



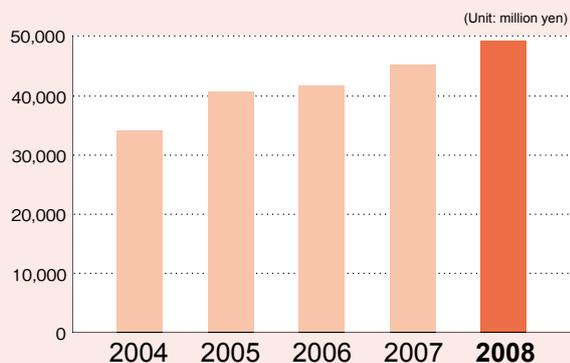
ANNUAL REPORT 2008

2007.2-2008.1

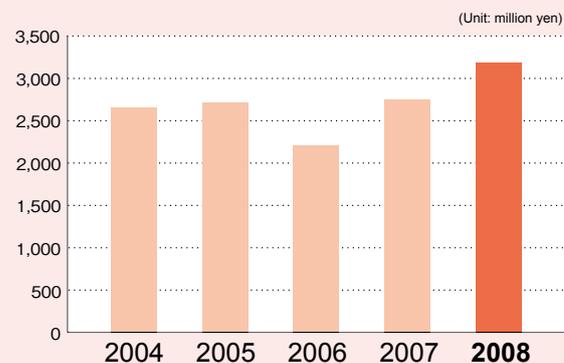
FINANCIAL HIGHLIGHTS

(Years ended January 31)

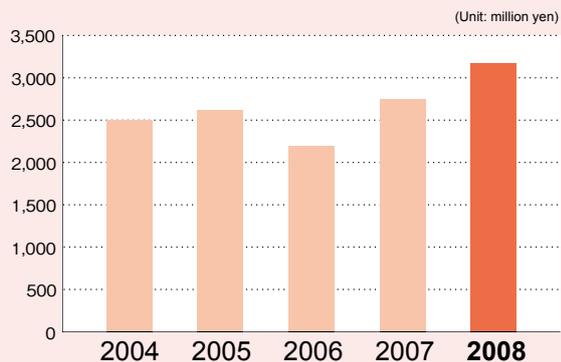
Net Sales



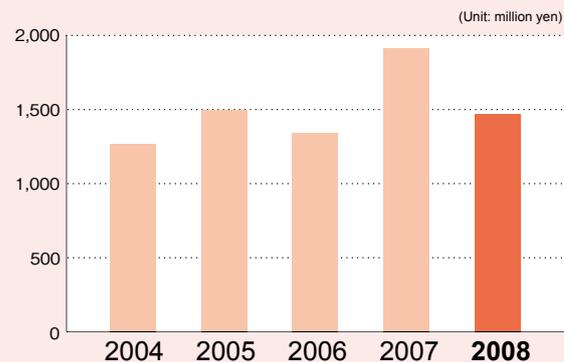
Operating Income



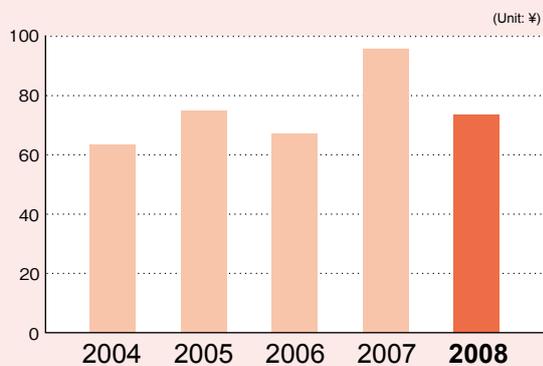
Ordinary Income



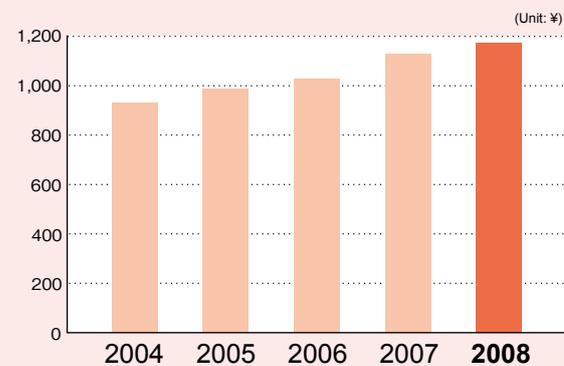
Net Income



Net Income per Share



Net Asset per Share



MANAGEMENT MESSAGE



Akio Okoshi

President and Chief Operating Officer

**Our love to your baby and
people who need assistance**

Management System

Based on its corporate motto of “only love generates love,” the Pigeon Group is dedicated to helping 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 care” we are leveraging the strength of 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.

Year in Review

The period under review was the final year of Global 500, our second medium-term management plan announced in January 2005.

Looking at the business environment and performance in the period under review, the impact of the rise in prices of raw materials began to tell in the second half of the period, producing an impact on our consolidated performance. The results for each region and business segment where the Pigeon Group is active follow.

We continued to enjoy brisk demand in China, reflecting the sustained period of high economic growth, as well as a favorable environment for products for baby care, children and women as China welcomed the “Year of the Golden Boar,” an auspicious year that occurs only once every 60 years in the Chinese calendar.

Although there was some concern about the impact of the subprime mortgage crisis on the real economy in the United States, the business climate remained positive, with steady economic growth sustained throughout the year and stable birthrates.



In these two countries, which form the core of our overseas business, we have proactively invested in boosting our brand and strengthening production systems that respond to growing demand. We have also sought to expand our product lineup. As a result of these activities, we have been able to achieve substantial growth in profit and turnover compared to the year-ago period.

In contrast, competition in the baby and child care segment in Japan is intensifying in step with the continuing decline in birth rates and the steep rise in prices of raw materials. Domestically, we were nonetheless able to sustain higher year-on-year sales by launching new and improved products as the leading brand for child care products, as well as taking action such as strengthening direct communication. Moreover, in the domestic healthcare segment, we launched a new brand of health care products for the aging population under the new system, and created the foundation for future development.

As a result, consolidated net sales for the year reached ¥49,237 million, rising 8.7% from the previous year. Operating income climbed 15.9%, to ¥3,192 million, and ordinary income grew 15.7% to ¥3,177 million. Net income slipped

23.2%, to ¥1,471 million. Despite year-on-year growth in turnover and operating income, especially in our overseas operations, we were unable to achieve the target net sales planned under our second medium-term management plan, falling 1.5% short of the target.

Shareholder Return

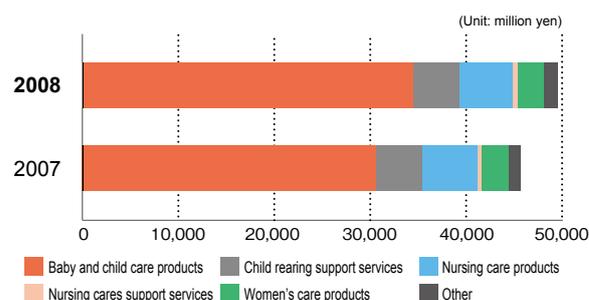
With respect to appropriating earnings, we have positioned the return of profits to shareholders as one of our key business policies, and our basic stance is to positive return profits as dividends while building a financial foundation that takes into consideration fluctuations in the medium-term business environment and the business strategies of the Pigeon Group. The dividend for the period under review is ¥28.

With respect to our dividend policy to date, we have set a 30% consolidated payout ratio. We have set a total return ratio of more than 50% for the year ending January 2011, the final year of the third medium-term management plan, as the new medium-term indicator.

Consolidated Sales (Years ended January 31)

		(Unit: million yen)			
Segment \ Period	2008	2007	Change	Change (%)	
Baby and Child Care	39,322	35,501	3,821	10.8	
Healthcare	6,226	6,324	△98	△1.6	
Other	3,688	3,481	207	5.9	
Total	49,237	45,307	3,929	8.7	

Consolidated Sales by Business Segment (Years ended January 31)



Review and Evaluation of the Second Medium-Term Management Plan

The Corporate Value Creation Global 500, our second medium-term management plan for the 21st century was launched in the period ended January 2006.

With the slogan “from individual company to corporate group, from domestic to global” as our basic policy, we held to the pursuit of maximum corporate value on a global scale. Namely, we bolstered Group synergy and cohesion with a view to proactive business development in growth areas, and we strengthened the originality and competitiveness of our core business by carefully cultivating the area of child care. Specifically, the plan encompassed the following three points:

(1) We recognize that as the core of the Group’s management, the baby and child care products business provides direction for overall corporate value, and it is our basic business strategy “to create value.”

(2) We position child rearing support services, overseas, nursing care products and nursing care support services as growth areas.

(3) We will reform internal systems and redistribute management resources based on changes to the earnings structure of our overall business.

In Japan, the market for baby and child care products is maturing and competition is intensifying as society enters a period of declining population. Given controls on expenditures for nursing care and related products introduced by the revised Nursing Care Insurance Law, and the rise in global prices of oil and other raw materials, results fell short of the management targets in the domestic baby and child care products, child rearing support services and nursing care

products.

On the other hand, results in the overseas business, led by China and North America, have far exceeded the management targets. This is attributable to our accelerated investments in the two priority markets of China and the United States. China is experiencing remarkable economic growth, while the United States is the main market for Lansinoh Laboratories, Inc., which we made our subsidiary in 2004.

As a result, net sales reached ¥49,237 million yen, or 98.5% of the ¥50,000 million set by the second medium-term management plan. Gross profit was ¥18,640 million, or 94.4% of the target of ¥19,750 million, while operating income reached ¥3,192 million or 79.8% of the projected ¥4,000 million. Ordinary income was ¥3,177 million, or 84.5% of the projected ¥3,750 million.

The Third Medium-Term Management Plan Becoming a Global Company – Challenges and Independence

The slogan for our third medium-term management plan (which will run from the fiscal year ending January 2009 to the fiscal year ending January 2011) is “Becoming a Global Company: Challenges and Independence.” Under the plan, we will, on the one hand, consolidate and further accelerate growth in the overseas business, while on the other focusing our initiatives in the domestic business on bolstering our existing operations and building new platforms for growth.

Medium-Term Business Policy

Overseas business: We plan to expand our business by proactively investing in growth markets for baby and child care products and for women’s care products. We will become even more globalized by pioneering new markets.

Principal Targets for the Third Medium-Term Management Plan (Unit: 100 million yen)

Management Target	January 2008 FY results		January 2011 FY targets		Growth rate (%)
	Results	% to sales	Target	% to sales	
Net Sales	492	-	640	-	30.0
Gross Profit	186	37.9	247	38.7	32.8
Operating Income	31	6.5	58	9.1	81.7
Ordinary Income	31	6.5	56	8.8	76.2
Net Income	14	3.0	33	5.2	124.3
ROE	6.4%	-	12.0%	-	+5.6pt

Consolidated Sales by Business Segment (Unit: 100 million yen)

Management Target	January 2008 FY results		January 2011 FY targets		Growth rate (%)
	Results	% of total	Target	% of total	
Net Sales	492	100.0	640	100.0	30.0
Domestic baby care products	206	41.9	224	35.1	8.9
Overseas baby care products	138	28.1	220	34.4	58.9
Child rearing support services	48	9.9	56	8.9	16.8
HHC, nursing care products	56	11.5	77	12.2	37.3
Nursing care support services	5	1.1	7	1.1	33.7
Women’s care products	23	4.9	38	6.0	59.7
Other	12	2.6	15	2.3	16.3
Overseas business	143	29.1	234	36.6	63.1

Domestic business: We will strengthen our existing businesses, primarily baby and child care products as well as nursing care products, and build new business models in the areas of anti-aging products and online sales.

Global Development of Baby and Child Care Products

The overseas business is the key growth driver for the Group with China and the United States continuing to be the core countries. In addition, we are planning a strong commitment to the Indian market.

In China, we will continue to develop and expand our business by strengthening sales systems and launching new products. We have also tapped the product and sales systems of Lansinoh Laboratories, Inc., which became part of the Group in 2004, to increase our share of the market for breastfeeding products and to expand diaper rash creams and other peripheral products in the United States and Europe. We have planned our entry into a new market based on surveys of the Indian market, and we are ensuring that our marketing approach accommodates regional characteristics in other existing markets. Meanwhile, we are improving our operating base by strengthening product supply and development systems and by stepping up staff training.

1. Strategies for China

Earnings are stable thanks to enhanced recognition of Pigeon as a high-quality brand, a greater number of stores stocking our products, and an increase in the share of display space in retail stores. Going forward, we plan to increase the number of retail stores with “Pigeon corners” so that we can expand points of contact with customers. Aiming to pioneer new categories of baby products with the aggressive launch of new products, and to increase the number of categories in peripheral markets surrounding products for the care of babies, children and women, we also plan to further grow the business by widening Pigeon brand recognition.

2. Preparing the Operating Base for the Overseas Business

a. Reinforcing Marketing

We are bolstering our systems for new product development and expanding our promotional activities in a way that reflects regional characteristics.

In particular, we are strengthen our capabilities for developing new products in China, where three members of our development staff and our main laboratory are currently stationed.

b. Preparing Supply Systems

In addition to a new plant in China, which commenced full-scale operation in January 2008, approximately 40% of all capital expenditure is made overseas.

c. Preparing Development and Quality Control Systems

By training local staff and improving the skills of personnel at our plants, we are ensuring that our development responds to local needs and building highly reliable quality control systems.

Developing the Domestic Business

1. Expanding Baby and Child Care Products in Japan Boosting Direct Communication

With our approach of providing products that embody information that resonates with customers, we seek to differentiate our products from the research and development stage from the perspective of resolving issues that trouble consumers. We also aim to develop products with the potential for global expansion based on the results of half a century of research into breastfeeding and infant and child development.

Meanwhile, we are expanding events for expectant mothers as a means of strengthening our brand through direct communication. And we are using our IT operations to grow our Internet shopping business, for instance with Pigeon Mall, and to increase membership of pigeon.info.

2. Improving the Quality of the Child Rearing Support Business

Aiming to provide services that meet customer needs, we are developing daycare centers and babysitter services at business premises, stepping up personnel training with a focus on daycare staff, and reinforcing operational systems by preparing management systems and service management functions, including the dispatch of babysitters.

3. Pioneering New Fields in Healthcare

We are moving forward with the development of the Recoup brand of anti-aging products, which are mainly dedicated to helping women in their 60s and 70s avoid the need for nursing care.

In addition, we plan to integrate nursing care products into the Habinurse brand and to improve sales by introducing new products and converging categories in the general distribution channels. For our specialist channels, we will target facilities, hospitals and nursing care specialists through Pigeon Tahira Co., Ltd. and we will also improve distributor-based operations.

STRATEGIC MOVE TO GLOBAL BRAND



Overview

Pigeon launched its overseas business in the 1960s when it started exporting Japanese-made products for sale via local distributors.

In 1973, we opened an office in Singapore, and in the 1990s we established two production companies in Thailand. These operations began manufacturing three mainstay products: silicone nipples, baby bottles and breast pads. In 2002, we established Pigeon [Shanghai] Co., Ltd. to tap into the rapidly expanding market in China. Then, in 2004, we transformed the U.S.-based Lansinoh Laboratories, Inc. into a consolidated subsidiary to expand our markets in China, North America and Europe. The Chinese and North American markets are major growth drivers in our overseas business with sales for the year under review of ¥4,700 million yen in China where we have increased the range of products and are expanding nationwide, and sales of ¥3,500 million in North America where we have captured a high share of the market in breastfeeding-related products. Overseas sales represent 29.1% of total net sales and we anticipate further growth. In the year under review, we achieved year-on-year sales increases in virtually every overseas market in which we have a presence, with baby bottles, baby bottle nipples and breast pads the main contributors to revenue growth. We plan to make China and the United States our core area while we develop a European strategy from our U.S. base and launch a major effort to enter the Indian market.

Business Strategies

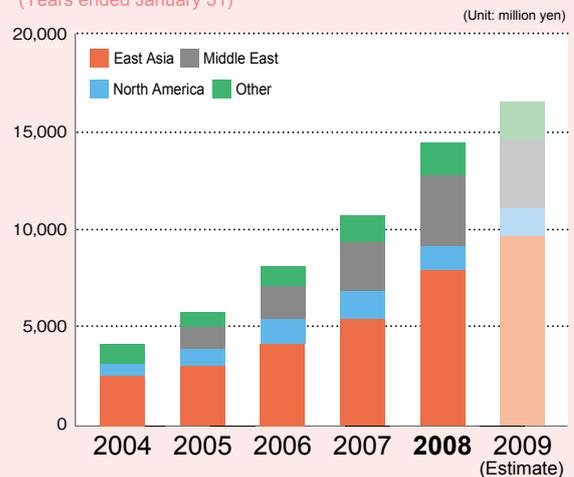
Against a backdrop of brand strength cultivated by recognition of our quality products, Pigeon's overseas business selects product strategies by conducting advance surveys of the culture of child care in the areas where the Company plans to

expand. We also call on our marketing strengths to respond to regional characteristics. Expansion of the overseas business will be emphasized as the main growth driver for the Group in the new medium-term management plan, and we anticipate sales of ¥23,400 million yen (36.6% of the total) for the final year of the medium-term plan. To make Pigeon a global brand, we plan a program of activities to raise our profile with customers, combined with the preparation of supply systems.

Performance and Outlook

Sales of our overseas business for the period under review(ending January 2008) were ¥14,349 million, rising 35.5% from the previous year. For the year ending January 2009, we forecast a further increase of 16.5% to ¥16,721 million.

Overseas Business Sales (Consolidated)
(Years ended January 31)



CHINA

Business Environment

According to surveys conducted by the National Bureau of Statistics of China, in fiscal 2006 China had a population of 1,314 million people and a GDP growth rate of 10.7%. Despite population control measures enforced by the government, there are 18 to 19 million births every year. The number of births is set to rise in 2007 with the “Year of the Golden Boar,” which occurs once every 60 years in the Chinese calendar. As the third wave of baby boomers, people born between 1981 and 1994, enter peak years for marriage and childbirth, the number of births is also set to increase. This boom in childbirths signals a vigorous market for high-quality baby products. In terms of quality, consumers give foreign brands higher marks than they do domestic manufacturers, in spite of the higher prices. With the increase in the number of wealthy people who are rearing children, support for high-quality Pigeon products is growing.

Market Position

We are expanding the Company in China by mainly targeting the so-called “new rich” with a monthly household income of more than 5,000 yuan, who are using many of the high-quality and convenient products we have proposed through innovative lifestyle choices. To increase recognition as a brand of comprehensive baby and child care products, we have already introduced more than 500 kinds of products to the Chinese market.

Sales of our lineup of high-end skincare products are growing steadily on the eastern seaboard.

We are also planning to expand nationwide by working together with local sales distributors in our sales network. We are boosting our visibility in retail stores in addition to expanding the number of stores that stock our products by

developing Pigeon corners—which account for more than half of our sales area—in department stores and baby specialty shops, especially on the eastern seaboard. We are also expanding our distribution channels to include drug stores.

Business Strategy

On the eastern seaboard, we have begun to provide products in the higher price ranges in response to upmarket demand associated with the growing population in the higher income brackets. This reflects recognition of Pigeon as a high-quality, trustworthy brand also in China. Inland, we are continuing to take steps to establish recognition as a highly trustworthy brand. More than 5,000 retail stores stock our products throughout China and we anticipate annual increases of more than 1,000 shops. As a new initiative, the Pigeon Corners with their consistent appearance have been installed in 300 retail stores as of the end of the current period. On the eastern seaboard, we are also producing and selling products exclusively for China, such as high-end skincare products and basic skincare products for women before and after childbirth.

Performance and Highlights

In the year ended January 31, 2008, sales in China were exceptionally strong, rising 65.8%, to ¥4,700 million. This was attributable to higher sales of skincare products, baby bottles, and baby bottle nipples. We currently have around 700 Japanese children resident in Shanghai who are registered with Pigeon Land Shanghai Gubei, a child care support center. We have also started accepting applications for Chinese children, with the aim of expanding this business even further.

Sales Channel Expansion in China

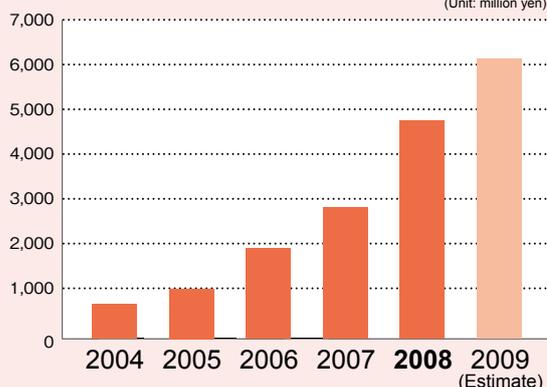
— Consolidating in the main cities and coastal areas, and moving into the interior



Sales in China (consolidated)

(Years ended January 31)

(Unit: million yen)



Outlook

We are expanding the Pigeon sales sections with their consistent design in the 5,000 retail stores throughout the country. On the eastern seaboard, in particular, recognition of the Pigeon brand is so high that it is starting to become entrenched as a national brand. In the future, we plan to increase the number of independent sales sections in department stores and Pigeon corners in other retail shops. The Shanghai factory has also started full-fledged operations and we are making every effort to expand Pigeon products and develop sales through local production and local procurement.

Operations Start at the Shanghai Factory

The new plant in the Qingpu Industrial Zone in Shanghai was completed on December 24, 2007 and commenced operations in January 2008. Annual production capacity of the new factory is maximum 20 million baby bottle nipples, approximately 300 tons of skincare product, about 130 tons of detergent and assembly of 250,000 cases. The new factory was built with the aim of boosting stable supplies and cost competitiveness, and is operated by Pigeon Manufacturing

(Shanghai) Co., Ltd., a wholly-owned subsidiary. Until now almost all manufacturing of skincare products in China has been outsourced to companies outside the Group, but with the new factory in operation, it will be possible to manufacture about 50% in-house in three years' time.



"Pigeon corner" in China (Beijing)



Opening ceremony at the new factory in Shanghai (March 2008)

INDIA

Business Environment

In 2005, the total population of India exceeded 1,100 million people and the population is growing by ten million people every year. More than half the population is younger than 25. While there are crushing differences between rich and poor, growth in the well-to-do population is remarkable and the number of childbirths is also increasing.

Business Strategy

There is currently no dominant brand of baby and child care products in India. We will respond to demand from the growing population of wealthy people by raising recognition of Pigeon as a high-quality brand with high added value, as we have done in Japan and in China.

Performance

We have expanded the business from north to south using two local distributors. Sales for the year under review were ¥100 million. Since we have also obtained an import license for baby bottles, we anticipate strong sales growth in the year ending January 2009.

Main Area We Are Investing



NORTH AMERICA

Business Environment

With an average fertility rate of 2.1 children, the United States is an advanced country with a very stable birth rate. Doctors in that nation generally recommend breastfeeding, so demand for breastfeeding-related products is high. For that reason, high-quality products supplied by Lansinoh Laboratories have garnered strong support.

Market Position

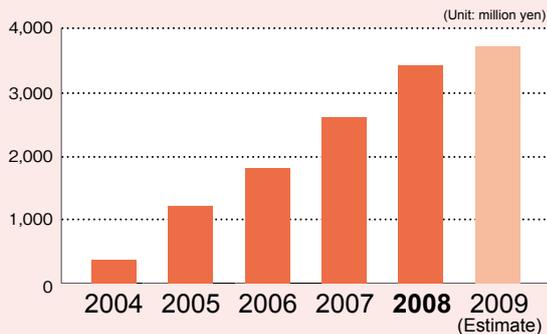
The Lansinoh range of breastfeeding-related products includes breast milk storage bags, breast pads, nipple care cream and manual breast pumps. In terms of breastfeeding-related products, the company is recognized for its unmatched product quality and brand strength. In particular, the breast pads, a high-quality product developed in Japan, are highly appreciated by consumers in the United States.

Products from Lansinoh Laboratories, Inc. in the United States



Sales in North America (Consolidated)

(Years ended January 31)



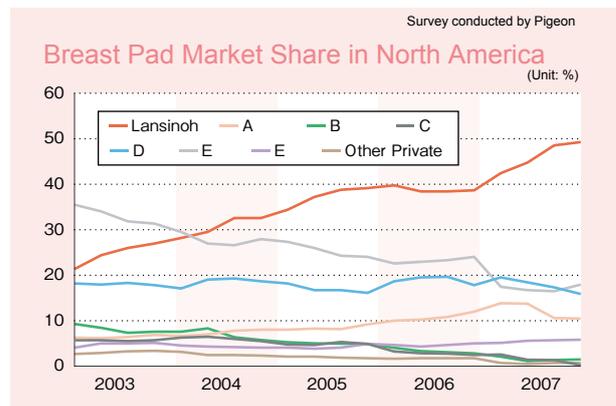
Business Strategy

In April 2004, we acquired Lansinoh Laboratories, Inc., transforming it into a wholly owned consolidated subsidiary. The company was established in 1984 and is based in the state of Virginia. Lansinoh pioneered the market in breast creams and has acquired an extremely high degree of brand recognition. In the medium and long-term perspective, we are developing the business with the aim of building strong sales platforms in the United States and Europe, securing sales channels to major retailers in the United States, and expanding sales of breastfeeding-related products.

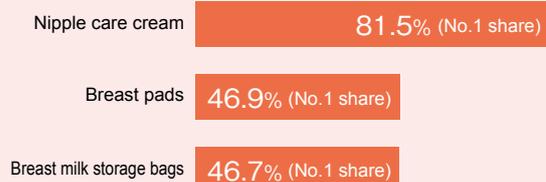
Specifically, we have secured almost all sales channels in the United States. In Europe, we are expanding sales bases in the United Kingdom and Germany. With respect to breastfeeding-related products, we are expanding the number of products and increasing the number of retail outlets and stores that stock the products. In this period, we are also introducing a new diaper rash cream to major companies.

Performance

In the year ended January 31, 2008, sales in the United States climbed 30.5%, to ¥3,500 million.



Lansinoh Laboratories, Inc.: Annual Average U.S. Market Share (Yearly average)



Survey conducted by Pigeon

RESEARCH AND DEVELOPMENT

The Mission of Research and Development

To provide “the love” to all, which is our basic philosophy, the products we offer have been developed by listening to the opinions and worries of pregnant women and women who are raising children. We have inherited a passion for pursuing that which is good for babies from our founder, the late Yuichi Nakata, and we are committed to researching and developing products to help babies, their mothers and others who are involved in caring for children so that they can lead comfortable and healthy lives. At Pigeon, research and development is guided by a hope for happy babies and a strong desire for a peaceful and wealthy society.

R&D Organization

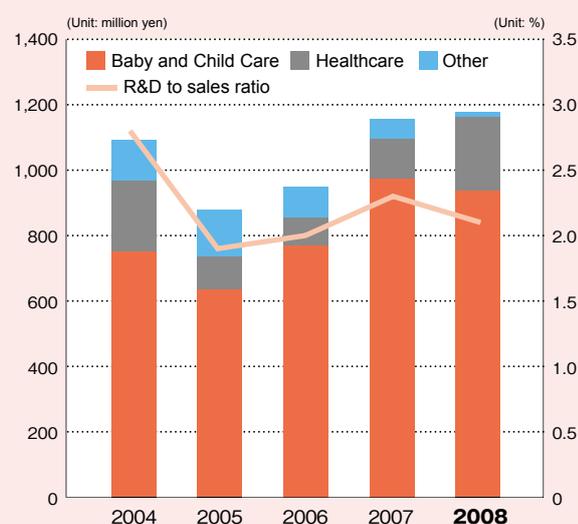
Research and development at Pigeon is based at the Central Research Center in Tsukuba Mirai City, Ibaraki Prefecture, where about 70 researchers work in three departments: basic research, product development and quality control. We are also increasing our ability to respond to overseas markets by posting researchers to our bases in Shanghai, Thailand and elsewhere.

R&D Strategy at Pigeon

More than half a century has passed since we launched the first wide cap baby bottle in Japan. Since then we have made advances in the development of baby bottles, invented products that match the stages of infant development, and generated products that conform with the child care culture in other countries on the strength of our research into baby bottles and infant development. In addition to such activities carried out in Japan and overseas as mentioned above, we have accumulated basic research into the mechanisms of aging and we are also actively engaged with health care research.

The result of basic research at the Central Research Center, our “baby shoes” are a best-selling product. This product required eight years of research before it was launched in 2003. The first stage of the research involved detailed observation of the process of babies beginning to pull themselves upright until they are able to walk properly. As a result, it became clear that the feet of babies are different from those of adults, with the big toe and little toe fanning out more than the other toes. In addition, we found that babies keep their balance with the help of the big toe and little toe when they walk. Based on these researches, Pigeon developed baby shoes with a shape that does not interfere with the movement of the toes. Since 2006, we have been working on stronger quality control in the overseas expansion, and we have integrated quality control structures that were not consistent across countries. We have centralized quality control checks of products developed in all countries to our Research Center. Since consumers are very sensitive to safety and peace of mind wherever child care products are concerned, new products must undergo quality control testing at the Central Research Center before they are put on the market in any country. For the future, we have high hopes for the basic research department that have recently been delving deep into research of infant and maternal care, including basic data about pregnancy such as breast milk secretion, as well as research into health care.

R&D Expenditure and R&D to Sales Ratio (Consolidated)
(Years ended January 31)



R&D Expenditure

As of the end of January 2008, expenditure on research and development was ¥1,044 million with ¥831 million spent on the baby and child care, ¥198 million on the healthcare and ¥14 million on other.

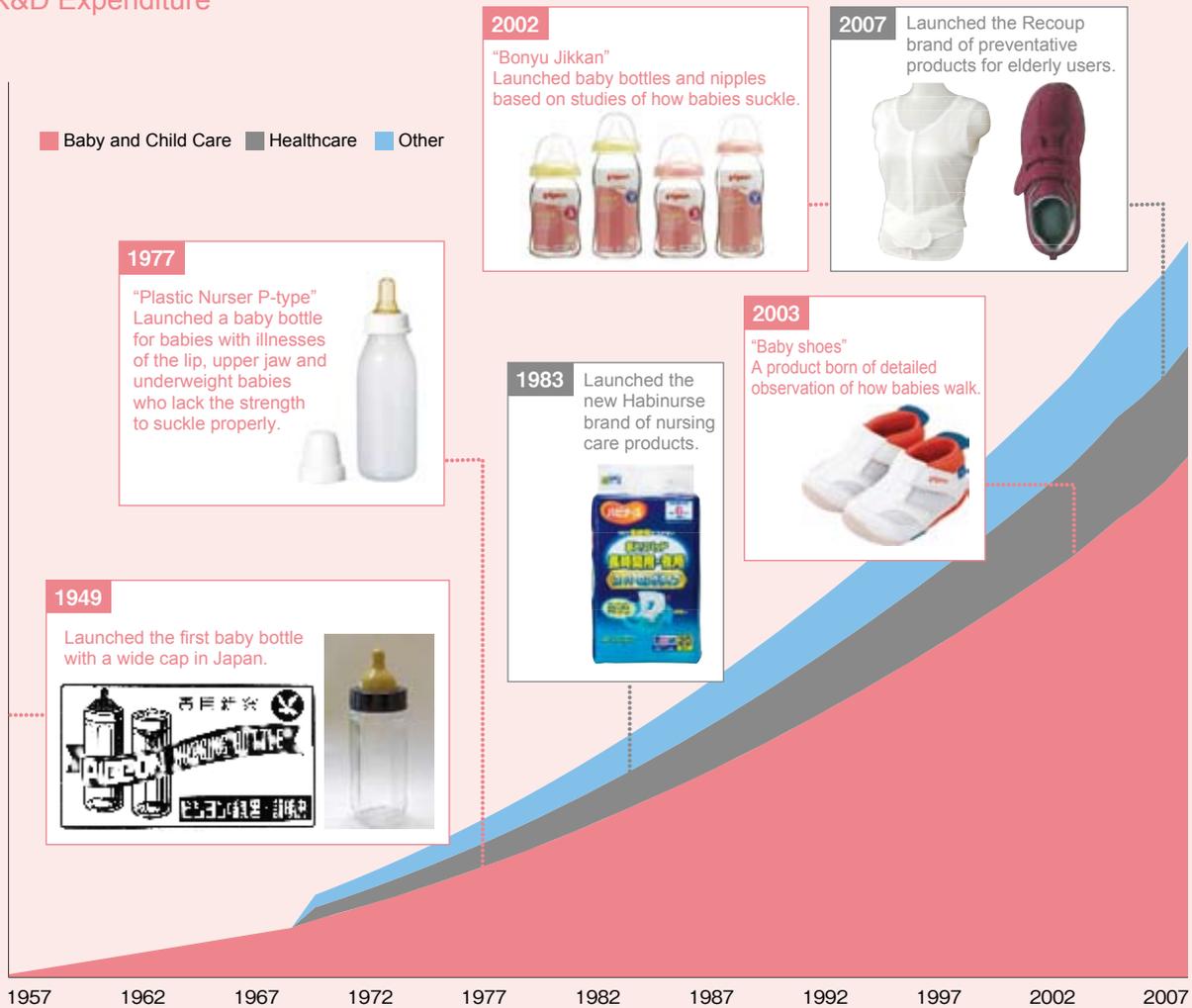


Central Research Center at Tsukuba Mirai City, Ibaraki Prefecture



Lactation simulator

R&D Expenditure



AT A GLANCE

Products / Services

Baby and Child Care



Breast-feeding-related products

Baby bottles, baby bottle nipples, baby bottle cleansers and sterilizers, disinfecting equipment, baby bottle cleansing brushes, sterilized tongs, breast pads, breast pumps

Weaning-related products

Mag Mag cooking equipment, feeding accessories, bibs, baby food, baby beverages

Skincare products

Soaps, shampoos, oils, lotions, sunscreens, powders, baby wipes, wet tissues



Other

Children's pharmaceuticals, digital thermometers, thermometer/barometers, scales, bathwater thermometers, child-safety goods, cotton swabs, toothbrushes, nail clippers, cooling blankets, cooling sheets, pacifiers, teething products, toys, bath toys, baby shoes



Child rearing support services

Operation of child-minding and daycare centers, babysitter dispatch services

Healthcare



Nursing care and anti-aging products

Adult disposable diapers, incontinence pads and pants, diaper covers, waterproof sheets, pillows, abdominal wipes, body wipes, urine and fecal containers, shampoos, sterilizers, deodorizers, crockery, bibs, oral hygiene products, walkers, nursing bed, wheelchairs, sleepwear

Nursing care support services

Business initiatives in Tochigi prefecture

Other



Women's care products

Dietary supplements, maternity goods

Other

Wet tissues

Business Environment

Pigeon's baby and child care business is a core business that accounts for around 80% of consolidated revenues. This segment covers the full range of baby-related products, including breastfeeding and weaning-related items, diapers, and skincare products as well as provision of child rearing support services. As the leading industry brand, Pigeon has earned a reputation for safety, peace of mind and reliability among customers in Japan and overseas. Overseas sales accounted for a significant share of sales with business continuing to expand in both East Asia, centering on China, and in North America. In Shanghai, a new factory went into operation in January producing skincare and toiletry products and baby bottle nipples.

The scale of the Pigeon Group's child rearing support services is the largest in Japan. The Law for Measures to Support the Development of the Next Generation, which is a social initiative to support child care and the families that raise children, was announced in March 2003, indicating that interest and initiatives for supporting child care are on the rise. In the year ending January 2009, we will focus on daycare centers at business premises, facilities for early childhood education and babysitter dispatch services.

The healthcare business represents an important component of Pigeon's three-generation marketing strategy. As a major future market, this segment is one of the Group's main pillars. We have established a division in charge of the overall operation of the segment, thereby strengthening the business platform and creating systems geared towards growth.

The maternity undergarments made by Pigeon Will Co., Ltd. have received the stamp of approval of a younger generation of women who want to feel fashionable and who care about their appearance during pregnancy. In recent years awareness of supplements has increased among pre-pregnant women and sales of folic acid and other supplements are growing steadily.

Strengths of the Pigeon Group

As a result of research of baby bottles spanning half a century as well as constant product development and improvements born of research into early childhood development, Pigeon baby and child care products are widely recognized as a high quality brand that has captured a large share of the market. Pigeon is also providing value-added services and strengthening direct communication with customers by hosting maternity events all over Japan, and by the complete overhaul of Pigeon Info, the internet portal for word-of-mouth information about pregnancy and child care.

Pigeon is also expanding its business activities with a focus on contracting operation of daycare centers at business premises. To achieve differentiation from other companies, Pigeon is striving to improve the quality of child care through the Pigeon Heartner Open College, which aims to provide comprehensive training for child-minders.

The Groups' strengths in this segment derive from its technical and information capabilities acquired through its experience in the baby and child care business. By assimilating the distribution, product development and production functions of Pigeon Tahira Co., Ltd. into the main body of Pigeon, and by establishing the Elderly Health Care Division, we have created a structure that clarifies the parent company's position in the healthcare business.

We have also launched Recoup, a new brand in the nursing care prevention category, and we are engaged in efforts to respond to a growing market for elderly care as society ages.

Performance is growing steadily with the result of enhancing range of nutritional supplements for the periods of pregnancy, childbirth and child-rearing, and launching women's care products in China.

DOMESTIC BABY CARE PRODUCTS

Market Trends

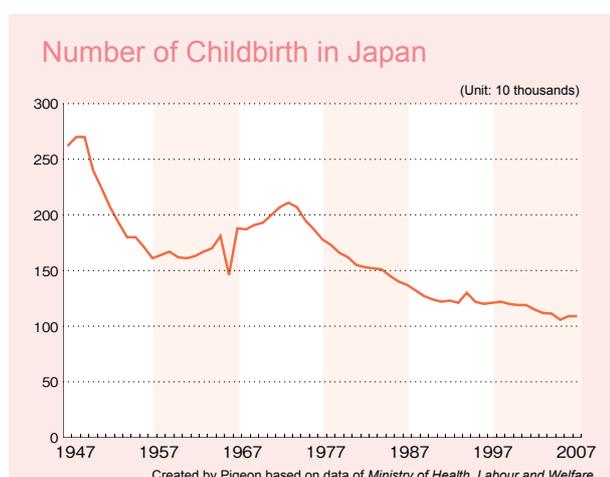
The severe market climate continues, with no recovery in the number of childbirths. The total fertility rate for 2006 was 1.32 with 1,093,000 births, which represented a small increase compared to the previous year, but the figures nevertheless remain low. The total fertility rate for 2007 was 1.34 with 1,089,000 births, and over the long term a slow decline is expected.

Pigeon's Competitive Edge

Based on half a century of research into breastfeeding and infant and child development, the predominance of the Pigeon brand is the result of creating and developing a wide range of high-quality products by using the discoveries we made when we looked deeply into the growth process of babies and uncovered the problems that parents encounter when raising children. Our competitive edge lies in our high public profile as an industry leader and creator of the prominent Pigeon brand.

Business Strategy

In response to the declining birthrate in Japan, we instituted a strategy to enhance name recognition and reinforce the power of the Pigeon brand. Under this strategy, we are introducing initiatives that appeal directly to consumers including a full range of direct communications, revamping existing products, raising our presence in the market by launching new products, and cementing our competitive excellence.



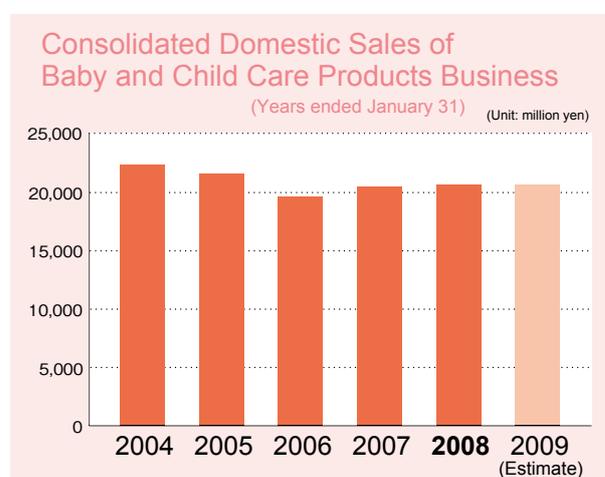
We are focusing, in particular, on strengthening the brand through direction communication. Since April 2007, our initiatives for providing value-added information include sponsoring "Baby Style" on television and organizing maternity events with the goal of dispelling worries about giving birth and raising children among expectant mothers. As well as raising name recognition, such events permeate the target group with the Pigeon brand.

Specific Initiatives

We held direct communication events including ante-natal classes, Maternity Café events and Christmas concerts for expectant mothers on 65 occasions. By enabling expectant mothers to prepare for motherhood and form friendships with others in similar situations, these kinds of activities offer opportunities for women to talk, to share their anxieties and problems with others, and to find solutions.

Performance

Sales for the baby and childcare segment totaled ¥20,602 million, up 0.9% from the previous year.

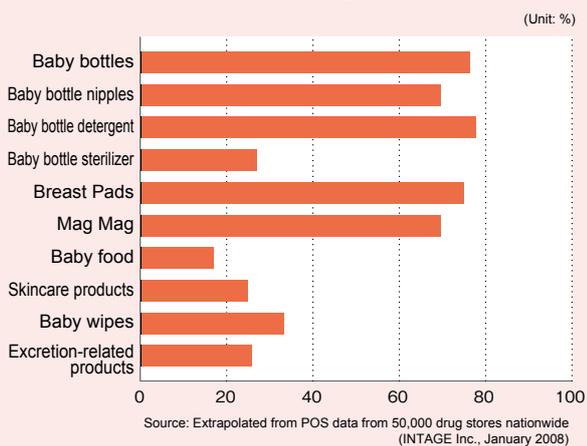


WOMEN'S CARE PRODUCTS / OTHER

Outlook

For half a century, we have been making products that have won recognition in Japan, a country where consumers are said to be the most discerning in the world. The trust we have earned from consumers in Japan will help us maintain our high share of the market across many categories, but we are also going ahead with plans to strengthen categories where growth potential is high, and to venture into new categories.

Domestic Market Share of Pigeon's Main Products



Average Monthly Expenditures per Infant

(Unit: ¥)

Segment	2003	2004	2005	2006	2007
Powdered milk	1,630	1,739	1,794	1,360	1,457
Baby foods	908	810	1,008	875	758
Cow's milk	372	473	378	352	328
Snacks	706	670	750	567	553
Other (foods)	1,638	1,608	2,371	2,010	1,950
Subtotal (foods)	5,255	5,300	6,301	5,165	5,047
Clothes (under, outer), shoes, etc.	3,763	3,483	4,081	3,862	3,271
Cloth diapers, diaper covers/liners, etc.	88	125	130	156	139
Disposable diapers	3,285	3,290	3,405	3,602	3,166
Cloth diaper rental	25	32	9	0	0
Subtotal (clothes, diapers)	7,160	6,929	7,625	7,620	6,576
Medical treatment, pharmaceuticals	564	516	521	784	428
Toys	1,538	1,289	1,358	1,453	1,265
Picture books	552	485	555	527	389
Subtotal (toys, picture books)	2,090	1,774	1,913	1,980	1,654
Breast-feeding, baby food crockery	259	336	364	422	396
Bathing/hygiene accessories	1,069	1,236	1,262	1,182	1,168
Subtotal (breast-feeding, baby food crockery, bathing, hygiene)	1,328	1,572	1,626	1,604	1,564
Outdoor, furniture, beds, etc.	1,935	2,030	1,782	2,186	2,823
Total	18,331	18,122	19,768	19,339	18,092

Source: Sample from September 2006 survey of 960 mothers of infants aged between zero and 24 months, related to baby care products (survey conducted by Pigeon)

Outline

In the period under review, the segment for women's care products and other products posted sales of ¥3,688 million, a year-on-year increase of 5.9%.

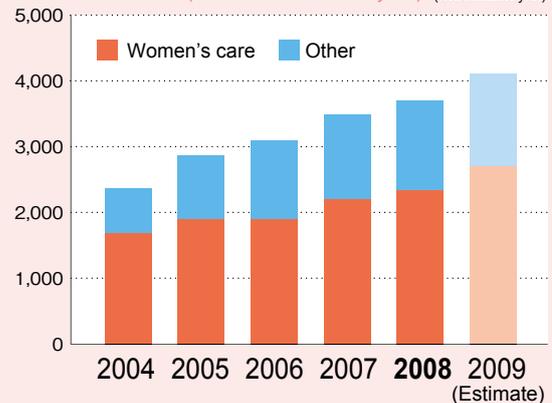
Performance in this segment is growing steadily with results expanding at Pigeon Will Co., Ltd., our consolidated subsidiary for manufacturing and selling maternity undergarments. Other growth areas are the enhanced range of nutritional supplements for the periods of pregnancy, childbirth and child-rearing, and skincare products for women before and after childbirth which have been launched in China.



Women's care products for sale in China

Consolidated Sales from Women's Care Products and Other Businesses

(Years ended January 31) (Unit: million yen)



CHILD REARING SUPPORT BUSINESS

Business Environment

In March 2003, the Law for Measures to Support the Development of the Next Generation was promulgated as a social initiative to support families raising children. As a result, there has been heightened interest in daycare facilities at corporate premises.

Market Position

The Pigeon Group is the industry leader in the provision of child-rearing support services. Today, we operate a host of child-minding facilities, including government-approved and certified centers, in-company facilities, and the Kids World chain of centers. In addition, we provide babysitter dispatch services to people's homes. In these and other ways, we are supporting the child-rearing activities of parents in various forms.

Business Strategy

Pigeon has built a track record as a leading company in the area of baby and child care products, derived from half a century of research into breastfeeding and infant and child development. Building on this record, we have been involved with initiatives to support child-rearing since 1993 and have made major and broad advances into the child-rearing support business to address the needs of the times. We are developing solutions aimed at providing ideal child-rearing environments, both in terms of hardware and software, such as the Pigeon Heartner Open College, which provides comprehensive training for daycare workers. In the process, we are consolidating our position at the top of the industry.

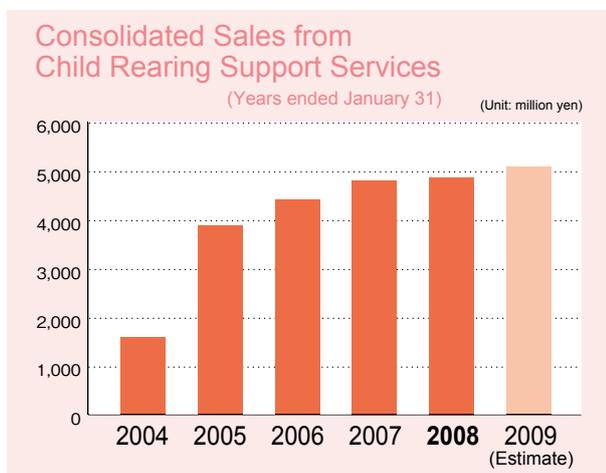
Performance and Highlights

In the year under review, sales from child-rearing support services amounted to ¥4,869 million, an increase of 1.3% over the previous year.

As of March 2008, we operate approved and certified daycare centers at 10 locations, in-company child-minding facilities at 28 locations, daycare centers at national hospitals at 112 locations, child-minding services at 7 locations and preschool educational facilities at 27 locations.

Outlook

Based on our years of extensive research, the comprehensive study curriculum at Pigeon Heartner Open College is designed to improve the skills of daycare workers and to train workers to provide appropriate guidance as the children in their care grow and develop. We aim to expand our business by providing a high-quality service that responds not only to the diverse lifestyles of individuals, but also to the daycare needs of corporations, hospitals and local authorities.



Child-minding Centers

HEALTH CARE BUSINESS

Business Environment

According to estimates for September 2007, the population aged 65 or older stands at 27,440,000 persons. Among them, the latter-stage elderly aged 75 or older comprise 12,690,000 persons. (Population Estimates published by the Statistics Bureau at the Ministry of Internal Affairs and Communications). Japan is known for having the longest average life span of any advanced country in the world which has raised awareness among the elderly of wanting to lead a youthful and healthy life for as long as possible.

Today, quality of life has become a high priority in Japan, and people are generally far more conscious about health issues. Reforms to the Nursing Care Insurance Law in 2006 have prompted a positive shift to emphasis on prevention. By 2010, the nursing care and related markets are expected to be worth ¥11 trillion. By 2015, one in every four Japanese people will be at least 65 years old, and the market for care products and services for the elderly is one of the few markets where growth is anticipated.

Market Position

Nursing care products encompass many different categories, including items related to bodily functions, bathing, hygiene, meals, sleeping, and mobility. A key strength at the Pigeon Group is its two sales channels for nursing care products: retail stores and nursing homes and other facilities. Pigeon Manaka Co., Ltd. offers in-home nursing care services including care visitor services, bathing services, rental and sales of care equipment, primarily in Tochigi Prefecture.

Market Strategy

We have started the process of integration with the Habinurse brand from Pigeon Tahira Co., Ltd. to improve brand strength. Anticipating that the market scale will expand rapidly, we are concentrating our efforts on the elderly care market where developing high valued-added products will secure high profitability compared to the market for nursing care products. Interest in elderly care is increasing as the baby-boomer generation grows older. We have upgraded and expanded the product group for the new Recoup brand of elderly care, and we are priming the health care business as the new growth area by developing proactive sales promotion strategies.

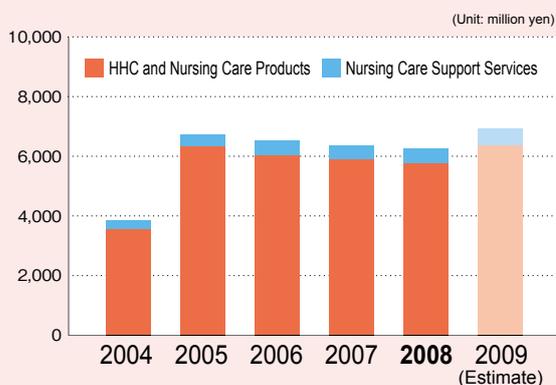
Performance and Highlights

Overall sales in the healthcare segment declined 1.6%, to ¥6,226 million. Sales of nursing care products slipped 2.0%, to ¥5,680 million, but sales from nursing care services rose 3.7%, to ¥545 million. At the start of the period under review, we established a head office for the HHC and Nursing Care Business to act as the umbrella organization for our consolidated subsidiaries Pigeon Tahira Co., Ltd. and Pigeon Manaka Co., Ltd. In August, we started up the new Recoup brand, which specializes in elderly care, with a new product launched and sponsored events to promote recognition of the brand. The trend toward low prices remains a feature of nursing care products creating a difficult environment for sales.

Outlook

Our plans to grow the business are based on a two-pronged approach using the Recoup brand of elderly care products and the Habinurse brand of nursing care products, which integrates the Pigeon nursing care brand and Pigeon Tahira Co., Ltd.

Consolidated Sales from the Healthcare Business
(Years ended January 31)



The Habinurse Brand

A good by word for top Pigeon brand, the Habinurse brand was launched in 1983. As for the future, a range of value-added features are on the drawing board as a result of the integration with Pigeon Tahira nursing care products, which were mainly developed for nursing care facilities.



Incorporating a sense of wanting to provide appropriate nursing care for the elderly, the word Habinurse was coined by combining habilis (Latin for "fitting") with nurse. The product categories include dietary care, skincare, bodily function care and hygiene.

We have developed the products to relieve the caregiver of some of the burden while respecting the dignity of the elderly.

The Recoup Brand

With reforms to the Nursing Care Insurance Law in April 2006, the emphasis has been placed on a system of "nursing care prevention" to encourage self-reliance. Demand for elderly health care is growing in order to prevent the health of the 2 million persons who require light nursing care from deteriorating, and to make sure that elderly people who are healthy do not become



dependent on nursing care insurance.

Recoup is an elderly care brand targeted at the healthy and those who require light nursing. As walking is very effective for maintaining mobility, we have a range of products built around the theme of walking. The brand is an aid for a healthy and positive lifestyle that resolves and dispels problems arising from a decline in physical functions, and prevents the age-related deterioration of physical functions.

Recoup is an English word which means to return or recover.

Developing the Recoup Brand

The development of the brand was based on research into how physical functions age in the elderly. We observed the use of parts of the body including the eyes, mouth, hair, knees and ankles in a variety of everyday situations and classified the types of problems that arise as a person ages. We had planned to gradually develop products to dispel these problems, but our research triggered the birth of a new brand. The Recoup brand incorporates our wish to resolve and improve the problems that stem from discomfort in daily life by providing products that are enjoyable to use.

Pigeon and the Nursing Care Business

Pigeon launched the Habinurse brand of care products in 1983. The range of products for sale includes products for skincare and care of bodily functions.

Pigeon Manaka Co., Ltd., which provides nursing services, was established in 2000. When Tahira Co., Ltd. with its strong sales channels to institutions and hospitals became part of the Pigeon Group in 2004, the nursing care business was gradually expanded as Pigeon Tahira Co., Ltd.



"Habinurse" Straw cup

"Habinurse" Diaper pads for adult long type



"Recoup" Supporter for reducing strain on the body



"Recoup" Folic acid and "Recoup" Lactobacillus

CORPORATE GOVERNANCE

Basic Stance

Embracing a strong sense of ethics, our executives and employees promote compliance-oriented management across all areas of the Group's business activities, and are dedicated to helping Pigeon fulfill its social responsibilities as a corporation. This dedication is reflected in Pigeon's corporate motto, "Only love generates love." To achieve sustained increases in corporate value, we recognize the crucial importance of various factors. These include improving management efficiency and transparency and strengthening the management oversight function, with the aim of achieving performance targets while maintaining a proper balance between value for shareholders, value for customers, and value for employees. Based on this recognition, we are implementing a variety of initiatives to upgrade our corporate governance system.

Pigeon's Board of Directors consists of seven members, none of whom are outside directors. The Corporation has also adopted a corporate auditor system, with four corporate auditors, including two outside ones. In addition to the Board of Directors and corporate auditors, Pigeon is building a corporate governance framework based on internal control systems. The task of the seven directors is to address changes in the business environment swiftly and appropriately, and thus achieve sustained growth and establish a solid operating foundation. To this end, we are seeking to build an infrastructure conducive to rational and effective decision-making.

IR Activities

IR tools

Presentation materials for financial results and medium-term business plans (Japanese/English)	As appropriate
Annual reports (Japanese/English)	Annually
Information meeting materials for overseas investors (English)	Annually
Business reports	Semiannually
Home page and communications site	http://www.pigeon.co.jp
	http://pigeon.info

IR activities

Presentations of financial results	Semiannually
Presentations of medium-term business plans	As appropriate
Overseas investor forums and visits (Asia)	Annually
Domestic investor visits and small meetings	As appropriate
One-on-one meetings	Approx. 150 times per year

While the Board of Directors handles control and supervision, Pigeon also 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.

Compliance

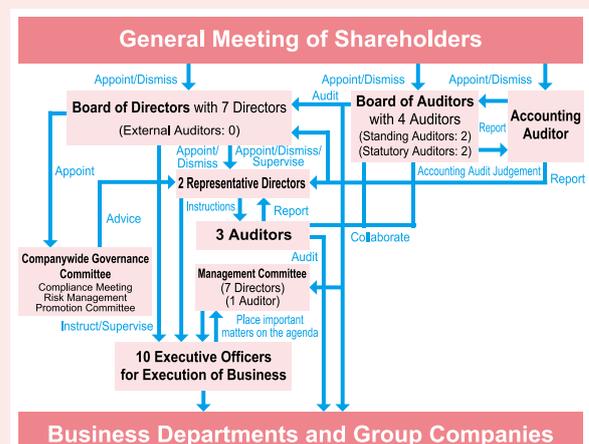
Pigeon has established a compliance program for actionable compliance management. We have also produced a guidebook to help all Group employees understand and practice legal and ethical compliance. To enhance the efficacy of our compliance system, we have established a hotline within our internal reporting system, encouraging employees to speak up when they encounter problems.

Protecting Personal Information

The Pigeon Group is currently taking steps 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. One key objective has been to acquire the Privacy Mark certification, bestowed by the Japan Information Processing Development Corporation (JIPDEC) upon businesses with appropriate mechanisms in place to protect personal information. To this end, we set up a Personal Information Protection Committee and undertook Groupwide initiatives. As a result, we succeeded in obtaining certification in July 2005, and to renew the certification in July 2007.



Organization of Corporate Governance



CORPORATE SOCIAL RESPONSIBILITY

Concept of CSR Initiatives

The Pigeon Group's business philosophy of "providing the gift of love to all" is embodied in the business of providing products and services to people requiring assistance with pregnancy, childbirth, child rearing and nursing care. We believe that this business approach will make possible CSR initiatives.

We view all our stakeholders as customers and believe that maintaining a good balance between all of our stakeholders is in itself an act of corporate social responsibility, and one that enhances corporate value.

Newborn Baby Commemorative Tree-Planting Campaign

We are keen to engage with social action programs that agree with Pigeon's corporate motto, "Only love generates love." This is the thinking behind our Newborn Baby Commemorative Tree-Planting Campaign which is based on the premise that both babies and seedlings share a need for warm and nurturing environments to grow and prosper. Many people have shared the emotions and joys of birth and raising children with us since the campaign started in 1986. It is our wish to leave behind a forest for the future of all children, and to contribute to creating an environment for the next generation of children where nature is protected for a long time to come. Inspired by the slogan "Raising Children, Raising Trees: the Spirit is the Same," we have planted between 3,500 and 6,000 trees a year since 1987 at the Pigeon Miwa no Mori site in Hitachi-Omiya City (formerly, Miwamura), Ibaraki Prefecture. As the 22nd event in 2008 approaches, we have planted 90,000 trees and the first trees we planted have now reached a height of ten meters. The total area is now more than 30 hectares, or the size of six Tokyo Domes.



22nd. Newborn Baby Commemorative Tree-Planting Campaign (May 2008)

Community Initiatives

Pigeon provides child-rearing support services, including the operation of child-minding and daycare centers and babysitter dispatch services, that enable parents to work safe in the knowledge that their children are being well cared for. Pigeon Manaka Co., Ltd., a consolidated subsidiary, provides nursing care services for the elderly, emphasizing close ties with its local communities in Tochigi Prefecture. We also initiate other activities in the hope that people will accept Pigeon as a part of their communities. For example, all of our plants give guided tours to elementary and junior high school pupils, and also actively participate in local community events.

Social Initiatives

Pigeon baby bottles and nipples for newborn babies are used in many hospitals and maternity clinics. We also manufacture bottles and nipples for babies with lip and upper jaw problems, as well as for prematurely born babies with insufficient strength to drink properly. Pigeon has been supplying these products at the same price since they were first developed several decades ago. Our efforts to provide such items strengthen our sense of being a corporation that is a member of society. When the number of nuclear families began to increase in Japanese society in the late 1970s, the notion spread that child rearing was something that was to be shared by both parents. Pigeon promptly played its part in contributing to social education by holding child-rearing classes for men.



Plastic nurser p-type



Feeder with long nipple

Customer Initiatives

The Pigeon Group adopts a customer-focused approach to its business activities. Through our Baby Care Solutions initiative aimed at reducing and eliminating stress felt by parents, we provide a variety of services in addition to the Pigeon line of products. We have also revamped our community website portal, "Pigeon Info 2.0," an interactive site with extensive content to help pregnant women and parents around the country. In addition, we hold nationwide ante-natal events, including ante-natal classes to help prepare expectant parents for the birth of their children. Pigeon continues to provide detailed and abundant information based on data collected over many years of research into breastfeeding and infant and child development.

Employee Initiatives

At Pigeon, we recognize that corporate value represents the summation of shareholder value, customer value, and employee value. In order to provide high-quality products, we must create an environment that motivates employees to work. If we do not take care of our employees, we cannot succeed in business. For this reason, we are upgrading our frameworks and systems to create an appropriate working environment, while building a corporate culture that helps employees perform their tasks more easily. As part of this strategy, we offer a range of child-rearing services to support our employees. To encourage male employees to take parental leave, we adopted a new parental leave scheme for men with one month's paid leave. Seven employees took this leave in 2007 (five in the previous year). This and other Company initiatives resulted in Pigeon's accreditation under the Law for Measures to Support the Development of the Next Generation. Other initiatives aimed at creating a healthy workplace environment include mental health seminars for management personnel and a scheme aimed at salespeople and other employees who drive vehicles in the course of their duties that identifies those with excellent driving skills.



Next-generation accreditation mark

Information Disclosure Initiatives

We believe that one fundamental mission of a corporation is to return an appropriate level of profits to shareholders based on transparent business management. To achieve this, we must conduct business activities under clear management policies and disclose information on operating conditions and new businesses in an appropriate manner. It is important, therefore, this is reflected in our business activities while maintaining clear channels of communication with shareholders and investors. We hold semiannual information meetings, in July and January, for institutional investors, at which we announce our business results. The Company's president and its investor relations office prepare reports on business results for each quarter and take part in Q&A sessions. Other proactive information disclosure activities include the fielding of inquiries from overseas institutional investors by our head office and participation in the Equity Forum held annually in Singapore. The Pigeon website and the Japanese-language and English-language versions of annual reports compiled at the completion of each financial year serve as communication tools full of financial results and information that enable stakeholders to gain an overview of the Company's position. We will continue to strive to maintain a healthy relationship with domestic and overseas shareholders and investors and pursue information disclosure that meets their expectations and earns their trust.



Overseas IR Activities

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Business Environment and Performance

Thanks in part to overseas business, which sustained its strong performance and provided considerable traction, consolidated net sales for the year totaled ¥49,237 million, up 8.7% from the previous year. Consolidated ordinary income climbed 15.7% from the year-ago period, to ¥3,177 million. Consolidated net income meanwhile fell 23.2%, to ¥1,471 million.

Despite year-on-year consolidated net sales growth for the seventh consecutive year, consolidated net income was down from the year-ago period, due mainly to the absence of the effects of temporary extraordinary income, attributable to the sale of the Corporation's head office land and building, which was recorded in the previous year. Consolidated operating income ratio was 6.5%, up 0.4 point from the year-ago period.

Segments in Review

Baby and Child Care

Consolidated net sales in the baby and child care segment rose 10.8% year on year, to ¥39,322 million, achieving double-digit growth for the second straight year. Consolidated operating income in the segment was ¥5,578 million, up 12.4% from the previous year. Performance in the segment is summarized below for the categories of domestic baby care products, overseas business and child rearing support services:

(1) Domestic baby care products: As a result of our efforts to rebuild brand strategies with infrastructure reinforcement as a key issue, consolidated net sales for the category increased 0.9% year on year, to ¥20,602 million, despite the sustained difficulty of the operating environment created by the stalled birthrate.

(2) Overseas business: Consolidated net sales from our operations in China jumped 65.8% year on year, to ¥4,700 million, thanks to successful initiatives such as the extensive development of existing markets with an expanded product lineup and forays into regional cities. We also secured a more stable supply system with a new plant in Shanghai that began operation in January 2008. Consolidated net sales from our operations in the United States also rose 30.5% year on year, to ¥3,500 million, on the strength of increased market share based on sales channel expansion, in addition to sustained growth of the market related to breastfeeding. Consolidated net sales topped our performance of the previous year in almost all other overseas regions.

(3) Child rearing support services: Consolidated net sales for the services rose 1.3% year on year, to ¥4,869 million, as a result of aggressive sales activities focusing on in-company

daycare center operations. We are bolstering our competitive superiority in the business by raising service quality with improved child care worker training through the "Pigeon Heartner Open College" program.

Healthcare

Consolidated net sales in the healthcare segment totaled ¥6,226 million, down 1.6% from the previous year. During the year under review, we set up a division that controls healthcare-related operations, and focused on developing an organization for bolstering business infrastructure and achieving growth. We also launched "Recoup," a new brand specializing in elderly care, released new products under this new brand, and sought to promote recognition of the brand by organizing events. In addition, we marketed new and renewed products under our existing nursing care product brand, "Habinurse." However, operating conditions for the segment remained challenging.

We recorded part of the goodwill generated by the acquisition of shares in Pigeon Tahira Co., Ltd., a consolidated subsidiary, as an impairment loss under extraordinary losses, as initially assumed earnings became impossible to anticipate.

Other Operations

Consolidated net sales from other operations totaled ¥3,688 million, up 5.9% from the previous year. Consolidated operating income from the operations grew 24.2% year on year, to ¥498 million. The performance of other operations is steadily improving, with better results being posted by Pigeon Will Co., Ltd., a consolidated subsidiary that manufactures and sells maternity inner wear, and with the expansion of the nutritional supplement lineup for pregnancy, childbirth and child care periods, and the introduction of products for women in the Chinese market.

Third Medium-term Management Plan and Prospects for the Year Ending January 2009

Achieving further growth as a global brand is the key mission of our third medium-term management plan. In overseas operations, we will seek to expand our childcare and women's care products operations, by aggressively investing in growth markets and developing new markets. In domestic operations, we will bring renewed strength to our existing businesses, centering on the childcare and nursing care products businesses, and seek to develop new business models in areas such as elderly care products and Internet marketing. For the year ending January 2009, the first year of the management plan, we forecast consolidated net sales of ¥52,900 million (up 7.4% year on year), consolidated ordinary income of ¥3,400 million (up 7.0% year on year), and consolidated net income of ¥2,000 million (up 35.9% year on year).

Consolidated Statement of Cash Flows

Segment	Period	Millions of yen		Thousands of U.S. dollars
		2007	2008	2008
Cash Flows from Operation Activities		2,367	3,707	32,475
Cash Flows from Investing Activities		△395	△2,443	△21,402
Cash Flows from Financing Activities		△1,284	△172	△1,507
Translation Gain (Loss) related to Cash and Cash Equivalents		89	3	26
Net Change in Cash and Cash Equivalents		△776	1,095	9,593
Cash and Cash Equivalents at Beginning Year		1,903	2,680	23,478
Net Change in Cash and Cash Equivalents Due to Newly Consolidated Companies		—	—	—
Net Increase in Cash and Cash Equivalents		—	—	—
Cash and Cash Equivalents at End of Year		2,680	3,775	33,071

Note: Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥114.15=US\$1.00.

FINANCIAL DATA

Consolidated Statements of Income (Years ended January 31)

Segment	Period	Millions of yen		Thousands of U.S. dollars
		2007	2008	2008
Net Sales		45,307	49,237	431,336
Cost of Sales		28,180	30,597	268,042
Gross Profit		17,127	18,640	163,294
Selling, General and Administrative Expenses		14,373	15,447	135,322
Operating Income		2,754	3,192	27,963
Other Income		351	404	3,539
Other Expenses		360	419	3,671
Ordinary Income		2,745	3,177	27,832
Extraordinary Income		1,274	120	1,051
Extraordinary Loss		713	497	4,354
Income before Income Taxes		3,305	2,800	24,529
Income Taxes		974	971	8,506
Adjustment for Corporate Tax		347	261	2,286
Less: Minority Interest in Net Income of Consolidated Subsidiaries		68	96	841
Net Income		1,916	1,471	12,887

Note: Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥114.15=US\$1.00.

Consolidated Retained Earnings (Years ended January 31)

Segment	Period	Thousands of yen		Thousands of U.S. dollars
		2006	2007	2007
Cash Dividend Paid		439,864		
Bonuses to Directors and Corporate Auditors		—		

Note: Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥114.15=US\$1.00.

Consolidated Statements of Changes in Shareholders' Equity

(Thousands of US dollars)

	Shareholders' Equity					Valuation and translation adjustments			Minority Interests	Net Assets
	Capital	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Profit / Loss on Deferred Valuation of Other Securities	Foreign Currency Translation Adjustment	Total		
Balance at January 31, 2006	45,551	45,087	96,824	△8,060	179,402	335	△1,788	△1,453	3,887	181,835
Changes during Period										
Distribution of Earnings	—	—	△4,322	—	△4,322	—	—	—	—	△4,322
Net Income	—	—	16,788	—	16,788	—	—	—	—	16,788
Disposal of Treasury Stock	—	165	—	2,390	2,554	—	—	—	—	2,554
Acquisition of Treasury Stock	—	—	—	△18	△18	—	—	—	—	△18
Changes during Period Not Related to Shareholders' Equity (Net)	—	—	—	—	—	△29	3,771	3,742	853	4,596
Total Changes during Period	—	165	12,467	2,371	15,003	△29	3,771	3,742	853	19,598
Balance at January 31, 2007	45,551	45,252	109,291	△5,689	194,404	306	1,983	2,289	4,740	201,433
Changes during Period										
Distribution of Earnings	—	—	△4,881	—	△4,881	—	—	—	—	△4,881
Net Income	—	—	12,888	—	12,888	—	—	—	—	12,888
Disposal of Treasury Stock	—	16	—	238	254	—	—	—	—	254
Acquisition of Treasury Stock	—	—	—	△15	△15	—	—	—	—	△15
Changes during Period Not Related to Shareholders' Equity (net)	—	—	—	—	—	△355	138	△216	△691	△908
Total Changes during Period	—	16	8,007	222	8,245	△355	138	△216	△691	7,338
Balance at January 31, 2008	45,551	45,268	117,298	△5,467	202,650	△49	2,122	2,073	4,049	208,771

Note: Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥114.15=US\$1.00.

Consolidated Balance Sheets

(Years ended January 31)

Millions of yen

Thousands of U.S. dollars

Segment	Period	2007	2008	2008
Assets				
Current Assets				
Cash and time deposits		2,680	4,350	38,108
Notes and accounts receivable		9,353	9,701	84,985
Marketable securities		6	—	—
Inventories		4,154	4,433	38,835
Other current assets		1,012	910	7,972
Total Current Assets		17,207	19,395	169,908
Fixed Assets				
Tangible fixed assets		13,340	14,124	123,732
Intangible fixed assets		2,580	1,741	15,252
Investments and other assets		2,519	2,180	19,098
Investment securities		1,513	1,464	12,825
Total Fixed Assets		18,440	18,045	158,081
Total Assets		35,648	37,441	327,998
Liabilities				
Current Liabilities				
Notes and accounts payable		4,510	5,216	45,694
Accrued account payable		2,271	2,212	19,378
Income taxes payable		500	373	3,268
Accrued employees' bonuses		511	509	4,459
Other current liabilities		2,359	3,755	32,895
Total Current Liabilities		10,154	12,065	105,694
Long-term Liabilities				
Long-term borrowings		1,040	—	—
Other Long-Term Liabilities		1,459	1,544	13,526
Total Long-term Liabilities		2,499	1,544	13,526
Total Liabilities		12,654	13,610	119,229
Minority Interests				
		—		
Shareholders' Equity				
Capital stock				
Additional paid-in capital				
Retained earnings				
Net unrealized gain (loss) on securities				
Adjustment on foreign currency statement translation				
Treasury stock				
Total Net Assets				
Capital stock		5,199	5,199	45,545
Additional paid-in capital		5,165	5,167	45,265
Retained earnings		12,475	13,389	117,293
Net unrealized gain (loss) on securities		34	△ 5	△ 43
Adjustment on foreign currency statement translation		226	242	2,120
Treasury stock		△ 649	△ 624	△ 5,466
Minority Interests		541	462	4,047
Total Net Assets		22,993	23,831	208,769
Total Liabilities, Minority Interests, and Net Assets		35,648	37,441	327,998

Note: Figures in U.S. dollars are calculated, for convenience only, at the exchange rate of ¥114.15=US\$1.00.

CORPORATE INFORMATION

Corporate Data (As of January 31, 2008)

Company Name — Pigeon Corporation
 Address — 4-4, Nihonbashi-Hisamatsucho Chuo-ku,
 Tokyo 103-8480
 Phone +81-3-3661-4200
 FAX +81-3-3661-4320
 URL — <http://www.pigeon.co.jp>
 Established — August 15, 1957
 Paid-in capital — 5,199,597 thousand
 Fiscal year-end — January 31
 Business — Manufacture, sales, import, and export
 of baby and child care products, maternity
 items, women's care products, home
 healthcare products, nursing care products,
 etc.; operation of child-minding centers
 Employees — 876 (non-consolidated)

Stock Data (As of January 31, 2008)

Shares authorized — 60 million
 Shares issued — 20,275,581
 Number of shareholders (includes odd-lot shares) — 6,763

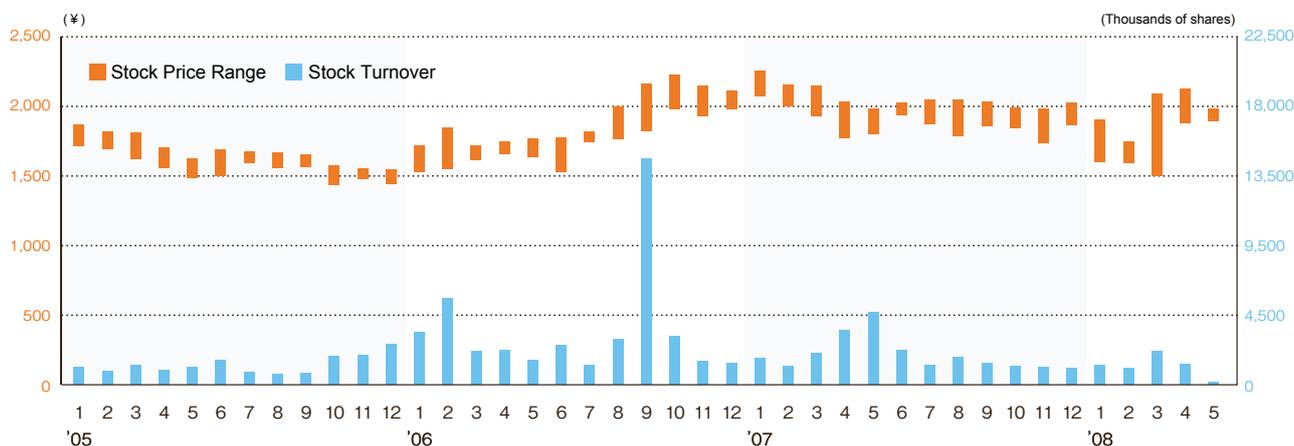
Board of Directors, Auditors, and Officers (As of April 28, 2008)

Executive Advisor Member of the Board - Yoichi Nakata
 Chairman and Chief Executive Officer — Seiichi Matsumura
 President and Chief Operating Officer — Akio Okoshi
 Senior Managing Director — Takashi Sakuma
 Managing Director — Kazuhiko Ota
 Managing Director — Yukimasa Yoneda
 Director — Hisashi Katsuki
 Standing Auditor — Fumio Irobe
 Katsumi Oyabu
 Statutory Auditor — Shigeru Nishiyama
 Shuji Idesawa
 Managing Officers — Isao Kosaka
 Yasushi Takashima
 Hiroki Yuda
 Yasunori Kurachi
 Kazuhisa Amari
 Shinobu Iwamoto
 Shigeru Yamashita
 Norimasa Kitazawa
 Eiji Akamatsu
 Koji Ishigami

Ten largest Shareholders (As of January 31, 2008)

Shareholder's Name	Share held (1000s)	Ownership (%)
Yoichi Nakata Japan	3,234	15.95
Goldman Sachs International	2,747	13.55
Japan Trustee Services Bank, Ltd. (Trust Account)	2,586	12.76
NikkoCity Trust and Banking Corporation (Trust Account)	1,334	6.58
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,050	5.18
Pigeon Corporation Employees' Stock	452	2.23
BBH For Matthews Asian Pacific Fund	334	1.65
BBH For Matthews Japan Fund	251	1.24
Plug	234	1.16
Nippon Life Insurance Company	228	1.13

Stock Price Range / Turnover of Common Stock



PIGEON CORPORATION

(Security Code: 7956)

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