Summary of Consolidated Financial Results for Six Months Ended July 31, 2007

September 4, 2007

Company name: Pigeon Corporation

Stock code: 7956
Listings: First Section, Tokyo Stock Exchange
Website: www.pigeon.co.jp
Representative: Akio Okoshi (President and COO)
Contact: Isao Kosaka (Managing Officer, Corporate Planning Division)
Date of release of Interim Business Report: October 25, 2007
Interim dividends: Paid from October 9, 2007
U.S. accounting standards: Not applicable

(¥ millions, rounded down)

1. Consolidated Interim Financial Results (February 1–July 31, 2007)

(1) Performance (Six months ended July 31) (% figures denote year-on-year change)

	Net sales		Operating income		Ordinary income	
		Change (%)		Change (%)		Change (%)
2007	23,841	7.9	1,515	8.8	1,486	10.1
2006	22,092	4.7	1,393	4.0	1,350	3.1
Year ended January 31, 2007	45,307		2,754		2,745	

	Net income		Net income per share (¥)	Fully diluted net income per share (¥)
		Change (%)		
2007	897	(14.7)	45.09	45.03
2006	1,052	31.8	53.31	—
Year ended January 31, 2007	1,916		96.97	96.91

[Reference] Equity in earnings of affiliates: ¥34 million (July 2007); ¥19 million (July 2006); ¥29 million (Jan. 2007)

(2) Financial Position (at July 31) (¥ millions, rounded down)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
2007	37,689	23,826	62.1	1,176.50
2006	35,374	21,699	60.0	1,076.10
At January 31, 2007	35,648	22,993	63.0	1,128.70

[Reference] Equity: ¥23,420 million (July 2007); ¥21,233 million (July 2006); ¥22,452 million (Jan. 2007)

(3) Cash Flows (Six months ended July 31) (¥ millions, rounded down)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
2006	715	(914)	572	3,156
2005	412	782	(798)	2,315
Year ended January 31, 2006	2,367	(395)	(1,284)	2,680

2. Cash Dividends

	Cash dividends per share (¥)		
	Interim	Year-end	Full year
FY to Jan. 2007	15.00	15.00	30.00
FY to Jan. 2008	13.00	—	26.00
FY to Jan. 2008 (est.)	—	13.00	

3. Forecast for Fiscal Year Ending January 2008 (% figures denote year-on-year change)

	Net sales		Operating income		Ordinary income	
		Change (%)		Change (%)		Change (%)
Full year	48,800	7.7	3,050	10.7	2,950	7.4

	Net income		Net income per share (¥)
		Change (%)	
Full year	1,700	(11.3)	85.39

4. Other

(1) Major changes in scope of consolidation during period under review: None

(2) Changes in accounting treatment during period under review (changes in major items pertaining to preparation of financial statements):

(a) Changes in accounting standards: Applicable

(b) Other changes: None

(3) Shares issues and outstanding at end of period (common stock):

(a) Shares outstanding (including treasury stock): 20,275,581 (July 2007); 20,275,581 (July 2006); 20,275,581 (Jan. 2007)

(b) Treasury stock: 368,907 (July 2007); 543,618 (July 2006); 383,295 (Jan. 2007)

[Reference] Non-Consolidated Financial Results

(¥ millions, rounded down)

1. Non-Consolidated Interim Financial Results (February 1–July 31, 2007)

(1) Performance (Six months ended July 31) (% figures denote year-on-year change)

	Net sales		Operating income		Ordinary income	
		Change (%)		Change (%)		Change (%)
2007	15,263	1.4	232	(11.2)	679	28.5
2006	15,052	(0.6)	262	(42.3)	528	(6.4)
Year ended January 31, 2007	30,701	—	475	—	843	—

	Net income		Net income per share (¥)
		Change (%)	
2007	619	(16.3)	31.14
2006	740	66.6	37.51
Year ended January 31, 2007	918	—	46.46

(2) Financial Position (at July 31) (¥ millions, rounded down)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
2007	28,588	19,097	66.8	959.35
2006	28,142	18,585	66.0	941.88
At January 31, 2007	27,640	18,760	67.9	943.10

[Reference] Equity: ¥19,097 million (July 2007); ¥18,585 million (July 2006); ¥18,760 million (Jan. 2007)

(¥ millions, rounded down)

2. Forecast for Fiscal Year Ending January 2008

(% figures denote year-on-year change)

	Net sales		Operating income		Ordinary income	
		Change (%)		Change (%)		Change (%)
Full year	31,300	2.0	800	68.3	1,200	42.3

	Net income		Net income per share (¥)
		Change (%)	
Full year	900	(2.0)	45.21

Appropriate use of performance forecasts

For information on assumptions and other matters related to the above forecasts, please refer to the "1. Performance and Financial Position" section, starting page 3.

1. Performance and Financial Position

1. Performance

(1) Environment and Results

The domestic baby and child care products category represents the Pigeon Group's main field of involvement. In the interim period under review, we introduced new products designed to convey the feeling of joy to customers, from pregnant women to those raising children. We also sponsored television programs and held maternity-related events aimed at rebuilding Pigeon's brand image as the leading company in domestic baby and child care product field. Overseas, we launched new products and pursued sales strategies geared to building a solid brand image. Specifically, we focused on East Asia, centering on China, as well as North America and Europe. In China, we benefited from 2007 being the "Year of the Golden Boar" as we further expanded our network of sales operations in major cities, including Beijing, Shanghai, and Guangzhou, while steadily broadening our presence in regional cities. In the child-rearing support services category, we sought to raise the quality of our child-minding staff, who will play an important role in our future business development, in order to further enhance our competitive edge over other companies. During the period, we reorganized the Group's healthcare operations, reflecting our priority on building a new foundation for that business.

As a result, consolidated net sales for the interim period amounted to ¥23,841 million, up 7.9% from the previous corresponding period. Operating income rose 8.8%, to ¥1,515 million, and ordinary income was up 10.1%, to ¥1,486 million. Interim net income declined 14.7%, to ¥897 million.

(2) Segment Review

Baby and Child Care
Interim sales in this segment amounted to ¥18,917 million, up 9.9% from the previous corresponding period. Operating income grew 5.5%, to ¥2,690 million. This segment consists of three categories: Domestic Baby and Child Care Products, Overseas Business, and Child-Rearing Support Services.

Domestic Baby and Child Care Products: Business conditions have remained difficult in this category due partly to a downturn in childbirths in calendar 2007. This was despite a slight increase in 2006. In response, we pursued a proactive direct communications program to promote understanding of the quality of our products among all parties, from distributors to customers. To this end, in April 2007 we began sponsoring television programs, receiving high acclaim from viewers. During the interim period, we also held maternity-related events on 32 occasions. As a result, we reported healthy sales of baby wipes, breast pads, and other strong contributors to revenue that had struggled somewhat in the previous fiscal year.

Overseas Business: For the period, we achieved year-on-year sales increases in practically all regions, including China and the United States. Expansion of mainstay products and introduction of new ones helped boost revenue and earnings in most countries. In China, baby bottles, baby bottle nipples, and toiletry products were particularly strong. Taking advantage of inter-company synergies in production and sales, all of our overseas consolidated subsidiaries (PIGEON SINGAPORE PTE. LTD., PIGEON INDUSTRIES (THAILAND)

CO., LTD., THAI PIGEON CO., LTD., and LANSINOH LABORATORIES INC.) reported improved performances.

Child-Rearing Support Services: For the interim period, we achieved our target with respect to opening new child-minding facilities. In one highlight, we were entrusted with the operation of a daycare center within the Central Japan International Airport. Regarding the operation of public daycare centers undergoing privatization, we are targeting stable operation of existing facilities. Our immediate priority is to further raise the quality of child care and maintain a competitive edge over other companies. To this end, we are in the process of establishing the “Pigeon Heartner Open College”, an educational system for child-minders.

Healthcare

Sales in this segment edged down 1.5%, to ¥3,163 million, and operating income fell 29.9%, to ¥124 million. In January 2007, we established the Elderly Health Care Division to take control of marketing and sales covering the Pigeon Group’s entire healthcare business. The new division has since been reinforcing the Group’s business foundation and working to build a framework conducive to future growth. Although we have launched new products and revamped existing ones, we have faced difficulties due to various issues, including integration of products within the Group.

Others

Interim sales from other operations totaled ¥1,760 million, up 5.7% year-on-year. Operating income grew 33.4%, to ¥237 million. Pigeon Will Co., Ltd., a consolidated subsidiary that sells maternity undergarments, expanded its business. We also reported increased sales of Folic Acid Plus, an easy-to-take vitamin supplement containing all the nutrients necessary while pregnant and breastfeeding. In addition, we posted healthy sales growth in China, where we launched a new skincare line for women. Another solid performer was Pigeon Mall, an on-line shopping site for maternity products. Operation of Pigeon Mall has been taken over by Pigeon Home Products Co., Ltd., which became a consolidated subsidiary in April 2007.

Outlook

The current fiscal period, ending January 2008, is the final year of Global 500, our second medium-term management plan for the 21st century. For the remainder of the year, we will continue striving to harness Groupwide synergies and drawing power, establish a foundation conducive to increased revenues and earnings, and raise our corporate value on a global basis.

For the year, we forecast consolidated net sales of ¥48.8 billion (up 7.7% year-on-year), operating income of ¥3.05 billion (up 10.7%), ordinary income of ¥2.95 billion (up 7.4%), and net income of ¥1.7 billion (down 11.3%).

2. Financial Position

(1) Assets

As of July 31, 2007, Pigeon had consolidated total assets of ¥37,689 million, up ¥2,041 million (or 5.7%) from January 31, 2007. Within this amount, total current assets rose ¥1,875 million (10.9%), and total fixed assets edged up ¥166 million (0.9%).

Major factors boosting current assets were a ¥4,076 million (17.8%) increase in cash and time deposits and a ¥1,252 million (13.4%) rise in notes and accounts receivable.

(2) Liabilities
Total liabilities at fiscal year-end stood at ¥13,863 million, up ¥1,208 million (9.6%) over the interim period. Current liabilities increased ¥2,182 million (21.5%), while long-term liabilities fell ¥974 million (39.0%).

Main factors boosting current liabilities were a ¥962 million (81.0%) jump in short-term bank loans and a ¥958 million surge in current portion of long-term debt (from ¥81 million on January 31, 2007).

The main reason for the decline in long-term liabilities was a ¥1,020 million (98.1%) drop in long-term debt.

(3) Net Assets
At July 31, 2007, consolidated net assets amounted to ¥23,826 million, up ¥832 million (3.6%) from a year earlier. This increase resulted mainly from a ¥599 million (4.8%) rise in retained earnings associated with interim net income.

(4) Cash Flows
Cash and cash equivalents at July 31, 2007, stood at ¥3,156 million, up ¥476 million (15.6%) from January 31, 2007 (and up 36.3% from a year earlier).

Factors boosting cash and cash equivalents included ¥1,565 million in income before income taxes (down 21.1% year-on-year), ¥702 million in depreciation (up 2.4%), a ¥530 million increase in notes and accounts payable (up 197.6%), and an ¥889 million net increase in short- and long-term debt (¥564 million net decrease in the previous corresponding period). Contrasting factors included a ¥1,068 million decrease in notes and accounts receivable (down 38.6% year-on-year), ¥618 million in income taxes paid (up 42.9%), and ¥635 million in acquisition of property, plant and equipment (up 34.4%).

Net cash provided by operating activities amounted to ¥715 million, up 73.5% from the previous corresponding period. Factors boosting operating cash flows included ¥1,565 million in income before income taxes (down 21.1% year-on-year) and ¥702 million in depreciation (up 2.4%). Contrasting factors included a ¥1,068 million decrease in notes and accounts receivable (down 38.6% year-on-year) and ¥618 million in income taxes paid (up 42.9%).

Net cash used in investing activities totaled ¥914 million (compared with ¥782 million net cash provided by investing activities in the previous corresponding period). This stemmed mainly from ¥824 million in acquisitions of tangible and intangible fixed assets (up 50.8%).

Net cash provided financing activities was ¥572 million (compared with ¥798 million net cash used in financing activities in the previous corresponding period). This resulted primarily from an ¥889 million net increase in short- and long-term debt (¥564 million net decrease in the previous corresponding period).

(5) Cash Flow Indicators

	Six months to July 2006	Six months to July 2007	Year to Jan. 2007
Equity ratio (%)	60.0	62.1	63.0
Equity ratio based on market price (%)	99.6	101.8	116.1
Debt repayment term (years)	3.4	2.3	1.0
Interest coverage ratio (times)	17.6	32.5	54.1

Notes:
1. Equity ratio: Total shareholders' equity ÷ Total assets
2. Equity ratio based on market price: Market value of total stock ÷ Total assets
3. Debt repayment term: Interest-bearing debt ÷ Operating cash flows
4. Interest coverage ratio: Operating cash flows ÷ Interest paid

- Each index is calculated based on consolidated financial figures.
- 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).
- Operating cash flow figures are taken from the Cash Flows from Operating Activities section of the Consolidated Interim Statements of Cash Flows. Interest-bearing debt refers to all debt that incurs interest (listed in Consolidated Interim Balance Sheets). For interest paid, interest expenses (listed in Consolidated Interim Statements of Cash Flows) are used.

3. Profit Appropriation Policy

The Pigeon Group regards the return of profits to shareholders—made possible by ongoing improvements to Groupwide profitability—as an important management priority. Our policy is to make the most effective use of retained earnings. We actively invest these funds in growth areas, new businesses, and research and development, as well as in reinforcing our operating foundation by upgrading production facilities to lower costs and raise product quality. With respect to appropriating earnings, our policy is to actively return profits to shareholders. We do this by paying stable and ongoing cash dividends, with the emphasis on raising dividend levels where possible, while properly considering payout ratio and other factors according to our business performance. Based on this policy, we are targeting a consolidated dividend payout ratio of 30% and a dividends-on-equity ratio of 2%. For the interim period under review, we plan to pay a cash dividend of ¥13.00 per share, up ¥1.00 from the previous corresponding period.

4. Business Risks

The operating results of the Pigeon Group may be potentially and significantly affected by various factors that could occur in the future. The Group has identified the major risks that could affect its business development. Details are given below. Information contained within related to the future is based on the Group’s judgment as of the end of the interim period under review.

(1) Declining Birthrate
We predict that overall (quantitative) demand in the domestic market for baby and child care products, the Group’s main business, will be influenced by the falling birthrate, and sales in this segment may decline as a result.

(2) Overseas Business Risk
At present, the Group makes products in Thailand, China, and Indonesia, and also has business activities elsewhere in Asia, as well as in the Middle East, North America, and Europe. Risks associated with our overseas business are described below. We will hedge against such risks to the extent possible, but various unforeseen factors could potentially affect our business performance.
- Legal revisions or tightening regulations that have a negative impact on the Group
- Socioeconomic upheaval caused by terrorist acts, war, or the outbreak of infectious diseases, such as SARS and avian influenza
- Earthquakes and other natural disasters
- Unforeseen foreign exchange fluctuations

(3) Climactic and Natural Disasters
The markets for baby and child care products and healthcare products, the Group's mainstay businesses, are relatively impervious to weather-related factors. However, the sudden occurrence of natural and other disasters or unprecedented accidents could cause losses in the form of damage to manufacturing and distribution facilities, forfeiture of assets, or suspension in supply of products. The Group's business results could be affected as a result.

(4) Changes in Raw Materials Prices
Major raw materials used by the Group include some that are affected by the market prices of crude oil and pulp. If the prices of such materials rise, our manufacturing costs will also increase. Depending on circumstances, the Group may be unable to pass such increases onto its sales prices, thus potentially affecting its business results.

(5) Problems with Manufacturing Subcontractors
The Group subcontracts part of the production of baby and child care products and healthcare products to outside manufacturers. While all due care is taken to ensure top quality, there is a risk that quality could be compromised by an unforeseen event, and the Group's business performance could be affected as a result.

(6) Changes in Laws and Regulations
In the course of developing its domestic business, the Group is subject to a variety of legal regulations, including the Pharmaceutical Affairs Law, Food Sanitation Law, and Product Liability Law. If such laws and regulations are revised, or unexpected ones introduced, the Group's business performance could be affected as a result.

(7) Risks Related to the Child-Rearing Support Business
To assist families in which both parents are working, the Group offers a number of services, including operation of child-minding and daycare centers and provision of babysitter dispatch services. It also has its own Kids World chain of child-minding centers. Through these activities, the Group is entrusted with the care of numerous babies and toddlers. The Group takes every precaution to ensure maximum safety, but acknowledges the possibility that an accident could cause injury to a baby or toddler. To date, there have been no accidents or compensation claims that could affect the Group's business operations. However, there is no guarantee that such events will not occur in the future. If such an event does occur, the Group's business performance may be affected as a result.

(8) Litigation
As a manufacturer of products for consumers, the Group understands the extreme importance of product quality and safety, as well as the quality of materials used in its products. Any claims against the reliability or safety of our products could cause a sudden decline in sales, which could potentially affect the Group's business performance. Since our establishment, we have not been the target of large-sum compensation claims or lawsuits. In our business, however, there is a constant inherent risk of being sued, either in Japan or overseas. Therefore, the Group's business results could potentially be affected if it is subject to a compensation claim, the extent of impact being determined by the outcome of such legal action.

(9) Information System Risk
The Group has in its possession personal information about numerous customers, acquired via sales promotion campaigns, the annual "Newborn Baby Commemorative Tree-Planting Campaign," and other events. To prevent loss, mistaken use, and falsification of such

important information, the Group undertakes security measures for managing its systems and information. However, unforeseen events could cause our information systems to break down, stop, or undergo temporary disruption, resulting in potential loss, leakage, or falsification of personal and other internal information. Such events, which include power outages, major disasters, software and hardware defects, computer viruses, and illegal access, could have a negative impact on the Group's operating activities and potentially affect its performance and financial position.

(10) Risk of Personal Information Leakage
In the course of providing products and services to consumers, the Group handles a large volume of personal information. For some time, we have sought to ensure that all employees understand the importance of protecting personal information, provide mandatory in-house education forums, and reinforce our systems for managing customer information. Due to unforeseen circumstances, however, there is a risk that personal information could be leaked to a third party, which could potentially affect the Group's business performance.

2. Corporate Group

As of the end of the period under review, the composition and business activities of the Pigeon Group had not changed significantly since the release of its most recent annual financial report (April 27, 2007). Therefore, such information has been omitted from this report.

3. Management Policies

The Group's (1) Basic Management Policies, (2) Performance Targets, and (3) Medium-Term Strategies have not changed significantly since the release of the "Summary of Consolidated Financial Results for Year to January 2007" (March 12, 2007), and thus have been omitted from this report.

The "Summary of Consolidated Financial Results for Year to January 2007" can be downloaded in English at the following site:
http://www.pigeon.co.jp/english/data/2007_01_e.pdf

For further information, please also refer to the Tokyo Stock Exchange website:
http://www.tse.or.jp/english/index.html

4. Issues to Address

According to population statistics released by the Ministry of Health, Labour and Welfare in August 2007, the Japanese population has declined in calendar 2007 after increasing in 2006. The number of childbirths is expected to follow a continuous downward trend from now on. By contrast, the populations of China and North America, where Pigeon's business is expanding significantly, will continue to increase. Facing these conditions, the Pigeon Group will strive to achieve targets outlined in Global 500, its second medium-term management plan for the 21st century, and thus meet the expectations of all shareholders.

Consolidated Interim Balance Sheets

(Figures rounded down to nearest thousand yen)

	At July 31, 2006		At July 31, 2007		At January 31, 2007	
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen	% of total
ASSETS		%		%		%
Ⅰ Current Assets						
Cash and time deposits	2,315,222		3,156,320		2,680,117	
Notes and accounts receivable	9,406,459		10,606,682		9,353,907	
Inventories	4,407,128		4,359,001		4,154,981	
Deferred tax assets	612,179		542,646		571,773	
Other receivables	320,887		218,496		314,502	
Other current assets	193,864		231,880		162,404	
Allowance for doubtful accounts	(21,845)		(32,273)		(29,983)	
Total Current Assets	17,233,894	48.7	19,082,755	50.6	17,207,703	48.3
Ⅱ Fixed Assets						
1. Tangible Fixed Assets						
Buildings and structures	4,243,530		4,497,660		4,481,277	
Machinery and transportation equipment	2,116,611		2,149,892		2,001,623	
Tools, furniture and fixtures	722,583		712,027		713,821	
Land	5,908,912		6,017,983		5,924,430	
Construction in progress	145,625		317,826		219,258	
Total Tangible Fixed Assets	13,137,264		13,695,388		13,340,411	
2. Intangible Fixed Assets						
Consolidation adjustment acounts	1,823,091		—		1,675,201	
Goodwill	—		1,485,365		—	
Software	890,225		804,325		873,156	
Other intangible fixed assets	48,299		97,734		32,404	
Total Intangible Fixed Assets	2,761,616		2,387,425		2,580,762	
3.Investments and Other Assets						
Investment securities	1,233,198		1,538,549		1,513,622	
Insurance reserve	472,907		486,179		483,489	
Deferred tax assets	219,190		199,109		218,104	
Other	330,168		317,594		321,560	
Allowance for doubtful accounts	(13,315)		(17,677)		(17,628)	
Total Investments and Other Assets	2,242,149		2,523,755		2,519,148	
Total Fixed Assets	18,141,030	51.3	18,606,569	49.4	18,440,323	51.7
Total Assets	35,374,924	100.0	37,689,325	100.0	35,648,026	100.0

Consolidated Interim Balance Sheets

(Figures rounded down to nearest thousand yen)

	At July 31, 2006		At July 31, 2007		At January 31, 2007	
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen	% of total
LIABILITIES		%		%		%
Ⅰ Current Liabilities						
Notes and accounts payable	4,813,420		5,134,505		4,510,935	
Short-term borrowings	1,571,408		2,151,450		1,188,748	
Current portion of long-term debt	146,264		1,040,000		81,770	
Accrued amount payable	2,284,834		2,052,569		2,271,845	
Income taxes payable	540,684		412,007		500,458	
Accrued bonuses to employees	520,447		507,140		511,523	
Returned goods adjustment reserve	28,700		37,480		21,000	
Other current liabilities	1,177,726		1,002,218		1,068,456	
Total Current Liabilities	11,083,486	31.4	12,337,372	32.7	10,154,737	28.5
Ⅱ Long-Term Liabilities						
Long-term borrowings	1,060,000		20,000		1,040,000	
Deferred tax liabilities	815,546		864,544		812,829	
Employees' retirement benefits	186,229		201,243		188,593	
Retirement benefits for directors and corporate auditors	317,904		307,126		331,812	
Other long-term liabilities	212,461		132,625		126,431	
Total Long-Term Liabilities	2,592,141	7.3	1,525,539	4.1	2,499,666	7.0
Total Liabilities	13,675,627	38.7	13,862,911	36.8	12,654,403	35.5
SHAREHOLDERS' EQUITY						
Ⅰ Shareholder's equity						
1 Capital stock	5,199,597	14.7	5,199,597	13.8	5,199,597	14.6
2 Additional paid-in capital	5,146,690	14.5	5,167,246	13.7	5,165,498	14.5
3 Consolidated retained earnings	11,907,175	33.7	13,074,831	34.7	12,475,585	35.0
4 Treasury stock, at cost	(920,796)	△2.6	(625,214)	△1.7	(649,429)	△1.8
Total Shareholders' Equity	21,332,665	60.3	22,816,460	60.5	22,191,250	62.3
Ⅱ Deffered valuation and exchange						
1 Net unrealized gains (losses) on securities	31,884	0.1	24,714	0.1	34,910	0.1
2 Foreign currency translation adjustment	(130,912)	△0.4	579,158	1.5	226,381	0.6
Total Deffered valuation and exchange	(99,027)	△0.3	603,872	1.6	261,291	0.7
Ⅲ Minority Interests	465,658	1.3	406,080	1.1	541,080	1.5
Total Net Assets	21,699,297	61.3	23,826,413	63.2	22,993,623	64.5
Total Liablities and Net Assets	35,374,924	100.0	37,689,325	100.0	35,648,026	100.0

Consolidated Interim Statements of Income

(Figures rounded down to nearest thousand yen)

	Six months ended July 31, 2006		Six months ended July 31, 2007		Year ended January 31, 2007	
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen	% of total
		%		%		%
Ⅰ Net Sales	22,092,449	100.0	23,841,570	100.0	45,307,931	100.0
Ⅱ Cost of Sales	13,726,978	62.1	14,732,812	61.8	28,185,960	62.2
Gross profit	8,365,470	37.9	9,108,758	38.2	17,121,971	37.8
Reversal of reserve for returned products	26,900		21,000		26,900	
Transfer to reserve for returned products	28,700		37,480		21,000	
Adjusted gross profit	8,363,670		9,092,278		17,127,871	
Ⅲ Selling, General and Administrative Expenses	6,970,471	31.6	7,576,917	31.7	14,373,647	31.7
Operating Income	1,393,198	6.3	1,515,360	6.4	2,754,223	6.1
Ⅳ Other Income	145,699	0.7	156,707	0.6	351,665	0.8
Interest	8,823		19,794		25,520	
Dividend income	814		3,247		15,741	
Rental income	56,064		55,468		108,072	
Equity in earnings of nonconsolidated subsidiaries and affiliates	19,051		34,734		29,579	
Other	60,945		43,462		172,752	
Ⅴ Other Expenses	187,996	0.9	185,259	0.8	360,265	0.8
Interest expense	23,008		19,439		45,606	
Sales discounts	88,580		86,598		176,404	
Currency exchange loss	31,598		28,333		51,493	
Rental income-related costs	35,047		44,232		68,032	
Other	9,761		6,655		18,728	
Ordinary Income	1,350,901	6.1	1,486,807	6.2	2,745,623	6.1
Ⅵ Extraordinary Income	1,272,833	5.8	87,621	0.4	1,274,085	2.8
Gain on sales of property	1,251,506		755		1,252,745	
Gain on sale of investment securities	20,000		—		20,000	
Reversal of allowance for doubtful accounts	1,326		127		1,340	
Benefit income from fixed assets	—		86,737		—	
Ⅶ Extraordinary Loss	638,867	2.9	8,460	0.0	713,788	1.6
Loss on disposal of property	205,222		610		213,028	
Loss on sale/disposal of property	86,925		7,850		105,642	
Impairment loss	120,182		—		140,947	
Expenses for headquarter relocation	207,440		—		207,440	
Other	19,096		—		46,729	
Income before Income Taxes	1,984,867	9.0	1,565,968	6.6	3,305,921	7.3
Income Taxes	582,857	2.6	523,438	2.2	973,744	2.1
Adjustment for Corporate Tax	307,445	1.4	111,682	0.5	347,627	0.8
Less: Minority Interest in Net Income of Consolidated Subsidiaries	42,561	0.2	33,216	0.1	68,156	0.2
Net Income	1,052,003	4.8	897,630	3.8	1,916,392	4.2

Consolidated Statement of Shareholders' Equity

Previous Interim Period (February 1-July 31, 2006) (Figures rounded down to nearest thousand yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at Jan. 31, 2006	5,199,597	5,146,690	11,052,496	(920,087)	20,478,696
Changes during period					
Distribution of earnings			(197,323)		(197,323)
Net income			1,052,003		1,052,003
Acquisition of treasury stock				(709)	(709)
Changes not related to shareholders’ equity (net)					
Total changes during period	－	－	854,679	(709)	853,969
Balance at Jul. 31, 2006	5,199,597	5,146,690	11,907,175	(920,796)	21,332,665

(Figures rounded down to nearest thousand yen)

	Valuation and exchange differences etc.			Minority Intersets	Total net assets
	Profit/loss on deferred valuation of other securities	Profit/loss on deferred exchange	Total Valuation and exchange difference		
Balance at Jan. 31, 2006	38,218	(204,080)	(165,862)	443,656	20,756,489
Changes during period					
Distribution of earnings					(197,323)
Net income					1,052,003
Acquisition of treasury stock					(709)
Changes not related to shareholders’ equity (net)	(6,333)	73,168	66,835	22,002	88,837
Total changes during period	(6,333)	73,168	66,835	22,002	942,807
Balance at Jul. 31, 2006	31,884	(130,912)	(99,027)	465,658	21,699,297

Consolidated Statement of Shareholders' Equity

Interim Period in Review (February 1–July 31, 2007) (Figures rounded down to nearest thousand yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at Jan. 31, 2006	5,199,597	5,165,498	12,475,585	(649,429)	22,191,250
Changes during period					
Distribution of earnings			(298,384)	—	(298,384)
Net income			897,630	—	897,630
Disposal of treasury stocks		1,748		25,416	27,165
Acquisition of treasury stocks				(1,201)	(1,201)
Changes not related to shareholders' equity (net)				—	—
Total changes during period	—	1, 748	599,245	24,215	625,209
Balance at Jul. 31, 2007	5,199,597	5,167,246	13,074,831	(625,214)	22,816,460

(Figures rounded down to nearest thousand yen)

	Valuation and exchange differences etc.			Minority Intersets	Total net assets
	Profit/loss on deferred valuation of other securities	Profit/loss on deferred exchange	Total Valuation and exchange difference		
Balance at Jan. 31, 2006	34,910	226,381	261,291	541,080	22,993,623
Changes during period					
Distribution of earnings					(298,384)
Net income					897,630
Disposal of treasury stocks					27,165
Acquisition of treasury stocks					(1,201)
Changes not related to shareholders' equity (net)	(10,195)	352,776	342,581	(135,000)	207,580
Total changes during period	(10,195)	352,776	342,581	(135,000)	832,790
Balance at Jul. 31, 2007	24,714	579,158	603,872	406,080	23,826,413

Consolidated Statement of Shareholders' Equity

Previous Fiscal Year (February 1, 2006–January 31, 2007) (Figures rounded down to nearest thousand yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at Jan. 31, 2006	5,199,597	5,146,690	11,052,496	(920,087)	20,478,696
Changes during period					
Distribution of earnings			(493,303)		(493,303)
Net income			1,916,392		1,916,392
Disposal of treasury stocks		18,807		272,763	291,571
Acquisition of treasury stocks				(2,105)	(2,105)
Changes not related to shareholders' equity (net)					
Total changes during period	—	18,807	1,423,089	270,657	1,712,554
Balance at Jan. 31, 2007	5,199,597	5,165,498	12,475,585	(649,429)	22,191,250

(Figures rounded down to nearest thousand yen)

	Valuation and exchange differences etc.			Minority Intersets	Total net assets
	Profit/loss on deferred valuation of other securities	Profit/loss on deferred exchange	Total Valuation and exchange difference		
Balance at Jan. 31, 2006	38,218	(204,080)	(165,862)	443,656	20,756,489
Changes during period					
Distribution of earnings					(493,303)
Net income					1,916,392
Disposal of treasury stocks					291,571
Acquisition of treasury stocks					(2,105)
Changes not related to shareholders' equity (net)	(3,308)	430,462	427,154	97,424	524,578
Total changes during period	(3,308)	430,462	427,154	97,424	2,237,133
Balance at Jan. 31, 2007	34,910	226,381	261,291	541,080	22,993,623

Consolidated Interim Statements of Cash Flows

(Figures rounded down to nearest thousand yen)

	Six months ended July 31, 2006	Six months ended July 31, 2007	Year ended January 31, 2007
	Thousands of yen	Thousands of yen	Thousands of yen
Ⅰ. Cash Flows from Operating Activities			
Income before income taxes	1,984,867	1,565,968	3,305,921
Depreciation	686,247	702,482	1,439,031
Impairment loss	120,182	－	140,947
Amortization of difference between investment costs and equity in net assets acquired	188,367	－	376,734
Amortization of goodwill	－	191,416	－
Increase/decrease in allowance for doubtful accounts	6,255	1,353	17,935
Change in accrued bonuses to employees	35,513	(5,312)	26,458
Change in employees' retirement benefits	16,115	12,649	18,480
Increase/decrease in reserve for retirement benefits to directors and corporate auditors	(20,751)	(24,685)	(6,843)
Interest and dividend income	(9,637)	(23,041)	(41,261)
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(19,051)	(34,734)	(29,579)
Interest expense	23,008	19,439	45,606
Gain on fixed assets disposal	(1,251,506)	－	(1,252,745)
Gain on sales of investment securities	(20,000)	－	(20,000)
Loss on fixed assets disposal	205,222	－	213,028
Loss on fixed assets sales	86,925	7,850	105,642
Decrease (increase) in trade receivables	(1,739,965)	(1,068,941)	(1,531,070)
Decrease (increase) in inventories	34,734	(105,563)	375,149
(Decrease) increase in trade payables	178,166	530,225	(203,713)
(Decrease) increase in account payables	336,051	(79,793)	326,676
Decrease (increase) in consumption tax payable	64,316	(79,035)	93,432
Increase in employees’accrued retirement benefits	(99,985)	(88,399)	(195,011)
Other	54,981	(178,071)	42,324
Subtotal	860,058	1,343,807	3,247,143
Interest and dividends received	8,494	12,242	37,810
Interest paid	(23,389)	(22,014)	(43,726)
Income taxes paid	(432,580)	(618,144)	(874,025)
Net Cash Provided by (Used in) Operating Activities	412,583	715,890	2,367,201
Ⅱ. Cash Flows from investing Activies			
Acquisition of property, plant and equipment	(472,661)	(635,078)	(1,369,168)
Proceeds from sales of property, plant and equipment	1,365,006	40,334	1,388,298
Acquisition of intangible assets	(74,103)	(189,263)	(176,168)
Acquisition of investments in securities	(8,000)	－	(265,469)
Proceeds from sales of investments in securities	25,000	－	25,000
Payment to life insurance fund for directors	(23,814)	(19,572)	(51,494)
Proceeds due to maturity/cancellation of insurance reserve	41,437	50,532	67,968
Acquisition of shares in subsidiaries	－	(175,201)	(30,093)
Loans advanced	(1,253)	(1,208)	(2,046)
Collection of loan receivables	679	1,066	1,750
Proceeds from recovery of lease deposits	29,292	10,681	130,728
Other	(98,657)	2,987	(115,247)
Net Cash Provided by (Used in) Investing Activities	782,925	(914,721)	(395,941)
Ⅲ. Cash Flows from Financing Activities			
Net increase in short-term bank loans	5,594,910	5,312,693	8,302,165
Repayment of short-term debt	(5,892,319)	(4,360,942)	(8,993,005)
Proceeds from long-term debt	1,000,000	－	1,000,000
Repayment of long-term debt	(1,266,948)	(61,770)	(1,351,442)
Payment of cash dividends	(197,021)	(298,371)	(492,953)
Payment of cash dividends to minority shareholders	(36,059)	(45,371)	(38,369)
Proceeds from sale of treasury stock	－	27,165	291,571
Acqisition of treasury stock	(709)	(1,201)	(2,105)
Net Cash Provided by (Used in) Financing Activities	(798,147)	572,201	(1,284,139)
Ⅳ. Translation Gain (Loss) Related to Cash and Cash Equivalents	14,499	102,832	89,634
Ⅴ. Net Change in Cash and Cash Equivalents	411,860	476,203	776,755
Ⅵ. Cash and Cash Equivalents at Beginning of Term	1,903,361	2,680,117	1,903,361
Ⅶ. Cash and Cash Equivalents at End of Term	2,315,222	3,156,320	2,680,117