Summary of Consolidated Financial Results for Year to January 31, 2008

March 6, 2008

Company name: Pigeon Corporation
Listings: First Section, Tokyo Stock Exchange (Stock code: 7956)
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Website: www.pigeon.co.jp
Representative: Akio Okoshi (President and COO)
Contact: Isao Kosaka (Managing Officer, Corporate Planning Division)
Annual General Meeting of Shareholders: April 28, 2008
Date of release of Business Report: April 30, 2008
Year-end dividends: Paid from April 30, 2008

(¥ millions, rounded down)

1. Consolidated Financial Results (February 1, 2007–January 31, 2008)

(1) Performance

(% figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
		Change(%)		Change(%)		Change(%)		Change (%)
Year to Jan. 31, 2008	49,237	8.7	3,192	15.9	3,177	15.7	1,471	(23.2)
Year to Jan. 31, 2007	45,307	8.5	2,754	24.3	2,745	24.8	1.916	42.7

	Net income per share (¥)	Fully diluted net income per share (¥)	Return on equity (%)	Total assets/Ordinary income (%)	Operating margin (%)
Year to Jan. 31, 2008	73.90	73.82	6.4	8.7	6.5
Year to Jan. 31, 2007	96.97	96.91	9.0	7.9	6.1

[Reference] Equity in earnings of affiliates: ¥77 million (Jan. 2008); ¥29 million (Jan. 2007)

(2) Financial Position

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
At Jan. 31, 2008	37,441	23,831	62.4	1,173.88
At Jan. 31, 2007	35,648	22,993	63.0	1,128.70

[Reference] Equity: ¥23,369 million (Jan. 2008); ¥22,452 million (Jan. 2007)

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at term-end
Year to Jan. 31, 2008	3,707	(2,443)	(172)	3,775
Year to Jan. 31, 2007	2,367	(395)	(1,284)	2,680

2. Cash Dividends

	Cash dividends per share (¥)			Total dividends paid (full year)(¥mil)	Payout ratio (cons.) (%)	Dividends on net assets (%)
	Interim	Year-end	Full year			
Year to Jan. 2007	15.00	15.00	30.00	594	30.9	2.8
Year to Jan. 2008	13.00	15.00	28.00	557	37.9	2.4
Year to Jan. 2008 (est.)	18.00	18.00	36.00	-	35.8	-

3. Forecast for Fiscal Year Ending January 2009

(% figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (¥)
Interim	25,900	8.6	1,500	(1.0)	1,430	(3.8)	780	(13.1)	39.18
Full year	52,900	7.4	3,470	8.7	3,400	7.0	2,000	35.9	100.46

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 (Jan. 2008); 20,275,581 (Jan. 2007)

(b) Treasury stock: 368,194 (Jan. 2008); 383,295 (Jan. 2007)

[Reference] Non-Consolidated Financial Results

1. Non-Consolidated Interim Financial Results (February 1, 2007–January 31, 2008)

(1) Performance

(% figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
Year to Jan. 31, 2008	30,785	0.3	395	(16.8)	1,051	24.7	297	(67.6)
Year to Jan. 31, 2007	30,701	4.6	475	34.4	843	64.6	918	88.5

	Net income per share (¥)	Fully diluted net income per share (¥)
Year to Jan. 31, 2008	14.93	14.92
Year to Jan. 31, 2007	46.46	46.43

(2) Financial Position

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
At Jan. 31, 2008	27,258	18,487	67.8	928.66
At Jan. 31, 2007	27,640	18,760	67.9	943.10

[Reference] Equity: ¥18,487 million (Jan. 2008); ¥18,760 million (Jan. 2007)

3. Forecast for Fiscal Year Ending January 2009

(% figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (¥)
Interim	15,690	2.8	250	7.3	850	25.1	600	(3.2)	30.13
Full year	31,800	3.3	500	26.4	1,200	14.1	800	169.0	40.18

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 4.

1. Performance and Financial Position

1. Performance

(1) Environment and Results

In the fiscal year under review, the Japanese economy continued on a path of recovery, boosted by improved corporate performances and associated increases in capital expenditures. The latter half of the period saw rises in commodity prices due to soaring costs of crude oil and other raw materials. The resulting effects have extended to various industries, with cost increases reflected in the prices of finished products. Meanwhile, the outlook for the operating environment is uncertain, due in part to the impact of the subprime loan crisis on the U.S. economy.

The domestic baby and child care products category represents the Pigeon Group's main field of involvement. According to estimates announced by Japan's Ministry of Health, Labour and Welfare, both childbirths and marriages have been declining year-on-year, and this trend is expected to continue. In addition, we expect conditions for our business to remain difficult, due largely to ongoing increases in global oil prices.

Facing these challenges, the Pigeon Group focused on promoting direct communication as a means to further entrench its image as a leading brand in the baby and child care products category. To this end, we sponsored television programs and held maternity-related events. Overseas, we introduced new products and pursued a marketing strategy focused on brand-building, mainly in the China and elsewhere in East Asia, as well as in North America and Europe. In our newly reorganized healthcare segment, meanwhile, we launched a new brand of nursing care prevention products, and are currently reinforcing our foundation for future business advancement.

As a result, consolidated net sales for the fiscal year amounted to ¥49,237 million, up 8.7% from the previous year. Operating income rose 15.9%, to ¥3,192 million, and ordinary income was up 15.7%, to ¥3,177 million. Net income declined 23.2%, to ¥1,471 million.

(2) Segment Review

Baby and Child Care

Sales in this segment amounted to ¥39,322 million, up 10.8% year-on-year. Operating income grew 12.4%, to ¥5,578 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: Conditions have remained difficult in this business as a recovery in childbirths has failed to materialize. Under these circumstances, the Group focused on solidifying its business foundation in the year under review, and strove to rebuild its brand strategy as a leading company in the baby and child care products category. In April 2007, we began sponsoring television programs, receiving high acclaim from viewers. We also stepped up our campaign of direct communications with customers. To this end, we hosted maternity-related events around the nation and comprehensively revamped the "Pigeon Info" portal site, which provides word-of-mouth information to women who are pregnant or raising children. On the product side, we introduced new items, such as baby bottle nipples that feel like the real thing and a series of baby skincare products, while renewing existing ones.

Overseas Business: For the year, we achieved year-on-year sales increases in practically all regions, including China and the United States. In China, expansion of mainstay products, such as baby bottles, baby bottle nipples, and toiletry products, together with the introduction of new ones provided a solid revenue boost. During the year, we made good progress in expanding our presence in regional Chinese cities. In addition, we completed construction of production facilities for skincare products, toiletries, baby bottle nipples, and other items, with the aim of creating a stable product supply system for the Chinese market. In the United States, meanwhile, we posted steady sales growth on the back of a continually growing market for breastfeeding-related products. Targeting further expansion of our overseas business, we have positioned entry into new markets as a core priority, and our viability studies in the Indian market have proceeded according to plan.

Child-Rearing Support Services: During the year, we continued pursuing proactive sales initiatives, including in-company child-minding operations. We also sought to make qualitative improvements to our child-minding capabilities. Central to these efforts is Pigeon Partner Open College, an educational system for child-minders designed to help us maintain our competitive edge over other companies.

Healthcare
Sales in this segment edged down 1.6%, to ¥6,226 million, and operating income fell 55.2%, to ¥153 million. Citing healthcare as a growth sector for the Pigeon Group, we set up an operating division to take control of our 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. During the year, we unveiled new products, including the Recoup brand of products in the nursing care prevention category, and we held various events aimed at broadening recognition of the Pigeon brand. We also launched new items and revamped existing ones under the Habinurse brand of nursing care offerings, but faced difficult business conditions.

The Group made a partial write-down of goodwill in Pigeon Tahira Co., Ltd., a consolidated subsidiary. (Such goodwill was acquired when the Group originally purchased shares in Pigeon Tahira.) The decision was made because the Group no longer expects such goodwill to generate the earnings it initially anticipated. The write-down was reported as an extraordinary loss.

Others
Sales from other operations totaled ¥3,688 million, up 5.9% year-on-year. Operating income grew 24.2%, to ¥498 million. Pigeon Will Co., Ltd., a consolidated subsidiary that sells maternity undergarments, expanded its business. We also broadened our range of nutritional supplements for women who are pregnant, ready to give birth, and raising children. In addition, we posted healthy sales growth in China, where we have launched products for women.

Outlook
The current fiscal period, ending January 2009, is the first year of our third medium-term management plan for the 21st century. Following the basic policies of the plan, we will strive to expand our operations, placing key priority on the following areas of our main businesses.

Baby and Child Care

Domestic Baby and Child Care Products: Through the integration of this business into a single division, we plan to strengthen our strategy formulation and implementation capabilities and increase our responsiveness to changing markets, where competition to survive will further intensify. At the same time, we will deploy basic research to raise the appeal of our products while reviving and improving market competitiveness and brand loyalty by maintaining and entrenching direct communications. In addition, we will seek to enhance profitability by reassessing our distribution policies and sales channel strategies.

Overseas Business: We will prioritize allocation of managerial resources into our overseas business, which we regard as a key growth driver for the Pigeon Group. Adopting appropriate marketing strategies, we will work to strengthen and broaden brand loyalty in overseas markets while actively expanding our presence in existing markets, such as China and North America. Meanwhile, we will build a business operational infrastructure conducive to sustained growth and step up initiatives to permit full-scale entry into new markets.

Child-Rearing Support Services: Here, we will upgrade our new personnel development system, which we introduced in the previous fiscal year, while broadening the scope of our services, with the aim of improving the quality of both personnel and services. At the same time, we will build an effective business operational infrastructure, steadily boost efficiency, and focus on highly profitable services to underpin growth. In the process, we will solidify our foundation for business expansion and improved profitability.

Healthcare
In this segment, we will strengthen our Group-wide business operational infrastructure and pursue consistent marketing strategies. Our plan is to consolidate nursing care-related products under the Habinurse brand, streamline our product lineup, and steadily establish effective distribution channels in order to enhance the productivity and profitability of existing businesses. Meanwhile, we will actively allocate managerial resources to nurture the new Recoup brand of nursing care prevention products, launched in 2007.

For the year ending January 31, 2009, we forecast consolidated net sales of ¥52.9 billion (up 7.4% year-on-year), operating income of ¥3.47 billion (up 8.7%), ordinary income of ¥3.4 billion (up 7.0%), and net income of ¥2.0 billion (up 35.9%).

2. Financial Position

(1) Assets

As of January 31, 2008, Pigeon had consolidated total assets of ¥37,441 million, up ¥1,793 million (or 5.0%) from a year earlier. Within this amount, total current assets rose ¥2,187 million (12.7%), while total fixed assets declined ¥394 million (2.1%).

Major factors boosting current assets were a ¥1,670 million (62.3%) increase in cash and time deposits, a ¥347 million (3.7%) rise in notes and accounts receivable, and a ¥278 million (6.7%) increase in inventories.

Main reasons for the decline in fixed assets were a ¥767 million (45.8%) fall in goodwill and a ¥205 million (42.5%) drop in insurance reserve fund, which contrasted with a ¥386 million (19.3%) increase in machinery and transportation equipment and a ¥388 million (177.0%) jump in construction in progress.

(2) Liabilities

Total liabilities at fiscal year-end stood at ¥13,610 million, up ¥955 million (7.6%) over the interim period. Current liabilities increased ¥1,911 million (18.8%), while long-term liabilities fell ¥955 million (38.2%).

Main factors boosting current liabilities were a ¥958 million surge in current portion of long-term debt (from ¥81 million on January 31, 2007), a ¥705 million (15.6%) increase in notes and accounts payable, and a ¥492 million (41.4%) jump in short-term bank loans.

The main reason for the decline in long-term liabilities was that fact that all of the Group's long-term borrowings, totaling ¥1,040 million, fell due within one year and thus became current portion of long-term debt.

(3) Net Assets

At January 31, 2008, consolidated net assets amounted to ¥23,831 million, up ¥837 million (3.6%) from a year earlier. This increase resulted mainly from a ¥913 million (7.2%) rise in retained earnings.

(4) Cash Flows

Cash and cash equivalents at January 31, 2008, stood at ¥3,775 million, up ¥1,095 million (40.9%) from January 31, 2007 (which in turn was 41.0% higher than January 31, 2006).

Factors boosting cash and cash equivalents included ¥2,800 million in income before income taxes (down 15.3% year-on-year), ¥1,547 million in depreciation (up 7.5%), and a ¥669 million increase in notes and accounts payable (¥203 million decrease in the previous fiscal year). Contrasting factors included ¥1,140 million in income taxes paid (up 42.9%), ¥550 million in transfers to time deposits, and ¥1,717 million in acquisition of property, plant and equipment (up 25.4%).

Net cash provided by operating activities amounted to ¥3,707 million, up 56.6% from the previous year. Factors boosting operating cash flows included ¥2,800 million in income before income taxes, ¥1,547 million in depreciation (up 7.5%), and a ¥669 million increase in trade payables (¥203 million decrease in the previous year). Contrasting factors included ¥1,140 million in income taxes paid (up 30.5%).

Net cash used in investing activities totaled ¥2,443 million (up 517.1%). Main factors included ¥550 million in transfers to time deposits and ¥1,717 million in acquisition of property, plant and equipment (up 25.4%), which contrasted with ¥270 million in proceeds from the maturity/cancellation of an insurance reserve fund.

Net cash used in financing activities was ¥172 million (down 86.6% from the previous year). This resulted primarily from ¥556 million in payment of cash dividends, which outweighed a ¥404 million net increase in short- and long-term debt (¥1,042 million net decrease in the previous year).

(5) Cash Flow Indicators

	Year to Jan. 2006	Year to Jan. 2007	Year to Jan. 2007
Equity ratio (%)	59.9	63.0	62.4
Equity ratio based on market price (%)	97.9	116.1	90.7
Debt repayment term (years)	1.9	1.0	0.7
Interest coverage ratio (times)	35.5	54.1	91.4

Notes:
- Equity ratio: Total shareholders' equity ÷ Total assets

- Equity ratio based on market price: Market value of total stock ÷ Total assets
- Debt repayment term: Interest-bearing debt ÷ Operating cash flows
- Interest coverage ratio: Operating cash flows ÷ Interest paid

1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated by multiplying the stock price (closing price at the end of the term) by the number of shares outstanding at the end of the term (after deduction of treasury stock).
3. Operating cash flow figures are taken from the Cash Flows from Operating Activities section of the Consolidated Statements of Cash Flows.
4. Interest-bearing debt refers to all debt that incurs interest (listed in Consolidated Balance Sheets).
5. For interest paid, interest expenses (listed in Consolidated Statements of Cash Flows) are used.

3. 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 50% by the year ending January 2011, the final year of our new medium-term management plan.

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 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) Responsibilities As Manufacturer
As a manufacturer of products for consumers, the Group recognizes the extreme importance of being regarded as a supplier of high-quality, safe products made of reliable materials. From initial design to mass production, the Group places top priority on assuring product quality and safety. However, there is a risk that a defect may be found in a product, or that a product may cause an accident. In such an event, the Group may suffer losses from product recalls or sales declines due to lost customers, and its business performance may be affected as a result.

(9) Litigation
Since its establishment, the Group has 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.

(10) 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.

(11) 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.

3. Management Policies

1. Basic Policies
Based on its corporate commitment, "providing the gift of love to all," the Pigeon Group is dedicated to helping those in need—while pregnant, giving birth, and rearing children, as well as in old age. Our

policy is to develop our business by delivering products and services that address the needs of these people. Fulfilling our role as a "lifestyle support company focusing on child rearing," we are leveraging the Pigeon brand and the quality of our management to build a high corporate profile that is recognized worldwide. This is our medium-term corporate vision.

2. Performance Targets

The Pigeon Group has formulated its third medium-term management plan for the 21st century. The new plan, designed to expedite Pigeon's transformation into a truly global company, covers the three-year period from February 1, 2008, to January 31, 2011.

By steadily implementing initiatives as stated in our basic medium-term policies, which are outlined in the paragraphs below, we have set the following performance targets for the fiscal year ending January 31, 2011: net sales of ¥64.0 billion, operating of ¥5.8 billion, ordinary income of ¥5.6 billion, and net income of ¥3.3 billion. We have also adopted return on equity (ROE) as a suitable benchmark for targeting improved profitability and capital efficiency, and we hope to achieve ROE of 12% or higher by the year ending January 31, 2011.

3. Medium-Term Management Strategies

Under our third medium-term management plan for the 21st century, we have set the following basic policies.

(1) In the baby and child care products business, we will target further globalization and concentrate managerial resources in growth markets, centering on China and North America. At the same time, we will actively tap new markets.

(2) In our domestic operations, we will seek to further strengthen existing businesses, particularly related to baby and child care products and nursing care products. We will also build a new business model to cover such areas as nursing care prevention products and IT sales channels.

(3) To achieve growth in each of our businesses, we will promote in-depth research and product development that accurately reflect the needs of customers, in order to raise competitiveness. At the same time, we will build an infrastructure conducive to globalization of our operations.

4. Issues to Address

According to population statistics released by the Ministry of Health, Labour and Welfare in August 2007, the number of childbirths and marriages both declined from the previous year, and this trend is expected to continue. The year ending January 2009 is the first year of the Group's third medium-term management plan for the 21st century. Guided by the plan, which is designed to expedite the Group's transformation into a global company, we will steadily implement strategies for our respective businesses, as well as functional strategies to underpin such businesses. We will also actively invest resources into our overseas business, which we have identified as a growth sector. In the home healthcare (HHC) and nursing care products category, we will pursue a consistent marketing strategy to further strengthen our Group-wide business operational infrastructure, while assertively directing managerial resources to the new Recoup brand, positioned as a pillar for future growth. In addition, we will target further improvements in management soundness and transparency by broadening and reinforcing our internal control system.

Consolidated Balance Sheets

(Figures rounded down to nearest thousand yen)

	At January 31, 2007		At January 31, 2008		Change
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen
ASSETS		%		%	
Ⅰ Current Assets					
Cash and time deposits	2,680,117		4,350,131		1,670,013
Notes and accounts receivable	9,353,907		9,701,647		347,739
Securities	6,000		－		(6,000)
Inventories	4,154,981		4,433,450		278,468
Deferred tax assets	571,773		515,491		(56,281)
Other receivables	314,502		271,169		(43,333)
Other current assets	156,404		188,030		31,626
Allowance for doubtful accounts	(29,983)		(64,677)		(34,694)
Total Current Assets	17,207,703	48.3	19,395,242	51.8	2,187,538
Ⅱ Fixed Assets					
1. Tangible Fixed Assets					
Buildings and structures	4,481,277		4,451,814		(29,462)
Machinery and transportation equipment	2,001,623		2,387,696		386,072
Tools, furniture and fixtures	713,821		666,141		(47,680)
Land	5,924,430		6,011,561		87,130
Construction in progress	219,258		607,433		388,175
Total Tangible Fixed Assets	13,340,411	37.4	14,124,647	37.7	784,235
2. Intangible Fixed Assets					
Consolidation adjustment acounts	1,675,201		－		(1,675,201)
Goodwill	－		907,304		907,304
Software	873,156		741,520		(131,636)
Other intangible fixed assets	32,404		92,492		60,088
Total Intangible Fixed Assets	2,580,762	7.2	1,741,318	4.7	(839,444)
3.Investments and Other Assets					
Investment securities	1,513,622		1,464,667		(48,955)
Bankruptcy claims	17,018		106,502		89,483
Deferred tax assets	218,104		112,549		(105,555)
Insurance reserve fund	483,489		277,774		(205,715)
Other	304,541		307,544		3,002
Allowance for doubtful accounts	(17,628)		(89,016)		(71,388)
Total Investments and Other Assets	2,519,148	7.1	2,180,021	5.8	(339,127)
Total Fixed Assets	18,440,323	51.7	18,045,986	48.2	(394,336)
Total Assets	35,648,026	100.0	37,441,228	100.0	1,793,202

Consolidated Balance Sheets

(Figures rounded down to nearest thousand yen)

	At January 31, 2007		At January 31, 2008		Change
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen
LIABILITIES		%		%	
Ⅰ Current Liabilities					
Notes and accounts payable	4,510,935		5,216,071		705,136
Short-term borrowings	1,188,748		1,681,160		492,412
Current portion of long-term debt	81,770		1,040,000		958,230
Accrued amount payable	2,271,845		2,212,148		(59,696)
Income taxes payable	500,458		373,301		(127,157)
Deferred tax liabilities	1,116		2,317		1,201
Accrued bonuses to employees	511,523		509,169		(2,353)
Returned goods adjustment reserve	21,000		49,425		28,425
Other current liabilities	1,067,339		982,156		(85,182)
Total Current Liabilities	10,154,737	28.5	12,065,752	32.3	1,911,014
Ⅱ Long-Term Liabilities					
Long-term borrowings	1,040,000		－		(1,040,000)
Deferred tax liabilities	812,829		886,895		74,066
Employees' retirement benefits	188,593		215,689		27,095
Retirement benefits for directors and corporate auditors	331,812		307,786		(24,025)
Other long-term liabilities	126,431		133,900		7,469
Total Long-Term Liabilities	2,499,666	7.0	1,544,271	4.1	(955,394)
Total Liabilities	12,654,403	35.5	13,610,023	36.4	955,620

NET ASSETS					
Ⅰ Shareholder's Equity					
1 Capital stock	5,199,597	14.6	5,199,597	13.9	－
2 Additional paid-in capital	5,165,498	14.5	5,167,362	13.8	1,864
3 Consolidated retained earnings	12,475,585	35.0	13,389,545	35.8	913,960
4 Treasury stock, at cost	(649,429)	(1.8)	(624,063)	(1.7)	25,366
Total Shareholders' Equity	22,191,250	62.3	23,132,442	61.8	941,191
Ⅱ Deffered Valuation and Exchange					
1 Net unrealized gains (losses) on securities	34,910	0.1	(5,586)	(0.0)	(40,496)
2 Foreign currency translation adjustment	226,381	0.6	242,186	0.6	15,804
Total Deffered Valuation and Exchange	261,291	0.7	236,599	0.6	(24,691)
Ⅲ Minority Interests	541,080	1.5	462,162	1.2	(78,917)
Total Net Assets	22,993,623	64.5	23,831,205	63.6	837,581
Total Liablities and Net Assets	35,648,026	100.0	37,441,228	100.0	1,793,202

Consolidated Statements of Income

	Year ended January 31, 2007		Year ended January 31, 2008		Change
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen
		%		%	
Ⅰ Net Sales	45,307,931	100.0	49,237,702	100.0	3,929,770
Ⅱ Cost of Sales	28,185,960	62.2	30,568,517	62.1	2,382,557
Gross profit	17,121,971	37.8	18,669,184	37.9	1,547,213
Reversal of reserve for returned products	26,900		21,000		
Transfer to reserve for returned products	21,000		49,971		
Adjusted gross profit	17,127,871	37.8	18,640,213	37.9	1,512,341
Ⅲ Selling, General and Administrative Expenses	14,373,647	32.2	15,447,613	31.4	1,073,966
Operating Income	2,754,223	6.1	3,192,599	6.5	438,375
Ⅳ Other Income	351,665	0.8	404,471	0.8	52,806
Interest	25,520		44,415		
Dividend income	15,741		18,687		
Rental income	108,072		109,316		
Equity in earnings of nonconsolidated subsidiaries and affiliates	29,579		77,990		
Other	172,752		154,062		
Ⅴ Other Expenses	360,265	0.8	419,568	0.8	59,302
Interest expense	45,606		44,221		
Sales discounts	176,404		186,003		
Rental income-related costs	68,032		82,956		
Currency exchange loss	51,493		91,309		
Other	18,728		15,078		
Ordinary Income	2,745,623	6.1	3,177,502	6.5	431,878
Ⅵ Extraordinary Income	1,274,085	2.8	120,513	0.2	(1,153,572)
Gain on sales of property	1,252,745		1,075		
Gain on sale of investment securities	20,000		—		
Reversal of allowance for doubtful accounts	1,340		319		
Benefit income from fixed assets	—		119,118		
Ⅶ Extraordinary Loss	713,788	1.6	497,336	1.0	(216,451)
Loss on disposal of property	213,028		1,872		
Loss on sale/disposal of property	105,642		17,351		
Impairment loss	140,947		386,644		
Transfer to allowanse for doubtful accounts	—		83,468		
Expenses for headquarter relocation	207,440		—		
Other	46,729		8,000		
Income before Income Taxes	3,305,921	7.3	2,800,678	5.7	(505,242)
Income Taxes	973,744		971,795		
Adjustment for Corporate Tax	347,627		261,622		
Less: Minority Interest in Net Income of Consolidated Subsidiaries	68,156	0.2	96,129	0.2	27,972
Net Income	1,916,392	4.2	1,471,131	3.0	(445,262)

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous Fiscal Year (February 1, 2006–January 31, 2007)

(¥ thousands)

	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 stock	—	**18,807**	—	**272,763**	**291,571**
Acquisition of treasury stock	—	—	—	**(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**

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gains (losses) on securities	Foreign currency translation adjustment	Total		
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 stock	—	—	—	—	**291,571**
Acquisition of treasury stock	—	—	—	—	**(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**

Fiscal Year in Review (February 1, 2007–January 31, 2008)

(¥ thousands)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at Jan. 31, 2007	**5,199,597**	**5,165,498**	**12,475,585**	**(649,429)**	**22,191,250**
Changes during period					
Distribution of earnings	—	—	**(557,171)**	—	**(557,171)**
Net income	—	—	**1,471,131**	—	**1,471,131**
Disposal of treasury stock	—	**1,864**	—	**27,111**	**28,976**
Acquisition of treasury stock	—	—	—	**(1,744)**	**(1,744)**
Changes not related to shareholders' equity (net)	—	—	—	—	—
Total changes during period	—	**1,864**	**913,960**	**25,366**	**941,191**
Balance at Jan. 31, 2007	**5,199,597**	**5,167,362**	**13,389,545**	**(624,063)**	**23,132,442**

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gains (losses) on securities	Foreign currency translation adjustment	Total		
Balance at Jan. 31, 2007	**34,910**	**226,381**	**261,291**	**541,080**	**22,993,623**
Changes during period					
Distribution of earnings	—	—	—	—	**(557,171)**
Net income	—	—	—	—	**1,471,131**
Disposal of treasury stock	—	—	—	—	**28,976**
Acquisition of treasury stock	—	—	—	—	**(1,744)**
Changes not related to shareholders' equity (net)	**(40,496)**	**15,804**	**(24,691)**	**(78,917)**	**(103,609)**
Total changes during period	**(40,496)**	**15,804**	**(24,691)**	**(78,917)**	**837,581**
Balance at Jan. 31, 2008	**(5,586)**	**242,186**	**236,599**	**462,162**	**23,831,205**

Consolidated Statements of Cash Flows

(Figures rounded down to nearest thousand yen)

	Year ended January 31, 2007	Year ended January 31, 2008	Change
	Thousands of yen	Thousands of yen	Thousands of yen
Ⅰ. Cash Flows from Operating Activities			
Income before income taxes	3,305,921	2,800,678	(505,242)
Depreciation	1,439,031	1,547,456	108,424
Impairment loss	140,947	386,644	245,696
Amortization of difference between investment costs and equity in net assets acquired	376,734	－	(376,734)
Amortization of goodwill	－	382,833	382,833
Increase/decrease in allowance for doubtful accounts	17,935	107,512	89,576
Change in accrued bonuses to employees	26,458	(2,409)	(28,867)
Change in employees' retirement benefits	18,480	27,095	8,615
Increase/decrease in reserve for retirement benefits to directors and corporate auditors	(6,843)	(24,025)	(17,182)
Interest and dividend income	(41,261)	(63,102)	(21,840)
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(29,579)	(77,990)	(48,411)
Interest expense	45,606	44,221	(1,384)
Gain on fixed assets disposal	(1,252,745)	(1,075)	1,251,669
Gain on sales of investment securities	(20,000)	－	20,000
Loss on fixed assets disposal	213,028	1,872	(211,155)
Loss on fixed assets sales	105,642	17,351	(88,290)
Decrease (increase) in trade receivables	(1,531,070)	(269,356)	1,261,714
Decrease (increase) in inventories	375,149	(239,021)	(614,172)
(Decrease) increase in trade payables	(203,713)	669,088	872,801
(Decrease) increase in account payables	326,676	(108,133)	(434,809)
Decrease (increase) in consumption tax payable	93,432	(58,297)	(151,730)
Increase/decrease in bankruptcy claims	(4,205)	(89,483)	(85,278)
Increase in employees'accrued retirement benefits	(195,011)	(169,989)	25,022
Other	46,529	(68,166)	(114,695)
Subtotal	3,247,143	4,813,703	1,566,559
Interest and dividends received	37,810	74,821	37,010
Interest paid	(43,726)	(40,553)	3,173
Income taxes paid	(874,025)	(1,140,177)	(266,151)
Net Cash Provided by (Used in) Operating Activities	2,367,201	3,707,793	1,340,591
Ⅱ. Cash Flows from investing Activies			
Transfers to time deposits	－	(550,500)	(550,500)
Acquisition of property, plant and equipment	(1,369,168)	(1,717,216)	(348,048)
Proceeds from sales of property, plant and equipment	1,388,298	40,977	(1,347,320)
Acquisition of intangible assets	(176,168)	(272,322)	(96,153)
Acquisition of investments in securities	(265,469)	(10,000)	255,469
Proceeds from sales of investments in securities	25,000	－	(25,000)
Payment to life insurance fund for directors	(51,494)	(32,018)	19,476
Proceeds due to maturity/cancellation of insurance reserve	67,968	270,849	202,880
Acquisition of shares in subsidiaries	(30,093)	(175,201)	(145,108)
Loans advanced	(2,046)	(2,117)	(70)
Collection of loan receivables	1,750	2,465	715
Proceeds from recovery of lease deposits	(83,499)	(19,294)	64,205
Collection of lease deposits	130,728	15,178	(115,550)
Other	(31,748)	6,013	37,761
Net Cash Provided by (Used in) Investing Activities	(395,941)	(2,443,187)	(2,047,245)
Ⅲ. Cash Flows from Financing Activities			
Net increase in short-term bank loans	8,302,165	8,490,236	188,070
Repayment of short-term debt	(8,993,005)	(8,003,696)	989,309
Proceeds from long-term debt	1,000,000	－	(1,000,000)
Repayment of long-term debt	(1,351,442)	(81,770)	1,269,672
Payment of cash dividends	(492,953)	(556,690)	(63,736)
Payment of cash dividends to minority shareholders	(38,369)	(47,873)	(9,504)
Proceeds from sale of treasury stock	291,571	28,976	(262,595)
Acqisition of treasury stock	(2,105)	(1,744)	360
Net Cash Provided by (Used in) Financing Activities	(1,284,139)	(172,563)	1,111,576
Ⅳ. Translation Gain (Loss) Related to Cash and Cash Equivalents	89,634	3,470	(86,164)
Ⅴ. Net Change in Cash and Cash Equivalents	776,755	1,095,513	318,758
Ⅵ. Cash and Cash Equivalents at Beginning of Term	1,903,361	2,680,117	776,755
Ⅶ. Cash and Cash Equivalents at End of Term	2,680,117	3,775,631	1,095,513

Segment Information

1. Information by Business Segment

Previous fiscal year (February 1, 2006–January 31, 2007)

(¥ thousands)

	Baby & child care	Healthcare	Others	Total	Elimination or corporate	Consolidated
I Sales & operating income Sales						
(1) Sales to outside customers	35,501,224	6,324,827	3,481,879	45,307,931	—	45,307,931
(2) Inter-segment	—	—	—	—	(—)	—
Total	35,501,224	6,324,827	3,481,879	45,307,931	(—)	45,307,931
Operating expenses	305,538,872	5,983,201	3,080,363	39,602,438	2,951,269	42,553,707
Operating income	4,962,352	341,626	401,515	5,705493	(2,951,269)	2,754,223
II Assets, depreciation, & capital expenditure						
Assets	22,679,488	4,273,671	2,257,905	29,211,065	6,436,961	35,648,026
Depreciation	968,483	142,357	85,338	242,852	242,852	1,439,031
Capital expenditure	1,211,035	52,657	127,166	1,390,859	300,801	1,691660

Notes: 1. Pigeon's business is classified into segments for control of its in-house organization.
2. Main products/services of each segment are summarized below.

Segment	Main products/services
Baby & child care	Breastfeeding- and weaning-related products, skincare products, child-rearing support services, etc.
Healthcare	Nursing care products, nursing care support services, etc.
Others	Women's care items (nutritional supplements, maternity-related products), general-use wet tissues, etc.

3. Operating expenses for the year included all noncategorized expenses covered in the "Elimination or corporate" column. Such expenses were mainly related to divisions in control of consolidated administration and R&D.
4. Assets at year-end included all companywide assets covered in the "Elimination or corporate" column. Such assets consisted mainly of a foreign currency translation adjustment amount (incurred when translating financial statements of overseas consolidated subsidiaries into yen), surplus working capital of the parent company (cash and deposits), long-term investment capital (investments in securities, etc.), and R&D-related assets.
5. "Depreciation" and "Capital expenditure" do not include long-term prepaid expenses or depreciation related to such expenses.

Fiscal Year in Review (February 1, 2007–January 31, 2008)

(¥ thousands)

	Baby & child care	Healthcare	Others	Total	Elimination or corporate	Consolidated
I Sales & operating income Sales (1) Sales to outside customers	39,322,476	6,226,453	3,688,772	49,237,702	_	49,237,702
(2) Inter-segment	—	—	—	—	(−)	—
Total	39,322,476	6,226,453	3,688,772	49,237,702	(−)	49,237,702
Operating expenses	33,743,680	6,073,303	3,189,908	43,006,892	3,038,210	46,045,103
Operating income	5,578,795	153,150	498,864	6,230,810	(3,038,210)	3,192,599
II Assets, depreciation, & capital expenditure Assets	24,976,493	3,633,146	2,311,759	30,951,400	6,489,828	37,441,228
Depreciation	1,070,185	149,578	96,550	1,316,314	231,141	11,547,456
Impairment Loss	—	386,644	—	386,644	—	386,644
Capital expenditure	2,018,245	117,235	23,590	2,159,070	130,173	2,289,243

Notes: 1. Pigeon's business is classified into segments for control of its in-house organization.
2. Main products/services of each segment are summarized below.

Segment	Main products/services
Baby & child care	Breastfeeding- and weaning-related products, skincare products, child-rearing support services, etc.
Healthcare	Nursing care products, nursing care support services, etc.
Others	Women's care items (nutritional supplements, maternity-related products), general-use wet tissues, etc.

3. Operating expenses for the year included all noncategorized expenses covered in the "Elimination or corporate" column. Such expenses were mainly related to divisions in control of consolidated administration and R&D.
4. Assets at year-end included all companywide assets covered in the "Elimination or corporate" column. Such assets consisted mainly of a foreign currency translation adjustment amount (incurred when translating financial statements of overseas consolidated subsidiaries into yen), surplus working capital of the parent company (cash and deposits), long-term investment capital (investments in securities, etc.), and R&D-related assets.
5. "Depreciation" and "Capital expenditure" do not include long-term prepaid expenses or depreciation related to such expenses.

2. Information by Geographical Segment

Previous fiscal year (February 1, 2006–January 31, 2007)

(¥ thousands)

	Japan	East Asia	Others	Total	Elimination or corporate	Consolidated
I Sales & operating income Sales						
(1) Sales to outside customers	37,338,353	4,702,168	3,267,409	45,307,931	—	45,307,931
(2) Inter-segment	619,329	1,724,227	—	2,343,556	(2,343,556)	—
Total	37,957,682	6,426,395	3,267,409	47,651,487	(2,343,556)	45,307,931
Operating expenses	33,520,904	5,226,159	3,070,202	41,817,265	736,441	42,553,707
Operating income	4,436,778	1,200,236	197,207	5,834,221	(3,079,998)	2,754,223
II Assets	25,508,045	5,263,228	2,520,747	33,292,021	2,356,005	35,648,026

Notes:
1. Segmentation of countries and regions is based on geographic proximity.
2. Main countries and regions outside of Japan are as follows.
   East Asia: Singapore, Thailand, China
   Other: United States, etc.
3. Operating expenses for the year included ¥2,951,269 thousand in expenses for noncategorized spending covered in the “Elimination or corporate” column. Such expenses were mainly related to divisions in control of consolidated administration and R&D.
4. Assets at year-end included ¥6,436,961 thousand in companywide assets covered in the “Elimination or corporate” column. Such assets consisted mainly of a foreign currency translation adjustment amount (incurred when translating financial statements of overseas consolidated subsidiaries into yen), surplus working capital of the parent company (cash and deposits), long-term investment capital (investments in securities, etc.), and R&D-related assets.

Fiscal year in review (February 1, 2007–January 31, 2008)

(¥ thousands)

	Japan	East Asia	Others	Total	Elimination or corporate	Consolidated
I Sales & operating income Sales						
(1) Sales to outside customers	37,800,500	7,153,305	4,283,896	49,237,702	—	49,237,702
(2) Inter-segment	974,821	2,621,770	—	3,596,591	(3,596,591)	—
Total	38,775,322	9,775,075	4,283,896	52,834,294	(3,596,591)	49,237,702
Operating expenses	34,663,908	7,958,196	3,876,183	46,138,288	(93,185)	46,045,103
Operating income	4,111,413	2,176,879	407,713	6,696,005	(3,503,406)	3,192,599
II Assets	25,484,166	7,570,195	2,655,732	35,720,094	1,721,134	37,441,228

Notes:
1. Segmentation of countries and regions is based on geographic proximity.
2. Main countries and regions outside of Japan are as follows.
   East Asia: Singapore, Thailand, China
   Other: United States, etc.
3. Operating expenses for the year included ¥3,038,210 thousand in expenses for noncategorized spending covered in the "Elimination or corporate" column. Such expenses were mainly related to divisions in control of consolidated administration and R&D.
4. Assets at year-end included ¥6,489,828 thousand in companywide assets covered in the "Elimination or corporate" column. Such assets consisted mainly of a foreign currency translation adjustment amount (incurred when translating financial statements of overseas consolidated subsidiaries into yen), surplus working capital of the parent company (cash and deposits), long-term investment capital (investments in securities, etc.), and R&D-related assets.

3. Overseas Sales

Previous fiscal year (February 1, 2006–January 31, 2007)

(¥ thousands)

	East Asia	North America	Middle East	Other	Total
I Overseas sales	5,436,987	2,718,886	1,139,045	1,295,860	10,590,780
II Consolidated net sales	—	—	—	—	45,307,931
III Overseas sales/Net sales (%)	12.0	6.0	2.5	2.9	23.4

Notes:
1. Segmentation of countries and regions is based on geographic proximity.
2. Main countries and regions outside of Japan are as follows.
   (1) East Asia: China, Singapore, South Korea, etc.
   (2) North America: United States, Canada, etc.
   (3) Middle East: United Arab Emirates, etc.
   (4) Other: United Kingdom, Australia, South Africa, etc.
3. Overseas sales consist of sales by the Company and its consolidated subsidiaries in countries and regions outside of Japan.

Fiscal year in review (February 1, 2007–January 31, 2008)

(¥ thousands)

	East Asia	North America	Middle East	Other	Total
I Overseas sales	8,049,228	3,549,909	1,143,584	1,606,893	14,349,616
II Consolidated net sales	—	—	—	—	49,237,702
III Overseas sales/Net sales (%)	16.3	7.2	2.3	3.3	29.1

Notes:
1. Segmentation of countries and regions is based on geographic proximity.
2. Main countries and regions outside of Japan are as follows.
   (1) East Asia: China, Singapore, South Korea, etc.
   (2) North America: United States, Canada, etc.
   (3) Middle East: United Arab Emirates, etc.
   (4) Other: United Kingdom, Australia, South Africa, etc.
3. Overseas sales consist of sales by the Company and its consolidated subsidiaries in countries and regions outside of Japan.