Summary of Consolidated Financial Results for Year to January 2007

March 12, 2007

Company name: Pigeon Corporation

Listings: Tokyo Stock Exchange (First Section)

Stock code: 7956

Headquarters: Tokyo

(URL http://www.pigeon.co.jp)

President: Seiichi Matsumura

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BOD meeting for approving interim financial results: March 12,2007

U.S. accounting standards: Not applicable

1. Consolidated Financial Results (Years to January 31 2007 and 2006)

(1) Performance (year to January 31) (¥ millions, rounded down)

	Net sales		Operating income		Ordinary income	
		Change (%)		Change (%)		Change (%)
2007	45,307	(8.5)	2,754	(24.3)	2,745	(24.8)
2006	41,747	(2.5)	2,215	(△18.4)	2,200	(△16.1)

	Net income		Net income per share (¥)	Net income per share (fully diluted) (¥)	Return on equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
		Change (%)					
2007	1,916	(42.7)	96.97	96.91	9.0	7.9	6.1
2006	1,342	(△10.2)	67.84	67.83	6.7	6.4	5.3

Notes: 1. Equity in earnings of affiliates: ¥29 million (Jan. 2007); ¥44 million (Jan. 2006)

2. Average shares outstanding (cons.): 19,762,324 (year to Jan. 2007); 19,790,146 (year to Jan. 2006)

3. Changes in accounting principles: Not applicable

4. Figures in parentheses represent year-on-year percentage change.

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

	Total assets	Shareholders' equity	Equity-assets ratio (%)	Equity per share (¥)
2007	35,648	22,993	63.0	1,128.70
2006	33,937	20,312	59.9	1,029.41

Note: Shares outstanding at year-end (consolidated): 19,892,286 (Jan. 2007); 19,732,372 (Jan. 2006)

(3) Cash Flows (year to January 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
2007	2,367	(395)	(1,284)	2,680
2006	1,765	(1,668)	(1,018)	1,903

(4) Scope of Consolidation and Equity-Method Application

Consolidated subsidiaries: 14; Nonconsolidated subsidiaries (equity method): 0; Affiliates (equity method): 2

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

Consolidated: 2 (newly included); 0 (excluded) Equity method application: 0 (newly included); 0 (excluded)

2. Forecast for Fiscal Year Ending January 31, 2008

(¥ millions, rounded down)

	Net sales	Ordinary income	Net income
Interim	23,600	1,150	600
Full year	48,400	2,850	1,600

(Reference) Forecast net income per share (full year): ¥80.43

Please refer to pages 6 and 11 of this report for preconditions related to forward-looking statements and related items.

1. Corporate Group

The Pigeon Group consists of the Pigeon Corporation (the parent company), 14 consolidated subsidiaries, and two equity-method affiliates. The Group is engaged mainly in the manufacture, purchase, and sale of baby care, child care, and healthcare products, as well as in the provision of child-rearing and healthcare support services.

Included in the scope of consolidation are Pigeon Manufacturing Co., Ltd. (established in April 2006) and Pigeon Land (Shanghai) Co., Ltd. (established in August 2006). In May 2006, Tahira Co., Ltd., a consolidated subsidiary, changed its name to Pigeon Tahira Co., Ltd. In December 2006, Pigeon Manufacturing (Shanghai) Co., Ltd., changed its name to Pigeon Manufacturing Co., Ltd.

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.

The fiscal period under review was the second year of our second medium-term management plan for the 21st century. Entitled Corporate Value Creation 21 "Global 500," the plan covers the three-year period from February 2005 to January 2008. During the period under review, we steadily implemented top-priority business initiatives and maximized synergies derived from the Group's comprehensive strengths.

2. 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 streamlining 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. Based on this policy, we are targeting a consolidated dividend payout ratio of 30% and a dividends-on-equity ratio of 2%. For the fiscal year under review, we plan to pay a regular dividend of ¥20.00 per share, plus a commemorative dividend of ¥10.00, for total annual cash dividends of ¥30.00 per share (including interim dividends already paid of ¥15.00, consisting of a ¥10.00 regular dividend and a ¥5.000 commemorative dividend).

3. Policy on Lowering the Minimum Investment Unit

The Pigeon Group believes that liquidity of shares and participation by numerous investors are key factors in ensuring appropriate share prices in the stock market. With this in mind, in 1996 we lowered the minimum stock investment unit from 1,000 to 100 shares, with the aim of creating an environment to facilitate share purchases by more and more investors. Going forward, we will develop various strategies to enhance share liquidity and broaden our shareholder base, while properly considering market trends.

4. Medium-Term Strategies

Through relentless market penetration, the Group will reinforce its unique position and competitive edge in the baby and child care segment, its core business. At the same time, we will actively mobilize Groupwide synergies and "drawing power" to build a strong presence in growth areas. Through these actions, we will seek to maximize corporate value on a global scale. Specific initiatives are listed below.
(1) Our domestic business in baby and child care products forms the core of the Group's operations and is a key determinant of our overall corporate value. Our basic strategy for this business is to "create value."
(2) We will position our child-rearing support, overseas, and healthcare businesses as growth areas.
(3) Addressing changes in the earnings structure of our overall business, we will reform internal systems and redistribute managerial resources.

To date, we have made proactive investments to address the dramatically changing nature of our business structure. We have also strengthened our foundation for strategic growth by seizing M&A opportunities in Japan and overseas, with the aim of creating an efficient, growth-oriented corporate group. In the future, will further raise overall Group competitiveness. At the same time, we will implement drastic reforms of our sales strategies in the difficult domestic baby-care products market, as well as in our healthcare business.

5. Issues to Address

According statistics released by the Ministry of Health, Labour and Welfare, the number of births in calendar 2006 increased 32,000 year-on-year, to 1,122,000, reversing a downturn recorded in 2005. In our opinion, this was because second-generation female baby-boomers (born between 1971 and 1974) are now reaching childbearing age. The increasing numbers of pregnancies and births are also a reflection of economic recovery. However, it is unclear whether or not these factors represent an end to the prolonged declining birthrate trend. In response, the Group will target further growth of its member companies while pursuing synergies with new businesses and continuing its proactive business investment policy. In these ways, we will work to meet the performance objectives of Global 500 and satisfy the expectations of all shareholders.

6. Items Related to Parent Company

Not applicable, as Pigeon Corporation does not have a parent company.

7. Other Important Items

In June 2006, Pigeon Corporation and some consolidated subsidiaries centralized their operations under a single roof, by moving to a rental office building in Nihonbashi-Hisamatsucho, Tokyo. The decision to move reflected the Group's expanding business in recent years and is aimed at further raising business efficiency and maximizing synergies, with a view to improving the Group's performance.

At a meeting held on February 26, 2007, the Board of Directors decided to transfer part of the Company's child-minding facility operation business (included in its child-rearing support business) to Pigeon Hearts Co., Ltd., effective April 1, 2007.

3. Performance and Financial Position

1. Performance

(1) Environment and Results

In the fiscal year under review, the Japanese economy continued recovering, boosted by an improved employment environment, in which the jobs-to-applicants ratio exceed one for the first time in 14 years. Winter bonuses for employees also rose for the fourth consecutive year. Although sales of seasonal items were weak due to a relatively warm winter, the outsourcing sector enjoyed favorable conditions, highlighting the widening gap between industries. Meanwhile, the trend of rising raw materials costs, reflecting crude oil price surges since 2006, seems to have settled down. These factors together have provided support for economic recovery.

According to the Ministry of Health, Labour and Welfare, in calendar 2006 the number of childbirths rose more than 30,000 year-on-year, reflecting increased pregnancies among women in theirs 20s, economic recovery, and other factors. Accordingly, the total fertility rate exceeded 1.3 for the first time in four years. Nevertheless, it is premature to conclude that the increase in childbirths is sustainable, since second-generation female baby-boomers are now reaching peak childbearing age.

In June 2006, Pigeon Corporation and some consolidated subsidiaries centralized their operations under a single roof, by selling their head office building and land and moving to a rental office building in Nihonbashi-Hisamatsucho, Tokyo. The decision to move reflected our desire to maximize corporate value by enhancing Groupwide synergies and harnessing our drawing power. Thanks to the move, we are now better positioned to realize efficient business synergies.

During the year, we focused on addressing two core initiatives: realignment of the domestic market and expansion of the Chinese market. In Japan, we recovered our market share thanks to aggressive sales of baby wipes. In China, we broadened our sales network to cover regional cities and introduced new products in the skincare and electrical items categories in response to market needs. As a result, we steadily expanded our share of the Chinese market.

Consolidated net sales for the year totaled ¥45,307 million, up 8.5% from the previous year. Ordinary income grew 24.3%, to ¥2,754 million, and net income jumped 42.7%, to ¥1,916 million.

(2) Segment Review

Baby and Child Care

Sales in this segment amounted to ¥35,501 million, up 10.3% from the previous year. Operating income increased 18.2%, to ¥4,962 million. This segment is classified into three categories: domestic baby and child care products, overseas business, and child-rearing support services.

Domestic Baby and Child Care Products: In the year under review, we sought to recover market share for baby wipes, raise over-the-counter recognition of our brand, and upgrade our direct communications activities. Thanks to aggressive sales activities, we successfully regained our share of the baby wipe market. During the year, we held prenatal maternity classes on 52 occasions as parts of our direct communication initiative aimed at relieving anxiety with respect to pregnancy and child-rearing. We also hosted Maternity Café forums, a Christmas concert, and other events. Seeking to boost recognition of the Pigeon brand, we launched television commercials focusing on childbirth and conducted a proactive publicity campaign.

Overseas Business: The Group achieved solid business growth in East Asia, centering on China, as well as in North America. In China, we unveiled a line of high-end skincare products and multifunctional steam sterilizers. In North America, Lansinoh Laboratories, Inc., a consolidated subsidiary, launched its first new products since becoming a Pigeon Group member. These products, which included electric and manual breast pumps, generated solid business growth. In China, 2007 marks the "Golden Pig Year," an auspicious year for giving birth, leading to predictions of an increase in childbirths in that nation. In the future, we expect the market for our products in China to continue expanding. There, we are building a new production facility to make skincare products, toiletries, baby bottle nipples, and other items. Although commencement of construction had been delayed, we are due to complete construction in March 2007, and the new facility will come on stream in November 2007. In addition, we are rebuilding the Pigeon brand image in China. This effort entails more extensive penetration of high-end channels in China's coastal cities.

All of our other overseas consolidated subsidiaries are performing well, with results exceeding our expectations.

Child-Rearing Support Services: During the period, we were entrusted with the operation of a daycare center run by the Nakano Ward government. We also opened eight new in-company child-minding operations. As a result, we reported an improved year-on-year performance in this category.

Healthcare

Sales in this segment slipped 2.3%, to ¥6,324 million, and operating income edged down 0.3%, to ¥341 million.

During the year, we focused on joint initiatives with Pigeon Tahira Co., Ltd., which became a consolidated subsidiary in 2004 (name changed from Tahira Co., Ltd., in May 2006), in order to highlight our competitive edge in the market. These initiatives included rearranging our product development system and launching our first joint brand, called RE, since integrating our distribution functions. Nevertheless, we failed to achieve the previous year's results. Meanwhile, Pigeon Manaka Co., Ltd., which provides healthcare dispatch services for the elderly, delivered services closely tied to its communities in Tochigi Prefecture. Due to an amendment to the Nursing Care Insurance System in April 2006, however, both the nursing care dispatch and the welfare equipment categories faced difficult conditions.

Others
Sales from other operations totaled ¥3,481 million, up 12.9%. Operating income grew 41.7%, to ¥401 million.

Pigeon Will Co., Ltd., a consolidated subsidiary that sells maternity undergarments, expanded its operations in the year under review. During the year, we reported increased sales of Folic Acid Plus (food with health claims), an easy-to-drink vitamin supplement combining all of the nutritional elements essential during pregnancy and breastfeeding into one tablet. We also launched new products for women in China. This segment's overall performance improved as a result.

Sales by Segment (Consolidated) (¥ millions)

	Year to Jan. 2006	Year to Jan. 2007	Change	Change (%)
Baby & child care	32,185	35,501	3,315	10.3
Healthcare	6,476	6,324	–151	–2.3
Others	3,085	3,481	396	12.9
Total	41,747	45,307	3,560	8.5

Outlook for Year to January 2008
In the domestic baby and child care products business, we expect difficult conditions to continue amid predictions that the recent recovery in births may not be sustainable. In response, we will harness Groupwide synergies and drawing power, establish a foundation conducive to increased revenues and earnings, and strive to raise our corporate value on a global basis.

For the year, we forecast consolidated net sales of ¥48.4 billion (up 6.8%), ordinary income of ¥2.85 billion (up 3.8%), and net income of ¥1.6 billion (down 16.5%).

Forecast (Consolidated) (¥ millions)

	Year to Jan. 2007	Year to Jan. 2008	Change
Net sales	45,307	48,400	3,092
Ordinary income	2,745	2,850	104
Net income	1,916	1,600	-316

2. Financial Position

(1) Assets
As of January 31, 2007, Pigeon had consolidated total assets of ¥35,648 million, up ¥1,710 million (or 5.0%) from a year earlier. Within this amount, total current assets rose ¥1,947 million (12.8%), and total fixed assets declined ¥237 million (1.3%).

Major factors boosting current assets were a ¥1,710 million (22.4%) increase in notes and accounts receivable and a ¥776 million (40.8%) jump in cash and time deposits. This was despite a ¥282 million (6.4%) decline in inventories.

Principal reasons for the fall in fixed assets were a ¥336 million (16.7%) decline in the consolidation adjustment account, a ¥220 million (9.9%) decrease in machinery and transportation equipment, and a ¥199 million (3.3%) decline in land. These factors outweighed a ¥243 million (5.7%) increase in buildings and structures and a ¥299 million (24.7%) rise in investment securities.

(2) Liabilities

Total liabilities at fiscal year-end stood at ¥12,654 million, down ¥526 million (4.0%) over the period. Current liabilities declined ¥1,420 million (12.3%), while long-term liabilities jumped ¥893 million (55.6%).

Main factors causing current liabilities to decline were a ¥1,269 million (93.9%) drop in current portion of long-term debt and a ¥685 million (36.6%) fall in short-term bank loans, which outweighed a ¥431 million (23.5%) rise in accrued amount payable.

The increase in long-term liabilities stemmed mainly from a ¥918 million (754.1%) surge in long-term debt.

(3) Net assets

At January 31, 2007, consolidated net assets amounted to ¥22,993 million, up ¥2,680 million (13.2%) from a year earlier. This increase resulted mainly from a ¥1,423 million (12.9%) rise in retained earnings and the inclusion of minority interests (amounting to ¥541 million) in the calculation of net assets from the year under review. This was despite a ¥270 million (29.4%) decline in treasury stock.

(4) Cash Flows

Cash and cash equivalents at January 31, 2007, stood at ¥2,680 million, up ¥776 million from January 31, 2006 (which in turn was down ¥864 million from January 31, 2005).

Factors boosting cash and cash equivalents included ¥3,305 million in income before income taxes (up 51.3% year-on-year), ¥1,439 million in depreciation (up 4.82%), and ¥1,365 million in proceeds from sales of property, plant, and equipment (up from ¥4 million). Contrasting factors included a ¥1,513 million increase in notes and accounts receivable (¥1,106 million decrease in the previous year) and a ¥1,042 million net decrease in short- and long-term debt (¥316 million net increase in the previous year).

Net cash provided by operating activities amounted to ¥2,376 million, up 34.1%. Factors boosting operating cash flows included ¥3,305 million in income before income taxes and ¥1,439 million in depreciation (up 4.82%). Contrasting factors included a ¥1,513 million increase in notes and accounts receivable (¥1,106 million decrease in the previous year), a ¥1,252 million gain on sales of property, plant, and equipment, and ¥847 million in income taxes paid (down ¥15.6%).

Net cash used in investing activities totaled ¥395 million, down 76.3%. This stemmed mainly from ¥1,545 million in acquisitions of tangible and intangible fixed assets (down 4.5%), which outweighed ¥1,388 million in proceeds from sales of sales of property, plant, and equipment (up from ¥800 million in the previous year).

Net cash used in financing activities was ¥1,284 million, up 26.1%. This resulted primarily from a ¥1,042 million net decrease in short- and long-term debt (¥316 million net increase in the previous year), ¥492 million in payment of cash dividends (up 11.6%), and ¥291 million in proceeds from sales of treasury stock (¥22 million in the previous fiscal year).

Cash Flow Indexes

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

Notes:

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

- Each index is calculated based on consolidated financial figures.
- Market value of total stock is calculated by multiplying the stock price (closing price at the end of the term) by the number of shares outstanding at the end of the term (after deduction of treasury stock).
- Operating cash flow figures are taken from the Cash Flows from Operating Activities section of the Consolidated 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. CSR Initiatives

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 business centers on delivering products and services that address the needs of these people. In other words, we are in the CSR business. Moreover, we regard all of our stakeholders as "customers," and taking care of all stakeholders in a well-balanced manner is a key CSR initiative and a way to improve corporate value.

With respect to environmental protection, Pigeon formed an agreement with Japan's Forestry Agency in 1986 to participate in a profit-sharing forestation program. In the ensuing 20 years, we have undertaken annual tree-planting campaigns under this program, which is based on the premise that both babies and seedlings require warm and nurturing environments in order to grow and prosper. By planting trees to commemorate the arrival of newborn babies, we aim to foster awareness about protection of forests and create green areas for future generations to enjoy. The tree-planting area, located near Hitachi-Omiya City, Ibaraki Prefecture, has expanded to cover 27.76 hectares and includes around 80,000 trees. According to calculations by the Forestry Agency, the environmental contribution of our tree-planting activities over a 10-year period is shown below.

Environmental Contribution (10 years)

Water resource preservation contribution

Water stored	118 swimming pools (each 25 x 10 x 1m) (total 29,266m^3)

Water purified 16,035 home-use water purification cartridges (6-month life) (total 29,266m^3)

Landslide prevention contribution
Volume of soil preserved 18.12m-diameter cylindrical tank (6.7m high) (total 641m^3)

CO_2 absorption/storage contribution
CO_2 absorption/carbon-fixing CO_2 emitted by car (10km/l fuel efficiency) traveling 2.27 million km (56.7 times earth circumference) (total 526t of CO_2)

4. Business Risks

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

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

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

(3) Climactic and Natural Disasters
The markets for baby and child care products and healthcare products, the Group's mainstay businesses, are relatively impervious to weather-related factors. However, the sudden occurrence of earthquakes and other major disasters could potentially damage our manufacturing facilities, causing a decline in production volume. The Group's business results could be affected as s 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, potentially affecting the Group's 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.

(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, Product Liability Law, and Nursing Care Insurance System. If such laws and regulations are revised, or unexpected ones introduced, the Group's business performance could be affected as a result.

(7) Risks Related to the Child-Rearing Support Business

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

(8) Litigation

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

(9) Information System Risk

The Group has in its possession personal information about numerous customers, acquired via sales promotion campaigns, the annual "Newborn Baby Commemorative Tree-Planting Campaign," and other events. To prevent loss, mistaken use, and falsification of such important information, the Group undertakes security measures for managing its systems and information. However, unforeseen events could cause our information systems to break down, stop, or undergo temporary disruption, resulting in potential loss, leakage, or falsification of personal and other internal information. Such events, which include power outages, major disasters, software and hardware defects, computer viruses, and illegal access, could have a negative impact on the Group's operating activities and potentially affect its performance and financial position.

(10) Protection of Personal Information

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 e-learning and other 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.

4. Cautionary Note on Forward-Looking Statements

In this document, statements other than historical facts related to plans, forecasts, and strategies are based on information available at the time of writing. The Corporation cannot provide guarantees or commitments for these forward-looking statements. Due to various factors, actual results may differ significantly from those anticipated in this document.

Consolidated Balance Sheets

(Figures rounded down to nearest thousand yen)

	At January 31, 2006		At January 31, 2007		Change
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen
ASSETS		%		%	
I Current Assets					
Cash and time deposits	1,903,361		2,680,117		776,755
Notes and accounts receivable	7,643,258		9,353,907		1,710,649
Securities	―		6,000		6,000
Inventories	4,437,556		4,154,981		(282,575)
Deferred tax assets	752,275		571,773		(180,502)
Other receivables	385,309		314,502		(70,807)
Other current assets	150,450		156,404		5,953
Allowance for doubtful accounts	(12,155)		(29,983)		(17,827)
Total Current Assets	15,260,057	45.0	17,207,703	48.3	1,947,646
II Fixed Assets					
1. Tangible Fixed Assets					
Buildings and structures	4,237,705		4,481,277		243,571
Machinery and transportation equipment	2,222,610		2,001,623		(220,987)
Tools, furniture and fixtures	632,669		713,821		81,152
Land	6,123,907		5,924,430		(199,476)
Construction in progress	141,234		219,258		78,024
Total Tangible Fixed Assets	13,358,127	39.4	13,340,411	37.4	(17,715)
2. Intangible Fixed Assets					
Consolidation adjustment acounts	2,011,458		1,675,201		(336,256)
Software	972,033		873,156		(98,876)
Other intangible fixed assets	51,902		32,404		(19,497)
Total Intangible Fixed Assets	3,035,393	8.9	2,580,762	7.2	(454,630)
3. Investments and Other Assets					
Investment securities	1,214,238		1,513,622		299,383
Insurance reserve	487,241		483,489		(3,751)
Bankruptcy claims	12,812		17,018		4,205
Deferred tax assets	242,278		218,104		(24,173)
Other	344,627		304,541		(40,085)
Allowance for doubtful accounts	(17,031)		(17,628)		(596)
Total Investments and Other Assets	2,284,166	6.7	2,519,148	7.1	234,982
Total Fixed Assets	18,677,687	55.0	18,440,323	51.7	(237,364)
Total Assets	33,937,744	100.0	35,648,026	100.0	1,710,281

Consolidated Balance Sheets

(Figures rounded down to nearest thousand yen)

	At January 31, 2006		At January 31, 2007		Change
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen
LIABILITIES		%		%	
Ⅰ Current Liabilities					
Notes and accounts payable	4,627,960		4,510,935		(117,025)
Short-term borrowings	1,874,178		1,188,748		(685,430)
Current portion of long-term debt	1,351,442		81,770		(1,269,672)
Accrued amount payable	1,840,129		2,271,845		431,716
Income taxes payable	439,096		500,458		61,362
Deferred tax liabilities	1,096		1,116		19
Accrued bonuses to employees	484,924		511,523		26,598
Returned goods adjustment reserve	26,900		21,000		(5,900)
Other current liabilities	929,042		1,067,339		138,297
Total Current Liabilities	11,574,770	34.1	10,154,737	28.5	(1,420,032)
Ⅱ Long-Term Liabilities					
Long-term borrowings	121,770		1,040,000		918,230
Deferred tax liabilities	672,603		812,829		140,225
Employees' retirement benefits	170,113		188,593		18,480
Retirement benefits for directors and corporate auditors	338,655		331,812		(6,843)
Other long-term liabilities	303,342		126,431		(176,911)
Total Long-Term Liabilities	1,606,485	4.7	2,499,666	7.0	893,181
Total Liabilities	13,181,255	38.8	12,654,403	35.5	(526,851)
MINORITY INTERESTS					
Minority Interests	443,656	1.3	－		(443,656)
SHAREHOLDERS' EQUITY					
Ⅰ Capital stock	5,199,597	15.3	－		(5,199,597)
Ⅱ Additional paid-in capital	5,146,690	15.2	－		(5,146,690)
Ⅲ Consolidated retained earnings	11,052,496	32.6	－		(11,052,496)
Ⅳ Net unrealized gains (losses) on securities	38,218	0.1	－		(38,218)
Ⅴ Foreign currency translation adjustment	(204,080)	(0.6)	－		204,080
Ⅵ Treasury stock, at cost	(920,087)	(2.7)	－		920,087
Total Shareholders' Equity	20,312,833	59.9	－		(20,312,833)
Total Liabilities, Minority Interests and Shareholders' Equity	33,937,744	100.0	－		(33,937,744)

SHAREHOLDERS' EQUITY					
Ⅰ Shareholder's equity					
1 Capital stock	－		5,199,597	14.6	5,199,597
2 Additional paid-in capital	－		5,165,498	14.5	5,165,498
3 Consolidated retained earnings	－		12,475,585	35.0	12,475,585
4 Treasury stock, at cost	－		(649,429)	(1.8)	(649,429)
Total Shareholders' Equity	－		22,191,250	62.3	22,191,250
Ⅱ Deffered valuation and exchange					
1 Net unrealized gains (losses) on securities	－		34,910	0.1	34,910
2 Foreign currency translation adjustment	－		226,381	0.6	226,381
Total Deffered valuation and exchange	－		261,291	0.7	261,291
Ⅲ Minority Interests	－		541,080	1.5	541,080
Total Net Assets	－		22,993,623	64.5	22,993,623
Total Liablities and Net Assets	－		35,648,026	100.0	35,648,026

Consolidated Statements of Income

	Year ended January 31, 2006		Year ended January 31, 2007		Change
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen
		%		%	
Ⅰ Net Sales	41,747,212	100.0	45,307,931	100.0	3,560,719
Ⅱ Cost of Sales	26,116,655	62.6	28,185,960	62.2	2,069,305
Gross profit	15,630,556	37.4	17,121,971	37.8	1,491,415
Reversal of reserve for returned products	31,200		26,900		(4,300)
Transfer to reserve for returned products	26,900		21,000		(5,900)
Adjusted gross profit	15,634,856	37.5	17,127,871	37.8	1,493,014
Ⅲ Selling, General and Administrative Expenses	13,419,853	32.2	14,373,647	31.7	953,793
Operating Income	2,215,002	5.3	2,754,223	6.1	539,221
Ⅳ Other Income	364,344	0.9	351,665	0.8	(12,678)
Interest	9,518		25,520		16,002
Dividend income	12,953		15,741		2,788
Rental income	138,711		108,072		(30,639)
Equity in earnings of nonconsolidated subsidiaries and affiliates	44,333		29,579		(14,754)
Other	158,826		172,752		13,926
Ⅴ Other Expenses	378,870	0.9	360,265	0.8	(18,604)
Interest expense	51,617		45,606		(6,011)
Sales discounts	213,673		176,404		(37,269)
Currency exchange loss	—		51,493		51,493
Rental income-related costs	98,644		68,032		(30,612)
Other	14,934		18,728		3,794
Ordinary Income	2,200,476	5.3	2,745,623	6.1	545,147
Ⅵ Extraordinary Income	56,593	0.1	1,274,085	2.8	1,217,491
Gain on sales of property	—		1,252,745		1,252,745
Gain on sale of investment securities	—		20,000		20,000
Reversal of allowance for doubtful accounts	53,750		1,340		(52,410)
Other	2,843		0		(2,843)
Ⅶ Extraordinary Loss	72,912	0.2	713,788	1.6	640,876
Loss on disposal of property	—		213,028		213,028
Loss on sale/disposal of property	61,418		105,642		44,224
Impairment loss	—		140,947		140,947
Expenses for headquarter relocation	—		207,440		207,440
Other	11,494		46,729		35,235
Income before Income Taxes	2,184,156	5.2	3,305,921	7.3	1,121,764
Income Taxes	682,451		973,744		291,293
Adjustment for Corporate Tax	92,942		347,627		254,685
Less: Minority Interest in Net Income of Consolidated Subsidiaries	66,183	0.2	68,156	0.2	1,973
Net Income	1,342,579	3.2	1,916,392	4.2	573,812

Consolidated Retained Earnings

(Figures rounded down to nearest thousand yen)

	Year ended January 31, 2006
	Thousands of yen
CAPITAL SURPLUS	
Ⅰ. Balance at beginning of term	5,145,608
Ⅱ. Increase in capital surplus	
Profit from disposal of treasury stock	1,081
Ⅱ. Balance at end of term	5,146,690
EARNED SURPLUS	
Ⅰ. Balance at beginning of term	10,149,781
Ⅱ. Increase in earned surplus	
Net income	1,342,579
Ⅲ. Decrease in earned surplus	
Cash dividends	439,864
Ⅳ. Balance at end of term	11,052,496

Consolidated Statement of Shareholders' Equity

Year ended January 31, 2007 (Figures rounded down to nearest thousand yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 31, 2006 (in yen thousand)	5,199,597	5,146,690	11,052,496	△ 920,087	20,478,696
Amount of change during the consolidated fiscal year	—	—	—	—	—
Dividends of surplus	—	—	△ 493,303	—	△ 493,303
Net income	—	—	1,916,392	—	1,916,392
Disposal of treasury stocks	—	18,807	—	272,763	291,571
Acquisition of treasury stocks	—	—	—	△ 2,105	△ 2,105
(Net) amount of change during the consolidated fiscal year in terms other than those under shareholders' equity	—	—	—	—	—
Total amount of change during the consolidated fiscal year (in yen thousand)	—	18,807	1,423,089	270,657	1,712,554
Balance as of January 31, 2007 (in yen thousand)	5,199,597	5,165,498	12,475,585	△ 649,429	22,191,250

(Figures rounded down to nearest thousand yen)

	Valuation and exchange differences etc.			Minority Intersets	Total net assets
	Profit/loss on deferred valuation of other securities	Profit/loss on deferred exchange	Total Valuation and exchange difference		
Balance as of January 31, 2006 (in yen thousand)	38,218	△ 204,080	△ 165,862	443,656	20,756,489
Amount of change during the consolidated fiscal year	—	—	—	—	—
Dividends of surplus	—	—	—	—	△ 493,303
Net income	—	—	—	—	1,916,392
Disposal of treasury stocks	—	—	—	—	291,571
Acquisition of treasury stocks	—	—	—	—	△ 2,105
(Net) amount of change during the consolidated fiscal year in terms other than those under shareholders' equity	△ 3,308	430,462	427,154	97,424	524,578
Total amount of change during the consolidated fiscal year (in yen thousand)	△ 3,308	430,462	427,154	97,424	2,237,133
Balance as of January 31, 2007 (in yen thousand)	34,910	226,381	261,291	541,080	22,993,623

Consolidated Statements of Cash Flows

(Figures rounded down to nearest thousand yen)

	Year ended January 31, 2006	Year ended January 31, 2007	Change
	Thousands of yen	Thousands of yen	Thousands of yen
Ⅰ. Cash Flows from Operating Activities			
Income before income taxes	2,184,156	3,305,921	1,121,764
Depreciation	1,372,632	1,439,031	66,399
Amortization of difference between investment costs and equity in net assets acquired	—	140,947	140,947
Amortization of goodwill	375,386	376,734	1,347
Increase/decrease in allowance for doubtful accounts	(612,945)	17,935	630,881
Change in accrued bonuses to employees	(32,778)	26,458	59,236
Change in employees' retirement benefits	2,961	18,480	15,518
Increase/decrease in reserve for retirement benefits to directors and corporate auditors	9,316	(6,843)	(16,160)
Interest and dividend income	(22,472)	(41,261)	(18,789)
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(44,333)	(29,579)	14,754
Interest expense	51,617	45,606	(6,011)
Gain on fixed assets disposal	—	(1,252,745)	(1,252,745)
Gain on sales of investment securities	—	(20,000)	(20,000)
Loss on fixed assets disposal	—	213,028	213,028
Loss on fixed assets sales	61,418	105,642	44,224
Decrease (increase) in trade receivables	1,106,195	(1,531,070)	(2,637,266)
Decrease (increase) in inventories	(909,408)	375,149	1,284,557
(Decrease) increase in trade payables	(1,621,029)	(203,713)	1,417,316
(Decrease) increase in account payables	576,320	326,676	(249,643)
Decrease (increase) in consumption tax payable	(135,748)	93,432	229,181
Increase/decrease in bankruptcy claims	632,399	(4,205)	(636,605)
Increase in employees' accrued retirement benefits	(198,518)	(195,011)	3,506
Other	34,080	46,529	12,449
Subtotal	2,829,250	3,247,143	417,892
Interest and dividends received	21,922	37,810	15,888
Interest paid	(49,680)	(43,726)	5,954
Income taxes paid	(1,036,073)	(874,025)	162,047
Net Cash Provided by (Used in) Operating Activities	1,765,419	2,367,201	601,782
Ⅱ. Cash Flows from investing Activies			—
Acquisition of property, plant and equipment	(1,047,788)	(1,369,168)	(321,379)
Proceeds from sales of property, plant and equipment	8,255	1,388,298	1,380,042
Acquisition of intangible assets	(569,769)	(176,168)	393,600
Acquisition of investments in securities	(17,760)	(265,469)	(247,709)
Proceeds from sales of investments in securities	510	25,000	24,490
Payment to life insurance fund for directors	(54,587)	(51,494)	3,092
Proceeds due to maturity/cancellation of insurance reserve	65,313	67,968	2,655
Acquisition of shares in subsidiaries	(29,765)	(30,093)	(328)
Loans advanced	(1,017)	(2,046)	(1,028)
Collection of loan receivables	3,642	1,750	(1,891)
Proceeds from recovery of lease deposits	—	(83,499)	(83,499)
Collection of lease deposits	—	130,728	130,728
Other	(25,568)	(31,748)	(6,179)
Net Cash Provided by (Used in) Investing Activities	(1,668,535)	(395,941)	1,272,594
Ⅲ. Cash Flows from Financing Activities			—
Net increase in short-term bank loans	14,282,168	8,302,165	(5,980,002)
Repayment of short-term debt	(13,307,509)	(8,993,005)	4,314,503
Proceeds from long-term debt	—	1,000,000	1,000,000
Repayment of long-term debt	(657,946)	(1,351,442)	(693,496)
Payment of cash dividends	(441,703)	(492,953)	(51,250)
Payment of cash dividends to minority shareholders	(34,787)	(38,369)	(3,581)
Proceeds from sale of treasury stock	22,748	291,571	268,823
Acqisition of treasury stock	(881,456)	(2,105)	879,351
Net Cash Provided by (Used in) Financing Activities	(1,018,487)	(1,284,139)	(265,652)
Ⅳ. Translation Gain (Loss) Related to Cash and Cash Equivalents	56,673	89,634	32,960
Ⅴ. Net Change in Cash and Cash Equivalents	(864,930)	776,755	1,641,685
Ⅵ. Cash and Cash Equivalents at Beginning of Term	2,768,291	1,903,361	(864,930)
Ⅶ. Cash and Cash Equivalents at End of Term	1,903,361	2,680,117	776,755