

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

December 3, 2012

Company name: Pigeon Corporation (Stock code: 7956)
Listings: First Section, Tokyo Stock Exchange
Website: www.pigeon.co.jp
Representative: Akio Okoshi (President and COO)
Contact: Tsutomu Matsunaga (Managing Officer, Corporate Planning & Administration Division)//Tel: +81-3-3661-4188
Date of release of Business Report: December 7, 2012
Planned Commencement Date of Dividend Payment: Not yet determined
Supplementary materials for the quarterly financial results: None
Investor conference for the quarterly financial results: None

1. Consolidated Financial Results (February 1 –October 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
Nine Months Ended October 31, 2012	47,985	10.1%	5,430	52.9%	5,515	61.0%	3,448	65.0%
Nine Months Ended October 31, 2011	43,595	4.7%	3,552	31.6%	3,426	29.6%	2,089	25.6%

(Note) Comprehensive income for Nine months ended October 31, 2012 ¥3,567million (188.2%) Comprehensive income for Nine months ended October 31, 2011 ¥1,237 million (-%)

	Net Income per Share (¥)	Diluted Net Income Per Share (¥)
Nine Months Ended October 31, 2012	172.32	—
Nine Months Ended October 31, 2011	104.41	—

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
At October 31, 2012	46,904	29,708	62.1
At January 31, 2012	43,772	27,935	62.7

Reference: Equity: ¥ 29,115 million (At October 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%	6,500	28.9%	6,500	32.2%	3,900	22.5%	194.87

(Note) Changes in performance forecasts from the most recent announcement: Yes

4. Other

- (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 policies, 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)
Nine Months ended October 31, 2012: 20,275,581
Year ended January 31, 2012: 20,275,581
 - 2) Number of treasury shares at term-end
Nine Months ended October 31, 2012: 261,927
Year ended January 31, 2012: 261,696
 - 3) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period)
Nine Months ended October 31, 2012: 20,013,850
Nine Months ended October 31, 2011: 20,014,128

***Indication regarding the situation of quarterly review procedures**

Financial results for this third 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.

Table of contents of the appendix

1. Qualitative Information Regarding the Financial Performance for the Current Quarter	2
(1) Qualitative Information Regarding Consolidated Business Results	2
(2) Qualitative Information Regarding Consolidated Financial Position.....	4
(3) Qualitative Information Regarding Consolidated Performance Forecasts	4
2. Issues regarding summary (notes) information	5
(1) Significant changes in subsidiaries during the period under review	5
(2) Adoption of special accounting procedures for quarterly consolidated financial statements....	5
(3) Changes in accounting policies, changes in accounting estimates, restatements.....	5
(4) Additional information	5
3. Key events regarding premise of a going concern.....	5
4. Quarterly Consolidated Financial Statement	6
(1) Quarterly Consolidated Balance Sheets.....	6
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statement of Comprehensive Income	8
Quarterly Consolidated Statements of Income Nine months ended October 31, 2012	8
Quarterly Consolidated Statement of Comprehensive Income Nine months ended October, 2012.....	9
(4) Notes Regarding Going Concern Assumption	10
(5) Segment Information	10
(6) Notes Regarding Substantial Changes in Shareholders' Equity	10

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

(1) Qualitative Information Regarding Consolidated Business Results

Overview of Performance

Items about the future in this text are judgments made by our Group as of the end date of this quarter's consolidated accounting period.

In the third quarter under review, for the Japanese economy, the demand due to factors including measures for recovery from the Great East Japan Earthquake occurred last year stabilized, and, the business climate entered a recession phase partly because of a deterioration of corporate revenues in and stagnation in individual consumption. Mild deflation and severe employment conditions continued. In addition, uncertainty over financial conditions and currencies in European nations remain, and the economic growth rate in China that has driven the global economy until now has slowed. Mainly because of these causes, even for the domestic business climate, further downward risks exist.

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, we have 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 (February 1, 2012 to October 31, 2012).

As a result, net sales for the period amounted to ¥47,985 million, up 10.1% from the previous corresponding period, due to factors including healthy business expansion in China. As to earnings, operating income was ¥5,430 million, up 52.9% 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. Ordinary income was ¥5,515 million, up 61.0% from the previous corresponding period, due to an increase in non-operating income from foreign exchange gain, a result of yen moving higher than the assumed level. Net income was ¥3,448 million, up 65.0% 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 ¥18,055 million, down 0.2% from the previous corresponding period. Segment profits were ¥2,697 million, down 2.0% 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 28 such events in addition to three "Mama Class" sessions for those who recently delivered babies. Another venture was to hold three "First Steps in Preparing for Pregnancy" classes 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 ¥4,757 million, up 6.7% from previous corresponding period. Segment profits were ¥137 million, up 27.2% from previous corresponding period. We continue to promote sales of contracts for running in-house nursery facilities for business corporations. We launched one authorized nursery school and three in-house nursery facilities in April and one in-house nursery facility in May 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 ¥4,948 million, up 3.1% from the previous corresponding period. Segment profits were ¥144 million, down 51.7% 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 ¥19,366 million, up 25.1% from the previous corresponding period. Segment profits were ¥4,706 million, up 75.1% from the previous corresponding period since increasing selling, general and administrative expenses were absorbed by increased gross profit resulting from a significant sales 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. In addition,

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. The impact on our Group's business in China from increasing anti-Japan momentum triggered by the territorial dispute between Japan and China was a concern, however, the impact was in fact trivial and our business in China continuously and steadily expanded its performance.

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 ¥857million, up 11.7% from the previous corresponding period, due to an increase in OEM product orders. Segment profits were ¥108 million, up 11.2% from the previous corresponding period.

(2) Qualitative Information Regarding Consolidated Financial Position

As of October 31, 2012, total asset amounted to ¥46,904 million, up ¥3,132 million from the previous fiscal year ended January 31, 2012. Current assets had an increase of 2,868 million, and fixed assets had an increase of ¥263 million.

Current assets increased mainly due to an increase in cash and deposits of ¥1,145million and notes and accounts receivable of ¥1,355 million.

Fixed assets increased mainly due to an increase in tangible assets of ¥435 million.

As of October 31, 2012, total liabilities amounted to ¥17,196 million, up ¥1,359 million from the fiscal year ended January 31, 2012. Current liabilities had an increase of ¥1,047 million, and long-term liabilities had an increase of ¥312million.

Current liabilities increased mainly due to an increase in notes and accounts payable of ¥431 million and an increase in accrued bonuses of ¥461 million.

As of October 31, 2012, net assets amounted to 29,708 million, up ¥1,772million 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 our earning forecast for fiscal year ending January 2013 that was revised as of August 27, 2012, based on the consolidated financial results for the nine months ended October 31, 2012, we revised the forecast as of December 3, 2012 once again. Our upwardly- revised forecasts are ¥64,900 million for net sales (no change), ¥6,500 million for operating income (4.8% increase from previous forecast), ¥6,500 million for ordinary income (6.6% increase from previous forecast), and ¥3,900 million for net income (11.4% increase from previous forecast).

2. Issues regarding summary (notes) information

(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 consolidated quarter under review, 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 October 31, 2012
ASSETS		
I. Current Assets:		
Cash and time deposit	7,293,629	8,439,136
Notes and accounts receivable	9,993,322	11,349,204
Goods and products	5,332,818	5,204,498
Goods in process	146,452	186,677
Raw material and inventory goods	1,446,804	1,726,627
Other current assets	1,342,313	1,427,658
Allowance for doubtful accounts	(112,139)	(21,734)
Total Current Assets	25,443,202	28,312,067
II. Fixed Assets:		
1. Tangible Fixed Assets:		
Buildings and structures-net	5,156,795	5,027,853
Land	5,979,122	5,968,163
Other tangible fixed assets-net	3,922,745	4,498,371
Total Tangible Fixed Assets	15,058,663	15,494,388
2. Intangible Fixed Assets:		
Goodwill	659,742	545,734
Other intangible fixed assets	625,685	558,800
Total Intangible Fixed Assets	1,285,427	1,104,534
3. Investments and Other Assets:		
Other	2,047,103	2,056,077
Allowance for doubtful accounts	(61,853)	(62,298)
Total Investments and Other Assets	1,985,250	1,993,778
Total Fixed Assets	18,329,341	18,592,701
Total Assets	43,772,544	46,904,769

(Thousands of yen)

At January 31, 2012

At October 31, 2012

LIABILITIES		
I. Current Liabilities:		
Notes and accounts payable	3,758,318	4,189,930
Short-term borrowings	2,233,220	2,310,400
Current portion of long-term loans payable	1,022,873	1,023,526
Income taxes payable	704,870	834,819
Accrued bonuses to employees	587,343	1,048,915
Returned goods adjustment reserve	59,650	53,545
Other current liabilities	4,016,368	3,969,087
Total Current Liabilities	12,382,644	13,430,225
II. Long-Term Liabilities:		
Long-term borrowings	1,642,165	1,626,282
Employees' retirement benefits	305,368	309,030
Retirement benefits for directors and corporate auditors	355,298	382,730
Other long-term liabilities	1,151,384	1,448,285
Total Long-Term Liabilities	3,454,217	3,766,328
Total Liabilities	15,836,861	17,196,553
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	21,561,011
Treasury stock	(448,680)	(449,474)
Total Shareholders' Equity	29,804,691	31,491,381
II. Valuation and Translation Adjustments:		
Net unrealized gains on securities	10,073	11,182
Foreign currency translation adjustment	(2,386,518)	(2,386,929)
Total Valuation and Translation Adjustments	(2,376,445)	(2,375,746)
III. Minority Interests	507,436	592,581
Total Net Assets	27,935,682	29,708,215
Total Liabilities, Minority Interests and Net Assets	43,772,544	46,904,769

(2) Quarterly Consolidated Statements of Income

(Thousands of yen)

	Nine months ended October 31, 2011	Nine months ended October 31, 2012
I. Net Sales	43,595,355	47,985,800
II. Cost of Sales	25,724,040	27,448,135
Gross profit	17,871,314	20,537,664
Reversal of reserve for returned products	46,015	60,080
Transfer to reserve for returned products	55,402	54,032
Adjusted gross profit	17,861,927	20,543,712
III. Selling, General and Administrative Expenses	14,309,618	15,113,709
Operating Income	3,552,308	5,430,002
IV. Other Income:		
Interest income	25,276	35,884
Equity in earnings of non consolidated subsidiaries and affiliates	49,133	34,960
Foreign exchange gains	—	76,132
Other	216,680	192,028
Total Other Income	291,091	339,006
V. Other Expenses:		
Interest expense	57,714	59,629
Sales discounts	164,803	165,741
Rental income-related costs	150,435	—
Other	43,900	28,421
Total Other Expenses	416,854	253,792
Ordinary Income	3,426,545	5,515,216
VI. Extraordinary Income:		
Gain on sales of property	2,224	5,094
Reversal of allowance for doubtful accounts	3,426	—
Total Extraordinary Income	5,651	5,094
VII. Extraordinary Loss:		
Loss on sales of property	23	283
Loss on disposal of property	13,612	26,316
Loss on disaster	132,371	—
Other	4,692	—
Total Extraordinary Loss	150,700	26,600
Income before Income Taxes	3,281,496	5,493,711
Income Taxes	1,139,275	1,728,929
Adjustment for Corporate Tax	(36,308)	213,015
Total Corporate Income Tax	1,102,967	1,941,944
Income before minority interests	2,178,529	3,551,766
Less: Minority Interest in Net Income of Consolidated Subsidiaries	88,780	103,060
Net Income	2,089,748	3,448,706

Quarterly consolidated statement of comprehensive income
(Nine months ended October 31, 2012)

(Thousands of yen)

	Nine months ended October 31, 2011	Nine months ended October 31, 2012
Quarterly net income before adjusted minority interests income	2,178,529	3,551,766
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,030)	1,109
Foreign currency translation adjustment	(932,945)	14,153
Total other comprehensive income	(940,976)	15,262
Quarterly comprehensive income	1,237,552	3,567,029
(Break down)		
Quarterly comprehensive income on parent company	1,195,469	3,449,404
Quarterly comprehensive income on minority interests	42,083	117,624

(3) Notes Regarding Going Concern Assumptions

Not applicable.

(4) Segment Information

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

Nine Months Ended October 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	18,087,852	4,457,385	4,800,005	15,481,844	42,827,087	768,267	43,595,355	—	43,595,355
Total	18,087,852	4,457,385	4,800,005	15,481,844	42,827,087	768,267	43,595,355	—	43,595,355
Segment income	2,753,615	108,410	298,391	2,688,297	5,848,714	97,170	5,945,885	(2,393,576)	3,552,308

(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 profits are operating costs that cannot be allocated, and most are administrative costs.
3. Segment profits are adjusted to operating income in the consolidated statement of income.

Nine Months Ended October 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	18,055,247	4,757,577	4,948,625	19,366,380	47,127,830	857,969	47,985,800	—	47,985,800
Total	18,055,247	4,757,577	4,948,625	19,366,380	47,127,830	857,969	47,985,800	—	47,985,800
Segment income	2,697,945	137,923	144,146	4,706,866	7,686,882	108,016	7,794,898	(2,364,896)	5,430,002

(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 profits are operating costs that cannot be allocated, and most are administrative costs.
3. Segment profits are adjusted to operating income in the consolidated statement of income.

(5) Notes Regarding Substantial Changes in Shareholders' Equity

Not applicable.