



# Actions to Achieve Management Conscious of Cost of Capital and Stock Prices

## Pigeon Corporation

April 2026

Celebrate babies the way they are



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## PVA (Pigeon Value Added)

### Pigeon's proprietary management indicator aimed at enhancing corporate value

Pigeon considers PVA (Pigeon Value Added), which is based on economic value added, to be an important management indicator.

PVA is calculated by subtracting the cost of capital from NOPAT (deemed operating profit after tax), and evaluates the extent to which corporate value is created through business activities in excess of the cost of capital. The PVA is designed to prevent business downsizing and to ensure further business growth by ultimately evaluating absolute values, rather than rates.

#### Calculation Formula

$$\text{PVA} = \text{NOPAT} - \text{Cost of Capital} (\text{Capital Employed} \times \text{WACC}^*)$$

#### \* WACC (Weighted Average Cost of Capital):

The weighted average of the cost of debt and the cost of equity. Currently, we set WACC at 5% for PVA calculations. We calculate the actual value periodically (twice a year) based on the CAPM model, and

we also conduct verification and comparisons using other calculation methods to validate the appropriateness of the set value.

#### ◆ Regarding the components used in CAPM-based calculations

- Risk-free rate: Based on the 10-year government bond yield
- Beta: Based on the average of monthly beta values (relative to the TOPIX) for the past three years, calculated every six months
- Risk premium: Based on the GPIF's expected return

**Regarding our internally set WACC, we will continue our dialogue with investors and others to determine an appropriate level going forward.**

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## Introduction and Utilization of PVA

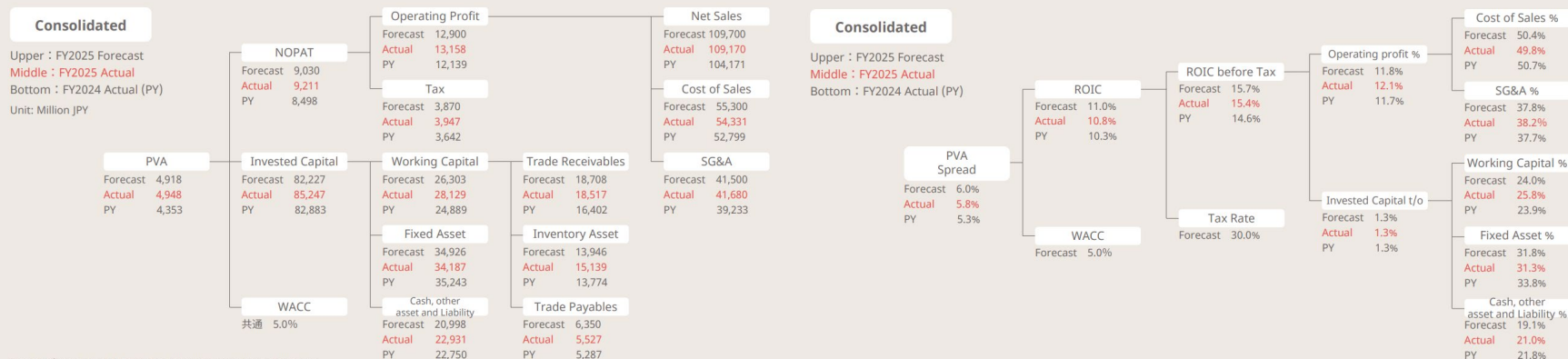
Pigeon introduced PVA in 2013 and has been utilizing it as a tool to simultaneously pursue the three key elements of profitability, efficiency, and growth across the entire group.

In addition to utilizing PVA across the entire group and managing it at the business unit and company levels, PVA achievement is also incorporated into the compensation calculations for CxOs.

Furthermore, by breaking down the components of PVA into a tree structure and setting and managing each component as a KPI, we translate them into concrete measures to improve PVA and work on those improvements. It also helps visualize how each employee's work contributes to each component.

Pigeon will continue to utilize PVA and strive to further enhance corporate value.

Please refer to the financial results briefing materials (half-year/full-year) for the PVA tree for each period ([https://www.pigeon.com/ir/library/kesan\\_setumei/](https://www.pigeon.com/ir/library/kesan_setumei/)).



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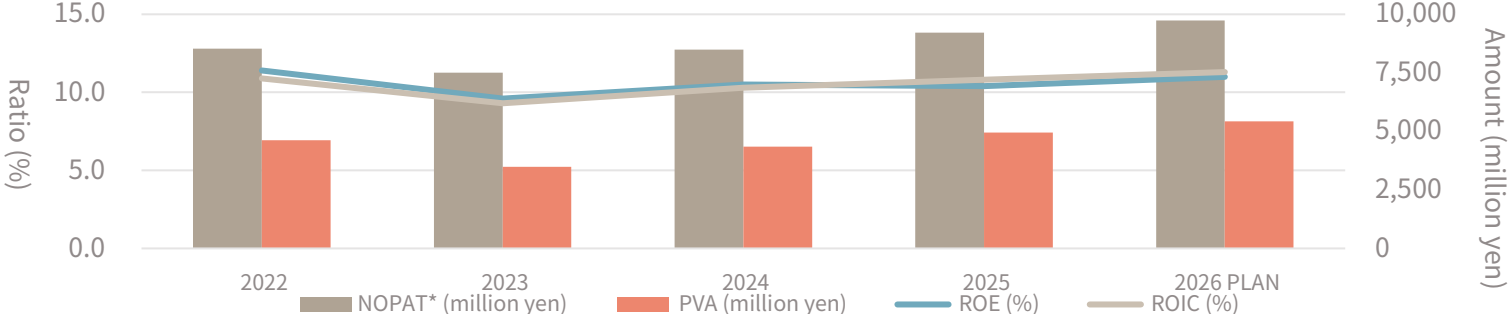


## Current Situation Analysis: The key challenge is to achieve further recovery and growth in PVA and its various components

Although the Company has faced an extremely challenging external environment—including a decline in birth rates following the COVID-19 pandemic, soaring production costs, and reputational damage in the Chinese market—we have achieved a steady recovery since 2024. In fiscal 2025, the final year of the 8th Mid-Term Management Plan, we achieved both revenue and profit growth driven by the robust performance of our China operations and an improvement in gross profit margin. Starting in fiscal year 2026, our 9th Mid-Term Management Plan will commence, and we will pursue growth accompanied by profitability to solidify this growth trajectory.

We recognize that our stock price generally moves in tandem with trends in various KPIs, including PVA. Therefore, improving PVA and its constituent element, capital efficiency, is our top priority for maximizing corporate value.

We will continue to further deepen our management approach with a strong focus on capital costs and strive to achieve sustainable growth in corporate value.



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## Future Initiatives: Toward Enhancing Corporate Value (1)

Pigeon will promote the following initiatives to enhance corporate value by improving key management indicators such as PVA and various KPIs.

### ① Improving PVA

Improvement and Execution of Strategies for Profitability Enhancement  
(9th Mid-Term Management Plan, Annual Plans, etc.)

Leveraging insights from past structural reforms, we are driving initiatives toward a new milestone: 'Sustainable Growth with Profitability.' Beyond fundamental profitability gains in existing businesses via our three core strategies—Product, Region, and Management/ESG—we will channel concentrated investments to secure a 20% global market share in nursing bottles within a decade. Our focus is to accelerate momentum in the Americas and Europe while maintaining steady growth in Japan and China, underpinned by a management infrastructure capable of agile decision-making. Through these strategic pillars, we are committed to enhancing PVA and other key financial metrics.

\*9th Mid-Term Management Plan (2026–2028) <https://www.pigeon.com/ir/management/midplan/>

### Key Financial KPIs for the Fiscal Year Ending December 2026:

• ROE: 11.0% • ROIC: 11.3%

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## Future Action Plan: Toward Enhancing Corporate Value (2)

### ② PVA Improvement

#### Utilizing PVA for Business Portfolio Review and Optimization of Management Resource Allocation

By utilizing PVA and its constituent KPIs to evaluate the performance of each business and review the business portfolio, we aim to achieve an optimal business structure and the optimal allocation of management resources to realize it.

Once a year, at the Board of Directors meeting held in February or March following the finalization of the fiscal year-end financial statements, we evaluate each business using three criteria: (1) the significance of the Pigeon Way (does the business contribute to realizing this significance?), (2) economic value (does the business generate returns exceeding the cost of capital?), and (3) social value (does the business contribute to solving social issues?). For each business, we confirm the basic stance of “Investment & Growth,” “Maintain Status Quo,” “Structural Reform,” or “Downsizing/Withdrawal.”

### ③ Improvement of Capital Employed

#### Initiatives to Reduce Working Capital (Particularly Inventory Levels)

Regarding “capital employed”—a component of PVA—we will promote the optimization of capital efficiency by focusing on the appropriate management of inventory levels and the reduction of excess inventory to reduce working capital, thereby leading to further improvement in PVA.

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## Future Initiatives: Enhancing Corporate Value (3)

### ④ Management Focused on Share Price

Enhancing disclosures related to ESG and materiality, as well as dialogue with various investors and other stakeholders

We will continue to work on enhancing and improving disclosures related to ESG and materiality as part of our efforts to enhance the corporate value of our Group. Furthermore, by actively engaging in IR/SR meetings, briefings, and other forms of dialogue with various stakeholders, including investors, we will strive to foster a deeper understanding of our company's situation and activities.

### ⑤ Management with a Focus on Share Price

**Incorporation of Various Performance and Stock Price Indicators into Executive Compensation Calculation Criteria**

The calculation of compensation for our directors (excluding independent outside directors) incorporates evaluations of progress against KPIs such as PVA and ROIC, creating a system that fosters a high level of awareness among management regarding various management indicators and the cost of capital.

Furthermore, with the aim of achieving “same boat” (sharing interests with shareholders), TSR is also incorporated as a stock price indicator in the basis for calculating executive compensation, and we will promote initiatives aimed at enhancing corporate value over the medium to long term.

# Disclaimer on Forward-Looking Statements

This material includes certain forward-looking statements about the Pigeon Group. To the extent that statements in this material do not related to historical or current facts, they constitute forward-looking statements.

These forward-looking statements are based on the current assumptions and judgments of the Pigeon Group in light of the information currently available to it, and involve know and unknown risks, uncertainties and other factors, which may affect the statements made in this material.

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