

# Summary of Consolidated Financial Results for Six Months Ended July 31, 2005

September 12, 2005

Company name: Pigeon Corporation

Listings: Tokyo Stock Exchange (First Section)

Stock code: 7956

Headquarters: Tokyo

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BOD meeting for approving interim financial results: September 12, 2005

U.S. accounting standards: Not applicable

## 1. Consolidated Financial Results (Six months ended July 31, 2005 and 2004)

(1) Performance (Six months ended July 31) (¥ millions, rounded down)

	Net sales	Operating income	Ordinary income
	Change (%)	Change (%)	Change (%)
2005	21,100 ( 6.8)	1,339 ( 1.4)	1,309 ( -0.5)
2004	19,754 ( 14.1)	1,321 ( -0.1)	1,317 ( 6.5)
Year ended January 31,	40,719	2,714	2,621

	Net income	Net income per share (¥)	Net income per share (fully diluted) (¥)
	Change (%)		
2005	798 ( -5.7)	40.22	40.21
2004	846 ( 31.7)	42.15	42.05
Year ended January 31,	1,494	74.22	74.10

Notes: 1. Equity in earnings of affiliates: ¥22 million (July 2005); ¥21 million (July 2004); ¥44 million (Jan. 2005)  
 2. Average shares outstanding (cons.): 19,847,330 (6 months ended July 2005); 20,073,396 (6 months ended July 2004); 20,138,055 (Year ended Jan. 2005)  
 3. Changes in accounting principles: Not applicable  
 4. Figures in parentheses represent year-on-year percentage change.

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

	Total assets	Shareholders' equity	Equity-assets ratio (%)	Equity per share (¥)
2005	35,496	19,682	55.4	997.43
2004	36,263	19,424	53.6	962.30
At January 31, 2005	34,382	19,997	58.2	989.43

Note: Shares outstanding at term-end (consolidated): 19,732,925 (July 2005); 20,185,789 (July 2004); 20,211,283 (Jan. 2005)

(3) Cash Flows (year 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
2005	317	(790)	(161)	2,146
2004	1,987	(2,302)	335	3,240
Year ended January 31, 2005	4,286	(2,850)	(1,881)	2,768

(4) Scope of Consolidation and Equity-Method Application

Consolidated subsidiaries: 13; Nonconsolidated subsidiaries (equity method): 0; Affiliates (equity method): 2

(5) Changes in Scope of Consolidation and Equity-Method Application

Consolidated: 0 (newly included); 0 (excluded) Equity method application: 0 (newly included); 0 (excluded)

2. Forecast for Fiscal Year Ending January 31, 2006 (¥ millions, rounded down)

	Net sales	Ordinary income	Net income
Full year	42,700	3,000	1,650

(Reference) Forecast net income per share (full year): ¥83.61

## Consolidated Interim Balance Sheets

(Figures rounded down to nearest thousand yen)

	At July 31, 2004		At July 31, 2005		At January 31, 2005	
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen	% of total
<b>ASSETS</b>		%		%		%
<b>I Current Assets</b>						
Cash and time deposits	3,240,369		2,146,280		2,768,291	
Notes and accounts receivable	9,379,573		9,529,666		8,597,127	
Inventories	3,653,692		3,964,666		3,427,581	
Deferred tax assets	667,564		590,478		579,327	
Other receivables	243,997		273,870		231,868	
Other current assets	204,121		225,698		158,154	
Allowance for doubtful accounts	(9,497)		(11,528)		(17,432)	
<b>Total Current Assets</b>	<b>17,379,821</b>	<b>47.9</b>	<b>16,719,132</b>	<b>47.1</b>	<b>15,744,917</b>	<b>45.8</b>
<b>II Fixed Assets</b>						
<b>1. Tangible Fixed Assets</b>						
Buildings and structures	4,530,745		4,357,879		4,480,395	
Machinery and transportation equipment	2,145,997		2,188,549		2,123,616	
Tools, furniture and fixtures	578,741		641,883		540,045	
Land	6,101,231		6,102,501		6,102,501	
Construction in progress	83,944		125,843		52,582	
<b>Total Tangible Fixed Assets</b>	<b>13,440,660</b>		<b>13,416,656</b>		<b>13,299,140</b>	
<b>2. Intangible Fixed Assets</b>						
Consolidation adjustment accounts	2,408,211		2,197,411		2,351,346	
Software	694,678		933,147		764,345	
Other intangible fixed assets	57,926		53,670		55,140	
<b>Total Intangible Fixed Assets</b>	<b>3,160,815</b>		<b>3,184,229</b>		<b>3,170,832</b>	
<b>3. Investments and Other Assets</b>						
Investment securities	1,058,578		1,091,364		1,067,568	
Insurance reserve	648,578		516,181		499,891	
Deferred tax assets	188,233		260,579		248,730	
Others	977,231		331,153		974,565	
Allowance for doubtful accounts	(590,839)		(22,720)		(623,123)	
<b>Total Investments and Other Assets</b>	<b>2,281,782</b>		<b>2,176,558</b>		<b>2,167,631</b>	
<b>Total Fixed Assets</b>	<b>18,883,258</b>	<b>52.1</b>	<b>18,777,444</b>	<b>52.9</b>	<b>18,637,604</b>	<b>54.2</b>
<b>Total Assets</b>	<b>36,263,080</b>	<b>100.0</b>	<b>35,496,577</b>	<b>100.0</b>	<b>34,382,522</b>	<b>100.0</b>

## Consolidated Interim Balance Sheets

(Figures rounded down to nearest thousand yen)

	At July 31, 2004		At July 31, 2005		At January 31, 2005	
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen	% of total
<b>LIABILITIES</b>		%		%		%
<b>I Current Liabilities</b>						
Notes and accounts payable	6,723,577		6,602,930		6,160,627	
Short-term borrowings	1,841,697		2,224,094		859,903	
Current portion of long-term debt	909,172		1,556,182		657,946	
Accrued account payable	1,115,472		1,210,540		1,258,967	
Income taxes payable	528,785		343,222		753,861	
Accrued bonuses to employees	464,048		513,990		517,332	
Returned goods adjustment reserve	34,900		34,300		31,200	
Other current liabilities	1,049,197		1,254,926		879,589	
<b>Total Current Liabilities</b>	<b>12,666,849</b>	<b>34.9</b>	<b>13,740,187</b>	<b>38.7</b>	<b>11,119,426</b>	<b>32.3</b>
<b>II Long-Term Liabilities</b>						
Long-term borrowings	2,317,646		206,264		1,473,212	
Deferred tax liabilities	375,023		566,994		401,531	
Employees' retirement benefits	159,459		176,007		167,152	
Retirement benefits for directors and corporate auditors	360,572		330,980		329,339	
Other long-term liabilities	606,188		407,246		507,742	
<b>Total Long-Term Liabilities</b>	<b>3,818,889</b>	<b>10.5</b>	<b>1,687,492</b>	<b>4.8</b>	<b>2,878,977</b>	<b>8.4</b>
<b>Total Liabilities</b>	<b>16,485,739</b>	<b>45.4</b>	<b>15,427,680</b>	<b>43.5</b>	<b>13,998,404</b>	<b>40.7</b>
<b>MINORITY INTERESTS</b>						
Minority Interests	352,399	1.0	386,507	1.1	386,383	1.1
<b>SHAREHOLDERS' EQUITY</b>						
Capital stock	5,199,597	14.3	5,199,597	14.6	5,199,597	15.1
Additional paid-in capital	5,144,329	14.2	5,146,690	14.5	5,145,608	15.0
Consolidated retained earnings	9,662,784	26.7	10,705,687	30.2	10,149,781	29.5
Net unrealized gains (losses) on securities	(3,470)	(0.0)	(6,052)	(0.0)	(5,159)	(0.0)
Foreign currency translation adjustment	(493,256)	(1.4)	(444,294)	(1.3)	(431,795)	(1.2)
Treasury stock, at cost	(85,042)	(0.2)	(919,238)	(2.6)	(60,296)	(0.2)
<b>Total Shareholders' Equity</b>	<b>19,424,941</b>	<b>53.6</b>	<b>19,682,389</b>	<b>55.4</b>	<b>19,997,734</b>	<b>58.2</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>36,263,080</b>	<b>100.0</b>	<b>35,496,577</b>	<b>100.0</b>	<b>34,382,522</b>	<b>100.0</b>

## Consolidated Interim Statements of Income

(Figures rounded down to nearest thousand yen)

	Six months ended July 31, 2004		Six months ended July 31, 2005		Year ended January 31, 2005	
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen	% of total
		%		%		%
I Net Sales	19,754,887	100.0	21,100,511	100.0	40,719,607	100.0
II Cost of Sales	12,153,770	61.5	13,110,274	62.1	25,047,114	61.5
Gross profit	7,601,116	38.5	7,990,236	37.9	15,672,492	38.5
Reversal of reserve for returned products	30,955		31,200		30,955	
Transfer to reserve for returned products	34,900		34,300		31,200	
Adjusted gross profit	7,597,172	38.5	7,987,136	37.9	15,672,248	38.5
III Selling, General and Administrative Expenses	6,275,387	31.8	6,647,211	31.5	12,957,900	31.8
Operating Income	1,321,784	6.7	1,339,925	6.4	2,714,348	6.7
IV Nonoperating Income	195,462	1.0	156,418	0.7	339,377	0.8
Interest income	2,258		2,318		4,853	
Dividend income	1,177		932		10,189	
Foreign exchange gain	25,954		17,193		—	
Rental income	76,331		71,184		149,106	
Equity in earnings of nonconsolidated subsidiaries and affiliates	21,131		22,548		44,098	
Others	68,607		42,240		131,129	
V Nonoperating Expenses	200,163	1.0	186,463	0.9	431,898	1.1
Interest expenses	47,061		27,294		86,899	
Sales discounts	91,618		99,271		204,525	
Rental income-related costs	57,409		52,150		115,317	
Others	4,073		7,747		25,156	
Ordinary Income	1,317,082	6.7	1,309,879	6.2	2,621,827	6.4
VI Extraordinary Income	170,225	0.8	52,556	0.2	168,519	0.4
Gain on sales of investment securities	8,829		—		8,829	
Reversal of allowance for doubtful accounts	158,843		51,316		158,774	
Others	2,552		1,239		916	
VII Extraordinary Loss	36,942	0.2	47,654	0.2	177,145	0.4
Loss on sales of fixed assets	—		5,518		3,324	
Loss on disposal of fixed assets	26,385		37,684		100,076	
Loss on business adjustment	—		—		56,380	
Amortization of difference arising from change in accounting for retirement benefits	4,452		—		8,904	
Retirement benefit system modification expense	5,678		—		5,678	
Others	427		4,452		2,781	
Income before Income Taxes	1,450,365	7.3	1,314,781	6.2	2,613,202	6.4
Income Taxes	563,427	2.9	337,352	1.6	980,197	2.4
Adjustment for Corporate Tax	(3,168)	(0.0)	151,214	0.7	46,829	0.1
Less: Minority Interest in Net Income of Consolidated Subsidiaries	43,835	0.2	27,773	0.1	91,436	0.2
Net Income	846,271	4.3	798,441	3.8	1,494,738	3.7

## Consolidated Interim Statements of Cash Flows

(Figures rounded down to nearest thousand yen)

	Six months ended July 31, 2004	Six months ended July 31, 2005	Year ended January 31, 2005
	Thousands of yen	Thousands of yen	Thousands of yen
<b>I. Cash Flows from Operating Activities</b>			
Income before income taxes	1,450,365	1,314,781	2,613,202
Depreciation	640,491	616,959	1,316,123
Amortization of difference between investment costs and equity in net assets acquired	94,981	187,191	282,591
Increase (decrease) in allowance for doubtful accounts	(158,883)	(606,969)	(117,997)
Increase (decrease) in accrued bonuses to employees	114,600	(3,792)	167,934
Increase (decrease) in employees' retirement benefits	(7,924)	8,854	(231)
Increase (decrease) in reserve for retirement benefits to directors and corporate auditors	4,666	1,641	(26,567)
Interest and dividend income	(3,435)	(3,251)	(15,042)
(Gain) loss on sales of securities	(10,781)	—	(10,418)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(21,131)	(22,548)	(44,098)
Interest expenses	47,061	27,294	86,899
Gain on sales of investment securities	(8,829)	—	(8,829)
Loss on sales of fixed assets	—	5,518	3,324
Loss on disposal of fixed assets	26,385	37,684	100,076
Decrease (increase) in trade receivables	(877,505)	(887,215)	(109,475)
Decrease (increase) in inventories	(253,904)	(509,901)	(37,843)
(Decrease) increase in trade payables	1,111,357	414,874	554,984
Decrease (increase) in consumption tax payable	47,832	(126,118)	106,166
(Increase) decrease in bankruptcy claims	108,417	626,427	110,393
Increase in employees' accrued retirement benefits	(127,847)	(96,616)	(246,549)
Others	32,563	130,710	2,786
Subtotal	2,208,481	1,115,523	4,727,430
Interest and dividends received	3,063	4,452	14,535
Interest paid	(42,653)	(26,641)	(83,122)
Income taxes paid	(180,930)	(775,902)	(372,555)
Net Cash Provided by (Used in) Operating Activities	1,987,960	317,431	4,286,288
<b>II. Cash Flows from Investing Activities</b>			
Proceeds from reversal of time deposits	393,607	—	393,607
Acquisition of fixed assets	(499,296)	(386,972)	(843,796)
Proceeds from sales of fixed assets	2,904	4,972	13,476
Acquisition of intangible assets	(139,377)	(378,184)	(383,209)
Acquisition of investment securities	(4,990)	—	(4,990)
Proceeds from sales of investment securities	71,391	—	71,391
Payment to life insurance fund for directors	(40,304)	(25,166)	(82,201)
Proceeds due to maturity/cancellation of insurance reserve	97,508	10,003	246,773
Acquisition of shares in subsidiaries	—	(28,115)	(97,400)
Acquisition of newly consolidated subsidiary	(2,195,936)	—	(2,195,936)
Loans advanced	(10,352)	(492)	(11,134)
Collection of loan receivables	11,876	2,958	37,181
Proceeds from recovery of lease deposits	31,849	13,288	36,746
Others	(21,373)	(3,191)	(31,134)
Net Cash Provided by (Used in) Investing Activities	(2,302,493)	(790,897)	(2,850,626)
<b>III. Cash Flows from Financing Activities</b>			
Net increase in short-term bank loans	3,383,270	5,924,816	5,873,296
Repayment of short-term debt	(3,363,371)	(4,583,852)	(6,839,181)
Proceeds from long-term debt	1,300,000	—	1,300,000
Repayment of long-term debt	(987,136)	(368,712)	(2,082,796)
Payment of cash dividends	(162,981)	(243,120)	(325,238)
Payment of cash dividends to minority shareholders	(31,495)	(32,695)	(31,495)
Proceeds from sales of treasury stock	199,562	22,748	226,446
Acquisition of treasury stock	(2,023)	(880,607)	(2,883)
Net Cash Provided by (Used in) Financing Activities	335,824	(161,422)	(1,881,853)
<b>IV. Translation Gain (Loss) Related to Cash and Cash Equivalents</b>	(4,625)	12,876	(9,219)
<b>V. Net Change in Cash and Cash Equivalents</b>	16,665	(622,011)	(455,411)
<b>VI. Cash and Cash Equivalents at Beginning of Year</b>	3,223,703	2,768,291	3,223,703
<b>VII. Cash and Cash Equivalents at End of Year</b>	3,240,369	2,146,280	2,768,291