Summary of Financial Results
for the Second Quarter of Fiscal Year Ending January 2015
[Japanese Standards] (Consolidated)

September 1, 2014

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
Listing: First Section, Tokyo Stock Exchange
Website: www.pigeon.co.jp
Representative: Shigeru Yamashita (President and COO)
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Scheduled Filing Date of Quarterly Report: September 5, 2014
Preparation of Any Additional Explanatory Materials for Quarterly Financial Results: Yes
Scheduled Commencement Date of Dividend Payments: October 6, 2014
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, 2015 (February 1 to July 31, 2014)

(1) Consolidated operating results (cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
2Q ended July 31, 2014	39,229	7.1%	5,985	24.3%	5,957	15.4%	4,074	30.5%
2Q ended July 31, 2013	36,621	17.3%	4,814	49.3%	5,161	58.0%	3,121	63.3%

(Note) Comprehensive income: 2Q ended July 31, 2014 ¥2,701 million (47.9% negative)
2Q ended July 31, 2013 ¥5,184 million (141.9%)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)
2Q ended July 31, 2014	102.00	-
2Q ended July 31, 2013	77.98	-

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

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
As of July 31, 2014	63,295	39,951	61.7
As of January 31, 2014	57,955	39,981	67.5

(Reference) Shareholders' Equity: 2Q ended July 31, 2014 ¥39,079 million
FY ended January 31, 2014 ¥39,124 million

2. Cash Dividends

	Annual Dividends (¥)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY ended Jan. 31, 2014	-	66.00	-	55.00	-
FY ending Jan. 31, 2015	-	45.00			
FY ending Jan. 31, 2015 (Forecast)			-	45.00	90.00

(Note) Changes in dividend forecasts to the most recent announcement: None
Our Group carried out a 2-for-1 stock split with respect to its common stock, effective as of August 1, 2013.

3. Consolidated Business Performance Forecasts for the Fiscal Year Ending January 31, 2015 (February 1, 2014 to January 31, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	84,500	9.1	11,600	11.9	11,800	7.3	7,300	4.5	182.38

(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): Yes
3) Changes in accounting-based estimates: None
4) Restatements: None

(Note) Depreciation method has been changed from the consolidated first quarter of this fiscal year and this change is applicable to "Changes in the Method for Determining Depreciation of Tangible Fixed Assets." For further information, please refer to "(3) Changes in Accounting Policies, Changes in Accounting-based Estimates, and Restatements" in "2. Items Regarding Summary Information (Notes)" on page 5.

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the term-end (including treasury stock)
2Q ended July 31, 2014: 40,551,162 shares
FY ended January 31, 2014: 40,551,162 shares
2) Number of treasury stock for the period-end
2Q ended July 31, 2014: 629,820 shares
FY ended January 31, 2014: 525,652 shares
3) Number of average shares outstanding during the period (quarter accumulation)
2Q ended July 31, 2014: 39,943,465 shares
2Q ended July 31, 2013: 40,026,390 shares

* Indication regarding the situation of quarterly review procedures

Financial results for this first quarter is not the subject of a quarterly review procedure based on the Financial Instruments and Exchange Act, and at the point in time when these financial results were disclosed, review procedures for quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed.

* Cautionary Statement regarding Performance Forecasts

The forecasts and future projections stated in this report have been prepared on the basis of the information and assumption that shall be reasonable as of the date of announcement of this summary information, and the actual results could differ significantly from forecast figures depending on a variety of factors.

See the section "(3) Qualitative Information Regarding Consolidated Performance Forecasts" in "1. Qualitative Information Regarding the Financial Results for the Current Quarter" on page 4 regarding the relevant matters for the above forecast for the business performance.

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

(1) Qualitative Information Regarding Operating Results

During the consolidated six-month period under review, Japan's economy continued to remain on a gradual recovery path, where improvement in corporate earnings was achieved thanks to economic and financial measures implemented by the government. Also personal consumption, which were affected by the consumption tax hike this April, has gradually been recovering. Overseas, the increased uncertainty over the future due to a slowdown in emerging economies including China and the political instability affecting Europe continued to put downward pressure on the Japanese economy.

Amid such economic circumstances, our Group has issued its fifth medium-term business plan (for the period between the fiscal year ending January 2015 and the fiscal year ending January 2017), and has put up the following slogan, “Pursuing world class business excellence, think globally, plan agilely, and implement locally”. Thus, our Group have made a fresh start in this first year for the plan to be implemented. Also, as its business policy, our Group aims at expanding its business and improving management quality by providing the following "Vision 2016".

< Vision 2016 >
i) Strengthening brand power (Global Number One manufacturer of baby and child care products)
ii) Reinforcing the management system toward a sustainable growth of our Group's business
iii) Improving management quality by focusing on cash flow
iv) Fostering our Group's global personnel, establishing human resources systems and promoting its employees' activities
v) Further enhancing corporate value

During the consolidated six-month period under review, we have been developing the above business policies and strategies for each of our business and function. As a result, net sales amounted to ¥39,229 million (up 7.1% YOY), due to factors including healthy business expansion in our overseas operations centered on China. Regarding earnings, operating income rose to ¥5,985 million (up 24.3% YOY), ordinary income recorded ¥5,957 million (up 15.4% YOY), and net income was ¥4,074 million (up 30.5% YOY), which means each significantly exceeded the previous corresponding result. This was due to a reduction of approximately 1.0 percentage points in the sales cost ratio from the previous same period, as a result of increased sales and efficient utilization of production bases accompanying business expansion.
So far, "Domestic Baby and Mother Care Business", "Child-rearing Support Services", "Health Care and Nursing Care Business" and "Overseas Business" have been identified as our Group's reporting segments. However, from the first quarter of the current fiscal year, we separated our China Business from the "Overseas Business", which is why there is now a total of five reporting segments. Each segment is outlined below.
The following comparisons with the prior year quarter have been made with figures for the prior year quarter reclassified into the segmentation after such change.

Domestic Baby and Mother Care Business
Net sales of the segment amounted ¥12,391 million (down 0.7% YOY). Segment profits increased to ¥2,029 million (up 24.7% YOY). This resulted also from a decrease in selling, general and administrative expenses due to reviewing marketing expenses.
In this segment, we have released products such as a reversible stroller "Mahalo laule’a" (in February) designed to ensure the comfort of the baby, an Electric Breast Pump "First Class", which provides a comfortable breastfeeding routine while reducing frustrations of any mother willing to

breastfeed her baby, and also "Pigeon's Skin Care Products" (in March) formulated with moisturizing ingredients close to those found in baby's vernix. 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 "Working Women Meetings for Pregnancy Training" for those who are preparing for pregnancy, organized for 17 times. A total of approximately 870 women have participated. Furthermore, our Company has staged a total of 5 seminars for health care professionals, addressing the theme of breastfeeding while parenting. A total of approximately 500 women have participated. Our Company has conducted a renewal of its top page, making good progress in providing to its customers a more easily accessible "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 ¥3,364 million (up 2.3% YOY). Although there has been an increase in cost for recruitment due to current shortage of nursery teachers, the segment profits rose to ¥96 million (up 19.2% YOY), as gross profit improved. We have launched two in-company child-care facilities and while improving the service quality, our Group is steadily promoting sales. Furthermore, since April we have implemented a mathematical experience program in Preschool Educational Facilities, called "Math Program", with much favorable feedback.

Health Care and Nursing Care Business

Net sales of the segment amounted to ¥3,521 million (up 2.1% YOY), while competition in the market of consumables continued to intensify. Efforts have been made toward the effective use of selling, general and administrative expenses, while segment profits increased to ¥212 million (up 5.0% YOY).

In February, we launched in this segment "Recoup KARURU", a new baby underwear which maintains conventional products' properties in absorption of liquids, and still it is more comfortable and has improved its functionality in urine leakage absorption. Our Group will continue to focus on marketing products through intensive research on priority categories and to ensure sales activities focusing on facility routes are carried out considerately.

Overseas Business

Net sales of the segment amounted to ¥10,522 million (up 11.5% YOY). Segment profits increased to ¥2,261 million (up 14.5% YOY). In India, we are continuing to actively expand sales and marketing activities with a view to establish our brand on the market. In the future we intend to further strengthen the sales/distribution system and also to tune up the product supply organization. Full-scale sales of nursing bottles were launched this January in North America, and we are making efforts to further expand our product categories and consolidate our organizational structure. Furthermore, our Company has established this March in Brazil a new consolidated subsidiary under the name of PIGEON PRODUTOS INFANTIS LTDA., for the purpose of conducting local market research for entering new markets.

China Business

Net sales of the segment amounted to ¥10,951 million (up 20.6% YOY). Although the selling, general and administrative expenses increased as a result of marketing activities conducted along with an active expansion of the business, the segment profits increased to ¥3,303 million (up 26.2% YOY). This segment recorded an increase in net sales and segment profits from the previous same period, assisted by the effects of a steady growth in product categories such as nursing bottles and nipples, due to continuous reinforcement of marketing and sales promotion activities. Furthermore, sales of disposable diapers for babies released July 2013 require more time than expected to enter the market. However, despite initial forecast drop, we aim to steadily expand these sales, as we will continue to implement effective marketing initiatives.

Other Businesses

Net sales of the segment amounted to ¥654 million (up 18.8% YOY), as OEM product orders increased. The segment profits increased to ¥86 million (up 35.9% YOY).

(2) Qualitative Information Regarding Consolidated Financial Position

1) Assets

As of July 31, 2014, our Group recorded total assets of ¥63,295 million, up ¥5,340 million from the previous consolidated fiscal year ended January 31, 2014. Current assets went up to ¥5,078 million, while fixed assets increased to ¥262 million.

The major factors boosting current assets were: a ¥2,838 million increase in cash and deposits, a ¥1,686 million increase in notes and accounts receivable, and another increase of ¥451 million in merchandise and finished goods.

Despite a decrease of ¥242 million in buildings and structures, fixed assets increased mainly due to an increase of ¥152 million in machinery, equipment and vehicles, and of ¥370 million in construction in progress as included in other tangible fixed assets.

2) Liabilities

As of July 31, 2014, our Group recorded total liabilities of ¥23,343 million, up ¥5,369 million from the previous consolidated fiscal year ended January 31, 2014. Current liabilities went up to ¥418 million, while fixed liabilities increased to ¥4,951 million.

Despite a decrease of ¥160 million in income taxes payable, current liabilities increased mainly due to an increase of ¥136 million in short-term borrowings, and of ¥282 million in accrued consumption taxes as included in other current liabilities.

The major factor boosting fixed liabilities was a ¥4,968 million increase in long-term borrowings.

3) Net Assets

As of July 31, 2014, our Group recorded total net assets of ¥39,951 million, down ¥29 million from the previous consolidated fiscal year ended January 31, 2014.

Despite an increase of ¥1,873 million in retained earnings, net assets diminished mainly due to a decrease of ¥1,433 million in foreign currency translation adjustment, and of ¥485 million in treasury stock.

(3) Qualitative Information Regarding Consolidated Performance Forecasts

For the "Fifth Medium-Term Business Plan (for the period between fiscal year ending January 2015 and fiscal year ending January 2017)", our Group has put up the following slogan, “Pursuing world class business excellence, think globally, plan agilely, and implement locally.” We will further develop and enhance our business operating system, while pursuing in the improvement of management quality and steadily implementing the measures grounded on the newly formulated strategies for each business segment and the functional strategy that serves as the foundation thereof. Especially concerning the overseas business which our Group positions as a growing field, we will continue to expand and enrich business in the existing markets concentrated in China and North America. Moreover, we will continue to aim for further growth in our business performance through actively pursuing new markets. Since the following “Vision 2016” and “Business and Functional Strategies” was established, all our efforts combine to accomplish our goals as a means of expanding our corporate business and improving our management quality. In this consolidated fiscal year, the first year of our fifth medium-term business plan, we will strive to ensure completion of our plans.

"Vision 2016"
i) Strengthening brand power (Global Number One manufacturer of baby and child care products)
ii) Reinforcing the management system toward a sustainable growth of our Group's business
iii) Improving management quality by focusing on cash flow
iv) Fostering our Group's global personnel, establishing human resources systems and promoting our employees' activities
v) Further enhancing corporate value

■ Summary of Business and Functional Strategies

<Overseas Business>
・Key markets: Cultivation and deep penetration of markets in the prioritized countries from their market potential, including a medium-to-long-term perspective
・Key categories: Focusing our efforts on the categories that can make the most of Pigeon's "strengths" (nursing bottles and nipples, breast pump, pacifiers, skin care products, and nursing pads)
・Activities in hospitals: Synergy between horizontal deployment of a model for activities in hospitals and strengthening brand power

1) Chinese market
- Business expansion
  ・Growth of existing categories and in new products such as disposable diapers
- Strengthening our operating base
  ・Capital investment in line with business expansion
  ・Cost containment and stable supply benefits of automation in the production lines
  ・Further strengthening of our organizational system in line with business expansion

2) U.S. and European markets
- Enhancement of our brand power in breastfeeding corporate support
  ・Feeding device: Introducing the nursing bottle "NaturalWave" in the European and the United States markets
  ・Strengthening our total support to child care scene in terms of "Expressing breast milk → Storing → Feeding"
  ・Reinforcement of activities in hospitals
- Business expansion in Central and South America and cultivation of new markets

3) Asian and the Near and Middle Eastern markets
- Growth centered on five key categories (nursing bottles and nipples, breast pump, pacifiers, skin care products, and breast pads)
- Further strengthening of Pigeon's products and accelerating their market penetration
- India: Operating plants for local production and bolstering marketing functions

<Domestic Business>
Our Group aims to develop business growth in the existing fields and to improve profitability, by improving the profitability of current businesses and achieving solid growth for large-scale businesses in the segment of Baby and Mother Care, but also by reinforcing the management system focused on nursing care facility routes, and marketing products with a competitive advantage in the segment of Health Care and Nursing Care.

1) Domestic Baby and Mother Care Business
- Improving profitability of current businesses
- Establishing a large merchandise business and considering entering in new categories

2) Health Care and Nursing Care Business
- Reinforcing sales in nursing care facility routes

- Achieving growth in both facilities and existing routes by marketing products with competitive advantage
- Further enhancing nursing care service quality

3) Child-rearing Support Services
- Further improving child-rearing quality and achieving a steady business growth
- Fostering human resources to ensure a high quality child-rearing

<Functional Strategies>

1) Research and Development
- Enrich researches on "Baby Theories" and improve our product development capabilities by means of a consistent customer orientation.
- Establish and strengthen a structure for global business development by reviewing functions related to research, planning and development

2) Quality Control
- Reinforce quality control functions of each production site
- Establish the PIGEON PRODUCTIVE MANAGEMENT (PPM) system

3) Production, Procurement and Logistics
- Reduce costs by implementing an efficient production, procurement and logistics system
- Establish a Global Supply Chain Management system.

4) Global Human Resources System
- Foster individuals capable of playing an active role in global society and establish such human resources system, while meeting the further expansion of our business overseas.

5) Global Headquarters
- Reinforce the Corporate Center`s functions
  ・Strengthen planning and promotion functions of our Group strategies
  ・Strengthen functions toward compliance and fulfillment of our corporate social responsibility

Consolidated performance forecasts for our Group remain unchanged from the forecasts announced on March 3, 2014.

2. Issues Regarding Summary Information (Notes)

(1) Significant Changes in Subsidiaries During the Period Under Review
Not applicable.

(2) Application of Any Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements
Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting-based Estimates, and Restatements

Changes in accounting policies
(Changes in the Method for Determining Depreciation of Tangible Fixed Assets)
Our Group and its consolidated subsidiaries previously used the declining-balance method for depreciation and amortization of property, plant and equipment (straight-line method had been applied to buildings, excluding facilities attached to buildings, acquired after April 1, 1998), but effective from this consolidated fiscal year, the straight-line method has been applied to all tangible fixed assets.
In our Group’s fifth medium-term business plan, effective from this current consolidated fiscal year,

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

As a result of this change, operating income, ordinary income, and net income before income taxes all increased by ¥74,775 thousand compared with the results under the previous method.

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

(Thousands of yen)

	At January 31, 2014	At July 31, 2014
ASSETS		
I. Current Assets:		
Cash and deposits	13,102,606	15,940,657
Notes and accounts receivable - trade	12,569,111	14,255,678
Merchandise and finished goods	5,350,773	5,802,711
Work in process	281,547	302,225
Raw materials and supplies	2,420,080	2,388,272
Other current assets	1,670,255	1,808,707
Allowance for doubtful accounts	(30,988)	(56,822)
Total Current Assets	35,363,386	40,441,430
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures, net	6,238,559	5,996,477
Land	6,080,256	6,066,086
Other tangible fixed assets, net	6,704,646	7,365,881
Total Tangible Fixed Assets	19,023,463	19,428,446
2. Intangible Fixed Assets:		
Goodwill	441,108	346,514
Other intangible fixed assets	1,000,222	959,722
Total Intangible Fixed Assets	1,441,331	1,306,236
3. Investments and Other Assets:		
Other	2,170,610	2,162,885
Allowance for doubtful accounts	(43,424)	(43,399)
Total Investments and Other Assets	2,127,185	2,119,486
Total Fixed Assets	22,591,980	22,854,169
Total Assets	57,955,367	63,295,599
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,518,251	4,561,156
Short-term borrowings	395,212	532,140
Current portion of long-term loans payable	1,004,953	1,000,000
Income taxes payable	1,155,862	995,441
Accrued bonuses to employees	782,653	746,724
Reversal of reserve for returned products	57,318	59,346
Other current liabilities	4,904,682	5,342,330
Total Current Liabilities	12,818,934	13,237,138
II. Fixed Liabilities:		
Long-term borrowings	2,011,503	6,980,472
Provision for employees' retirement benefits	287,276	291,332
Provision for directors and corporate auditors' retirement benefits	323,894	327,996
Other fixed liabilities	2,532,144	2,506,699
Total Fixed Liabilities	5,154,818	10,106,499
Total Liabilities	17,973,753	23,343,638

(Thousands of yen)

	At January 31, 2014	At July 31, 2014
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199,597	5,199,597
Capital surplus	5,180,246	5,180,246
Retained earnings	26,929,960	28,803,023
Treasury stock	(455,960)	(941,028)
Total Shareholders' Equity	36,853,843	38,241,838
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	30,520	30,254
Foreign currency translation adjustment	2,240,472	806,975
Total Accumulated Other Comprehensive Income	2,270,992	837,230
III. Minority Interests	856,777	872,893
Total Net Assets	39,981,614	39,951,961
Total Liabilities, Minority Interests and Net Assets	57,955,367	63,295,599

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

Quarterly Consolidated Statements of Income

(Scope of Consolidation of Second Quarter)

(Thousands of yen)

	Six months ended July 31, 2013	Six months ended July 31, 2014
Net Sales	36,621,704	39,229,251
II. Cost of Sales	20,436,099	21,524,123
Gross profit	16,185,604	17,705,128
Reversal of reserve for returned products	49,329	56,594
Transfer to reserve for returned products	70,608	59,577
Adjusted gross profit	16,164,326	17,702,145
III. Selling, General and Administrative Expenses	11,350,276	11,716,300
Operating Income	4,814,050	5,985,845
IV. Non-operating Income:		
Interest income	51,136	83,938
Equity in earnings of non-consolidated subsidiaries and affiliates	33,092	1,955
Foreign exchange gains	263,418	-
Other	151,774	97,683
Total Non-operating Income	499,420	183,577
V. Non-operating Expenses:		
Interest expenses	10,814	30,245
Sales discounts	123,496	134,261
Foreign exchange losses	-	29,774
Other fixed liabilities	17,303	17,245
Total Non-operating Expenses	151,615	211,526
Ordinary Income	5,161,855	5,957,896
VI. Extraordinary Income:		
Gain on sales of property	3,064	1,432
Total Extraordinary Income	3,064	1,432
VII. Extraordinary Loss:		
Loss on sales of property	68	1,778
Loss on disposal of property	15,413	20,731
Total Extraordinary Loss	15,481	22,510
Income before Income Taxes	5,149,438	5,936,818
Income taxes - current	1,585,470	1,749,125
Income taxes - deferred	355,718	29,346
Total Corporate Income Tax	1,941,189	1,778,471
Income before minority interests	3,208,248	4,158,346
Minority interests in income (loss)	86,963	83,881
Net Income	3,121,285	4,074,465

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

(Thousands of yen)

	Six Months ended July 31, 2013	Six Months ended July 31, 2014
Income before minority interests	3,208,248	4,158,346
Other comprehensive income		
Valuation difference on available-for-sale securities	11,206	(265)
Foreign currency translation adjustment	1,964,907	(1,456,569)
Total Other Comprehensive Income	1,976,114	(1,456,835)
Quarterly comprehensive income	5,184,363	2,701,511
(Breakdown)		
Quarterly comprehensive income on parent company	5,021,012	2,640,702
Quarterly comprehensive income on minority interests	163,350	60,808

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Six Months ended July 31, 2013	Six Months ended July 31, 2014
I. Cash Flow from Operating Activities		
Income before Income Taxes	5,149,438	5,936,818
Depreciation	831,236	887,064
Amortization of goodwill	100,988	87,442
Increase (decrease) in allowance for doubtful accounts	2,809	27,263
Increase (decrease) in accrued bonuses to employees	137,835	(30,855)
Increase (decrease) in provision for employees' retirement benefits	(1,668)	6,193
Increase (decrease) in provision for directors and corporate auditors' retirement benefits	(77,997)	4,101
Interest and dividend income	(52,787)	(85,137)
Share of (gain) loss of entities accounted for using equity method	(33,092)	(1,955)
Interest expenses	10,814	30,245
Loss (gain) on sales of property	(2,996)	346
Loss on disposal of property	15,413	20,731
Decrease (increase) in notes and accounts receivable - trade	(1,397,712)	(2,134,689)
Decrease (increase) in inventories	(712,211)	(661,290)
Increase (decrease) in notes and accounts payable - trade	347,571	262,972
Increase (decrease) in accounts payable	170,521	55,636
Increase (decrease) in accrued consumption taxes	(252,434)	334,158
Decrease (increase) in claims provable in bankruptcy/rehabilitation	8	20
Other	(676,527)	(324,786)
Subtotal	3,559,210	4,414,282
Interest and dividend income received	46,661	73,331
Interest expenses paid	(2,238)	(5,518)
Income taxes paid	(1,792,696)	(1,885,828)
Net Cash Provided by Operating Activities	1,810,936	2,596,266
II. Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(2,310,039)	(1,607,232)
Proceeds from sales of property, plant and equipment	5,668	2,216
Purchase of intangible assets	(62,755)	(89,594)
Purchase of investment securities	(298)	(329)
Purchase of insurance funds	(3,168)	(3,168)
Proceeds from cancellation of insurance funds	33,746	-
Payments of loans receivable	(931)	(865)
Collection of loans receivable	563	1,117
Payments for lease deposits	(6,572)	(31,058)
Collection of lease deposits	11,137	14,923
Other	(27,781)	233
Net Cash Used in Investing Activities	(2,360,431)	(1,713,756)

(Thousands of yen)

	Six Months ended July 31, 2013	Six Months ended July 31, 2014
III. Cash Flows from Financing Activities		
Increase in short-term loans payable	2,890,470	1,153,675
Decrease in short-term loans payable	(3,866,540)	(1,000,000)
Proceeds from long-term loans payable	737,044	5,000,000
Repayments of long-term loans payable	(14,984)	(4,860)
Payment of cash dividends	(1,418,897)	(2,198,754)
Cash dividends paid to minority shareholders	(46,581)	(44,693)
Purchase of treasury stock	(4,004)	(485,068)
Other	(7,524)	(5,898)
Net Cash Used in Financing Activities	(1,731,018)	2,414,399
IV. Effect of Exchange Rate Change on Cash and Cash Equivalents	792,725	(458,859)
V. Net Increase (Decrease) in Cash and Cash Equivalents	(1,487,788)	2,838,050
VI. Cash and Cash Equivalents at Beginning of Period	10,574,326	13,102,606
VII. Cash and Cash Equivalents at End of Period	9,086,537	15,940,657

(4) Notes Regarding Going Concern Assumptions

Not applicable.

(5) Notes Regarding Substantial Changes in Shareholders' Equity

Not applicable.

(6) Segment Information

Six Months ended July 31, 2013

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

(Thousands of yen)

	Reporting Segment						Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 3)
	Domestic Baby and Mother Care Business	Child-rearing Support Services	Health Care and Nursing Care Business	Overseas Business	China Business	Total				
Net Sales										
Net sales to external customers	12,476,737	3,289,330	3,449,546	7,867,418	8,987,836	36,070,868	550,835	36,621,704	-	36,621,704
Internal sales between segments, or exchange	-	-	-	1,570,725	93,863	1,664,588	-	1,664,588	(1,664,588)	-
Total	12,476,737	3,289,330	3,449,546	9,438,143	9,081,699	37,735,457	550,835	38,286,293	(1,664,588)	36,621,704
Segment profit	1,628,138	80,807	202,294	1,975,261	2,618,654	6,505,156	63,958	6,569,114	(1,755,064)	4,814,050

(Notes)

1. The "Other Businesses" classification refers to businesses not included in the reporting segments, which are mainly our Group's production subsidiaries manufacturing, and those selling products to companies outside our Group.
2. The negative amount of ¥1,755,064 thousand from adjustments in segment profits includes ¥72,947 thousand in elimination of intersegment transactions, and a negative ¥1,828,012 thousand in non-allocable operating expenses. Non-distributable operating expenses are mainly administrative costs of our Group.
3. Segment profits are adjusted to operating income in the quarterly consolidated statements of income.

1. Six Months ended July 31, 2014

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

(Thousands of yen)

	Reporting Segment						Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amount Accounted on Quarterly Consolidated Statement of Income (Note 3)
	Domestic Baby and Mother Care Business	Child-rearing Support Services	Health Care and Nursing Care Business	Overseas Business	China Business	Total				
Net Sales										
Net sales to external customers	12,391,921	3,364,614	3,521,826	8,647,332	10,649,378	38,575,074	654,177	39,229,251	-	39,229,251
Internal sales between segments, or exchange	-	-	-	1,874,772	302,318	2,177,091	-	2,177,091	(2,177,091)	-
Total	12,391,921	3,364,614	3,521,826	10,522,105	10,951,697	40,752,165	654,177	41,406,342	(2,177,091)	39,229,251
Segment profit	2,029,703	96,301	212,313	2,261,681	3,303,648	7,903,647	86,923	7,990,571	(2,004,726)	5,985,845

(Notes)

1. The "Other Businesses" classification refers to business not included in the reporting segments, which are mainly our Group's production subsidiaries manufacturing, and those selling products to companies outside our Group.
2. The negative amount of ¥2,004,726 thousand from adjustments in segment profits includes ¥51,290 thousand in elimination of intersegment transactions, and ¥2,056,016 thousand in non-allocable operating expenses. Non-allocable operating expenses are

mainly administrative costs of our Group.
3. Segment profits are adjusted to operating income in the quarterly consolidated statements of income.

2. Matters concerning Changes in the Reporting Segments
Starting with the first quarter of the consolidated current term, our Group made changes in its business classification, reorganizing its business in five reporting segments - "Domestic Baby and Mother Care Business", "Child-rearing Support Services", "Health Care and Nursing Care Business", "Overseas Business", and "China Business" - as the latter, included before in the Overseas Business segment, had increased in importance.
In addition, please note that, the reporting segments disclosed in the same period of the previous fiscal year differ as they were prepared pursuant to the reporting segment classification subsequent to the changes and reflected in this consolidate first-half year financial report.
3. Changes in the Method for Determining Depreciation of Tangible Fixed Assets
As stated in the “Changes in Accounting Policies” (page 5), our Group and its consolidated subsidiaries have switched to the straight-line method from the depreciation method for a part of its tangible fixed assets, effective from the first quarter-end of the consolidated current term.
The impact of this change on segment profits rose to ¥42,810 thousand in "Domestic Baby and Mother Care Business", ¥1,840 thousand in "Child-rearing Support Services", ¥7,409 thousand in "Health Care and Nursing Care Business", ¥7,180 thousand in "Overseas Business", and ¥4,066 thousand in "Other Businesses". Also, the amount of not-allocable operating expenses recorded an increase of ¥11,468 thousand.