Summary of Consolidated Financial Results for Six Months Ended July 31, 2004

September 13, 2004

Company name: Pigeon Corporation	Listings: Tokyo Stock Exchange (First Section)

Stock code: 7956	Headquarters: Tokyo

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

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BOD meeting for approving interim financial results: September 13, 2004

U.S. accounting standards: Not applicable

1. Consolidated Financial Results (Six months ended July 31, 2004 and 2003)

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

	Net sales	Change (%)	Operating income	Change (%)	Ordinary income	Change (%)
2004	19,754	(14.1)	1,321	(−0.1)	1,317	(6.5)
2003	17,318	(4.0)	1,322	(23.0)	1,236	(26.9)
Year ended January 31,	34,156		2,651		2,504	

	Net income	Change (%)	Net income per share (¥)	Net income per share (fully diluted) (¥)
2004	846	(31.7)	42.15	40.05
2003	849	(72.7)	32.17	32.17
Year ended January 31,	1,270		63.59	63.53

Notes: 1. Equity in earnings of affiliates: ¥21 million (July 2004); ¥21 million (July 2003); ¥28 million (Jan. 2004)
2. Average shares outstanding (cons.): 20,073,396 (6 months ended July 2004); 19,980,525 (6 months ended July 2003); 19,985,943 (Year ended Jan. 2004)
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 (¥)
2004	36,263	19,424	53.6	962.31
2003	30,950	18,232	58.9	912.13
At January 31, 2004	30,212	18,647	61.7	932.65

Note: Shares outstanding at term-end (consolidated): 20,185,789 (July 2004); 19,989,525 (July 2003); 19,994,017 (Jan. 2004)

(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
2004	1,987	(2,302)	335	3,240
2003	976	61	(1,759)	2,412
Year ended January 31, 2004	2,156	374	(2,427)	3,223

(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: 3 (newly included); 1 (excluded)	Equity method application: 0 (newly included); 0 (excluded)

2. Forecast for Fiscal Year Ending January 31, 2005

(¥ millions, rounded down)

	Net sales	Ordinary income	Net income
Full year	41,400	2,700	1,600

(Reference) Forecast net income per share (full year): ¥79.26

Please refer to pages 8-9 of this report for preconditions related to forward-looking statements and related items.

Corporate Group

The Pigeon Group consists of the Pigeon Corporation (the parent company), 13 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.

Management Policies

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. To this end, we are comprehensively developing both the product and service aspects of our business.

In our quest to become a high-profile, "brightly shining" company, raising corporate value is a central theme. By "raising corporate value," we mean earning the trust, satisfaction, and support of all constituents, including shareholders, customers, business partners, and local communities.

Profit Appropriation Policy

The Pigeon Group regards the return of profits to shareholders—made possible by ongoing improvements to Group-wide profitability—as an important management priority. With respect to appropriating profits, our policy is to provide ample retained earnings to reinforce and upgrade our operating foundation, taking into account future conditions and long-term business development plans. It is also our policy 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. Here, we take into account all relevant factors, such as corporate performance and dividend payout ratio.

For the period under review, we plan to pay an interim dividend of ¥8.00 per share.

Medium-Term Strategies

Amid a rapidly changing business environment, with the nation confronted by low birthrates and an aging population, the Pigeon Group is promoting a medium-term management plan designed to solidify its operating foundation for the 21st century. Entitled Corporate Value Creation 21, the plan covers the three-year period to January 2005 and focuses on “three-generation marketing” and “reinforcement of overseas business strategies.” This is the final year of the plan. It is essential that we fulfill its objectives, so that we can aspire to even higher targets when formulating our next medium-term plan. To this end, the Group is concentrating on the following four initiatives.

- Reinforce business base
- Enhance Group-wide efficiency
- Allocate investments to growth areas
- Reform our personnel system and organization

In the first two years of the plan, we made solid progress in three of the above four areas: reinforcing our business base, enhancing Group-wide efficiency, and reforming our personnel system and organization. In the current fiscal year, we are concentrating on the remaining initiative—allocating investments to growth areas—through measures outlined below.

Investing in Growth Areas

(1) Expanding our child-rearing support business

The trend of declining birthrates in Japan has greatly exceeded all expectations, with the fertility rate falling to 1.29 in fiscal 2003. In the domestic baby care market, the core business of the Pigeon Group, we therefore cannot expect a recovery in birthrates, and conditions for selling baby care products will remain difficult. To address this situation, the national government created legislation, called the Law for Measures to Support the Development of the Next Generation, to be enacted in fiscal 2005. The new law will obligate central and local government entities, as well as business owners, to formulate and enforce specific action plans to support the child-rearing efforts of their employees. The drafting of this legislation is expected to herald major changes in the environment for the child-rearing support business. In April 2004, all of Japan's national hospitals and nursing homes were privatized, and the operation of their child-minding centers, numbering 116 in total, was entrusted to Pigeon, thus has greatly raising the Corporation's profile. By further distinguishing our child-minding centers from those of our competitors, we plan to use our dominance to solidify our market position.

(2) Expanding our overseas business

In April 2004, we formed an agreement with Lansinoh Laboratories, Inc., a prominent U.S. manufacturer of breast-feeding-related products. Under the agreement, Lansinoh became a wholly owned subsidiary of Pigeon. Our intention here is to secure new sales channels in the North American market, where the birthrate continues to rise, and expand sales through the launch of attractive new breast-feeding-related products.

In the rapidly growing Chinese market, our sales have centered on large cities, such as Beijing, Shanghai, and Guangzhou. Going forward, we will further boost recognition of the Pigeon brand by building a sales network encompassing major regional cities. In April 2004, Pigeon (Shanghai) Co., Ltd., began producing baby bottle nipples as its core product.

(3) Strengthening our healthcare business

As Japan's population ages, the healthcare market continues to promise major growth in the future. We were urgently called to expand our business by developing products for the elderly and enhancing their sales—consistent with our "three-generation marketing" strategy. In the healthcare segment, for example, Tahira Co., Ltd., which makes and sells nursing care products for the elderly, became a subsidiary in February 2004, enabling us to accelerate our business expansion in this market. With a nationwide sales network, Tahira supplies its products to nursing homes for the elderly, geriatric healthcare facilities, group homes and other facilities, while Pigeon supplies through drugstores. Now that Tahira has joined the Group, we have sales channels serving both aged care facilities and at-home care providers. The Pigeon Group is forming an arrangement covering product development, manufacture, sales, and distribution, which will provide a significant boost to the Group's healthcare business.

Note: Our "three-generation marketing" strategy entails mobilizing brand loyalty to develop safe, reliable products and services that provide peace of mind to people across three generations—babies, women (centering on mothers), and the elderly—and translating growing brand recognition into an expanded market presence.

Issues to Address

Business conditions surrounding the Pigeon Group are expected to remain difficult. Nevertheless, we are determined to achieve the objectives of Corporate Value Creation 21, especially now that we are in its final year. Our most important challenge is to shift the focus of management to improving corporate value. By achieving the objectives of the plan, we intend to improve the Group's business performance and thus meet the expectations of all shareholders.

Corporate Governance

The Pigeon Group's basic corporate governance policy is to ensure swift management responses to changing business conditions, while reinforcing overall Group operations and raising Pigeon's social awareness and transparency as a corporation.

Through weekly managers' meetings, for example, we are able to quickly solve problems based on grass-roots perspectives. Moreover, our Board of Directors includes external auditors, whose spirited opinions help strengthen the Board's function in supervising the execution of business. To increase the speed of business enforcement, we have introduced an executive officer system, under which executive officers are given significant authority to concentrate on business execution. Keen to enhance the transparency of our operations, we also maintain proactive investor relations (IR) activities aimed at individual and institutional investors. These activities include swift and accurate information disclosure.

Performance

Interim Period in Review

Environment and Reponses

In the interim period under review, the Japanese economy continued to recover, albeit moderately, owing to increased exports stemming from economic expansion in the

United States and China, as well as from strong capital spending due to improved corporate earnings. The recovery only had a mild effect on personal consumption, however, amid the continuing severe employment environment and growing concerns about the future with respect to pensions and other issues .

This is the final year of the period covered by the Pigeon Group's medium-term management plan, Corporate Value Creation 21. During the interim period under review, we pursued aggressive management and sales strategies and built internal frameworks allowing swift, accurate decision-making even in times of drastic changes in the business environment. We also focused on reinforcing cost-competitiveness by revamping the earnings structure of the entire Group.

The trend of declining prices, especially of consumables, in the baby and healthcare markets—the Pigeon Group's principal areas of involvement—has started to bottom out. Nevertheless, business conditions remained generally difficult throughout the interim period. In response, we strove to expand revenue and earnings by actively launching new products and lowering all-round costs.

Consolidated net sales for the period totaled ¥19,754 million, up 14.1% from the previous corresponding period. Ordinary income grew 6.5%, to ¥1,317 million, and net income climbed 31.7%, to ¥846 million.

Sales by Segment (Consolidated) (¥ millions)

	6 mths to July 03	6 mths to July 04	Change	Change (%)
Baby & child care	14,229	14,816	587	4.1
Healthcare	1,961	3,490	1,528	77.9
Others	1,126	1,447	320	28.5
Total	17,318	19,754	2,436	14.1

Segment Review

Baby and Child Care

Sales in this segment amounted to ¥14,816 million, up 4.1% from the previous corresponding period. Operating income declined 17.7%, to ¥2,270 million. This segment is classified into three categories: domestic baby and child care services, child-rearing support services, and overseas business.

Domestic baby and child care: In this category, the trend of declining prices, especially of consumables, showed signs of bottoming out. However, our main customers—operators of drugstores and retail outlets specializing in baby products—faced intensified price competition, exacerbated by ongoing deflationary pressures.

In this difficult environment of declining birthrates, Pigeon launched a number of new products, including a foam-type baby shampoo that is convenient and easy to use, and rice cakes that can be simply prepared by adding water and baking in a pan. We also introduced a line of baby shoes—the result of many years of research into the walking habits of toddlers. Despite these efforts, sales in this category failed to reach the level of the previous corresponding period.

Child-rearing support: In April 2004, all of Japan's national hospitals and nursing homes were privatized, and the operation of their 116 child-minding centers was entrusted to Pigeon Corporation. We also took over operation of the Sanno Nursery School in Tokyo's Ota Ward in the same month. These events greatly boosted the parent company's results in this category. Pigeon Hearts Co., Ltd., a wholly owned subsidiary, is also involved in child-rearing support, providing in-company child-minding and babysitter dispatch services, as well as operation of the Kids World chain of child-minding centers. In the period under review, Pigeon Hearts also attracted new consignment business, thus benefiting the Group's consolidated results.

Overseas business: In April 2004, Lansinoh Laboratories, Inc., a prominent U.S. manufacturer of breast-feeding-related products, became a wholly owned subsidiary of Pigeon. Although the acquisition occurred just over two months before the end of the interim term, we are already witnessing favorable results. Going forward, we will work with Lansinoh to expand sales of breast-feeding-related products, not only in North America but in Europe as well.

Other overseas consolidated subsidiaries also performed well during the period. By export market, we reported solid sales in China, South Korea, and the Middle East. By product line, we posted significant year-on-year sales increases of baby bottle nipples and weaning foods in South Korea, and of cleansers and disinfectants for baby bottles and vegetables in Hong Kong and Singapore.

Healthcare

Sales in this segment rose 77.9%, to ¥3,490 million. Operating income expanded 123.5%, to ¥206 million.

The addition of Tahira to the Pigeon Group provided a substantial boost to revenues in this segment. The Pigeon Group will target further dramatic growth in the areas of product development, manufacture, sales, and distribution. On August 23, 2004, eight Tahira products hit the shelves in drugstores around Japan.

Price competition among retail stores selling incontinence pads and other consumables remains fierce. Pigeon also strove to raise our market share and expand sales through proactive marketing efforts and reductions in production costs.

Pigeon Manaka Co., Ltd., a consolidated subsidiary which provides healthcare dispatch services for the elderly, continued building a business model based on close ties with its local communities and expanded its services in Tochigi Prefecture. The company became profitable as a result.

Others

Sales from other operations totaled ¥1,447 million, up 28.5%. Operating income totaled ¥128 million, compared with an operating loss of ¥75 million in the previous corresponding period.

Female care products account for the bulk of revenues in this segment. During the period, we launched a new series of cosmetics for mothers who put their babies first. These items reflected our product development expertise, acquired over many years of creating products to meet the delicate needs of babies. Meanwhile, Pigeon Will Co., Ltd., which mainly sells maternity undergarments, secured new shelf space at retail stores and achieved success in its strategy of encouraging customers to be more selective in their purchasing. Consequently, Pigeon Will greatly increased its revenues and earnings in the period.

Outlook

Despite expectations of steady recovery, there are various reasons to be concerned about the direction of the Japanese economy. These include economic slowdowns overseas and rising crude oil prices. We also predict that full-scale recovery in employment conditions and personal consumption will require more time.

In response, the Pigeon Group will work relentlessly to achieve the objectives of its current medium-term management plan (described earlier in the "Issues to Address" section of this report).

In the baby and child care market, our principal area of involvement, we cannot expect a recovery in Japan's birthrate. However, we will develop highly functional, top-quality products that will satisfy customers, and will also take advantage of product- and service-related synergies with our child-rearing support business, with the intention of raising our market profile and honing our competitive edge.

We will reinforce ties with overseas subsidiaries in order to broaden our production and sales capacities, especially in the United States and China.

Meanwhile, we will target higher sales in the continuously expanding healthcare market by further strengthening our cooperation with Tahira.

Included in the Others segment are dietary supplements and female care products. Going forward, we will reinforce our "three-generation marketing" strategy and actively promote products that improve the comfort levels of women as they face the physical and mental changes associated with pregnancy. Our aim here is to enhance recognition and expand sales of Pigeon's female care products.

For the fiscal year to January 2005, the Group forecasts consolidated net sales of ¥41.4 billion (up 21.2%), operating income of ¥2.8 billion (up 6.0%), ordinary income of ¥2.7 billion (up 7.8%), and net income of ¥1.6 billion (up 25.9%).

Consolidated Interim Balance Sheets

(Figures rounded down to nearest thousand yen)

	At July 31, 2004		At July 31, 2003		At January 31, 2004	
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen	% of total
ASSETS		%		%		%
Ⅰ Current Assets						
Cash and time deposits	3,240,369		2,412,561		3,223,703	
Notes and accounts receivable	9,379,573		8,247,778		7,544,352	
Inventories	3,653,692		3,302,090		2,876,839	
Deferred tax assets	667,564		270,231		415,040	
Other receivables	243,997		293,510		371,559	
Other current assets	204,121		156,024		144,016	
Allowance for doubtful accounts	(9,497)		(203,182)		(158,743)	
Total Current Assets	17,379,821	47.9	14,479,012	46.8	14,416,767	47.7
Ⅱ Fixed Assets						
1. Tangible Fixed Assets						
Buildings and structures	4,530,745		4,457,608		4,312,574	
Machinery and transportation equipment	2,145,997		2,603,220		2,329,457	
Tools, furniture and fixtures	578,741		542,858		538,734	
Land	6,101,231		5,840,737		5,826,823	
Construction in progress	83,944		13,852		26,921	
Total Tangible Fixed Assets	13,440,660	37.1	13,458,277	43.5	13,034,510	43.1
2. Intangible Fixed Assets						
Consolidation adjustment acounts	2,408,211		—		—	
Software	694,678		560,163		603,722	
Other intangible fixed assets	57,926		33,912		33,863	
Total Intangible Fixed Assets	3,160,815	8.7	594,075	1.9	637,585	2.1
3. Investments and Other Assets						
Investment securities	1,058,578		1,509,444		1,021,838	
Insurance reserve	648,578		472,233		516,726	
Deferred tax assets	188,233		48,566		135,812	
Other	977,231		1,057,171		1,034,231	
Allowance for doubtful accounts	(590,839)		(668,729)		(585,185)	
Total Investments and Other Assets	2,281,782	6.3	2,418,685	7.8	2,123,423	7.0
Total Fixed Assets	18,883,258	52.1	16,471,038	53.2	15,795,518	52.3
Total Assets	36,263,080	100.0	30,950,050	100.0	30,212,286	100.0

Consolidated Interim Balance Sheets

(Figures rounded down to nearest thousand yen)

	At July 31, 2004		At July 31, 2003		At January 31, 2004	
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen	% of total
LIABILITIES		%		%		%
Ⅰ Current Liabilities						
Notes and accounts payable	6,723,577		6,168,222		4,900,092	
Short-term borrowings	1,841,697		978,278		1,055,645	
Current portion of long-term debt	909,172		494,560		483,840	
Accrued amount payable	1,115,472		1,050,381		1,187,984	
Income taxes payable	528,785		221,169		145,930	
Accrued bonuses to employees	464,048		346,931		337,314	
Returned goods adjustment reserve	34,900		36,800		30,955	
Other current liabilities	1,049,197		551,653		729,851	
Total Current Liabilities	12,666,849	34.9	9,847,997	31.8	8,871,615	29.4
Ⅱ Long-Term Liabilities						
Long-term borrowings	2,317,646		1,496,220		902,540	
Deferred tax liabilities	375,023		—		311,184	
Employees' retirement benefits	159,459		682,292		135,590	
Retirement benefits for directors and corporate auditors	360,572		285,229		301,109	
Difference between investment costs and equity in net assets acquired	—		63,627		57,067	
Other long-term liabilities	606,188		17,800		637,125	
Total Long-Term Liabilities	3,818,889	10.5	2,545,168	8.2	2,344,616	7.7
Total Liabilities	16,485,739	45.4	12,393,166	40.0	11,216,231	37.1
MINORITY INTERESTS						
Minority Interests	352,399	1.0	324,126	1.0	348,544	1.2
SHAREHOLDERS' EQUITY						
Ⅰ Capital stock	5,199,597	14.3	5,199,597	16.8	5,199,597	17.2
Ⅱ Additional paid-in capital	5,144,329	14.2	5,134,591	16.6	5,134,837	17.0
Ⅲ Consolidated retained earnings	9,662,784	26.6	8,508,238	27.5	8,976,465	29.7
Ⅳ Net unrealized gains (losses) on securities	(3,470)	(0.0)	(18,825)	(0.1)	(13,525)	(0.0)
Ⅴ Foreign currency translation adjustment	(493,256)	(1.4)	(313,127)	(1.0)	(376,775)	(1.2)
Ⅵ Treasury stock, at cost	(85,042)	(0.2)	(277,717)	(0.9)	(273,089)	(0.9)
Total Shareholders' Equity	19,424,941	53.6	18,232,757	58.9	18,647,510	61.7
Total Liabilities, Minority Interests and Shareholders' Equity	36,263,080	100.0	30,950,050	100.0	30,212,286	100.0

Consolidated Interim Statements of Income

(Figures rounded down to nearest thousand yen)

	Six months ended July 31, 2004		Six months ended July 31, 2003		Year ended January 31, 2004	
	Thousands of yen	% of total	Thousands of yen	% of total	Thousands of yen	% of total
		%		%		%
Ⅰ Net Sales	19,754,887	100.0	17,318,279	100.0	34,156,379	100.0
Ⅱ Cost of Sales	12,153,770	61.5	10,187,206	58.8	20,322,935	59.5
Gross profit	7,601,116	38.5	7,131,072	41.2	13,838,444	40.5
Reversal of reserve for returned products	30,955		36,200			
Transfer to reserve for returned products	34,900		36,800			
Adjusted gross profit	7,597,172		7,130,472			
Ⅲ Selling, General and Administrative Expenses	6,275,387	31.8	5,807,902	33.5	11,186,876	32.8
Operating Income	1,321,784	6.7	1,322,569	7.6	2,651,812	7.8
Ⅳ Other Income	195,462	1.0	184,527	1.1	332,362	1.0
Interest	2,258		2,104		4,504	
Dividend income	1,177		1,074		10,701	
Gain on sales of marketable securities	25,954		—		—	
Rental income	76,331		91,240		177,506	
Amortization of consolidation adjustment account	—		1,203		7,762	
Equity in earnings of nonconsolidated subsidiaries and affiliates	21,131		21,194		28,974	
Insurance premium income	—		28,616		28,616	
Other	68,607		39,092		74,295	
Ⅴ Other Expenses	200,163	1.0	270,855	1.6	479,269	1.4
Interest expense	47,061		41,906		77,515	
Sales discounts	91,618		87,266		185,320	
Rental income-related costs	57,409		72,219		139,596	
Loss on sales of marketable securities	—		34,067		5,293	
Other	4,073		35,395		71,542	
Ordinary Income	1,317,082	6.7	1,236,241	7.1	2,504,905	7.3
Ⅵ Extraordinary Income	170,225	0.9	3,942	0.0	157,264	0.5
Gain on sales of investment securities	8,829		2,546		44,642	
Gain on sale of property	—		1,396		—	
Reversal of allowance for doubtful accounts	158,843		—		102,400	
Other	2,552		—		10,221	
Ⅶ Extraordinary Loss	36,942	0.2	117,990	0.7	661,510	1.9
Loss on sale/disposal of property	26,385		7,895		45,551	
Amortization of difference arising from change in accounting for retirement benefits	4,452		44,252		88,505	
Amortization of marketable securities	—		54,438		20,000	
Retirement benefit system modification expense	5,678		—		473,654	
Other	427		11,403		33,799	
Income before Income Taxes	1,450,365	7.3	1,122,193	6.5	2,000,659	5.9
Income Taxes	563,427	2.9	247,145	1.4	389,555	1.1
Adjustment for Corporate Tax	(3,168)	(0.0)	166,741	1.0	238,767	0.7
Less: Minority Interest in Net Income of Consolidated Subsidiaries	43,835	0.2	65,492	0.4	101,381	0.3
Net Income	846,271	4.3	642,814	3.7	1,270,955	3.7

Consolidated Interim Retained Earnings

(Figures rounded down to nearest thousand yen)

	Six months ended July 31, 2004	Six months ended July 31, 2003	Year ended January 31, 2004
	Thousands of yen	Thousands of yen	Thousands of yen
CAPITAL SURPLUS			
Ⅰ. Balance at beginning of term	5,134,837	—	—
Additional paid-in capital at beginning of term	—	5,133,608	5,133,608
Ⅱ. Increase in capital surplus			
Profit from disposal of treasury stock	9,491	983	1,229
Ⅱ. Balance at end of term	5,144,329	5,134,591	5,134,837
EARNED SURPLUS			
Ⅰ. Balance at beginning of term	8,976,465	—	—
Consolidated surplus at beginning of term	—	8,033,592	8,033,592
Ⅱ. Increase in earned surplus			
Interim (annual) net income	846,271	642,814	1,270,955
Ⅲ. Decrease in earned surplus	159,952	168,168	328,082
Cash dividends	159,952	159,760	319,674
Directors’ bonuses	—	8,408	8,408
Ⅳ. Balance at end of term	9,662,784	8,508,238	8,976,465

Consolidated Interim Statements of Cash Flows

(Figures rounded down to nearest thousand yen)

	Six months ended July 31, 2004	Six months ended July 31, 2003	Year ended January 31, 2004
	Thousands of yen	Thousands of yen	Thousands of yen
Ⅰ. Cash Flows from Operating Activities			
Income before income taxes	1,450,365	1,122,193	2,000,659
Depreciation	640,491	728,611	1,461,246
Amortization of difference between investment costs and equity in net assets acquired	94,981	(1,203)	(7,762)
Increase/decrease in allowance for doubtful accounts	(158,883)	25,716	(99,788)
Change in accrued bonuses to employees	114,600	8,922	(694)
Change in employees' retirement benefits	(7,924)	75,378	(471,324)
Increase/decrease in reserve for retirement benefits to directors and corporate auditors	4,666	(23,940)	(8,060)
Interest and dividend income	(3,435)	(3,179)	(15,206)
Gain on sale of securities	(10,781)	34,067	5,293
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(21,131)	(21,194)	(28,974)
Interest expense	47,061	41,906	77,515
Gain on sales of investment securities	(8,829)	(2,469)	(44,642)
Loss on devaluation of investment securities	—	54,438	20,000
Loss on disposal of inventory	26,385	7,895	45,551
Decrease (increase) in trade receivables	(877,505)	(737,495)	(75,322)
Decrease (increase) in inventories	(253,904)	(506,657)	(109,103)
(Decrease) increase in trade payables	1,111,357	898,879	(345,163)
Decrease (increase) in consumption tax payable	47,832	(89,902)	(69,183)
Payment of bonuses to directors and corporate auditors	—	(8,408)	(8,408)
Increase/decrease in bankruptcy claims	108,417	—	(1,807)
Increase in employees' accrued retirement benefits	127,847	—	810,068
Other	32,563	140,131	27,914
Subtotal	2,208,481	1,743,688	3,162,807
Interest and dividends received	3,063	2,936	14,675
Interest paid	(42,656)	(34,625)	(70,375)
Income taxes paid	(180,930)	(735,333)	(950,947)
Net Cash Provided by (Used in) Operating Activities	1,987,960	976,666	2,156,160
Ⅱ. Cash Flows from investing Actives			
Proceeds from reversal of time deposits	393,607	—	—
Acquisition of property, plant and equipment	(499,296)	(455,368)	(681,877)
Proceeds from sales of property, plant and equipment	2,904	37,849	47,597
Acquisition of intangible assets	(139,377)	(213,115)	(277,131)
Acquisition of investments in securities	(4,990)	(580,009)	(580,009)
Proceeds from sales of investments in securities	71,391	1,743,052	2,363,869
Payment to life insurance fund for directors	(40,304)	(28,177)	(70,781)
Proceeds due to maturity/cancellation of insurance reserve	97,508	71,410	74,235
Acquisition of shares in subsidiaries	—	(478,613)	(478,613)
Acquisition of newly consolidated subsidiary	(2,195,936)	—	—
Loans advanced	(10,352)	(20,427)	(194,036)
Collection of loan receivables	11,876	3,774	180,001
Proceeds from recovery of lease deposits	31,849	6,150	—
Other	(21,373)	(24,674)	(9,116)
Net Cash Provided by (Used in) Investing Activities	(2,302,493)	61,851	374,138
Ⅲ. Cash Flows from Financing Activities			
Net increase in short-term bank loans	3,383,270	1,260,389	2,627,100
Repayment of short-term debt	(3,363,371)	(1,500,000)	(2,775,005)
Proceeds from long-term debt	1,300,000	300,000	300,000
Repayment of long-term debt	(987,136)	(1,609,780)	(2,214,180)
Payment of cash dividends	(162,981)	(160,633)	(320,154)
Payment of cash dividends to minority shareholders	(31,495)	(69,765)	(69,766)
Acquisition of treasury stock	(2,023)	(888)	(1,184)
Proceeds from sale of treasury stock	199,562	20,680	25,850
Net Cah Provided by (Used in) Financing Activities	335,824	(1,759,998)	(2,427,339)
Ⅳ. Translation Gain (Loss) Related to Cash and Cash Equivalents	(4,625)	(3,894)	(17,193)
Ⅴ. Net Change in Cash and Cash Equivalents	16,665	(725,375)	85,766
Ⅵ. Cash and Cash Equivalents at Beginning of Year	3,223,703	3,137,936	3,137,936
Ⅶ. Cash and Cash Equivalents at End of Year	3,240,369	2,412,561	3,223,703