



# Integrated Report 2020

For the Year Ended December 31, 2019



Celebrate babies the way they are

# Highlights of the Current Fiscal Year/ Key Performance Indicators



## Performance Highlights (¥ millions)

Item	FY ended	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019
Net Sales		92,209	94,640	102,563	104,747	100,017
Gross Profit		43,345	44,688	50,572	53,858	50,800
Gross Margin (%)		47.0	47.2	49.3	51.4	50.8
Operating Income		14,521	16,015	19,412	19,612	17,072
Operating Margin (%)		15.7	16.9	18.9	18.7	17.1
Ordinary Income		15,080	16,462	20,129	20,398	17,284
Ordinary Margin (%)		16.4	17.4	19.6	19.5	17.3
Net Income Attributable to Owners of Parent		10,197	11,118	14,515	14,238	11,538
Total Assets		73,943	78,889	84,467	85,618	90,491
Net Assets		50,792	53,736	62,812	66,582	70,463
Free Cash Flows (Note 1)		10,147	12,956	13,508	8,928	10,103
ROE (%) (Note 2)		21.3	21.8	25.7	22.8	17.5
ROIC (%) (Note 3)		15.1	16.3	19.2	22.2	21.2
EPS (¥)		85.15	92.84	121.20	118.89	96.37
Dividend per Share (¥)		42.00	53.00	66.00	68.00	70.00
Dividend Payout Ratio (%)		49.3	57.1	54.5	57.2	72.7
Employees (Consolidated)		3,743	3,739	4,306	3,875	3,954

Notes 1. Free Cash Flows = Net cash flows from operating activities minus net cash flows from investing activities

2. Return on equity (ROE) is the ratio calculated by dividing net income for the year by the average equity at the beginning and end of the FY.

3. Return on invested capital (ROIC) is defined as net operating profit after tax (NOPAT) divided by invested capital. This figure is calculated using a tax rate of 30.0% from the year ended January 31, 2018 and for the second (bottom) of the two figures for the year ended January 31, 2017; and using a tax rate of 40.7% for the first (top) of the two figures for the year ended January 31, 2017 and before. Invested capital is calculated using the average of the beginning and year-end figures.



## 1 Announcement of Seventh Medium-Term Business Plan

Fiscal 2019 was the final year of our Sixth Medium-Term Business Plan. For the year, the gross margin—a key performance indicator—reached 50.8%, exceeding our initial target of 50.0%. In our Seventh Medium-Term Business Plan, announced in February 2020, we aim to achieve sound growth and increased profitability in all regions, centered on three policies: brand strategy, product strategy, and regional strategy.

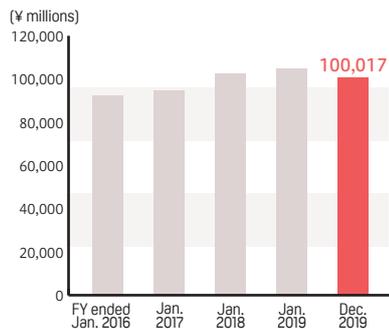
## 2 Pigeon Way Update —the Cornerstone of All Our Activities

During the year, we evolved the Mission component of the Pigeon Way into our Purpose, thus clarifying the meaning of our existence in society and the role we should play. Specifically, our Purpose is “to make the world more baby-friendly.” We also defined Pigeon’s Brand Promise—its pledge to society—which is to “Celebrate babies the way they are.”

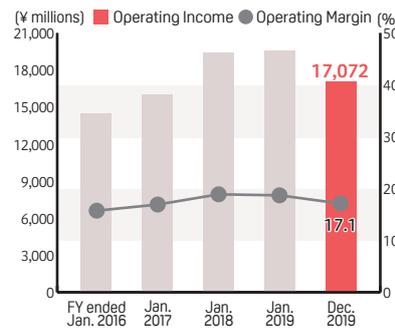
## 3 Acceleration of ESG-Focused Management

To make the world a more baby-friendly, and guided by the Pigeon ESG/SDGs Policy, established in April 2019, Pigeon is accelerating the implementation of environmental, social and governance (ESG) management. Having identified six materialities (key issues) that we must resolve, we are committed to solving social issues surrounding babies and mothers, to create a world that celebrate babies the way they are.

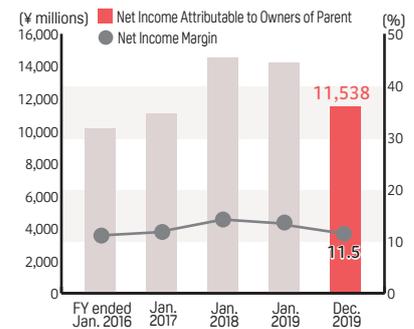
### Net Sales



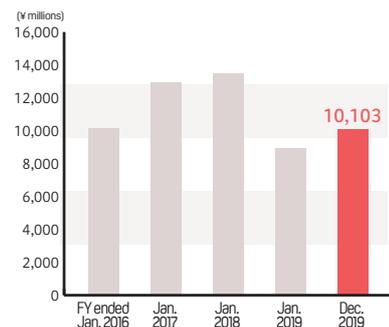
### Operating Income/ Operating Margin (%)



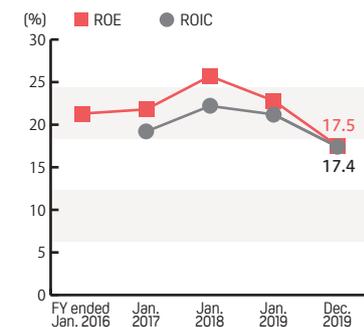
### Net Income Attributable to Owners of Parent/Net Income Margin (%)



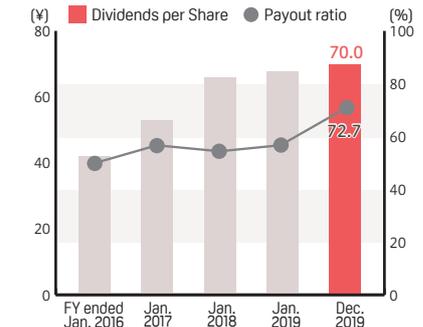
### Free Cash Flows



### ROE/ROIC



### Dividend per Share/ Dividend Payout Ratio (%)



ROE is the ratio calculated by dividing net income for the year by the average equity at the beginning and end of the FY.  
ROIC is defined as NOPAT divided by invested capital. The tax rate is 30.0% and the invested capital is the average of the beginning and year-end figures.

The Company carried out a 3-for-1 split of common stock, effective May 1, 2015.

# Pigeon History

## Corporate

- ▶ 1949 Dofu Boeki, Pigeon's predecessor, established
- ▶ 1952 Yuichi Nakata appointed President
- ▶ 1957 Pigeon Honyuki Honpo (Nursing Bottle Manufacturing) Corporation established
- ▶ 1966 Name changed from Pigeon Honyuki Honpo Corporation to Pigeon Corporation



## Domestic Baby & Mother Care Business

- ▶ 1949 First nursing bottle in Japan with wide neck (A-type) launched
- ▶ 1956 Baby and child care-related products launched
- ▶ 1966 Baby powder, first in a new range of baby hygiene products, launched



1949~

- ▶ 1973 Head office building in Kanda-Tomiyama-cho, Chiyoda-ku, Tokyo, constructed
- ▶ 1975 Kyowa Tokushu Shiko Co., Ltd. (now Pigeon Home Products Corporation) joined the Pigeon Group



- ▶ 1975 World's first diaper liner made using binderfree manufacturing method launched
- ▶ 1976 World's first rubber toothbrush for milk teeth launched
- ▶ 1977 P-type nursing bottle for babies with poor sucking strength launched
- ▶ 1979 K-type nursing bottle launched

1970~

## Health & Elder Care Business

- ▶ 1975 Habis Business Department, targeting the senior market, established

- ▶ 1974 First overseas office established (in Singapore)
- ▶ 1978 Pigeon Singapore Pte. Ltd. established

## Overseas expansion

- ▶ 1966 Export business started

- ▶ 1982 Pigeon Textiles (Pigeon Will Corporation) established to manufacture and sell maternity wear
- ▶ 1983 Yoichi Nakata appointed President; Yuichi Nakata appointed Chairman
- ▶ 1985 Corporate identity based on the Pigeon philosophy of "Love" adopted
- ▶ 1988 Shares registered with the Securities Dealers Association of Japan (present-day JASDAQ)



- ▶ 1982 MagMag® training cup with adjustable tops for different ages launched
- ▶ 1985 Fit (Japan's first seamless breast pad) launched
- ▶ 1987 Chibion® digital thermometer for babies launched
- ▶ 1988 Babies' natural sucking peristaltic movement revealed

1980~

- ▶ 1991 Joso Laboratory (now Central Laboratory) established
- ▶ 1995 Listed on the Second Section of the Tokyo Stock Exchange (July 7)
- ▶ 1996 Fukuyo Ibaraki Corporation (now Pigeon Manufacturing Ibaraki Corporation) joined the Pigeon Group
- ▶ 1997 Listed on the First Section of the Tokyo Stock Exchange



- ▶ 1992 Baby wipes launched
- ▶ 1993 Entry into baby food market
- ▶ 1994 UV Baby Skincare (first sunscreen skincare product for babies) released
- ▶ 1995 Milkpon nursing bottle disinfectant launched

1990~

## Child Care Service Business

- ▶ 1993 Pigeon Land Joso (child-care center for infants) opened
- ▶ 1996 Pigeon Wendy (babysitter dispatch service) launched
- ▶ 1999 Pigeon Kids World Corporation (now Pigeon Hearts Corporation) established

- ▶ 1990 Thai Pigeon Co., Ltd. established
- ▶ 1996 Pigeon Industries (Thailand) Co., Ltd. established

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## Corporate

- ▶ 2000 Seiichi Matsumura appointed President and COO; Yoichi Nakata appointed Chairman and CEO
- ▶ 2002 PHP Hyogo Corporation (now Pigeon Manufacturing Hyogo Corporation) joined the Pigeon Group
- ▶ 2006 Head office relocated to

Nihonbashi Hisamatsu-cho, Chuo-ku, Tokyo

- ▶ 2007 Akio Okoshi appointed President and COO; Seiichi Matsumura appointed Chairman and CEO; Yoichi Nakata appointed Executive Advisor and Member of the Board

## Domestic Baby & Mother Care Business

- ▶ 2002 Bonyu Jikkan™, a wide-neck nursing bottle (which promotes babies' natural sucking peristaltic movement), launched
- ▶ 2003 Baby shoes designed using research on toddlers' walking patterns released



- ▶ 2013 Shigeru Yamashita appointed President and COO; Akio Okoshi appointed Chairman and CEO
- ▶ 2014 The Pigeon Way formulated
- Pigeon Corporation absorbed and merged with Pigeon Will Corporation
- Pigeon Scholarship Foundation established (authorized as a public interest incorporated foundation in 2016)
- ▶ 2019 Shigeru Yamashita appointed Chairman of the Board; Norimasa Kitazawa appointed President and CEO



- ▶ 2010 Bonyu Jikkan® series of nursing bottles and nipples renewed
- ▶ 2015 Runfee baby stroller that runs smoothly over uneven ground launched
- ▶ 2017 Bingle type B baby stroller launched
- ▶ 2018 Bonyu Assist® series of breast pumps fully updated
- ▶ 2019 Pigeon Official Online Shop opened
- ▶ 2020 SkinFriendly and FunFriends series of pacifiers launched

## 2000~

### Child Care Service Business

- ▶ 2001 Operation of in-company child-care facilities launched
- ▶ 2002 Operation of approved child-care center launched

▶ 2004 Operation of child-care facilities in hospitals of the National Hospital Organization (independent administrative agency) launched



### Health & Elder Care Business

- ▶ 2000 Pigeon Manaka Corporation established

▶ 2004 Tahira Corporation (now Pigeon Tahira Corporation) joined the Pigeon Group

▶ 2007 Recoup brand of anti-aging products launched

▶ 2009 Pigeon Industries (Changzhou) Co., Ltd. established in China



### China Business

- ▶ 2002 Pigeon (Shanghai) Co., Ltd. established in China
- ▶ 2006 Pigeon Manufacturing (Shanghai) Co., Ltd. established in China

### Singapore Business

- ▶ 2009 Pigeon India Pvt. Ltd., a sales subsidiary established

### Lansinoh Business

- ▶ 2004 Lansinoh Laboratories, Inc. in USA joined the Pigeon Group

## 2010~



- ▶ 2011 Daycare service launched by Pigeon Manaka Corporation
- ▶ 2015 Sano Day Service Center opened
- ▶ 2016 "Oral Care for Elderly" series launched



- ▶ 2018 "ProFitCare" series, a product line focused on maintaining good seated posture for nursing-care facility users launched
- ▶ 2019 "Sanitary Care" series, (product line focused on maintaining good seating posture for nursing-care facility users), launched

- ▶ 2011 Pigeon Malaysia Trading Sdn. Bhd. established
- ▶ 2012 Double-Heart Co. Ltd. established in South Korea

- ▶ 2015 Pigeon India Pvt. Ltd. factory established
- ▶ 2017 PT Pigeon Indonesia made a subsidiary
- ▶ 2019 PT Pigeon Baby Lab Indonesia established

- ▶ 2010 Lansinoh Laboratories Medical Devices Design Industry and Commerce Ltd. Co. established in Turkey
- ▶ 2011 Earth Friendly Baby brand acquired by Lansinoh Laboratories, Inc.
- ▶ 2014 Lansinoh Laboratórios Do Brasil Ltda. established in Brazil

- ▶ 2015 Lansinoh Laboratories Benelux NV established in Belgium
- ▶ 2016 Lansinoh Laboratories Shanghai established in China

## Purpose of This Integrated Report

The Pigeon Group (Pigeon Corporation and its consolidated subsidiaries) seeks to maximize economic and social value through communications with all stakeholders, including shareholders and other investors. This document, which contains reports on management strategies, as well as business and ESG activities, is designed to deepen your understanding of the corporate value created by the Pigeon Group. You can also learn about our past consolidated corporate performance (covering longer time spans) by viewing Investor's Guide 2020 in our digital IR Library. Please visit [www.pigeon.com](http://www.pigeon.com) for details.

# At a Glance

Reporting segments (Fiscal 2019)

Effective the year ending December 31, 2020, we have divided our organization into four segments: Japan Business, China Business, Singapore Business, and Lansinoh Business. (Please see P.11 for more details.)



### Products/Services

Baby and mother care products

### Business Conditions and Group Strengths

We place an emphasis on nursing bottles and nipples, toiletries, and high-end skincare products. With more than 500 products on the Chinese market, we focus on high-end demand from the growing number of newly wealthy people in major coastal cities. We are also strengthening our presence in the field of e-commerce.



## China Business

Mainly China, South Korea, and East Asia

## Singapore Business

Mainly Southeast Asia, India, Middle East, and Oceania



### Products/Services

Baby and mother care products

### Business Conditions and Group Strengths

We sell baby and mother care products under the Pigeon brand. In Asia, following expansion of our production base in Thailand, we are expanding our distribution and sales network in India and reinforcing our business in Indonesia.

Lansinoh Business

**13.2%**  
(¥13,213 million)

Singapore Business

**11.5%**  
(¥11,482 million)

China Business

**36.8%**  
(¥36,824 million)

## Lansinoh



### Products/Services

Baby and mother care products

### Business Conditions and Group Strengths

We sell breastfeeding-related products under the Lansinoh brand, mainly in the United States. Spearheaded by Lansinoh Laboratories, Inc., we are also expanding our business in the United Kingdom, Germany, and other European countries, as well as China and Brazil. We are strengthening our brand while expanding other product categories, including nursing bottles.

## Lansinoh Business

Mainly North America, Europe, and China

# Domestic Baby & Mother Care Business

## Products/Services

Baby and mother care products, baby strollers

## Business Conditions and Group Strengths

Based on over half a century of research into breastfeeding and early childhood development, we have gained an in-depth understanding of babies' growth processes and identified areas of concern in child-rearing. This has led to our development and launch of numerous high-quality products, resulting in widespread recognition of Pigeon as a leading company in the industry.



# Child Care Service Business



## Products/Services

Child-rearing support services, operation of in-company childcare facilities and daycare centers, event child-care services, preschool education services

## Business Conditions and Group Strengths

Leveraging Pigeon's reputation for safety, peace of mind, and reliability acquired in baby and child care products, we earn the confidence of everyone by advancing this business segment and offering high-quality services.

# Health & Elder Care Business

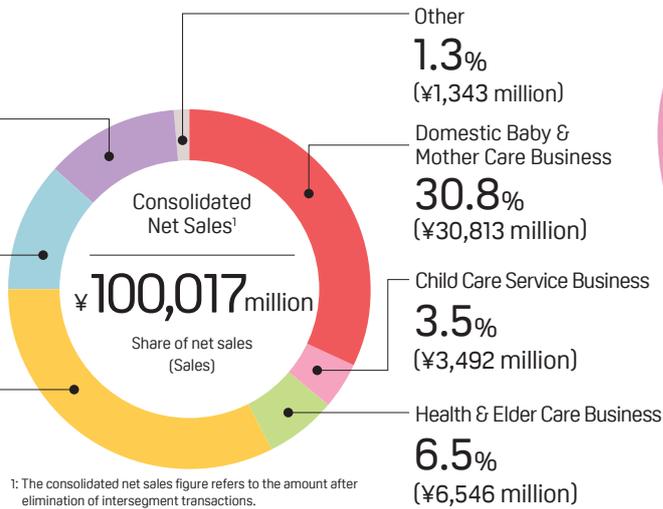


## Products/Services

Elder care products and services

## Business Conditions and Group Strengths

We are working rigorously to advance this business segment by introducing new competitive products and improving the quality of our elder care services.



# To Our Stakeholders



北澤憲政

Norimasa Kitazawa  
President & CEO

## The Pigeon Group's Purpose: To Make the World More Baby-Friendly

### Review of My First Year as a CEO

A year has passed since I was appointed president and CEO in April 2019. The first thing we have done was that we divided our organization along market lines into four segments: Japan Business, China Business, Singapore Business, and Lansinoh Business. This new organizational structure has enabled us to pursue more agile business development that reflects the characteristics of each market. We also locally set up product development teams within each business segment to speed up decision-making for manufacturing and marketing according to regional market trend and consumer needs. Having launched multiple products in each business segment, resulting in steady sales growth, we expedited decision-making by transferring authority to the four business segments, and integrated our head office functions with the establishment of the Global Head Office (GHO) to oversee the entire Pigeon Group. (Please refer to P. 9 for details about the GHO).

The Pigeon Way is the heart and soul of Pigeon and the cornerstone of the actions of all Pigeon Group employees. (Please refer to P. 7.) In the past year, we have upgraded the Mission component of the Pigeon Way into our Purpose, to clarify the

meaning of our existence in society and the role we should play. We have also been working on a refresh of the Pigeon brand to strengthen its power and reach.

Pigeon's Brand Promise—its pledge to society—is to “Celebrate babies the way they are.” This means providing a consistent brand experience through the various touchpoints we have with customers. In February 2020, Pigeon was ranked among the top 100 brands of “Best Japan Brands 2020,” selected by Interbrand Japan Co., Ltd. We are proud of this achievement, which recognizes our efforts to improve brand value.

We also enhanced our internal systems. In the Japan Business, for example, we introduced the Accelerate My Career (AMC) program, a career system that encourages employees to pursue their own career paths. In addition, we launched the Pigeon Frontier Award, an in-house venture system that inspires employees to freely realize their own thoughts and ideas and encourages them to take on challenges without fear of failure. We are also working to further strengthen corporate governance, including by establishing a Remuneration Committee and a Nomination Committee in the year under review.

## Review of 6th Medium-Term Business Plan

The fiscal year ended December 31, 2019 was the final year of our 6th Medium-Term Business Plan. For the year, we posted consolidated net sales of ¥100,117 million, operating income of ¥17,072 million yen, ordinary income of ¥17,284 million, and net income attributable to owners of parent of ¥11,538 million<sup>1</sup>. We enjoyed healthy growth under the plan through the fiscal year ended January 2019. In the final period ended December 2019, however, there was an unprecedented decrease in domestic childbirths and a major fall in inbound tourism demand. As a result, we did not achieve the net sales target initially set under the plan, although we ended the year having reached our revised targets, with the exception of net income attributable to shareholders of parent. Nevertheless, we reported a gross profit margin of 50.8%, exceeding the 50% target set for the final year of the 6th Medium-Term Business Plan.

Over the period of the plan, the China Business achieved double-digit year-on-year sales growth on a local-currency basis, and the Lansinoh

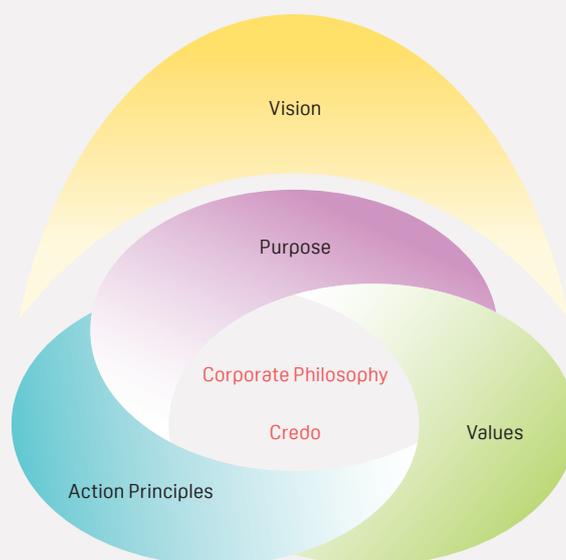
Business expanded steadily in almost all of its development regions. In India, positioned as a priority market for the Singapore Business, we have continued to strengthen our sales activities. For example, more than 50,000 pharmacies in India are now handling our products.

The speed of business is accelerating all around the world. In the United States and China, in particular, products developed by start-up companies in various sectors are quickly capturing large swathes of the market through online sales. We recognize the need to take stronger measures going forward. This includes responding to intensifying competition stemming from expansion of the e-commerce market, as well as launching new products more swiftly.

<sup>1</sup> Effective the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, the period under review was a transitional period of 11 months (February 1–December 31, 2019) for the parent company and its domestic subsidiaries, which previously closed their accounts on January 1 each year. For this reason, year-on-year comparisons are not provided.

## The Pigeon Way

The Pigeon Way is the cornerstone of all our activities. It embodies our “heart and soul” and sets the grounds for our actions to stream from this core.



### ● Corporate Philosophy

— The essence and core of our company  
**Love**

### ● Credo

— Our fundamental brief based on the corporate philosophy  
**Only love can beget love**

### ● Vision

— The goal Pigeon Group aims to achieve  
**To be the baby product manufacturer most trusted by the world’s babies and families: Global Number One**

### ● Purpose

— Our reason for being and the role we should play in society  
**We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs**

### ● Values

— Important attributes for all Pigeon employees  
**Integrity  
Communication, Consent, Trust  
Passion**

### ● Action Principles

— The basic guideline for driving all of our actions  
**Agility  
Keep sight of customers  
Global collaboration among competent individuals  
Leadership and logical working style  
Willingness to change**

## Growth Strategies in the Global Market

### Recognizing Business Risks and Growth Opportunities

The global population is forecast to reach 9.7 billion by 2050, with approximately 140 million babies born every year around the world. Indeed, the top 20 nations in terms of childbirths, led by India and China, are expected to account for 91.6 million births annually—more than 70% of the world total. In light of these childbirth forecasts and the benefits of the economic growth they generate, we expect our target markets to keep growing.

In Japan, however, the number of childbirths declined to 864,000 in 2019, falling below 900,000 for the first time since 1899, when statistics started, and overall market growth is expected to slow down further. (Pigeon's former Domestic Baby & Mother Care Business<sup>1</sup> accounts for more than 30% of the Group's

total net sales.)

In January 2019, we established a four-segment business unit that clarifies our organization along market lines. Our aim here is to create a system in which our overseas businesses—mainly in China, Europe, the United States, India, and Indonesia—will become powerful growth drivers of the entire Pigeon Group while we target stable growth in our Japan domestic business.

1: Under a change to our reporting segments, the Domestic Baby & Mother Care Business was integrated into the Japan Business, effective the fiscal period ending December 31, 2020.

### Overview of 7th Medium-Term Business Plan

Our 7th Medium-Term Business Plan covers the three-year period from January 2020 through December 2022. Under the plan, we will expand the key factors of our success in the Chinese market globally and achieve healthy business growth and profitability in all regions. As for numerical targets, our goal is to achieve annual consolidated net sales of ¥200 billion in the next 10 years. In the final year of the 7th Medium-Term plan, ending December 2022, we are targeting net sales of ¥126 billion, representing a compound annual growth rate (CAGR) of 6.8% compared with the fiscal year to December 2019. To achieve these goals, we aim to maintain a CAGR of 3–4% in our domestic business and 9–10% in our overseas businesses. As for earnings, in the final year of the plan we are targeting operating income of ¥23.1 billion (CAGR of 10.3% compared with the year to December 2019) and net income attributable to owners of parent of ¥16.3 billion (CAGR of 12.0%)<sup>2</sup>.

To reach these targets, our new business plan addresses three key strategies: a brand strategy, a product strategy, and a regional strategy (to be implemented in each market area). Regarding our brand strategy, we have created a new Brand Promise—“Celebrate babies the way they are”—based on our Purpose. By embodying the Pigeon Way and our Brand Promise into our corporate activities and reflecting them every aspect of our contact with customers, we aim to develop a brand “chosen by customers who buy into our business.”

As for our product strategy, in addition to increasing the number of new products, we will leverage our strengths—product development approach, design, and production and sales techniques—across the global Pigeon Group. Our aim here is to accelerate growth in categories where we can differentiate ourselves from our competitors: nursing bottles and nipples,

breast pumps, skincare products, and oral care products.

With respect to our regional strategy, we will aim to expand the key factors of our success in the Chinese market globally. However, this does not mean that a business model that succeeds in China will work universally, as it is obvious that China and India are decidedly different markets. Also, we will adopt a design-driven approach to product development in addition to meeting the consumer needs targeted by each business segment. Under this approach, which values free thinking, we will place a stronger emphasis on such perspectives as aesthetic sense, sensitivity, and ease of use. In China, we will also launch innovative products in terms of production and sales methods. The first product is Ssence, a premium skincare product. Ssence is preservative-free, available only through our official e-commerce store, and is the first product offered through our model of selling directly from factory to consumer. We anticipate that this will help us accumulate data that is useful not only for marketing but also for future R&D. Under our four-segment business structure, we will leverage Pigeon's R&D capabilities to expedite product development and continuously roll out products that inspire innovation and match the characteristics of their respective markets.

2: Fiscal year to December 2019 (11 months) has been converted to 12 months.

## 7th Medium-Term Business Plan Quantitative Targets (As of Feb. 2020)

### Consolidated Performance Targets (¥ millions)

1: Fiscal year to December 2019 (11 months) has been converted to 12 months.

Item	FY ended	Dec. 19 Actual (12-month adjusted basis) <sup>1</sup>	Dec. 20 Budget	Dec. 21 Budget	Dec. 22 Budget	CAGR*
Net Sales		103,513	109,000	116,900	<b>126,000</b>	+6.8%
Gross Profit		52,418	56,600	61,400	<b>66,400</b>	+8.2%
Operating Income		17,213	18,100	20,200	<b>23,100</b>	+10.3%
Net Income Attributable to Owners of Parent		11,593	12,600	14,100	<b>16,300</b>	+12.0%
EPS(¥)		96.82	105.23	117.76	<b>136.14</b>	
Gross Margin		50.6%	51.9%	52.5%	<b>52.7%</b>	
Operating Margin		16.6%	16.6%	17.3%	<b>18.3%</b>	
Net Income Attributable to Owners of Parent		11.2%	11.6%	12.1%	<b>12.9%</b>	

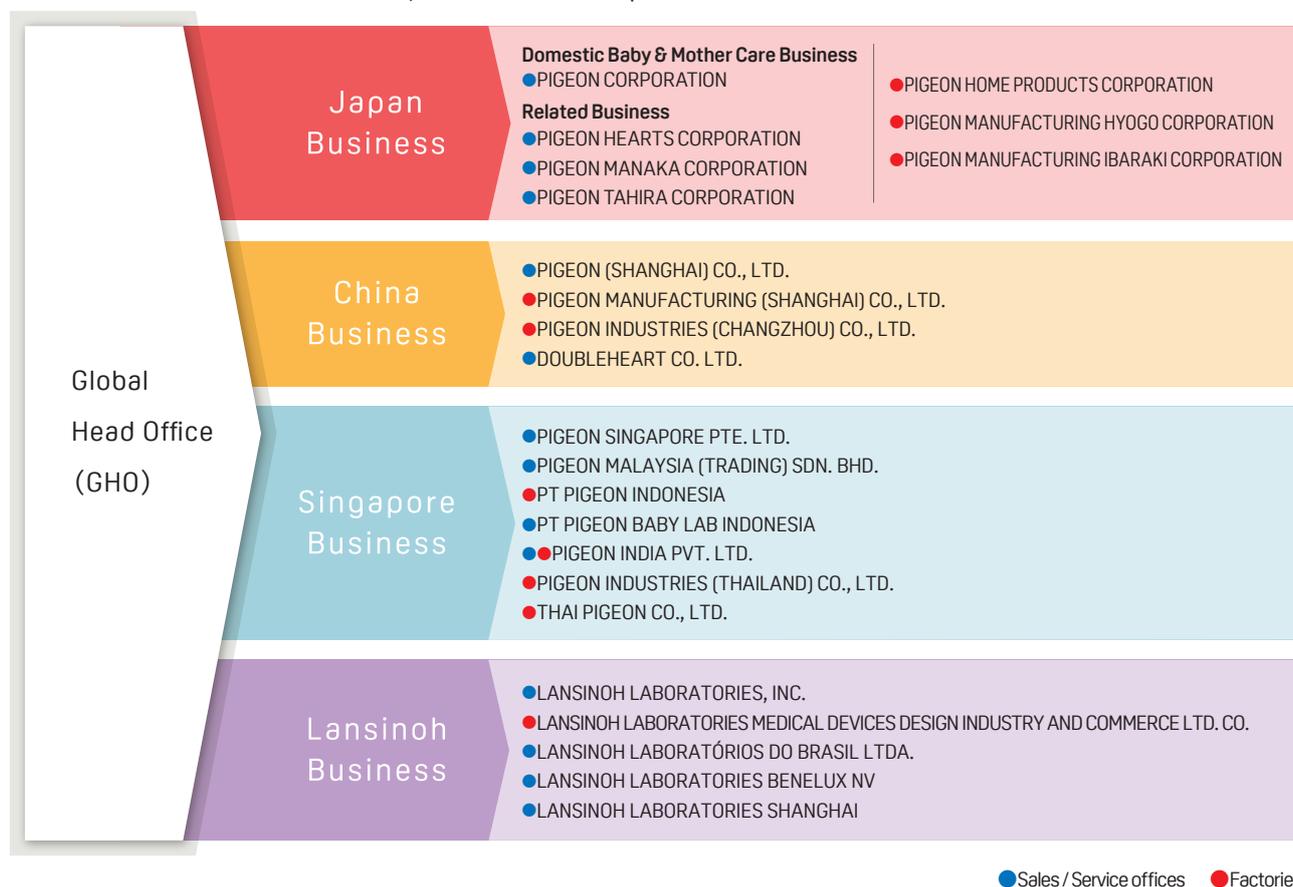
	Dec/19 Result	7th MTBP
ROE	17.5%	20.0% or higher
ROIC	17.4%	19.0% or higher

\* ROE: Return on equity. The denominator is the average of the figures at the beginning and end of the fiscal year.

\* ROIC: Return on invested capital. Assumes a tax rate of 30.0%. Invested capital is calculated using the average of the figures at the beginning and end of the fiscal year.

## Global Head Office (GHO) system

Clarification of roles, functions and responsibilities of GHO and each business unit



● Sales / Service offices ● Factories

## Promoting ESG-Focused Management

Pigeon positions ESG<sup>1</sup> as a core integrated element of management. Since our founding in 1957, we have achieved growth under our mission, which is to bring joy, happiness, and inspiration to babies and families around the world by providing them with products and services that embody our Corporate Philosophy of “Love.” Based on more than 60 years of research babies' sucking behaviors, as well as observations of consumer behavior, we conduct R&D aimed at identifying potential needs and creating products and services that address people's concerns. We then work hard to popularize those products and services.

Our business helps resolve various social issues surrounding babies, mothers, and families, which means Pigeon also exists “to make the world more baby-friendly.” Therefore, it is natural for us to enhance ESG, which we regard as an important management priority. With respect to the environmental (E) component of ESG, where we have not disclosed specific numerical targets to date, we intend to announce targets for CO<sub>2</sub> emission reductions and other specific KPIs<sup>2</sup>. As for the social (S) component, in November 2019 we announced our intention to open a Human Milk Bank within our Tokyo head office. This is an initiative to support the Japan Human Milk Bank Association, which supplies donor milk to babies born prematurely or with extremely low birthweight (less than 1500g).

Pigeon places particular emphasis on social contribution. To this end, we will continue introducing new products and services that help resolve social issues by always working with a strong awareness of our Purpose and our Brand Promise, which are key elements of the Pigeon Way.

We are also working to upgrade the governance (G) component of ESG. For Pigeon, this means establishing and strengthening frameworks that facilitate transparent, fair, and swift decision-making. In 2019, for example, we established a Remuneration Committee and a Nomination Committee. Also, the appointment of two new outside directors—Chiaki Hayashi and Eriko Yamaguchi—was approved at Pigeon's Ordinary General Meeting of Shareholders held in March 2020. These appointments bring the number of outside directors to five, and outside directors now account for more than one-third of the Board of Directors. We also have four female officers (three directors and one auditor), reflecting our progressive efforts to promote diversity.

<sup>1</sup> ESG: Environmental (E), social (S), governance (G)  
<sup>2</sup> KPIs: Key performance indicators

## Investments and Shareholder Return

In the three-year period of the new 7th Medium-Term Business Plan, we forecast that net cash provided by operating activities will increase by ¥56 billion. Cash generated from our business operations will be returned to shareholders after giving priority to growth-oriented investments. Over the next three years we will make aggressive investments, including in M&As, totaling around ¥25 billion (¥16 billion overseas and ¥9 billion in Japan). As for shareholder return, we are targeting a consolidated total shareholder return ratio of around 55%, with year-on-year increases in dividends for each fiscal year.

Specifically, we aim to achieve return on equity (ROE) of 20.0% or higher and return on invested capital (ROIC) of 19.0% or higher. In the year under review, we paid an interim cash dividend of ¥35.00 per share and a year-end dividend of ¥35.00 per share. These disbursements brought total annual dividends to ¥70.00 per share, up ¥2.00 year on year. The consolidated dividend payout ratio was 72.7%. In the fiscal year ending December 31, 2020, we plan to pay total annual dividends of ¥72.00 per share, up ¥2.00.

## In Conclusion

The Pigeon Group's target market is the global market. Although childbirth numbers are declining in Japan, they are increasing worldwide, so we believe Pigeon has plenty of scope for growth. To augment our existing product lineup, which has been well

received by many customers, we will swiftly add new products that reflect the characteristics of each region. We ask for your continued support and encouragement.

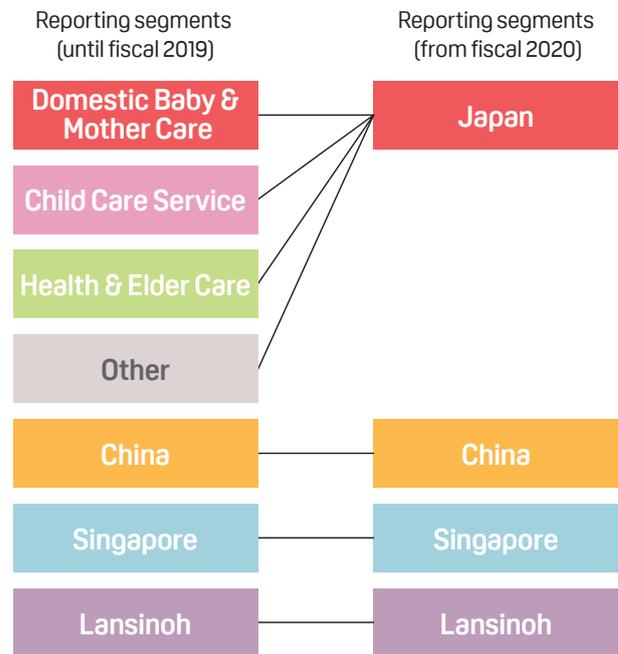
## Change in reporting segments

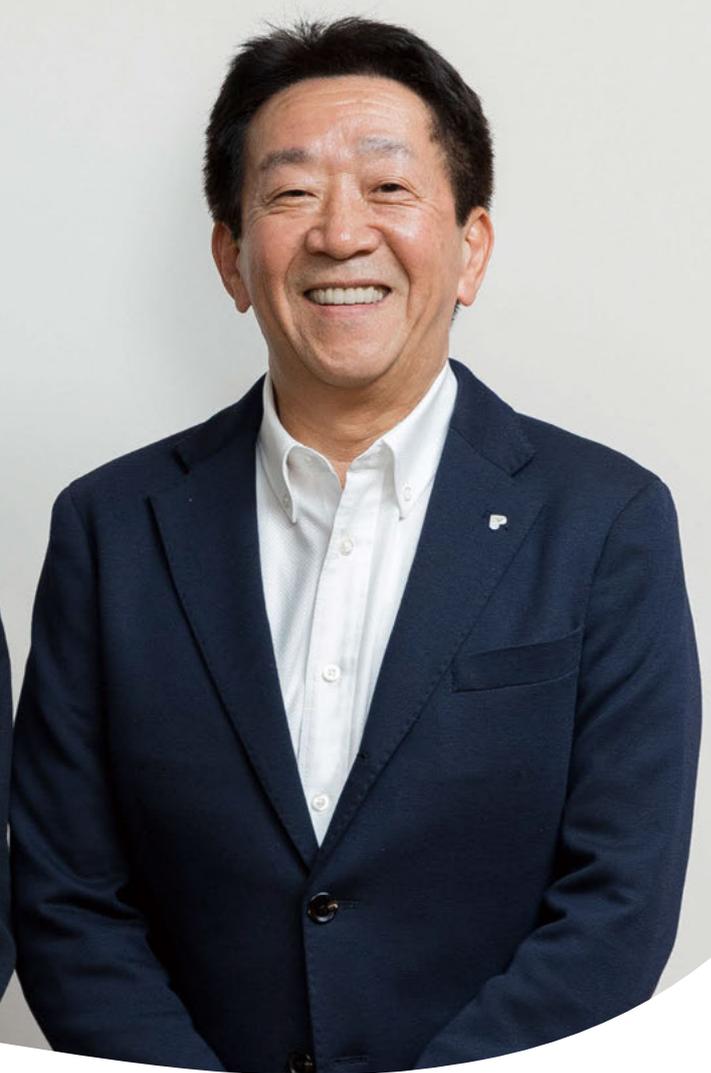
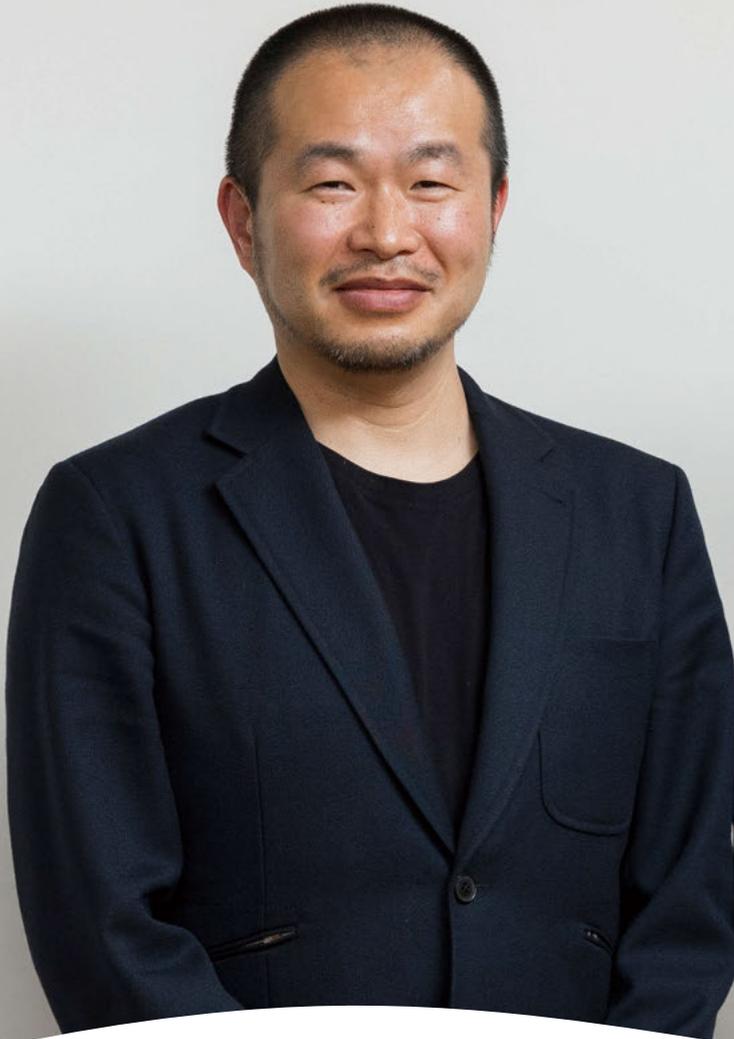
Prior to announcing 7th Medium-Term Business Plan, in fiscal 2019 the Pigeon Group reorganized its operations into four business segments—Japan Business, China Business, Singapore Business, and Lansinoh Business. We are working to accurately grasp market conditions in each business, expedite decision-making, and speed up implementation of our various strategies.

Previously, we had six business segments—Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, China Business, Singapore Business, and Lansinoh Business. Under the aforementioned reorganization, will shift to a reporting system with four business segments (Japan Business, China Business, Singapore Business, and Lansinoh Business), effective fiscal 2020, as shown in the diagram on the right.

Three former business segments (Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business), as well as manufacturing and sales services handled by domestic production subsidiaries for non-Group entities (previously included in the “Other” business segment), will be integrated into the Japan Business.

On the organizational level, two previous divisions—Child Care Service Business Division and Health & Elder Care Business Division—will be integrated into one, named the Related Business Division.





**Rehito Hatoyama**  
Outside Director

**Norimasa Kitazawa**  
President and CEO

**Pigeon’s Board of Directors engages in lively debate with the aim of making highly accurate decisions**

**Kitazawa** You have served as an outside director for the past four years. From this perspective, what is your impression of Pigeon’s board of directors?

**Hatoyama** As I’ve said in the past, one of the great features of Pigeon’s Board of Directors is its keen willingness to listen. Rather than being a forum for reaching “yes or no” decisions, the Board engages in lively debates in which internal and outside directors give multiple opinions based on their varying perspectives. And instead of saying “Let’s continue this debate at next month’s meeting,” the Board endeavors to reach decisions on the spot while keeping the discussion alive. I feel that we are engaging in this form of debate more frequently in recent times, and that we are steadily shifting from Japanese-style to global-style management as our decision-

making gets faster. I think the system is functioning very well in the sense that consensuses reached by Board members are reflected in management decisions.

**Kitazawa** The Board has to deal with various issues, but I note that you, Mr. Hatoyama, offer many constructive and forward-looking opinions and recommendations, rather than simply adopt a negative perspective. You are more likely to say “Let’s do this” or “Let’s fix that,” which is very helpful for me.

**Hatoyama** Thank you very much. As an outside officer, my role is to reject agenda items that should be rejected. In fact, I often do so at Board meetings of other companies. Of course, I do so at Pigeon as well. That said, fortunately at Pigeon there are very few proposals that I need to reject. Accordingly, we often find ourselves discussing motions by providing opinions on how we can do better. In our debate on investment profitability, for example, I made a proposal about which factor—OEM or in-house

# To Our Stakeholders

## Interview with Outside Director

production—would more effectively boost such profitability. This was based on the perspective of shareholder value. Even when discussing subsidiaries, I proposed that we address earnings from the parent company’s perspective. This is because of my unrelenting commitment to representing the interests of shareholders. Also, in December 2019 we announced a downward revision of our full-year performance forecasts. The Board of Directors was able to examine the figures and discuss all parts of the process, right up to fixing the final direction. I believe this is proof that the Board is functioning properly. It’s also testament to the relationships of trust that we have built with each other.

**Kitazawa** That’s right. Another factor was a comment made a long time ago by an outside officer, who pointed out that “Pigeon’s Board of Directors simply reports; there’s no discussion.” That comment prompted all Board members to adopt a common view that the Board is a forum for debate. By adopting a common awareness about issues, the Board has been able to shift its focus from preparatory processes, such as collating materials, to an emphasis on discussion.

### Governance system: Delegation of authority under new four-segment business structure

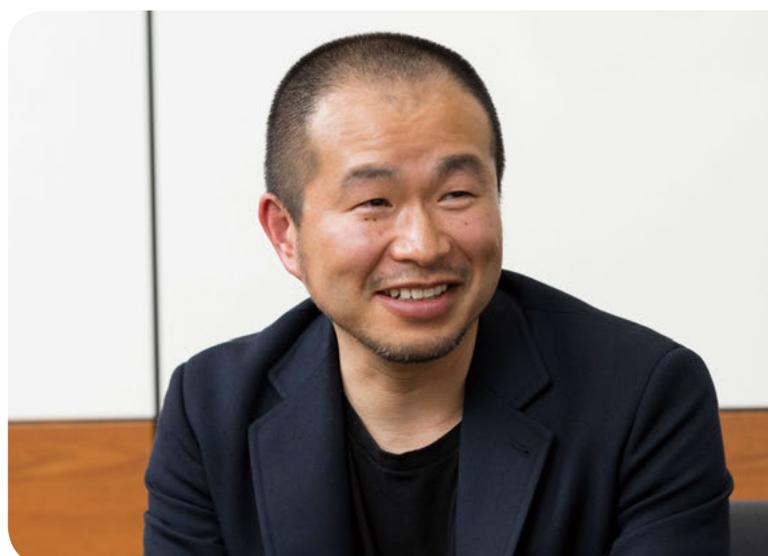
**Hatoyama** In the past year, we have been promoting localization under our four-segment business structure. Localization has enabled us to see more clearly the faces of our local teams on the front lines in various regions, leading to a better understanding among management. I always try to ask appropriate questions, but now that front-line activities are more visible, I feel we can engage in deeper discussions about items on our agenda. Pigeon’s current business strategy is to fine-tune its successful business model in China and roll it out globally. Through our Board discussions, I’ve learned a lot about how you, Mr. Kitazawa, have promoted localization in China in such areas as R&D, product planning, and marketing.

**Kitazawa** From my own experience, I’ve learned that I couldn’t achieve anything in China just by myself. I had to entrust all the work to the local staff and, as a result, they achieved success, which was reflected in our business performance and in their remuneration. To expand this system to the rest of the world, we divided our operations into four business segments and assigned authority to each. Of course, our GHO can deploy governance to

address elements that require correction. In any case, we are taking independent and robust measures in each region. Each faces different challenges, even with respect to the COVID-19 crisis.

**Hatoyama** I think you and I have many things in common. Our market experiences may be different—you are well-versed in China, and I previously worked in Europe and North America—but we have both leveraged overseas opportunities to promote business expansion of Japanese companies. And we have shared a common objective, which is to bring smiles to the faces of families through Japanese-brand products. On top of that, we have embraced the same approach: globalization through rigorous localization. This means speeding up decision-making by giving freedom to local employees, establishing a global management system and utilizing governance. It’s important to get the right balance.

**Kitazawa** That’s right. Our plan is to further strengthen the GHO’s global coordination function, including with respect to branding, to foster more effective governance, in a manner that is not forced by the head office. To this end, I want to continue receiving advice from outside officers from perspectives that do not exist within Pigeon. In particular, I’d appreciate objective general oversight about compliance and other matters from a third-party standpoint. You have a broad network from a global perspective, and your frank input is very helpful for me. With your knowledge and wealth of experience, I look forward to your continued advice, including in your role as member of the Compensation Committee and the Nomination Committee.





**Hatoyama** Generally speaking, the role of outside directors is to help improve the accuracy of decision-making by offering third-party viewpoints. In addition, I'd like to help incorporate innovation into Pigeon while taking advantage of my own specialties and insights. I also want to foster a more sophisticated, world-class governance system. It's also in Pigeon's best interest to embrace new perspectives that I do not have. To step up business development in emerging countries from the perspectives of mothers and women, we need to continue increasing the diversity of our workforce in terms of nationalities, specialties, and so on.



### Increasing diversity to reflect business balance

**Kitazawa** We recently appointed two new outside directors: Eriko Yamaguchi, who has been promoting Pigeon's brand development in emerging countries, and Chiaki Hayashi, who has been fostering innovation, including IT, both at home and abroad. I feel that we now have greater diversity in terms of specialization and can benefit from perspectives unique to outside directors with varying careers. For Audit & Supervisory Board members, however, we emphasize the auditing function over diversity, and for this reason we are reinforcing our global audit capabilities.

**Hatoyama** In our future Board meetings, I look forward to discussions that reflect our increased diversity. Pigeon's base of stakeholders—including shareholders, employees, and business partners—is growing dramatically. In this context, you, Mr. Kitazawa, are playing an active personal role to ensure that perspectives lacking internally are incorporated from outside.

**Kitazawa** That's right. The Board of Directors is moving in a positive direction, and I would like to see it evolve further, including with respect to its composition.

**Hatoyama** I think the source of Pigeon's corporate value lies in its team of people who constantly practice the Pigeon Way even as diversification progresses. As an outside director, I will continue striving to help improve the accuracy of decision-making and enhance shareholder value.

# To Our Stakeholders

## Pigeon's Governance System

From the dialogue between Mr. Kitazawa and Mr. Hatoyama

Mr. Hatoyama, a fellow outside director at Pigeon, has a rare mix of skills. Previously, he was responsible for the overseas business of a well-known consumer brand. In that role, he built a track record of outstanding results and earned a reputation as an entrepreneur. At the same time, he has a keen insight about governance and compliance from an investor's perspective. In his interview with Mr. Kitazawa, he mentioned the comment of an outside officer, who pointed out that "Pigeon's Board of Directors simply reports; there's no discussion." That outside director was me. That said, I feel that our Board of Directors has undergone major changes in the last five years since I was appointed as Pigeon's first outside director. Pigeon has become progressively more global in terms of debate on strategies and risks at Board meetings, improved objectivity and transparency regarding executive compensation and nomination, and business development. I think we have made steady progress toward achieving global standards with respect to our management and governance systems. At present, we are facing the COVID-19 pandemic, our greatest challenge since World War II. Nevertheless, we as outside directors will work together to strengthen Pigeon's management system.

**Takayuki Nitta**  
Outside Director



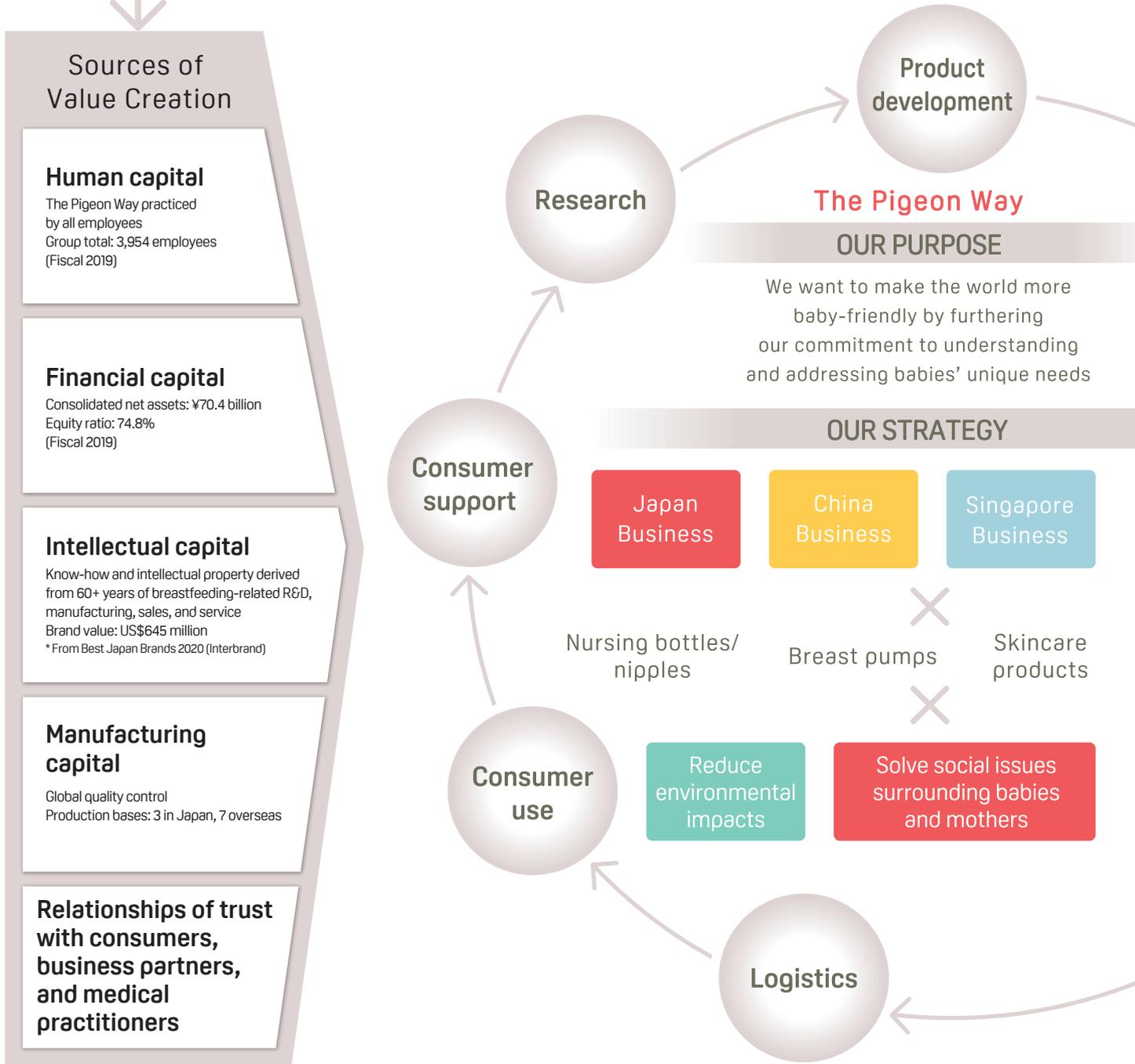
As reflected in the dialog you've just read between Mr. Kitazawa and Mr. Hatoyama, Pigeon's Board of Directors engages in lively discussion. Their exchange of views is similar to a scene from an actual Board meeting. As far as I know, the Board has never overturned an agenda item, nor has any discussion about potential overturning ever negatively impacted the effectiveness of the Board. I feel that all of our directors, including outside directors, are free to present their individual ideas, engage in deep discussion, and forge ahead confidently with each agenda item. In the fiscal year under review, we established a Nomination Committee, following the Compensation Committee that was set up in the previous year, and I feel that other mechanisms established to date are functioning properly. In addition, we increased the number of outside directors in March 2020, and outside directors will likely account for more than 50% of Board members in the near future. In our new medium-term business plan, we have included contribution to achieving the Sustainable Development Goals (SDGs) among our performance indicators. I am confident that Pigeon can help resolve social issues and reduce environmental impacts. Japan faces a declining birthrate. Rather than see this as a threat due to market contraction, I'd like to engage in further strategic debate based on new perspectives in the context of making the earth more sustainable.

**Erika Okada**  
Outside Director



# To Our Stakeholders

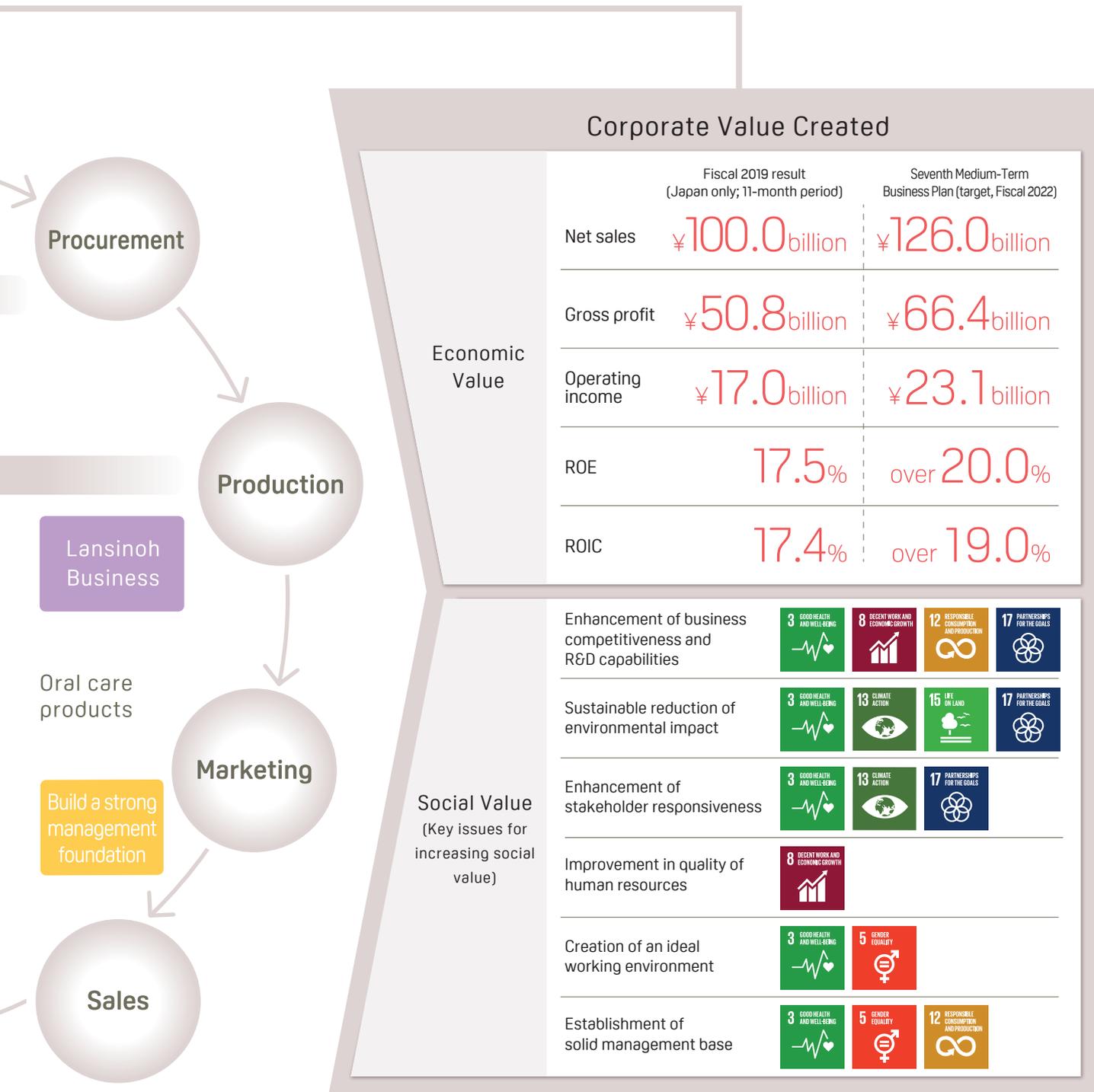
## Value Creation Story



The above figure illustrates Pigeon's value creation story, which is represented as a flow linking sources of value creation (including invested capital), value chain initiatives, and corporate value created. At the core is the Pigeon Way, which is the cornerstone of all our activities. It describes our Corporate Philosophy ("Love") and our Credo ("Only love begets love") and

embodies the "heart and soul" of all Pigeon employees.

We believe that corporate value created from our business activities largely consists of two elements—economic value and social value—and that the social value we create will help achieve the Sustainable Development Goals (SDGs) set by the United Nations for 2030.



## Corporate Value Created

	Fiscal 2019 result (Japan only; 11-month period)	Seventh Medium-Term Business Plan (target, Fiscal 2022)
Economic Value	Net sales	¥100.0billion
	Gross profit	¥50.8billion
	Operating income	¥23.1billion
	ROE	17.5%
	ROIC	17.4%
		over 20.0%
		over 19.0%

Enhancement of business competitiveness and R&D capabilities	3 GOOD HEALTH AND WELL-BEING	8 DECENT WORK AND ECONOMIC GROWTH	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	17 PARTNERSHIPS FOR THE GOALS
Sustainable reduction of environmental impact	3 GOOD HEALTH AND WELL-BEING	13 CLIMATE ACTION	15 LIFE ON LAND	17 PARTNERSHIPS FOR THE GOALS
Enhancement of stakeholder responsiveness	3 GOOD HEALTH AND WELL-BEING	13 CLIMATE ACTION	17 PARTNERSHIPS FOR THE GOALS	
Improvement in quality of human resources		8 DECENT WORK AND ECONOMIC GROWTH		
Creation of an ideal working environment	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY		
Establishment of solid management base	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	

Pigeon's business model for value creation supports a value chain ranging from research and product development to procurement, production, marketing, sales, logistics, consumer use, and consumer support. Through this value chain, which is centered on Pigeon Way, we are reducing environmental impacts ("E" element of ESG), solving social issues surrounding

babies and mothers ("S"), and building a solid management base ("G"). Leveraging the growth of our four businesses—Japan Business, China Business, Singapore Business, and Lansinoh Business—we are realizing sustainable value creation while making our value chain stronger.

# Brand Enhancement Initiative

In 2020, we renewed the Pigeon brand with the aim of improving our brand power. We also made a new Brand Promise—“Celebrate babies the way they are”—as our pledge to society. We will continue delivering consistent Pigeon-brand quality globally at all points of contact with our stakeholders.

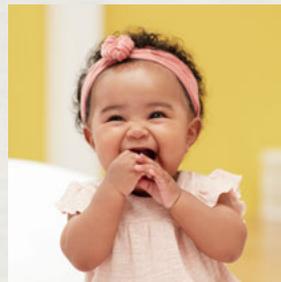
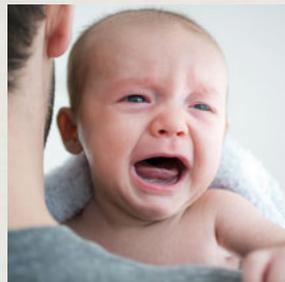
## Background of Brand Reinforcement

Since its founding, Pigeon has always adopted the perspective of babies and given deep thought to what happiness means for them. With our unique outlook, together with our single-minded passion, we have grown into Japan’s leading manufacturer of baby and mother-care products. Pigeon has remained committed to the interests of babies, and its mission is to pursue what is important for babies’ true happiness. With this principle in mind, we formulated the aforementioned Brand Promise. Our aim is to convey once again our commitment to learning what it takes to make babies happy. In other words, we want “to make the world more baby-friendly.”

## Things That Only Pigeon Can Do

In its pursuit of their happiness, Pigeon rigorously studies and closely monitors the wants, needs, and habits of babies. We understand that each and every baby has wonderful individual attributes and a hidden potential for self-development. Moreover, all babies are born with magnificent radiance, and we believe that Pigeon, which has worked closely with babies for many years, is uniquely positioned to highlight that radiance.

In the modern world, people’s values are diversifying due to globalization and technological innovation. Rather than raising children uniformly, mothers and fathers now want to bring out the individuality of each child. Nevertheless, many hurdles still remain in society for babies to be themselves, to be baby-like, to be carefree, and to grow. They only have one life in this world, and we want them to be themselves. Pigeon’s aim is to create a society in which babies are cherished “as they are” together with their mothers and fathers.



## Pigeon Brand Story

Every baby is born with a remarkable gift:  
the ability to be truly themselves.

Pigeon believes in preserving  
and nurturing the qualities that make each baby special.  
Our years of experience in serving generations of babies  
has taught us there's no one-size-fits-all approach to development.  
Each baby deserves to progress at their own pace  
and to become whoever they want to be.

We strive to encourage curiosity, celebrate diversity,  
and open horizons, because a society that treasures these things  
is one that will grow up to be creative, inclusive, and free.



**Celebrate babies the way they are**

## Japan Business

### Domestic Baby & Mother Care Business

#### ● Business Environment

In 2018, the total number of births in Japan was 918,000 (confirmed number, according to statistics released by the Ministry of Health, Labour and Welfare in 2018), a record-low figure. In 2019, however, the number further declined, to 864,000 (annual estimate, according to statistics released by the same ministry in 2019), falling below the 900,000 mark for the first time since statistics started in 1899.

#### ● Our Competitive Edge

Based on more than 60 years of research into breastfeeding and infant and child development, Pigeon conducts in-depth research into the growth processes of babies and uncovers various problems that parents encounter when raising children. We have used these findings to develop numerous high-quality products, which embody the strength of the Pigeon brand. Pigeon is now widely recognized as the leading brand in the industry, and its market share is growing significantly even for baby strollers, a new introduction to its portfolio.

#### ● Business Strategies

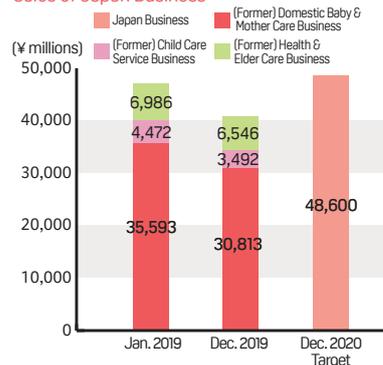
In our Domestic Baby & Mother Care Business, our core products are nursing bottles and nipples, which boast a domestic market share of more than 80%. This business, which also includes skincare products and baby strollers, is expanding and increasing its market share. Meanwhile, we are stepping up our approach to the maternity market through our ongoing direct communication policy, while promoting information dissemination activities targeting collaboration with medical professionals.

#### ● Growth Strategies

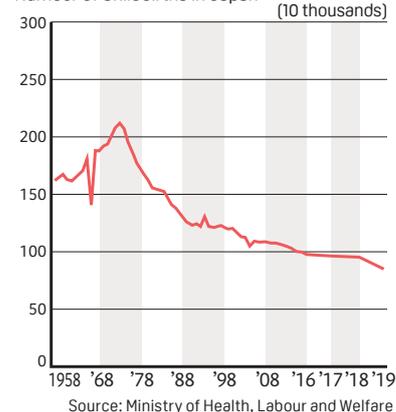
In addition to nursing bottles and nipples, for which we have a domestic market share of more than 80%, we enjoy the No. 1 share for breast pumps and nursing pads. While striving to maintain high market shares for these products, we are committed to seizing the top share for our baby strollers, where there is room for growth. Our current domestic market share for baby strollers is around 20%, and we aim to increase this to 33% over the next three years. We are also making growth-oriented investments in the skincare category, which has released various hit products, such as “Momo-no-ha” the Peach-leaves lotion.



Sales of Japan Business



Number of Childbirths in Japan (10 thousands)



Domestic Market Share of Pigeon's Main Products in value basis (January 2020)

Nursing bottles  
No. 1 82%

Breast pumps  
No. 1 65%

Nursing pads  
No. 1 61%

Baby skincare products (washing-related)  
No. 1 34%

Note: Figures are extrapolated from market survey data by Intage Inc. using one-month totals at points of sale of baby-specialist stores and drug stores across Japan.

## ● Fiscal 2019<sup>1</sup> Performance and Highlights

In fiscal 2019, sales in this segment amounted to ¥30,813 million, affected in part by a contraction in demand from inbound tourism, especially during the second half. Segment income totaled ¥4,697 million.

During the year, we launched the caboo series of baby slings, originally developed in the United Kingdom, as well as the filbaby series of premium baby skincare products. We also stepped up sales by opening the Pigeon Official Online Shop and Pigeon Official Rakuten Store.

In fiscal 2019, we held a total of 32 events under our direct communications program, including Breastfeeding College for expecting mothers and seminars about breastfeeding while parenting for medical professionals. More than 3,000 people attended these events in total.

<sup>1</sup>:Effective the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, the period under review was a transitional period of 11 months (February 1 to December 31, 2019). For this reason, year-on-year comparisons are not provided.



caboo baby slings

### Key Strategies for 7th Medium-Term Plan (Whole Japan business)

- ▶ Capture top market share for baby strollers
- ▶ Make investments to strengthen skincare category

Sales target for final year (ending December 2022)

¥52.1 billion (compound annual average growth rate (CAGR) of 2.5%)



filbaby premium skincare products for babies

## Column Single-tire baby strollers

An independent survey conducted by Pigeon in 2017 revealed that nearly 90% of mothers and fathers were having trouble pushing strollers when taking their babies outside. In response, we developed Runfee, a unique single-tire stroller that is light and easy to push, even in urban areas full of bumps, cobblestones, and bumpy asphalt streets. Subsequently, we further developed and improved our offerings to reflect opinions of university professors who specialize in tire research, as well as joint verification experiments with universities into tire operation stress. We now have a wide range of single-tire models such as Runfee, fino, palskip, and Bingle.



Runfee series

## Japan Business

### Related Business (Former Child Care Service Business)

#### ● Business Environment

In 2018, Japan had a female labor force of 30.14 million people, up 770,000 from the previous year, and a female employment rate across all ages of 51.3%, surpassing 50% for the first time in 50 years (Status of Working Women, 2018, Ministry of Health, Labour and Welfare). Balancing childcare and work is no longer a problem that only women can solve; it is an issue for society in general, and expectations for Pigeon to play a role are growing.

#### ● Our Competitive Edge

Through its provision of baby and child-care offerings, Pigeon has earned a reputation for safe and reliable products. Deploying this brand strength, we are building our child care services, which include in-company child care, under the principle that “children’s growth is our first priority,” and we have earned the confidence of customers on that basis. Known for its unparalleled knowledge about babies, the Pigeon Group is constantly expanding and improving the quality of its child care services.

#### ● Business Strategy

The reputation and trust earned by our Child Care Service Business represent real social value, which in turn leads to business growth and development. For this reason, we are working to raise the quality of our services, which reflect the quality of our business, as our top priority.

#### ● Growth Strategy

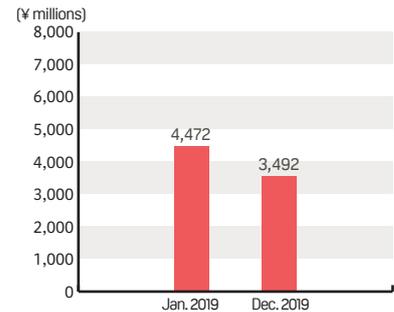
The most important priority for our Child Care Service Business is to ensure the quality of the staff who interact directly with the children. We have been conducting ongoing research into the wishes and feelings of babies, who cannot communicate verbally, and we are working to foster human resources who can embody the uniqueness of the Pigeon brand. Before pursuing increased scale, we emphasize high quality across all of our facilities and services. Our aim is to bring smiles to every child while carefully nurturing each individual facility and each staff member.

#### ● Fiscal 2019<sup>1</sup> Performance and Highlights

In fiscal 2019, sales in this segment amounted to ¥3,492 million, and segment income totaled ¥49 million. Despite the expiration of a bulk outsourcing agreement for childcare hospital centers under the National Hospital Organization, in the year under review we operated 74 in-company childcare facilities. We are continuing to develop this business while striving to improve the quality of our service.

<sup>1</sup>: Effective the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, the period under review was a transitional period of 11 months (February 1 to December 31, 2019). For this reason, year-on-year comparisons are not provided.

(Former) Sales of Child Care Service Business



## Related Business (Former Health & Elder Care)

### ● Business Environment

Japan's population is aging rapidly while the number of births declines. The population of people aged 65 and over has reached 35.88 million (Ministry of Internal Affairs and Communications Statistics Bureau estimate as of September 15, 2019), and the ratio of people aged 65 to the total population has reached a record-high 28.4%. Along with the aging population, the number of people certified as requiring long-term care and support increased to 6.59 million in 2018, and efforts are under way to promote healthy longevity.

### ● Our Competitive Edge

Pigeon's strengths in this segment lie in its product-planning capabilities—which accurately pinpoint unsatisfied customer demand—as well as its advanced quality control systems acquired in the course of developing baby care products. Leveraging these strengths, we are working to introduce new, competitively superior products and improve the quality of our elder care services.

### ● Business Strategy

For elderly people, we are working to improve product competitiveness in the key categories of bottom wipes, body wipes, skincare products, food, oral care products, and wheelchairs.

### ● Growth Strategy

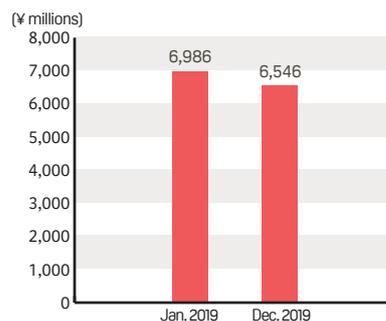
There are very few commoditized solutions that meet the diverse needs of the elder care market. Accordingly, Pigeon's product development capabilities, cultivated through handling a wide variety of baby products, serve as a great strength in the elder care field. Two factors differentiating Pigeon from other companies are its meticulous product designs and its stringent quality control. We will continue strengthening our sales approach to nursing care facilities and enhance our services under the long-term care insurance system.

### ● Fiscal 2019<sup>1</sup> Performance and Highlights

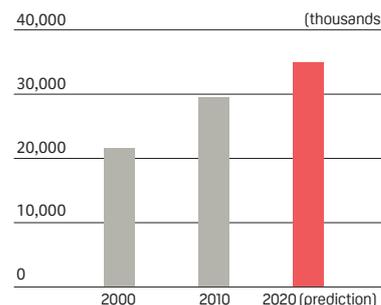
Sales in this segment amounted to ¥6,546 million, and segment income totaled ¥386 million. In February 2019, we launched ProFitCare, a new series of products that help users of nursing care facilities maintain good sitting posture, as well as the Sanitary Care Inspired by Nursing Series of skincare products that help people keep clean even when they are unable to bathe. We will continue strengthening our sales activities toward retail stores and elder care facilities while improving the quality of elder care services and taking other rigorous measures.

<sup>1</sup>: Effective the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, the period under review was a transitional period of 11 months (February 1 to December 31, 2019). For this reason, year-on-year comparisons are not provided.

(Former) Health & Elder Care Business



Estimate of Future Population in Japan (age 65 and older)



Source: "Population Projection for Japan," National Institute of Population and Social Security Research



ProFitCare series



Sanitary Care Inspired by Nursing Series

## China Business

### ● Business Environment

China's annual childbirths have averaged about 13–15 million over the past several years. Given that Pigeon generates more than ¥30 billion annual sales from its business in Japan, where only 0.9 million babies are born annually—as well as continually rising disposable incomes in China—we regard our growth potential in China to be extremely large. Meanwhile, Chinese consumers are becoming more and more concerned about product safety, and Chinese e-commerce market is growing as people born in the 1980s and 1990s become the new generation of family creators.

### ● Our Competitive Edge

Since our full-scale entry into the Chinese market in 2002, we have broadened our sales coverage across the entire nation, from coastal to interior regions. The main target for Pigeon's products is the “new rich” market, and we are developing that market with more than 500 products—centering our mainstay nursing bottles and nipples, toiletries, and high-end skincare products—while proposing new lifestyles. By maintaining stable pricing backed by high product quality, we have increased the number of stores handling our offerings and dedicated Pigeon sections within retail outlets. We provide wide-ranging responses to consumer needs while embracing the rapidly growing e-commerce market. In the meantime, recognition of Pigeon as a safe, reliable, high-quality brand is spreading among Chinese consumers.

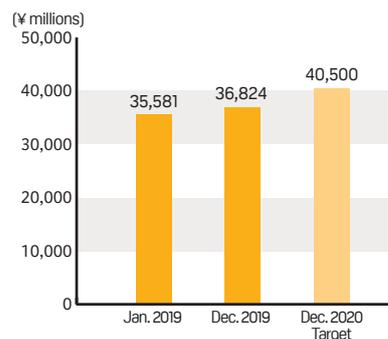
### ● Business Strategy

We work hard to deepen recognition and penetration of the Pigeon brand in China. At present, we are working in partnership with more than 280 maternity hospitals and more than 150 postnatal care facilities nationwide to raise awareness about breastfeeding. We have also established more than 11,000 breastfeeding rooms, mainly in hospitals, to strengthen breastfeeding support activities and our brand perception. With respect to manufacturing, Pigeon Manufacturing (Shanghai) Co., Ltd., established in 2008, has been making and assembling various products. These include nursing bottles, silicone nipples, detergents, and toiletries. To address the rapidly growing market for consumables, Pigeon Industries (Changzhou) Co., Ltd. started operations in Changzhou, Jiangsu Province in 2011, producing disposable nursing pads and baby wipes. Since 2013, it has also been producing disposable diapers, which Pigeon does not sell in Japan.

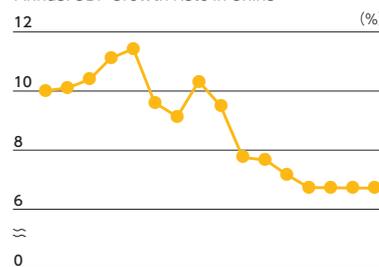
### ● Sales Development and Network

We are expanding ties with local distributors in order to develop our sales network across the entire nation. For the retail channel, we are reinforcing our distribution network by mobilizing both primary and secondary distributors as we seek to further boost sales in China. Meanwhile, we are strengthening our network of dedicated Pigeon sections within baby specialty shops. Recent years have seen rapid growth of sales via major Chinese e-commerce websites. In response, we are striving to increase online sales by strengthening initiatives in partnership with distributors and e-commerce retailers. At the same time, we are using social media to step up direct communication with consumers.

Sales of China Business



Annual GDP Growth Rate in China



Source: The figures are compiled by Pigeon Corporation with data from the International Monetary Fund (IMF) (to 2006) and the Organization for Economic Cooperation and Development (OECD) (from 2007).



New compact electric breast pump



Disposable diapers available only in China

## ● Growth Strategy

Our China Business has achieved dramatic growth as a major pillar of our operations from the perspective of contributing to earnings. Under our Sixth Medium-Term Business Plan, we achieved double-digit year-on-year sales growth in China as initially forecast. Our Chinese e-commerce business has grown dramatically, and sales of Momo-no-ha lotion and other skincare products, which we started making locally, have been healthy. With respect to R&D, as well, we have made tangible progress by globally advancing our product development efforts, drawing on the results of research into the delicate skin of infants, which we have announced at academic conferences.

Under our Seventh Medium-Term Business Plan, we will work to achieve higher product prices through our uncompromising commitment to manufacturing. Through sales of Ssence, meanwhile, we will build a new business model, the first direct sales system for the Pigeon Group. We also established Shenzhen Creative Studio to monitor the latest trends and further strengthen our design-driven approach.

## ● Fiscal 2019<sup>1</sup> Performance and Highlights

Sales in this segment amounted to ¥36,824 million, and segment income totaled ¥12,483 million. Our great performance was driven by continued healthy sales of mainstay nursing bottles and nipples, as well as steady increases in sales of breast pumps and laundry products.

During the year, we stepped up efforts focused on the e-commerce market, which continues to grow. W11, China's largest e-commerce event of the year, was held on November 11, 2019. At the one-day event, sales of Pigeon products via the Alibaba Group's Tmall platform exceeded CNY100 million for the first time, continuing a strong growth trend. We also leveraged social media to invigorate direct communication with consumers while promoting sales at physical stores and the distribution of new products. In addition, we continued emphasizing sales activities targeting hospitals and maternity clinics. In these ways, we sought to increase contact points with customers and expand our operations.

<sup>1</sup>Effective the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, the period under review was a transitional period of 11 months (February 1 to December 31, 2019). For this reason, year-on-year comparisons are not provided.

### Key Strategies for 7th Medium-Term Plan

- ▶ Achieve higher product prices through uncompromising commitment to manufacturing
- ▶ Build new business model with Ssence, the new premium skincare products

Sales target for final year (ending December 2022)

¥49.1 billion ((CAGR) of 9.6%)



Store in China



Children Baby Maternity Expo (CBME) 2019



Child care consultation event at maternity hospital

### Column

## Pigeon recorded over CNY 100 million one-day sales at China's largest e-commerce shopping event

The e-commerce market in China is the one of the biggest and fast-growing markets in the world and the ratio of e-commerce sales in the whole consumer market is now almost 20%. The two key platform providers are the Alibaba Group, the largest e-commerce company in China and operator of the Tmall and JD.com, Inc., operator of JD.com. The two companies held their annual e-commerce shopping events on

November 11, 2019 (Tmall event, called "W11") and June 18, 2019, respectively. Both events generated major excitement, with W11 generating ¥4 trillion (CNY268.4 billion) in sales in one day, its highest-ever figure. Pigeon actively participates in these two events. In 2019, for the first time, we joined the "CNY100 Million Club" of companies (299 in total) that generated CNY100 million or more in sales at W11.

## Singapore Business

### ● Business Overview

Approximately 140 million babies are born each year around the world, and the regions covered by our Singapore Business segment represents a major proportion of this total. Specifically, our Singapore Business encompasses India—with the largest number of births in the world—as well as Southeast Asia (including Singapore, Indonesia, and Malaysia), the Middle East (including United Arab Emirates), Oceania, and others (including South Africa). We are expanding our business in two of those nations—India, with around 26 million childbirths annually, and Indonesia, with about 5 million—which we regard as priority markets.

In this segment, we are advancing our business mainly in emerging countries, where the annual number of births among the wealthy is currently around 1.67 million. However, this is expected jump 1.7-fold over the next 10 years, to 2.83 million. Moreover, the middle class (with annual disposable incomes of US\$5,000–35,000) is expanding in line with economic growth. Pigeon is also targeting this market (including the upper-middle class, with incomes of US\$12,000 and higher), which is tipped for further growth.

### ● Our Competitive Edge

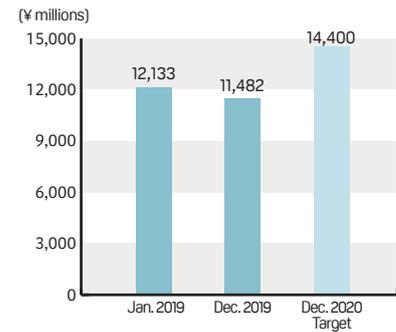
Our competitive advantage in overseas markets derives from two key strengths. One is the appeal of our products. This is the result of intensive fundamental research and behavioral observations aimed at identifying “matters that concern our customers.” Another strength is teamwork with high-quality business partners. To develop our overseas business, it is extremely important that we build good relationships with local partners—including distributors and retailers—with excellent local knowledge. Thanks to the support of good partners in the field, our overseas business development is accelerating.

Since entering Southeast Asia in the 1970s, customer recognition of the Pigeon brand has grown steadily, to the extent that our nursing bottles occupy the top market shares in Indonesia, Singapore, Thailand, and Vietnam. In the Middle East, as well, we are enjoying sales growth, especially for nursing bottles and nipples, in Saudi Arabia and the United Arab Emirates.

### ● Business Strategies

We manufacture nursing bottles and nipples at our local factories in Thailand, India, and Indonesia. These are sold locally and also exported to other countries, including Japan. In addition, we are addressing new markets in Africa and elsewhere that are tipped for long-term growth. In 2019, for example, we established a new local distributor in Nigeria, where 7.56 million babies are born annually, in preparation for entry into that market. The Singapore Business covers many nations with comparatively low levels of income and regions with diverse ethnicities, languages, religions, and cultures. It is important that we deepen our understanding of consumers in each region and respond quickly to their needs. Generally, it is said that consumer activity in a country or region will take off when its per-capita GDP surpasses US\$3,000. Anticipating future market expansion, Pigeon will target renewed growth by developing and releasing products for the middle class in each of its categories.

Sales of Singapore Business



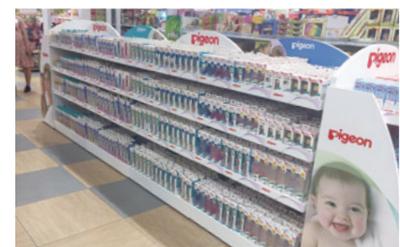
ASEAN: Real GDP Growth Rate (10 countries)



Source: Overview of the Association of Southeast Asian Nations (ASEAN), Ministry of Economy, Trade and Industry website



Store in Thailand



Store in Vietnam

## ● Priority Market: India

According to World Population Prospects 2017 Revision (Department of Economic and Social Affairs, United Nations), the population of India has been growing at the rate of more than 10 million per year, and has reached 1.33 billion. More than half the population is under 25 years old. Furthermore, the number of childbirths continues to grow in India, which is projected to overtake China for the No. 1 spot in the next 10 years. We are working to raise recognition of Pigeon in India as a mother and baby care brand. In addition to expanding mainly in major cities, such as Delhi and Mumbai, we are developing outlets linked closely with local communities. We are also establishing and reinforcing our distribution system. Our products are now sold in more than 50,000 stores, centered on pharmacies, highlighting our growing presence in India.



Renewed liquid cleanser for baby accessories and vegetables

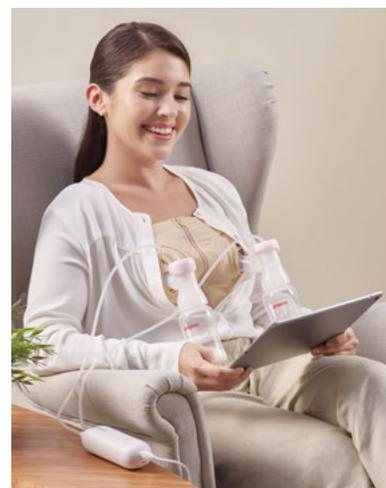
## ● Priority Market: Indonesia

In 2017, we converted PT Pigeon Indonesia, our production operation in Indonesia, into a consolidated subsidiary. In preparation for full-scale business development in Indonesia, we also established a new sales company there in 2019. Our Go mini breast pumps and our liquid cleanser, developed for middle-class consumers, have performed well in Indonesia. In particular, we switched sourcing of our Liquid Cleanser, which we had been producing at our factory in Thailand for import to Indonesia, to an outstanding local supplier in Indonesia. This move upheld high quality, a key strength of Pigeon, while enhancing price-competitiveness. As a result, unit sales in FY2019 increased 18-fold over the previous fiscal year, achieving a new manufacturing initiative for the middle class.



## ● Growth Strategies

In emerging markets, our challenge is to launch products in price ranges suited to each market. Going forward, we will launch our Go mini electric breast pumps, featuring high quality at a medium price, in emerging markets in Southeast Asia and Latin America. Under our Seventh Medium-Term Business Plan, we will increase the production capacity of our Indonesian factory and the number of items they manufacture. We will also increase the number of locally procured products in emerging markets, such as India and Indonesia.



Go mini electric breast pump

## ● Fiscal 2019<sup>1</sup> Performance and Highlights

Sales in this segment amounted to ¥11,482 million, and segment income totaled ¥2,007 million. During the year, we developed and introduced products targeted at middle-class customers in Southeast Asia, the Middle East, and India. We also actively pursued sales and marketing activities aimed at popularizing the Pigeon brand in our markets.

<sup>1</sup>:Effective the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, the period under review was a transitional period of 11 months (February 1 to December 31, 2019). For this reason, year-on-year comparisons are not provided.

### Key Strategies for 7th Medium-Term Plan

- ▶ Indonesian plant: Increase production capacity and number of items handled
- ▶ Increase number of locally procured products in emerging markets, such as India and Indonesia

Sales target for final year of plan (fiscal 2022)

¥17.6 billion ((CAGR) of 9.0%)



Breastfeeding seminar in Singapore (consumer event)

## Lansinoh Business

### ● Business Environment

The Lansinoh Business segment covers North America (including the United States and Canada), Europe (including the United Kingdom, Germany, and Belgium), China (Lansinoh Shanghai), Turkey, Latin America, and elsewhere. In April 2004, Pigeon transformed Lansinoh Laboratories, Inc. into a wholly owned subsidiary. Serving as the Pigeon Group’s platform for business development in North America and Europe, that company leverages the Lansinoh brand to advance its business. In addition to North America and Europe, in 2016 we entered the Chinese market through the newly established Lansinoh Shanghai, expanding our business globally.

### ● Our Competitive Edge

Demand for breastfeeding-related products is increasing amid the spread of worldwide campaigns promoting the benefits of breastfeeding. Lansinoh Laboratories was established in 1984, and its products are now embraced by customers in more than 85 countries and regions. Lansinoh is recognized and strongly supported for its high brand power and the superior quality of core products, which include nipple care creams, nursing pads, breastmilk storage bags, and breast pumps. Also, in January 2014 Lansinoh began introducing nursing bottles to these markets, strengthening its brand as a breastfeeding and baby-support company that can provide total solution of Breast care, Pump, Store and Feed.

### ● Business Development in the United States

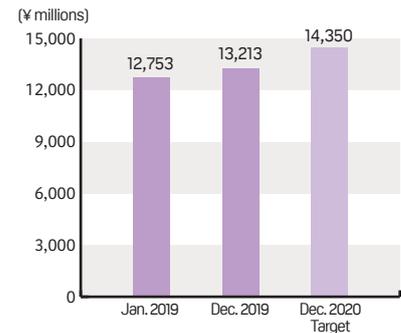
In the United States, the total fertility rate is 1.76 (in 2016), and the average number of annual births is 3.85 million (in 2017), which is relatively stable among economically advanced countries. In that nation, where breastfeeding is recommended, specialist “lactation consultants” provide general support for women around the time of birth by emphasizing the importance of breastfeeding and providing guidance and advice related to suckling and breastfeeding. Accordingly, demand for breast pumps and other breastfeeding-related products is rising.

Our products are already handled by more than 40,000 stores in the United States. In addition to this network, we recently started selling electric breast pumps through the durable medical equipment (DME) channel, and sales are growing as a result. This is because breast pumps purchased via DME providers may be covered by insurance under the Affordable Care Act (“Obamacare”). Thanks to our various efforts, our nipple care creams and nursing pads have garnered the top share of the U.S. market, and our breast pumps are also increasing market share.

### ● Business Development in Europe

In the European market, we are enjoying sales growth in Germany, France, Belgium, and Turkey. France has the highest fertility rate in Europe, and although the rate slipped to 1.88 in 2018, it remains at a stable level. In Germany, the government has been increasing its support for child-rearing and welcoming immigrants and refugees, giving rise to a so-called “baby boom” since 2016. In France, Germany, and elsewhere, the ratio of e-commerce sales to total sales has been increasing recently. In Turkey, meanwhile, sales at major baby product retail chains have been increasing. In these ways, we are working to expand our market share by developing different business strategies for each country and region in Europe.

Sales of Lansinoh Business



Lansinoh-brand product lineup

## ● Growth Strategies

The Lansinoh Business achieved healthy growth across all sales areas under our Sixth Medium-Term Business Plan. We posted particularly solid sales growth in the United States via the DME channel, a new sales route. Under our Seventh Medium-Term Business Plan, we will strive to establish a leading market position for breast pumps, in addition to nipple care creams and nursing pads, while expanding our product lineup for hospitals and clinical research centers. We will also help Lansinoh expand and evolve from a “breastfeeding” brand into a “maternal health” brand.

## ● Fiscal 2019<sup>1</sup> Performance and Highlights

In this segment, sales amounted to ¥13,213 million, and segment income was ¥1,784 million. In North America, we enjoyed healthy sales of breast pumps via the DME channel, and we sought to strengthen and expand our presence. We are also advancing the Lansinoh brand in China and Europe. In those markets, we are reinforcing our e-commerce business, marketing activities, and brand appeal and working in other ways to target further business growth.

<sup>1</sup>:Effective the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, the period under review was a transitional period of 11 months (February 1 to December 31, 2019). For this reason, year-on-year comparisons are not provided.



Store in China

### Key Strategies for 7th Medium-Term Plan

- ▶ Expand and evolve from a “breastfeeding” brand into a “maternal health” brand
- ▶ Establish leadership position for breast pumps by expanding product lineup for hospitals and clinical research centers

Sales target for final year of plan (fiscal 2022)

¥17.4 billion ((CAGR) of 9.6%)



Lansinoh-brand products that have won various awards around the world

## Column Philosophy of founder on breastfeeding still reflected in Lansinoh products

Lansinoh Laboratories was established in 1984 based on the philosophy of its founder, Resheda Hagen, who, based on her own breastfeeding experience, had a strong desire to support breastfeeding by solving the many issues faced by mothers. One product, Lansinoh HPA Lanolin nipple cream, is safe and secure even in the mouths of babies. It has earned the trust and support of mothers who wish to continue breastfeeding while enjoying life and has generated widespread sales growth, mainly in Europe and North America. Meanwhile, our other breastfeeding products, including breast pumps and breastmilk storage bags, have proved popular,

with recognition of the Lansinoh brand increasing as a result.

Lansinoh-brand products are highly regarded by customers all over the world and continue to receive awards every year. At the Bounty Baby Awards 2019 in Australia, for example, our Lansinoh HPA Lanolin nipple cream won a Gold Prize, and our Lansinoh TheraPearl 3-in-1 Breast Therapy gel packs won a Bronze Prize. Also our Compact Single Electric Breast Pump received a prize in The Parent’s Award in Poland. These and other honors underscore our support for breastfeeding among mothers around the world.

# Pigeon ESG Activities

## The Pigeon Group's Purpose

—its reason for being and the role we should play in society—is  
“to make the world more baby-friendly by furthering our commitment to  
understanding and addressing babies’ unique needs.”

Guided by our Sustainability Vision, “Celebrate Babies With All,”  
we place high priority on ESG initiatives and helping achieve  
the Sustainable Development Goals (SDGs) set by the United Nations.

### Environment

Reduce environmental  
impacts

Leave a rich and nurturing world  
for the babies of tomorrow

### Social

Solve social issues  
surrounding babies and mothers

Create a world that celebrate babies  
the way they are

### Governance

Build a strong  
management foundation

Support sustainable growth  
so that Pigeon can stay  
close to babies.

## ■ Understanding the Environment in Which the Pigeon Group Operates

### Number of births worldwide:

140.2 million per year<sup>1</sup>

- One in seven people (more than 20 million people) is born with low birthweight (less than 2,500g)<sup>2</sup>.
- Of the 2.5 million newborns who die worldwide each year, more than 80% are born with low birthweight<sup>2</sup>.

### Climate change

- Shift from low-carbon to decarbonized society
- Increase in natural disasters and damage
- Impact on supply chains

### Global environment protection

- Marine plastic problem
- Resource depletion

<sup>1</sup> Source: The State of the World's Children 2019, UNICEF (<https://www.unicef.org/reports/state-of-worlds-children-2019>)  
<sup>2</sup> Source: UNICEF News, May 15, 2019 (<https://www.unicef.org/jp/news/2019/0071.html>)

## Medium-Term Targets and the SDGs

Medium-term targets for each materiality and related SDGs are as follows.

By addressing each materiality, Pigeon aims to contribute to solutions for social issues (SDGs).

Materiality	Medium-term target	Individual issues	Related SDGs
1. Enhancement of business competitiveness and R&D capabilities	Development of next-generation businesses and products that offer solutions to society	<ul style="list-style-type: none"> <li>Develop products and services to help solve social issues</li> <li>Increase productivity with AI and IoT</li> <li>Improve productivity by streamlining the product development process</li> <li>Maintain and improve product quality</li> </ul>	
2. Sustainable reduction of environmental impact	Carrying out sustained pursuit of reduced environmental impact	<ul style="list-style-type: none"> <li>Articulate environmental policy and environmental vision</li> <li>Respond to global warming</li> <li>Develop environment-friendly products and packaging</li> <li>Reduce plastics</li> <li>Prevent pollution</li> <li>Share knowledge on reduction of environmental impact</li> <li>Introduce an environmental management system</li> <li>Earmark funds for environmental costs</li> </ul>	
3. Enhancement of stakeholder responsiveness	Continuing to be loved by stakeholders	<ul style="list-style-type: none"> <li>Promote CSR procurement</li> <li>Respond in a responsible manner to consumers</li> <li>Engage in social contribution activities</li> <li>Engage in dialogue with shareholders and investors in a responsible manner</li> </ul>	
4. Improvement in quality of human resources	Developing professional human resources that can be active on a global basis	<ul style="list-style-type: none"> <li>Articulate HR development policy</li> <li>Promote HR development and hiring on a global basis</li> <li>Reinforce expertise of each department</li> </ul>	
5. Creation of an ideal working environment	Carrying out thorough workplace development that will make people want to continue to work at Pigeon	<ul style="list-style-type: none"> <li>Promote diversity</li> <li>Take initiatives toward diverse working styles</li> <li>Promote work-life balance</li> </ul>	
6. Establishment of a solid management base	Building a strong management foundation to support sustainable growth	<ul style="list-style-type: none"> <li>Introduce a new personnel system</li> <li>Put risk management in place</li> <li>Strengthen compliance</li> <li>Strengthen brand power</li> <li>Enhance ESG responsiveness</li> </ul>	

For more information on ESG activities, please visit our corporate website (<https://www.pigeon.com/sustainability/>).



## Resolving Social Issues — For all babies —

Pigeon's product development is based on more than 60 years of infant research and feedback from customers raising children. For example, the Company's nursing bottles and nipples are the result of ongoing research into babies' sucking behaviors from various perspectives, including observation of babies' oral cavities through monitoring and measurement conducted at the Central Laboratory, home visit observation, and ultrasonic (echo) tomography.

Pigeon is committed to "enabling all babies to enjoy better sucking." To this end, we conduct joint research with neonatal intensive care units (NICUs) at hospitals and clinics and work in other ways to develop exclusive products so that infants with low birthweight or disabilities can drink breastmilk and packaged milk with minimal effort. These include nursing nipples for infants with low birth weight, nursing nipples for babies with weak sucking function, and a nursing bottle specially designed for babies with cleft lips and/or palates. Our accumulated expertise, gained through our constant support for breastfeeding babies in hospitals, is reflected in our general product development activities and directly linked to the superior performance of Pigeon-brand products.



Helping low-birthweight babies

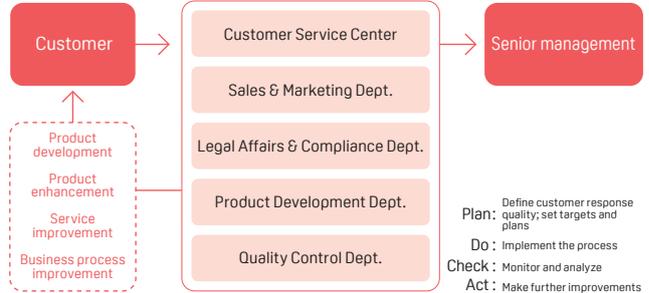


Pacifier for premature and low-birthweight babies

## ● Resolving Consumer Issues

Feedback from customers is a valuable asset for our company. Since the 1970s, Pigeon has operated a Customer Service Center to obtain customer feedback for reflection in its business. In December 2016, we established a complaint response management system that conforms to ISO 10002 international standards (guidelines for quality management, customer satisfaction, and handling complaints in an organization). Seeking to further improve customer satisfaction, the Company issued its Consumer-Oriented Declaration in July 2018.

### ▶ Complaint Response Management System



## ● Activities to Address Issues Surrounding Babies and Their Families

### Support for Human Milk Banks

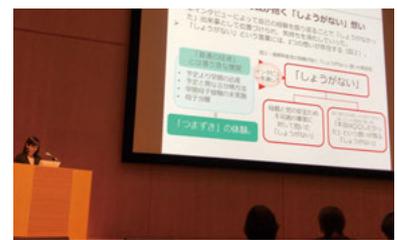
Pigeon supports the healthy growth of babies born prematurely or with low birthweight. In this spirit, we will soon start providing support to open human milk bank in Japan for the supply of donor milk. As part of this effort, we are preparing to open the Nihonbashi Human Milk Bank—the second such facility in Japan—within our Tokyo Head Office (scheduled to open in autumn of 2020).

### ▶ What is a human milk bank?

A facility that provides “donor milk”—milk processed from donated breastmilk— for babies born prematurely or with extremely low birthweight (less than 1,500g) who cannot obtain breast milk from their mothers. At the human milk bank, the donor milk is inspected and pasteurized and stored safely according to international standards.

### The Smile Lactation Research Institute

In March 2015, we launched the Pigeon Smile Lactation Research Institute in collaboration with various specialists on mothers and babies during breastfeeding, with the aim of identifying issues regarding the breastfeeding period and offering solutions. Since 2018, we have conducted research aimed at better understanding the feelings of mothers of late preterm babies (those born 34–36 weeks after conception) who have been admitted to NICUs or growing care units (GCUs), and we have presented our findings at academic conferences. Our research revealed the need to provide emotional support to mothers of babies born prematurely. As part of our support efforts, we worked with members of our research team to produce a booklet for the families of late preterm babies admitted to NICUs/GCUs and distributed it free of charge.



Academic presentation at the 59th General Meeting of the Japan Society of Maternal Health



Support booklet for families of late preterm babies admitted to NICUs/GCUs

### Lactation Lounges

We have set up breastfeeding/pumping rooms called Lactation Lounges at Head Office with the aims of creating comfortable working environments for employees with small babies and contributing to local communities. In addition to employees, the rooms are available for use by mothers working in the vicinity, as well as mothers and babies living nearby. In other nations as well, we provide support to establish Lactation Lounges in various locations, including plants and offices, with the aim of helping female employees return to work after giving birth. As of December 31, 2019, we have supported 12,176 such rooms in 16 countries around the world.



Lactation Lounge at Pigeon Head Office

### Newborn Baby Commemorative Tree-Planting Campaign

For more than 30 years, we have continuously held our annual Newborn Baby Commemorative Tree-Planting Campaign, which began in 1986. Under the slogan “Raising Children, Raising Trees: The Spirit Is the Same,” the campaign celebrates children born in each particular year. The campaign is held at the “Pigeon Miwa no Mori” site, a combination of national forest and Pigeon-owned land near Hitachi-Omiya, Ibaraki Prefecture. To date, we have planted trees on behalf of 175,853 babies under the campaign.

In 2007, we built a log house called “Sukusuku House” at the Pigeon Miwa no Mori site that is open year-round. Inside, there is a list of tree planters’ names and the babies to whom the trees are dedicated, as well as written messages from their respective parents. Visitors can freely browse and relive memories of their babies’ births. We will continue working to create memories for parents and children.



Newborn Baby Commemorative Tree-Planting Campaign



Sukusuku House

## ● Human Resource Development

### Providing Scholarships to Students

The Pigeon Scholarship Foundation, a public interest incorporated foundation, aims to realize a society in which all mothers can give birth and raise children with peace of mind, while fostering the healthy lives and growth of mothers and babies. The Foundation provides scholarship support, with no repayment required, to students in the neonatal, pediatric, and obstetrics departments of universities (students majoring in medicine at domestic general universities or medical universities). In the fiscal year ended December 2019, the Foundation provided financial support to 94 students at 23 universities (total of new fifth-year and sixth-year students).

### Supporting Children’s Creativity

For the past 40 years, Pigeon has been a supporter of the Tomorrow’s Science Children’s Art Exhibition, which encourages children, our future world leaders, to freely express their visions of future science. The exhibition is hosted annually by the Japan Institute of Invention and Innovation (JIII). Our involvement stems from an endowment made to JIII by Pigeon founder Yuichi Nakata in order to help foster children’s creativity. The endowment funds prize money that is presented by the Institute to kindergartens attended by children who win the JIII Chairman’s Award or the Excellence Award.



### Social Investments in Overseas Communities

In China, we have been building and donating to schools in areas with inadequate educational infrastructure. Following the Sichuan Earthquake of 2008, our local Chinese subsidiary Pigeon (Shanghai) Co., Ltd. opened the Pigeon Hope Elementary School in Meishan District of Sichuan Province in 2009. Subsequently, we donated school buildings to Huzhu Tu Autonomous County in Qinghai Province in 2010, Xinjiang Uygur Autonomous Region in 2011, and Yuping Dong Autonomous County in Guizhou Province in 2012. We have been donating school buildings at the pace of one building per year, and the total has now reached 10 schools. We also conduct ongoing exchanges with teachers and students at Pigeon Hope Elementary Schools, and these efforts have been commended by the Chinese national government.

### “Babycathon” Ideas Contest for Students

In March 2019, Pigeon held an ideas contest called “Babycathon” for university students. A total of 21 students from five universities participated in the event. They were given around one month to come up with ideas for a “future baby stroller that utilizes IoT to make the lives of babies, mothers, and families more comfortable and enjoyable.” On the day of the contest, they presented their ideas, which were evaluated by judges from Pigeon.



## ● Human Capital: Motivating Work Environments and Corporate Culture

Pigeon defines corporate value as the summation of social value and economic value. In order to deliver high-quality products to the world, we must create an environment that motivates employees to work. If we don't take care of our employees, we cannot succeed in business. For this reason, we are upgrading various frameworks and systems to create an appropriate working environment, while building a corporate culture that helps employees perform their tasks more easily.



## ● Embracing Diversity

One of our Corporate Ethics Policies is that “Pigeon shall respect its employees’ human rights and personalities at all times, ensuring them discrimination-free, equal job opportunities and rewarding work environments, and offering them fair merit ratings to help their self-fulfillment.” We respect, welcome, and utilize the fundamental differences in our employees’ backgrounds—in such areas as gender, nationality, age, and employment status—in order to address ever-changing business conditions and diversifying customer needs.

In December 2018, we received the Forbes Japan Women Award 2018 for our training and other initiatives to promote diversity. We respect the civil and political rights of employees—including freedom of expression, association, and religion—and engage in dialog with them about these rights. Regarding labor, our Compliance Committee spearheads rigorous compliance-oriented activities to ensure respect for workers’ and human rights both in Japan and overseas.



Diversity training at a share house for young employees

## ● Training Professional and Managerial Human Resources

Pigeon gives all employees opportunities to participate in technology development, education, and practical training. In Japan, we eliminated gender differences in job types and career courses before the enactment of the Equal Employment Opportunity Law. At our overseas bases, the employee turnover rate has remained low thanks to our early implementation of career advancement systems.

Every six years, we run a two-year training course for selected next-generation managerial human resources. To ensure the continuous growth of the Company, we work to cultivate next-generation managerial personnel expected to become business department and divisional managers as “human resources who can refine human power and continue increasing corporate value under the values of the Pigeon Way.”



Virtual reality-based training to help recognize unconscious bias

## ● Pigeon Rubella Zero Action

In 2019, we launched the Pigeon Rubella Zero Action project as part of our health management efforts. This project is designed to elevate the rubella antibody retention rate among employees. It included two in-house educational lectures—one about the costs of antibody testing and vaccination, and the other, featuring invited specialists, aimed at deepening understanding of rubella.

Pigeon is also conducting an in-house fundraising drive for the Rubella Elimination Society which is working to prevent the recurrence of rubella in Japan.

On February 4, 2020, our activities were recognized by an award from the Rubella Zero project Executive Committee, which is promoted by the Japan Association of Obstetrics and Gynecologists.

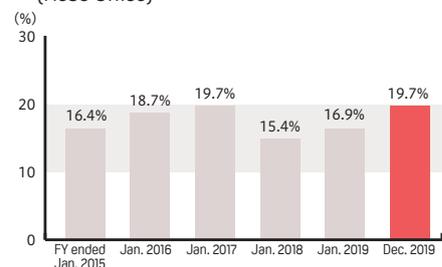


In-house lecture to deepen understanding of rubella

## ● Strengthening Support for Advancement of Women: Child Care Service Initiatives Head Office

Now more than ever, creating an environment that enables women to excel is a vital priority for the Pigeon Group. To fulfill this need, we focus on training for female management prospects. In the fiscal period ended December 2019, women accounted for 19.7% of the Company's management. With respect to promoting women's advancement, we have cited three core initiatives—expansion of the compatibility support system, workplace mindset reforms, and backup for women's feelings and skills—thus providing support from the perspectives of both system enhancement and employee mindsets. In May 2018, we received "Platinum Kurumin" accreditation, which is given to Kurumin-certified companies deemed to be introducing and utilizing excellent compatibility support systems and high-level initiatives. As a company engaged in child-care services, we have been enhancing our systems to help employees giving birth and raising children from an early stage. In order to promote the advancement of women and encourage men's participation in child care, we have established a variety of child-rearing support systems, including a parental leave scheme called "One Month Together" and a work-from-home system. In addition to providing workplace environments where both men and women are entitled to take parental leave, these systems have the added benefit of enabling employees' child-rearing experiences to be reflected in product development.

Female Manager Ratio (Head Office)



### Three-Year Action Plan for Promoting Advancement of Women (February 2018 to January 2020)

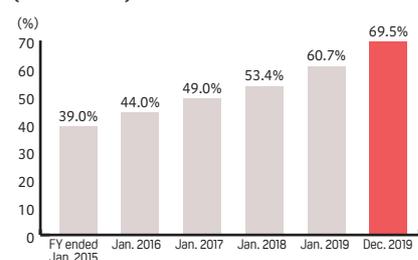
- 1 Increase the number of men using the work-family balance support system (for child care leave and leave for school events) to 20 or more
- 2 Increase awareness about work-family balance support regardless of gender
- 3 Grasp and improve the status and outcomes of the work-from-home system
- 4 Establish frameworks enabling women to give birth, raise children, and return to work with peace of mind

## ● Work-Life Balance Head Office

As a matter of course, we comply with domestic regulations on worker protection and work hours established by legislation and labor agreements. We are also implementing various measures to increase labor productivity by discouraging excessively long working hours and fostering a good work-life balance. These include establishing a rule to leave the workplace by 7:00 p.m. and setting one day per week as a "no-overtime day." We also introduced teleworking in April 2019.

We focus on helping employees return to the workplace quickly after childbirth and supporting employees who can convey their experiences about child care. For example, we introduced a Life Design Leave and Temporary Retirement System, a Women's Early-Reinstatement Support System, and a Financial Assistance System for Parents with Children on Waiting Lists.

Paid Leave Usage Rate (Head Office)



### Use of Systems Related to Child Care Services and Work-Life Balance

Name	Details	Usage status
One Month Together	1-month parental leave system for male employees	Uptake rate: 100% (100% consistently since FY Jan. 2016) Users: 48 persons (cumulative over 5 years since FY Jan. 2016)
Leave the workplace (go home) by 7:00 p.m. rule	Rule to leave the workplace by 7:00 p.m. in principle, even when doing overtime	Average overtime per month: 9.1 hours (FY Dec. 2019)
Life Design Leave and Temporary Retirement	System enabling up to 2 years of leave or temporary retirement for fertility treatment and adoption processes	
Life Design Leave and Temporary Retirement	System enabling up to 2 years of leave or temporary retirement for fertility treatment and adoption processes	Provided in 2015, 2016, and 2017, 2019, and 2020
Telework	System available to all employees to work at home or at a satellite office	System implemented in April 2019



Materials explaining One Month Together

## ● Worker Health and Safety

Pigeon is meticulous about managing the health and safety of workers. In addition to Japan, we operate plants overseas, including in China, Thailand, India, and Turkey, all of which conform to the Pigeon Group’s workplace health and safety standards. We have also obtained certification under ISO 45001 (OHSAS 18001) standard for occupational safety and health, which is widely adopted around the world.



Pigeon Group Companies That Have Obtained ISO 45001 (OHSAS 18001) Certification

Company Name	Location
Pigeon Home Products Corporation	Shizuoka Prefecture, Japan
Pigeon Manufacturing Hyogo Corporation	Hyogo Prefecture, Japan
Pigeon Manufacturing (Shanghai) Co., Ltd.	China
Pigeon Industries (Changzhou) Co., Ltd.	China
Pigeon India Pvt. Ltd.	India
Pigeon Industries (Thailand) Co., Ltd.	Thailand
Thai Pigeon Co., Ltd.	Thailand
Lansinoh Laboratories Medical Devices Design Industry and Commerce Ltd. Co.	Turkey

\* Pigeon Manufacturing Ibaraki Corporation (Ibaraki Prefecture, Japan) and PT Pigeon Indonesia (Indonesia) are scheduled to receive certification in 2020.

## ● Fair Trading

Seeking to protect its product development from patent infringement and similar violations, Pigeon has established an Intellectual Property department at the Head Office. This department is responsible for matters pertaining to intellectual property globally.

In China, which faces numerous problems with counterfeited products, we established a Legal Affairs Department at Pigeon (Shanghai) Co., Ltd. This department is working to increase respect for property rights, including intellectual property, in collaboration with the IP department at the Head Office.

Pigeon rejects excessive political involvement. We try to build “win-win” relationships with our business partners on the basis of equality at all times. In our relationships with authorities and other entities, we conduct ourselves according to good social common sense, avoiding the provision and acceptance of entertainment and gifts that could be regarded as payoffs or facilitations. Our rules in this area are clearly stated in our Compliance Guidebook. Regarding fair trading and free competition, we make sure that our activities conform to competition laws and we actively participate in surveys and the like conducted by relevant authorities as necessary. We also conduct extensive compliance training and other forms of employee education in an effort to prevent collusion with authorities and involvement in anticompetitive behavior.



## ● Basic Approach to Environmental Protection: Environmentally-Friendly Products

The Pigeon Group is committed to taking action against global warming and realizing a sustainable society. In addition to complying with relevant laws such as the Energy Saving Act and Law Concerning the Promotion of Measures to Cope with Global Warming, we undertake Group-wide environmental initiatives, such as establishing energy-efficient systems. As a maker of daily-use goods, the Group is committed to ensuring that its products do not adversely impact the global environment, not only while in use but also after they are discarded. In addition, we adopt environmentally friendly papers and inks, and we work to minimize the number of colors on cartons and packaging. As a result, we have created an extensive lineup of environmentally friendly products.

### Shifting from plastic to paper



We changed the material for this container, which is big enough for two refills, from plastic to paper. In addition to reducing the amount of plastic used, the container can now be easily broken down and recycled after use.

### Plant-based cooking cup



The material used in this cooking cup consists mainly of cornstarch (starch derived from corn).

### Recycled PET bottles



Our blister packaging consists of 40% recycled PET bottles.

### Plant-based plastic



This refill pouch consists of around 39% plant-based bio-plastic. Plants absorb CO<sub>2</sub> through photosynthesis, so using them as a raw material helps reduce greenhouse-gas emissions.

### Protecting our forests



The cardboard is made from FSC®-certified paper. The FSC® certification system is an international forest certification scheme for responsibly managed forests and forest products procured in such a way that limited forest resources will remain available in the future.

## ● CSR-Oriented Procurement

Pigeon is committed to the sustainable use of resources. The main chemically derived material that we handle is the rubber used as the raw material for our nursing-bottle nipples. Rather than using natural rubber, we use silicon rubber.



### Volume of Raw Materials Procured

FY ended Dec. 2019	PIGEON MANUFACTURING (SHANGHAI) CO., LTD.	PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.	PT PIGEON INDONESIA	PIGEON INDIA PVT. LTD.	PIGEON INDUSTRIES (THAILAND) CO., LTD.	THAIPIGEON CO., LTD.	LANSINOH LABORATORIES MEDICAL DEVICES DESIGN INDUSTRY AND COMMERCE LTD. CO.
Silicon rubber (t)	620	29	343	28	56	412	33
PPSU (t)	219	12	—	—	—	214	—

## Climate Change and Biodiversity

The Pigeon Group gives full consideration to climate-change mitigation and biodiversity. To this end, we have specified the volume of our greenhouse-gas emissions, both direct and indirect, and we are working to reduce such emissions. In May 2019, our two production companies in China put solar panels into full-fledged use, followed by our production company in India in October 2019, in order to reduce CO<sub>2</sub> emissions. We are also using photocatalytic paint and adopting LED lighting to save electricity.



PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.



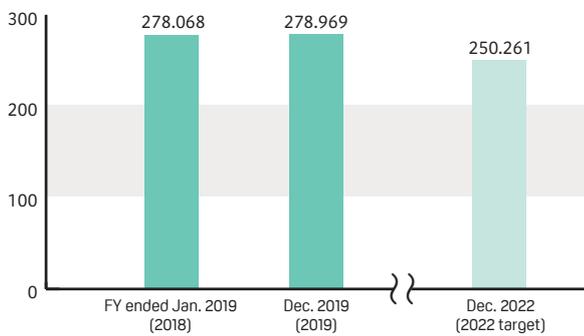
PIGEON MANUFACTURING (SHANGHAI) CO., LTD.



PIGEON INDIA PVT. LTD.

### CO<sub>2</sub> Emission Intensity (Scope 1 & 2)

CO<sub>2</sub> emissions (kg)/Net sales (¥ millions)



Target for final year of Seventh Medium-Term Business Plan (fiscal 2022)  
CO<sub>2</sub> emission intensity 10% reduction from FY 2018

\* Scope: Pigeon Group total (Scope 1 & 2)

\* At some sales bases, CO<sub>2</sub> emissions are calculated based on electricity usage as reflected in electricity charges, and others are based on emission coefficients published by the Ministry of the Environment.

\* Calculations for domestic operations for December 2019 are based on the 11-month period from February 1 to December 31, 2019 (due to a change in the fiscal year-end).

## Pollution Prevention

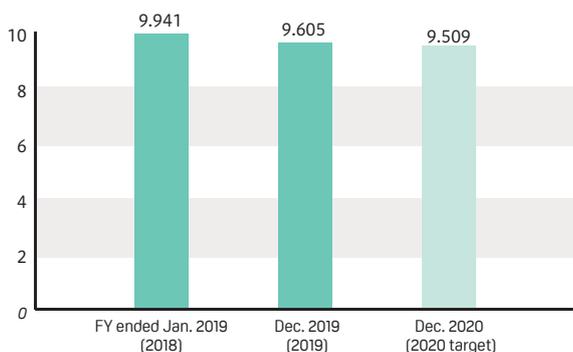
The Pigeon Group is committed to minimizing non-recyclable industrial waste generated by its business activities. Our goal is to reduce the volume of industrial waste per unit of production by 1% per year. We are also working in other ways to prevent pollution at our plants, such as improving productivity and yield and closing waste incinerators.



Each year, Pigeon Manufacturing Hyogo Corporation returns around 350 kg of these roll-shaped cores to the raw-material manufacturer for reuse.

### Industrial Waste Volume Intensity

Volume of industrial waste (kg)/Net sales (¥ millions)



Target for final year of Seventh Medium-Term Business Plan (fiscal 2022)  
Industrial waste volume intensity 1% reduction per unit per year

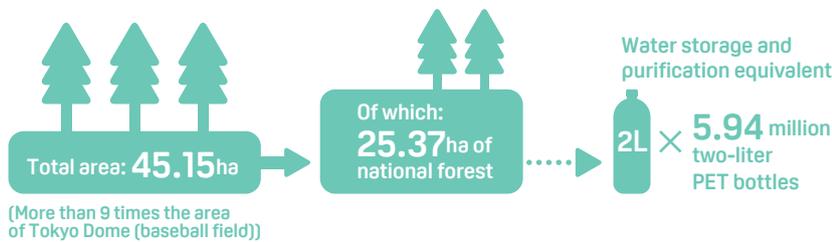
\* Scope: Pigeon Group total, excluding Pigeon (Shanghai) Co., Ltd.

\* Calculations do not include general business waste or waste that is recycled (such as through thermal recycling).

\* Calculations for domestic operations for December 2019 are based on the 11-month period from February 1 to December 31, 2019 (due to a change in the fiscal year-end).

## ● Environmental Opportunities

Forests help prevent global warming by absorbing carbon dioxide and also help preserve biodiversity. In addition, they play a role in preventing floods and erosion while preserving high water quality, to the extent that they are referred to as “green dams.” Over the past 33 years, we have planted around 145,000 seedlings on 45.15 hectares of land (both national forest and private land) at the Pigeon Miwa no Mori site, a combination of national forest and Pigeon-owned land near Hitachi-Omiya, Ibaraki Prefecture. In the national-forest portion, covering 25.37 hectares, the “green dam” benefits equate to storage and purification of 5.94 million two-liter PET bottles. Through these forestry efforts, we are also contributing in a small way to educational activities related to global environmental protection.



Pigeon Miwa no Mori site



Semi-endangered Iwauchiwa (*Shortia uniflora*) flowers blooming at the Pigeon Miwa no Mori site in Ibaraki Prefecture

## ● Environmental Management Systems

As a company that advances its business globally, the Pigeon Group seeks to obtain ISO 14001 certification for environmental management systems at many of its business sites and affiliated companies. By the end of 2020, all of our production facilities are scheduled to obtain certification.

ISO 14001  
certification rate  
at Pigeon Group  
production sites

**90%**

Pigeon Group Companies with ISO 14001 Certification

Company/facility	Location
Tsukuba Office, Pigeon	Ibaraki Prefecture, Japan
Pigeon Home Products Corporation	Shizuoka Prefecture, Japan
Pigeon Manufacturing Hyogo Corporation	Hyogo Prefecture, Japan
Pigeon Manufacturing Ibaraki Corporation	Ibaraki Prefecture, Japan
Pigeon Manufacturing (Shanghai) Co., Ltd.	China
Pigeon Industries (Changzhou) Co., Ltd.	China
Pigeon India Pvt. Ltd.	India
Pigeon Industries (Thailand) Co., Ltd.	Thailand
Thai Pigeon Co., Ltd.	Thailand
Lansinoh Laboratories Medical Devices Design Industry and Commerce Ltd. Co.	Turkey

\* PT Pigeon Indonesia (Indonesia) is scheduled to obtain certification in 2020.

## ● Corporate Governance

The Company has introduced a system of commissioned managing officers. The aims of this system are to ensure reciprocal collaboration between the governance (management decision-making and oversight) function and the business-execution function and to clarify the business-execution responsibilities of directors. The Board of Directors has the authority to oversee the execution of duties by directors and managing officers. The chairman leads the meetings of the Board of Directors, and the Board meets to make decisions concerning laws and regulations, the Articles of Incorporation, and matters stipulated in the rules of the Board of Directors (important business execution strategies, such as management targets).

With the goal of increasing management efficiency, the Company reduced the number of Board members from 15 to 13 at its 63rd Ordinary General Meeting of Shareholders held on March 27, 2020. At the same meeting, the Company added two new outside directors (Chiaki Hayashi and Eriko Yamaguchi) to the current three (Takayuki Nitta, Rehito Hatoyama, and Erika Okada), thus increasing the number of outside directors to five. By conducting Board meetings in a manner that firmly draws out opinions of outside directors and corporate auditors, the Company is strengthening oversight of business execution. The three currently serving outside directors (Takayuki Nitta, Rehito Hatoyama, and Erika Okada) provide advice and recommendations that will improve the Company's business strategies and corporate governance, based on their respective areas of expertise as well as their wealth of experience and knowledge, and monitor the appropriateness of decision-making by the Board of Directors.

Chiaki Hayashi, one of the new outside directors, was appointed based on her wealth of experience in co-creative manufacturing, her advanced knowledge as an entrepreneur, and her ability to contribute to Pigeon's strategic initiatives as a "design-driven company." Eriko Yamaguchi, the other new outside director, was appointed based on her extensive experience and advanced knowledge in business management in developing countries. The Company expects her skills to be of great benefit in its overseas business, which is expected to achieve further leaps forward.

The Company is working to increase the diversity of senior

management. At present, we have 12 directors (including five outside directors, three women, and one foreign national, and four Audit & Supervisory Board members (two of whom are outside Audit & Supervisory Board members, and one of whom is female).

To perform the management oversight function from an external perspective, the Audit & Supervisory Board has appointed two outside members. Under the Companies Act, Audit & Supervisory Board members are obliged and given strong authority to audit and supervise the Company's directors, including the right to attend Board of Directors' meetings to voice their opinions and the authority to examine the Company's business operations and financial status. Moreover, they are guaranteed terms of four years.

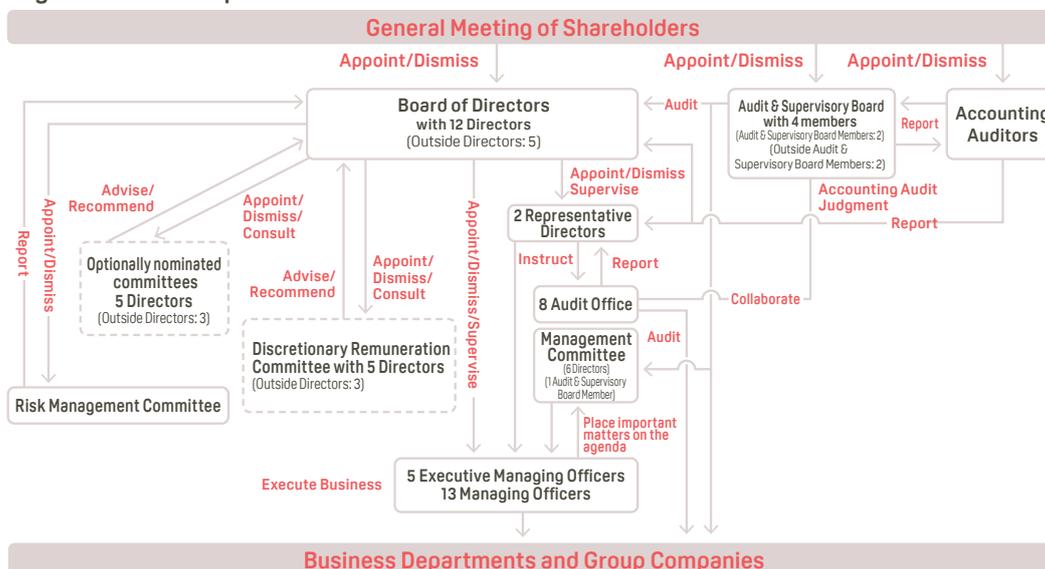
In accordance with its policies on auditing and allotment of duties, Pigeon's Audit & Supervisory Board members attend Board of Directors' meetings and other important meetings, where they listen to directors, view important resolution documents, examine the current status of business and financial assets, and otherwise conduct meticulous supervision and oversight. Audit & Supervisory Board members also meet regularly with the president to receive reports on important issues. For information heard from within the Company, the president receives feedback from Audit & Supervisory Board members and exchanges opinions with them.

Koichi Otsu and Atsuko Taishido were appointed as outside Audit & Supervisory Board members in April 2019. With objective perspectives and independent standing, they attend meetings of the Board of Directors and ask questions and share opinions during interviews with representative directors and other officers, in addition to auditing the legality of matters, which is their legal responsibility as corporate auditors. They also fulfill a monitoring function by providing advice and suggestions to ensure the appropriateness and aptitude of decisions made by the Board of Directors.

## ● Executive Remuneration

Remuneration for full-time directors consists of basic remuneration (based on the position held), bonuses (a short-term incentive), and share-based remuneration (a medium-to-long-term incentive). The retirement benefit system for directors was abolished at the conclusion of the 62nd Ordinary

### Organization of Corporate Governance



General Meeting of Shareholders held on April 25, 2019. Basic remuneration amounts are determined by each director's position, which is based on responsibilities, and bonuses vary (0–150%) according to the level of achievement of the Group's consolidated performance targets (net sales, operating income, and PVA). Share-based remuneration consists of two components: performance-linked (60%) and non-performance-linked (40%). In principle, the performance-linked portion varies (0–150%) according to the level of achievement of performance targets and non-financial indicators stated in the Medium-Term Business Plan.

To increase the independence, objectivity, and transparency of the executive remuneration system, the Company established a Remuneration Committee to serve as an advisory body to the Board of Directors. More than half of the Committee's members are independent outside directors, and one of these outside directors serves as chairman. The Remuneration Committee meets at least four times a year to discuss basic executive remuneration policy and the details of the executive remuneration system, and the Committee also provides advice and recommendations to the Board of Directors.

Based on the Company's business environment, as well as surveys and analyses produced by external databases of other companies in the same industry (manufacturing) and major companies of similar size, the total remuneration amount for directors is set at a maximum of ¥800 million per year for full-time directors and a maximum of ¥100 million for outside directors. (These figures do not include the employee salary portion for those directors who serve concurrently as employees). Directors can also receive a performance-linked stock-based bonus, with total remuneration set at a maximum of ¥600 million over three business periods. (However, a maximum of ¥200 million was set for the fiscal period ended December 2019.) In order to further strengthen their independence from management, outside directors and Audit & Supervisory Board members receive only basic remuneration and are not eligible for the retirement allowance system.

## ● Executive Nomination Policy

To increase the independence, objectivity, and transparency of the process of selecting and dismissing directors, the Company established a Nomination Committee in 2019 to serve as an advisory body to the Board of Directors. More than half of the Committee's members are independent outside directors, and one of these outside directors serves as chairman. In addition to human-resource requirements, the Committee is charged with determining criteria for executive selection and dismissal, succession plans, terms of office, and the like. Its aim is to attract "human resources who can continue enhancing human power and increasing corporate value (sum of social value and economic value) based on the values of the Pigeon Way" as envisioned by Pigeon's CEO.

## ● Internal Audits

To perform internal audits, the Company has established an Audit Office, staffed by eight people. Based on annual plans, the Audit Office conducts regular internal audits of every department across the Pigeon Group, including domestic and overseas subsidiaries. The results of these audits are reported to the president, directors, and Audit & Supervisory Board members, and evaluations and continuous improvements are carried out under the PDCA cycle. The Audit Office also conducts internal-control audits related to financial reporting under Japan's Financial Instruments and Exchange Act (J-SOX).

## ● Responsible Dialogue with Shareholders and Other Investors

Pigeon engages in responsible dialogue with shareholders and other investors. In addition to the president and the director in charge, for example, Kevin Vyse-Peacock (director) and Rehito Hatoyama (outside

director) participate in the Company's financial-results briefings. Pigeon also takes pains to ensure that shareholders have sufficient time to consider the agenda for each Ordinary General Meeting of Shareholders. The Notice of Convocation for the Ordinary General Meeting of Shareholders is posted on the corporate website about one month before the meeting and is mailed to shareholders three weeks before the meeting. We also enable shareholders to exercise their voting rights electronically via personal computer, smartphone, or mobile phone. Sign language interpretation and temporary child-minding services are provided during the meetings. Pigeon also permits beneficial shareholders to attend as observers, once they have completed certain stipulated procedures.

At the 63rd Ordinary General Meeting of Shareholders held on March 27, 2020, we took maximum possible measures to prevent the spread of COVID-19 infections. For example, our executive officers and management staff all wore masks, and we distributed masks to attendees. We also provided seating guidance to ensure social distancing between attendees.

### Responsible Dialogue with Shareholders and Other Investors

<b>63rd General Meeting of Shareholders (March 27, 2020)</b>	<b>Number of attendees: 159</b> <b>Voting rights exercised: 84.5%</b>
<b>IR meetings with institutional investors</b>	<b>Total number of correspondences: 335 (fiscal 2019)</b>

## ● Compliance System

In accordance with the Pigeon Way, which is the cornerstone of all our activities, we have established a corporate ethics code to serve as our basic policy on compliance. This code consists of universal corporate ethics guidelines for practicing compliance-oriented management, as well as a code of conduct that helps individual employees embody the corporate ethics guidelines in their corporate activities. The corporate ethical guidelines state that each and every Group employee shall comply with all laws and regulations, as well as social standards and the spirit thereof, and act with sincerity and a high ethical sense, in order to win the deep trust of our stakeholders.

We believe it is important to constantly communicate our Corporate Philosophy and Values to all employees. For this reason, our representative directors and all other executives lead by example in rigorously promoting our spirit of ethics and compliance. With respect to compliance-related education, we provide e-learning courses and conduct corporate-ethics training sessions at domestic and overseas Group companies in order to spread compliance to all employees. We also distribute a "Pigeon Compliance Communication" newsletter each month to all employees of domestic Group companies to help them understand and address compliance-related matters that could arise in the course of their daily work. This communication provides overviews of laws related to our business, including the Anti-Monopoly Act and the Act against Unjustifiable Premiums and Misleading Representations, as well as harassment and other compliance-related issues. In addition, we conduct annual "Compliance Self-Checks," in which employees fill out questionnaires to raise their awareness and knowledge about compliance, and we use the results to improve compliance measures. We also operate two whistle-blowing systems: "Speak Up" for internal parties and "Pigeon Partners Line" for people outside of the Group. The systems help ensure the swift resolution of problems that are detected inside and outside the Group by addressing the problems as necessary at Risk Management Committee meetings and investigating the facts while protecting the identities of whistle-blowers and consultants. We also pay due attention to the legality of issues by obtaining advice from lawyers as necessary. Reports on the content of compliance education and the internal whistle-blowing system are submitted at meetings of the Board of Directors and Audit & Supervisory Board each year.

## Board of Directors, Audit & Supervisory Board Members and Managing Officers

(As of March 27, 2020)



Executive Advisor & Member of the Board  
**Yoichi Nakata**



Chairman of the Board  
**Shigeru Yamashita**



President & CEO  
**Norimasa Kitazawa**



Director, Senior Managing Executive Officer  
**Eiji Akamatsu**  
Head of Japan Operations  
(In charge of Administration Division, Domestic Baby & Mother Care Business Division, and Related Business Division)



Director, Senior Managing Executive Officer  
**Tadashi Itakura**  
Head of Global Head Office  
(In charge of Business Strategy Division, Accounting & Finance Division, and Internal Audit Section)



Director, Managing Executive Officer  
**Yasunori Kurachi**  
Deputy Head of Japan Operations  
(In charge of Research & Development Division, Quality Control Division, Customer Communication Division, and Logistics Division)



Director, Executive Officer  
**Kevin Vyse-Peacock**  
Lansinoh Business Division Manager, CEO of Lansinoh Laboratories, Inc.



Director (Outside)  
**Takayuki Nitta**



Director (Outside)  
**Rehito Hatoyama**



Director (Outside)  
**Erika Okada**



Director (Outside)  
**Chiaki Hayashi**



Director (Outside)  
**Eriko Yamaguchi**



Audit & Supervisory Board Member  
**Kazuhisa Amari**



Audit & Supervisory Board Member  
**Tsutomu Matsunaga**



Outside Audit & Supervisory Board Member  
**Koichi Otsu**



Outside Audit & Supervisory Board Member  
**Atsuko Taishido**

\* Takayuki Nitta, Rehito Hatoyama, Erika Okada, Chiaki Hayashi, and Eriko Yamaguchi are outside directors as defined in Article 2-15 of the Companies Act.  
\* Koichi Otsu and Atsuko Taishido are outside Audit & Supervisory Board Members as defined in Article 2-16 of the Companies Act.

### Managing Officers

<b>Ryo Yano</b>	Senior Managing Officer China Business Division Manager Representative Chairman of Pigeon (Shanghai) Co., Ltd.
<b>Nobuo Takubo</b>	Business Strategy Division Manager
<b>Koji Ishigami</b>	Administration Division Manager
<b>Katsushi Tsutsui</b>	Research & Development Division Manager
<b>Takatoshi Urakari</b>	Domestic Baby & Mother Care Business Division Manager
<b>Hiroshi Nishimoto</b>	Logistics Division Manager
<b>Koji Matsutori</b>	Deputy Division Manager of Lansinoh Business Division Director of Lansinoh Laboratories, Inc

<b>Yusuke Nakata</b>	Senior Managing Officer Singapore Business Division Manager Chairman of the Board of Pigeon Singapore Pte. Ltd.
<b>Hiroyasu Maki</b>	Accounting & Finance Division Manager
<b>Yuko Ohara</b>	Customer Communication Division Manager
<b>Kazuyuki Tajima</b>	Quality Control Division Manager
<b>Takanori Tsuru</b>	Related Business Division Manager President of Pigeon Hearts Corporation
<b>Ken Kaku</b>	Representative Director of Pigeon Manufacturing (Shanghai) Co., Ltd.

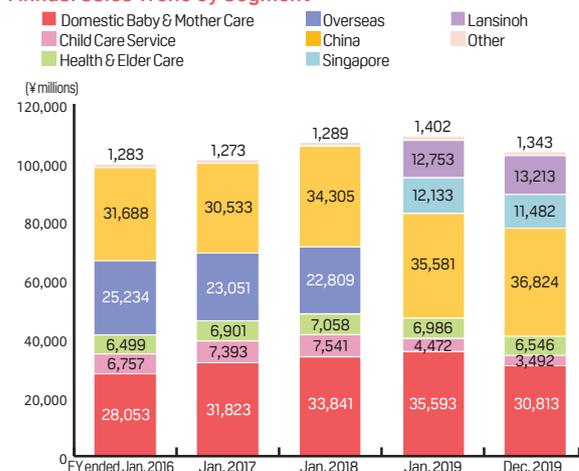
### Net Sales and Gross Margin by Segment

(¥ millions)

	FY ended Dec. 2019		
	Amount	Percentage (%)	Gross Margin(%)
<b>Consolidated Amount</b>	<b>100,017</b>	<b>100.0%</b>	<b>50.8%</b>
Domestic Baby & Mother Care Business	30,813	30.8%	48.8%
Child Care Service Business	3,492	3.5%	12.6%
Health & Elder Care Business	6,546	6.5%	31.3%
China Business	36,824	36.8%	55.3%
Singapore Business	11,482	11.5%	45.2%
Lansinoh Business	13,213	13.2%	58.3%
Eliminations	(3,700)	(3.7%)	—
Other	1,343	1.3%	9.1%

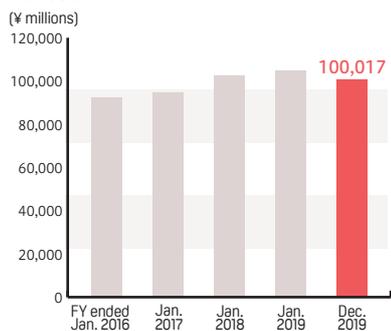
Note: The consolidated net sales figure refers to the amount after elimination of intersegment transactions.  
 \* Effective the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, the period under review was a transitional period of 11 months (February 1 to December 31, 2019)

### Annual Sales Trend by Segment

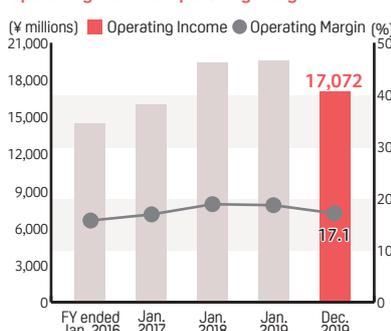


Note: In the fiscal year ended January 2019, the Pigeon Group changed the name of its Overseas Business to the Singapore Business in view of its focus on Pigeon-brand operations in Southeast Asia, India, Middle East, and Oceania. At the same time, the Lansinoh-brand operations of the Overseas Business, whose focus is on North America and Europe, was made into a separate business, the Lansinoh Business.

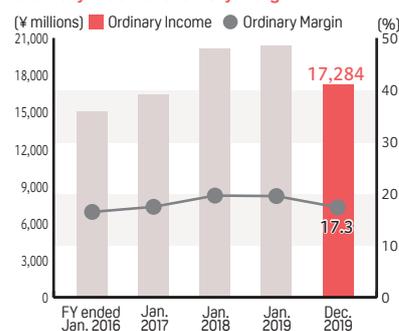
### Net Sales



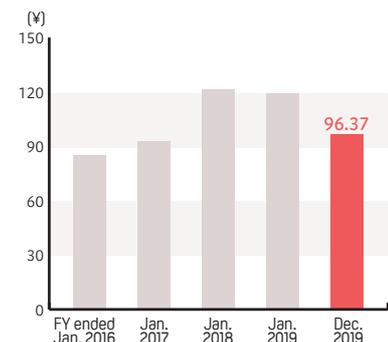
### Operating Income/Operating Margin



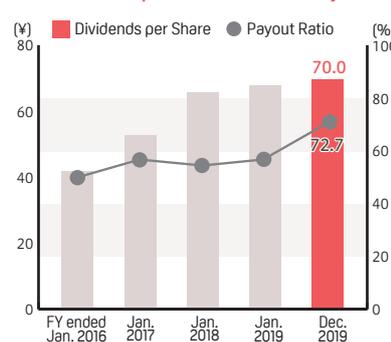
### Ordinary Income/Ordinary Margin



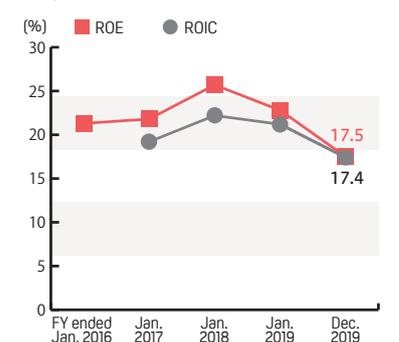
### EPS



### Cash Dividends per Share/Dividend Payout Ratio

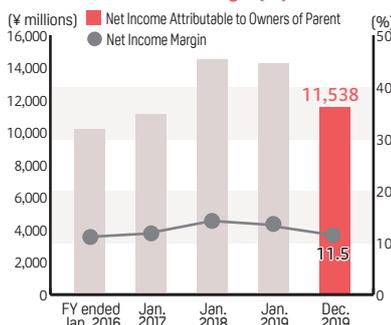


### ROIC/ROE

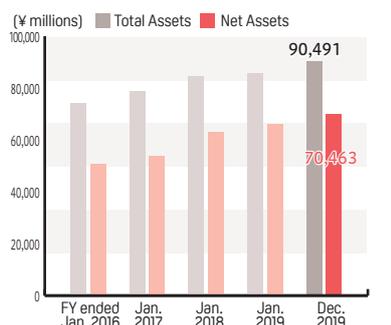


The Company carried out a 3-for-1 split of common stock, effective May 1, 2015.

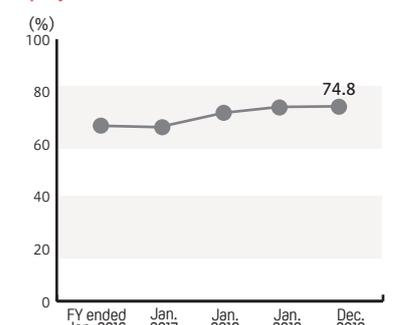
### Net Income Attributable to Owners of Parent/Net Income Margin (%)



### Total Assets/Net Assets



### Equity Ratio



### Business Environment and Performance

Following the approval of the Partial Amendment to the Articles of Incorporation at the 62nd Ordinary General Meeting of Shareholders held on April 25, 2019, the Company changed its fiscal year-end date from January 31 to December 31. Therefore, the period under review was a transitional period of 11 months (February 1 to December 31, 2019) for the parent company and its domestic subsidiaries, which previously settled their accounts on January 31 each year. For this reason, year-on-year comparisons are not provided. For overseas subsidiaries that normally settle their accounts on December 31, or did so temporarily, the consolidation period remains the 12-month period from January 1 to December 31.

#### ► Business Conditions in Fiscal 2019

In fiscal 2019, ended December 31, 2019, the Japanese economy continued maintaining an overall moderate recovery tone on the back of solid improvements in employment and earnings conditions, as well as a turnaround in personal consumption. This was despite weakening in some areas, especially exports. Meanwhile, consumer sentiment trends in the aftermath of the consumption tax hike require ongoing monitoring. Also, the global economy is facing increasing uncertainties, including trade problems, the economic outlook in China, overseas economic factors such as Brexit, and fluctuations in financial and capital markets.

Fiscal 2019 was the final year of the Group's Sixth Medium-Term Business Plan. During the year, we promoted initiatives aimed at renewed growth, reflecting the slogan of the plan: "Building our dreams into the future—By creating a bridge towards the Global Number One manufacturer of baby products." We also pursued the following three basic strategies, with the aims of expanding the Group's operations and improving management quality.

(1) Based on the Pigeon Way, we will formulate and implement various measures to achieve our goal of becoming "an indispensable company" for society and realizing our Vision, which is "to be the baby product manufacturer most trusted by the world's babies and

families (Global Number One)."

(2) We will seek to further increase corporate value by improving business profitability and efficiency and maximizing cash flows. We will also solidify our organizational structure, management system, and governance system with the aim of achieving sustained growth in the medium and long terms.

(3) Over the three years of the plan, we will allocate management resources with priority on core products while making strategic investments, in order to lay solid foundations for double-digit growth of the Pigeon Group in the future.

In fiscal 2019, we implemented the aforementioned business policies and pursued strategies for our various business and functions. As a result, we posted consolidated net sales of ¥100,117 million, operating income of ¥17,072 million, ordinary income of ¥17,284 million, and net income attributable to owners of parent of ¥11,538 million.

Main exchange rates used in the financial statements (income and expenses) of overseas consolidated subsidiaries are as follows: US\$1.00 equals ¥109.02 (¥110.43 in fiscal 2018) and 1 CNY equals ¥15.77 (¥16.70 in fiscal 2018).

#### ► Income Statement Analysis

Cost of sales amounted to ¥ 49,216 million. As a result, gross profit totaled ¥50,800 million, and the gross margin was 50.8%.

Selling, general, and administrative expenses (SG&A) amounted to ¥ 33,727 million, resulting in operating income of ¥17,072 million and an operating margin of 17.1%. Despite a foreign exchange loss, ordinary income amounted to ¥17,284 million, benefiting from an increase in subsidy income. Net income attributable to owners of parent totaled ¥11,538 million.

## Performance by Segment

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For reporting purposes, the Group divides its business into six segments: Domestic Baby & Mother Care Business, Child Care Support Services, Health & Elder Care Business, China Business, Singapore Business, and Lansinoh Business.

### ▶ Domestic Baby & Mother Care Business

In fiscal 2019, sales in this segment amounted to ¥30,813 million, due in part to a decline in demand from inbound tourism, especially in the second half of the year. Segment income totaled ¥4,697 million.

### ▶ Child Care Support Services

Sales in this segment amounted to ¥3,492 million, and segment income totaled ¥49 million. Despite the expiration of a bulk outsourcing agreement for childcare hospital centers under the National Hospital Organization (an independent administrative agency), in the year under review we operated 74 in-company childcare facilities.

### ▶ Health & Elder Care Business

Sales in this segment amounted to ¥6,546 million, and segment income totaled ¥386 million. In February 2019, we launched ProFitCare, a new series of products that help users of nursing care facilities maintain good sitting posture, as well as the Sanitary Care Inspired by Nursing Series of skincare products that help people keep clean even when they are unable to bathe.

### ▶ China Business

In this segment, sales amounted to ¥36,824 million, and segment income totaled ¥12,483 million. Our performance was driven by continued healthy sales of mainstay nursing bottles and nipples, as well as steady increases in sales of breast pumps and laundry products.

### ▶ Singapore Business

Sales in this segment amounted to ¥11,482 million, and segment income totaled ¥2,007 million. During the year, we developed and introduced products targeted at middle-class consumers in Southeast Asia, the Middle East, India, and elsewhere.

### ▶ Lansinoh Business

In this segment, sales amounted to ¥13,213 million, and segment income was ¥1,784 million. For the year, we achieved strong sales of breast pumps via the durable medical equipment (DME) channel, as well as steady sales in China and Europe.

### ▶ Other

Sales in this segment amounted to ¥1,343 million and segment income was ¥72 million.

## Financial Position

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### ▶ Assets

As of December 31, 2019, Pigeon had consolidated total assets of ¥90,491 million, up ¥4,873 million from the beginning of the year. Over the period under review, current assets increased ¥3,731 million, and fixed assets rose ¥1,141 million. Main factors boosting current assets were a ¥1,467 million increase in cash and time deposits, a ¥1,583 million rise in notes and accounts receivable-trade, and a ¥784 million increase in merchandise and finished goods. The main factor boosting fixed assets was a ¥546 million increase in construction in progress.

### ▶ Liabilities

Total liabilities at fiscal year-end stood at ¥20,028 million, up ¥991 million. Over the period under review, current liabilities increased ¥15 million, and fixed liabilities rose ¥976 million. Main factors boosting current liabilities were a ¥332 million decrease in notes and payable-trade and a ¥1,041 million rise in other current liabilities, which contrasted with a ¥702 million decrease in accrued payables and a ¥678 million decline in accrued income tax. The main factor boosting long-term liabilities was a ¥1,086 million increase in other fixed liabilities, which contrasted with a ¥599 million provision for directors' and corporate auditors' retirement benefits.

### ▶ Net Assets

Net assets at fiscal year-end amounted to ¥70,463 million, up ¥3,881 million from the beginning of the year. This was due mainly to a ¥3,275 million rise in retained earnings and a ¥338 million increase in foreign-currency translation adjustment.

### ▶ Sound Financial Position

The Group does not engage in borrowing and has zero interest-bearing debt. At fiscal year-end, it had cash and cash equivalents of ¥32,416 million, and its equity ratio remained high, at 74.8%.

## Cash Flows

### ▶ Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥14,098 million, up from ¥13,632 million in the previous year. Factors boosting cash flows included ¥17,104 million in income before income taxes, ¥3,276 million in depreciation, and an ¥896 million increase in notes and accounts payable-trade. Contrasting factors included a ¥1,791 million increase in notes and accounts receivable-trade, a ¥713 million increase in inventories, and ¥5,854 million in income taxes paid.

### ▶ Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥3,995 million, down from ¥4,704 million in the previous year. Main factors were ¥3,413 million in purchase of tangible fixed assets and ¥606 million in purchase of intangible fixed assets.

### ▶ Cash Flows from Financing Activities

Net cash used in financing activities was ¥8,734 million, up from ¥8,338 million in the previous year. This was mainly due to ¥8,230 million in payment of cash dividends.

### ▶ ROE

Pigeon uses return on equity (ROE) as one of the key performance indicators to seek to improve profitability and capital efficiency. The Group achieved 17.5% ROE this fiscal year-end.

### ▶ Pigeon Value Added (PVA), Return on Invested Capital (ROIC), and Cash Conversion Cycle (CCC)

Seeking to increase enterprise value, we are mindful of free cash flow when conducting internal controls, and we set our own unique indicator called Pigeon Value Added (PVA), which is based on economic added value, to make various investment and other decisions and to make performance evaluations of each business segment. In fiscal 2019, invested capital totaled ¥68,523 million, compared with the fiscal-2018 amount of ¥64,698 million and our target of ¥69,527 million, resulting in a PVA spread of 12.4%, compared with the fiscal 2018 figure of 16.2% and our target of 15.1%. The PVA for fiscal 2019 was ¥8,525 million, compared with the fiscal 2018 figure of ¥10,494 million and our target of ¥10,813 million. All figures for fiscal 2019 fell below previous-year figures and our targets.

Net operating profit after tax (NOPAT) amounted to ¥11,951 million, compared with the fiscal 2018 figure of ¥13,589 million and our target of ¥14,000 million, and return on invested capital (ROIC, with tax rate of 30.0%) was 17.4%, compared with the fiscal 2018 figure of 21.2% and our target of 20.1%.

In addition, the cash conversion cycle (CCC) in fiscal 2019 was 88.7 days, which was 13.1 days worse than fiscal 2018 (75.6 days) and 15.7 days worse than our target (73.0 days.)

## Shareholder Return Policy and Measures

The Pigeon Group regards the return of profits to shareholders as an important management priority. Our basic policy is to actively return profits to shareholders through the appropriation of retained earnings and other means, while reinforcing our financial position based on considerations of medium-term changes in business conditions and the Group's business strategies. In addition to strengthening our financial position, we effectively use retained earnings in a number of ways to fortify our operational base and improve future Group earnings. These include investing in new businesses and research and development, as well as investing in production facilities to raise production capacity, reduce costs, and enhance product quality.

During the year, we strove to further upgrade and strengthen our policy of returning profits to our shareholders. With respect to specific shareholder-return goals, under our Sixth Medium-Term Business Plan we targeted a consolidated dividend payout ratio of around 55%, as well as increases in year-on-year cash dividends and improvements in the consolidated dividend payout ratio in each business period.

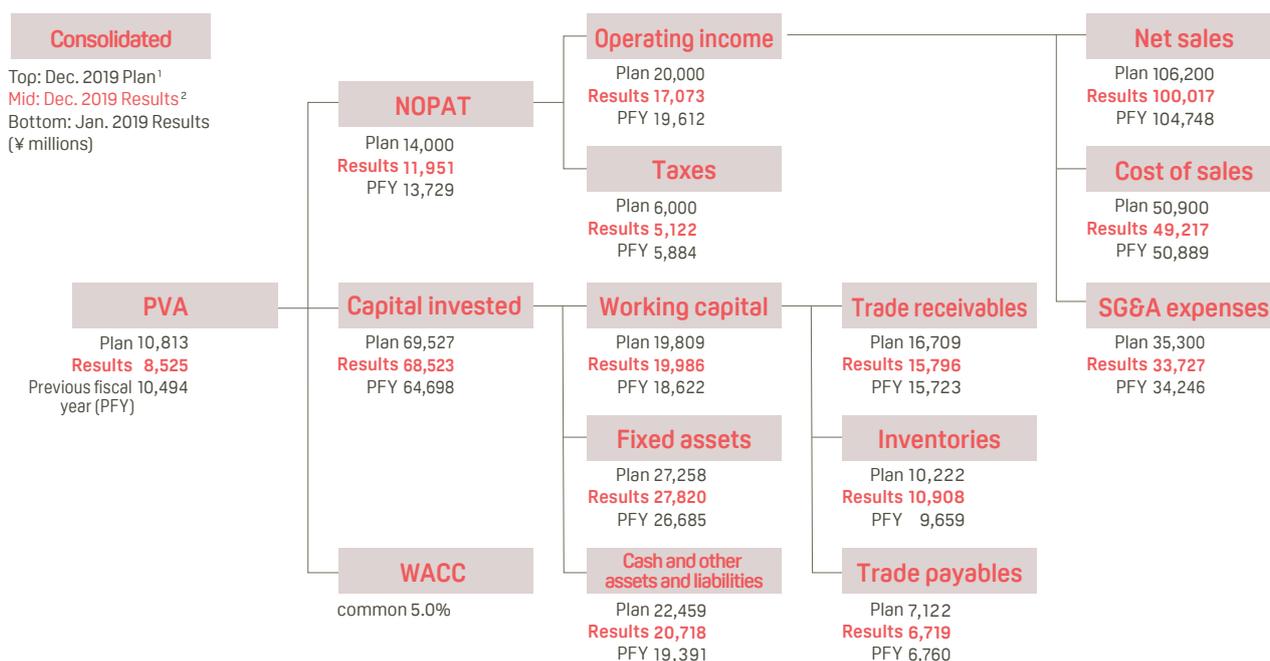
During the year, we paid an interim cash dividend of ¥35.00 per share (¥35.00 regular dividend) and a year-end dividend of ¥35.00 per share (¥35.00 regular dividend). This brought total annual dividends to ¥70.00 per share (¥70.00 regular dividends), up ¥2.00 year-on-year. The consolidated dividend payout ratio was 72.7%.

## Outlook for the Next Fiscal Year

In fiscal 2020 (ending December 31, 2020), we are targeting consolidated net sales of ¥109.0 billion, operating income of ¥18.1 billion, ordinary income of ¥18.1 billion, and net income attributable to owners of parent of ¥12.6 billion. (These are our forecasts as announced at the financial results briefing held on February 13, 2020. They do not account for the impact of the global spread of COVID-19 on our business.)

(In this Integrated Report, statements other than historical or present-day facts are regarded as forecasts. Such forecasts reflect the Pigeon Group's hypotheses and judgments based on information currently available, and thus contain known and unknown risks, uncertainties, and other factors that may impact on the Group's performance and financial position.)

## PVA Tree: Consolidated Results in FY ended Dec. 2019



<sup>1</sup> The figures on the balance sheet used in calculation of PVA are the amounts at the beginning and end of the fiscal year.

<sup>2</sup> Effective the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, the period under review was a transitional period of 11 months (February 1–December 31, 2019.)

# Financial Data

## Consolidated Balance Sheets

(¥ millions)

Item	FY ended	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019
<b>Assets</b>						
Cash and Deposits		24,297	30,052	31,346	30,949	32,416
Notes and Accounts Receivable - Trade		13,870	16,103	16,440	15,004	16,588
Merchandise and Finished Goods		6,146	5,328	6,059	7,360	8,144
Other Current Assets		4,600	3,761	4,333	4,888	4,785
Total Current Assets		48,913	55,244	58,178	58,201	61,933
Tangible Fixed Assets		21,471	20,263	21,116	21,127	22,494
Intangible Fixed Assets		1,346	1,106	3,307	4,223	3,863
Investment Securities		1,477	1,481	1,020	889	950
Total Investments and Other Assets		2,211	2,273	1,865	1,729	2,200
Total Fixed Assets		25,029	23,644	26,289	27,417	28,558
Total Assets		73,943	78,889	84,467	85,618	90,491
<b>Liabilities</b>						
Notes and Accounts Payable - Trade		3,743	4,857	5,194	4,567	4,900
Accounts Payable		2,147	2,477	3,141	3,363	2,660
Income Taxes Payable		1,505	2,324	2,578	1,951	1,272
Accrued Bonuses to Employees		894	929	1,035	972	928
Other Current Liabilities		5,934	10,794	5,725	4,770	5,878
Total Current Liabilities		14,223	21,381	17,673	15,623	15,638
Long-term Borrowings		5,000	—	—	—	—
Other Fixed Liabilities		3,926	3,770	3,982	3,412	4,389
Total Fixed Liabilities		8,926	3,770	3,982	3,412	4,389
Total Liabilities		23,150	25,152	21,655	19,036	20,028
<b>Net Assets</b>						
Capital Stock		5,199	5,199	5,199	5,199	5,199
Capital Surplus		5,180	5,179	5,179	5,179	5,179
Retained Earnings		36,790	42,280	49,729	55,704	58,979
Treasury Stock		(947)	(948)	(949)	(951)	(1,088)
Valuation Difference on Available-for-Sale Securities		32	47	44	21	25
Foreign Currency Translation Adjustment		3,311	628	1,490	(910)	(572)
Non-Controlling Interests		1,225	1,349	2,119	2,339	2,741
Total Net Assets		50,792	53,736	62,812	66,582	70,463
Total liabilities and Net Assets		73,943	78,889	84,467	85,618	90,491

Figures less than one million yen are truncated.

## Equity Ratio, ROE, and ROIC

(%)

	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019
Equity Ratio	67.0	66.4	71.9	75.0	74.8
ROE	21.3	21.8	25.7	22.8	17.5
ROIC	15.1	16.3	19.2	22.2	21.2
					17.4

\* ROE is the ratio of net income attributable to owners of parent to the average of shareholders' equity at the beginning and end of the fiscal year. ROIC is defined as NOPAT divided by invested capital. This figure is calculated using a tax rate of 30% for the second (bottom) of the two figures for the year ended January 2017 and for the year ended January 2018 and thereafter. A tax rate of 40.7% is used for the first (top) of the two figures for the year ended January 2017 and the year ended January 2016. Invested capital is calculated using the average of the beginning and year-end figures.

## Consolidated Statements of Income

(¥ millions)

Item	FY ended	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019
Net Sales		92,209	94,640	102,563	104,747	100,017
Cost of Sales		48,864	49,951	51,990	50,889	49,216
Gross Profit		43,345	44,688	50,572	53,858	50,800
Gross Margin (%)		47.0	47.2	49.3	51.4	50.8
Selling, General and Administrative Expenses		28,823	28,673	31,159	34,246	33,727
Operating Income		14,521	16,015	19,412	19,612	17,072
Operating Margin (%)		15.7	16.9	18.9	18.7	17.1
Non-operating Income		1,112	945	1,263	1,295	1,136
Non-operating Expenses		553	498	547	509	924
Ordinary Income		15,080	16,462	20,129	20,398	17,284
Ordinary Margin (%)		16.4	17.4	19.6	19.5	17.3
Extraordinary Income		10	122	1,058	243	121
Extraordinary Loss		204	350	271	379	300
Income before Income Taxes		14,887	16,234	20,916	20,262	17,104
Income Taxes - Current		4,548	5,165	5,931	5,794	5,067
Income Taxes - Deferred		(124)	(273)	225	(127)	267
Net Income		10,462	11,342	14,759	14,594	11,769
Net Income Attributable to Non-Controlling Interests		265	224	244	356	230
Net Income Attributable to Owners of Parent		10,197	11,118	14,515	14,238	11,538

Figures less than one million yen are truncated.

## Consolidated Statement of Cash Flows

(¥ millions)

Item	FY ended	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019
Cash Flows from Operating Activities		13,479	14,810	17,094	13,632	14,098
Cash Flows from Investing Activities		(3,332)	(1,854)	(3,586)	(4,704)	(3,995)
Cash Flows from Financing Activities		(6,567)	(6,223)	(12,812)	(8,338)	(8,734)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(873)	(891)	599	(986)	98
Net Increase (Decrease) in Cash and Cash Equivalents		2,706	5,840	1,294	(397)	1,467
Cash and Cash Equivalents at Beginning of Period		21,590	24,297	30,052	31,346	30,949
Cash and Cash Equivalents at End of Period		24,297	30,052	31,346	30,949	32,416

Figures less than one million yen are truncated.

## Data Per Share

Item	FY ended	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019
EPS (yen)		85.15	92.84	121.20	118.89	96.37
Cash Dividends (yen)		42.00	53.00	66.00	68.00	70.00
Dividend Payout Ratio (%)		49.3	57.1	54.5	57.2	72.7
BPS (yen)		413.88	437.43	506.79	536.43	565.64

## Number of Employees in Pigeon Group

Item	FY ended	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019
Employees (Consolidated)		3,743	3,739	4,306	3,875	3,954

# Corporate Information

## Corporate Data (As of December 31, 2019)

Company Name.....	Pigeon Corporation
Address .....	4-4, Nihonbashi Hisamatsu-cho, Chuo-ku, Tokyo 103-8480, Japan Phone +81-3-3661-4200 Fax +81-3-3661-4320 URL <a href="https://www.pigeon.com">https://www.pigeon.com</a> (global) <a href="https://www.pigeon.co.jp">https://www.pigeon.co.jp</a> (japan)
Established .....	August 15, 1957
Capital Stock .....	¥5,199,597 thousand
Fiscal Year-End .....	December 31 Note: At the 62nd Ordinary General Meeting of Shareholders convened April 25, 2019, a partial amendment to the Articles of Incorporation was approved, changing the fiscal year-end from January 31 to December 31, from FY2019 onward.
Our Business .....	Manufacture, sale, import and export of baby and child-care products, maternity items, women's care products, home healthcare products, elder care products, etc.; operation of child-minding centers
Number of Employees .....	361 (Japan, Full-time employees) / 3,954 (Worldwide, Includes Part-time employees)

## Consolidated Subsidiaries (22 companies) (As of April 1, 2020)

- Pigeon Home Products Corporation
- Pigeon Hearts Corporation
- Pigeon Manufacturing Hyogo Corporation
- Pigeon Manufacturing Ibaraki Corporation
- Pigeon Tahira Corporation
- Pigeon Manaka Corporation
- Pigeon Singapore Pte. Ltd.
- Pigeon Malaysia Trading Sdn. Bhd.
- PT Pigeon Indonesia
- PT Pigeon Baby Lab Indonesia
- Pigeon (Shanghai) Co., Ltd.
- Pigeon Manufacturing (Shanghai) Co., Ltd.
- Pigeon Industries (Changzhou) Co., Ltd.
- Lansinoh Laboratories, Inc.
- Lansinoh Laboratories Medical Devices Design Industry And Commerce Ltd. Co.
- Lansinoh Laboratórios Do Brasil Ltda.
- Lansinoh Laboratories Benelux
- Lansinoh Laboratories Shanghai
- Doubleheart Co. Ltd.
- Pigeon India Pvt. Ltd.
- Pigeon Industries (Thailand) Co., Ltd.
- Thai Pigeon Co., Ltd.

## Global Head Office (GHO)

Pigeon Corporation Head Office: Tokyo 1957

### Japan Business (Domestic Baby & Mother Care Business, Related Business)

- **Pigeon Corporation** Maternity and baby products: Sales, R&D, etc.  
Branches and other offices: Sapporo, Sendai, Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka, Tsukuba Office, Central Research Laboratory, Hitachiota Distribution Center, West Japan Distribution Center
- **Pigeon Hearts Corporation** Tokyo 1999  
Child-minding and daycare services, babysitter dispatch services, preschool education services
- **Pigeon Manaka Corporation** Tochigi 2000  
At-home elder care services, sale of elder care products
- **Pigeon Tahira Corporation** Tokyo 2004  
Sale of elder care products
- **Pigeon Home Products Corporation** Shizuoka 1985  
Manufacture and sale of toiletries
- **Pigeon Manufacturing Hyogo Corporation** Hyogo 2002  
Manufacture and sale of non-woven products
- **Pigeon Manufacturing Ibaraki Corporation** Ibaraki 1996  
Manufacture and sale of non-woven products

### China Business

- **Pigeon (Shanghai) Co., Ltd.** China 2002  
Sale of maternity and baby products
- **Pigeon Manufacturing (Shanghai) Co., Ltd.** China 2006  
Manufacture of maternity and baby products
- **Pigeon Industries (Changzhou) Co., Ltd.** China 2009  
Manufacture of maternity and baby products
- **Doubleheart Co. Ltd.** South Korea 2012  
Sale of maternity and baby products

### Singapore Business

- **Pigeon Singapore Pte. Ltd.** Singapore 1978  
Sale of maternity and baby products
- **Pigeon Malaysia (Trading) Sdn.Bhd.** Malaysia 2011  
Sale of maternity and baby products
- **PT Pigeon Indonesia** Indonesia 2017  
Manufacture of maternity and baby products
- **PT Pigeon Baby Lab Indonesia** Indonesia 2019  
Sale of maternity and baby products
- ● **Pigeon India Pvt. Ltd.** India 2009 (sales company) and 2015 (factory)  
Manufacture and sale of maternity and baby products
- **Pigeon Industries (Thailand) Co., Ltd.** Thailand 1996  
Manufacture of maternity and baby products
- **Thai Pigeon Co., Ltd.** Thailand 1990  
Manufacture of maternity and baby products

### Lansinoh Business

- **Lansinoh Laboratories, Inc.** United States 2004  
Sale of maternity and baby products
- **Lansinoh Laboratories Medical Devices Design Industry And Commerce Ltd. Co.** Turkey 2010  
Manufacture of maternity and baby products
- **Lansinoh Laboratorios Do Brasil Ltda.** Brazil 2014  
Sale of maternity and baby products
- **Lansinoh Laboratories Benelux** Belgium 2015  
Sale of maternity and baby products
- **Lansinoh Laboratories Shanghai** China 2016  
Sale of maternity and baby products

## Stock Data (As of December 31, 2019)

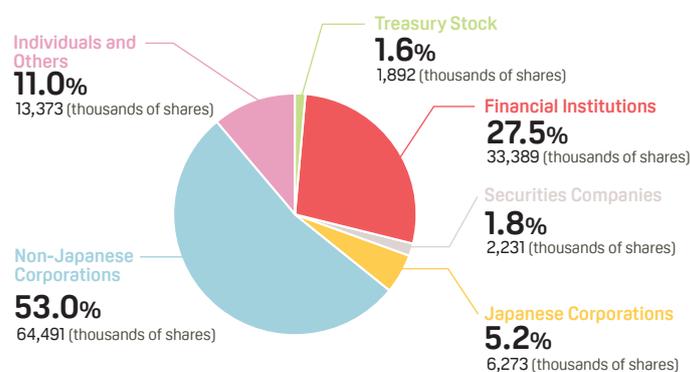
● Shares Authorized .....	360 million	● Total number of shareholders .....	17,024
● Shares Issued .....	121,653,486	● Number of shareholders with voting rights .....	15,357
		● Treasury Stock .....	1,892,826

## Major Shareholders (As of December 31, 2019)

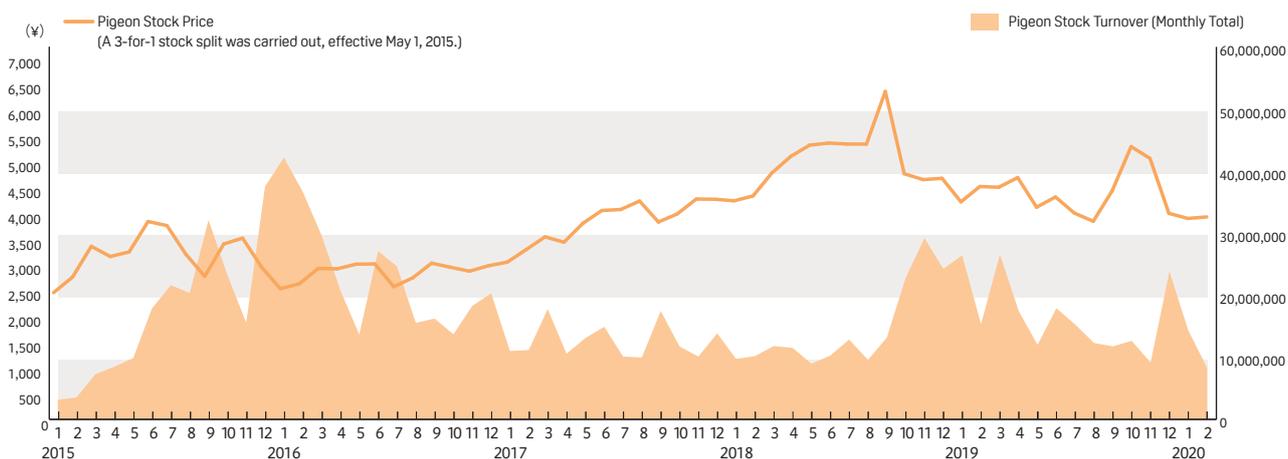
Shareholder name	Number of shares (Thousand)	Ownership* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,079	6.7
BNYMSANV RE MIL RE FSI ICVC-STEWART INV ASIA PACIFIC LEADERS FD	4,789	4.0
THE BANK OF NEW YORK MELLON 140042	4,744	4.0
Japan Trustee Services Bank, Ltd. (Trust Account)	4,398	3.7
BBH FOR MATTHEWS ASIA DIVIDEND FUND	2,970	2.5
HSBC BANK PLC A/C CLIENTS RE UCIT5 JAPAN NON TREATY OMNI A/C	2,819	2.4
Y.N Corporation	2,778	2.3
STATE STREET BANK AND TRUST COMPANY 505223	2,593	2.2
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,451	2.0
THE BANK OF NEW YORK MELLON 140044	2,111	1.8

\* Ownership percentage figures are based on 119,760,660 shares (121,653,486 shares issued, minus 1,892,826 shares of treasury stock).

## Share Breakdown by Shareholder Type (As of December 31, 2019)



## Stock Price Range/Turnover of Common Stock



## IR Tools (Quick Reference)

The purpose of this Integrated Report is to describe management strategies aimed at conveying the vision of the Pigeon Group, as well as details of the Group's business and ESG activities. It also designed to deepen understanding of the corporate value created by the Pigeon Group. In addition, we provide a variety of other information through our Investors Guide and our corporate website, which give qualitative and quantitative details of the Pigeon Group's history.

Integrated Report 2020	Purpose	Corporate Site
Cover2 Highlights of the Current Fiscal Year / Key Performance Indicators	To see Pigeon's Key Performance Figures.	Investors
P. 04 At a Glance P. 20 A Business Summary by Segment	To see Pigeon's business by segment.	Investors Our Business 
P. 43 MD&A P. 48 Financial Data	To see the financial data and earnings structure as a reference for investment decisions.	Investors • Chart Generator
P. 52 Stock Data	To find Pigeon's stock information.	Stock Information
P. 02 Pigeon History P. 50 Corporate Information	To learn about Pigeon's history and corporate profile.	Corporate History
P. 07 The Pigeon Way P. 16 Value Creation Story P. 18 Brand Enhancement Initiative	To learn about Pigeon's corporate philosophy, culture and management vision.	The Pigeon Way 
P. 06 To Our Stakeholders P. 12 Interview with Outside Director P. 42 List of Directors and Managing Officers	To understand Pigeon's management team and their views and opinions on business.	Investors • Top Message • Medium-Term Business Plan Management
P. 10 Promoting ESG-focused management P. 30 Pigeon ESG Activities	To understand Pigeon's ESG initiatives which drive the sustainable growth of business and corporate values.	Sustainability • Pigeon ESG / DGs Policy / ESG Data Book • Approach to ESG • Corporate Governance 

# Pigeon Corporation

(Securities Code: 7956)

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