Summary of Consolidated Financial Results
For the Year Ended January 31, 2014
[Japanese Standards] (Consolidated)

March 3, 2014

Company name: Pigeon Corporation (Stock code: 7956)
Listings: First Section, Tokyo Stock Exchange
Website: www.pigeon.co.jp
Representative: Shigeru Yamashita (President and COO)
Contact: Tsutomu Matsunaga (Managing Officer, Corporate Planning & Administration Division)//Tel: +81-3-3661-4188
Annual General Meeting of Shareholders: April 25, 2014 Year-end dividends: Paid from April 28, 2014
Date of release of Business Report: April 28, 2014
Supplementary materials for the financial results: No
Investor conference for the financial results: Yes (For analysts and institutional investors)

1. Consolidated Financial Results (February 1, 2013 –January 31, 2014)
(1) Performance

(¥ millions, rounded down, % figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year ended January 31, 2014	77,465	19.0%	10,365	46.3%	11,002	48.9%	6,985	52.7%
Year ended January 31, 2013	65,075	10.0%	7,086	40.5%	7,389	50.3%	4,573	43.7%

(Note) Comprehensive income for year ended January 31, 2014 ¥10,505 million (68.7%) Comprehensive income for year ended January 31, 2013 ¥6,229 million (126.9%)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)	Return on Equity (%)	Total Assets/ Ordinary Income (%)	Operating Margin (%)
Year ended January 31, 2014	174.53	–	19.7	20.7	13.4
Year ended January 31, 2013	114.27	–	15.5	16.0	10.9

Reference: Equity in earnings of affiliates: ¥58 million (January 31, 2014); ¥51 million (January 31, 2013)
(Note) The Group conducted a stock split at the ratio of 2 shares for every 1 share of common shares. The effective date of the stock split was August 1, 2013. Net income per share was calculated assuming that the stock split was performed at the beginning of the previous fiscal year ended January 31, 2013.

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets Per Share (¥)
At January 31, 2014	57,955	39,981	67.5	977.50
At January 31, 2013	48,538	32,365	65.3	791.26

Reference: Equity: ¥39,124 million (At January 31, 2014); ¥31,671 million (At January 31, 2013)
(Note) The Group conducted a stock split at the ratio of 2 shares for every 1 share of common shares. The effective date of the stock split was August 1, 2013. Net assets per share were calculated assuming that the stock split was performed at the beginning of the previous fiscal year ended January 31, 2013.

(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
Year ended January 31, 2014	7,930	(3,794)	(3,163)	13,102
Year ended January 31, 2013	7,656	(1,848)	(3,149)	10,574

2. Cash Dividends

	Annual Dividends (¥)					Total Dividends Paid (full year) (¥ mil)	Consolidated Payout Ratio (cons.) (%)	Dividends on Consolidated Net Assets (cons.) (%)
	1Q	2Q	3Q	Year-end	Full-year			
Year ended January 31, 2013	－	44.00	－	71.00	115.00	2,301	50.3	7.8
Year ended January 31, 2014	－	66.00	－	55.00	－	3,522	50.4	10.0
Year ending January 31, 2015 (Forecast)	－	45.00	－	45.00	90.00		49.3	

(Note) The Group conducted a stock split at the ratio of 2 shares for every 1 share of common shares. The effective date of the stock split was August 1, 2013.

3. Forecast for the Year Ending January 31, 2015 (February 1, 2014 – January 31, 2015)

(¥ millions, rounded down)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (¥)
Year Ending January 31, 2015 (% figures denote year-on-year change)	84,500	9.1%	11,600	11.9%	11,800	7.3%	7,300	4.5%	182.38

*Notes

(1) Changes in significant subsidiaries during the period under review (Change in specific subsidiaries accompanying changes in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, restatements
1) Changes in accounting policies pursuant to revision of accounting standards: Yes
2) Changes other than the above: None
3) Changes in accounting estimates: Yes
4) Restatement: None
(Note) From the consolidated accounting year under review, the depreciation method has been changed and this change is applicable to "a case when it is difficult to distinguish between a change in an accounting policy and a change in an accounting estimate." For further information, please refer to "(5) Notes relating to Consolidated Financial Statements" in "3. Consolidated Financial Statement" on page 16.

(3) Number of outstanding shares (ordinary shares)
1) Number of shares outstanding at term-end (including treasury shares)
Year ended January 31, 2014: 40,551,162
Year ended January 31, 2013: 40,551,162
2) Number of treasury shares at term-end
Year ended January 31, 2014: 525,652
Year ended January 31, 2013: 524,218
3) Average number of shares during the period
Year ended January 31, 2014: 40,026,022
Year ended January 31, 2013: 40,027,582
(Note) The Group conducted a stock split at the ratio of 2 shares for every 1 share of common shares. The effective date of the stock split was August 1, 2013. The number of shares listed above was calculated assuming that the stock split was performed at the beginning of the previous fiscal year ended January 31, 2013.

*** Note on the current progress of the audit**
This summary of consolidated financial results is not included among the audit targets according to the Financial Instruments and Exchange Act, and the audit regarding the consolidated financial statement is being conducted at the time this summary of consolidated financial results is announced.

***Disclaimer regarding appropriate use of performance forecasts and other important matters**
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.
For the information regarding performance forecasts, please refer to "(1) Performance Analysis" on "1. Performance Analysis and Financial Position Analysis" on page 2.

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1. Performance Analysis and Financial Position Analysis

(1) Performance Analysis

1) Performance Overview

In the economy of Japan during the consolidated period under review, we have seen the effects of the financial and economic stimulus measures the government has conducted to stop deflation, which resulted in improvement in both corporate earnings and personal consumption, and the economy enjoyed a continuing trend of a gradual recovery. On the other hand, due to uncertain prospects for the economic conditions of the world economy, possibilities for a sharp rise in the price of materials under the impact of the weak yen rates as well as for a downturn in consumption following an increase in consumption tax and other factors, there is still a risk of domestic economy entering a downward tendency.
Under these circumstances, in the final year of our fourth medium-term business plan "Achieving global business success through company and individual competence," starting February 2011 and ending January 2014, we have defined the following key issues based on the fundamental policies of this medium-term business plan and have conducted a business.

1) Domestic Baby and Mother Care Business
- Ensuring growth and expansion of the large-size product business by releasing new products into the markets
- Establishment of such new fields as the "Pigeon from 1 year and a half" series, and the "Female Wellness" area

2) Child-rearing Support Services
- Improvement of quality of products for nursing and raising the management efficiency of the business

3) Health Care and Nursing Care Business
- Restructure of the business operation system and improvement in profitability through promotion of sales activities centering on facility routes
- Ensuring thoroughness of implementation of the growth strategy centering on the important products group

4) Overseas Business
- Chinese market: further strengthening of the brand name through such measures as ensuring releases of products from the new business areas into the markets and increasing the number of hospitals cooperating
- The U.S. and European markets: releasing new products into the markets and developing the brands (such as mOmma)
- Market expansion: making inroads into new and growing markets of India, Malaysia, Korea, and other countries

We focused on the above issues during the consolidated period under review (February 1, 2013 to January 31, 2014).
As a result, net sales for the period amounted to ¥77,465 million, up 19.0% from the previous corresponding period, due to factors including healthy business expansion in Overseas Business centering China and North America as well as weaker yen. As to earnings, operating income was ¥10,365 million, up 46.3% from the previous corresponding period, due to increased sales and efficient utilization of production bases accompanying business expansion. Ordinary income was ¥11,002 million, up 48.9% from the previous corresponding period, due to an increase in other income from foreign exchange gain, a result of yen moving weaker than the assumed level. Net income was ¥6,985 million, up 52.7% from the previous corresponding period. Each significantly exceeded the previous corresponding result.

2) Segment Review

Our business reporting segments are Domestic Baby and Mother Care Business, Child-rearing Support Services, Health Care and Nursing Care Business and Overseas Business. Each segment is outlined below.

Domestic Baby and Mother Care Business

Net sales in this segment grew 2.4% over the previous corresponding period to ¥24,451 million, aided by the introduction of fresh products. Segment income rose 1.0% from the previous corresponding period to ¥3,411 million. This figure was restrained by cost of sales, as marketing for expendable supplies and active implementation of sales policies contributed to an increase in selling, general and administrative expenses.

In this segment, we have released such products as the Mahalo stroller created to ensure the comfort of the baby by equipping it with Pigeon's original hug sheet, six product types in the UV baby series making it possible to protect baby from the UV rays in three steps, namely, protecting, removing, and moistening (released in February), the Bonyu Jikkan series of feeding bottles offering three products with different designs enabling mothers to select the product for best fitting individual tastes (released in March), OSHIRI Nap TAPPURI Aqua wipes using newly developed sheets achieving use of 99% pure water in the product (released in July), and KANDE OISHII YOSAN Tablet Calcium Plus, a supplement for women getting ready for pregnancy and those already pregnant, for whom it is very important to have a well-balanced diet in terms of three nutritional elements this product contains: folic acid, iron, and calcium (released in August). Moreover, during the consolidated period under review, we have held 48 events planned as a part of our direct communications program such as our Premama Class for women expecting to give birth in the near future and Mama Class for those who have just given birth. A total of approximately 3,600 women have participated. We made continuing progress in attracting new members to "Pigeon Info"—a word-of-mouth community portal that supports women during pregnancy, in childbirth, and those raising children.

Child-rearing Support Services

Net sales of the segment amounted to ¥6,599 million, up 3.3% from the previous corresponding period, while segment income went down to ¥176 million, which is somewhat less (down 3.6%) than the previous corresponding period, due to an increase in selling, general and administrative expenses, which was due to an increase in recruitment expenses the segment had to make to deal with a continuing shortage of nurses. We launched three in-house nursery facilities in March and April, and while improving the service quality, the Group is steadily promoting sales. There is also a satisfactory increase in the number of contracts concluded by the babysitter segment with corporate clients.

Health Care and Nursing Care Business

Net sales in this segment rose a slight 0.3% from the previous corresponding period to ¥6,721 million, as price competition continued to intensify in the area of expendable supplies. Segment income declined 0.4% to ¥212 million.

In August the Company released products such as Recoup FUTAN KEIGEN Supporter HIZAKANSETSU UGOKI Smooth, which helps the wearer to move the weakened knee joints easier. In September we released Habinurse YABURENIKUI TAIPU NO OSHIRIFUKI wipes for adults, which enable users to clean themselves well after using the washroom while keeping hands clean. Also in November, we released new wheel chair, Habinurse Lock Assista, which locks the wheels automatically when a user stands up from its sheet. We will continue to bring further products to market in this segment by identifying market needs using research targeted on important categories. The segment will also actively advance Group policies, including marketing measures centered on facility routes.

Overseas Business
Sales of the segment amounted to ¥38,540 million, up 42.9% from the previous corresponding period. Although the selling, general and administrative expenses increased as a result of marketing activities conducted to actively expand the business, the segment income amounted to ¥10,172 million, up 59.3% from the previous corresponding period. In China, in addition to measures to strengthen marketing activities and activities to spread sales promotion, the Group also released a new paper diaper product for babies in July, resulting in net sales far exceeding the results of the previous corresponding period. The Group also successfully expanded the scale of production at our two production bases located in China and is currently engaged in measures to increase the efficiency of operations. 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 strengthen the sales/distribution system further and tune up the product supply organization starting with construction of local factories. In North America, we are planning on continuing our business expansion by increasing the number of categories of products offered, strengthening of organization control, and other measures.

Others
Sales in this segment amounted to ¥1,151 million, up 1.0% from the previous corresponding period, due to a slight increase in OEM product orders. The segment income amounted to ¥204 million, up 44.2% from the previous corresponding period.

3) Outlook
The Group has tabled 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.” In this plan, the Group has stipulated Vision 2016 as outlined below, aiming to expand Group operations and improve management quality. With the coming period marking the first fiscal year of this new medium-term business plan, the Group is moving resolutely forward to achieve this plan.
Vision 2016

- i) Strengthen brand effectiveness to become global No. 1 in childcare products
- ii) Strengthen the management framework for continuous business development
- iii) Improve management quality by focusing on cash flow
- iv) Construct a global system for personnel training and management and promote employee dynamism
- v) Further enhance enterprise value

(2) Financial Position Analysis

1) Assets
As of January 31, 2014, total asset amounted to ¥57,955 million, up ¥9,416 million (or 19.4%) from the previous fiscal year ended January 31, 2013.

Current assets had an increase of ¥6,260 million (or 21.5%), and fixed assets had an increase of ¥3,156 million (or 16.2%).

Current assets increased mainly due to an increase in cash and deposits of ¥2,528 million (or 23.9%) and an increase in notes and accounts receivable of ¥2,028 million (or 19.2%).

Fixed assets increased mainly due to an increase in machinery and transportation equipment of ¥2,022 million (or 69.8%) and an increase in buildings and structures of ¥1,017 million (or 19.5%).

2) Liabilities
As of January 31, 2014, total liabilities amounted to ¥17,973 million, up ¥1,800 million (or 11.1%) from the fiscal year ended January 31, 2013. Current liabilities had an increase of ¥1,202 million (or 10.4%), and long-term liabilities had an increase of ¥597 million (or 13.1%).

Current liabilities increased mainly due to an increase in current portion of long-term loans payable of ¥978 million and an increase in notes and accounts payable of ¥654 million (or 16.9%) despite a decrease in short-term borrowings of ¥994 million (or 71.6%).

Long-term liabilities increased mainly due to an increase in deferred tax liabilities of ¥826 million (or 54.0%).

3) Net Assets

As of January 31, 2014, net assets amounted to 39,981 million, up ¥7,616 million (or 23.5%) from the fiscal year ended January 31, 2013.

This increase resulted mainly from an increase in foreign exchange adjustment accounts of ¥3,211 million and an increase in retained earnings of ¥4,243 million (or 18.7%).

4) Cash Flow

As of January 31, 2014, cash and cash equivalents (hereinafter referred to as "net cash") amounted to ¥13,102 million, up ¥2,528 million from a year earlier.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥7,930 million, up from ¥7,656 million of the previous year. Factors increasing operating cash flows included a ¥10,986 million in income before income taxes and a ¥1,865 million in depreciation. Contrasting factors included an increase of ¥587 million in trade receivables and a ¥3,241 million in income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥3,794 million, up from ¥1,848 million of the previous year. Main factors included expenditures of ¥3,223 million in the acquisition of tangible fixed assets.

Cash Flows from Financing Activities:

Net cash used in financing activities was ¥3,163 million, up from ¥3,149 million of the previous year. Decreases resulted primarily from ¥8,153 million in repayment of short-term debt and ¥2,740 million in payment of cash dividends. Contrasting factors included a ¥7,079 million in proceeds from short-term debt and a ¥752 million in proceeds from long-term loans payable.

[Reference] Cash Flow Indicators for the year ended January 31

	FY2012	FY2013	FY2014
Equity Ratio (%)	62.7	65.3	67.5
Equity Ratio based on Market Price (%)	131.1	205.7	325.6
Debt Repayment Term (years)	1.1	0.4	0.4
Interest Coverage Ratio (times)	67.2	98.1	334.5

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 and research and development, as well as investing in production facilities to raise production capacity, reduce costs, and enhance product quality.

With respect to specific goals of shareholder return, under our medium-term business plan announced in March 2011, we are targeting a consolidated total shareholder return of 50%. To this end, we are seeking to further strengthen and upgrade measures for returning income to all shareholders.

Guided by these policies, the Company’s policy on interim dividends for the business year under review is as follows. An ordinary dividend of ¥66 per share is appropriated (¥33 per share after the share split effective August 1, 2013). Thanks to positive trends in business results significantly outstripping the current-term income plan, the Company has increased its planned year-end dividend by ¥18 per share, from ¥37 per share as forecast in the announcement of September 2, 2013 to ¥55 per share. As a result, the annual dividend for the business year under review will total ¥88 per share. Calculated on the basis of the number of shares after the share split mentioned above, the annual dividend is increased ¥30.5 from the previous fiscal year.

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 No. 1 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) Strengthen brand effectiveness to become global No. 1 in childcare products
- ii) Strengthen the management framework for continuous business development
- iii) Improve management quality by focusing on cash flow
- iv) Construct a global system for personnel training and management and promote employee dynamism
- v) Further enhance enterprise 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, 2013	At January 31, 2014
ASSETS		
I. Current Assets:		
Cash and time deposit	10,574,326	13,102,606
Notes and accounts receivable	10,540,939	12,569,111
Goods and products	4,816,217	5,350,773
Goods in process	167,286	281,547
Raw material and inventory goods	1,792,836	2,420,080
Deferred tax assets-current	702,514	825,622
Receivables	248,027	369,348
Other current assets	278,419	475,283
Allowance for doubtful accounts	(17,213)	(30,988)
Total Current Assets	**29,103,354**	**35,363,386**
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures	12,108,861	13,421,260
Accumulated depreciation	(6,887,458)	(7,182,701)
Buildings and structures-net	5,221,403	6,238,559
Machinery and transportation equipment	10,131,586	12,998,456
Accumulated depreciation and accumulated impairment loss	(7,232,025)	(8,076,077)
Machinery and transportation equipment-net	2,899,560	4,922,379
Tools, furniture and fixtures	4,841,719	5,463,526
Accumulated depreciation and accumulated impairment loss	(3,716,206)	(4,158,908)
Tools, furniture and fixtures-net	1,125,512	1,304,618
Land	6,015,064	6,080,256
Construction in progress	946,598	477,649
Total Tangible Fixed Assets	**16,208,139**	**19,023,463**
2. Intangible Fixed Assets:		
Goodwill	551,572	441,108
Software	336,398	415,512
Other intangible fixed assets	288,163	584,710
Total Intangible Fixed Assets	**1,176,134**	**1,441,331**
3. Investments and Other Assets:		
Investment securities	1,420,538	1,448,245
Bankruptcy claims	54,140	45,441
Deferred tax assets	110,548	120,483
Insurance reserve	238,334	206,197
Other	281,324	350,241
Allowance for doubtful accounts	(53,692)	(43,424)
Total Investments and Other Assets	**2,051,193**	**2,127,185**
Total Fixed Assets	**19,435,468**	**22,591,980**
Total Assets	**48,538,822**	**57,955,367**

(Thousands of yen)

	At January 31, 2013	At January 31, 2014
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable	3,864,039	4,518,251
Short-term borrowings	1,389,610	395,212
Current portion of long-term loans payable	26,327	1,004,953
Accrued account payable	3,179,388	3,401,135
Income taxes payable	1,134,047	1,155,862
Accrued bonuses to employees	606,257	782,653
Returned goods adjustment reserve	44,824	57,318
Other current liabilities	1,371,445	1,503,546
Total Current Liabilities	**11,615,940**	**12,818,934**
II. Long-Term Liabilities:		
Long-term borrowings	2,204,365	2,011,503
Deferred tax liabilities	1,530,631	2,356,706
Employees' retirement benefits	319,324	287,276
Retirement benefits for directors and corporate auditors	389,764	323,894
Other long-term liabilities	113,425	175,438
Total Long-Term Liabilities	**4,557,510**	**5,154,818**
Total Liabilities	**16,173,451**	**17,973,753**

NET ASSETS		
I. Shareholder's Equity:		
Capital stock	5,199,597	5,199,597
Additional paid-in capital	5,180,246	5,180,246
Retained earnings	22,686,099	26,929,960
Treasury stock	(450,289)	(455,960)
Total Shareholders' Equity	**32,615,653**	**36,853,843**
II. Valuation and Translation Adjustments:		
Net unrealized gains on securities	26,644	30,520
Foreign currency translation adjustment	(970,653)	2,240,472
Total Valuation and Translation Adjustments	**(944,008)**	**2,270,992**
III. Minority Interests	**693,726**	**856,777**
Total Net Assets	**32,365,371**	**39,981,614**
Total Liabilities, Minority Interests and Net Assets	**48,538,822**	**57,955,367**

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

(Thousands of yen)

	Year Ended January 31, 2013	Year Ended January 31, 2014
I. Net Sales	**65,075,433**	**77,465,007**
II. Cost of Sales	**37,331,435**	**42,992,337**
Gross profit	**27,743,997**	**34,472,670**
Reversal of reserve for returned products	60,190	47,123
Transfer to reserve for returned products	43,425	55,431
Adjusted gross profit	**27,760,762**	**34,464,362**
III. Selling, General and Administrative Expenses	**20,674,528**	**24,098,736**
Operating Income	**7,086,233**	**10,365,625**
IV. Other Income:		
Interest income	50,361	105,184
Dividend income	19,096	19,051
Foreign exchange gains	304,749	410,098
Equity in earnings of non consolidated subsidiaries and affiliates	51,627	58,102
Refund of consumption tax	52,121	99,914
Other	178,257	281,886
Total Other Income	**656,214**	**974,238**
V. Other Expenses:		
Interest expense	76,232	43,350
Sales discounts	231,955	258,685
Other	44,757	35,547
Total Other Expenses	**352,945**	**337,583**
Ordinary Income	**7,389,502**	**11,002,280**
VI. Extraordinary Income:		
Gain on sales of property	7,170	5,345
Gain on negative goodwill	—	3,480
Total Extraordinary Income	**7,170**	**8,825**
VII. Extraordinary Loss:		
Loss on sales of property	285	2,616
Loss on disposal of property	26,705	21,640
Total Extraordinary Loss	**26,990**	**24,257**
Income before Income Taxes	**7,369,683**	**10,986,848**
Income Taxes	2,128,638	3,077,667
Adjustment for Corporate Tax	526,538	705,869
Total Corporate Income Tax	**2,655,176**	**3,783,537**
Income before Minority Interests	**4,714,506**	**7,203,311**
Less: Minority Interest in Net Income of Consolidated Subsidiaries	**140,713**	**217,640**
Net Income	**4,573,793**	**6,985,670**

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Year Ended January 31, 2013	Year Ended January 31, 2014
Net income before adjusted minority interests income	**4,714,506**	**7,203,311**
Other Comprehensive Income		
Valuation difference on available-for-sale securities	16,571	3,875
Foreign currency translation adjustment	1,498,016	3,298,595
Total Other Comprehensive Incomes	**1,514,587**	**3,302,470**
Comprehensive Income	**6,229,094**	**10,505,781**
(Breakdown)		
Comprehensive income on parent company	6,006,229	10,200,672
Comprehensive income on minority interests	222,864	305,109

(3) Statement of Changes in Consolidated Shareholders' Equity

Year Ended January 31, 2013

(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	19,873,527	(448,680)	29,804,691
Changes during the period					
Dividends from surplus			(1,761,221)		(1,761,221)
Net income			4,573,793		4,573,793
Acquisition of treasury stock				(1,608)	(1,608)
Changes in items other than shareholders equity (net)					
Total changes during the period	—	—	2,812,571	(1,608)	2,810,962
Balance at the end of current period	5,199,597	5,180,246	22,686,099	(450,289)	32,615,653

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on other marketable securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	10,073	(2,386,518)	(2,376,445)	507,436	27,935,682
Changes during the period					
Dividends from surplus					(1,761,221)
Net income					4,573,793
Acquisition of treasury stock					(1,608)
Changes in items other than shareholders equity (net)	16,571	1,415,865	1,432,436	186,289	1,618,725
Total changes during the period	16,571	1,415,865	1,432,436	186,289	4,429,688
Balance at the end of current period	26,644	(970,653)	(944,008)	693,726	32,365,371

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 other marketable 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

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year Ended January 31, 2013	Year Ended January 31, 2014
I. Cash Flows from Operating Activities:		
Income before income taxes	7,369,683	10,986,848
Depreciation	1,626,158	1,865,351
Amortization of goodwill	190,797	205,951
Increase (decrease) in allowance for doubtful accounts	(105,298)	(707)
Increase (decrease) in accrued bonuses to employees	16,454	163,978
Increase (decrease) in employees' retirement benefits	6,195	(39,548)
Increase (decrease) in directors' retirement benefits	34,465	(65,870)
Interest and dividend income	(69,458)	(124,236)
Equity in (gains) losses of non consolidated subsidiaries and affiliates	(51,627)	(58,102)
Interest expense	76,232	43,350
Foreign exchange loss (gain)	(250,863)	(377,564)
Loss (gain) on sale of fixed assets	(6,885)	(2,728)
Loss on disposal of fixed assets	26,705	21,640
Decrease (increase) in trade receivables	192,375	(587,612)
Decrease (increase) in inventories	585,635	(480,119)
Increase (decrease) in trade payables	(342,242)	(154,424)
Increase (decrease) in account payable	103,418	(1,534)
Increase (decrease) in consumption tax payable	89,228	(123,120)
Decrease (increase) in bankruptcy claims	9,907	8,698
Other	(95,343)	(218,452)
Subtotal	**9,405,538**	**11,061,797**
Interest and dividends received	82,308	133,527
Interest paid	(78,035)	(23,705)
Income taxes paid	(1,753,175)	(3,241,602)
Net Cash Provided by Operating Activities	**7,656,637**	**7,930,017**

(Thousands of yen)

	Year Ended January 31, 2013	Year Ended January 31, 2014
II. Cash Flows from Investing Activities:		
Acquisition of property, plant and equipment	(1,745,897)	(3,223,309)
Proceeds from sales of property, plant and equipment	19,562	15,969
Acquisition of intangible assets	(112,278)	(453,270)
Acquisition of investment securities	(1,969)	(1,825)
Purchase of investments in subsidiaries		(87,300)
Payment to life insurance fund for directors	(9,102)	(8,754)
Proceeds from cancellation of life insurance fund for directors	4,700	41,492
Loans advanced	(976)	(1,995)
Collection of loan receivables	1,479	1,678
Payment for lease deposits	(27,690)	(17,606)
Proceeds from recovery of lease deposits	34,366	12,193
Other	(10,972)	(71,735)
Net Cash Used in Investing Activities	**(1,848,777)**	**(3,794,463)**
III. Cash Flows from Financing Activities:		
Proceeds from short-term debt	9,513,700	7,079,810
Repayment of short-term debt	(10,394,000)	(8,153,100)
Proceeds from long-term loans payable	1,200,000	752,444
Repayment of long-term debt	(1,656,900)	(29,688)
Payment of cash dividends	(1,761,796)	(2,740,876)
Payment of cash dividends to minority shareholders	(36,574)	(51,276)
Acquisition of treasury stock	(1,608)	(5,671)
Other	(12,565)	(14,923)
Net Cash Used in Financing Activities	**(3,149,745)**	**(3,163,282)**
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	**622,582**	**1,556,008**
V. Net Change in Cash and Cash Equivalents	**3,280,696**	**2,528,280**
VI. Cash and Cash Equivalents at Beginning of the Period	**7,293,629**	**10,574,326**
VII. Cash and Cash Equivalents at End of the Period	**10,574,326**	**13,102,606**

(5) Notes Relating to Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Change in Accounting Policy which is Difficult to Distinguish from a Change in Accounting Estimate)

Following a revision of the Corporation Tax Law, from the consolidated accounting year under review, the Company and its consolidated subsidiaries located in Japan have changed the depreciation method for property, plant and equipment acquired on and after February 1, 2013 to a method in accordance with the Corporation Tax Law after revision.

The effect this change has on the operating income, ordinary income, and Income before income taxes for the term under review is negligible.

(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 and Income & Loss in Each Report Segment

Previous fiscal year (February 1, 2012–January 31, 2013)

(Thousands of yen)

	Report Segment					Other (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	Sub Total				
Sales Sales to outside customers	23,882,457	6,388,210	6,699,523	26,964,262	63,934,453	1,140,980	65,075,433	—	65,075,433
Total	23,882,457	6,388,210	6,699,523	26,964,262	63,934,453	1,140,980	65,075,433	—	65,075,433
Segment income	3,379,626	182,638	212,807	6,387,289	10,162,361	141,748	10,304,110	(3,217,876)	7,086,233
Segment asset	10,245,735	1,200,233	3,588,461	22,380,308	37,414,739	1,038,518	38,453,258	10,085,564	48,538,822
Other Items Depreciation and amortization (Note) 7	435,649	31,122	128,877	789,235	1,384,883	53,005	1,437,889	188,268	1,626,158
Amortization of Good Will	9,812	3,720	—	177,264	190,797	—	190,797	—	190,797
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note) 8	244,752	47,368	89,500	1,480,688	1,862,310	27,179	1,889,489	155,887	2,045,377

Current fiscal year (February 1, 2013–January 31, 2014)

(Thousands of yen)

	Report Segment					Other (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	Sub Total				
Sales Sales to outside customers	24,451,183	6,599,506	6,721,454	38,540,954	76,313,096	1,151,911	77,465,007	—	77,465,007
Total	24,451,183	6,599,506	6,721,454	38,540,954	76,313,096	1,151,911	77,465,007	—	77,465,007
Segment income	3,411,850	176,026	212,061	10,172,354	13,972,292	204,390	14,176,682	(3,811,056)	10,365,625
Segment asset	10,372,814	1,214,589	3,497,752	32,418,432	47,503,588	1,085,308	48,588,896	9,366,470	57,955,367
Other Items Depreciation and amortization (Note) 7	376,917	29,571	108,709	1,094,334	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	2,619,325	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. Adjustments to the segment income are all unallocable operating expense4s and principally are expenses relating to the company's administrative areas.
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 income has been adjusted with the operating income in the consolidated financial statements

7.Amortization relating to long term pre-paid expenses are included in the depreciation expenses。

8.Increases in tangible fixed assets and intangible fixed assets include increases in long term pre-paid expenses。

(Per Share Information)

	Previous fiscal year (February 1, 2012–January 31, 2013)	Current fiscal year (February 1, 2013–January 31, 2014)
Net Assets per Share	¥791.26	¥977.50
Net Income per Share	¥114.27	¥174.53

(Note) 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, 2012–January 31, 2013)	Current fiscal year (February 1, 2013–January 31, 2014)
Net Income (¥ thousands)	4,573,793	6,985,670
Amount not Attributable to Ordinary Shareholders (¥ thousands)	—	—
Net Income Relating to Ordinary Shares (¥ thousands)	4,573,793	6,985,670
Average Number of Shares during the Term (shares)	40,027,582	40,026,022

3. The Group conducted a stock split at the ratio of 2 shares for every 1 share of common shares. The effective date of the stock split was August 1, 2013. Net Assets per Share and Net Income per Share were calculated assuming that the stock split was performed at the beginning of the fiscal year ended January 31, 2014.

(Material Subsequent Events)

Not applicable.