

Summary of Consolidated Financial Results For the Six Months Ended July 31, 2012 [Japanese Standards] (Consolidated)

September 3, 2012

Company name: Pigeon Corporation (Stock code: 7956)
Listings: First Section, Tokyo Stock Exchange
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Planned Commencement Date of Dividend Payment: October 9, 2012
Supplementary materials for the quarterly financial results: Yes
Investor conference for the quarterly financial results: Yes (For analysts and institutional investors)

1. Consolidated Financial Results (February 1 –July 31, 2012)

(1) Performance

(¥ millions, rounded down, % figures denote year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Six Months Ended July 31, 2012	31,207	9.8%	3,225	54.5%	3,266	58.2%	1,910	57.3%
Six Months Ended July 31, 2011	28,432	4.4%	2,087	21.7%	2,064	17.6%	1,214	10.6%

(Note) Comprehensive income for six months ended July 31, 2012 ¥ 2,143 million (87.0%) Comprehensive income for six months ended July 31, 2011 ¥1,146 million (-%)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)
Six Months Ended July 31, 2012	95.48	—
Six Months Ended July 31, 2011	60.69	—

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
At July 31, 2012	45,541	29,165	62.9
At January 31, 2012	43,772	27,935	62.7

Reference: Equity: ¥ 28,623 million (At July 31, 2012); ¥ 27,428 million (At January 31, 2012)

2. Cash Dividends

	Annual Dividends (¥)				
	1Q	2Q	3Q	Year-end	Full-year
Year Ended January 31, 2012	—	44.00	—	44.00	88.00
Year Ending January 31, 2013	—	44.00	—	—	—
Year Ending January 31, 2013 (Forecast)	—	—	—	44.00	88.00

(Note) Changes in dividend forecasts from the most recent announcement: None

3. Forecast for the Year Ending January 31, 2013 (February 1, 2012 – January 31, 2013)

(¥ millions, rounded down)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (¥)
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount
Year Ending January 31, 2013 (% figures denote year-on-year change)	64,900	9.7%	6,200	22.9%	6,100	24.1%	3,500	9.9%	174.88

(Note) Changes in performance forecasts from the most recent announcement: None

※ Notes

- (1) Changes in significant subsidiaries during the period under review (Change in specific subsidiaries accompanying changes in scope of consolidation): None
- (2) Adoption of special accounting methods to preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting principles, changes in accounting estimates, restatements
 - 1) Changes pursuant to revision of accounting policies: None
 - 2) Changes other than the above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement: None
- (4) Number of outstanding shares (ordinary shares)
 - 1) Number of shares outstanding at term-end (including treasury shares)
 - Six Months ended July 31, 2012: 20,275,581
 - Year ended January 31, 2012: 20,275,581
 - 2) Number of treasury shares at term-end
 - Six Months ended July 31, 2012: 261,696
 - Year ended January 31, 2012: 261,696
 - 3) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period)
 - Six Months ended July 31, 2012: 20,013,885
 - Six Months ended July 31, 2011: 20,014,170

*Indication regarding the situation of quarterly review procedures

Financial results for this second quarter is not the subject of a quarterly review procedure based on the Financial Instruments and Exchange Act, and at the point in time when these financial results was disclosed, review procedures for quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed.

*Cautionary Statement Regarding Performance Forecasts

The forecasts and future projections stated in this report have been prepared on the basis of the information and assumption that shall be reasonable as of the date of announcement of this summary information, and the actual results could differ significantly from forecast figures depending on a variety of factors.

For the information regarding performance forecasts, please refer to “(3) Qualitative information regarding consolidated performance forecasts” on page 4.

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1. Qualitative Information Regarding the Financial Performance for the Current Quarter

(1) Qualitative Information Regarding Consolidated Business Results

Overview of Performance

In the second quarter under review, the Japanese economy experienced an increase in demand due to factors including measures for recovery from the Great East Japan Earthquake occurred last year, which led to a partial recovery in corporate revenues and individual consumption; however, mild deflation and severe employment conditions continued. In addition, global recession due to uncertainty over financial conditions and currencies in European nations, and the appreciation of the yen continued to put downward pressure on the Japanese economy.

Under these circumstances, in the second year of our fourth medium-term business plan "Independence as a Global Company," starting February 2011 and ending January 2014, the Group has defined the following key issues based on the fundamental policies of this medium-term business plan.

1) Domestic Baby and Mother Care Business

- Establish and expand new business categories including large-size product business.
- Focus on a growth of IT business including Mamas & Papas business.

2) Child-rearing Support Services

- Continue a further improvement of childcare quality and a steady business operation.

3) Health Care and Nursing Care Business

- Restructure the business operation system and promote sales activities centering on facility routes.
- Improve product competitiveness specific to key categories and put sales activities into action.
- Secure new sales channels.

4) Overseas Business

- Focus on a further growth by reinforcing our brand-name and tie-up with growing businesses fields and promote sales of new products and products manufactured in our new Changzhou Factory in China.
- Continue a steady growth of our new product brands in North America and Europe.
- Expand our business in India, Malaysia, and South Korea.

We focused on the above issues during the consolidated period under review.

As a result, net sales for the period amounted to ¥31,207 million, up 9.8% from the previous corresponding period, due to factors including healthy business expansion in China. As to earnings, operating income was ¥3,225 million, up 54.5% from the previous corresponding period, due to a sales cost ratio significantly declined from the previous corresponding period: this sales cost ratio was a result of increased sales and efficient utilization of production bases accompanying business expansion, etc. Ordinary income was ¥3,266 million, up 58.2% from the previous corresponding period, due to an increase in other income from foreign exchange gain, a result of yen moving lower against US dollar than the assumed level. Net income was ¥1,910 million, up 57.3% from the previous corresponding period. Each significantly exceeded the previous corresponding result.

Our business reporting segments are "Domestic Baby and Mother Care Business," "Child-rearing Support Services," "Health Care and Nursing Care Business," and "Overseas Business." Each segment is outlined below.

Domestic Baby and Mother Care Business

Sales in this segment amounted to ¥11,954 million, down 1.6% from the previous corresponding period. Segment income was ¥1,784 million, down 1.1% from the previous corresponding period. This resulted from an increase in selling, general and administrative expenses due to marketing for activities including launching new products and expanding new businesses even though factors such as a cost reduction in our production subsidiaries caused by an increase in production of in-house products including new products increased gross profit compared to the previous corresponding period.

In this business, we launched “1-SAI HAN KARANO AWA AWA OFURO Series” for fun bath time for babies with “want to do it myself” spirits, “1-SAI KARANO Range de Cake Set” for fun cake baking in a microwave, and “Training OHASHI” for helping toddlers “eat by themselves” in February. In March we introduced our new “contento” and “contento+” strollers loaded with features gentle to babies. Regarding “Maternity Event” we are committed to as part of our direct communications program aimed at strengthening brand loyalty, during the consolidated quarterly period under review, we have held 18 such events. We also held two “Mama Class” for those who recently delivered babies. Another venture was to hold two “First Steps in Preparing for Pregnancy” class targeting those beginning preparations for pregnancy. A total of approximately 1,600 women have participated. We made good progress in attracting new members to “Pigeon Info”—a word-of-mouth community portal that supports women during pregnancy, in childbirth, and those raising children. The membership is steadily increasing. In the Internet and mail-order shopping business, In July, we opened a new brand store where everything from maternity to child-rearing items can be purchased in the comprehensive online “Amazon.co.jp.” shopping site.

Child-rearing Support Services

Sales in this segment amounted to ¥3,159 million, up 7.2% from previous corresponding period. Segment income was ¥83 million, up 41.0% from previous corresponding period. We continue to promote sales of contracts for running in-house nursery facilities for business corporations. One authorized nursery school and three in-house nursery facilities in April and one in-house nursery facility in May were launched under new contracts of entrustment, and while improving the service quality, the Group is steadily promoting sales.

Health Care and Nursing Care Business

Sales in this segment amounted to ¥3,510 million, up 6.3% from the previous corresponding period. Segment income was ¥130 million, down 44.2% from the previous corresponding period, as selling, general and administrative expenses increased due to aggressive marketing activities suited to the characteristics of the products and sales channels. The Group will continue to focus on marketing products through intensive research on priority categories and carry out sales activities focusing on facility routes and the acquisition of new sales channels.

Overseas Business

Sales in this segment amounted to ¥12,013 million, up 26.0% from the previous corresponding period. Segment income was ¥2,697 million, up 72.9% from the previous corresponding period since increasing selling, general and administrative expenses were absorbed by increased gross profit resulting from a significant profit increase. In China, net sales significantly exceeded the results of the previous corresponding period due to a completion of restructuring and improvement of the distribution system and factors including steady increase in new product sales. Furthermore, our production output is steadily increasing in two production facilities inside China together with an expansion of business, and they are greatly contributing to the improvement of profitability. In addition, in India, expansion of the number of stores handling our products is underway while the construction and improvement of distribution channels is being promoted. Through these measures, the Group is aiming for further business expansion. In North America, the Group intends to further expand our business by strategies including an increase of product line-up, however, it is taking some time for our products to penetrate the market. In addition, due to the slowing economy and

decrease in the number of live births as well, our performance temporarily stagnated.

Others

Sales in this segment amounted to ¥570 million, up 12.8% from the previous corresponding period, due to an increase in OEM product orders. Segment income was ¥74 million, up 28.1% from the previous corresponding period.

(2) Qualitative Information Regarding Consolidated Financial Position

1) Assets

As of July 31, 2012, total asset amounted to ¥45,541 million, up ¥1,768 million from the previous fiscal year ended January 31, 2012. Current assets had an increase of 1,505 million, and fixed assets had an increase of ¥263 million.

Current assets increased mainly due to an increase in notes and accounts receivable of ¥1,244 million

Fixed assets increased mainly due to an increase in tangible fixed assets of ¥307 million.

2) Liabilities

As of July 31 2012, total liabilities amounted to ¥16,375 million, up ¥538 million from the fiscal year ended January 31, 2012. Current liabilities had an increase of ¥307 million, and long-term liabilities had an increase of ¥230 million.

Current liabilities increased mainly due to an increase in short-term borrowings of ¥103 million.

3) Net Assets

As of July 31, 21012, net assets amounted to 29,165 million, up ¥1,230 million from the fiscal year ended January 31, 2012.

(3) Qualitative Information Regarding Consolidated Performance Forecasts

In the fourth medium-term business plan, “Independence As a Global Company,” the Group aims to improve profitability in the existing businesses and expand new product categories and sales channels by enhancing new products for Domestic Baby and Mother Care Business in Japan, promoting new businesses including IT internet shopping business, further pursuing priority product categories and establishing new sales channels in the Health Care and Nursing Care Business. In the Overseas Business, by expanding production system and reinforcing business operation structure with aggressive business investments, the Group strives to further develop the markets and expand our businesses by increasing product categories in the existing markets including China and North America. Meanwhile, the Group intends to promote aggressive market development in India, the Near/Middle East, South Korea, and Central and South America. In this consolidated fiscal year, the second year of our fourth medium-term business plan, the following are defined as the basic policies, and we will strive to ensure completion of our plans by carefully observing how the Great East Japan Earthquake will impact on the Japanese economy and our group performance.

Basic Policies

1. In the second year of our fourth medium-term business plan, in order to ensure accomplishment of the plan, we will implement appropriate review for each of our business and system strategies according to progress in measures and performance and changes in business environments, while ensuring to put into action the critical measures set for this consolidated fiscal year.
2. By effectively utilizing production facilities and capacity within the Group, we will further improve profitability and enhance and reinforce production system suitable for an expansion of our group business.
3. Seeking “Independence As a Global Company,” we will focus on nurturing human resources,

while formulating organization suitable for medium-term strategies and growth of each business.

For consolidated performance forecasts for the Group announced on March 5, 2012, forecast details were upwardly revised as of August 27, 2012 based on performance in the six months ended July 31, 2012. We forecast ¥64,900 million net sales, up 0.9% from the previous forecast, ¥6,200 million operating income, up 9.7% from the previous forecast, ¥6,100 million ordinary income, up 9.9% from the previous forecast, and ¥3,500 million net income, up 6.1% from the previous forecast.

2. Issues regarding summary information (notes)

(1) Significant changes in subsidiaries during the period under review

Not applicable.

(2) Adoption of special accounting procedures for quarterly consolidated financial statements

Not applicable.

(3) Changes in accounting policies, changes in accounting estimates, restatements

Not applicable.

(4) Additional information

Application of accounting standards for accounting changes and error corrections.

For the accounting changes and error corrections implemented after the start of the first quarter of this consolidated fiscal year, the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Accounting Standard No. 24, December 4, 2009) and the Guidance for Accounting Standard for Changes and Error Corrections (ASBJ Accounting Standard No. 24, December 4, 2009) have been applied.

3. Key events regarding premise of a going concern

Not applicable.

4. Quarterly Consolidated Financial Statement
(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	At January 31, 2012	At July 31, 2012
ASSETS		
I. Current Assets:		
Cash and time deposit	7,293,629	7,306,052
Notes and accounts receivable	9,993,322	11,237,969
Goods and products	5,332,818	5,322,197
Goods in process	146,452	175,216
Raw material and inventory goods	1,446,804	1,530,611
Other current assets	1,342,313	1,393,930
Allowance for doubtful accounts	(112,139)	(17,215)
Total Current Assets	25,443,202	26,948,763
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures-net	5,156,795	5,141,848
Land	5,979,122	5,967,218
Other tangible fixed assets-net	3,922,745	4,256,611
Total Tangible Fixed Assets	15,058,663	15,365,678
2. Intangible Fixed Assets:		
Goodwill	659,742	592,894
Other intangible fixed assets	625,685	605,243
Total Intangible Fixed Assets	1,285,427	1,198,138
3. Investments and Other Assets:		
Other	2,047,103	2,091,903
Allowance for doubtful accounts	(61,853)	(63,098)
Total Investments and Other Assets	1,985,250	2,028,804
Total Fixed Assets	18,329,341	18,592,621
Total Assets	43,772,544	45,541,385

(Thousands of yen)

At January 31, 2012

At July 31, 2012

LIABILITIES**I. Current Liabilities:**

Notes and accounts payable	3,758,318	3,758,304
Short-term borrowings	2,233,220	2,337,067
Current portion of long-term loans payable	1,022,873	1,023,246
Income taxes payable	704,870	767,373
Accrued bonuses to employees	587,343	653,196
Returned goods adjustment reserve	59,650	58,734
Other current liabilities	4,016,368	4,092,462

Total Current Liabilities	12,382,644	12,690,386
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II. Long-Term Liabilities:

Long-term borrowings	1,642,165	1,642,977
Employees' retirement benefits	305,368	300,660
Retirement benefits for directors and corporate auditors	355,298	375,695
Other long-term liabilities	1,151,384	1,365,862

Total Long-Term Liabilities	3,454,217	3,685,196
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Total Liabilities	15,836,861	16,375,583
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NET ASSETS**I. Shareholders' Equity:**

Capital stock	5,199,597	5,199,597
Additional paid-in capital	5,180,246	5,180,246
Retained earnings	19,873,527	20,903,836
Treasury stock	(448,680)	(448,680)

Total Shareholders' Equity	29,804,691	30,834,999
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II. Valuation and Translation Adjustments:

Net unrealized gains on securities	10,073	10,029
Foreign currency translation adjustment	(2,386,518)	(2,221,996)

Total Valuation and Translation Adjustments	(2,376,445)	(2,211,966)
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III. Minority Interests	507,436	542,768
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Total Net Assets	27,935,682	29,165,801
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Total Liabilities, Minority Interests and Net Assets	43,772,544	45,541,385
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(2) Quarterly Consolidated Statements of Income

(Thousands of yen)

	Six months ended July 31, 2011	Six months ended July 31, 2012
I. Net Sales	28,432,872	31,207,554
II. Cost of Sales	16,871,249	17,961,740
Gross profit	11,561,622	13,245,814
Reversal of reserve for returned products	46,123	65,095
Transfer to reserve for returned products	55,210	63,753
Adjusted gross profit	11,552,535	13,247,156
III. Selling, General and Administrative Expenses	9,464,858	10,022,122
Operating Income	2,087,677	3,225,033
IV. Other Income:		
Interest income	16,315	24,888
Equity in earnings of non consolidated subsidiaries and affiliates	32,158	22,622
Foreign exchange gains	—	85,409
Other	125,124	74,465
Total Other Income	173,598	207,386
V. Other Expenses:		
Interest expense	33,392	39,416
Sales discounts	108,815	107,412
Other	54,070	19,248
Total Other Expenses	196,278	166,078
Ordinary Income	2,064,997	3,266,341
VI. Extraordinary Income:		
Gain on sales of property	2,219	5,131
Reversal of allowance for doubtful accounts	1,856	—
Total Extraordinary Income	4,075	5,131
VII. Extraordinary Loss:		
Loss on sales of property	23	31
Loss on disposal of property	11,948	26,940
Loss on disaster	113,986	—
Other	4,692	—
Total Extraordinary Loss	130,651	26,972
Income before Income Taxes	1,938,421	3,244,501
Income Taxes	635,775	1,030,198
Adjustment for Corporate Tax	26,246	244,074
Total Corporate Income Tax	662,021	1,274,273
Income before minority interests	1,276,399	1,970,227
Less: Minority Interest in Net Income of Consolidated Subsidiaries	61,729	59,307
Net Income	1,214,670	1,910,919

Quarterly consolidated statement of comprehensive income
(Six months ended July 31, 2012)

(Thousands of yen)

	Six months ended July 31, 2011	Six months ended July 31, 2012
Quarterly net income before adjusted minority interests income	1,276,399	1,970,227
Other comprehensive income		
Valuation difference on available-for-sale securities	9,774	(43)
Foreign currency translation adjustment	(139,904)	173,026
Total other comprehensive income	(130,130)	172,982
Quarterly comprehensive income	1,146,269	2,143,210
(Break down)		
Quarterly comprehensive income on parent company	1,100,153	2,075,398
Quarterly comprehensive income on minority interests	46,116	67,811

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended July 31, 2011	Six months ended July 31, 2012
I. Cash Flows from Operating Activities:		
Income before income taxes	1,938,421	3,244,501
Depreciation	833,934	784,072
Amortization of goodwill	149,917	86,223
Increase (decrease) in allowance for doubtful accounts	9,227	(94,467)
Increase (decrease) in accrued bonuses to employees	92,698	67,140
Increase (decrease) in employees' retirement benefits	6,825	(5,673)
Increase (decrease) in directors' retirement benefits	19,461	20,397
Interest and dividend income	(17,642)	(26,338)
Equity in (gains) losses of non consolidated subsidiaries and affiliates	(32,158)	(22,622)
Interest expense	33,392	39,416
Loss (gain) on sale of fixed assets	(2,195)	(5,099)
Loss on disposal of fixed assets	11,948	26,940
Decrease (increase) in trade receivables	(546,669)	(1,139,903)
Decrease (increase) in inventories	(931,130)	(41,040)
Increase (decrease) in trade payables	718,584	(62,505)
Increase (decrease) in account payable	439,669	211,925
Increase (decrease) in consumption tax payable	32,624	102,133
Decrease (increase) in bankruptcy claims	2	5
Other	(73,977)	(322,523)
Subtotal	2,682,936	2,862,579
Interest and dividends received	17,439	27,475
Interest paid	(31,054)	(46,130)
Income taxes paid	(800,111)	(960,657)
Net Cash Provided by Operating Activities	1,869,209	1,883,266
II. Cash Flows from Investing Activities:		
Acquisition of property, plant and equipment	(749,587)	(997,452)
Proceeds from sales of property, plant and equipment	5,533	10,415
Acquisition of intangible assets	(45,476)	(69,692)
Purchase of insurance funds	(2,694)	(2,850)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	56,475	—
Loans advanced	(1,267)	(692)
Collection of loan receivables	14,766	898
Payment for lease deposits	(18,909)	(21,963)
Proceeds from recovery of lease deposits	9,355	27,975
Other	(20,133)	(51,097)
Net Cash Used in Investing Activities	(751,938)	(1,104,457)
III. Cash Flows from Financing Activities:		
Proceeds from short-term debt	4,184,486	4,737,872
Repayment of short-term debt	(4,363,457)	(4,638,160)
Proceeds from long-term loans payable	75,320	—
Repayment of long-term debt	(13,756)	(11,950)
Payment of cash dividends	(878,995)	(880,730)
Payment of cash dividends to minority shareholders	(39,212)	(32,479)
Acquisition of treasury stock	(332)	—
Other	(5,708)	(5,535)
Net Cash Used in Financing Activities	(1,041,655)	(830,983)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(7,534)	64,597
V. Net Change in Cash and Cash Equivalents	68,081	12,422
VI. Cash and Cash Equivalents at Beginning of the Period	6,827,706	7,293,629
VII. Cash and Cash Equivalents at End of the Period	6,895,787	7,306,052

(4) Notes Regarding Going Concern Assumptions

Not applicable.

(5) Notes Regarding Substantial Changes in Shareholders' Equity

Not applicable.

(6) Segment Information

1. Information Regarding Net Sales and Profit & Loss in Each Report Segment

Six Months Ended July 31, 2011

(¥ thousand)

	Report Segment					Other (Note) 1	Total	Adjustment s (Note) 2	Amount Accounted on Quarterly Consolidated Statements of Income (Note)3
	Domestic Baby and Mother Care Business	Child-rearing Support Services	Health Care and Nursing Care Business	Overseas Business	Sub Total				
Sales									
Sales to outside customers	12,142,701	2,946,049	3,303,888	9,534,841	27,927,480	505,391	28,432,872	—	28,432,872
Total	12,142,701	2,946,049	3,303,888	9,534,841	27,927,480	505,391	28,432,872	—	28,432,872
Segment income	1,805,060	59,017	234,417	1,559,834	3,658,330	57,892	3,716,222	(1,628,545)	2,087,677

(Note)

1. "Others" are business segments not included in reporting segments and mostly are the Group's production subsidiaries manufacturing and selling products to companies outside the Group.
2. Adjustments in segment income are operating costs that cannot be allocated, and most are administrative costs.
3. Segment income is adjusted to operating income in the consolidated statement of income.

Six Months Ended July 31, 2012

(¥ thousand)

	Report Segment					Other (Note) 1	Total	Adjustment s (Note) 2	Amount Accounted on Quarterly Consolidated Statements of Income (Note)3
	Domestic Baby and Mother Care Business	Child-rearing Support Services	Health Care and Nursing Care Business	Overseas Business	Sub Total				
Sales									
Sales to outside customers	11,954,422	3,159,338	3,510,599	12,013,098	30,637,459	570,095	31,207,554	—	31,207,554
Total	11,954,422	3,159,338	3,510,599	12,013,098	30,637,459	570,095	31,207,554	—	31,207,554
Segment income	1,784,809	83,186	130,792	2,697,667	4,696,457	74,146	4,770,603	(1,545,570)	3,225,033

(Note)

1. "Others" are business segments not included in reporting segments and mostly are the Group's production subsidiaries manufacturing and selling products to companies outside the Group.
2. Adjustments in segment income are operating costs that cannot be allocated, and most are administrative costs.
3. Segment income is adjusted to operating income in the consolidated statement of income.