Summary of Financial Results for the Fiscal Year Ended January 31, 2018 [Japanese Standards] (Consolidated)

March 5, 2018

Name of Listed Company: Pigeon Corporation (Stock code: 7956)
Listings: First Section, Tokyo Stock Exchange
Website: www.pigeon.co.jp
Representative: Shigeru Yamashita (President and COO)
Contact person: Tsutomu Matsunaga (Managing Officer, Corporate Planning & Administration Division)/Tel: +81-3-3661-4188
Scheduled Date of Annual General Shareholders' Meeting: April 26, 2018
Scheduled Commencement Date of Dividend Payments: April 27, 2018
Scheduled Filing Date of Annual Securities Report: April 27, 2018
Preparation of Any Additional Explanatory Materials for Financial Results: None
Holding of Any Briefing Session for Financial Results: Yes (For analysts and institutional investors)

1. Consolidated Business Performance for the Fiscal Year Ended January 31, 2018 (February 1, 2017 to January 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	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY ended January 31, 2018	102,563	8.4	19,412	21.2	20,129	22.3	14,515	30.5
FY ended January 31, 2017	94,640	2.6	16,015	10.3	16,462	9.2	11,118	9.0

(Note) Comprehensive income: FY ended January 31, 2018 ¥15,710 million (81.7%)
FY ended January 31, 2017 ¥8,647 million (3.6%)

	Net Income per Share (¥)	Diluted Net Income per Share (¥)	Return on Equity (%)	Total Assets/ Ordinary Income (%)	Operating Margin (%)
FY ended January 31, 2018	121.20	—	25.7	24.6	18.9
FY ended January 31, 2017	92.84	—	21.8	21.5	16.9

(Reference) Equity in earnings of affiliates: FY ended January 31, 2018 ¥54 million
FY ended January 31, 2017 ¥25 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (¥)
FY ended January 31, 2018	84,467	62,812	71.9	506.79
FY ended January 31, 2017	78,889	53,736	66.4	437.43

(Reference) Shareholders' Equity: FY ended January 31, 2018 ¥60,693 million
FY ended January 31, 2017 ¥52,387 million

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
FY ended January 31, 2018	17,094	(3,586)	(12,812)	31,346
FY ended January 31, 2017	14,810	(1,854)	(6,223)	30,052

2. Cash Dividends

	Annual Dividend (¥)					Total Dividends Paid (full year) (¥ mil)	Consolidated Payout Ratio (%)	Dividends on Consolidated Net Assets (%)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
FY ended January 31, 2017	―	25.00	―	28.00	53.00	6,347	57.1	12.5
FY ended January 31, 2018	―	31.00	―	35.00	66.00	7,904	54.5	14.0
FY ending January 31, 2019 (Forecast)	―	34.00	―	34.00	68.00		―	

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

Notes

(1) Changes in major subsidiaries (or changes in specific subsidiaries that affect the scope of consolidation) during the period under review: None
New: ― (Company name: ―), Excluded: ― (Company name: ―)

(2) Changes in accounting policies, changes in accounting-based estimates, and restatements
1) Changes in accounting policies associated with revision of accounting standards: None
2) Changes in accounting policies other than the above 1): None
3) Changes in accounting-based estimates: None
4) Restatements: None

(3) Number of outstanding shares (common stock)
1) Number of shares outstanding at the period-end (including treasury stock)
FY ended January 31, 2018: 121,653,486 shares
FY ended January 31, 2017: 121,653,486 shares
2) Amount of treasury stock at the period-end
FY ended January 31, 2018: 1,892,329 shares
FY ended January 31, 2017: 1,891,943 shares
3) Number of average shares outstanding during the period
FY ended January 31, 2018: 119,761,277 shares
FY ended January 31, 2017: 119,761,718 shares

* This summary of financial results is exempt from audit procedures.

* 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 "(4) Future Directions" in "1. Overview of Management Results and Related Matters" on page 5 regarding conditions which are preconditions for business performance forecasts and cautions for using the business performance forecast.

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1. Overview of Management Results and Related Matters

(1) Overview of Management Results for the Term Under Review

1) Performance Overview

During this consolidated accounting year (February 1, 2017 to January 31, 2018), 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 ending January 2018 and the fiscal year ending January 2020), under the slogan of "Building our dreams into the future – by creating a bridge towards the Global Number One manufacturer of baby products –," and has made efforts toward our further growth in the first year of this plan. In addition, we have set the following three basic strategies that would help us to expand the Group's business and improve its management quality.

1) Based on the Pigeon Way, create and implement all kinds of measures to achieve the goal of becoming 'an indispensable company' for the society and make our Vision "to be the baby product manufacturer most trusted by the world's babies and families, i.e. 'Global Number One'" come true.
2) A further increase in corporate value will be pursued through improvement in profitability and efficiency of the business, and maximization of cash flows. The organizational structure, management system and governance system will also be put in place and reinforced to ensure sustainable growth from a medium to long-term perspective.
3) During the three years of the sixth medium-term business plan, invest management resources giving priority to the key products and carry out strategic investments, laying solid foundations for the double-digit growth of Pigeon Group in the future.

During the consolidated period under review, we implemented strategies for each of our business and function on the basis of the above business policies. As the result, net sales amounted to ¥102,563 million (up 8.4% YOY), as supported by sales increases mainly in Japan and China. Regarding earnings, operating income rose to ¥19,412 million (up 21.2% YOY) thanks to a reduction of approximately 2.1 percentage points in the sales cost ratio from the previous term. Ordinary income recorded ¥20,129 million (up 22.3% YOY), and net income attributable to owners of parent also increased to ¥14,515 million (up 30.5% YOY).

The main exchange rates used in the preparation of this consolidated period's financial statements for the Company's overseas consolidated subsidiaries (revenues and expenses) are as follows:
・1US$: 112.16 yen (108.77 yen)
・1 CNY: 16.62 yen (16.35 yen)
Note: Figures in parentheses represent the exchange rate in the same period of the previous fiscal year.

2) Segment Review

Our Group has 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." Each segment is outlined below.
Please take note that in order to explain the profit status of each segment in a more detailed manner, we decided to record expenses in non-allocable operating expenses associated with the Research and Development Department, which had been included in the Adjustment section so far, in the segment profit of each reporting segment starting from the consolidated fiscal year under review.

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 ¥33,841 million (up 6.3% YOY). Segment profit increased to ¥5,928 million (up 23.0% YOY). Inbound demand continued to grow, driven by rising numbers of visitors to Japan. Responding to this demand, in February the Group launched its first hand-made ice cream product, “Baby Petit Ice.” In June the Group launched the new version of “Runfee,” single-tire baby stroller series that has earned high customer satisfaction. Later that summer, in August Pigeon launched “Bonyu Pad Fit Up® Saratto Chokyushu,” a breast pad with improved absorbency and leak resistance. In December Pigeon launched “Bonyu Jikkan® Nursing Bottle My Precious,” which won the Good Design Award for FY2017 and has enjoyed steadily rising sales and market share since then. In baby strollers as well, a key category for Pigeon, the Group’s market share continued to grow briskly.
Moreover, during this fiscal year, we have held a number of 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 a seminar about breastfeeding while parenting for health care professionals, organized 32 times. A total of approximately 3,000 people have participated. On "Pigeon Info," a website that supports women during pregnancy, in childbirth, and in raising children, we are continuing to improve the 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 ¥7,541 million (up 2.0% YOY). Segment profit increased to ¥218 million (up 3.6% YOY). During the consolidated fiscal year under review, we have launched four in-company child-care facilities, which we are currently operating while striving to improve the service quality.

Health & Elder Care Business
Net sales of the segment amounted to ¥7,058 million (up 2.3% YOY). Segment profit increased to ¥468 million (up 5.0% YOY). We will continue to focus on further strengthening our sales activities toward retail stores and nursing care facilities, and will ensure that the quality of our nursing care services is improved.

Overseas Business
Net sales of the segment amounted to ¥25,427 million (up 10.3% YOY). Segment profit also increased to ¥5,841 million (up 20.1% YOY), thanks to the improvement of gross profit margin, as well as effective use of selling, general and administrative expenses. In North America and Europe, where we operate mainly through Lansinoh Laboratories, Inc., a consolidated subsidiary, sales of breastfeeding-related products grew at a spritely pace. These products include flagship products such as nipple care cream, breast pumps and milk bags. Sales in North America expanded through a new sales route, DME Channel, while sales in China continued their trend of solid growth through Lansinoh Laboratories Shanghai, an initiative of the previous year. In India, a key market for the Group, Pigeon enjoyed growth in both sales and earnings, thanks to hard work on initiatives to expand distribution outlets. The Group will continue to make efforts to develop operations through activities on a wide range of fronts.

China Business
Net sales in this segment increased to ¥34,494 million (up 13.0% YOY), because sales of core products such as nursing bottles and nipples and skincare products remained strong. Segment profit increased to ¥9,716 million (up 16.3% YOY).
In May we launched a line of nursing bottles, cups, pacifiers and other baby products decorated

with Disney characters, which enjoyed robust growth. In addition, we will continue to strengthen our activities in the E-commerce market and sales focused on its flagship store, both of which are expected to grow further in the future; we will utilize social networking services further for the 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 operations.

Other Businesses
Net sales of the segment amounted to ¥1,289 million (up 1.3% YOY), while the segment profit decreased to ¥126 million (down 22.2% YOY).

(2) Overview of Financial Position for the Term Under Review

1) Assets
As of January 31, 2018, total assets amounted to ¥84,467 million, up ¥5,578 million from the previous consolidated fiscal year ended January 31, 2017.
Current assets had an increase of ¥2,933 million, and fixed assets had an increase of ¥2,644 million.
Current assets increased mainly due to increases in cash and deposits of ¥1,294 million and in merchandise and finished goods of ¥731 million.
Fixed assets increased mainly due to increases in goodwill of ¥1,219 million and in software in progress of ¥1,001 million.

2) Liabilities
As of January 31, 2018, total liabilities amounted to ¥21,655 million, down ¥3,497 million from the previous consolidated fiscal year ended January 31, 2017. Current liabilities had a decrease of ¥3,708 million, while fixed liabilities had an increase of ¥211 million.
Current liabilities decreased mainly due to a decrease in current portion of long-term loans payable of ¥5,000 million, despite an increase in accounts payable of ¥664 million.
Fixed liabilities increased mainly due to increases in deferred tax liabilities of ¥249 million and in net defined benefit liability of ¥159 million, despite a decrease in provision for special extra retirement payments of ¥208 million.

3) Net Assets
As of January 31, 2018, total net assets amounted to ¥62,812 million, up ¥9,075 million from the previous consolidated fiscal year ended January 31, 2017.
This increase resulted mainly from increases in retained earnings of ¥7,449 million and in foreign currency translation adjustment of ¥861 million.

4) Cash Flows
As of January 31, 2018, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to ¥31,346 million, up ¥1,294 million from a year earlier.
Cash Flows from Operating Activities
Net cash provided by operating activities amounted to ¥17,094 million, up from ¥14,810 million of the previous year. This increase is mainly due to ¥20,916 million in income before income taxes and ¥2,444 million in depreciation. Contrasting factors included a ¥761 million increase in inventories and ¥5,868 million in income taxes paid.
Cash Flows from Investing Activities
Net cash used in investing activities totaled ¥3,586 million, up from ¥1,854 million of the previous year. This is mainly due to ¥2,199 million in purchases of tangible fixed assets and ¥1,055 million in purchase of intangible assets.
Cash Flows from Financing Activities
Net cash used in financing activities was ¥12,812 million, up from ¥6,223 million of the previous

year. This decrease is mainly due to ¥5,000 million in repayments of long-term loans payable and ¥7,066 million in payment of cash dividends.

(3) Overview of Cash Flows for the Term Under Review

Cash flow indicators of the Group are shown below.

	FY2016	FY2017	FY2018
Equity Ratio (%)	67.0	66.4	71.9
Equity Ratio based on Market Price (%)	411.7	464.5	604.0
Debt Repayment Term (years)	0.5	0.4	0.0
Interest Coverage Ratio (times)	108.7	335.2	1,523.8

- 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

Notes:
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.

(4) Future Directions

The group deploys operation to fulfill its mission to bring joy, happiness and inspiration to babies and families around the world by providing them with products and services that embody its corporate philosophy "love." Guided by this commitment, the Group has set in its medium to long-term corporate vision "to be the baby product manufacturer most trusted by the world's babies and families i.e. "Global Number One."

For the Sixth Medium-Term Business Plan (for the period between the fiscal year ending January 2018 and the fiscal year ending January 2020), the Group has adopted the slogan, "Building our dreams into the future – by creating a bridge towards the Global Number One manufacturer of baby products –." This medium-term business plan incorporates three basic strategies as follow, to guide the Group's efforts to expand its 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.

(5) Income Appropriation Policy and Dividends for the Term Under Review and Next Term

The Pigeon Group regards the return of income to shareholders as an important management priority. Our policy is to actively return income to shareholders through appropriation of retained earnings and other means, while reinforcing our financial position based on considerations of medium-term changes in business conditions and the Group's business strategies. In addition to strengthening our financial position, we effectively use retained earnings in a number of ways to fortify our operational base and improve future Group earnings. These include investing in new businesses for further growth and research and development, as well as investing in production

facilities to raise production capacity, reduce costs, and enhance product quality.
With respect to targets of shareholder return, under the Sixth Medium-Term Business Plan announced in March 2017, we aim to increase dividends every fiscal year compared to previous year. We are also targeting a consolidated total shareholder return of 55%. To this end, we have sought to further strengthen and upgrade measures for returning profits to all shareholders.
The distribution of dividends in the period under review reflects the above policies and targets. The Group distributed an interim dividend of ¥31 per share (ordinary dividend of ¥31). For the year-end dividend, the Group forecasts a dividend of ¥35 per share (ordinary dividend of ¥35). This amount is ¥4 higher than the dividend forecast of ¥31 announced on September 4, 2017, due to better-than-expected operating results. As a result, the annual dividend for the term under review will total ¥66 per share (ordinary dividend of ¥66), a per share increase by ¥13 from the previous year.

2. Management Policies

(1) Basic Policies

The group deploys operation to fulfill its mission to bring joy, happiness and inspiration to babies and families around the world by providing them with products and services that embody its corporate philosophy “love.” Guided by this commitment, the Group has set in its medium to long-term corporate vision “to be the baby product manufacturer most trusted by the world’s babies and families i.e. “Global Number One.”

(2) Performance Targets

For the "Sixth Medium-Term Business Plan (for the period between fiscal year ending January 2018 and 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 –." By steadily implementing a range of measures in line with the medium term goals stated in the following section, the level of achievements aimed at for the term ending January, 2020, which is the last fiscal year of the Plan, is net sales of ¥110 billion, operating income of ¥20 billion, and net income attributable to owners of parent of ¥13,800 million. Moreover, in order to ensure yet further improvement of profitability and efficiency of capital, the Group shall deem PVA (Pigeon Value Added), return on invested capital (ROIC), etc. as important management indices, and strive to improve each of them even more.

(3) Medium-Term Management Strategies

For the "Sixth Medium-Term Business Plan (for the period between fiscal year ending January 2018 and fiscal year ending January 2020)," we have set the following three basic strategies that shall 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.

(4) Issues to Address

The Group expects uncertainty to linger in the economic environment in which it operates, due to concerns over the slowdown in business growth of China and uncertainties in the global economy centering on Europe and the U.S., but at the same time, consumption trends in China and Japan are quite steady and there is also much to be expected from economic growth of Asian countries and other newly emerging countries around the world.

Amid such circumstances, during the "Sixth Medium-Term Business Plan (for the period between fiscal year ending January 2018 and fiscal year ending January 2020)," the Group shall steadily implement a range of measures prescribed in the newly established "Strategy for Important Categories" and individual strategies of each segment. In particular, the Group is focusing on China and 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. In addition, we shall select a number of overseas markets of importance to us already, or those we want to expand our presence in in the future, and make strong efforts to establish firm business foundations in such areas in Asia, Africa, etc., which can play important roles for the future growth of the Group.

Further, 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.

Moreover, 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. Basic Approach for the Selection of Accounting Standards

The consolidated financial statements of our Group are prepared based on Japanese standards.

In the future, we will have to prepare these statements based on the International Financial Reporting Standards (IFRS) for the purpose of improving global comparability of financial information, and we will continue to consider them, including the application period.

4. Consolidated Financial Statements and Main Notes
(1) Consolidated Balance Sheets

(Millions of yen)

	At January 31, 2017	At January 31, 2018
ASSETS		
I. Current Assets:		
Cash and deposits	30,052	31,346
Notes and accounts receivable - trade	16,103	16,440
Merchandise and finished goods	5,328	6,059
Work in process	261	293
Raw materials and supplies	2,013	2,359
Deferred tax assets - current	665	739
Receivables	253	278
Other current assets	592	880
Allowance for doubtful accounts	(26)	(221)
Total Current Assets	55,244	58,178
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures	15,363	16,010
Accumulated depreciation	(8,373)	(8,904)
Buildings and structures, net	6,989	7,105
Machinery, equipment and vehicles	15,231	17,087
Accumulated depreciation	(9,505)	(11,184)
Machinery, equipment and vehicles, net	5,726	5,902
Tools, furniture and fixtures	6,250	6,517
Accumulated depreciation and accumulated impairment loss	(4,613)	(4,984)
Tools, furniture and fixtures, net	1,637	1,533
Land	5,683	5,878
Construction in progress	226	695
Total Tangible Fixed Assets	20,263	21,116
2. Intangible Fixed Assets:		
Goodwill	51	1,271
Software	502	456
Software in progress	—	1,001
Other intangible fixed assets	552	578
Total Intangible Fixed Assets	1,106	3,307
3. Investments and Other Assets:		
Investment securities	1,481	1,020
Bankruptcy claims	18	10
Deferred tax assets	262	217
Insurance reserve	176	177
Other	354	452
Allowance for doubtful accounts	(19)	(12)
Total Investments and Other Assets	2,273	1,865
Total Fixed Assets	23,644	26,289
Total Assets	78,889	84,467

(Millions of yen)

	At January 31, 2017	At January 31, 2018
LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable - trade	4,857	5,194
Electronically recorded obligations - operating	1,693	1,797
Short-term borrowings	699	—
Current portion of long-term loans payable	5,000	—
Accounts payable	2,477	3,141
Income taxes payable	2,324	2,578
Accrued bonuses to employees	929	1,035
Reversal of reserve for returned products	73	51
Provision for loss on litigation	37	—
Provision for special extra retirement payments	—	208
Other current liabilities	3,289	3,666
Total Current Liabilities	21,381	17,673
II. Fixed Liabilities:		
Deferred tax liabilities	2,675	2,924
Net defined benefit liability	131	290
Provision for directors and corporate auditors' retirement benefits	445	516
Provision for special extra retirement payments	208	—
Other fixed liabilities	310	250
Total Fixed Liabilities	3,770	3,982
Total Liabilities	25,152	21,655
NET ASSETS		
I. Shareholders' Equity:		
Capital stock	5,199	5,199
Capital surplus	5,179	5,179
Retained earnings	42,280	49,729
Treasury stock	(948)	(949)
Total Shareholders' Equity	51,711	59,158
II. Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	47	44
Foreign currency translation adjustment	628	1,490
Total Accumulated Other Comprehensive Income	676	1,534
III. Non-controlling Interests	1,349	2,119
Total Net Assets	53,736	62,812
Total Liabilities and Net Assets	78,889	84,467

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

(Millions of yen)

	Year Ended January 31, 2017	Year Ended January 31, 2017
I. Net Sales	94,640	102,563
II. Cost of Sales	49,941	52,010
Gross profit	44,698	50,552
Reversal of reserve for returned products	45	70
Transfer to reserve for returned products	55	50
Adjusted gross profit	44,688	50,572
III. Selling, General and Administrative Expenses	28,673	31,159
Operating Income	16,015	19,412
IV. Non-operating Income:		
Interest income	133	187
Dividend income	18	19
Share of profit of entities accounted for using equity method	25	54
Subsidy income	556	812
Other non-operating income	212	188
Total Non-operating Income	945	1,263
V. Non-operating Expenses:		
Interest expenses	42	11
Sales discounts	366	418
Foreign exchange losses	47	75
Other non-operating expenses	41	42
Total Non-operating Expenses	498	547
Ordinary Income	16,462	20,129
VI. Extraordinary Income:		
Gain on sales of fixed assets	122	115
Gain on sales of investment securities	—	95
Gain on step acquisitions	—	848
Total Extraordinary Income	122	1,058
VII. Extraordinary Loss:		
Loss on sales of fixed assets	3	60
Loss on disposal of fixed assets	25	22
Recall-related loss	—	187
Loss on liquidation of subsidiaries and associates	46	—
Loss on liquidation of business	35	—
Special extra retirement payments	239	—
Total Extraordinary Loss	350	271
Income before Income Taxes	16,234	20,916
Income taxes - current	5,165	5,931
Income taxes - deferred	(273)	225
Total Corporate Income Tax	4,891	6,157
Net Income	11,342	14,759
Net Income Attributable to Non-controlling Interests	224	244
Net Income Attributable to Owners of Parent	11,118	14,515

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Year Ended January 31, 2017	Year Ended January 31, 2018
Net Income	11,342	14,759
Other Comprehensive income		
Valuation difference on available-for-sale securities	14	(3)
Foreign currency translation adjustment	(2,709)	953
Total Other Comprehensive Incomes	(2,694)	950
Comprehensive Income	8,647	15,710
(Breakdown)		
Comprehensive income on parent company	8,450	15,373
Comprehensive income on non-controlling interests	197	336

(3) Statement of Changes in Consolidated Shareholders' Equity

Fiscal Year Ended January 31, 2017

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	5,199	5,180	36,790	(947)	46,223
Changes during the period					
Dividends from surplus			(5,628)		(5,628)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(1)			(1)
Net income attributable to owners of parent			11,118		11,118
Acquisition of treasury stock				(1)	(1)
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	(1)	5,489	(1)	5,487
Balance at the end of current period	5,199	5,179	42,280	(948)	51,711

	Accumulated other comprehensive income			Non-controlling Interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	32	3,311	3,344	1,225	50,792
Changes during the period					
Dividends from surplus					(5,628)
Change in treasury shares of parent arising from transactions with non-controlling shareholders				(5)	(6)
Net income attributable to owners of parent					11,118
Acquisition of treasury stock					(1)
Changes in items other than shareholders' equity (net)	14	(2,682)	(2,668)	129	(2,538)
Total changes during the period	14	(2,682)	(2,668)	124	2,944
Balance at the end of current period	47	628	676	1,349	53,736

Fiscal Year Ended January 31, 2018

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	5,199	5,179	42,280	(948)	51,711
Changes during the period					
Dividends from surplus			(7,065)		(7,065)
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—
Net income attributable to owners of parent			14,515		14,515
Acquisition of treasury stock				(1)	(1)
Changes in items other than shareholders' equity (net)					
Total changes during the period	—	—	7,449	(1)	7,447
Balance at the end of current period	5,199	5,179	49,729	(949)	59,158

	Accumulated other comprehensive income			Non-controlling Interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	47	628	676	1,349	53,736
Changes during the period					
Dividends from surplus					(7,065)
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—
Net income attributable to owners of parent					14,515
Acquisition of treasury stock					(1)
Changes in items other than shareholders' equity (net)	(3)	861	858	769	1,627
Total changes during the period	(3)	861	858	769	9,075
Balance at the end of current period	44	1,490	1,534	2,119	62,812

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year Ended January 31, 2017	Year Ended January 31, 2018
I. Cash Flows from Operating Activities:		
Income before income taxes	16,234	20,916
Depreciation	2,259	2,444
Amortization of goodwill	97	6
Increase (decrease) in allowance for doubtful accounts	(14)	186
Increase (decrease) in accrued bonuses to employees	46	110
Increase (decrease) in net defined benefit liability	(302)	68
Increase (decrease) in provision for directors and corporate auditors' retirement benefits	35	70
Increase (decrease) in provision for special extra retirement payments	208	—
Interest and dividend income	(151)	(207)
Share of (gain) loss of entities accounted for using equity method	(25)	(54)
Interest expenses	42	11
Foreign exchange loss (gain)	77	187
Loss (gain) on sales of property	(118)	(54)
Loss on disposal of property	25	22
Gain on step acquisitions	—	(848)
Decrease (increase) in notes and accounts receivable - trade	(2,927)	376
Decrease (increase) in inventories	835	(761)
Increase (decrease) in notes and accounts payable - trade	1,482	115
Loss (gain) on sales of investment securities	—	(95)
Increase (decrease) in accounts payable	538	345
Increase (decrease) in accrued consumption taxes	811	34
Decrease (increase) in claims provable in bankruptcy/rehabilitation	8	8
Other	(209)	(124)
Subtotal	18,954	22,760
Interest and dividend income received	194	213
Interest expenses paid	(44)	(11)
Income taxes paid	(4,295)	(5,868)
Net Cash Provided by (Used in) Operating Activities	14,810	17,094
II. Cash Flows from Investing Activities:		
Purchase of tangible fixed assets	(2,424)	(2,199)
Proceeds from sales of tangible fixed assets	769	162
Purchase of intangible assets	(210)	(1,055)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	—	198
Purchase of insurance funds	(165)	(0)
Proceeds from cancellation of insurance funds	165	—
Payments of loans receivable	(13)	(1)
Collection of loan receivable	9	8
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(587)
Payment for lease deposits	(20)	(131)
Collection of lease deposits	10	29
Other	29	(7)
Net Cash Provided by (Used in) Investing Activities	(1,854)	(3,586)

(Millions of yen)

	Year Ended January 31, 2017	Year Ended January 31, 2018
III. Cash Flows from Financing Activities:		
Increase in short-term loans payable	485	—
Decrease in short-term loans payable	(179)	(673)
Repayments of long-term loans payable	(837)	(5,000)
Payment of cash dividends	(5,622)	(7,066)
Dividends paid to non-controlling interests	(67)	(70)
Purchase of treasury stock	(1)	(1)
Other	(0)	—
Net Cash Provided by (Used in) Financing Activities	(6,223)	(12,812)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(891)	599
V. Net Increase (Decrease) in Cash and Cash Equivalents	5,840	1,294
VI. Cash and Cash Equivalents at Beginning of Period	24,297	30,052
VII. Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	(86)	—
VIII. Cash and Cash Equivalents at End of Period	30,052	31,346

(5) Notes on Consolidated Financial Statements
(Notes Regarding Going Concern Assumptions)
Not applicable.

(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. Our Group has 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."
The Company's reporting segment types are as follows.

(i) Domestic Baby & 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 Care Service Business
It is engaged in provision of child care services in Japan.
(Principal Services) Operation and contracting of nursery facilities, operation of preschool educational facilities, babysitter dispatch services, other

(iii) Health & Elder 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 sales of child care products and feminine products for all countries in the world except China, South Korea, Hong Kong, Taiwan, Russia, and some other countries.

(v) China Business
It is engaged in the manufacture and sales of child care products and feminine products in China, South Korea, Hong Kong, Taiwan, Russia, and some other countries.

2. Calculation Method for the Values in Segmental Sales, Profits 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".
In order to understand our profit status of each segment in a more detailed manner, we decided to report expenses in non-allocable operating expenses associated with the Research and Development

Department, which had been included in the Adjustment section so far, in the segment profit of each reporting segment starting from the consolidated fiscal year under review.
The segment information for the previous consolidated fiscal year is adjusted in accordance with the new segment profit calculation method after the above revision.

3. Information Regarding Net Sales, Profit (Loss), Assets and Other Items in Each Reporting Segment
Fiscal Year Ended January 31, 2017

(Millions of yen)

	Reporting Segment						Other Businesses (Note) 1	Total	Adjustments (Note) 2 (Note) 3 (Note) 4 (Note) 5	Amount Accounted on Consolidated Financial Statements (Note) 6
	Domestic Baby & Mother Care Business	Child Care Service Business	Health & Elder Care Business	Overseas Business	China Business	Subtotal				
Net Sales										
Net sales to external customers	31,823	7,393	6,901	16,932	30,315	93,366	1,273	94,640	—	94,640
Internal sale or exchange between segments	—	—	—	6,119	217	6,337	—	6,337	(6,337)	—
Total	31,823	7,393	6,901	23,051	30,533	99,704	1,273	100,977	(6,337)	94,640
Segment Profit	4,818	211	445	4,861	8,355	18,692	162	18,855	(2,840)	16,015
Segment Assets	12,285	1,318	3,243	19,507	25,146	61,501	1,158	62,659	16,229	78,889
Other Items										
Depreciation (Note) 7	525	23	86	712	688	2,036	41	2,078	181	2,259
Amortization of Goodwill	—	—	—	97	—	97	—	97	—	97
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note) 8	471	12	62	1,541	234	2,321	20	2,341	157	2,498

(Notes)
1. "Other" represents a business segment not included in the reporting segments and principally covers manufacture and sales by manufacturing subsidiaries of the company for sales outside the Group.
2. The negative amount of ¥2,840 million from adjustments in segment profit includes ¥101 million in elimination of intersegment transactions, and negative ¥2,941 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
3. The amount of ¥16,229 million in adjustments in segment assets includes negative ¥2,709 million in eliminations of inter-segment transactions, and ¥18,939 million in the entire company assets consisting 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 are depreciations relating the entire company assets.
5 Adjustments of increase in tangible fixed assets and intangible assets relate to the entire company assets.
6. Segment profit has been adjusted with the operating income in the consolidated financial statements
7. Amortization relating to long term pre-paid expenses are included in the depreciation.
8. Increases in tangible fixed assets and intangible fixed assets include increases in long term pre-paid expenses.

Fiscal Year Ended January 31, 2018

(Millions of yen)

	Reporting Segment						Other Businesses (Note) 1	Total	Adjustments (Note) 2 (Note) 3 (Note) 4 (Note) 5	Amount Accounted on Consolidated Financial Statements (Note) 6
	Domestic Baby & Mother Care Business	Child Care Service Business	Health & Elder Care Business	Overseas Business	China Business	Subtotal				
Net Sales										
Net sales to external customers	33,841	7,541	7,058	18,659	34,171	101,273	1,289	102,563	―	102,563
Internal sale or exchange between segments	―	―	―	6,768	322	7,090	―	7,090	(7,090)	―
Total	33,841	7,541	7,058	25,427	34,494	108,363	1,289	109,653	(7,090)	102,563
Segment Profit	5,928	218	468	5,841	9,716	22,173	126	22,299	(2,887)	19,412
Segment Assets	13,113	1,410	3,248	24,010	27,565	69,348	1,197	70,545	13,922	84,467
Other Items										
Depreciation (Note) 7	558	25	92	817	708	2,202	44	2,246	198	2,444
Amortization of Goodwill	―	―	―	6	―	6	―	6	―	6
Increase in Tangible Fixed Assets and Intangible Fixed Assets (Note) 8	933	80	94	833	443	2,385	65	2,451	1,094	3,546

(Notes)
1. "Other" represents a business segment not included in the reporting segments and principally covers manufacture and sales by manufacturing subsidiaries of the company for sales outside the Group.
2. The negative amount of ¥2,887 million from adjustments in segment profit includes ¥4 million in elimination of intersegment transactions, and negative ¥2,892 million in non-allocable operating expenses. Non-allocable operating expenses are mainly administrative costs of our Group.
3. The amount of ¥13,922 million in adjustments in segment assets includes negative ¥2,849 million in eliminations of inter-segment transactions, and ¥16,771 million in the entire company assets consisting 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 are depreciations relating the entire company assets.
5 Adjustments of increase in tangible fixed assets and intangible assets relate to the entire company assets.
6. Segment profit has been adjusted with the operating income in the consolidated financial statements
7. Amortization relating to long term pre-paid expenses are included in the depreciation.
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, 2016 to January 31, 2017)	Current fiscal year (February 1, 2017 to January 31, 2018)
Net Assets per Share	¥437.43	¥506.79
Net Income per Share	¥92.84	¥121.20

(Notes) 1. With respect to Diluted Net Income per Share, there are no latent shares, thus, has not been disclosed.
2. The basis for the calculation of the Net Income per Share is as follows.

	Previous fiscal year (February 1, 2016 to January 31, 2017)	Current fiscal year (February 1, 2017 to January 31, 2018)
Net Income Attributable to Owners of Parent (¥ millions)	11,118	14,515
Amount Not Attributable to Ordinary Shareholders (¥ millions)	—	—
Net Income Attributable to Owners of Parent Relating to Ordinary Shares (¥ millions)	11,118	14,515
Average Number of Shares During the Term (shares)	119,761,718	119,761,277

(Material Subsequent Events)

Not applicable.