Summary of Consolidated Financial Results for Six Months Ended July 31, 2008

September 5, 2008

Company name: Pigeon Corporation
Listings: First Section, Tokyo Stock Exchange (Stock code: 7956)
Phone: ++81-3-3661-4188
Website: www.pigeon.co.jp
Representative: Akio Okoshi (President and COO)
Contact: Isao Kosaka (Managing Officer, Corporate Planning Division)
Date of release of Semiannual Business Report: October 23, 2008
Dividends: Paid from October 23, 2008

(¥ millions, rounded down)

1. Consolidated Interim Financial Results (February 1–July 31, 2008)

(1) Performance (six months ended July 31)

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

	Net sales		Operating income		Ordinary income		Net income	
2008	**26,662**	**11.8%**	**2,118**	**39.8%**	**2,104**	**41.6%**	**1,363**	**51.9%**
2007	**23,841**	**7.9%**	**1,515**	**8.8%**	**1,486**	**10.1%**	**897**	**(14.7%)**
Year to Jan. 31, 2007	**49,237**	**-**	**3,192**	**-**	**3,177**	**-**	**1,471**	**-**

		Net income per share (¥)	Fully diluted net income per share (¥)
2008	39,237	68.28	- -
2007	37,689	45.09	45.03
Year to Jan. 31, 2007		73.90	73.82

[Reference] Equity in earnings of affiliates:
Six months to July 31, 2008: ¥24 million
Six months to July 31, 2007: ¥34 million
Year to Jan. 31, 2008: ¥77 million

(2) Financial Position (at July 31)

(¥ millions, rounded down)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
2008	39,237	24,528	61.4%	1,205 83
2007	37,689	23,826	62.1%	1,176 50
At Jan. 31, 2007	37,441	23,831	62.4%	1,173 88

[Reference] Equity:
July 31, 2008: ¥24,138 million
July 31, 2007: ¥23,420 million
Jan. 31, 2008: ¥23,369 million

(3) Cash Flows (six months ended July 31)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at term-end
2008	473	(289)	381	4,206
2007	715	(914)	572	3,156
Year to Jan. 31, 2007	3,707	(2,443)	(172)	3,775

2. Cash Dividends

<table>
<tr><td rowspan="2"></td><td colspan="3">Cash dividends per share (¥)</td></tr>
<tr><td>Interim</td><td>Year-end</td><td>Full year</td></tr>
<tr><td>Year to Jan. 2008</td><td>13 00</td><td>15 00</td><td>28 00</td></tr>
<tr><td>Year to Jan. 2007</td><td>23 00</td><td></td><td rowspan="2">46 00</td></tr>
<tr><td>Year to Jan. 2008 (est.)</td><td></td><td>23 00</td></tr>
</table>

3. Forecast for Fiscal Year Ending January 2009

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

	Net sales	Operating income	Ordinary income	Net income	Net income per share (¥)
Full year	54,000 9.7%	4,000 25.3%	4,000 25.9%	2,600 76.7%	129 88

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 interim financial statements):

- (a) Changes in accounting standards: None
- (b) Other changes: None

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

- (a) Shares outstanding (including treasury stock):
  - July 31, 2008: 20,275,581
  - July 31, 2007: 20,275,581
  - Jan. 31, 2007: 20,275,581
- (b) Treasury stock:
  - July 31, 2008: 257,793
  - July 31, 2007: 368,907
  - Jan. 31, 2007: 368,194

[Reference] Non-Consolidated Financial Results

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

(1) Performance (six month ended July 31)

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

	Net sales		Operating income		Ordinary income		Net income	
2008 2007	**16,015** **15,263**	**4.9%** **1.4%**	**399** **232**	**71.4%** **(11.2%)**	**1,100** **679**	**62.0%** **28.5%**	**919** **619**	**48.3%** **(16.3%)**
Year to Jan. 31, 2007	**30,785**		**395**		**1,051**		**297**	

	Net income per share (¥)
2008 2007	46 02 31 14
Year to Jan. 31, 2007	14 93

(2) Financial Position (at July 31)

(¥ millions, rounded down)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (¥)
At July 31, 2007 At July 31, 2006	28,531 28,588	19,281 19,097	67.6% 66.8%	963 19 959 35
At Jan. 31, 2007	27,258	18,487	67.8%	928 66

[Reference] Equity:
July 31, 2007: ¥19,281 million
July 31, 2008: ¥19,097 million
Jan. 31, 2008: ¥18,487 million

3. Forecast for Fiscal Year Ending January 31, 2009

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

	Net sales	Operating income	Ordinary income	Net income	Net income per share (¥)
Full year	32,000 3.9%	550 39.1%	1,400 33.1%	1,050 253.1%	52 45

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 XX.
(Caution regarding forward-looking statements)
1. Performance forecasts and other forward-looking statements contained in this document are based on available information and certain assumptions deemed reasonable by the Company. Actual results may differ considerably from such statements, due to various factors.
2. After considering its results in the interim period under review and its outlook for the future, the Company has made upward revisions to its forecasts for the fiscal year ending January 31, 2009.

1. Performance and Financial Position

1. Performance

(1) Environment and Results

The fiscal year ending January 2009 is the first year of the Pigeon Group's third new medium-term management plan—"Becoming a Global Company: Challenges and Independence"—covering the three-year period from February 2008 to January 2011. In the interim period under review, we steadily pursued initiatives reflecting basic policies aimed at achieving the core objectives of the plan. For example, we focused managerial resources on our overseas business, which serves as a growth driver for the Group. Following appropriate strategies, we sought to strengthen and entrench brand loyalty in overseas markets and actively expanded our business in existing markets, notably China and the United States. In the healthcare segment, we focused on improving productivity and profitability in existing businesses while aggressively nurturing Recoup, our new nursing care prevention brand.

Accordingly, we made good progress in implementing our various strategies, including for our overseas business. Net sales for the interim period amounted to ¥26,662 million, up 11.8% from the previous corresponding period. On the earnings side, operating income jumped 39.8%, to ¥2,118 million, and ordinary income surged 41.6%, to ¥2,104 million, owing mainly to expansion of our highly profitable overseas business, which compensated for rising prices of raw materials. For the period, we posted an extraordinary loss of ¥91 million, representing the cost of the voluntary recall since February 2008 of Sterilizer Bag for Microwave Oven. Nevertheless, net income rose 51.9%, to ¥1,363 million.

(2) Segment Review

Baby and Child Care

Sales in this segment amounted to ¥21,373 million, up 13.0% year-on-year. Operating income grew 21.9%, to ¥3,279 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 shows no signs of materializing, while consumer sentiment has been impacted by rising costs of food and gasoline amid surging prices of raw materials. Under these circumstances, Pigeon sought to enhance its responsiveness to changing market conditions. Specifically, in February 2008 we strengthened our organization by integrating two divisions—the Marketing Division, responsible or planning and formulation strategies, and the Sales Division, which implements those strategies—to form an new entity called the Domestic Baby and Mother Business Division. We also launched new products, such as a breast pad for first-time mothers and a handy manicure set, and we upgraded existing products, such as our haircare series. During the period, we continued holding maternity events and hosted a broad range of other forums, including experiential, seminar-style concerts. More than 1,500 people participated in these events. In addition, we aggressively promoted our offerings to hospitals, and we actively introduced original items and new products on our Pigeon Mall shopping website, thus building a foundation for sales expansion. As a result, sales in the Domestic Baby and Child Care Products category increased slightly year-on-year.

Overseas Business: For the period, we achieved year-on-year sales increases in practically all regions, including China and the United States. In China, expansion of mainstay offerings, such as skincare products, baby bottles, baby bottle nipples, and breast pads, together with the introduction of new products provided a solid revenue boost. In North America, we steadily advanced our business without feeling the impact of the slowing U.S. economy. In July 2008, we opened a preparatory representative office in Mumbai, India, which has since started gathering information, expanding sales channels, and building the Pigeon brand on a full-scale basis. Meanwhile, January 2008 saw the opening of our new plant in China. The plant has commenced mass production of baby bottle nipples, detergents, and other products and is preparing to begin mass production of skincare products in the autumn.

Child-Rearing Support Services: In this category, we continued pursuing proactive sales initiatives, including in-company child-minding operations. During the interim period under review, we were newly entrusted with the operation of five daycare facilities. We also continued holding education forums through Pigeon Heartner Open College, which provides training for child-minders. In this way, we sought to make qualitative improvements to our child-minding capabilities.

Healthcare

Sales in this segment increased 3.4% year-on-year, to ¥3,271 million, and operating income rose 3.2%, to ¥128 million. With respect to the Habinurse brand of nursing care-related products, we complemented existing items with the launch of new and modified ones, including a wide-type incontinence pad for long-period or night use. Regarding the new Recoup brand of nursing care prevention products, we promoted a new supporter for reducing strain on the body. We also held events aimed at raising recognition of Recoup on eight occasions, attracting 270 participants. For both the Habinurse and Recoup brands, we will increase the speed of product development in order to deliver high-quality products that match the needs of elderly people.

Others

Sales from other operations totaled ¥2,017 million, up 14.6% year-on-year. Operating income grew 13.8%, to ¥270 million. Pigeon Will Co., Ltd., a consolidated subsidiary that sells maternity undergarments, generates most of the revenue in this segment. During the period, we also posted 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 are advancing a skincare line for women.

(3) Outlook

After considering its performance in the period under review, Pigeon has decided to revise its full-year forecasts for the year ending January 2009 (those forecasts were announced on March 6, 2008). Our new forecasts, announced on August 29, 2008, are as follows: net sales of ¥54.0 billion (up 9.7% year-on-year), operating income of ¥4.0 billion (up 25.3%), ordinary income of ¥4.0 billion (up 25.9%), and net income of ¥2.6 billion (up 76.7%). Despite concerns about the impact of languishing domestic childbirths and soaring prices of raw materials, we are confident of achieving these forecasts.

2. Financial Position

(1) Assets

As of July 31, 2008, Pigeon had consolidated total assets of ¥39,327 million, up ¥1,886 million (or 5.0%) from January 31, 2008. Within this amount, total current assets rose ¥2,387 million (12.3%), while total fixed assets declined ¥500 million (2.8%).

Major factors boosting current assets were a ¥1,988 million (20.5%) increase in notes and accounts receivable and a ¥409 million (9.2%) increase in inventories.

(2) Liabilities

Total liabilities at interim term-end stood at ¥14,799 million, up ¥1,189 million (8.7%) over the interim period. Current liabilities increased ¥821 million (6.8%), and long-term liabilities rose ¥368 million (23.8%).

Main factors boosting current liabilities were a ¥238 million (4.6%) increase in notes and accounts payable and a ¥1,191 million (70.8% jump) in short-term bank loans, which outweighed a ¥1,020 million (98.1%) drop in current portion of long-term debt.

The main reason for the increase in long-term liabilities was a ¥372 million rise in long-term debt (from zero on January 31, 2008).

(3) Net Assets

At July 31, 2008, consolidated net assets amounted to ¥24,528 million, up ¥696 million (2.9%) from January 31. This increase resulted mainly from a ¥1,065 million (8.0%) rise in retained earnings.

(4) Cash Flows

Cash and cash equivalents at July 31, 2008, stood at ¥4,206 million, up ¥430 million (11.4%) from January 31, 2008 (and up 33.3% from July 31, 2007).

Factors boosting cash and cash equivalents included ¥1,982 million in income before income taxes (up 26.6% year-on-year), ¥763 million in depreciation (up 8.7%), and a ¥407 million increase in notes and accounts payable (¥79 million decrease in the previous corresponding period). Contrasting factors included a ¥2,173 million increase in notes and accounts receivable (up 103.4%), and ¥690 million in acquisition of property, plant, and equipment (up 8.7%).

Net cash provided by operating activities amounted to ¥473 million, down 33.9% from the previous corresponding period. Factors boosting operating cash flows included ¥1,982 million in income before income taxes (up 26.6%), ¥763 million in depreciation (up 8.7%), and a ¥407 million increase in notes and accounts payable (¥79 million decrease in the previous corresponding period). Contrasting factors included a ¥2,173 million increase in notes and accounts receivable (up 103.4%).

Net cash used in investing activities totaled ¥289 million, down 68.4%. Main factors included ¥498 million in transfers to time deposits (zero in the previous corresponding period) and ¥801 million in acquisition of tangible and intangible fixed assets (down 2.7%).

Net cash provided by financing activities was ¥381 million, down 33.3%. This resulted primarily from a ¥525 million net decrease in short- and long-term debt (down 40.9% from the previous corresponding period).

(5) Cash Flow Indicators

	Six months to July. 2007	Six months to July. 2008	Year to Jan. 2008
Equity ratio (%)	62.1	61.4	62.4
Equity ratio based on market price (%)	101.8	127.2	90.7
Debt repayment term (years)	2.3	3.6	0.7
Interest coverage ratio (times)	32.5	11.6	91.4

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 Statements of Cash Flows. Interest-bearing debt refers to all debt that incurs interest (listed in Consolidated Balance Sheets). 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 as an important management priority. Our policy is to actively return profits to shareholders through appropriation of retained earnings and other means, while reinforcing our financial position based on considerations of medium-term changes in business conditions and the Group's business strategies. In addition to strengthening our financial position, we effectively use retained earnings in a number of ways to fortify our operational base and improve future Group earnings. These include investing in new businesses and research and development, as well as investing in production facilities to raise production capacity, reduce costs, and enhance product quality.

With respect to specific goals of shareholder return, under our medium-term management plan announced in March 2008, we are targeting a consolidated dividend payout ratio of 50% by the year ending January 2011, the final year of the plan. To this end, we are seeking to further strengthen and upgrade measures for returning profits to all shareholders. Based on this policy, we plan to declare an interim cash dividend of ¥23.00 per share and a year-end dividend also of ¥23.00 per share.

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) Litigation Risk
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. Complaints about product reliability and safety could cause a sharp decline in revenue, which could affect the Group's business performance. 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.

(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. 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. For the interim period under review, ROE was 5.7%.

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 in August 2008 by the Ministry of Health, Labour and Welfare, the number of childbirths and marriages in the first half of the calendar year remained mostly unchanged from the previous corresponding period. In the future, childbirths are expected to remain at the same level or continue to decline. According to population estimates released by the Ministry of Internal Affairs and Communications in August 2008, elderly people aged 65 and over accounted for 22% of Japan’s population as of August 1, 2008. The number of elderly people is expected to continue increasing in the future. Meanwhile, there are growing concerns about downward pressure being placed on the world economy, due to such factors as financial market turmoil in the United States, depressed stock markets, global inflationary signs caused by surging prices of raw materials, and retraction of consumer demand. It is also clear that Japan’s longest postwar recovery period has ended, and the economy has now about to shift gears.

The year ending January 2009 is the first year of the Group's third medium-term management plan for the 21st century, entitled "Becoming a Global Company: Challenges and Independence." 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.

To enhance profitability, we will develop high-value-added products, and to boost productivity we will make proactive investments aimed at reducing manufacturing costs.

In addition, we will target further improvements in management soundness and transparency by broadening and reinforcing our internal control system.

Consolidated Interim Financial Statements : Balance Sheets

As of July 31 and January 31, 2008

(Thousands of Yen)

	July 31, 2008	Janauray 31, 2008	Change	
	Amount	Amount	Amount	%
ASSETS				
Current Assets:				
Cash and time deposits	4,206,212	4,350,131	(143,919)	(3.31)
Notes and accounts receivable	11,690,483	10,606,682	1,083,801	10.22
Inventories	4,843,130	4,359,001	484,129	11.11
Deferred tax assets	584,479	542,646	41,833	7.71
Other receivables	247,002	218,496	28,506	13.05
Other current assets	281,959	231,880	50,079	21.60
Allowance for doubtful accounts	(70,807)	(32,273)	(38,534)	119.40
Total Current Assets	**21,782,458**	**20,276,563**	1,505,895	7.43
Fixed Assets:				
Tangible Fixed Assets:				
Buildings and Structures:	4,844,552	4,497,660	346,892	7.71
Machinery and transporation equipment	2,188,635	2,149,892	38,743	1.80
Tools, Furniture and Fixtures:	738,111	712,027	26,084	3.66
Land	5,940,920	6,017,983	(77,063)	(1.28)
Construction in progress	143,444	317,826	(174,382)	(54.87)
Total Tangible Fixed Assets	**13,855,662**	**13,695,388**	160,274	1.17
Intangible Fixed Assets:				
Goodwill	774,150	1,485,365	(711,215)	
Software	710,906	804,325	(93,419)	(11.61)
Others	92,686	97,734	(5,048)	(5.17)
Total Intangible Fixed Assets	**1,577,742**	**2,387,424**	(809,682)	(33.91)
Investments and Other Assets:				
Investment securities	1,417,871	1,538,549	(120,678)	(7.84)
Deferred tax assets	113,262	199,109	(85,847)	(43.12)
Insurance reserve fund	236,288	486,179	(249,891)	(51.40)
Others	432,581	317,594	114,987	36.21
Allowance for doubtful accounts	(88,082)	(17,677)	(70,405)	398.29
Total Investments and Other Assets	**2,111,920**	**2,523,754**	(411,834)	(16.32)
Total Fixed Assets	**17,545,324**	**18,606,566**	(1,061,242)	(5.70)
Total Assets	**39,327,782**	**38,883,129**	444,653	1.14

Consolidated Interim Financial Statements : Balance Sheets

As of July 31 and January 31, 2008

(Thousdands of yen)

	July 31, 2008	January 31, 2008	Change	
	Amount	Amount	Amount	%
LIABILITIES				
Current Liabilities:				
Notes and account payable	5,454,343	5,134,505	319,838	6.23
Short-term borrowings	2,872,240	2,151,450	720,790	33.50
Current portion of long-term debt	20,000	1,040	18,960	1,823.08
Accrued amount payable	2,312	1,040,000	(1,037,688)	(99.78)
Income taxes payable	480,885	412,007	68,878	16.72
Accrued bonuses to employees	531,969	507,140	24,829	4.90
Returned goods adjustment reserve	65,373	37,480	27,893	74.42
Others	1,149,949	1,002,218	147,731	14.74
Total Current Liabilities	**10,577,071**	**10,285,840**	**291,231**	**2.83**
Non-Current Liabilities:				
Long-term borrowings	372,240	20,000	(523,142)	1,761.20
Deferred tax liabilities	895,382	864,544	30,838	3.57
Employees' retirement benefits	230,145	201,243	28,902	14.36
Retirement benefits for directors and corporate aui	289,471	307,126	(17,655)	(5.75)
Other Long-term liabilities	125,315	132,625	(7,310)	(5.51)
Total Non-Current Liabilities	**1,912,553**	**1,525,538**	**387,015**	**25.37**
Total Liabilities	**12,489,624**	**11,811,378**	**678,246**	**5.74**
NET ASSETS				
Shareholders' Equity:				
Capital stock	5,199,597	5,199,597	0	0.00
Additional paid-in capital	5,180,246	5,167,246	13,000	0.25
Consolidated retained earnings	14,454,728	13,074,831	11,587	10.55
Treasury stock	(437,102)	(625,214)	188,112	(30.09)
Total Shareholders' Equity	**24,397,469**	**22,816,460**	**1,581,009**	**6.93**
Valuation, Translation Adjustment and Others:				
Net unrealized gains(losses) on securities	(32,290)	24,714	(57,004)	(230.65)
Foreign currency translation adjustment	(227,085)	579,158	(806,243)	(139.21)
Total Valuation, Translation Adjustment and Others	(259,375)	603,872	(863,247)	(142.95)
Minority Interests	389,999	406,080	(16,081)	(3.96)
Total Net Assets	**24,528,093**	**23,826,412**	**701,681**	**2.94**
Total Liabilities and Net Assets	**37,017,717**	**35,637,790**	**1,379,927**	**3.87**

Consolidated Interim Statements of Income

For the three months ended July 31 2007 and 2008 and the year ended January 31, 2008

(Thousands of yen)

	Three Months Ended July 31, 2008	Three Months Ended July 31, 2007	Change		Year Ended January 31, 2008
	Amount	Amount	Amount	%	Amount
Revenue	**26,662,527**	**23,841,570**	2,820,957	**11.83**	**49,237,702**
Cost of services	16,566,629	14,732,812	1,833,817	12.45	30,568,517
Reversal of reserve for returned products	**48,479**	**21,000**	27,479	130.85	**21,000**
Transfer to reserve for returned products	64,987	37,480	27,507	73.39	49,971
Gross Profit:	**9,982,432**	**9,050,278**	932,154	10.30	**18,598,214**
Selling, general	7,961	20	7,941	39,705.00	44
Operating Income (Loss)	**9,974,471**	**9,050,258**	**924,213**	**10.21**	**18,598,170**
Non-Operating Income:					
Interest income	20,046	19,794	−	−	44,415
Dividend income	1,409	3,247	−	−	18,687
Rent income	59,056	55,468	−	−	109,316
Equity in earnings of nonconsolidated	24,250	34,734			77,990
Others	64,237	43,462	−	−	154,062
Total Non-Operating Income	**168,998**	**156,705**	**12,293**	**7.84**	**404,470**
Non-Operating Expenses:					
Interest expenses	33,536	19,439	−	−	44,221
Sales discounts	88,685	86,598	−	−	186,003
Currency exchange loss	-	28,333			91,309
Rental income-related costs	49,117	44,232			82,956
Others	11,121	6,655	−	−	15,078
Total Non-Operating Expenses	**182,459**	**185,257**	**(2,798)**	**(1.51)**	**419,567**
Ordinary Income (Loss)	**9,961,010**	**9,021,706**	**939,304**	**10.41**	**18,583,073**
Extraordinary Gains:					
Gain on sales of property	1,891	755	−	−	1,075
Reversal of allowance for doubtful accounts	182	127	−	−	319
Benefit income from fixed assets	-	86,737	−	−	119,118
Total Extraordinary Gains	**2,073**	**87,619**	**(85,546)**	**(97.63)**	**120,512**
Extraordinary Losses:					
Loss on sales of property	763	610	−	−	1,872
Loss on disposal of property	32,391	7,850			17,351
Impairment loss	-	−			386,644
Voluntary product recall expenses	91,584	−			-
Others	124,739	8,460	−	−	91,468
Total Extraordinary Losses	**249,477**	**16,920**	**232,557**	**1,374.45**	**497,335**
Income (Loss) before	**1,982,171**	**1,565,968**	**416,203**	**26.58**	**2,800,678**
Income Tax	**607,267**	**523,438**			**971,795**
Adjustment of Corporate Taxes	(46,325)	111,682	−	−	**261,622**
Minority Interests	**57,435**	**33,216**	**24,219**	**72.91**	**96,129**
Net Income (Loss)	**9,095,229**	**8,424,069**	**671,160**	**7.97**	**16,876,704**

Previous Interim Period (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, 2007	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 stock	―	1,748	―	25,416	27,165
Acquisition of treasury stock	―	―	―	(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 Stock	―	―	―	―	27,165
Acquisition of Treasury Stock	―	―	―	―	(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 Interim 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	5,167,362	13,389,545	(624,063)	23,132,442
Changes during period					
Distribution of earnings	—	—	(298,610)	—	(298,610)
Net income	—	—	1,363,794	—	1,363,794
Disposal of treasury stocks	—	12,884	—	188,136	201,020
Acquisition of treasury stocks	—	—	—	(1,176)	(1,176)
Changes not related to shareholders' equity (net)	—	—	—	—	—
Total changes during period	—	12,884	1,065,183	186,960	1,265,028
Balance at Jul. 31, 2007	5,199,597	5,180,246	14,454,728	(437,102)	24,397,470

(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	(5,586)	242,186	236,599	462,162	23,831,205
Changes during period					
Distribution of earnings	—	—	—	—	(298,610)
Net income	—	—	—	—	1,363,794
Disposal of treasury stocks	—	—	—	—	201,021
Acquisition of treasury stocks	—	—	—	—	(1,176)
Changes not related to shareholders' equity (net)	(26,704)	(469,271)	(495,976)	(72,163)	(568,139)
Total changes during period	(26,704)	(469,271)	(495,976)	(72,163)	696,888
Balance at Jul. 31, 2007	(32,290)	(227,085)	(259,376)	389,999	24,528,093

Consolidated Interim 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	5,165,498	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 stocks	—	1,864	—	27,111	28,976
Acquisition of treasury stocks	—	—	—	(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

(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	—	—	—	—	(557,171)
Net income	—	—	—	—	1,471,131
Disposal of treasury stocks	—	—	—	—	28,976
Acquisition of treasury stocks	—	—	—	—	(1,744)
Changes not related to shareholders' equity (net)	(40,496)	15,804	(24,961)	(78,917)	(103,609)
Total changes during period	(40,496)	15,804	(24,691)	(78,917)	837,581
Balance at Jan. 31, 2007	(5,586)	242,186	236,599	462,162	23,831,205

Consolidated Interim Statements of Cash Flows

For the three months ended July 31, 2007 and 2008

(Thousdands of yen)

	Three Months Ended July 31, 2008 Amount	Three Months Ended July 31, 2007 Amount
Ⅰ **Cash Flows from Operating Activities:**		
Income (Loss) before income taxes and minority interests	1,982,171	1,565,968
Depreciation	763,531	702,482
Impairment loss	−	−
Amortization of goodwill		
Increase/decrease n allowance for doubtful accounts	133,153	191,416
Increase(decrease)in accrued bonusese to employees	23,242	(5,312)
Increase(decrease)in employees' retirement benefits	14,456	12,649
Increase(decrease) in reserve for retirement	(18,314)	(24,685)
Interest and dividend income	(21,455)	(23,041)
Equity in earnings(losses) of nonconsolidated subsidiaries	(24,250)	(34,734)
Interest expense	33,536	19,439
Loss on disposal of fixed assets	32,391	7,850
Decrease(increase)in trade receivables	(2,173,905)	(1,068,941)
Decrease(increase) in inventories	(519,562)	(105,563)
Increase(decrease)in trade payables	337,196	530,225
Increase(decrease) in other payables	407,995	(79,793)
Decrease(increase) in consumption tax payable	(257)	−
Increase(decrease) in employees' accrued retirement benefits	−	(88,399)
Others	(63,028)	(178,071)
(Subtotal)	**934,846**	**715,890**
Interest and dividents received	21,732	12,242
Interest paid	(40,844)	(22,014)
Income taxes paid	(442,222)	(618,144)
Total Cash Flows from Operating Activities	**473,512**	**715,890**
Ⅱ **Cash Flows from Investing Activities:**		
Transfer to time deposits	−	−
Reversed of time deposits	498,000	−
Acquisition of property, plant and equipment	(690,174)	(635,078)
Proceeds from sales of property, plant and equipment	5,714	40,334
Acquisition of intangible assets	(111,675)	(189,263)
Acquisition of investments in securities	(9,898)	−
Payment to life insurance fund	(6,652)	(19,572)
Proceeds due to maturity/cancellation of insurance fund	46,230	50,532
Acquisition of shares in subsidiaries	−	(175,201)
Loans advacnced	(1,600)	1,208
Collection of loan receivables	998	1,066
Proceeds from recovery of lease deposits	14,401	10,681
Others	(34,791)	2,987
Total Cash Flows from Investing Activities	**(289,448)**	**(914,721)**
Ⅲ **Cash Flows from Financing Activities:**		
Net increase in short-term bank loans	6,399,640	5,312,693
Repayment of short-term debt	(4,853,840)	(4,360,942)
Repyament of long-term debt	(1,020,000)	(61,770)
Payment of cash dividends	(299,211)	(298,371)
Payment of cash dividends to minority shreholders	(44,526)	(45,371)
Proceeds from sales of treasury stock	201,021	27,165
Acquisition of treasury stock	(1,176)	(1,201)
Total Cash Flows from Financing Activities	**381,906**	**572,201**
Ⅳ **Translation Gain(Loss) Related to Cash and Cash Equivale**	**(135,389)**	**102,832**
Ⅴ **Net Change in Cash and Cash Equivalents**	**430,581**	**476,203**
VI Cash and Cash Equivalents at Beginning of Term	**3,775,631**	**2,680,117**
VII Cash and Cash Equivalents at End of Term	**4,206,212**	**3,156,320**