating expenses associated with the Research and Development Department, which had been included in the Adjustment section so far, in the segment profit of each reporting segment starting from this consolidated first three-month period.

The segment information in the consolidated first three-month period in the last fiscal year is adjusted in accordance with the new segment profit calculation method after the above revision.