

# Summary of Financial Results for the Second Quarter of Fiscal Year Ending January 2019 [Japanese Standards] (Consolidated)

September 3, 2018

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)  
 Contact person: Tsutomu Matsunaga (Managing Officer, Corporate Planning & Administration Division)/Tel: +81-3-3661-4188  
 Scheduled Filing Date of Quarterly Report: September 7, 2018  
 Scheduled Commencement Date of Dividend Payments: October 9, 2018  
 Preparation of Any Additional Explanatory Materials for Quarterly Financial Results: None  
 Holding of Any Briefing Session for Quarterly Financial Results: Yes (For analysts and institutional investors)

## 1. Consolidated Business Performance for the First Half of Fiscal Year Ending January 31, 2019 (February 1 to July 31, 2018)

### (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	
2Q ended July 31, 2018	52,847	7.7%	10,907	17.3%	11,679	24.5%	8,109	24.9%
2Q ended July 31, 2017	49,048	5.9%	9,296	19.5%	9,380	22.3%	6,493	17.1%

(Note) Comprehensive income: 2Q ended July 31, 2018 ¥6,483 million (0.4%)  
 2Q ended July 31, 2017 ¥6,459 million (734.0%)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)
2Q ended July 31, 2018	67.71	—
2Q ended July 31, 2017	54.22	—

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
2Q ended July 31, 2018	85,152	65,035	73.8
FY ended January 31, 2018	84,467	62,812	71.9

(Reference) Shareholders' Equity: 2Q ended July 31, 2018 ¥62,868 million  
 FY ended January 31, 2018 ¥60,693 million

## 2. Cash Dividends

	Annual Dividend (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended January 31, 2018	—	31.00	—	35.00	66.00
FY ending January 31, 2019	—	34.00			
FY ending January 31, 2019 (Forecast)			—	34.00	68.00

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

### 3. Consolidated Business Performance Forecasts for the Fiscal Year Ending January 31, 2019 (February 1, 2018 to January 31, 2019)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	107,000	4.3%	20,400	5.1%	20,400	1.3%	14,100	(2.9)%	117.73

(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)

2Q ended July 31, 2018: 121,653,486

FY ended January 31, 2018: 121,653,486

2) Amount of treasury stock at the period-end

2Q ended July 31, 2018: 1,892,564

FY ended January 31, 2018: 1,892,329

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

2Q ended July 31, 2018: 119,761,046

2Q ended July 31, 2017: 119,761,388

\* Summaries of quarterly financial results are exempt from quarterly review by certified public accountants and auditing corporations.

\* 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.

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

### (1) Explanation of Business Performance

During the consolidated first six-month period under review, Japan's economy continued to recover at a gradual pace as a whole, thanks to an increase in corporate earnings and enhancement in the employment environment. In the global economy, in addition to the European and U.S. economies continuing to recover at a gradual pace, the Chinese economy also picked up steadily. On the other hand, a latent sense of uncertainty remained due to geopolitical risks, etc.

Amid such economic circumstances, the Group developed the Sixth Medium-Term Business Plan (for the period between the fiscal year ended 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 second 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 six-month period under review, we implemented a range of strategies for each of our businesses and functions on the basis of the above business policies. As a result, due to a favorable performance of the Domestic Baby & Mother Care Business, China Business, Singapore Business, and Lansinoh Business, net sales amounted to ¥52,847 million (up 7.7% YOY). Regarding earnings, operating income rose to ¥10,907 million (up 17.3% YOY) thanks to a reduction of approximately 2.8 percentage points in the sales cost ratio from the previous term. Ordinary income recorded ¥11,679 million (up 24.5% YOY), and net income attributable to owners of parent also increased to ¥8,109 million (up 24.9% YOY).

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

- 1US\$: 108.67 yen (112.33 yen)
- 1 CNY: 17.08 yen (16.38 yen)

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

Although so far, our Group had a total of five reporting segments identified as "Domestic Baby & Mother Care Business," "Child Care Service Business," "Health & Elder Care Business," "Overseas Business," and "China Business," from the consolidated first three-month period of the current fiscal year, we decided to change the denomination of our "Overseas Business" renaming it to "Singapore Business" that shall be engaged in various businesses under the Pigeon brand mainly in the ASEAN and countries of the Middle East, while the business conducted under the Lansinoh brand and mainly developed in Europe and the U.S., which had been a part of the "Overseas Business" so far, was set up as an independent segment named "Lansinoh Business," and the reporting from now on will be done based on a division into a total of six segments. Each segment is outlined below.

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 & Mother Care Business**

Net sales of the segment amounted to ¥18,428 million (up 6.5% YOY). Segment profit increased to ¥3,516 million (up 14.9% YOY), thanks to enhancement in operation ratio of manufacturing plants as the result of a net sale increase. In this segment, sales continued to grow steadily, thanks to inbound tourism demand that increased further, as well as introduction of such new products as the "Bonyu Jikkan<sup>®</sup> Coating," a glass silicone coating nursing bottle with a newly designed feel released in June, and the "Runfee Lino'n Ocean/Kilim Pattern" baby stroller in the "Runfee" single-tire baby stroller series for business available to limited enterprises/in limited quantities. 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 15 times. A total of approximately 1,500 people have participated. In May, we opened a WEB site for health care professionals to strengthen our ties with medical workers, while on "Pigeon Info," a website that supports women during pregnancy, in childbirth, and in raising children, we are continuing updates of Pigeon's merchandise available and improvement in content, so that users can use the site in a more convenient manner.

### **Child Care Service Business**

Net sales of the segment amounted to ¥2,563 million (down 31.8% YOY). Segment profit decreased to ¥74 million (down 9.0% YOY). It should be also noted that as of March 2018, the bulk outsourcing agreement for childcare hospital centers under the National Hospital Organization (Incorporated Administrative Agency) expired, but during the consolidated first six-month period under review, we have concluded new contracts for four in-company child-care facilities, and shall continue to develop this business further from now on striving to improve the quality of the content we offer.

### **Health & Elder Care Business**

Net sales of the segment amounted to ¥3,519 million (up 2.1% YOY), while segment profit decreased to ¥240 million (down 1.9% 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.

### **China Business**

Net sales in this segment increased to ¥17,364 million (up 14.5% YOY), because sales of core products such as nursing bottles and nipples remained strong. Segment profit increased to ¥6,183 million (up 20.4% YOY).

In this segment, we released in China two products, with which we had posted substantial sales in Japan, namely, "Pigeon Medicated Lotion (Peach Leaves)," and "Bonyu Jikkan<sup>®</sup> My Precious," resulting in a steady expansion of sales there also. In addition, we will continue to strengthen our activities toward the growing E-commerce market; we will utilize social networking services further for invigoration of direct communication with consumers and will also continue to reinforce sales promotions at stores as well as offline sales activities aimed at hospitals and maternity clinics, in order to increase contact points with customers and expand our operation.

### **Singapore Business**

Net sales of the segment amounted to ¥5,915 million (up 23.3% YOY). Segment profit also increased to ¥1,437 million (up 11.8% YOY), thanks to the improvement of gross profit margin, as well as the effective use of selling, general and administrative expenses.

In Indonesia and the other ASEAN countries as well as the countries of the Middle East, we

enjoyed a steady expansion of sales centering on nursing bottles and nipples. We shall develop our sales and marketing activities further, striving to boost the presence of our brands in these areas also.

### **Lansinoh Business**

Net sales of the segment amounted to ¥6,316 million (up 6.8% YOY), and segment profit also increased to ¥1,005 million (up 11.8% YOY). In North America, sales of breast pumps and other products are steadily expanding through DME Channel and other new sales routes. In addition, to pave the way for our business expansion in Europe, we shall conduct a wide range of measures including strengthening our sales system and brand reinforcement.

### **Other Businesses**

Net sales of the segment amounted to ¥628 million (down 3.8% YOY), and segment profit stood at ¥57 million (down 11.6% YOY).

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

### **(Assets)**

As of July 31, 2018, our Group recorded total assets of ¥85,152 million, up ¥684 million from the previous consolidated fiscal year ended January 31, 2018. Both current and fixed assets increased by ¥199 million and ¥485 million, respectively.

Current assets increased mainly due to increases in notes and accounts receivable - trade of ¥1,461 million and in merchandise and finished goods of ¥745 million, despite a decrease in cash and deposits of ¥3,071 million.

Fixed assets increased mainly due to an increase in other tangible fixed assets of ¥150 million.

### **(Liabilities)**

As of July 31, 2018, our Group recorded total liabilities of ¥20,117 million, down ¥1,537 million from the previous consolidated fiscal year ended January 31, 2018. Both current and fixed liabilities decreased by ¥1,378 million and ¥159 million, respectively.

Current liabilities decreased mainly due to a decrease in other current liabilities of ¥1,474 million, despite increases in notes and accounts payable – trade of ¥393 million and in electronically recorded obligations – operating of ¥390 million.

Fixed liabilities decreased mainly due to a decrease in other fixed liabilities of ¥224 million.

### **(Net Assets)**

As of July 31, 2018, our Group recorded total net assets of ¥65,035 million, up ¥2,222 million from the previous consolidated fiscal year ended January 31, 2018.

Net assets increased mainly due to an increase in retained earnings of ¥3,917 million, despite a decrease in foreign currency translation adjustment of ¥1,738 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 ended 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 second 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 and Main Notes****(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	At January 31, 2018	At July 31, 2018
<b>ASSETS</b>		
<b>I. Current Assets:</b>		
Cash and deposits	31,346	28,275
Notes and accounts receivable - trade	16,440	17,902
Merchandise and finished goods	6,059	6,805
Work in process	293	430
Raw materials and supplies	2,359	2,858
Other current assets	1,898	2,252
Allowance for doubtful accounts	(221)	(145)
<b>Total Current Assets</b>	<b>58,178</b>	<b>58,377</b>
<b>II. Fixed Assets:</b>		
<b>1. Tangible Fixed Assets:</b>		
Buildings and structures, net	7,105	6,966
Land	5,878	5,850
Other tangible fixed assets, net	8,131	8,281
<b>Total Tangible Fixed Assets</b>	<b>21,116</b>	<b>21,098</b>
<b>2. Intangible Fixed Assets:</b>		
Goodwill	1,271	1,084
Other intangible fixed assets	2,036	2,871
<b>Total Intangible Fixed Assets</b>	<b>3,307</b>	<b>3,955</b>
<b>3. Investments and Other Assets:</b>		
Other	1,877	1,732
Allowance for doubtful accounts	(12)	(12)
<b>Total Investments and Other Assets</b>	<b>1,865</b>	<b>1,720</b>
<b>Total Fixed Assets</b>	<b>26,289</b>	<b>26,774</b>
<b>Total Assets</b>	<b>84,467</b>	<b>85,152</b>
<b>LIABILITIES</b>		
<b>I. Current Liabilities:</b>		
Notes and accounts payable - trade	5,194	5,587
Electronically recorded obligations - operating	1,797	2,188
Income taxes payable	2,578	2,193
Accrued bonuses to employees	1,035	922
Reversal of reserve for returned products	51	67
Provision for special extra retirement payments	208	—
Other current liabilities	6,808	5,333
<b>Total Current Liabilities</b>	<b>17,673</b>	<b>16,294</b>
<b>II. Fixed Liabilities:</b>		
Net defined benefit liability	290	293
Provision for directors and corporate auditors' retirement benefits	516	578
Other fixed liabilities	3,175	2,951
<b>Total Fixed Liabilities</b>	<b>3,982</b>	<b>3,823</b>
<b>Total Liabilities</b>	<b>21,655</b>	<b>20,117</b>

(Millions of yen)

	At January 31, 2018	At July 31, 2018
<b>NET ASSETS</b>		
<b>I. Shareholders' Equity:</b>		
Capital stock	5,199	5,199
Capital surplus	5,179	5,179
Retained earnings	49,729	53,647
Treasury stock	(949)	(950)
<b>Total Shareholders' Equity</b>	<b>59,158</b>	<b>63,075</b>
<b>II. Accumulated Other Comprehensive Income:</b>		
Valuation difference on available-for-sale securities	44	42
Foreign currency translation adjustment	1,490	(248)
<b>Total Accumulated Other Comprehensive Income</b>	<b>1,534</b>	<b>(206)</b>
<b>III. Non-controlling Interests</b>	<b>2,119</b>	<b>2,166</b>
<b>Total Net Assets</b>	<b>62,812</b>	<b>65,035</b>
<b>Total Liabilities and Net Assets</b>	<b>84,467</b>	<b>85,152</b>

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

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

(Millions of yen)

	Six months ended July 31, 2017	Six months ended July 31, 2018
<b>I. Net Sales</b>	49,048	52,847
<b>II. Cost of Sales</b>	25,278	25,745
<b>Gross profit</b>	23,770	27,101
Reversal of reserve for returned products	55	29
Transfer to reserve for returned products	54	66
<b>Adjusted gross profit</b>	23,770	27,063
<b>III. Selling, General and Administrative Expenses</b>	14,474	16,156
<b>Operating Income</b>	9,296	10,907
<b>IV. Non-operating Income:</b>		
Interest income	83	131
Share of profit of entities accounted for using equity method	32	—
Foreign exchange gains	—	145
Subsidy income	184	665
Other non-operating income	126	79
<b>Total Non-operating Income</b>	426	1,020
<b>V. Non-operating Expenses:</b>		
Interest expenses	4	1
Sales discounts	197	220
Foreign exchange losses	119	—
Other non-operating expenses	22	27
<b>Total Non-operating Expenses</b>	342	248
<b>Ordinary Income</b>	9,380	11,679
<b>VI. Extraordinary Income:</b>		
Gain on sales of fixed assets	2	5
Gain on sales of investment securities	95	108
<b>Total Extraordinary Income</b>	97	113
<b>VII. Extraordinary Loss:</b>		
Loss on sales of fixed assets	1	0
Loss on disposal of fixed assets	49	9
<b>Total Extraordinary Loss</b>	50	9
<b>Income before Income Taxes</b>	9,427	11,783
Income taxes - current	3,004	3,450
Income taxes - deferred	(181)	7
<b>Total Corporate Income Tax</b>	2,823	3,457
<b>Net Income</b>	6,603	8,325
<b>Net Income Attributable to Non-controlling Interests</b>	110	216
<b>Net Income Attributable to Owners of Parent</b>	6,493	8,109

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

(Millions of yen)

	Six months ended July 31, 2017	Six months ended July 31, 2018
<b>Net Income</b>	6,603	8,325
<b>Other Comprehensive Income</b>		
Valuation difference on available-for-sale securities	(11)	(1)
Foreign currency translation adjustment	(132)	(1,839)
<b>Total Other Comprehensive Income</b>	(143)	(1,841)
<b>Quarterly Comprehensive Income</b>	6,459	6,483
<b>(Break down)</b>		
Quarterly comprehensive income on parent company	6,329	6,368
Quarterly comprehensive income on non-controlling interests	130	115

**(3) Quarterly Consolidated Statements of Cash Flows**

(Millions of yen)

	Six months ended July 31, 2017	Six months ended July 31, 2018
<b>I. Cash Flows from Operating Activities</b>		
Income before Income Taxes	9,427	11,783
Depreciation	1,203	1,298
Amortization of goodwill	3	85
Increase (decrease) in allowance for doubtful accounts	(3)	(69)
Increase (decrease) in accrued bonuses to employees	43	(98)
Increase (decrease) in net defined benefit liability	14	16
Increase (decrease) in provision for directors and corporate auditors' retirement benefits	52	62
Interest and dividend income	(84)	(132)
Share of (gain) loss of entities accounted for using equity method	(32)	—
Interest expenses	4	1
Loss (gain) on sales of fixed assets	(0)	(4)
Loss on disposal of fixed assets	49	9
Loss (gain) on sales of investment securities	(95)	(108)
Decrease (increase) in notes and accounts receivable - trade	174	(2,002)
Decrease (increase) in inventories	(1,485)	(1,628)
Increase (decrease) in notes and accounts payable - trade	377	1,071
Increase (decrease) in accounts payable	36	(15)
Increase (decrease) in accrued consumption taxes	(516)	(760)
Other	(83)	(1,555)
<b>Subtotal</b>	<b>9,084</b>	<b>7,950</b>
Interest and dividend income received	166	135
Interest expenses paid	(0)	(1)
Income taxes paid	(3,538)	(3,742)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>5,712</b>	<b>4,342</b>
<b>II. Cash Flows from Investing Activities</b>		
Purchase of tangible fixed assets	(899)	(1,876)
Proceeds from sales of tangible fixed assets	3	61
Purchase of intangible fixed assets	(165)	(963)
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	198	204
Purchase of insurance funds	(0)	(0)
Payments of loans receivable	(1)	(1)
Collection of loans receivable	4	4
Payments for lease deposits	(30)	(23)
Collection of lease deposits	13	92
Other	(11)	(16)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(887)</b>	<b>(2,519)</b>

(Millions of yen)

	Six months ended July 31, 2017	Six months ended July 31, 2018
<b>III. Cash Flows from Financing Activities</b>		
Decrease in short-term loans payable	(674)	—
Repayments of long-term loans payable	(5,000)	—
Payment of cash dividends	(3,355)	(4,188)
Dividends paid to non-controlling interests	(62)	(68)
Purchase of treasury stock	(1)	(1)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(9,093)</b>	<b>(4,258)</b>
<b>IV. Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	<b>(206)</b>	<b>(635)</b>
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(4,474)</b>	<b>(3,071)</b>
<b>VI. Cash and Cash Equivalents at Beginning of Period</b>	<b>30,052</b>	<b>31,346</b>
<b>VIII. Cash and Cash Equivalents at End of Period</b>	<b>25,577</b>	<b>28,275</b>

**(4) Notes on Consolidated Financial Statements  
(Notes Regarding Going Concern Assumptions)**

Not applicable.

**(Notes Regarding Substantial Changes in Shareholders' Equity)**

Not applicable.

**(Segment Information)**

Six months ended July 31, 2017

## 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 & Mother Care Business	Child Care Service Business	Health & Elder Care Business	China Business	Singapore Business	Lansinoh Business	Subtotal				
Net sales											
Net sales to external customers	17,302	3,759	3,446	15,097	2,874	5,914	48,395	653	49,048	—	49,048
Internal sales or exchange between segments	—	—	—	69	1,924	—	1,994	—	1,994	(1,994)	—
Total	17,302	3,759	3,446	15,167	4,799	5,914	50,389	653	51,043	(1,994)	49,048
Segment profit	3,058	81	244	5,134	1,285	898	10,703	65	10,769	(1,472)	9,296

(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 ¥1,472 million from adjustments in segment profit includes negative ¥8 million in elimination of intersegment transactions, and negative ¥1,464 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.

Six months ended July 31, 2018

## 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 & Mother Care Business	Child Care Service Business	Health & Elder Care Business	China Business	Singapore Business	Lansinoh Business	Subtotal				
Net sales											
Net sales to external customers	18,428	2,563	3,519	17,289	4,100	6,316	52,218	628	52,847	—	52,847
Internal sales or exchange between segments	—	—	—	75	1,814	—	1,889	—	1,889	(1,889)	—
Total	18,428	2,563	3,519	17,364	5,915	6,316	54,108	628	54,736	(1,889)	52,847
Segment profit	3,516	74	240	6,183	1,437	1,005	12,455	57	12,513	(1,606)	10,907

(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 ¥1,606 million from adjustments in segment profit includes ¥20 million in elimination of intersegment transactions, and negative ¥1,626 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.

From the consolidated first three-month period of the current fiscal year, we decided to change the denomination of our "Overseas Business" renaming it to "Singapore Business" that shall be engaged in various businesses under the Pigeon brand mainly in the ASEAN and countries of the Middle East, while the business conducted under the Lansinoh brand and mainly developed in Europe and the U.S., which had been a part of the "Overseas Business" so far, was set up as an independent segment named "Lansinoh Business," and the reporting from now on will be done based on a division into a total of six segments.

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