Summary of Consolidated Financial Results for Year to January 2006

March 13, 2006

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 financial result March 13, 2006

U.S. accounting standards: Not applicable

1. Consolidated Financial Results (Years to January 31 2006 and 2005)

(1) Performance (year to January 31)

(¥ millions, rounded down)

	Net sales	Change (%)	Operating income	Change (%)	Ordinary income	Change (%)
2006	41,747	(2.5)	2,215	(△18.4)	2,200	(△16.1)
2005	40,719	(19.2)	2,714	(2.4)	2,621	(4.7)

	Net income	Change (%)	Net income per share (¥)	Net income per share (fully diluted) (¥)	Return on equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
2006	1,342	(△10.2)	67.84	67.83	6.7	6.4	5.3
2005	1,494	(17.6)	74.22	74.10	7.7	8.1	6.4

Notes: 1. Equity in earnings of affiliates: ¥44 million (Jan. 2006); ¥44 million (Jan. 2005)

2. Average shares outstanding (cons.): 19,790,146 (year to Jan. 2006); 20,138,055 (year to Jan. 2005)

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 (¥)
2006	33,937	20,312	59.9	1,029.41
2005	34,382	19,997	58.2	989.43

Note: Shares outstanding at year-end (consolidated): 19,732,372 (Jan. 2006); 20,211,283 (Jan. 2005)

(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
2006	1,765	(1,668)	(1,018)	1,903
2005	4,286	(2,850)	(1,881)	2,768

(4) Scope of Consolidation and Equity-Method Application

Consolidated subsidiaries: 12; Nonconsolidated subsidiaries (equity method): 0; Affiliates (equity method): 2

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

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

2. Forecast for Fiscal (Year to January 31, 2007)

(¥ millions, rounded down)

	Net sales	Ordinary income	Net income
Interim	21,800	1,100	750
Full year	44,500	2,600	1,650

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

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.

Corporate Group

The Pigeon Group consists of the Pigeon Corporation (the parent company), 12 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. This is our medium-term corporate vision.

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

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. For the year under review, we plan to distribute as dividends the equivalent of 30% of consolidated net income, for a dividends-on-equity ratio of 2%. We plan to pay annual dividends of ¥20.00 per share, including the ¥10.00 interim dividend already paid.

Medium-Term Strategies

Building on the achievements of Corporate Value Creation 21, our medium-term business plan that ended in January 2005, we embarked on Global 500, our second business plan for the 21st century, in the year under review. The theme of the new plan, covering the three-year period to January 2008, is to maximize corporate value on a global scale. Under the plan, we are seeking achieve annual consolidated net sales of ¥50 billion. Below is an outline of the new plan.

Global 500: Second Medium-Term Plan for the 21st Century

(February 2005–January 2008)

Basic Policies

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 business related to baby and child care products forms the core of Group management 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, home healthcare (HHC), nursing care, and overseas businesses as growth areas.

（３） Addressing changes in the earnings structure of our overall business, we will reform internal systems and redistribute managerial resources.

Key Performance Targets (Consolidated)

Our consolidated performance targets for the year ending January 2008, the final term of the plan, are as follows.

Net sales: ¥50 billion

Gross profit ratio: 39.5%
Operating income ratio: 8%
Ordinary income ratio: 7.5%
ROA (ratio of ordinary income to total assets): 10%

To date, we have actively invested to improve our business structure, which is expected to change dramatically. With a Groupwide management approach offering superior growth potential and efficiencies, we have built a robust foundation for achieving strategic growth via M&A activities in Japan and overseas. In the current fiscal period, the second year of Global 500, we will aim to further strengthen Groupwide competitiveness. At the same time, we will address the drastic reforms taking place in the domestic market for baby and child care products.

Issues to Address

The low-birthrate trend in Japan is gathering pace as the number of births continues to fall short of predictions. The business and social environments surrounding the Pigeon Group, therefore, require a cautious approach. A number of child-rearing support measures have been put forth, including the appointment of a government minister in charge of tackling the declining birthrate situation. However, we expect conditions to remain difficult. Despite such challenges, the Group will unite in a concerted effort to meet the performance objectives of Global 500 and satisfy the expectations of all shareholders.

On January 16, 2006, we implemented a structural reorganization designed to promote the progressive expansion of various Group businesses, rebuild our domestic business related to baby and child care products, and nurture and grow our HHC and nursing care product businesses. We took this action to address major changes taking place in our operating environment, including the widening adoption of Groupwide management, global expansion of our operations, and the dramatically changing nature of the domestic baby and child care product business. The reorganization is on divisional lines, with an executive officer appointed as general manager of each division. By clarifying the functions of each division in this way, we have created an operating system that clearly separates various lines of authority and responsibility.

Corporate Governance

Basic Stance

Pigeon recognizes that sustained improvements in corporate value require enhanced management efficiency and transparency. It is also crucially important to reinforce the management surveillance function to ensure that the Corporation pursues its performance targets while maintaining an appropriate balance between shareholder, customer, and employee value. To this end, Pigeon is undertaking various initiatives aimed at ensuring sound corporate governance.

Current Status

(1) Key Entities

The Group adopts a corporate auditor system. Its Board of Directors has seven members, none of whom is an outside director, as well as a Board of Corporate Auditors, which has four members, including two external ones.

In addition to the Board of Directors and Board of Corporate Auditors, the Group is building a corporate governance framework based on an internal auditing system.

The task of the seven-member Board of Directors is to swiftly and appropriately address changes in the business environment by ensuring that management decisions are made rationally and efficiently. Its overall aim is to assure sustained growth and establish a robust operating foundation. In addition to the Board of Directors, which handles control and supervision, Pigeon has a system of executive officers, responsible for execution of business. By separating the decision-making and supervision function from the business execution function, we are working to ensure sound corporate governance. Problems are quickly solved at weekly Executive Council meetings, where issues are discussed based on grass-roots perspectives. In addition, Board of Directors meetings are attended by external and internal auditors, whose opinions are actively sought in an effort to reinforce the Board’s ability to supervise the execution of business. In addition, by reforming our organization along divisional lines, we have given business execution responsibilities to the executive officers in charge of each division, thus expediting the processes for deliberating business issues and making decisions accordingly.

The Board of Corporate Auditors, which has four members (including two external ones), performs a meticulous auditing function. Depending on their specific responsibilities, auditors attend Board of Directors meetings, where they listen to discussions, receive important documents for perusal, and scrutinize the Corporation's business and financial position.

(2) Internal Auditing and Risk Management Systems

The Group is building a management monitoring system centering on supervision of business execution by the Board of Directors, as well as on audits carried out by auditors and the Board of Corporate Auditors. The Audit Office, established to handle the internal auditing function, undertakes audits to ascertain whether or not execution of business throughout the Group is proceeding efficiently and appropriately, according to annual plans. In addition, the Group set up a risk management framework in 2003, devising basic policies, rules, and specific procedures.

However, both the internal and external operating environments surrounding the Group are changing dramatically. Under Japanese corporate law to be enacted in May 2006, for example, basic policies for "internal auditing systems" are to subject to arbitrary decision by the Board of Directors. For these reasons, we have been reinforcing our risk management system, identifying the major risks confronting the Group into the categories of business risk, financial risk, hazard risk, and compliance risk. Recently, we also created a compliance program as a key part of our internal auditing system. To ensure compliance-oriented management, for example, we have identified seven universal business ethics rules. We have also made a declaration that all Group employees must obey all legal and social regulations, as well as the spirit of such regulations, while behaving sincerely and upholding the highest ethical standards.

In addition, the parent company's Corporate Planning Division has examined the monitoring frameworks of consolidated subsidiaries from the standpoint of enabling accurate reporting from those subsidiaries. As far as possible, we are now building systems to facilitate reporting by subsidiaries. In this way, we can ensure that the values of management are communicated accurately to all Group employees. Through educational forums on business ethics, we have also raised the efficacy of our compliance system, with respect to observing legal regulations and business ethics. Furthermore, we have established a hotline within our internal reporting system, ensuring that emerging problems are properly reported while protecting the identities of the reporters. The Compliance Committee then examines ways to address such problems and launches investigations into related facts. To ensure legality, we seek counsel from lawyers as necessary.

(3) Internal Audits, Corporate Auditor Audits, and Accounting Audits

The Group has a corporate auditor system. The Board of Corporate Auditors, with two full-time members and two external members, determines auditing policies and responsibility apportionment, based on which each corporate auditor attends meetings of the Board of Directors and the Executive Council. In addition, the Board conducts audits of all head office departments, places of business, and affiliated companies, thus ensuring effective monitoring of business execution by directors.

Details of internal audits are discussed in the previous section ("Internal Auditing and Risk Management Systems").

The certified public accountants handling the Group's accounting audits are Jun Sugita and Kazuyuki Togo, both senior partners of BDO Sanyu & Co. Mr. Sugita and Mr. Togo have 19 and 15 years of accounting experience, respectively, including time spent prior to the enactment of the revised Certified Public Accountants Law in June 2003. Also assisting in the Group's accounting audit for the year ended January 31, 2006, were three other certified public accountants and three junior accountants.

(4) Beneficial Inter-Company Relationships (Personal, Capital, and Financial, and Other)

No such relationships exist.

Reinforcing Corporate Governance

The Pigeon Group is currently working to improve its information security and personal information protection systems, which it regards as crucial to the effective delivery of products, services, and information to customers. For example, we are striving to acquire the Privacy Mark, which is bestowed upon businesses with appropriate mechanisms in place to protect personal information. To this end, we set up a Personal Information Protection Committee and formed a Groupwide organizational structure aimed at earning Privacy Mark status. As a result, on July 5, 2005, we received JIS Q 15001 certification from the Japan Information Processing Development Corporation (JIPDEC), the entity that handles Privacy Mark certification. Companies with JIS Q 15001 certification are deemed to have "met all the necessary compliance program requirements for protecting personal information" and are thus handling personal information in a proper manner.

Keen to enhance the transparency of our operations, we maintain proactive investor relations (IR) activities and pursue swift and accurate information disclosure for individual and institutional investors. Our IR activities include information meetings to announce our business results (held semiannually), explain our medium-term business plan, and describe new products and businesses. We also regularly update our website and host tours of our domestic and overseas facilities. Through active participation by our president in domestic and overseas IR activities, we aim to raise the transparency and integrity of our operations.

Basic Policies on Relationships with Interested Parties (including parent company)
Such issues are not applicable.

Performance and Financial Position

Performance

(1) Environment and Results

In the fiscal year under review, the Japanese economy benefited from a steady turnaround of overall consumption, which began in the spring of 2005. The turnaround was sparked by brighter consumer sentiment owing to improved employment conditions and higher worker incomes, which alleviated immediate concerns had about the economy. Due to an extremely cold winter, some winter-related items sold out in shops, giving the economy a boost. However, rising prices of raw materials associated with growing crude oil prices failed to alleviate uncertainties about the direction of the economy, underscoring a less-than-optimistic outlook for the future.

In the domestic baby and child care segment, the Group's main business, we introduced into the market new products that highlight our originality and competitiveness, which we have built up to date. However, the trend of declining birthrates continued unabated, and price competition at the retail level for consumables, notably our baby wipes, remained intense, resulting in a difficult business environment.

In our overseas business, by contrast, we achieved improved year-on-year results in East Asia, especially China, as well as in North America and Europe. In China, our sales strategy—shifting the focus from sales in large coastal cities to introducing new products and building brand image in regional inland cities—proved successful, generating increased sales.

In the child-rearing support segment, we achieved a solid improvement in our performance due to ongoing privatization of public facilities, in which public child-minding centers are entrusting their operation to private entities. This segment also benefited from the Law for Measures to Support the Development of the Next Generation, enacted in April 2005, which facilitates the establishment of in-company child-minding operations.

Consolidated net sales for the year totaled ¥41,747 million, up 2.5％ from the previous year. Ordinary income fell 16.1 %, to ¥2,200 million, and net income declined 10.2%, to ¥1,342 million.

Segment Review

Baby and Child Care

Sales in this segment amounted to ¥32,185 million, up 3.5% from the previous year. Operating income declined 10.6%, to ¥4,197million. This segment is classified into three categories: baby and child care services, overseas business, and child-rearing support services.

Baby and Child Care Services: In this category, the Group's principal area of business development, market conditions remained difficult as domestic birthrates declined and prices of consumables, especially baby wipes, continued falling. Under these conditions, we actively introduced new products as we sought to enhance the emotion and joy of customers, from giving birth to raising children. In the intense competitive market for baby wipes, we launched new products with enhanced grime-removal features, as well as a lotion that protects the delicate skin of babies. We also sought to enhance name recognition among consumers via television commercials. However, these efforts failed to translate into improved year-on-year results.

Overseas Business: The Group achieved significantly increased sales in all overseas countries, including such major markets as China, South Korea, and Taiwan. Sales of baby bottles and nipples and breast pads were particularly good. Main consolidated subsidiaries— Pigeon Industries (Thailand) Co., Ltd., Thai Pigeon Co., Ltd., Pigeon Singapore Pte. Ltd., Pigeon (Shanghai) Co., Ltd., and Lansinoh Laboratories, Inc.—all reported improved performances. We attribute our favorable overseas business results to synergies derived from our overseas subsidiaries in the areas of production and sales. In China, we expanded our market presence by shifting our focus from large coastal cities to regional inland cities, reflecting an aggressive sales campaign to broaden the Pigeon brand profile.

Child-Rearing Support: Pigeon has a strong track record as an operator of government-approved child-minding centers. In the year under review, we took over the operation of two more such facilities—one each in Ota Ward and Nerima Ward. In April 2004, all of Japan’s national hospitals and nursing homes were privatized. Within these facilities are 113 child-minding centers that Pigeon now operates. During the year, we also made good progress in the area of in-company child-minding operations, opening centers within Yamaha Motor Co., Ltd., and other companies. As a result, the child-rearing support category generated increased year-on-year revenue.

Healthcare

Sales in this segment slipped 4.2%, to ¥6,476 million, and operating income grew 18.5%, to ¥340 million.

During the year, we undertook proactive marketing efforts to raise market share and expand sales. In the market for incontinence pads, a mainstay product, we introduced new items offering superior protection against lateral leakage. Despite such efforts, however, our results fell short of our projections. Also involved in the healthcare business is Tahira Co., Ltd., a consolidated subsidiary that makes lifestyle-enhancement products for the elderly. Our plan is to make healthcare a central part of the Pigeon Group's operations by exploiting synergies with Tahira in the areas of product development, sales, and distribution. In the year under review, however, Tahira's performance fell below the previous year's level. Nevertheless, Pigeon Manaka Co., Ltd., a consolidated subsidiary that provides healthcare dispatch services for the elderly, continued providing services while emphasizing close ties with its local communities in Tochigi Prefecture. That company expanded its operations and reported an improved performance as a result.

Others

Sales from other operations totaled ¥3,085 million, up 7.8%. Operating income grew 12.3%, to ¥283 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. This segment's overall performance improved as a result.

Sales by Segment (Consolidated) (¥ millions)

	Year to Jan. 06	Year to Jan. 05	Change	Change (%)
Baby & child care	32,185	31,100	1,084	3.5
Healthcare	6,476	6,758	–281	–4.2
Others	3,085	2,860	224	7.8
Total	41,747	40,719	1,027	2.5

Outlook

The fiscal period to January 2007 is the second year of Global 500, our second medium-term business plan for the 21st century. For the year, we expect conditions to remain difficult in the domestic baby and child care business, with little prospect of recovery in the birthrate. In response, we will harness synergies among Group companies to maintain a framework conducive to increased revenues and earnings and thus maximize our corporate value on a global basis.

For the year, we forecast consolidated net sales of ¥44.5 billion (up 6.6%), ordinary income of ¥2.6 billion (up 18.2%), and net income of ¥1.65 billion (up 45.3%). Compared with our non-consolidated forecasts, these figures represent a consolidation ratio of 1.48 times in the case of net sales, 3.25 times for ordinary income, and 2.06 times for net income—reflecting our success in harnessing the strengths of Pigeon Group companies.

During the current fiscal period, Pigeon will celebrate the 50th anniversary of its establishment. To thank our shareholders for their support, we plan to declare a commemorative dividend of ¥10.00 (including a ¥5.00 interim commemorative dividend), in addition to a regular dividend of ¥20.00 (including a ¥10.00 interim regular dividend), for a total annual dividends of ¥30.00. That decision was made at the Board of Directors meeting, held on March 13, 2006.

Forecasts (Consolidated) (¥ millions)

	Net sales	Ordinary income	Net income
Year to Jan. 07	44,500	2,600	1,650
Year to Jan. 06	41,747	2,200	1,342
Change	2,752	399	308
Change (%)	6.6	18.2	23.0

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 fiscal year under review.

Declining Birthrate

The domestic birthrate has declined since the 1980s, making Japan one of the world’s “low-birthrate nations.” Moreover, the advent of the “declining population society” is fast approaching. There is much concern that the low-birthrate trend will have a negative impact on economic growth and the vitality of regional communities. Even the government has devised various measures to support the rearing of children. Nevertheless, birthrates are expected to continue declining. 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.

Domestic Market and Economic Trends

The baby and child care segment accounted for 77% of the Group’s consolidated net sales in the year under review, and domestic sales of baby and child care products represented the majority of segment revenues. The declining birthrate and falling personal incomes, stemming from economic fluctuations, could potentially affect future sales in this segment. The Group’s baby and child care products are sold mainly through two channels: drugstores and shops specialized in baby products. Operators in both channels continue to open new outlets, causing competition between stores to intensify. We believe, therefore, that the trend toward lower retail prices will continue. The Group’s efforts aggressive sales and marketing activities alone may not be sufficient to overcome these obstacles, which may potentially affect its business results.

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 and North America. 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

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. Earthquakes and other major natural disasters, however, could potentially damage our manufacturing facilities, causing production output to decline.

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.

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.

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.

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.

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.

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 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.

Cautionary Note on Forward-Looking Statements

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Consolidated Balance Sheets

	At January 31, 2005			At January 31, 2006			Change
	(¥ thousands)		% of total	(¥ thousands)		% of total	(¥ thousands)
ASSETS							
I Current Assets							
1. Cash and time deposits		2,768,291			1,903,361		(864,930)
2. Notes and accounts receivable		8,597,127			7,643,258		(953,869)
3. Inventories		3,427,581			4,437,556		1,009,975
4. Deferred tax assets		579,327			752,275		172,948
5. Other receivables		231,868			385,309		153,441
6. Other		158,154			150,450		(7,704)
7. Allowance for doubtful accounts		(17,432)			(12,155)		5,276
Total Current Assets		15,744,917	45.8		15,260,057	45.0	(484,860)
II Fixed Assets							
1. Tangible Fixed Assets							
(1) Buildings and structures	9,921,489			9,903,121			
Accumulated depreciation	5,441,094	4,480,395		5,665,416	4,237,705		(242,689)
(2) Machinery and transportation equipment	7,248,697			7,819,281			
Accumulated depreciation	5,125,080	2,123,616		5,596,670	2,222,610		98,994
(3) Tools, furniture and fixtures	3,487,094			3,675,398			
Accumulated depreciation	2,947,048	540,045		3,042,729	632,669		92,624
(4) Land		6,102,501			6,123,907		21,406
(5) Construction in progress		52,582			141,234		88,651
Total Tangible Fixed Assets		13,299,140	38.7		13,358,127	39.4	58,986
2. Intangible Fixed Assets							
(1) Consolidation adjustment account		2,351,346			2,011,458		(339,888)
(2) Software		764,345			972,033		207,687
(3) Other		55,140			51,902		(3,237)
Total Intangible Fixed Assets		3,170,832	9.2		3,035,393	8.9	(135,438)
3. Investments and Other Assets							
(1) Investment securities		1,067,568			1,214,238		146,670
(2) Insurance reserve		499,891			487,241		(12,649)
(3) Bankruptcy claims		647,555			12,812		(634,743)
(4) Deferred tax assets		248,730			242,278		(6,452)
(5) Other		327,009			344,627		17,618
(6) Allowance for doubtful accounts		(623,123)			(17,031)		606,092
Total Investments and Other Assets		2,167,631	6.3		2,284,166	6.7	116,535
Total Fixed Assets		18,637,604	54.2		18,677,687	55.0	40,083
Total Assets		34,382,522	100.0		33,937,744	100.0	(444,777)
LIABILITIES							
I Current Liabilities							
1. Notes and accounts payable		6,160,627			4,627,960		(1,532,666)
2. Short-term borrowings		859,903			1,874,178		1,014,275
3. Current portion of long-term debt		657,946			1,351,442		693,496
4. Accrued amount payable		1,258,967			1,840,129		581,162
5. Income taxes payable		753,861			439,096		(314,764)
6. Deferred tax liabilities		—			1,096		1,096
7. Accrued bonuses to employees		517,332			484,924		(32,407)
8. Returned goods adjustment reserve		31,200			26,900		(4,300)
9. Other current liabilities		879,589			929,042		49,452
Total Current Liabilities		11,119,426	32.3		11,574,770	34.1	455,343
II Long-Term Liabilities							
1. Long-term borrowings		1,473,212			121,770		(1,351,442)
2. Deferred tax liabilities		401,531			672,603		271,072
3. Employees' retirement benefits		167,152			170,113		2,961
4. Retirement benefits for directors and corporate auditors		329,339			338,655		9,316
5. Other		507,742			303,342		(204,400)
Total Long-Term Liabilities		2,878,977	8.4		1,606,485	4.7	(1,272,492)
Total Liabilities		13,998,404	40.7		13,181,255	38.8	(817,149)
MINORITY INTERESTS							
Minority Interests		386,383	1.1		443,656	1.3	57,272
SHAREHOLDERS' EQUITY							
I Capital stock		5,199,597	15.1		5,199,597	15.3	—
II Additional paid-in capital		5,145,608	15.0		5,146,690	15.2	1,081
III Retained earnings		10,149,781	29.5		11,052,496	32.6	902,714
IV Net unrealized gains (losses) on securities		(5,159)	(0.0)		38,218	0.1	43,378
V Foreign currency translation adjustment		(431,795)	(1.2)		(204,080)	(0.6)	227,714
VI Treasury stock, at cost		(60,296)	(0.2)		(920,087)	(2.7)	(859,790)
Total Shareholders' Equity		19,997,734	58.2		20,312,833	59.9	315,099
Total Liabilities, Minority Interests and Shareholders' Equity		34,382,522	100.0		33,937,744	100.0	(444,777)

Consolidated Statements of Income

	Year ended January 31, 2005			Year ended January 31, 2006			Change
	(¥ thousands)		% of total	(¥ thousands)		% of total	(¥ thousands)
I Net Sales		40,719,607	100.0		41,747,212	100.0	1,027,604
II Cost of Sales		25,047,114	61.5		26,116,655	62.6	1,069,541
Gross Profit		15,672,492	38.5		15,630,556	37.4	(41,936)
Reversal of returned goods adjustment reserve	30,955			31,200			
Transfer to returned goods adjustment reserve	31,200	(244)	0.0	26,900	4,300	0.1	4,544
Gross Profit (adjusted)		15,672,248	38.5		15,634,856	37.5	(37,392)
III Selling, General and Administrative Expenses		12,957,900	31.8		13,419,853	32.2	461,953
Operating Income		2,714,348	6.7		2,215,002	5.3	(499,345)
IV Other Income							
1. Interest income	4,853			9,518			
2. Dividend income	10,189			12,953			
3. Rental income	149,106			138,711			
4. Equity in earnings of nonconsolidated subsidiaries and affiliates	44,098			44,333			
5. Other	131,129	339,377	0.8	158,826	364,344	0.9	24,966
V Other Expenses							
1. Interest expense	86,899			51,617			
2. Sales discounts	204,525			213,673			
3. Rental income-related costs	115,317			98,644			
4. Other	25,156	431,898	1.1	14,934	378,870	0.9	(53,027)
Ordinary Income		2,621,827	6.4		2,200,476	5.3	(421,351)
VI Extraordinary Income							
1. Reversal of allowance for doubtful accounts	158,774			53,750			
2. Other	9,745	168,519	0.4	2,843	56,593	0.1	(111,925)
VII Extraordinary Loss							
1. Loss on dispoal of fixed assets	100,076			61,418			
2. Loss on business adjustment	56,380			—			
3. Other	20,688	177,145	0.4	11,494	72,912	0.2	(104,232)
Income before Income Taxes		2,613,202	6.4		2,184,156	5.2	(429,045)
Income Taxes	980,197			682,451			
Adjustment for Corporate Tax	46,829	1,027,026	2.5	92,942	775,394	1.8	(251,632)
Less: Minority Interests in Earnings of Consolidated Subsidiaries		91,436	0.2		66,183	0.2	(25,253)
Net Income		1,494,738	3.7		1,342,579	3.2	(152,159)

Consolidated Retained Earnings

	Year ended January 31, 2005		Year ended January 31, 2006		Change
	(¥ thousands)		(¥ thousands)		(¥ thousands)
CAPITAL SURPLUS					
I Balance at Beginning of Year					
Addition paid-in capital at beginning of year		5,134,837		5,145,608	10,770
II Increase in Capital Surplus					
Gain on disposal of treasury stock	10,770	10,770	1,081	1,081	(9,688)
III Balance at End of Year		5,145,608		5,146,690	1,081
RETAINED EARNINGS					
I Balance at Beginning of Year					
Consolidated surplus at beginning of year		8,976,465		10,149,781	1,173,316
II Increase in Retained Earnings					
Net income	1,494,738	1,494,738	1,342,579	1,342,579	(152,159)
III Decrease in Retained Earnings					
Cash dividends paid	321,422	321,422	439,864	439,864	118,442
IV Balance at End of Year		10,149,781		11,052,496	902,714

Consosidated Statements of Cash Flows

	Year ended January 31, 2005	Year ended January 31, 2006	Change
	(¥ thousands)	(¥ thousands)	(¥ thousands)
I Cash Flows from Operating Activities			
Income before income taxes	2,613,202	2,184,156	(429,045)
Depreciation	1,316,123	1,372,632	56,509
Amortization of difference between investment costs and equity in net assets acquired	282,591	375,386	92,794
Increase (decrease) in allowance for doubtful accounts	(117,997)	(612,945)	(494,948)
Increase (decrease) in accrued bonuses to employees	167,934	(32,778)	(200,712)
Increase (decreas) in employees' retirement benefits	(231)	2,961	3,192
Increase (decrease) in reserve for retirement benefits to directors and corporate auditors	(26,567)	9,316	35,884
Interest and dividend income	(15,042)	(22,472)	(7,429)
Equity in losses of nonconsolidated subsidiaries and affiliates	(44,098)	(44,333)	(234)
Interest expense	86,899	51,617	(35,281)
Loss on disposal of fixed assets	100,076	61,418	(38,657)
Decrease (increase) in trade receivables	(109,475)	1,106,195	1,215,671
Decrease (increase) in inventories	(37,843)	(909,408)	(871,564)
Increase (decrease) in trade payables	554,984	(1,621,029)	(2,176,013)
Increase (decrease) in accrued payables	—	576,320	576,320
Increase (decrease) in consumption tax payable	106,166	(135,748)	(241,915)
Decrease (increase) in bankruptcy claims	110,393	632,399	522,005
Increase (decrease) in employees' accrued retirement benefits	(246,549)	(198,518)	48,030
Other	(13,136)	34,080	47,216
Subtotal	4,727,430	2,829,250	(1,898,180)
Interest and dividends received	14,535	21,922	7,387
Interest paid	(83,122)	(49,680)	33,441
Income taxes paid	(372,555)	(1,036,073)	(663,517)
Net Cash Provided by Operating Activities	4,286,288	1,765,419	(2,520,869)
II Cash Flows from Investing Activities			
Proceeds from reversal of time deposits	393,607	—	(393,607)
Acquisition of property, plant and equipment	(843,796)	(1,047,788)	(203,992)
Proceeds from sales of property, plant and equipment	13,476	8,255	(5,221)
Acquisition of intangible fixed assets	(383,209)	(569,769)	(186,559)
Acquisition of investment securities	(4,990)	(17,760)	(12,769)
Proceeds from sales of investment securities	71,391	510	(70,881)
Payment to life insurance fund for directors	(82,201)	(54,587)	27,614
Proceeds due to maturity/cancellation of insurance reserve	246,773	65,313	(181,460)
Acquisition of shares in subsidiaries	(97,400)	(29,765)	67,635
Acquisition of shares in newly consolidated subsidiaries	(2,195,936)	—	2,195,936
Loans advanced	(11,134)	(1,017)	10,116
Collection of loan receivables	37,181	3,642	(33,538)
Other	5,611	(25,568)	(31,179)
Net Cash Provided by (Used in) Investing Activities	(2,850,626)	(1,668,535)	1,182,091
III Cash Flows from Financing Activities			
Increase (decrease) in short-term bank loans	5,873,296	14,282,168	8,408,872
Repayment of short-term bank loans	(6,839,181)	(13,307,509)	(6,468,327)
Increase (decrease) in long-term debt	1,300,000	—	(1,300,000)
Repayment of long-term debt	(2,082,796)	(657,946)	1,424,850
Payment of cash dividends	(325,238)	(441,703)	(116,465)
Payment of cash dividends to minority shareholders	(31,495)	(34,787)	(3,291)
Proceeds from sales of treasury stock	226,446	22,748	(203,698)
Acquisition of treasury stock	(2,883)	(881,456)	(878,573)
Net Cash Used in Financial Activities	(1,881,853)	(1,018,487)	863,366
IV Effect of exchange rate changes on Cash and Cash Equivalents	(9,219)	56,673	65,893
V Net Change in Cash and Cash Equivalents	(455,411)	(864,930)	(409,518)
VI Cash and Cash Equivalents at Beginning of Year	3,223,703	2,768,291	(455,411)
VII Cash and Cash Equivalents at End of Year	2,768,291	1,903,361	(864,930)