



Celebrate babies the way they are

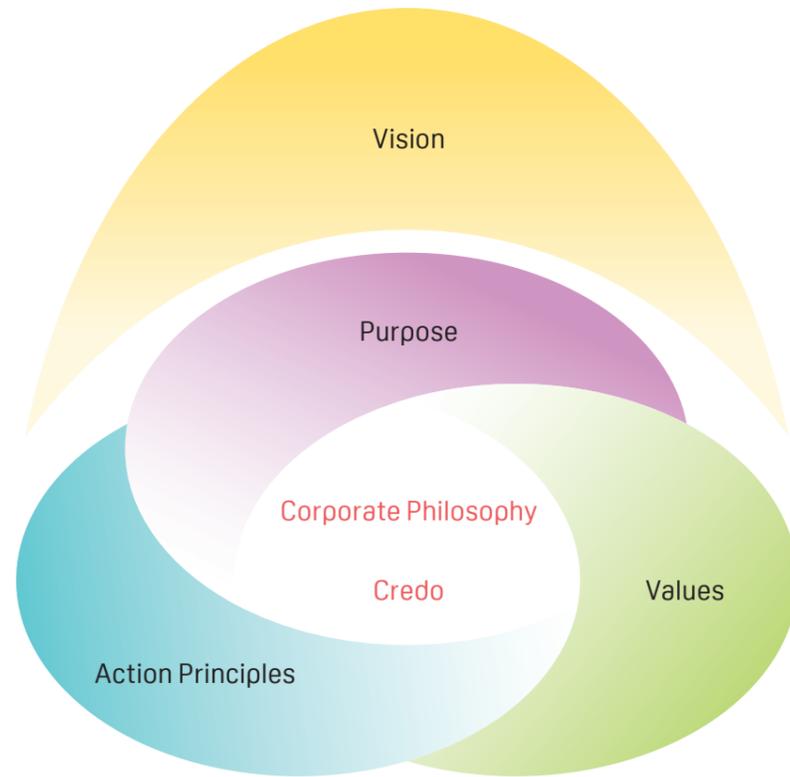
Integrated Report 2021

For the Year Ended December 31, 2021



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

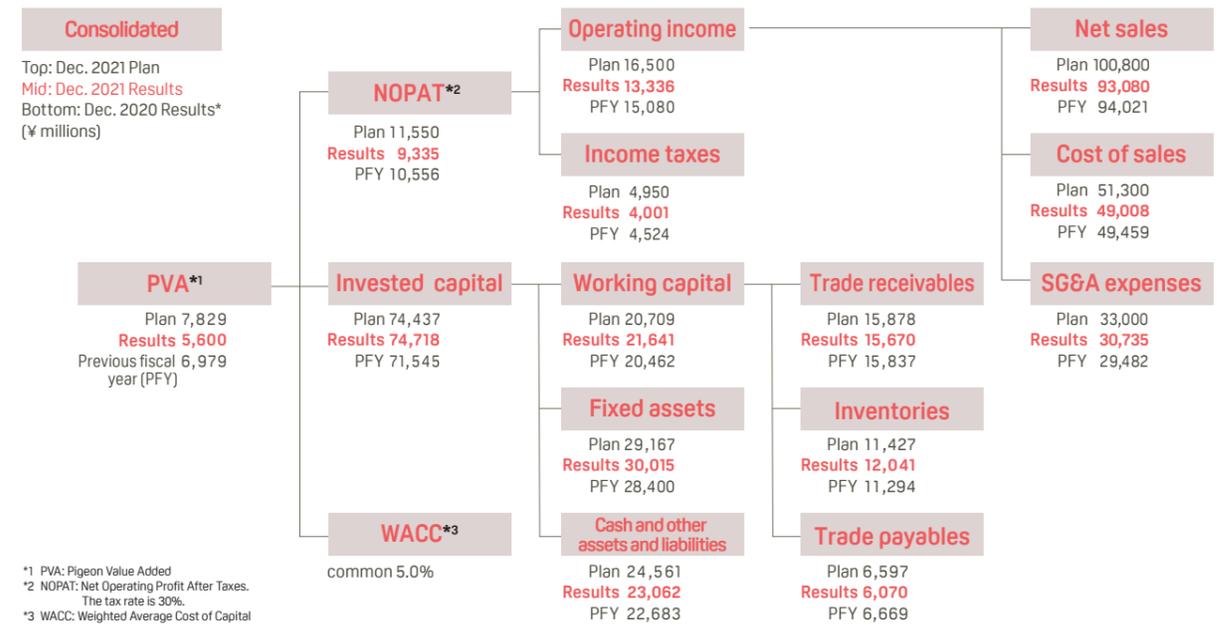
● Purpose
—Our reason for being and the role we should play in society
We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs

● 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**



PVA Tree: Consolidated Results in the Fiscal Year Ended December 2021



*1 PVA: Pigeon Value Added
*2 NOPAT: Net Operating Profit After Taxes. The tax rate is 30%.
*3 WACC: Weighted Average Cost of Capital

Note: The Pigeon Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the beginning of the consolidated fiscal year 2021. The figures for “December 2020 results” are estimates based on the new accounting standards.

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 2021 in our digital IR Library. Please visit www.pigeon.com for details.

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Pigeon Integrated Report 2021 Contents



北澤憲政
Norimasa Kitazawa
President & CEO

We will change the world to be a more baby-friendly place through bringing into shape new ideas and proposals generated by employees who have joined forces to fulfill our Purpose

Looking Back on Fiscal 2021

During 2021, the second year of our 7th Medium-Term Business Plan (the Plan), we kept struggling with the expanding COVID-19 pandemic throughout its business operations. Having been struck by such unexpected changes in the business environment since 2020, the first year of the Plan, we announced a revision to the Plan in February 2021. Under the revised Plan, we have added a strategy of further reinforcing the spirit of *monozukuri* (craftmanship) as one of our key strategies, while continuing to focus on the three basic strategies initially set out in the Plan: Brand Strategy, Product Strategy, and Regional Strategy. This addition is made because we have to adapt to rapidly changing market environments, marked by consumers' shift to e-commerce channels worldwide and changes in their values, needs, and behaviors, all of which have been triggered by the pandemic. Specifically, Pigeon has strengthened its product planning and development system in a bid to cater to e-commerce markets more expeditiously, while making efforts to expand the lineup with emergency supplies for babies and eco-friendly products and to create a new category.

Despite these efforts, earnings for fiscal 2021 were weaker than those for the previous fiscal year restated in accordance with the new

accounting standard.^{*1} We ended fiscal 2021 with net sales down 1.0% year on year to ¥93.0 billion, operating income down 11.6% to ¥13.3 billion, ordinary income down 9.1% to ¥14.6 billion, and net income attributable to owners of parent down 17.5% to ¥8.7 billion. Nevertheless, as for shareholder return, we paid an annual dividend as planned of ¥74.00 per share, up ¥2.00 year on year, underpinned by our robust financial base.

Let us move on to performance by segment. The Japan Business segment for fiscal 2021 was substantially influenced by the COVID-19 pandemic since 2020, and net sales for fiscal 2021 declined ¥2.9 billion year on year under the new accounting standard. The segment consists of the Baby Care Business^{*2}, the Child Care Service Business, and the Health & Elder Care Business. Net sales from the Baby Care Business also declined year on year for several reasons, including that half the fiscal year was under the influence of measures against the COVID-19 pandemic, such as the voluntary restraint on going out under the state of emergency; that the inbound tourism demand (primarily for nursing bottles and skincare products), which amounted to a few hundred millions of yen during the first quarter of the previous fiscal year, vanished; and that sales of consumables such as wet wipes and cleaning and disinfecting

products fell from the previous fiscal year, which saw extraordinarily strong demand for these products amid the pandemic. Meanwhile, we successfully expanded market shares across all our core product categories (nursing bottles, baby skincare, breast pumps, and oral care), thereby having sustained the domestic market share of our nursing bottles at as high as 88%^{*3}. The Healthcare & Elder Care Business performed as expected with sales down year on year primarily due to a review of product lineup.

The China Business segment for fiscal 2021 increased net sales year on year under the new accounting standard but remained somewhat weak in contrast to the previous fiscal year in which the business recovered quickly from the influence of the COVID-19 pandemic and benefited from brisk consumer demand such as revenge consumption. Nevertheless, sales of core product categories remained solid. Notably, in September 2021 we launched the Bonyu Jikkan^{*4} nursing bottle series, which held the largest market share^{*3} both in Japan and China, on major e-commerce sites in China prior to the global launch, pushing its share in the nursing bottle market of the mainland China to 45%^{*6}. Also, we successfully launched new baby skincare products. On the challenging front, we focused on promoting sales at physical stores as such sales struggled amid a rapid consumer shift to e-commerce channels in the country. However, adjusted shipments to the physical store sales channel took longer than we had anticipated.

The Singapore Business, which is in charge of the ASEAN region and India, increased sales year on year. This was due to the fact that sales in India and Malaysia outperformed the previous fiscal year, backed by double-digit year on year sales growth of nursing bottles and other core products despite the resurgence of COVID-19 putting a damper on market recovery.

The Lansinoh Business also increased sales year on year. "Prep and postpartum care" products, launched as a new category, together with mainstay nipple care creams, recorded far higher sales than initially expected. However, a logistics disruption and a surge in transportation costs mainly in North America had a material adverse effect on profits.

Trends in each business segment suggest that, on the distribution channel side, sales remained strong even amid the COVID-19 pandemic in regions where we are well adapted to e-commerce channels, while we struggled in countries and regions where we operate business primarily through distributors and physical stores. To take advantage of such trends, we will further strengthen sales activities to directly approach customers via the Internet. On the product side, sales from core product categories, including nursing bottles, have been growing steadily even amid the harsh business environments. In fact, the "prep and postpartum care" products of the Lansinoh Business, a new category for Lansinoh, have consistently performed well since the launch.

As shown above, we are strongly confident that the following two strategies have produced tangible results: the Product Strategy to focus on core product categories and the Regional Strategy to develop products tailored to the characteristics of each market. During the 7th Medium-Term Business Plan, we will keep focusing on our three strategies: Brand, Product, and Regional.

Note 1: The results for the previous fiscal year restated in accordance with the new accounting standard are estimates. Pigeon has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; the "Revenue Recognition Accounting Standard") since the beginning of fiscal 2021. For details, please refer to page 55.

Note 2: Renamed from the Domestic Baby & Mother Care Business in December 2021

Note 3: Survey conducted by Pigeon (bottle and nipple sell through, in value)

Note 4: Sold under the name of "Ziran Shigan" in China

Benefits of Sharing the Purpose with Employees

Pigeon values the type of employees who empathize with the Pigeon Way and Purpose and keep taking on challenges with "pride" in and "voluntary willingness to contribute" to the company, the organization they belong to and their job. I aspire to enhance Pigeon's corporate value jointly with such employees. To this end, we have articulated the Purpose and shared it with the Group's employees for them to more clearly understand what the Group is aiming for and where the Group is heading. We believe this has made it easier for our employees to empathize with and act in line with the Purpose, and has brought tangible results to and positive impacts on our businesses and brands. We also feel that this is serving as a driver of new businesses for the future.

Pigeon's *monozukuri*, or craftsmanship, has been evolving in a manner to place more emphasis on not only "safety and security," the fundamental prerequisites for the Group's businesses, but also usability. Babies sometimes refuse to drink milk if they sense that the feel of a nipple on a nursing bottle is different from that of their mothers. To relieve the discomfort and stress of babies and mitigate the burden on parents, Pigeon worked hard on R&D as an effort to produce nipples with more softness and elasticity, and such an effort has paid off in the form of the new third-generation nursing bottles. As mentioned above, Pigeon has put the new nursing bottles on the Chinese market ahead of the global launch. As for skincare, Pigeon has strengthened R&D, drawing on its knowledge and insights garnered so far, hoping to produce the skincare products catered to the needs of the children who suffer from skin troubles or were born with low weight, as some research reports show that meticulous skincare on babies from the neonatal period helps them enjoy better skin conditions in their subsequent lives.

Pigeon's Idea About Human Capital

Pigeon's brand strength built on safety and security and its product strength that underpins the brand strength all rely on our employees. It is no doubt that the source of growth for the Pigeon Group lies in its human capital.

Since the shift to an organizational structure consisting of four business segments, Pigeon has been delegating authority to each area, and the same goes for human capital. Based on its policy to localize its business operations, each of Pigeon's local subsidiaries has been striving to build an autonomous operating structure consisting solely of local employees led by a locally hired president. In fact, the Lansinoh Business, as well as the China, South Korea and other

regional businesses, are already supervised by local executives. Although the Singapore Business has fallen slightly behind in localization, we have dispatched only two Japanese executives to India, a country that is relatively different in culture from Japan.

Pigeon also has proved superior in gender diversity at local subsidiaries, except in Japan where the female manager ratio is in the 20% range. Gender diversity has hardly constituted a grave challenge to the Group in countries other than Japan.

It is critically important for me as a CEO to think about how to unlock the potential of such self-motivated employees on a global stage so that they can be given abundant opportunities to demonstrate their abilities. In the Integrated Report for the previous fiscal year, we introduced the readers to the “Pigeon Frontier Awards (PFA),” an initiative introduced in Japan in 2019 to encourage employees to make proposals and facilitate these proposals. This initiative has been effective in encouraging employees to voluntarily come up with interesting proposals linked to Pigeon’s Purpose. In fiscal 2021, the awards were given to an employee who submitted an idea to produce nursing bottles using materials different from those for the existing models and a two-year employee who made a proposal to start a rental business, just to name a few. We are set to expand this initiative to overseas business locations in the future, believing the PFA that unlocks the hidden potential and power of employees will help identify talented personnel. We also plan to provide selected candidates for key managerial positions in the future with training programs to strengthen our human capital.

About ESG-Oriented Management

Pigeon has incorporated the three key perspectives of environment (E), social (S), and governance (G) in its day-to-day operations under the Pigeon ESG/SDGs Policy.

• Social

Among the above three fields, we believe Pigeon is best positioned to bring the greatest impact in the “S” field. For instance, in the one and a half years since the opening of Human Milk Bank⁴⁵ on the first floor of the Pigeon Head Office in Tokyo in the fall of 2020, the number of babies provided with donated human milk, the number of hospitals using the Bank, and the number of registered donors have increased exponentially. In addition to the awareness of the Human Milk Bank has increased among parents expecting babies. The opening of the Human Milk Bank traces its origin to when I visited a human milk bank in Brazil in 2018 and rediscovered that breast milk is as important as medicine for babies who are born premature. In January 2022, Pigeon was awarded the Minister of State Commendation at the 2021 Selection of Consumer-Oriented Companies for Best Practice. I am pleased to learn that one of the reasons for the award being given to Pigeon is recognition of our efforts for the Breast Milk Bank.

In addition, in October 2021, we embarked on the Baby Friendly Future Project, aiming to create a future that is more baby-friendly. As part of the project, we began to deliver a “class to learn about

babies⁴⁶” for junior high school students across Japan. Against this backdrop is the difficulty of giving birth to and rearing babies in Japan. A survey conducted in 2021⁴⁷ shows that many cited a lack of understanding by people both at their workplace and in their community as one of the reasons for difficulty rearing children in Japan. The class, which started with a view to solving the lack of understanding about child-rearing as a fundamental issue, gathered applications from more schools than expected. From September 2021 to the end of March 2022, a total of 6,616 students from 69 schools took part in the class.

Note 5: See page 27 for details.

Note 6: See page 17 for details.

Note 7: Tamahiyo Pregnancy and Childbirth White Paper 2021

• Environment

We have regarded a sustainable reduction in environmental impacts as one of the materialities (key issues) that we have to solve in order to “leave a rich earth for the future of babies born tomorrow.” What we can do to protect our planet could be limited compared to players in other industries. However, we are poised to do whatever it takes to protect our planet across the entire supply chain, while staying mindful of the influence of business activities on the global environment. Also, in December 2021, Pigeon announced its support of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD Consortium. Going forward, Pigeon will analyze climate-related risks and opportunities in accordance with the TCFD recommendations to proactively disclose information from the perspectives of governance, strategy, and risk management.

In the Japan Business, since February 2021, we have been affixing the Pigeon Eco-Label⁴⁸ on products that meet the environmental standards we set forth on our own. Specifically, to determine whether a product meets such standards, Pigeon quantitatively assesses the impacts the product will have on the environment in all stages, ranging from the procurement of raw materials, manufacturing, distribution, and use to disposal. As of the end of 2021, products carrying this label reached about 34% of all baby and maternity products handled by the Japan Business. We aim to affix the label on all baby and maternity products sold in Japan by 2025.

Our mainstay nursing bottles are currently made from glass or plastic, and these lightweight and easy-to-carry plastic nursing bottles use PPSU (polyphenylsulfone) and PP (polypropylene). We will endeavor to shift all plastic-related materials used for all our products including nursing bottles over to eco-friendly materials.

Note 8: See page 36 for details

• Governance

In January of this year, Pigeon was named a Winner Company at the 2021 Corporate Governance of the Year Awards held by the Japan Association of Corporate Directors. The Association selected Pigeon as a winner on the grounds that capital cost-conscious management using Pigeon Value Added (PVA⁴⁹), a Pigeon — specific KPI, has gained increased understanding and awareness among staff; that Pigeon has provided detailed criteria for dismissing a CEO; and it practices corporate management by including a diverse array of expertise

among its outside directors, let alone respecting the perspectives of customers and investors.

We believe our governance system has ensured the diversity of our Board members in terms of nationality, gender, and other attributes. In addition, we have made steady progress in localizing each of our four business segments under our global business execution structure. We will strengthen our global business execution structure by proactively hiring or promoting personnel for management positions who are aligned with the varying growth stages of each region.

Further more, we have made partial amendments to the Articles of Incorporation, including the reduction of the number of Directors by two and shortening the term of office of Directors to one year, upon the resolution at the Ordinary General Meeting of Shareholders held in March of this year. We have thus streamlined the Board of Directors and further clarified the management responsibilities of Directors, thereby strengthening our management structure to respond more expeditiously to changes in the business environment.

Note 9: PVA = NOPAT (Net Operating Profit After Taxes) – Cost of Capital (Invested capital x WACC)

Growth Strategy for Fiscal 2022

During 2022, the final year of the 7th Medium-Term Business Plan, we will continue to speedily develop and launch products tailored to the characteristics of each region by unleashing the competitive advantage of the four-segment business structure to the extent possible, driving sales through e-commerce channels, and increasing brand strength with the aim to enhance customer engagement.

On the product side, we are striving to get back on a growth trajectory through selection and focus on nursing bottles and skincare products, which are flagship products among our core product categories. We will further solidify our No. 1 brand position¹⁰ in the nursing bottle markets by globally launching the “Bonyu Jikkan⁵⁰” series, our new third-generation nursing bottles. As for skincare products, we have recently begun to deliver several unique new skincare series tailored to the varying needs of each country/region. Furthermore, in Japan, we have made new investments in our own factory in Shizuoka Prefecture with the aim of starting operations in 2023 to expand the product lines of our skincare products and tap into new fields. For the Lansinoh Business, while the next-generation breast pumps are scheduled for launch in the near term, we will further extend the lineup of prep and postpartum care products, which got off to a flying start, and drive their sales along with core products such as nipple care cream.

In addition, to expand the geographical areas where we operate, we have begun to newly deliver Pigeon-branded products through e-commerce channels in North America where we had previously sold products only under the Lansinoh brand. We intend to drive sales by drawing on the resources of the China Business including the know-how on e-commerce and digital marketing accumulated in the region. While it is difficult to predict the impact of the COVID-19 pandemic, the supply chain disruption, and surging raw material prices, which affect everyone in the world, we will work intensively to improve profitability through measures such as launching new products, improving the product mix, and reducing costs.

Unfortunately, however, we have found it difficult to achieve the medium-term targets initially announced in February 2020 due in part to drastic changes in the business environment during the period of the 7th medium-term business plan. We will also have to formulate the next Medium-Term Business Plan under a highly uncertain market and business environment. Nonetheless, we will assess how we can achieve sustainable growth in both financial and non-financial terms toward realizing our clearly defined Purpose—making the world more babyfriendly by furthering our commitment to understanding and addressing babies’ unique needs.

Note 10: Global baby bottles. Market 2021 by Manufacturers, Regions, Type and Application, Forecast to 2026. Global Info Research.

Benefits of Sharing the Purpose with Employees

The Pigeon Group still has massive potential for growth not only in existing markets but also in untapped markets. I will discuss our growth opportunities both in the already entered and still untapped markets. Let me first talk about our growth opportunities in the already entered markets. In the face of the COVID-19 crisis, the global birth rate has been steadily declining, with the numbers of annual births having fallen at a higher pace than ever before in countries such as Japan, China, and the United States. In the recent business environment, the declining trend of birth rates is obviously one of the major concerns for Pigeon, but we also wonder if this accelerated decline in birth rates is temporary or long-lasting. At the moment, we feel the outlook is highly uncertain.

Meanwhile, Pigeon believes that both the Pigeon and Lansinoh brands have significant growth potential because their global share is still only 11%¹⁰ despite their leading position in the market. Although birth rates have been on the decline, we still have ample room to grow our business. For instance, we can capture more new mothers and fathers as customers by geographically expanding the prep and postpartum care business, a new business category, which is currently operated in the Lansinoh Business segment, to regions where Pigeon has delivered its baby products.

Moreover, we will strive to extend our existing businesses and create new businesses, such as the FemCare and FemTech related businesses¹¹ and a business to promote/support fathers’ participation in child-rearing by deep-diving into the concerns of new parents and nurturing expertise in these fields.

Regarding our growth opportunities in still untapped markets including countries in Southeast Asia, currently part of the Singapore Business, and emerging markets such as countries in Africa, where Pigeon has little presence, an improvement in household income is another market driver, besides birth rates. We believe Pigeon has significant potential to grow its business in these markets as their economies grow going forward.

Lastly, let me talk about our growth opportunities in e-commerce channels. While a shift to e-commerce channels has accelerated globally amid the COVID-19 crisis, a similar shift is expected in Japan and Southeast Asia where the e-commerce rate is relatively low. We believe the Pigeon Group will be able to gain a competitive advantage

To Our Stakeholders

in these markets by leveraging the know-how accumulated by the China Business, which has taken the lead in the e-commerce business. Yet, we are fully aware of the risk that we could be exposed to fiercer competition in e-commerce channels than in physical store channels. This is because some players in e-commerce channels do not hesitate to do whatever it takes to increase sales even if they end up unprofitable or focus only on capturing the minds of consumers and winning over market share with novel products that are easier to place on e-commerce markets. We believe that a solid lineup of high-value-added products and a swift launch of these products are key to surviving in e-commerce channels.

With its Purpose as the pivot, the Pigeon Group will steadfastly capture growth opportunities by predicting changes in the preferences of next-generation customers such as Generation Z customers. Specifically, Pigeon will upgrade its brands so that they will resonate with and be chosen by customers, while focusing on efforts to increase customer value such as delivering more eco-friendly and higher-end products.

Note 11: FemTech is a word coined from Female and Technology, representing products or services that solve females' health problems with technologies.

We are committed to helping rebuild investor confidence and reputation, thereby enhancing the medium- to long-term value of Pigeon.

In 2021, Pigeon struggled with harsh business conditions, and as a result, recorded decreases in both sales and profits for the second consecutive year. The top management of Pigeon, who share the same incentives as all the Company's shareholders through the stock-based remuneration system and the holding of shares in Pigeon as individual shareholders, have taken the declines in Pigeon's share prices seriously with a sense of pain, seeing such declines as a negative market reaction to the Company's operating performance.

There is no doubt that one of the biggest factors affecting our earnings is the novel coronavirus, which broke out around the same time as the start of the 7th Medium-Term Business Plan. Also, it remains unpredictable how the rapid declines in birth rates, observed in countries across the globe, will play out in the years ahead. In particular, the declining birth rates in markets that represent significant proportions of Pigeon's earnings have made our business outlook highly uncertain.

If we look back on the history of Pigeon, however, the Company has been growing consistently by launching new products and expanding market shares despite consistent declines in birth rates for about 50 years since the second baby boom. Pigeon's products including nursing bottles have remained highly competitive. In fact, "Bonyu Jikkai*" nursing bottles, which were upgraded and released in China ahead of other markets, have been well accepted by consumers both in China and Japan.

Note: Sold under the name of "Ziran Shigan" in China

Growth Strategy for Fiscal 2022

In the drastically changing business environment, the Pigeon Group, with the Purpose to "Make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs," has been transforming into an organization where new ideas and proposals are created continuously and actively discussed. Despite concerns about declining birth rates worldwide and the decelerated growth in China, the universe of our potential customers including babies and their families is huge. In the China Business, we will push forward with new initiatives to drive both e-commerce and offline sales to ultimately reaccelerate its growth. Also, in the Lansinoh Business, we have maintained highly optimistic earnings projections for 2022. We are also confident that we can put the Singapore Business on a growth trajectory through a range of measures such as launching and penetrating new products, and driving e-commerce sales, amid the COVID-19 crisis. We greatly appreciate your continued support.

President Kitazawa's comment above demonstrates his strong commitment to goals such as getting the Company back on a growth path through its own management efforts and recovering the trust and appreciation of investors without relying on the improvement of external environments. In the 8th Medium-Term Business Plan scheduled for release next year, we will communicate specific policies and measures for achieving these goals. We, as Outside Directors, would like not only to act as the supervisors of the Company's governance but also to provide advice contributing to enhancing the corporate value over the medium to long term.

Takayuki Nitta | Outside Director



7th Medium-Term Business Plan

In February 2020, the Pigeon Group announced its 7th Medium-Term Business Plan for the three-year period ending December 31, 2022. Under the plan, we aim to expand the Group's business and improve the quality of its management through the three basic strategies described below: Brand Strategy, Product Strategy, and Regional Strategy.

Brand Strategy

We will promote the integration of our brand and business strategies based on the Pigeon Way, to maximize economic value while stepping up efforts to solve social issues related to childcare. Our aim is to progress with the consumers from "buying a product" to "buying into a business," which also means getting them to empathize with our business and choose our brand.

Product Strategy

We will accelerate growth in core product categories where we can leverage our global advantages while further differentiating ourselves from our competitors and building a solid earnings base.

Regional Strategy

By promoting a four-segment business system and transferring authority to each business, we will accelerate decision-making on the frontlines. In the process, we will build a "development, production, and sales" cycle that matches the market characteristics of each region and operate our business in a speedy manner.

In fiscal 2020, the first year of the 7th Medium-Term Business Plan, we pursued business activities based on the above strategies, but the spread of COVID-19 had a significant impact on our performance. For this reason, we reviewed our forecasts for the second and third years of the plan and announced a revised plan in February 2021, based on our results in fiscal 2020 and the direction of the pandemic.

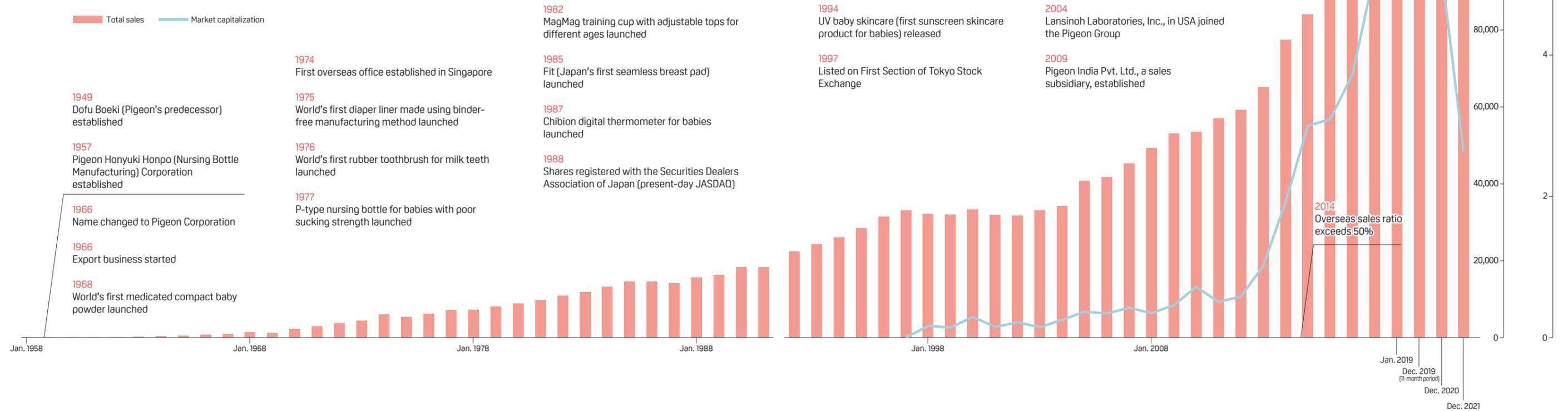
In fiscal 2021, sales of core product categories, such as nursing bottles, were strong in each country. In the Lansinoh Business sales of prep and postpartum care products, a new category, were launched as new initiatives. On the other hand, both sales and profits decreased compared with the previous fiscal year due to the continued direct and indirect impact of the spread of COVID-19 on each market.

In the fiscal year ending December 31, 2022, the final year of this medium-term business plan, we expect net sales of ¥98.7 billion (up 6.0% year on year) and operating income of ¥14.2 billion (up 6.5%) by continuing to pursue our three basic strategies of brand strategy, product strategy, and regional strategy, while further strengthening *monozukuri* and speedily promoting business activities adapted to a "living with COVID-19" basis.

Note: The Pigeon Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the beginning of the consolidated fiscal year 2021. The above forecast is based on the figures after the change in accounting standards.

History at a Glance

For more than 60 years since its founding, the Pigeon Group has continued conducting R&D with the aim of bringing happiness to babies and their families. We offer highly competitive products and services and are expanding our business around the world while growing as a brand supported by our customers. Through our corporate activities based on the Pigeon Way, we will continue striving to realize a society where everyone can raise their children with peace of mind, and thus make the world more baby-friendly.



1957

Pigeon's beginnings

Pigeon entered the world in 1957 as Pigeon Honyuki Honpo Corporation. Founder and first president Yuichi Nakata worked day and night on product improvements, hoping to bring ever greater happiness to a new generation of infants. "The field of nursing bottles holds dreams for the future," said Nakata, "and if we work hard to make exceptional products we will undoubtedly succeed."

1958-1969

Becoming a comprehensive baby care manufacturer

In 1966, the company name was shortened to Pigeon Corporation. By this time, Pigeon had developed and launched a diverse product line, becoming a comprehensive manufacturer of baby care products. In 1969, however, a small trace of formalin was detected in the nipple of a Pigeon nursing bottle. Although the amount found was too small to cause harm, we received protests and product returns from customers. The lessons learned from this incident helped shape the Company's commitment to quality control and led to the establishment of the Pigeon Customer Service Center.

1970-1982

Crossing the ocean, launching our elder care business

Pigeon began exporting its products in 1966, opening its first overseas office in Singapore in 1974. In 1975, Pigeon entered the elder care business. The falling Japanese birth rate meant that exploring overseas markets and other care-related industries was an essential step for the company.

1983-1999

Listing on the Tokyo Stock Exchange, becoming a public company

In 1983, Yoichi Nakata was appointed Pigeon's second president, and in 1988 the Company registered its shares on the over-the-counter market. Pigeon listed on the Second Section of the Tokyo Stock Exchange in 1995, and then the First Section in 1997, continuing its journey toward becoming a public company. In 1991, Pigeon established the Central Research Center. Two years later, in 1993, it expanded into childcare services. In 1990, Pigeon established its first overseas manufacturing center in Thailand. These diverse initiatives would drive strong growth in the years to come.

2000-2006

Onward to China, then to the world

In 2000, Seiichi Matsumura became Pigeon's third president and the first not directly related to the company's founder. At that time, Pigeon's overseas business accounted for less than 10% of net sales. Nevertheless, Matsumura identified global markets as a future growth driver and led the company's full-fledged entry into China in 2002. Two years later, in 2004, Matsumura broadened the scope and territory of Pigeon's global business further by adding U.S.-based Lansinoh Laboratories, Inc., then an OEM supplier of breast pads and other items, to the Pigeon Group.

2007-2012

Our global expansion gathers pace

In 2007, Akio Okoshi was appointed the fourth president of Pigeon. Okoshi's term would see further acceleration of the Company's global business, with expansion into India, Turkey, Malaysia, South Korea, and other regions. In Japan, where birth rates continued to fall, Pigeon adopted new growth strategies, entering fields such as baby strollers. Okoshi also led extensive internal reforms to the Company's personnel and other systems, seeking new modes of expansion.

2013-2018

One global Pigeon under the Pigeon Way

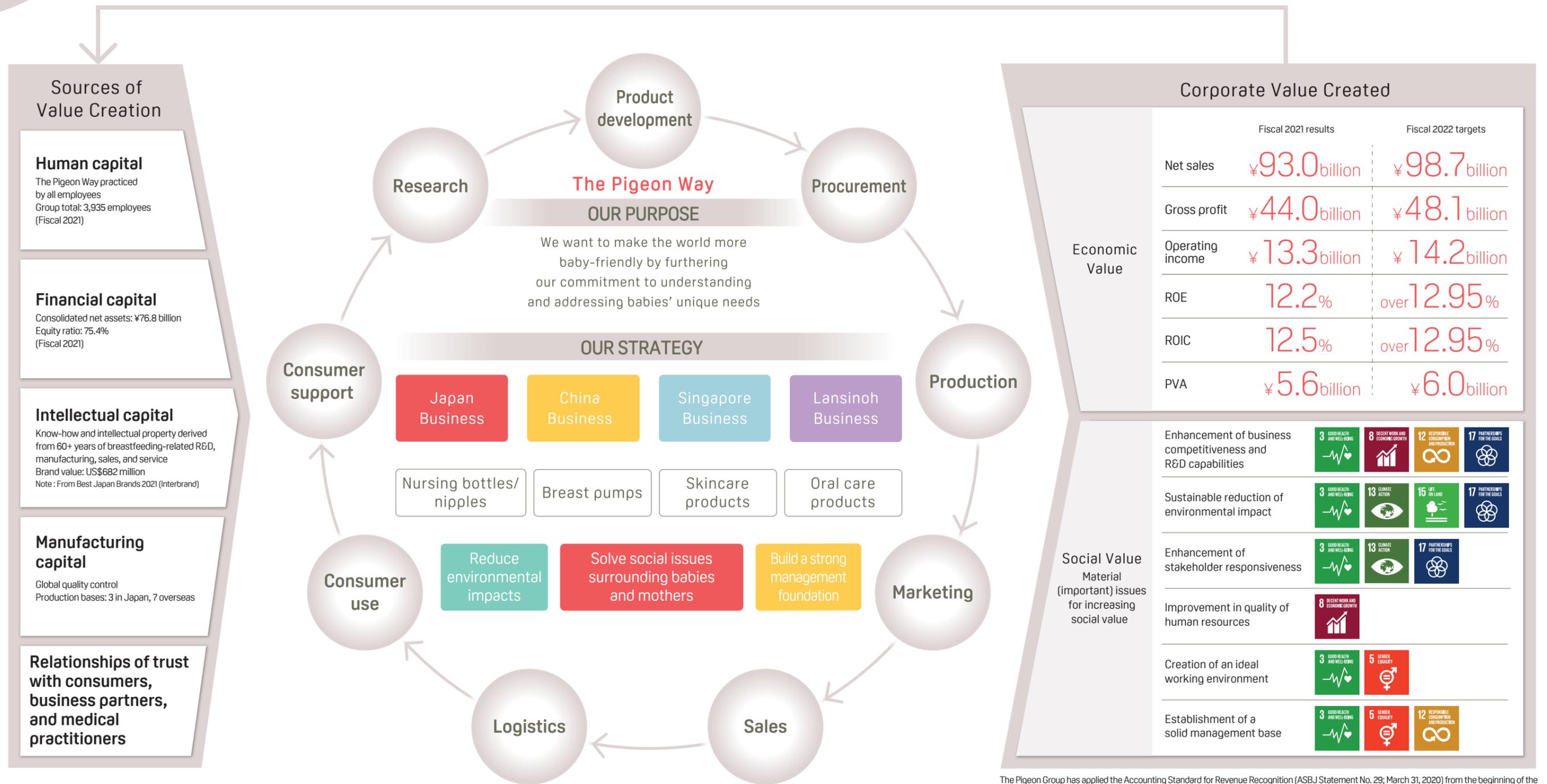
In 2013, Shigeru Yamashita was appointed Pigeon's fifth president. Yamashita brought extensive overseas experience in Thailand, the United States, and elsewhere. This experience led him to strongly believe in the importance of uniting the "heart and soul" and "actions" of Pigeon employees around the world, and in 2014 he established the "Pigeon Way." Pigeon's global performance remained solid, exceeding ¥100 billion in sales by 2018.

2019-

The future for Pigeon's brand power

In 2019, Norimasa Kitazawa was appointed Pigeon's sixth president, following his successful work overseeing Pigeon's expansion in China. Kitazawa developed the Pigeon Way's "Mission" into a new "Purpose": "We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs." Kitazawa's business strategy is aimed at improving Pigeon's brand power and strengthening the Company's ESG/SDGs commitments in pursuit of still greater growth.

Value Creation Story



The Pigeon Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the beginning of the consolidated fiscal year 2021. The figures for "Fiscal 2021 results" and "Fiscal 2022 targets" are estimates based on the new accounting standards.

Pigeon generates corporate value through a Groupwide approach to business activities supported by a value chain that covers everything from R&D to procurement, production, marketing, sales, distribution, consumer use, and consumer support, based on its "sources of value creation," which include human capital and financial capital. At the core of this value creation process 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. Our corporate activities are guided by our Purpose: "We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs." To realize this Purpose, Pigeon is working to reduce environmental (E) impacts, including by addressing climate change and

minimizing waste, and resolve social (S) issues surrounding babies and mothers by manufacturing products that help babies grow up healthily and happily. Fundamental to supporting these environmental (E) and social (S) activities is to strengthen governance (G) by building a robust management foundation. Corporate value created by business activities can be divided into two major components: economic value and social value. With respect to economic value, we will create value by achieving various performance targets set forth in the 7th Medium-Term Business Plan and the 8th Medium-Term Business Plan beyond that. As for social value, we will create value by resolving materiality issues that we have identified as critical challenges that must be addressed, while also helping achieve the SDGs by 2030. We aim to achieve sustainable growth by accomplishing these two value creation goals.

Pigeon is working to integrate its brand and business strategy around its Purpose: “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.”

To strengthen the Pigeon brand, we made our brand promise, “Celebrate babies the way they are”—as our pledge to society, and we consistently communicate this promise globally at every point of contact with stakeholders. By closely monitoring the changing needs of customers, we aim to progress with consumers from “buying a product” to “buying into a business,” which also means getting them to empathize with our business and choose our brand. The significance of our Purpose and Brand Promise has been deeply embraced by employees. In addition to proposals for new products and services, employee-initiated ideas and innovations have sparked the spread of multiple initiatives, which we believe will help resolve social issues related to childcare and maximize economic value.

On the next page, we introduce some ways that Pigeon is translating its Purpose and Brand Promise into action in its various business activities.



Celebrate babies the way they are

● “Lesson for Learning about Babies” for junior high school students

We have begun offering an educational program called “Lesson for Learning about Babies: For a More Baby-Friendly Future” for junior high school students across Japan. In addition to distributing free materials for teachers at individual schools to teach the lesson. Pigeon employees visit and present classes at some junior high schools in person. By the end of March 2022, 6,616 junior high students in 69 schools had experienced the program, which began in late September 2021.

As context for developing the program, we noted that birth and child-rearing in Japan are growing more difficult, and some mothers and fathers lament a lack of understanding toward child-rearing from those around them. One possible reason for this is that, due to the nuclearization of the family and the aging of the population, school-age young people have fewer opportunities to come into everyday contact with babies and think and learn about them. In addition, there are few opportunities in Japan’s education settings to learn about babies and childcare, and to think and learn about what one can do as a member of society. To embody Pigeon’s Purpose and Brand Promise, therefore, we launched the “Baby Friendly Future Project” to help realize a baby-friendly future. We also decided to offer an educational program to foster an interest in babies from an early age, as well as to encourage students to think about what they can do as a member of society and take action.

In the first half of the lesson, students learn in an easy-to-understand manner about characteristic baby behaviors and the reasons behind them so they can develop an interest in babies. The second half is structured to give students the opportunity to think about what actions they could take as a member of society to help babies, and to encourage them to do so.

We also conducted subsequent questionnaire-based surveys, which revealed that students’ understanding and interest in babies had increased, with many realizing that it takes the cooperation of others to nurture a baby.



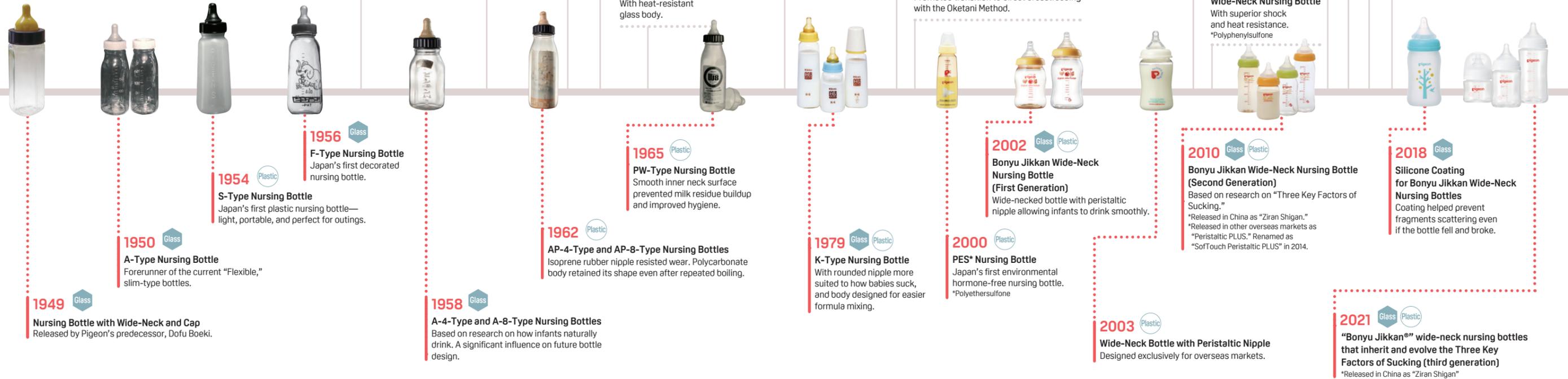
● “Life Lesson” for new employees

Our employees around the world are the driving force for achieving the Pigeon Group’s Purpose. To this end, we are communicating the Pigeon brand to employees in a variety of ways. In Japan, our new graduate recruitment activities include briefings where we explain our Purpose, and many participants have cited “empathy with the Purpose” as the reason for their desire to join the Company. To enhance the corporate value of the Pigeon Group, it is important that all employees deepen their understanding of our Corporate Philosophy and brand, communicate it to customers at various touch points, and increase their attachment to and trust in the Pigeon brand. With this in mind, in fiscal 2021 we launched our new “Life Lesson” program for new employees to help them think about babies. Participants receive a “maternity-like” experience and learn the weight of real babies using fetus dolls. Through our own products and services, we help them deepen their understanding of the babies and families they are close to, and think about the preciousness of each individual’s life.



History of Pigeon and Nursing Bottles

Glass-Made Nursing Bottle
Plastic-Made Nursing Bottle



Pigeon's history mirrors the evolution of nursing bottles.

Pigeon's aim is to design the best nursing bottles for babies and mothers. This thought has not changed since Pigeon's founding. Today, Pigeon is expanding its business globally with various products and services. At the time of our foundation, however, we were preoccupied with the development of our mainstay nursing bottles. In those days, direct-attached nursing bottles, where the nipple is attached directly to the bottle, were mainstream. However, those nipples tended to collapse, making it difficult for babies to suck. There were also issues regarding hygiene. The founders thought, "We should work on improving the quality of nursing bottles!" This led to the creation of Japan's first capped nursing bottle. It was a revolutionary product with air intake holes and adjustable milk output, but it was not a hit due to its high price and lack of name recognition. However, we continued making refinements with the aim of developing the "best" nursing bottle, laying the foundation for Pigeon's subsequent growth.



There is no finish line for our development of nursing bottles.

We strive to design nursing bottles that enable babies to suck as they do in breastfeeding, resulting in no interference with breastfeeding continuity. To approach this ultimate goal, from its early days Pigeon has been conducting research into babies' sucking behavior. Initially, we used cameras attached to the bottom of the bottles to observe babies' tongue movement, but thanks to scientific advancement, now we use ultrasound. Taking research to another level, we also recently developed a device to measure the softness of a mother's nipples, and we are conducting research into nipple softness. We will never end our research into baby's sucking behavior. In addition, we have continued pursuing innovation in technological fields, such as materials and manufacturing methods, which we reflect in our product development. We constantly seek the slightest improvements in bottle and nipple shapes. This culture has been passed down unchanged to the Pigeon of today. Babies' sucking behavior is universal, and our nursing bottles, which benefit from Pigeon's strong global presence, are currently sold in many countries and regions. We are the No. 1 brand in China and have high market shares in Taiwan, Indonesia, Thailand, and many other Asian markets. Pigeon is convinced that better products lead to greater happiness for a larger number of babies and families across the globe. This is the belief that drives our research and development on nursing bottles.





Special Feature

We want to support breastfeeding: A New Nursing Bottle Designed for Use Alongside Direct Feeding!

–Nursing bottles that embody our Brand Promise and Purpose–

Supporting important breastfeeding for babies and mothers.

Pigeon pursues to design nursing bottles in which babies can suck as they do in breastfeeding, so that mothers can continue breastfeeding comfortably at any time. Breastfeeding is important for babies and mothers. Breast milk contains all the nutrients needed to support the growth and development of babies up to six months of age and strengthens the baby's immune system and protects against infection. Breastfeeding is the first choice for the baby's growth and development. With this in mind, Pigeon commits to support breastfeeding and encourages breastfeeding through both its products and services. The best way for a baby to receive breast milk is directly from the mother's breast for as often and as long as the child desires. At the same time, some circumstances might prevent babies from direct breastfeeding. Also, the mother's health, postpartum recovery, or lifestyle changes could make it difficult to feed the baby directly. In such cases, mothers can choose to give expressed breast milk to their babies as the second choice. Nursing bottles offer an alternative method.

However, it is generally said that repeatedly alternating between the mother's nipple and an artificial nipple may bring confusion to the baby's oral response. When this confusion occurs, a baby who has been directly breastfed might refuse to drink from a nursing bottle, and a baby who has been bottle-fed might have difficulty going back to direct breastfeeding. This makes it difficult to nurse appropriately. An artificial nipple must be as close as possible to the mother's nipple so that the baby can drink breast milk comfortably from either source, to ensure that the nursing bottle can be used in conjunction and have no interference with breastfeeding.

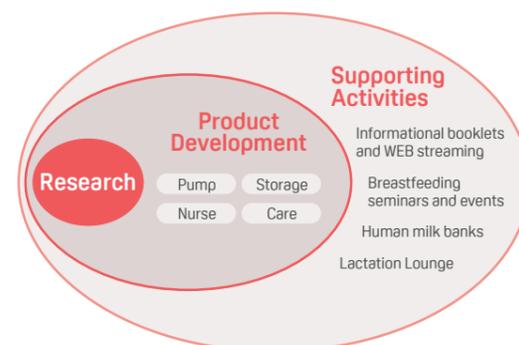
Pigeon's commitment to support breastfeeding

Through appropriate information, products, and services, we support breastfeeding for as long as mother and child wish.

In cases where breastfeeding is difficult, for whatever reason, we offer a full range of products and solutions for healthy child development*.

*Cases where direct breastfeeding is difficult

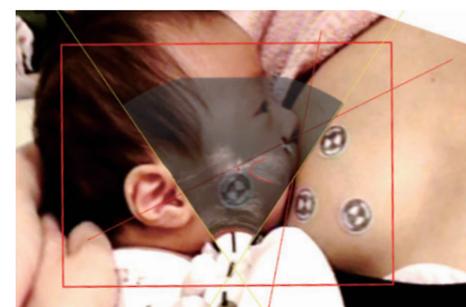
- No milk flow.
- Mother struggles with nipple pain.
- Mother has returned to work (leaving baby in the care of another).
- Baby shows aversion to the breast.
- Baby has a cleft lip and/or palate and cannot drink smoothly.



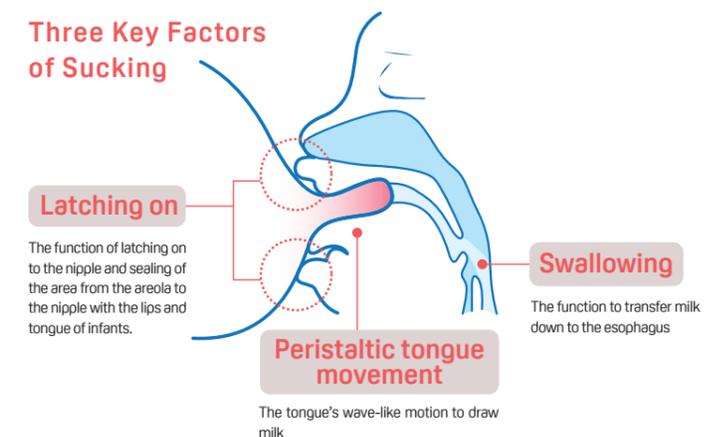
We do not reproduce the shape and appearance of the breast, but rather the sucking action. More than 60 years of research and the pursuit of the three key factors of sucking.

Pigeon has conducted in-depth observation and research for more than 60 years aimed at clarifying the sucking behavior of babies who cannot speak for themselves. The way babies drink from the breast is different from the way adults drink through a straw. The various movements and functions taking place in babies' oral cavity cannot be seen simply by observing their external appearance. Accordingly, we continued our research while also creating unique techniques for observing babies. These include using an intraoral observation camera, an echo (diagnostic ultrasound device) to see the movement of the oral cavity, and a device to measure the sucking vacuum pressure in the oral cavity. We then uncovered the sucking behavior of babies to drive the "Three Key Factors of Sucking": 1) latching on, 2) peristaltic tongue movement, and 3) swallowing.

At our Central Research Laboratory, which has some rooms for observing babies' behavior, we routinely conduct studies with the cooperation of more than 250 pairs of babies and mothers living nearby each year. In the monitoring room, we ask mothers to feed their babies, whom we observe feeding as usual via video and echocardiography. We also compare and study the difference in the sucking movements babies make when using artificial nipples rather than feeding directly from their mothers.



Three Key Factors of Sucking



Products born from close observation

● “Bonyu Jikkan®” SofTouch series

Our “Bonyu Jikkan®” series of nursing bottles overturned the conception that “all nursing bottles are the same.” We achieved this by incorporating our rigorous research into baby feeding, as well as our attention to detail in the planning and design process, into our product development, unparalleled in the world.

Bonyu Jikkan® has been well accepted by many babies and their families since its initial launch in 2002 and has maintained the overwhelming top market shares in Japan and China. Approximately 140 million SofTouch bottles and 290 million individual SofTouch nipples were sold around the world over the 11 years from the release of the second generation of SofTouch products in 2010 to 2020. Pigeon products had the No. 1 global market share of approximately 11%*, for nursing bottles in 2020.

In Japan, Bonyu Jikkan® has been adopted by more hospitals and maternity centers than any other brand*2 and had the overwhelming top share of 88% in 2021 of the domestic market. It received the Tamahiyo Baby Goods Award 2022 (First Prize in the Nursing Bottle Category) and the 2021 Mothers’ Selection Grand Prize in 2021.

Bonyu Jikkan® was launched in China in the early 2000s under the “Ziran Shigan” name. Since then, the Pigeon-brand nursing bottles have been well received by Chinese mothers and fathers of all ages for their high reliability and product safety and maintained the top share (45%*3) of the mainland Chinese market in the fourth quarter of 2021. Pigeon again ranked No. 1 in nursing bottles in 2021 on both JD.com and Tmall, two major e-commerce sites in China.

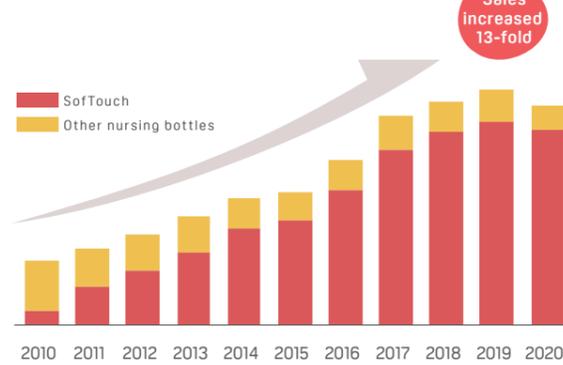
In other overseas markets, “Bonyu Jikkan” bottles are sold under the product name “SofTouch” series, and together with other types of baby bottles, Pigeon’s nursing bottles have the top market share*3 in Indonesia, Singapore, Thailand, and Vietnam. These bottles have been highly acclaimed in many countries, winning prizes for best nursing bottle in the “Influential Brands” awards and “the Asianparents Awards 2021.”

Note 1 : Includes products other than the Bonyu Jikkan series

Note 2 : Based on our hospital visitation activities in 2020. (Based on direct-attached and capped nursing bottle total.)

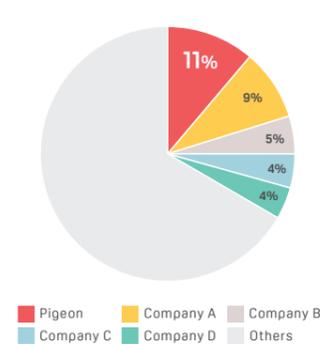
Note 3 : Pigeon’s estimate (bottle and nipple sell through, in value)

● Sales of Pigeon’s Nursing Bottles category



Internal survey of actual sales by nursing bottle category

● World share of nursing bottles in 2020



Global baby bottles. Market 2021 by Manufacturers, Regions, Type and Application, Forecast to 2026. Global Info Research.

● Nursing bottles for babies who require specialized support

Pigeon hopes to “enable all babies to enjoy better suckling” and conducts joint research with hospitals’ newborn intensive care units (NICUs.) We constantly ask ourselves which parts of the baby’s body are causing difficulties and which functions can be supported by our products to help the baby feed itself for babies who require specialized support.

Pigeon is developing specialized products that enable babies with low birth weight or other physical issues to drink breast milk with minimal effort. These include nipples for low-birth-weight babies, nipples for babies with weak suckling strength, and nursing bottles for babies with cleft lips and/or palates. In 2021, we developed a new disposable bottle exclusively for breast milk storage and pasteurization to enable safer and more hygienic storage of breast milk in Human Milk Banks*4. The expertise we have accumulated through our constant support for babies in maternity wards and hospitals is a great reserve of strength for Pigeon, as that is reflected even in our general product development.

Note 4 : Please refer to page 29.



TOPICS Always Attentive

● Sensation...Quantifying sensation to improve artificial nipples

Pigeon uses a unique method to observe sucking behavior and was the first in the world to develop its own dedicated measuring device. Once monitoring is complete, we use our unique method of superimposing video on an ultrasound image to determine the angle and depth of the baby’s mouth during suction.

In recent years, our research on depth at latching on has shown that there is a stable position for the nipple in the baby’s mouth. Traditionally, “latching on” has been a subjective expression, such as “deep enough.” As measurement and analysis progress, however, we believe if we can quantify these important suction-related actions, we will be able to make artificial nipples easier to use, allowing babies to feed better. Measuring the softness of the mother’s nipple also helps in the development of artificial nipples. We have been able to successfully quantify the softness by obtaining the cooperation of a large number of mothers.



● Design...Six different designs to suit the baby’s growth

When designing artificial nipples, Pigeon emphasizes the movement of the nipple when it enters the baby’s mouth rather than replicating the shape of a mother’s nipple. We believe that reproducing similar movements in which babies can suck as they do in breastfeeding will promote more natural and smooth feeding.

Babies’ sucking behavior develops as they grow. Our goal is to produce nursing bottles that are suitable for a natural sucking motion similar to direct breastfeeding by optimizing the size, softness, and shape of the nipple and sucking holes as the baby grows. Our nipples for younger babies are made of soft silicone, and the nipple hole has a round design that allows breast milk or formula to flow at an appropriate pace, so babies with immature feeding capabilities can drink as if they were feeding directly. Conversely, the nipples for older babies are made of a more elastic silicone because they might be pulled at and chewed with new teeth. We have designed a Y-shaped opening in the mouthpiece to maintain an adequate flow of breast milk or formula and prevent spillage, based on the assumption that older babies will also play with or tamper with the bottle.

0~ months	1~ months	3~ months
SS	S	M
Round hole	Round hole	Y cut hole
6~ months	9~ months	Weaning
L	LL	15~ months
Y cut hole	Y cut hole	3L
		Y cut hole

● Combining ease of drinking and durability... Pursuing raw material development and processing technology

Silicone is durable but difficult to soften. The softer and more pliable the material, the more natural the sucking motion is to direct breastfeeding, but durability is compromised as a result. In response, Pigeon joined forces with raw material manufacturers to conduct research and trial production aimed at developing silicone nipples with different formulations for each age group. We also adjusted the thickness of the silicone from the nipple to the base to achieve both softness and durability, based on accumulated research data. Our monitoring activities during the development phase revealed that babies respond to even the slightest change in nipple thickness or hole size. Even though they cannot speak, babies let us know the difference in ease of drinking by their facial expressions, the angle of their mouths, and the movement of their tongues on the monitor screen.



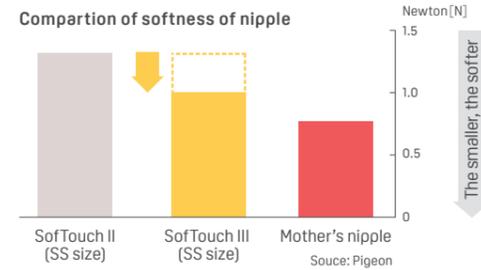
Special Feature: Nursing bottles that embody our Brand Promise and Purpose

Evolving nursing bottles

Pigeon's nursing bottles are already highly acclaimed in many countries. We launched the new Bonyu Jikkan® series in China in September 2021 and in Japan in February 2022, in pursuit of higher goals. The nipples are made of newly developed silicone with improved softness. However, silicone is a material that tends to tear as it gets softer, so we must take care to ensure that it does not tear when a baby chews on it.

Supporting our development of nipples with both "ideal softness" and "durability" were the efforts and ingenuity of our developers, who made prototype after prototype. As babies grow, moreover, their sucking, drinking, and chewing abilities change, so we make small changes both in the size of the nipple hole and the hardness of the nipple itself. For example, nipples for older babies are designed to be strong enough for teething babies to chew on. Also, if the baby does not firmly latch on during feeding, breast milk or formula might leak from the corner of the baby's mouth, and the nipple could get damaged. With this in mind, we designed a new "Latch-on line" that guides mother and baby to the appropriate depth when latching on. The line is presented in a wave shape instead of a straight line so the person feeding the baby does not have to stress about being too precise, and so babies do not lose their own individual feeding styles.

Pigeon manufactures more than 100 million artificial nipples annually. To ensure the safety of each product, we have established our own strict quality control standards in addition to official standards such as the EU and Japanese industrial standards. For example, each artificial nipple undergoes more than 15-point quality inspection at the factory. We use dedicated measuring instruments for function-related inspections of size, suction hole, ventilation valve, elasticity, and the like. Items such as foreign matter contamination, dust adhesion, and resin overflow or loss are checked visually and with a magnifying glass, without relying solely on inspection equipment. The artificial nipple delivers nourishment to babies and keeps them alive. So, we continue striving to ensure the highest product quality at all of our factories. We are always mindful of the fact that each artificial nipple is for a baby who is irreplaceable.



Making the world a more baby-friendly place

Pigeon's nursing bottles are highly acclaimed around the world. Unsatisfied with the status quo, however, we continue making every effort to further evolve our products. Our aim for the future is to supply Pigeon nursing bottles for all babies in need. The Pigeon Group is still in the process of developing the global baby care market, and there are many babies around the world with whom Pigeon can engage.

We continue to further deepen our R&D to develop new products and services that enable each and every baby to progress at their own pace and to become whoever they want to be. We will continue embodying Pigeon's aforementioned commitment to nursing bottles, as well as know-how and ideas derived through rigorous observation of and research into babies' feeding movements. We will also develop new materials from a sustainability perspective, create unique products with social value, and develop products that reflect regional characteristics. In both countries where we have a presence and markets yet untapped, there is ample room for the Pigeon Group to grow its business. With this in mind, Pigeon, with an unparalleled commitment to babies, will deliver unique, carefully designed products to more and more babies and thus make the world more baby-friendly.



Intellectual property rights

Pigeon believes that intellectual property rights are indispensable for sustainable corporate development and that the legitimate creation, protection, and utilization of such rights contribute to sound corporate development. We are also stepping up intellectual property activities so we can deliver our products to customers with peace of mind. We have a policy of strengthening the acquisition of intellectual property rights for important items in our business strategy. In cooperation with the Product Development Department, we are taking measures based on the assumption that we will utilize such rights after acquisition. With the development of e-commerce in recent years, meanwhile, more and more products are distributed across borders. Accordingly, our Intellectual Property Department is strengthening its monitoring of potential brand abandonment. As we develop the third-generation Bonyu Jikkan® series, for example, we are working to obtain design and trademark rights over a wide geographical area so that we can effectively deal with counterfeit products.

Our Approach to Sustainability

The Pigeon Group's fundamental approach to sustainability is "continuing to exist as an integral part of society" by improving social and economic value and, in turn, enhancing the sum of these values—corporate value. Also, we have set forth the Pigeon Sustainable Vision, and by reducing our environmental impact and solving social issues, we are pursuing initiatives for sustainable corporate growth.

Pigeon Sustainable Vision: "Celebrate Babies with All"

We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs. We aim to achieve sustainable growth as a company by reducing environmental impact and solving social issues surrounding babies and mothers in all countries and regions where we conduct business activities. Together with our stakeholders, we strive to create a future, full of joy and freedom, that treasures the amazing brilliance inherent in every baby, that encourages curiosity, and that celebrates diversity.

Environment Surrounding the Pigeon Group

Number of births	139.97 million/year*1 - 1 in 7 babies (more than 20 million) is born with low birthweight, weighing less than 2,500 grams*2 - More than 80% of the 2.5 million newborn babies who die worldwide each year are born with low birthweight*2	Global environmental protection	- Marine plastic litter - Resource depletion - Biodiversity
		Sustainable procurement	- Responsible procurement based on social and environmental considerations
Climate change response	- Aiming for a decarbonized society throughout our supply chains - Natural disasters becoming increasingly severe and frequent	Response to infectious diseases	- Take appropriate measures in accordance with government and municipal requirements and guidance, prioritizing health and safety of employees and all other stakeholders

*1 Source: The State of the World's Children 2021 (UNICEF) <https://www.unicef.org/reports/state-worlds-children-2021>
*2 Source: UNICEF News, May 15, 2019 <https://www.unicef.org/jp/news/2019/0071.html>

Pigeon ESG/SDGs Policy

Based on its Corporate Philosophy, Credo, and Purpose, Pigeon formulated a set of three Values that each and every employee should embrace in the course of their work, as well as five Action Principles to guide our actions. We also established the Pigeon Way as our medium- to long-term Vision and set the Pigeon ESG/SDGs Policy as our policy for embodying the Pigeon Way and contributing to the development of a sustainable society. In addition to pursuing sustainable operations from environmental, social, and governance perspectives, we will create new value through the provision of products and services and advance our business activities to help resolve social issues represented by the SDGs. Going forward, we will strive to build relationships of trust with our stakeholders through our business activities, while improving overall corporate value to foster the development of a sustainable society.

Philosophy System Positioning

The Pigeon ESG/SDGs Policy is positioned as a subordinate structure of the Pigeon Way in terms of philosophy, and its counterpart in the Medium-Term Business Plan is the Business Policy, which defines financial elements.



For more information about our ESG initiatives, please visit the site below.
(<https://www.pigeon.com/sustainability/>)



Our Approach to Materiality

7th Medium-Term Business Plan: Priority Issues and Progress

Environment	Social	Governance
Reduce environmental impacts Leave a rich earth for the future of babies born tomorrow 7th Medium-Term Business Plan Targets Address global warming - Target: Reduce Scope1 and 2 CO ₂ emissions per unit of sales by 10% versus FY2018 - FY2021 progress: 11.7% reduction Prevent pollution - Target: Reduce volume of industrial waste per unit of sales by 1% per year - FY2021 progress: 35% reduction versus FY2020 See pages 32 and 35	Solve social issues surrounding babies and mothers Create a world that celebrates babies the way they are 7th Medium-Term Business Plan Targets Create new products and services that solve issues surrounding babies who need special support (such as NICU hospitalization) and their families - FY2021 progress: Developed new disposable bottles exclusively for breast milk storage and pasteurization See page 29	Build a strong management foundation Support sustainable growth to stay close to the baby 7th Medium-Term Business Plan Targets Engage in responsible dialogue with shareholders and other investors: More than 300 IR meetings per year - FY2021 progress: 370 meetings See page 51

Materiality (Key Issues) and Status of Initiatives

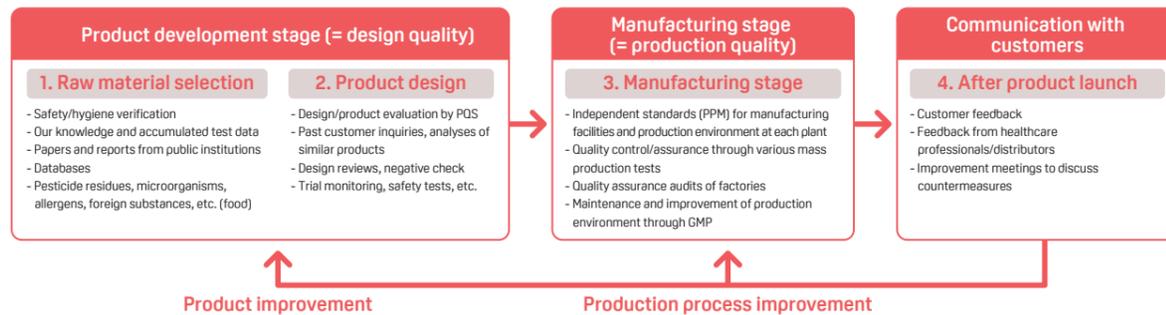
To foster the development of a sustainable society through our business activities and enhance our corporate value, we have identified materialities (key issues) that we must address, which were approved by the Board of Directors in April 2019. In the process, we identified social issues based on international standards and guidelines, such as ISO 26000, the Global Reporting Initiative (GRI) standards, and the SDGs, and pinpointed issues recognized by management. Based on our understanding of the social and business environment, we also examined risks and opportunities and collated issues in our value chain. We then identified six materialities (key issues) based on their importance in building a sustainable society and their importance in our business from the perspective of enhancing our corporate value.

Materiality	Individual issues	FY2021 initiatives
1. Enhancement of business competitiveness and R&D capabilities	<ul style="list-style-type: none"> Develop products and services to help solve social issues Increase productivity with AI and IoT Improve productivity by streamlining the product development process Maintain and improve product quality 	<ul style="list-style-type: none"> Developed disposable bottles exclusively for breast milk storage and pasteurization (Japan) Received the 2021 Good Design Award Held event to commemorate the first anniversary of the opening of the Human Milk Bank in Pigeon's head office (Japan) Launched the Baby Friendly Future Project Provided guidance on management principles to business units and delegated some authority for development processes Continuously implemented quality improvement activities
2. Sustainable reduction of environmental impact	<ul style="list-style-type: none"> Articulate environmental policy and environmental vision Respond to global warming Develop environment-friendly products and packaging Reduce plastics Prevent pollution Share knowledge on reduction of environmental impact Introduce an environmental management system Earmark funds for environmental costs 	<ul style="list-style-type: none"> Discussed long-term environmental vision with the Sustainability Committee Endorsed the TCFD recommendations and started analyses in line with the TCFD recommendations Started Scope 3 GHG emissions calculation for the Japan Business, following the Lansinoh Business (Japan) Installed new solar panels (Thailand) and expanded existing ones (Indonesia) Purchased renewable energy (electricity) (Japan) Joined CLOMA*<!--1</li--> Launched products using RSPO*2 credits (Japan, Singapore) Launched campaign to recycle nursing bottles (Singapore, China)
3. Enhancement of stakeholder responsiveness	<ul style="list-style-type: none"> Promote CSR procurement Respond in a responsible manner to consumers Engage in social contribution activities Engage in dialogue with shareholders and other investors in a responsible manner 	<ul style="list-style-type: none"> Conducted a CSR procurement assessment (223 companies responded) Continued activities based on consumer-focused voluntary declaration Received the Minister of State Commendation at the 2021 Selection of Consumer-Oriented Companies for Best Practice Started Corporate-led volunteer activity (Japan)
4. Improvement in quality of human resources	<ul style="list-style-type: none"> Articulate HR development policy Promote HR development and hiring on a global basis Reinforce expertise of each department 	<ul style="list-style-type: none"> Formulated Personnel Development Policy (Japan) Implemented global personnel development program (Japan) Established specialized skills/education system for each department (Japan)
5. Creation of an ideal working environment	<ul style="list-style-type: none"> Promote diversity Take initiatives toward diverse working styles Promote work-life balance 	<ul style="list-style-type: none"> 100% childcare leave uptake among male employees Received Forbes JAPAN WOMEN AWARD 2021 Increased the ratio of female managers (Japan) Established the Occupational Health Management Declaration (Japan) Recognized the Health & Productivity Management Outstanding Organization 2022 (Large Enterprise Category)
6. Establishment of a solid management base	<ul style="list-style-type: none"> Introduce a new personnel system Put risk management in place Strengthen compliance Strengthen brand power Enhance ESG responsiveness 	<ul style="list-style-type: none"> Started operation of a new personnel system (Japan) Updated risk maps and scenarios Held a meeting of the Risk Management Committee Sustainability Committee met 4 times Enhanced information disclosure on the Sustainability page of the website

*1 Japan Clean Ocean Material Alliance: Platform to accelerate innovation by strengthening collaboration among a wide range of stakeholders across industries to solve the problem of marine plastic litter
*2 Roundtable on Sustainable Palm Oil

Pigeon Quality

To deliver safe and reliable products to babies and their families around the world, the Pigeon Group is committed to improving the quality of its products in two stages: design quality (at the product development stage, including the selection of raw materials and product design) and production quality (at the manufacturing stage). In these two initiatives to improve quality, the processes are managed according to ISO 9001 standards and are checked and reviewed every six months. Even after a product is launched, we receive feedback from customers to improve the product design and manufacturing processes.



● Pigeon's "Design Quality"

The Pigeon Group has established the Pigeon Quality Standards (PQS), which embody an original product-design approach and criteria that build safety, ease of use, and durability into products from the product development stage onward. By applying PQS globally, we are working to support and improve the design quality of our products manufactured worldwide. From the product development stage, we select and use only raw materials confirmed to be safe, and at the development and design stage we conduct an in-house review process that includes design reviews and verifications of wide-ranging risks in various life scenarios ("negative check"). Through this review process, we predict and analyze potential risks in advance, such as defects, injuries, and accidents that could occur when using our products, and reflect them in our designs to prevent them from occurring in the first place. We also evaluate and verify design quality by using trial monitor tests to check whether developed products are of sufficient quality to meet customer needs and whether there are any points that need to be improved.

● Pigeon's "Production Quality"

Pigeon Productive Management (PPM) is an original set of criteria for the manufacturing equipment and production environments at each plant, and our products are manufactured only in plants that meet those standards. In addition to quality assurance (QA) audits at our production plants, which regularly check various aspects of our products, we strive to achieve stable quality by complying with the Good Manufacturing Practice (GMP) established for each country. The system is designed to ensure that only products that have passed the inspection process, from incoming material inspection to in-process inspection during production and outgoing inspection of the final product, will be shipped. In the unlikely event of a manufacturing-related problem or a claim from a customer, we promptly provide feedback to the production department to determine whether the manufacturing process can be improved.

● Connecting Customer Feedback to Quality Improvement

The Pigeon Group has a system in place to collect market information on launched products, including customer feedback and inquiries from medical institutions, and we reflect this information in our safety evaluations of raw materials and products. In the unlikely event of a safety concern, the relevant department holds a *kaizen* (improvement) meeting to determine the cause and promptly take necessary countermeasures. We always evaluate and verify our products from the consumer's perspective and are always conscious of safety as we strive to maintain higher levels of safety and quality.

● Review of Quality Control Standards and Improvement of Product Development Flow

In 2021, we conducted a voluntary recall of baby strollers due to insufficient product durability, and there were issues to consider and verify in designing and ensuring the strength of critical parts in anticipation of defects after long-term use. Taking this situation seriously, we reviewed our quality control standards and improved our product development flow to prevent recurrence, develop better products, and ensure the safety and peace of mind of our customers.

Review of quality control standards	Improvement of product development flow
We further tightened our quality control standards with the addition of items focused on durability.	We strengthened our internal checking system by managing the design review stage (examining concerns from multiple perspectives at the design and prototype stages) and the "negative check" stage (verifications of wide-ranging risks in various life scenarios at the pre-production stage) as independent stages.

We will continue strengthening our product development and quality control systems to deliver products that customers can use with peace of mind.

Pigeon Quality in Practice

Nursing bottles, pacifiers, etc.

All plastic and rubber used in our nursing bottles, pacifiers, and breast pumps are made from only the safest and most hygienic materials available. We also investigate safety risks by understanding the characteristics of all raw materials used and checking for potentially harmful properties. In safety evaluations, we conduct safety tests at external institutions using evaluation methods based on official domestic and international standards and criteria to ensure objective evaluation of our product safety.

In the development process, we verify safety through our own in-house review system, which includes design reviews. We also conduct comparative analyses and trial monitoring tests with competing and similar products to prevent product defects, and we perform multifaceted, objective evaluations of usability.



Skincare products, shampoo, etc.

For ingredients used in skincare products, shampoos wipes, and other products, we investigate and verify safety risks using the test data obtained through our accumulated raw material evaluations. We also reference a wide range of external information from published papers, reports from public institutions, databases, and the like.

In verifying the safety of our products, we conduct various evaluation tests, including those using cells and skin models, tests of the product on human skin (human patch tests), component analyses to confirm the absence of harmful ingredients, and aging tests to confirm changes in properties over time. We also take into consideration the conditions in each sales region. During the development process, we reflect past customer feedback through our internal review system, which includes design reviews, and confirm the quality of product design by verifying functions and identifying areas for improvement through trial monitor tests.



Baby food, baby snacks, etc.

For baby food and snacks, we strictly check the quality control status of pesticide residues, microorganisms, allergens, and foreign substances that might pose a food safety risk, and we use only safe, high-quality ingredients. All information on raw materials used in our products is managed in our database. This system enables us to provide prompt and accurate information when we receive inquiries from customers.

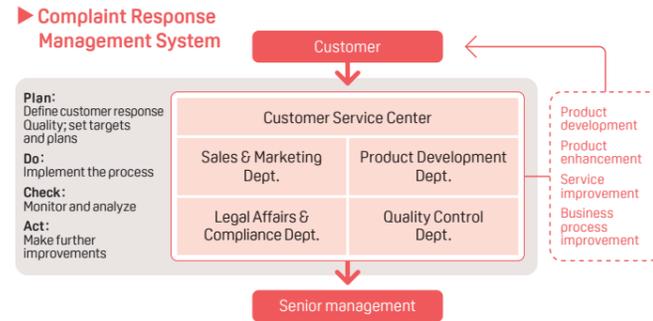
To ensure that our products are safe to consume, we carefully consider the shape and physical properties of the contents during the development and design stages, then confirm quality stability through storage tests. We also strive to reduce risk by examining the contents, containers, and packaging of our products from multiple perspectives to pinpoint any possibility of injury or accident during use. In addition, we conduct regular audits of our subcontracted manufacturers to maintain proper levels of quality control and work continuously with them to further improve the quality of our products.



- 1. Enhancement of business competitiveness and R&D capabilities
 - Individual issue
 - Develop products and services to help solve social issues
- 3. Enhancement of stakeholder responsiveness
 - Individual issue
 - Promote CSR procurement
 - Respond in a responsible manner to consumers
 - Engage in social contribution activities

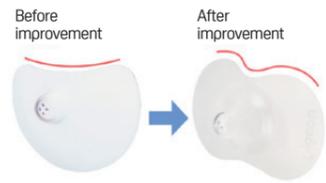
Improving Customer Satisfaction

Pigeon considers customer feedback to be a valuable asset. Since the 1970s, we have operated the Customer Service Center to obtain customer feedback for reflection in our business, underscoring our customer-focused management approach. In 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 2018.



Nipple shields improved thanks to customer feedback

We received some comments of concern about our nipple shields, including misalignment during breastfeeding and size issues. Using this feedback, we adopted a new butterfly shape, thinned the part that adheres to the breast, and improved the degree of adhesion to reduce deviation. We also reviewed our size range and increased it to three sizes (small, medium, and large).



Received the Minister of State Commendation at the 2021 Selection of Consumer-Oriented Companies for Best Practice

In the 2021 Selection of Consumer-Oriented Companies for Best Practice, sponsored by the Consumer Affairs Agency, Pigeon received the Minister of State Commendation. This was in recognition of our proactive approach to embracing consumer needs and opinions and the linking such feedback to product development in a way that differentiates us from our competitors.

Promoting CSR Procurement

In December 2020, we announced our CSR Procurement Policy, which describes our basic mindset and approach to procurement activities, and our CSR Procurement Guidelines, which serve as guidelines for our activities with suppliers. Based on the policy and guidelines, we maintain fair business practices with strict compliance and a strong ethical outlook. We also pursue stable supplies of high-quality products and materials and build win-win relationships with suppliers.

CSR Procurement Assessment

In 2021, the Pigeon Group conducted a CSR procurement assessment survey of its Japan Business, China Business, and Singapore Business in order to understand the status of ESG-related initiatives at suppliers and issues in the Group's supply chain.

Surveyed suppliers and number of respondents

We sent questionnaires to all primary suppliers in our Japan Business, China Business, and Singapore Business (excluding Group companies) and to suppliers of major raw materials at our domestic and overseas production subsidiaries, for a total of a total of 235 suppliers. We received responses from 223 companies (response rate: 94.9%).

Survey method

Using the CSR Procurement Self-Assessment Questionnaire developed by Global Compact Network Japan, we asked suppliers to self-assess nine items: CSR-related corporate governance, human rights, labor, environment, fair corporate activities, quality and safety, information security, supply chain, and coexistence with local communities.

Survey results

The overall average score was 78%, with high scores for "quality and safety" and "labor," but relatively low scores for "supply chain," "coexistence with local communities," "human rights," and "CSR-related corporate governance." For items with low scores, we will strive to improve the scores in the future by providing feedback to suppliers and supporting their improvement efforts.

2021 survey summary



By working together with suppliers to make improvements to issues identified by the survey, we will help resolve social issues and build stronger relationships with our suppliers.

Tiny Birth Cry Support Project

Through our Tiny Birth Cry Support Project, we support the healthy growth of babies born prematurely, babies with low birthweight, and babies born with medical conditions that require special treatment, and we are working in various countries to help families feel more secure and happy.

Products for Babies Who Need Special Care

Committed to enabling all babies to enjoy better sucking, Pigeon conducts joint research with neonatal intensive care units (NICUs) at hospitals and clinics and works in other ways to develop exclusive products so that infants with low birth weight or disabilities can drink breast milk and packaged milk with minimal effort. These include nursing bottles for low birthweight babies, a nursing bottle specially designed for babies with cleft lips and/or palates, and nursing nipples for babies with weak sucking. We also offer a special pacifier for babies born prematurely as a way to ease the pain of treatments and procedures. In 2021, we developed a new disposable bottle exclusively for breast milk storage and pasteurization, to enable safer and more hygienic storage of breast milk in Human Milk Banks.

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.



Activities for Babies Needing Special Care and Their Families

As part our activities for babies and families in need of specialized care, we support Human Milk Banks* in Japan, China, Indonesia, and elsewhere. In September 2020, we provided comprehensive support for the Nihonbashi Human Milk Bank, which opened on the first floor of our head office. This is the second such bank in Japan. In 2021, we engaged in promotional activities to raise awareness of human milk banks, including support of the "Roundtable Meeting of Donor Milk* Recipient Families. (*Provided by Human Milk Bank.)" hosted by the Japan Human Milk Bank Association.

*A facility that provides "donor milk" (processed from donated breast milk) for babies with very low birthweight (less than 1,500 g) who cannot obtain breast milk from their mothers.



Nihonbashi Human Milk Bank at the Pigeon Head Office

Lactation Lounges

Pigeon is committed to creating environments where mothers can continue breastfeeding with peace of mind and helping them return to work after childbirth. With this in mind, we have helped set up breastfeeding/pumping rooms called Lactation Lounges at various locations, including within general companies, and provide products to facilitate breastfeeding. As of December 31, 2021, we had supported 11,005 such rooms in 23 countries around the world.

We also contribute to the community and society by operating Lactation Lounges at our head office and the Central Laboratory. In addition to employees, the rooms are available for use by mothers working in the vicinity, as well as mothers and babies living nearby.



Lactation Lounge at the Pigeon Head Office

Lactation Research

In 2015, we launched the Pigeon Smile Lactation Research Institute, where we work with specialists involved with mothers, fathers, and babies to identify issues during the breastfeeding period and provide solutions to them. Seeking to "Create a society that values more babies growing up healthy and more mothers and fathers finding happiness in childrearing," in 2016 we produced the Happy Breastfeeding Support Book, a comprehensive compilation of information on nursing for mothers. As of December 2021, we had distributed around 760,000 copies of this booklet free of charge.



Happy Breastfeeding Support Book

Maximizing the strengths of our employees

To continuously develop more value-added products, we need to enable all employees to work with a sense of reward and fulfillment while shining in their own way, and to provide comfortable working environments to support our employees. The Pigeon Group believes in the potential of its employees and is committed to maximizing their strengths. Accordingly, we strive to create rewarding work experiences and comfortable work environments by establishing new systems and improving existing ones.

Human Resource Training

The Pigeon Group gives all employees opportunities to participate in technical development, training, and practical training, and has been developing human resources without any gender differences in job titles or courses since before the Equal Employment Opportunity Law was enacted in Japan. We strive to develop human resources by supporting individual career development while respecting diverse perspectives and values. As our business becomes more global in nature, each Group company takes the initiative in designing human resource development and personnel systems in each region in accordance with local conditions.



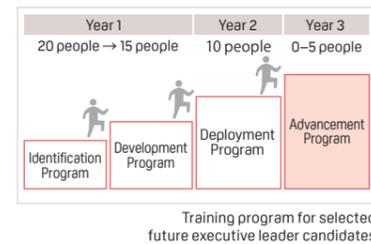
● Personnel Development Policy

In December 2021, Pigeon Corporation established its Personnel Development Policy: “We will provide each and every member of the company with the development opportunities they need to contribute as autonomous professionals through highly specialized skills and knowledge, continuously raising their value as human resources.” Based on this policy, we will implement education and training tailored to the role of each employee.

For details about our Personnel Development Policy, please visit the following website: https://www.pigeon.com/sustainability/social_top/employee_development/

I Future executive leader candidate development

We are committed to developing human resources who can continue to enhance corporate value by honing their human skills based on the values of the Pigeon Way. Every six years, we run a three-year training course for selected next-generation managerial human resources. The course consists of programs to identify, develop, deploy, and promote participants, and the curriculum is designed to select and develop participants in each program process. Many of our past participants have gone on to become key personnel and managers.



I Global Player and Supporter development

To continuously produce human resources who can promote and contribute to the expansion of the Pigeon Group's business beyond national and regional boundaries, we recruit and selectively train global human resource candidates every three years. These candidates are organized into two categories, “Global Player” and “Global Supporter,” and candidates in both categories are given education and training in accordance with their individual record for one to three years. They also receive official certification as global human resources if they meet the respective certification criteria.

Global Player

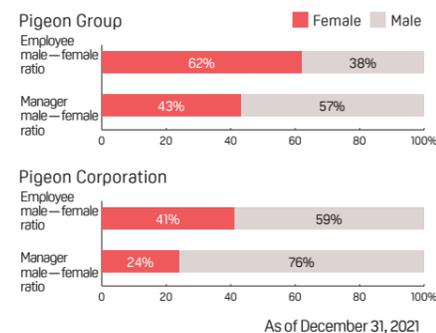
Human resources who in the future wish to work at overseas affiliates as seconded employees and perform their duties in a global environment. In addition to cross-cultural adaptability, candidates are required to be tough and possess good communication and leadership skills. Training is tailored to their individual level.

Global Supporter

Human resources who are based in Japan but work in collaboration with overseas offices. Candidates are required to have language and communication skills to interact with overseas offices. Training is provided at each level to improve these skills.

Promoting Diversity

To address ever-changing business conditions and diversifying customer needs, we need to create work environments in which diverse employees can work with vigor and enthusiasm. 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 believe that working together while respecting fundamental differences in employees’ backgrounds—in such areas as gender, nationality, age, and employment status—will lead to the growth of both employees and the Pigeon Group. Under such circumstances, we work to promote women’s activities with the goal of actively involving women in management, taking into consideration the characteristics of our business, in which many of our customers are women.



Scope of aggregation: Pigeon Corporation and its domestic and overseas consolidated subsidiaries. Managers are defined as those who have subordinates, as well as those who do not have subordinates but hold equivalent positions (excluding directors).

4. Improvement in quality of human resources

Individual issue
-Articulate HR development policy
-Promote HR development and hiring on a global basis

5. Creation of an ideal working environment

Individual issue
- Promote diversity
- Take initiatives toward diverse working styles
- Promote work-life balance

Pigeon Frontier Awards: Encouraging Employees to Embrace Challenges

At Pigeon, we believe that if we cannot take care of our employees, we will not be successful in our business. To maximize the strengths of our employees, we launched the Pigeon Frontier Awards (PFA) in 2019 to support and recognize future-oriented employees who embrace challenges without fear of failure. Once a year, we solicit free ideas and new business concepts from all employees, and proposals that are commended as excellent initiatives are earmarked for development with a view to future commercialization.

The PFA has three main features. First, it increases the amount of time employees enjoy working. Second, it encourages employees to challenge themselves without fear of failure about the future. And third, it encourages employees to flesh out ideas with a sense of speed, because it has the direct support of the president. All employees who have a strong desire to realize their ideas and the passion not to give up are eligible to apply. Until fiscal 2021, the system targeted all Pigeon Corporation employees (regular, temporary, casual, and part-time employees), but in fiscal 2022 it will be expanded to include employees of domestic Group companies, and later will be extended to cover all Group employees, including those at overseas Group companies.

In fiscal 2020, the inaugural year of the PFA, we received 23 applications, seven of which were selected as projects under the direct control of the president. One project officially adopted in fiscal 2020 was called “Care for babies the way they are at NICUs.” We have since put a project advisor in place and completed checklists and algorithms for products targeting neonatal intensive care units (NICUs), and we are currently developing products related to colostrum, an ideal source of nutrition for newborn babies to build immunity. In fiscal 2021, the second year of the program, we selected seven projects from a pool of 19 applications. Through the PFA, a platform for conceiving and shaping Pigeon’s future, we will create environments that encourage employees to enjoy their jobs while helping them identify their work aspirations and the people they want to become, while encouraging the creation of new products and services with high added value.



Child-rearing support system for employees

Aiming to be a company where both men and women can freely talk about childcare, Pigeon upgraded its systems for supporting employees’ childbirth and child rearing from an early stage. We have a variety of systems to help employees balance child-rearing and work after pregnancy, giving birth, and returning to work, including a life design leave system for infertility treatment.

In 2006, for example, we established One Month Together, which allows employees to take one month of paid childcare leave without worrying about finances. Today, when a male employee finds out that his spouse is pregnant, the conversation in the department is often “When are you going to take One Month Together?” The uptake of childcare leave among male and female employees has been 100% since the fiscal year ended January 31, 2016.

In 2021, we launched the Childcare System Project Created by Employees, in which 28 employees raising children participated for one year. Our renewed childcare system is based on the ideas proposed in the project. It includes First-Time Together Leave, which allows spouses to take up to 10 days of leave before and after childbirth. We also extended the period for working reduced hours due to child-rearing from “until entering first grade of elementary school” to “until entering fourth grade of elementary school.” In these and other ways, we have created a child-rearing support system that can flexibly accommodate the diverse lifestyles of our employees.



One Month Together

Basic Approach to Global Environmental Protection (Environmental Policy)

The Pigeon Group is committed to forming a sustainable society in the finite global environment and “leaving a rich earth for the future of babies born tomorrow” by acting based on the Pigeon Way. In addition to complying with environmental laws and regulations, we recognize the relationship between our business activities and the environment, while energetically tackling the environmental issues as a common challenge for humanity.

In that spirit, we pursue maximum efficiency in the use of natural resources and energy and reducing emissions of greenhouse gases, waste, harmful chemicals, and other substances that impact the environment, thereby contributing to mitigating global warming, preventing pollution, and preserving biodiversity.

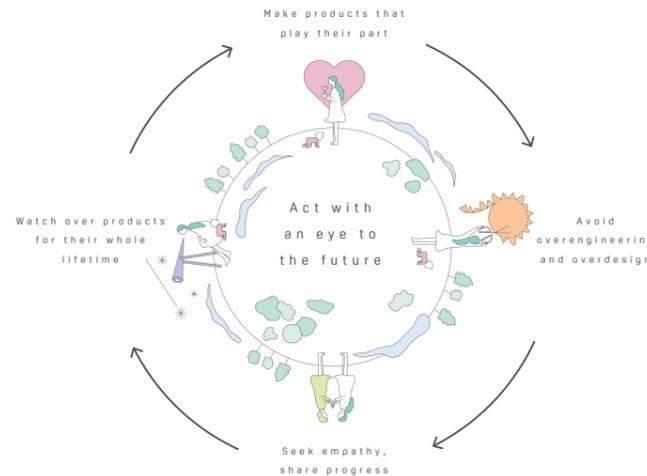
In advancing these various efforts, we strive to form appropriate partnerships and cooperative relations with the diverse range of stakeholders in our supply chain, including customers, business partners, and local communities, to have a beneficial effect on the global environment of the future.

Sustainable Development Policy

The Pigeon Group formulated its Sustainable Development Policy in February 2021 as a policy for manufacturing that takes into consideration the future environment of childcare and the global environment.

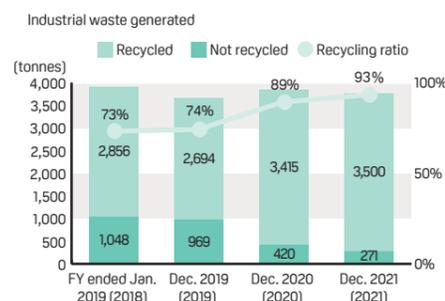
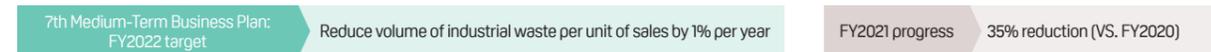
We aim to carry out *monozukuri* (manufacture products) with due consideration to the future environment for parents and the natural world. This begins with every Pigeon employee thinking about the environmental impact of their actions.

With this in mind, we develop products based on our Sustainable Development Policy, which sets out the following key rules: “Act with an eye to the future,” “Make products that play their part,” “Avoid overengineering and overdesign,” “Seek empathy, share progress,” and “Watch over products for their whole lifetime.”



Industrial Waste

The Pigeon Group is committed to minimizing non-recyclable industrial waste generated by its business activities. Under our 7th Medium-Term Business Plan, our goal is to reduce the volume of industrial waste per unit of sales by 1% per year. At our production subsidiaries, we are working to reduce raw material losses by improving productivity and yield. We are also making other improvements, such as reviewing the design of product packaging to minimize the volume of materials discarded during the production process. For industrial waste that is not recycled, we reviewed our disposal vendors and entered into contracts with those who can properly recycle such waste.



Scope of data collection: Pigeon Corporation and its domestic and overseas consolidated subsidiaries
 Notes:
 1. 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.
 2. Recycling includes reuse and thermal recycling.

Pollution Prevention

● CLOMA Membership

In September 2021, we became a member of the Japan Clean Ocean Material Alliance (CLOMA), a platform to accelerate innovation by strengthening collaboration among a wide range of stakeholders across industries to solve the problem of marine plastic litter. We will continue striving to reduce the use of plastic while stepping up cooperation with various companies and organizations.



Clean Ocean Material Alliance

● Chemical Management

As part of our activities to sustainably reduce environmental impact, we work with suppliers on the management of chemicals contained in products to ensure that all products delivered to Pigeon customers are safe, considering to protect the environment. These efforts cover chemicals regulated under international regulations and agreements, such as the Stockholm Convention on Persistent Organic Pollutants and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulations. Pigeon divides its management of chemicals into two levels, “procurement-prohibited substances” and “procurement-controlled substances,” in consideration of regulations in countries where its products are sold and other regulations that are internationally influential. We define the chemical substances to be controlled and manage the chemical substances contained in our products at the design and development stage and for continuously purchased products.

Initiatives for Biodiversity

The Pigeon Group recognizes that biodiversity is the foundation for the survival of society as a whole and is an essential element of sustainable business activities. We pursue initiatives to protect nature in order to conserve biodiversity, giving full consideration to how our business activities affect biodiversity in various situations, such as raw material procurement, water resources used and wastewater discharged in manufacturing processes, and product disposal.

● Use of Sustainable Resources

Some of the skincare and detergent products manufactured and sold by the Pigeon Group contain ingredients made from palm oil and palm kernel oil. To promote the sustainable use of palm oil products, in December 2020 Pigeon became an ordinary member of the Roundtable on Sustainable Palm Oil (RSPO), a nonprofit organization that encourages the production and use of sustainable palm oil, including through the conservation of tropical rainforests and biodiversity. In 2021, The Japan Business and Singapore Business purchased and claimed RSPO credits for some detergents and skincare products through the book & claim model.*

*A system that supports the production of certified sustainable palm (kernel) oil by allowing end-users to purchase credits issued by RSPO-certified producers based on the amount of certified palm (kernel) oil they produce.

Type	Total palm oil/palm kernel oil used (2021)*	RSPO credits purchased and claimed (2021)
Palm oil	176 tonnes	CSP0: 25 tonnes
Palm kernel oil	346 tonnes	CSKP0: 28 tonnes

Scope of data collection: Pigeon Home Products Corporation, Pigeon Singapore Pte. Ltd., Pigeon Industries (Thailand) Co., Ltd., and PT Pigeon Baby Lab Indonesia. For Pigeon Home Products Corporation, raw materials used for only products manufactured by itself are covered. Items covered are detergents, cleaning products, and skincare products.

*Figures obtained by converting the amount of palm oil-derived components of the raw material to palm oil or palm kernel oil.



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Check our progress at www.rspo.org

● Planting Mangroves

As part of its environmental conservation activities, PT. Pigeon Indonesia formed a partnership with the Lindungi Hutan Foundation, an Indonesian forest conservation organization, to plant and monitor a total of 5,000 mangrove trees in 2021. By planting mangroves, we seek to not only mitigate climate change but also preserve the north coast of Java, Indonesia. Together with the Lindungi Hutan Foundation and local residents we conducted two tree-planting sessions: June and November 2021.



Water Conservation

We are working to reduce water consumption through saving, the effective use of water for manufacturing, and the reuse of wastewater. Please see our ESG Data Book (<https://www.pigeon.com/sustainability/databook/>) regarding our progress in water use.

Declaration of Support for the TCFD Recommendations and the Disclosure of Climate-Related Financial Information

In December 2021, Pigeon Corporation publicly declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our aim is to understand business risks and opportunities arising from changes in the natural and business environments due to climate change, as well as the potential financial impacts of such changes, and to manage key risks and opportunities appropriately.

In 2021, conducted qualitative analyses of climate-related risks and opportunities in our core Japan Business and China Business, focusing on nursing bottles and nipples and skincare products, which account relatively significant proportion of sales among our core products. The results of these analyses are summarized in the Pigeon Group TCFD Report 2022, which is disclosed on our corporate website.



Governance and Risk Management of Climate-Related Risks and Opportunities

Among climate-related issues, our GHO Risk Management Committee spearheads the management of risks that are highly probable in the short and medium terms and are directly related to business continuity, such as the risk of suspension of operations due to flooding. For issues to be addressed over a longer frame and from a cross-business perspective, the Sustainability Committee sets medium- and long-term Group targets for environmental conservation, including climate change, and evaluates progress. Both the GHO Risk Management Committee and the Sustainability Committee are chaired by the director in charge of the Global Head Office (GHO), who reports the results of deliberations of both committees to the Board of Directors.



Strategies

Climate scenario analysis

The Pigeon Group delivers a variety of products and services to customers in more than 70 countries around the world. In using climate scenarios to analyze risks and opportunities, we first analyzed our core business of manufacturing and marketing nursing bottles and nipples and skincare products in the Japan Business and China Business. We assumed two scenarios for the world in 2030 (2050 for physical impacts): a world moving toward decarbonization aiming to limit the increase in the global average temperature to 1.5°C (1.5°C scenario) and a world with high carbon emissions and an increase in global average temperature of 4°C (4°C scenario).

Risks and opportunities related to nursing bottles/nipples and skincare products

Consumer market changes

Nursing bottles and nipples, which are core products for Pigeon, are essential for babies who need these products regardless of climate conditions and policies. Under the 4°C scenario, however, great changes in climate conditions are expected, and we expect that anxiety about the future of babies could be a reason for the decline in the number of births, which might affect sales of nursing bottles and nipples. Under the 1.5°C scenario, we believe in the importance of product strategies, such as environmentally conscious products throughout the value chain and consumer appeal, as consumers have greater preference for ethical choices. Under both scenarios, we expect the climate to change and natural disasters to become more frequent. As a result, we expect increased demand for products that can protect babies from high temperatures and humidity and drier conditions, as well as products that are more water-efficient than conventional items or can be used without water during droughts or when water is cut off due to flood damage.

Changes in policies and regulations

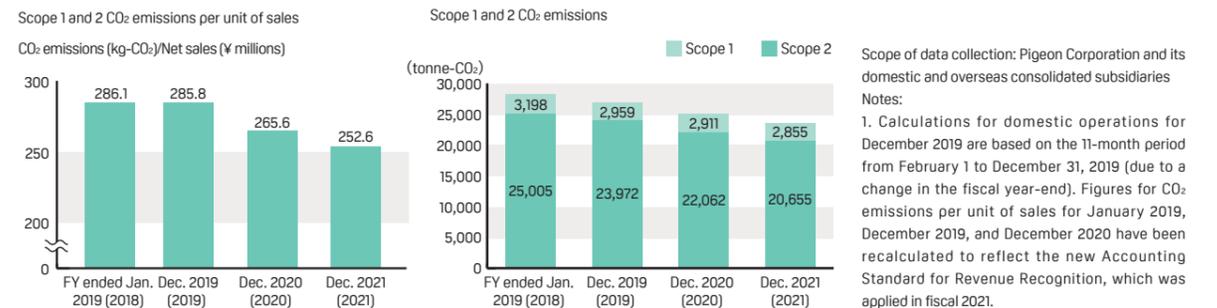
The 1.5°C scenario assumes the introduction of strict policies and regulations targeting decarbonization. For Pigeon, there is a risk that a carbon tax will be imposed on greenhouse gas emissions or that an emissions trading scheme will be applied. In addition, we expect the global tightening of decarbonization policies to result in higher prices for purchased electricity, transportation, palm oil-derived raw materials and petroleum-derived plastic materials, as well as restrictions on the use of petroleum-derived plastics. Because these factors will increase our manufacturing costs, development costs, and capital expenditures, we will conduct a quantitative financial impact analysis in the future.

Increased frequency of natural disasters

Under both the 1.5°C and 4°C scenarios, global average temperatures would be expected rise even higher than today, resulting in more frequent extreme weather events, disruption of supply chains and logistics networks, and suspension of operations due to floods, droughts, and the spread of infectious diseases, which would incur repair costs when damage occurs. To ensure stable production, we are taking various measures, such as establishing a system to enable temporary switching of production bases within the Group and purchasing key raw materials from two or more suppliers. Manufacturing skincare products entails consumption of water for ingredient formulation, equipment cleaning, and steam production. Accordingly, we will conduct analytical risk assessments of potential future water shortages in factories that manufacture skincare products.

Metrics and Targets

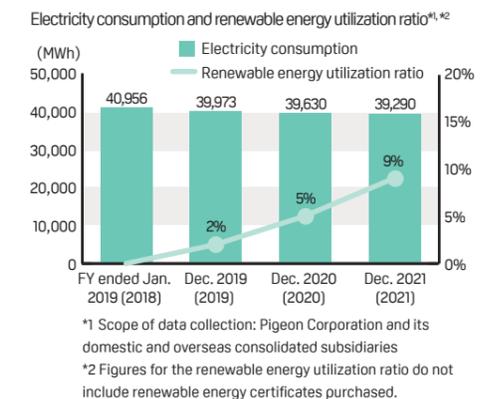
In the 7th Medium-Term Business Plan (2020–2022), we set a Groupwide target to reduce Scope 1 and 2 CO₂ emissions per unit of sales by 10% from the fiscal 2018 level. The Sustainability Committee assesses our performance progress against the target, which is one of the non-financial performance indicators linked to stock remuneration for directors (excluding independent outside directors).



Promoting the Use of Renewable Energy and Energy Conservation

To reduce the Pigeon Group's greenhouse gas emissions, we have been installing solar panels at our production subsidiaries to generate solar power for our own consumption. In 2019, two Group companies in China and one in India began on-site power generation with solar panels, followed by one company in Indonesia in 2020 and two companies in Thailand in 2021.

In addition to our own solar power generation, we purchase electricity from renewable sources. Since August 2021, 100% of purchased electricity to power Pigeon's head office building has come from renewable sources. In 2021, some of our domestic production subsidiaries purchased electricity using feed-in tariff (FIT) non-fossil certificates and J-Credits derived from renewable energy, while some of our overseas subsidiaries purchased international renewable energy certificate (I-REC). In addition to the use of renewable energy, we are switching to LED lighting to save electricity and promoting energy conservation in our facilities.



PIGEON INDUSTRIES (THAILAND) CO., LTD.



THAI PIGEON CO., LTD.

Japan Business

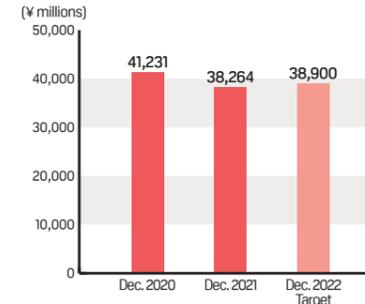
● Business Environment

In 2020, the total number of births in Japan was 840,000 (according to statistics released by the Ministry of Health, Labour, and Welfare in 2020), a record low figure. In 2021, the figure was expected to decline even further due to the impact of the COVID-19 pandemic on childbearing motivations. Meanwhile, with the female employment rate in Japan exceeding 50% (51.8% on an all-age basis, according to the Ministry of Health, Labour, and Welfare), there are growing expectations of our company in terms of childcare support. In addition, the ratio of people aged 65 and older to the total population (aging rate) is at an all-time high of 29.1% (Statistics Bureau, Ministry of Internal Affairs and Communications; estimate as of September 15, 2021), reflecting the nation's ongoing aging trend.

● Our Competitive Edge

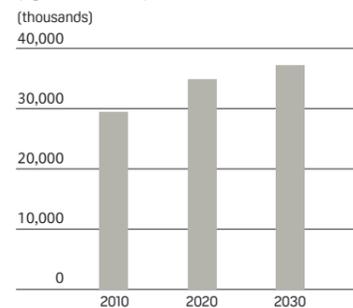
Pigeon conducts in-depth research into the growth processes of babies and uncovers various problems that parents encounter when raising children, based on more than 60 years of research into breastfeeding and infant development. We have used these findings to develop numerous high-quality products. Pigeon is widely recognized as a leading brand in the industry, and its strength lies in its ability to develop diverse product categories while increasing market share. As a result, we have performed well even in the Japanese market, which has experienced declining birth rates since 1975. We have also increased our presence in such categories as baby strollers, carriers, and bouncers, where we were a late market entrant, in recent years. We have earned a reputation for safe, secure, and reliable products through our provision of baby and childcare offerings. Deploying this brand strength, we are building our childcare service business, which includes contracted operation of in-company childcare centers, under the principle that “children’s growth is our first priority,” and we have earned the confidence of customers as a result. Known for its unparalleled knowledge about babies, the Pigeon Group is constantly expanding and improving the quality of its childcare services. For the elderly, we offer new competitive products while improving the quality of our elder care services. Here, we leverage our product planning capabilities, as well as the high-level quality control we have cultivated in baby products, to accurately identify the unmet needs of consumers.

Sales of the Japan Business [New standards]



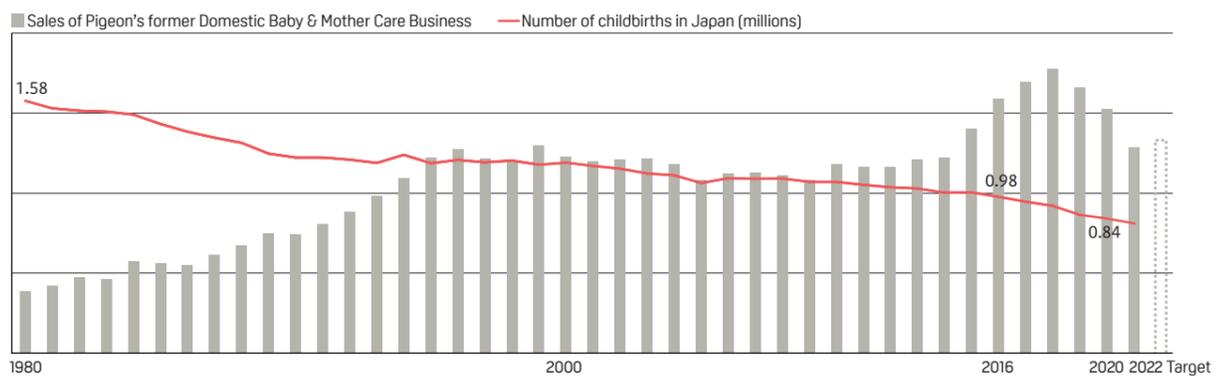
Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and others, effective fiscal 2021, as a change in its accounting policy. The above figure for “FY20/12” is an estimate based on the new accounting standard.

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



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

Number of Childbirths in Japan and Sales of Pigeon’s Former Domestic Baby & Mother Care Business



Source: Based on research by Pigeon

● Business Strategy

There are three business under the segment: baby & women’s care, childcare services, and health & elder care. In baby and women’s care products, our core offerings are nursing bottles, which boast a domestic market share of more than 80%. We are also working to expand our business and increase market share in skincare products, as well as strollers and other large-scale products. 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. In childcare services, our reputation and trust 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. In the area of products for the elderly, we are working to improve competitiveness by focusing on products developed and manufactured in-house, such as wipes; body wipes; skin care, and oral care products, as well as wheelchairs and other institutional products.

● Fiscal 2021 Performance and Highlights

The Japan Business reported a 14.9% year-on-year decline in sales to ¥38,264 million, based on the new accounting standard*1. Segment income fell 31.3% to ¥2,065 million, mainly due to the decrease in revenue.

Sales of baby and women’s care products declined year on year due to various factors. These included the absence of inbound demand from foreign visitors to Japan; the dissipation of special demand for cleaning and disinfection products, wet wipes, and other COVID-related products; and the impact of new COVID-19 outbreaks around Japan. Sales of baby care*2 products were down 5.8% year-on-year. On the other hand, some products matched to new lifestyles performed well, for example, breast pumps, baby tooth care products, electric nasal aspirators, and packaged rice. Also, our core products (nursing bottles, skincare products, breast pumps, and oral care products) expanded their market share across the board. For example, with an 88%*3 domestic market share for nursing bottles.

In July 2021, we launched the Wuggy bouncer, which makes family time at home happier and fosters a circle of happiness in the family. In September, we released BASIS Polka Dot Denim as the fifth edition of the extremely popular BASIS stroller series, which can only be purchased at select stores. Both products have been extremely well received. In December 2021, we launched My Home Torisetsu, a childcare and housework sharing support app that uses videos, images, and texts to share with partners the different childcare and housework methods of each household. In these and other ways, we worked to enhance our products and services. As part of our direct communication initiatives, we held joint seminars with our business partners and conducted livestreaming sessions via social media to convey the features of our products in an easy-to-understand manner. The streamed content was viewed by more than 5,000 people. We also streamed our Breastfeeding College seminar for pregnant mothers, which attracted more than 1,300 attendees. We are continuing to enhance support content through our website and social networking services to ease the anxieties of mothers and fathers during the ongoing pandemic. We will also further improve the content of “Pigeon Info,” a website that supports women during pregnancy, in childbirth, and when raising children.

Sales of health and elder care products declined year on year, mainly due to the dissipation of special demand for hygiene-related products seen in the previous fiscal year, as well as the revision of our product portfolio as planned. However, this category’s gross profit margin improved 1.9 percentage points. We aggressively introduced new products during the year. In February 2021, for example, we renewed and started selling our oral care products under the Clean Smile Series name. In August, we released a new food-thickening agent called Liquid Thickener—Simply Add, which allows customers to enjoy original meals without sacrificing flavor or appearance. Going forward, we will continue strengthening our sales activities to retailers and elder care facilities while working rigorously to improve the quality of our elder care services.

In childcare services, we operated in-company childcare facilities at 64 locations in fiscal 2021. We will continue developing this business while improving the quality of its service content.

Note1: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and others, effective fiscal 2021, as a change in its accounting policy.
 Note2: Name changed from the Domestic Baby & Mother Care Business in December 2021.
 Note3: Pigeon’s estimate (bottle and nipple sell through, in value)



Japan Business

● Medium- to Long-Term Value Creation

Environmentally conscious manufacturing (Pigeon Package Act 2025)

Committed to leaving a rich earth for the future of the babies born tomorrow, the Pigeon Group pursues environmentally friendly manufacturing. In February 2021, we began affixing the Pigeon Eco-Label on products that meet our own environmental standards to help customers choose environmentally friendly products. We also set quantitative annual targets in the Pigeon Package Act 2025 and are working to ensure that the packaging for all baby and maternity products sold in Japan will be designed to meet Pigeon Eco-Label Standards by 2025.

FY2021 initiatives

The number of products displaying the Pigeon Eco-Label has reached 34% of all eligible products.

Products with the Pigeon Eco-Label

Use of forest-certified paper

All packaging and instructions for the new Bonyu Jikkan series of nursing bottles are made of forest-certified paper.



Use of recycled materials

90% of the paper packaging for our KIPPOI baby tableware sets is made from recycled paper, and 80% of the plastic packaging is made from recycled PET.



SDGs training for new employees

We provided SDGs training for new employees who joined the Company in fiscal 2021 with the aim of helping them gain a deeper understanding of environmental and social issues and embrace them as their own personal concerns. Using “2030 SDGs,” a card-based game offered by the nonprofit corporation Imacocollabo, we helped participants deepen their understanding of the SDGs by simulating the path from the present to 2030 in order to achieve the 17 goals of the SDGs. According to feedback, participants learned the significance of embracing the SDGs and realized that social issues, previously assumed to be unrelated, are actually connected. The training provided an opportunity for new employees to think about how they can help resolve social issues and increase corporate value through their business activities.

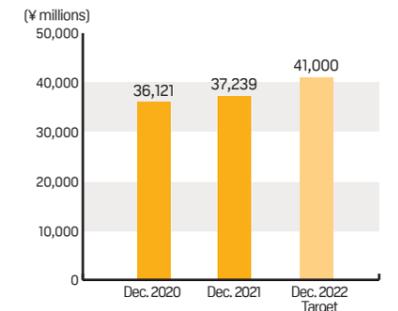


China Business

● Business Environment

Although there has been a downward trend in birth numbers in China since 2016, the country remains a huge market with 10.62 million births in 2021 (National Bureau of Statistics of China). Moreover, there is enormous growth potential for Pigeon in the Chinese market amid ongoing growth in disposable income and rising consumer interest in product safety. In addition, there is a progressive shift toward e-commerce as people born in the 1980s and 1990s, many of whom are digital native, create new families. Pigeon is responding flexibly to this trend, with the e-commerce channel in mainland China accounting for a growing proportion of its sales each year.

Sales of the China Business [New standards]

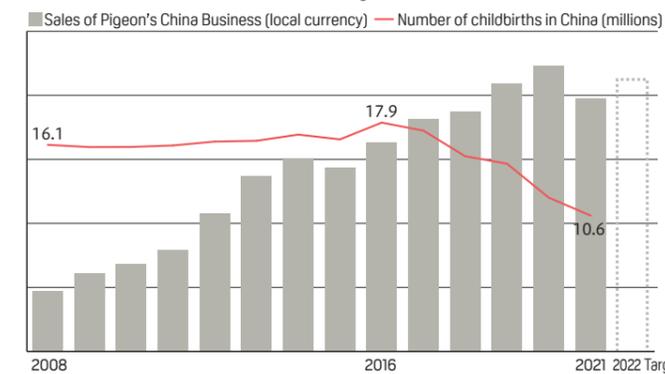


Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and others, effective fiscal 2021, as a change in its accounting policy. The above figure for “FY20/12” is an estimate based on the new accounting standard.

● 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 on our core nursing bottles and skincare products. For more than 10 years, moreover, we have opened breastfeeding consultation rooms in major hospitals across the country. We also host educational forums on breastfeeding in cooperation with maternity hospitals. Accordingly, Pigeon has become widely recognized as a safe, reliable, high-quality brand in China.

Number of Childbirths in China and Sales of Pigeon’s China Business



Source: Based on research by Pigeon



PIGEON MANUFACTURING (SHANGHAI) factory



Breastfeeding consultation



Maternity class

China Business

● Business Strategy

The ratio of e-commerce sales is expanding year by year and accounted for 67% of Pigeon's sales in China in 2021. In response, we are using social media to step up direct communication with consumers and keep abreast of their needs. Meanwhile, sales at brick-and-mortar stores are declining, partly due to the accelerated closure of smaller retail stores stemming from COVID-19. Nevertheless, we are stepping up efforts to halt the decline in sales by introducing items exclusive to brick-and-mortar stores, such as the Avocado Skin Care Series.

On the production side, PIGEON MANUFACTURING (SHANGHAI) CO., LTD., makes and assembles mainstay nursing bottles, silicone nipples, and skincare products. Meanwhile, PIGEON INDUSTRIES (CHANGZHOU) CO., LTD., makes breast pads, baby wipes, and disposable diapers. In 2022, we plan to start selling Pigeon-brand products in the North American market by leveraging the marketing and e-commerce know-how and resources of our China Business.

● Fiscal 2021 Performance and Highlights

The China Business posted a 1.3% year on year decrease in sales to ¥37,239 million, based on the new accounting standard^{*1}. Segment income declined 6.4% to ¥11,792 million, mainly due to the decrease in revenue.

Sales on a local-currency basis decreased around 6% year on year as demand in mainland China, which was strong in the previous year, subsided, while COVID-19 continued to impact sales at brick-and-mortar stores. As a result, our share of China's nursing bottle market surpassed 45%^{*2} at the fiscal 2021 year-end. In September 2021, we released a renewed series of "Ziran Shigan" nursing bottles (product name in Japan: "Bonyu Jikkan[®]"), which occupies the largest market shares in Japan and China. We started pre-sales of the new series via major e-commerce sites. Sales of skincare products remained strong, reporting double-digit growth, thanks mainly to the launch of a series focusing on hot spring minerals and the renewal of existing products, as well as steady growth of the Avocado Skin Care Series, with sales topping one million units in the first year after launch. At "Double Eleven," one of the largest China's annual e-commerce shopping event, held in November 2021, overall sales of Pigeon products rose 4% year on year. Pigeon again ranked No. 1 in nursing bottles and skincare products on JingDong Mall (JD.com) and in nursing bottles on Tianmao (Tmall), two major e-commerce sites in China.

Segment income declined year on year. However, this was due to a change in our product sales mix, efforts to strengthen brand power, and aggressive activities to strengthen sales in the rapidly expanding e-commerce market and promote new products, as well as the allocation of future-oriented expenditures. The percentage of sales through the e-commerce channel in mainland China has grown to 67%, while sales at brick-and-mortar stores have declined. Expecting this trend to continue, we will step up efforts centered on e-commerce while leveraging social media and livestreaming to invigorate direct communication with consumers. In addition, we will continue strengthening in-store promotions at brick-and-mortar stores, conduct new product distribution promotions, and engage in maternity hospital-related activities, while increasing our points of contact with customers and further expanding our business.

Note1: The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others, effective fiscal 2021, as a change in its accounting policy.
Note2: Pigeon's estimate (bottle and nipple sell through, in value)



Hot spring skincare series



Yuzu skincare series



Renewed "Ziran Shigan" series

● Medium- to Long-Term Value Creation

Supporting babies with a cleft lip and/or palate through volunteer activities and the donation of dedicated products

Committed to enabling all babies to enjoy better feeding, PIGEON(SHANGHAI) CO., LTD. is working with Operation Smile, a nonprofit organization, to help children with a cleft lip and/or palate. In addition to donating specially designed nursing bottles (for babies with a cleft lip and/or palate) and baby food, in May 2021 Pigeon (Shanghai) employees assisted more than 60 babies undergoing free cleft lip and/or palate surgery in a hospital in Yunnan Province, China, with the help of Operation Smile. It also helped guide the babies and their families to the examination and operating rooms. This activity gave us an opportunity to deepen our understanding and knowledge by communicating with families and healthcare professionals to discuss feeding and childcare challenges and the issue of cleft lip and/or palate.



©Operation Smile

Collecting used nursing bottles for recycling into trays and giving them to customers as gifts

Aiming to reduce plastic waste and achieve a sustainable society, we started collecting and recycling nursing bottles in December 2021. Specifically, we collect polyphenylsulfone (PPSU) nursing bottles that have been used by customers and played their part from collection boxes located at baby product specialty stores and by post from customers. The collected bottles are shredded by PIGEON MANUFACTURING SHANGHAI CO., LTD. and recycled into trays that are given to customers as gifts. Committed to resource recycling, we will continue studying and experimenting with the collection and recycling of our products.



Singapore Business

● Business Environment

Approximately 140 million babies are born each year around the world, and the regions covered by our Singapore Business segment represent a major proportion of this total. This segment encompasses Southeast Asia (e.g., Singapore, Indonesia, and Malaysia), India, the Middle East (United Arab Emirates and so on), Oceania, and others (including South Africa), as well as emerging nations. We are expanding our business in two of those nations—India, with around 24 million childbirths annually, and Indonesia, with about 4.8 million*—which we regard as priority markets. In regions covered by our Singapore Business, 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.

Note: Source: Our World in Data

● Our Competitive Edge

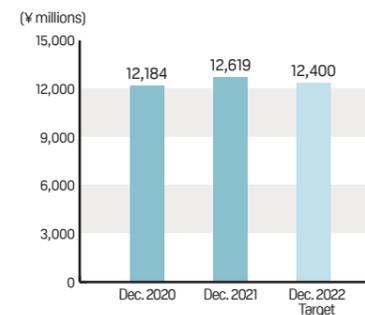
In Southeast Asia, where we have been operating since the 1970s, customer recognition of the Pigeon brand has grown steadily thanks to our high-quality products, derived from our research into feeding and infant development, as well as the cooperation of reliable local partners. Our nursing bottles occupy the top market shares in Indonesia, Singapore, Thailand, and Vietnam.

● Business Strategy

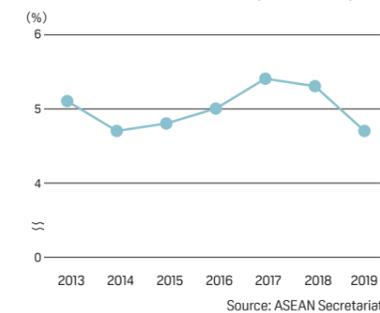
The regions covered by our Singapore Business include many emerging nations, which often have different consumption price ranges in the high-volume zone compared to other business areas. Because there is also diversity in ethnicity, language, religion, and culture, it is important to deepen our understanding of consumers in each region and respond to their needs in a speedy manner. Recently, we have steadily reinforced our product development capabilities to meet local needs, including the launch of a new skincare series in response to growing environmental awareness. We are also promoting strategies to address the e-commerce channel, demand for which has been rising in recent years, including the strengthening of our digital marketing efforts.

We also ship nursing bottles and nipples produced at our local factories in Thailand, India, and Indonesia to local markets and export them to other countries, including Japan.

Sales of the Singapore Business



ASEAN: Real GDP Growth Rate (10 countries)



● Priority Market: India

India has a population of 1.38 billion according to 2020 World Bank data, about half of whom are younger than 25, and an annual birth rate of 24 million, which is far greater than China. By 2027, moreover, India is projected to overtake China to become the world's most populous nation. Since 2009, we have been promoting our business in India to increase awareness of Pigeon as a safe, reliable, and high-quality baby product brand. In addition to developing sales areas in major cities, such as Delhi and Mumbai, we are reinforcing our distribution system to tap sales areas that are closely linked to local communities. At the same time, we are increasing the number of sales outlets, mainly pharmacies, while strengthening our e-commerce capabilities. In 2015, we began producing nursing bottles and nipples at a local plant and exporting them to Japan and elsewhere.

● Priority Market: Indonesia

In Indonesia, where we have operated since the 1980s, we have established a sales network that covers almost all the country with the support of local partners. Having successfully entered the Indonesian childcare product market before it reached maturity, we have also achieved very high brand recognition thanks to our work with multiple national hospitals.

We have been expanding our business in the Indonesian market, including by establishing PT Pigeon Baby Lab Indonesia, a new sales company, in 2019. In our core category of nursing bottles, we have already gained a high market share in Indonesia, and in recent years we have continued to increase sales of high-priced wide-neck bottles. In other categories, we are developing new products with a focus on quality and affordability. Our product strategy also targets the upper-middle class. As required, we use competent local suppliers, who are capable of meeting the stringent quality standards demanded by Pigeon, to improve our price competitiveness.

On the production side, we jointly established PT Pigeon Indonesia in 1995 to manufacture nursing bottles, nipples, and other childcare-related products. That company became a consolidated subsidiary in 2017 and expanded its factory in 2021 to increase production capacity and expand its range of products. Going forward, we will leverage the manufacturing capabilities of our Singapore Business to promote synergies with other operations.

● Fiscal 2021 Performance and Highlights

In this segment, sales rose 3.6% to ¥12,619 million and income grew 10.0% to ¥1,811 million.

In the ASEAN Countries and India, where this segment operates, the impact of COVID-19 remained significant, evidenced by emergency declarations and urban lockdowns in various locations, which restricted business activities. On a local-currency basis, however, sales in both India and Malaysia increased around 8% year on year, indicating a recovery trend. Meanwhile, export sales to the Middle East and Southeast Asia slowed, but full-year sales to Vietnam and Australia were strong.

Sales of core category products (nursing bottles, breast pumps, skincare products, and oral care products) posted double-digit growth. In skincare products, an area of focus, we released the new Natural Botanical Baby skincare line in August 2021. At least 90% of the ingredients used in these environmentally friendly products are derived from plants, and recycled materials are used for some of the containers. Moreover, our SofTouch™ nursing bottle, which has an air ventilation system to help reduce colic*, won “Best Baby Bottle” prizes in the “Influential Brands” awards and “the Asianparent Awards 2021.” We will continue developing and launching products for the upper-middle class while strengthening e-commerce to further penetrate the market for our brand. At the same time, we will build a stable supply chain in each country while aggressively advancing our sales and marketing activities.

Note: Infant colic: Uncontrollable crying by infants of unknown causes. Colic is defined by episodes of crying that continue for more than three hours a day (accumulated), for more than three days a week, for three weeks. It is observed in otherwise healthy infants between two weeks and three months old.



Natural Botanical Baby skincare line



Store in Singapore



Protéqua Baby skincare products



Electric toothbrush



Comfy Feel breast pads



Store in Saudi Arabia



Launch online event

Singapore Business

● Medium- to Long-Term Value Creation

Support for cleft lip and/or palate surgery through the sale of batik-patterned nursing bottles

Pigeon Singapore Pte. Ltd., PT Pigeon Indonesia, and our business partner in Indonesia, PT. Multi Indocitra Tbk, are working to help babies who have difficulty feeding due to cleft lips and/or palates. Since 2016, we have been donating part of the proceeds from the sale of nursing bottles designed with batik patterns, a traditional Indonesian dyeing technique, to Yayasan Pembina Penderita Celah Bibir dan Langit-langit (YPPCBL), a nonprofit Indonesian organization that supports people with a cleft lip and/or palate. The funds are used help families and children receive surgery that they otherwise cannot afford.



Launch of Natural Botanical baby skincare line

In August 2021, we launched our new Natural Botanical Baby skincare line in Singapore, Indonesia, and other countries. At least 90% of the ingredients used in these products are derived from plants, an ideal formula for protecting babies' sensitive skin. Furthermore, we use recycled materials for the bottles, which helps reduce plastic usage and promote resource recycling. The new series of sustainable products is based on the concept, "Derived from nature, and kind to both baby's skin and the environment." In cooperation with the World Wide Fund for Nature (WWF), we gave the first 1,000 purchasing customers a certificate of ownership of a sapling as part of our reforestation activities. The WWF also engages in various other efforts to reduce the environmental impact in a sustainable manner, including by producing educational materials to help preschool children learn about the importance of nature.



Bottle recycling activities

We have set up collection spaces at various locations in Singapore, including storefronts, preschools, and community centers, to collect used nursing bottles from our customers, regardless of brand. Since the campaign began in 2019, we have collected a total of 35,702 nursing bottles* over the three years through 2021. Collected baby bottles are collected and crushed at a processing facility in Singapore, then reused as raw materials for plastic products made by other companies.

*Converted by weight per 160-ml polyphenylsulfone (PPSU) bottle

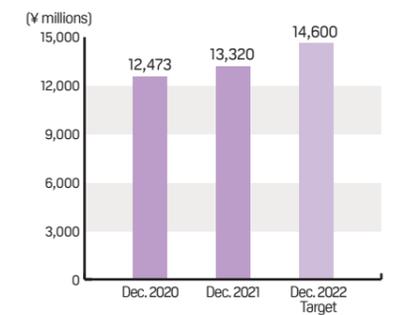


Lansinoh Business

● Business Environment

In the United States, the main market for the Lansinoh Business, the demographics have remained relatively stable. Although the number of births reached its lowest level since 1979, due to restraint in conception caused by the COVID-19 pandemic, the National Center for Health Statistics (NCHS) announced that the number of births in 2021 was 3.66 million, up 1.3% from the previous year and the first increase in seven years. The total fertility rate is 1.66 (provisional figure). Meanwhile, awareness of the importance of breastfeeding and the associated medical and economic benefits is growing year by year, both in the United States and worldwide, and demand for breastfeeding-related products is also rising steadily.

Sales of the Lansinoh Business



● Our Competitive Edge

The Lansinoh Business is handled by Lansinoh Laboratories, Inc., which became a wholly owned subsidiary in 2004 and now offers Lansinoh-brand products to customers in more than 85 countries and regions. Since its establishment in 1984, Lansinoh has gained strong customer support as a breastfeeding-related brand, recognized in the market for its strong brand power and the high quality of its mainstay products, which include nipple care cream, breast pads, breast milk storage bags, and breast pumps. In the main U.S. market, we have an overwhelming No. 1 market share* for nipple care cream, breast pads, and breast milk storage bags. In addition to North America and Europe, Lansinoh has expanded its business globally in recent years to include China and elsewhere in Asia, while increasing market share in each country.

*Source: Based on research by Pigeon



● Business Strategy

The Lansinoh Business covers North America (e.g., the United States, Canada), Europe (e.g., the United Kingdom, Germany, and Belgium), China, Turkey, Latin America, and elsewhere. To help mothers and babies around the world get the best start in life, Lansinoh offers a comprehensive range of breastfeeding solutions, from nipple care creams recommended by many doctors to electric breast pumps with Bluetooth connectivity, as well as products used in hospitals to support the first few days of life. In addition to breastfeeding-related items, we are currently working to expand and develop Lansinoh as a "pregnancy and childbirth care" brand. In 2021, for example, we started selling Birth Prep & postpartum care products as a new category.

In addition to selling to major pharmacies, baby specialty stores, and mass merchandisers in each country, the Lansinoh Business has seen a rising e-commerce sales ratio in recent years. We will continue expanding our product lineup and strengthening our e-commerce solutions, while stepping up marketing and brand enhancement activities to further grow our business.

In 2010, we established LANSINOH LABORATORIES MEDICAL DEVICES DESIGN INDUSTRY AND COMMERCE LTD.CO. in Turkey to manufacture maternity and baby products. In recent years, it has also been making Pigeon-brand products as part of our efforts to increase synergies with other businesses.



Lansinoh-brand product lineup



Smartpump 2.0 electric breast pump from Lansinoh

Lansinoh Business

● Business Development in Europe

In Europe, our second-largest market after the United States, sales are growing in Germany, France, Belgium, Turkey, and elsewhere. France has maintained the highest fertility rate in Europe. Although the rate declined to 1.84 children in 2020 (“French Total Fertility Rate,” Knoema World Data Atlas), it remains stable. In Germany, the number of births has continued to decline since 2019. This was despite a baby boom around 2016, in part due to the government’s expansion of childcare support and acceptance of immigrants and refugees. We are working to expand market share by developing different business strategies for each country and region. While our e-commerce sales are growing in France, Germany, and other countries, in Turkey, for example, sales to major baby product retail chains are growing.

● Fiscal 2021 Performance and Highlights

In the Lansinoh Business segment, sales increased 6.8% year on year to ¥13,320 million and segment income fell 30.4% to ¥953 million.

Despite the spread of COVID-19 in North America and Europe, sales remained strong, mainly in the e-commerce channel, while the yen’s depreciation had a positive impact on foreign exchange rates. Our business in North America continued to be affected by intermittent delays in product arrivals and shipments stemming from disruptions in logistics. However, we reported strong sales of nipple care creams and offerings in the new category of “Prep and Postpartum Care” products launched in June 2021. As a result, sales in North America rose around 6% on a local-currency basis. We also maintained the top market share for nipple care cream, manual breast pumps, and breast pads in North America. Meanwhile, sales in China declined year on year due to intensified competition for consumables, but in Europe we posted increased sales in Germany, the United Kingdom, Belgium, Turkey, and elsewhere.

Segment income declined year on year as supply chain disruptions, particularly in the United States, led to ongoing increases in marine transportation and other logistics costs, which had a significant impact on this segment’s profit margin. Another factor in the income decline was our aggressive deployment of R&D expenditures and SG&A expenses for new product launches.

In addition to North America, we will target further business growth in Europe, China, and other markets by expanding our product lineup, strengthening e-commerce and marketing activities, and reinforcing our brand.

● Pigeon Group’s First Line of “Prep and Postpartum Care” products

In June 2021, we launched a series of products for the delicate regions of pre-natal and post-natal mothers. Sales of postpartum wash bottles, pain relief spray, hot & cold therapy packs, and other products have been strong in major Lansinoh markets, including the United States and Germany. Immediately after the launch, we conducted a product review campaign, which revealed high evaluations of these products by customers on major e-commerce sites. In the future, we will promote R&D and marketing activities and further expand our product lineup to establish and solidify this new category of “Prep and Postpartum Care” products.



● Medium- to Long-Term Value Creation

Sale of “climate-neutral products” where business activities have no net impact on the climate

Taking responsibility for the climate impact of its activities, the Lansinoh Business sells “climate-neutral products” that have been certified by a third-party organization. Climate-neutral products should have zero net impact on the climate. We achieve this by reducing greenhouse gas emissions throughout the product life cycle, from raw material procurement to final disposal. Then, we offset any remaining emissions by investing in environmental projects that are certified to reduce greenhouse gases. We launched three certified climate-neutral products in fiscal 2021.



Promoting the advancement of women

Our factory in Turkey has received official certification as a “Great Place to Work®.” We provide support in various ways for employees who are pregnant or have recently given birth. For example, we have installed a separate breastfeeding room and offer medicinal assistance and consultation during breastfeeding. These activities are summarized in a special handbook for pregnant employees. In 2021, our Turkish Factory was awarded “2021 Turkey Best Workplaces for Women” in the category of 100 - 249 employees.



● Corporate Governance

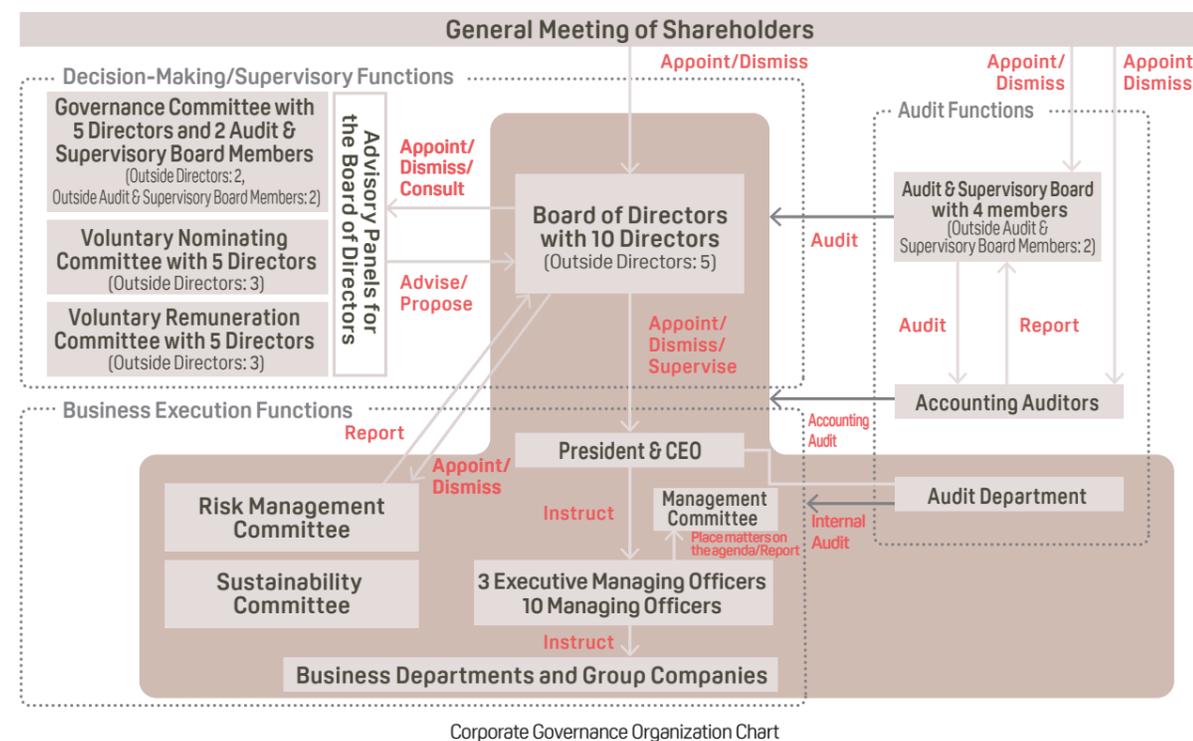
We are organized as a company with an Audit & Supervisory Board. The Audit & Supervisory Board Members' auditing, conducted to ensure strict adherence to the law, forms the cornerstone of our compliance management. Our current top management structure (meeting bodies) consists of the Board of Directors, chaired by the Chairman and consisting of 10 Directors (7 males and 3 females; 9 Japanese nationals and 1 foreign national), including 5 Outside Directors; the Audit & Supervisory Board, consisting of 4 members (3 males and 1 female; 4 Japanese nationals), including 2 Outside Audit & Supervisory Board Members; and the Management Committee, chaired by the President and consisting of full-time Directors and Senior Managing Officers. For all bodies, we strive to increase the diversity of membership. We have also introduced a managing officer system. The aims of this system are to provide for mutual partnership between the decision-making/management functions (governance) and execution of business and to clarify the operating responsibilities of Directors.

The Board of Directors has the authority to supervise the execution of duties of Directors and Managing Officers. It meets to make decisions on matters (management objectives and important business-execution strategies, such as management strategy) prescribed in laws and regulations, in the Articles of Incorporation, and in the "Board of Directors Rules." Furthermore, the Board of Directors endeavors to elicit the lively opinions of Outside Directors, as well as internal and Outside Audit & Supervisory Board Members, thereby strengthening the business-execution supervision function.

In addition to the Voluntary Nominating Committee and Voluntary Remuneration Committee, in March 2021 we established the Governance Committee to serve as an advisory panel to the Board of Directors. All three committees are chaired by Outside Directors, and a majority of their members are Outside Directors who spearhead discussions.

Audit & Supervisory Board Members attend meetings of both the Board of Directors and the Management Committee, where they deploy their experience in the field to express opinions and resolve issues swiftly. They also listen to the directors, view important resolution documents, examine the current status of business and financial assets, and otherwise conduct meticulous supervision and oversight in accordance with Pigeon's policies on auditing and allotment of duties. In addition, they meet regularly with the President and CEO, receive reports on matters such as important company issues, and carry out frank exchanges of opinions.

Under the current management structure, centered on the Board of Directors, the Audit & Supervisory Board, and the Management Committee, Pigeon is working to improve corporate governance by increasing the number of Outside Directors and Audit & Supervisory Board Members, establishing and operating the Voluntary Nominating Committee, the Voluntary Remuneration Committee, and the Governance Committee as advisory panels to the Board of Directors, and actively exercising the supervisory function of Audit & Supervisory Board Members.



● Evaluating the Effectiveness of the Board of Directors

Seeking to increase corporate value and achieve sustainable growth over the medium and long terms, the Board of Directors conducts annual evaluations of its effectiveness and works to maintain and improve such effectiveness. In fiscal 2021, we established the Governance Committee to ensure the effectiveness of the internal control system, recognized as an issue in the fiscal 2020 evaluation. The new committee identified issues related to the governance of the Company, including the effectiveness of the internal control system, and reviewed and discussed matters that need to be improved. We paid particular attention to clarifying the ideal form and role of each committee, collaborated and shared information among the committees, and reviewed structures and systems for how each committee reports to the Board of Directors. As a result, our effectiveness evaluation conducted from October to November 2021 revealed some improvements in the effectiveness of the internal control system, as well as in Outside Directors' understanding of the Company and opportunities for them to play active roles. Accordingly, it was confirmed that the Board of Directors is making effective decisions through open and lively discussion and playing an influential role in improving medium- to long-term corporate value. Meanwhile, the evaluation also identified issues that need to be addressed, including the need to step up efforts to fulfill the role and function of the Board of Directors and the need for better coordination between Outside Directors and auditors.

● Governance Committee

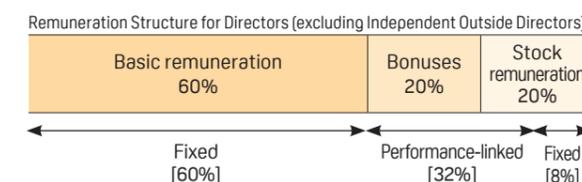
In March 2021, we established the Governance Committee as an advisory panel to the Board of Directors, with the aim of further strengthening corporate governance. The new committee is chaired by an Outside Director and a majority of its members are Outside Directors and Outside Audit & Supervisory Board Members. It deliberates on various issues related to the Group's corporate governance, including evaluating the effectiveness of the Board of Directors, with an emphasis on organic coordination and integration and proactive implementation. The Committee also provides advice and recommendations to the Board of Directors. In its first year of operation, it identified issues related to corporate governance through its evaluation of the effectiveness of the Board of Directors and examined and discussed matters that need to be improved. As a result of these efforts, it clarified the ideal form and role of each committee, collaborated and shared information among the committees, and reviewed structures and systems for how each committee reports to the Board of Directors.

● Executive Remuneration System and Voluntary Remuneration Committee

Remuneration for Directors (excluding Independent Outside Directors) consists of "basic remuneration" commensurate with position, "bonuses" provided as a short-term incentive, and "stock remuneration" provided as a medium- to long-term incentive designed to share interests with shareholders. The retirement allowance system for directors was abolished at the conclusion of the 62nd Ordinary General Meeting of Shareholders held in April 2019. Basic remuneration amounts are now determined for each role and responsibility. Bonuses vary (0–150%) according to such factors as the level of achievement of the Group's consolidated performance targets (net sales, operating income, and Pigeon Value Added (PVA), our original performance indicator). Stock remuneration consists of two components: performance shares (60%) and restricted stock (40%). In principle, the performance shares portion varies (0–150%) according to the level of achievement of performance targets and nonfinancial indicators stated in the Medium-Term Business Plan.

To increase the independence, objectivity, and transparency of the executive remuneration system, the Company established a Voluntary Remuneration Committee to serve as an advisory panel to the Board of Directors. More than half of the Committee's members are Independent Outside Directors, one of whom serves as chairman. The Remuneration Committee meets at least four times a year in principle to discuss the necessity of revising the basic executive remuneration policy and individual executive remuneration levels, and the Committee 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 is set at a maximum of ¥800 million per year for 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.) To further strengthen their independence from management, Outside Directors and Audit & Supervisory Board Members receive only "basic remuneration."



● Executive Nomination Process and Voluntary Nominating Committee

To increase the independence, objectivity, and transparency of the process of selecting and dismissing Directors, the Company established the Voluntary Nominating Committee to serve as an advisory panel to the Board of Directors. More than half of the Committee's members are Independent Outside Directors, one whom serves as Chairman. In addition to human-resource requirements for CEO (responsibilities and authority, main duties and expected results, and required competencies), the executive nomination policy sets out standards for appointment and dismissal, successor plans, terms of office, and the like. The ideal human qualities necessary for the role of Chief Executive Officer (CEO) of the Company are "Human qualities that can enhance resourcefulness and continuously increase the Company's corporate value (social and economic value), based on the values of the Pigeon Way."

For details of the executive remuneration and nomination policies, please refer to the website below:
https://www.pigeon.com/sustainability/governance_top/governance/

● Internal Audits

We established the Audit Office, an independent organization under the direct control of the president, as an internal auditing body. Each year, the Office formulates an audit plan based on a risk approach for the Company and domestic and overseas group companies and conducts internal audits accordingly. In conducting the audits, it focuses mainly on the effectiveness and efficiency of operations, the reliability of financial reporting, compliance, and asset protection, and making suggestions for improvement as necessary. The results of the audits are shared with all Directors and Audit & Supervisory Board Members at audit report meetings. In addition, the Audit Department established the J-SOX Secretariat to conduct evaluation tests on Groupwide internal controls and the financial process for closing accounts, pursuant to the basic plan for internal controls over financial reporting under the Financial Instruments and Exchange Act, and to monitor the appropriateness of the development and operation of these controls.

● Risk Management

The risk management system of Pigeon is headed by the Global Head Office (GHO) Risk Management Committee. Governed by the Rules for Risk Management, which systematically stipulate the Group's risk-management responses, the GHO Risk Management Committee is chaired by the Director for GHO, under the supervision of the President and CEO. Directly below the GHO Risk Management Committee are the Risk Management Committees of each business segment, which are chaired by the heads of operations in each segment. This framework enables information about risk to be collected across the entire Group, provides necessary controls, and empowers each segment to respond rapidly to risk issues. The GHO Risk Management Committee systematically collects, analyzes, and evaluates the risk information it gathers throughout the Group, centered on the risk information it collects from each business segment. On its own or through the respective business segments, the GHO Risk Management Committee then examines and implements response measures. The Risk Management Committees of each business segment collect, analyze, and evaluate risk information from their respective business segments and the Group companies under them. These Committees then examine and implement response measures.

In addition to addressing normal situations, in the event that the Group is confronted with a crisis, such as a disaster or other major incident, the Risk Management Committee convenes and takes steps to minimize damage and effect recovery, based on the Rules for Risk Management and the Business Continuity Plan (BCP). Furthermore, information on consultations and reporting through the internal whistle-blowing system are collected and sent to the GHO Risk Management Committee. The Risk Management Committee or a department nominated by the Risk Management Committee responds as necessary based on the details of the consultations and reporting. The GHO Risk Management Committee reports to the Board of Directors at least once each year.



Risk Management Organization Chart

● Responsible Dialogue with Shareholders and Other Investors

The Company actively engages in responsible dialogue with shareholders and other investors, using the Web and teleconferences to host IR meetings and financial results briefings even during the COVID-19 pandemic.

We recognize that the Ordinary General Meeting of Shareholders is the Company's highest decision-making body and is also a forum for constructive dialogue with shareholders. Accordingly, we ensure a sufficient period of time and a good environment so shareholders can properly exercise their rights. Each year, we post the convocation notice in Japanese and English on the Company's corporate website and other media around one month before the Ordinary General Meeting of Shareholders and send out paper copies three weeks prior. In addition, we strive to ensure convenience for shareholders, including by enabling them to exercise their voting rights via the Internet or a platform for electronic exercise of such rights. We also provide sign language interpreters at the venue of the Ordinary General Meeting of Shareholders, as well as a special childcare room. Moreover, beneficial shareholders who hold the Company's shares in the name of trust banks and the like are allowed to observe the Ordinary General Meeting of Shareholders after completing the prescribed procedures. At the 65th Ordinary General Meeting of Shareholders held on March 30, 2022, we took steps to prevent the spread of COVID-19. For example, we used a virtual format, as we did in the previous year, so that even shareholders who were not present at the meeting could view the proceedings.

65th General Meeting of Shareholders (March 30, 2022)	Number of attendees: 81* Voting rights exercised: 82.0%
IR meetings with institutional investors	Total number of correspondences: 370 (FY2021)

*We also held an interactive virtual shareholders' meeting.

● Compliance

The Pigeon Way is the cornerstone of all our activities. On this basis, we established a basic policy on compliance called the "Corporate Ethics Guidelines." The Corporate Ethics Guidelines are composed of two parts: the "Corporate Ethics Policies," which are the ethical sensibility that Pigeon should always have and hold to earn the trust and support of society, and the "Code of Conduct," which comprises guidelines that spell out how each employee embodies the Corporate Ethics Policies in business activities. The Corporate Ethics Guidelines are designed to help Pigeon win the confidence and support of all stakeholders (interested parties) involved in practicing compliance in our corporate activities. To ensure that each and every employee is keenly aware of the Pigeon Way and compliance efforts, we believe it is vital to convey to all Group employees Pigeon's corporate philosophy and the sense of values of its management. For this reason, our representative directors and all other executives lead by example in rigorously promoting our spirit of ethics and compliance. We have established compliance policies in three areas where considered particularly high-risk: "Anti-bribery and Corruption," "Antitrust Compliance," and "Information Management" that outline specific actions to be taken and the necessary systems and mechanisms.

With respect to compliance-related education, we conduct e-learning and other training sessions on such topics as the Corporate Ethics Guidelines at the Company and domestic and overseas Group companies in order to spread compliance to all employees. We also distribute our "Pigeon Compliance Communication" newsletter each month to all employees of the Company and domestic Group companies to help them understand and address compliance-related matters that could arise in the course of their daily work. This newsletter provides overviews of laws related to the Group's business, including the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Unjustifiable Premiums and Misleading Representations, as well as harassment and other compliance-related issues. As part of our fiscal 2021 compliance training, all employees of the Group viewed a video message from the President & CEO on the importance of compliance, the Pigeon Way, and the Corporate Ethics Guidelines (including anti-bribery and corruption and antitrust compliance). We also explained the "Speak-Up Desk" whistle-blowing system, using our own materials to instill a sense of compliance that employees should be familiar with in their daily work. After training, we conduct a survey of participants and use the results to improve the content. As for internal reporting, we operate two whistle-blowing systems: "Speak-Up Desk" for Pigeon Group employees (three points of contact: Audit & Supervisory Board Members, the Legal Department, and a consulting lawyer) and "Pigeon Partners Line" for business partners and others (two points of contact: the Legal Department and a consulting lawyer). When a problem is discovered within the Group or outside it, the Risk Management Committee considers appropriate responses and examines the facts, taking every precaution to protect whistle-blowers and consultants. In this way, the Risk Management Committee arranges to make the responses necessary to resolve the problem in a timely manner. If necessary, the advice of a consulting lawyer may be sought to weigh the legal propriety of responses. In fiscal 2021, there were three (3) reports to the Speak-Up Desk and zero (0) reports to the Pigeon Partners Line. The Risk Management Committee reports to the Board of Directors regarding the contents of the compliance education and the matters reported through the in-house whistle-blowing system.

Directors (As of March 30, 2022)



Chairman of the Board
Shigeru Yamashita



President and CEO
Norimasa Kitazawa



Director, Senior Managing Executive Officer
Tadashi Itakura
Head of Global Head Office,
Supervision of Accounting & Finance Div.



Director, Managing Executive Officer
Yasunori Kurachi
Head of Japan Operations



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



Outside Director
Takayuki Nitta
(Appointed in April 2015)



Outside Director
Rehito Hatoyama
(Appointed in April 2016)



Outside Director
Chiaki Hayashi
(Appointed in March 2020)



Outside Director
Eriko Yamaguchi
(Appointed in March 2020)



Outside Director
Yumiko Miwa
(Appointed in March 2022)

Audit & Supervisory Board Members (As of March 30, 2022)



Audit & Supervisory Board Member
Hiroshi Nishimoto



Audit & Supervisory Board Member
Kouji Ishigami



Outside Audit & Supervisory Board Member
Koichi Otsu
(Appointed in April 2019)



Outside Audit & Supervisory Board Member
Atsuko Taishido
(Appointed in April 2019)

Notes: 1. Takayuki Nitta, Rehito Hatoyama, Chiaki Hayashi, Eriko Yamaguchi, and Yumiko Miwa are Outside Directors as defined in Article 2-15 of the Companies Act.
2. Koichi Otsu and Atsuko Taishido are Outside Audit & Supervisory Board Members as defined in Article 2-16 of the Companies Act.

Managing Officers (As of March 30, 2022)

Ryo Yano Senior Managing Officer
China Business Division Manager
Representative Director of PIGEON (SHANGHAI) CO., LTD.

Nobuo Takubo Business Strategy Division Manager

Katsushi Tsutsui Research & Development Division Manager

Takatoshi Urakari Baby Care Business Division Manager

Ken Kaku Representative Director of PIGEON MANUFACTURING (SHANGHAI) CO., LTD.

Yusuke Nakata Senior Managing Officer
Singapore Business Division Manager
Chairman of the Board of PIGEON SINGAPORE PTE. LTD.

Yuko Ohara Customer Communication Division Manager

Kazuyuki Tajima Supply Chain & Quality Management Division Manager

Takanori Tsuru Administration Division Manager

Kouji Matsutori Deputy Division Manager of Lansinoh Business Division
Director of LANSINOH LABORATORIES, INC.

Areas of Expertise Required of the Board of Directors

To ensure the effectiveness of the Board of Directors and Audit & Supervisory Board, we believe it is necessary to clarify the expertise of the individual Directors and Audit & Supervisory Board Members who make up each collegial body. For this reason, we have clarified the areas of expertise of each individual in the following table (skills matrix). Each area of expertise has been selected based on the relationships between the Pigeon Way (the cornerstone of all our activities, centered on our Corporate Philosophy of “Love”), our Purpose (set forth in the Pigeon Way), and the six priority materialities (key issues) the Company must address to realize the Pigeon Way from the perspective of sustainability management. We have also taken into account the key strategies of the 7th Medium-Term Business Plan to ensure that our selection is consistent with the expectations of not only the Company but also the shareholders who elected our top officers.

	Name/Position	Expertise demanded of the Board of Directors								
		Management, business strategy	Experience in the company, industry experience	Global business	Design, R&D, product development	SCM*	Marketing, branding	Human resource development, corporate culture	Finance, accounting	Law, compliance, risk management
Directors	Shigeru Yamashita Chairman of the Board	○	○	○				○	○	
	Norimasa Kitazawa President and CEO	○	○	○	○				○	
	Tadashi Itakura Director, Senior Managing Executive Officer		○		○	○				○
	Yasunori Kurachi Director, Managing Executive Officer		○					○		
	Kevin Vyse-Peacock Director, Executive Officer	○	○	○	○					
	Takayuki Nitta Outside Director	○							○	○
	Rehito Hatoyama Outside Director	○		○					○	○
	Chiaki Hayashi Outside Director	○			○			○		○
	Eriko Yamaguchi Outside Director	○		○	○			○		○
	Yumiko Miwa Outside Director							○	○	○
Audit & Supervisory Board Members	Hiroshi Nishimoto Audit & Supervisory Board Member		○			○				
	Kouji Ishigami Audit & Supervisory Board Member	○	○					○		
	Koichi Otsu Outside Audit & Supervisory Board Member							○	○	
	Atsuko Taishido Outside Audit & Supervisory Board Member								○	○

*SCM: Supply chain management

Committee Members

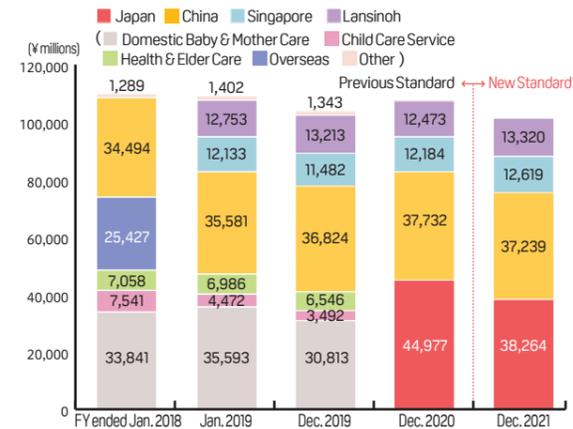
The Company has established the three committees shown below as advisory panels to the Board of Directors. Each committee is chaired by an outside director, and outside officers constitute the majority of members.

Voluntary Nominating Committee: Takayuki Nitta (Chair), Shigeru Yamashita, Norimasa Kitazawa, Eriko Yamaguchi, Yumiko Miwa
Voluntary Remuneration Committee: Takayuki Nitta (Chair), Shigeru Yamashita, Norimasa Kitazawa, Eriko Yamaguchi, Yumiko Miwa
Governance Committee: Rehito Hatoyama (Chair), Shigeru Yamashita, Norimasa Kitazawa, Tadashi Itakura, Chiaki Hayashi, Koichi Otsu, Atsuko Taishido

Consolidated Statements of Income (Dec. 2020 figures based on old standard; Dec. 2021 figures based on new standard)

(\$ millions)	FY ended Dec. 2020	FY ended Dec. 2021	
	Result	Result	YoY change
Net sales	99,380	93,080	99.0%
Cost of sales	49,459	49,008	99.1%
Gross profit	49,921	44,072	98.9%
SG&A expenses	34,605	30,735	104.3%
Operating income	15,316	13,336	88.4%
Ordinary income	16,113	14,648	90.9%
Net Income attributable to owners of parent	10,643	8,785	82.5%

Annual Sales Trend by Segment



Notes:
 1. 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, the 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.
 2. Effective from the fiscal year ended December 31, 2020, the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and Other segments have been consolidated into the Japan Business.

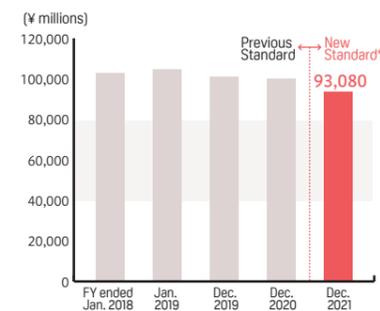
Note: Reflecting a change in its accounting policy, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and others, effective fiscal 2021. The figures for “FY20/12” in the table below are estimates based on the application of the new accounting standard.

[Reference] Results by Segment

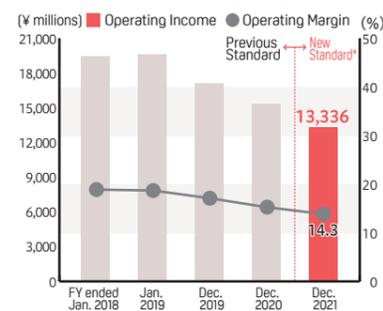
	FY20/12 — New Standard						FY21/12 — New Standard						
	Net sales	% of total	Gross profit	GP margin (%)	Segment income	OP margin (%)	Net sales	% of total	% of growth	Gross profit	GP margin (%)	Segment income	OP margin (%)
Consolidated total	94,021	100.0%	44,562	47.4%	15,080	16.0%	93,080	100.0%	99.0%	44,072	47.3%	13,336	14.3%
Japan Business	41,231	43.9%	14,021	34.0%	2,772	6.7%	38,264	41.1%	92.8%	13,142	34.3%	2,065	5.4%
China Business	36,121	38.4%	18,877	52.3%	12,600	34.9%	37,239	40.0%	103.1%	18,971	50.9%	11,792	31.7%
Singapore Business	12,184	13.0%	4,680	38.4%	1,647	13.5%	12,619	13.6%	103.6%	4,887	38.7%	1,811	14.4%
Lansinoh Business	12,473	13.3%	6,930	55.6%	1,370	11.0%	13,320	14.3%	106.8%	7,125	53.5%	953	7.2%
Elimination of internal trading between segments	▲7,986	▲8.5%	—	—	—	—	▲8,363	▲9.0%	—	—	—	—	—

Notes: 1. Both the Japan Business and the China Business applied the new revenue recognition standard from the current fiscal year (ending December 31, 2021).
 2. Results of FY20/12 in the new revenue recognition standard were estimated by Pigeon for your reference. 3. Sales for Lansinoh Shanghai are included in the Lansinoh Business segment.

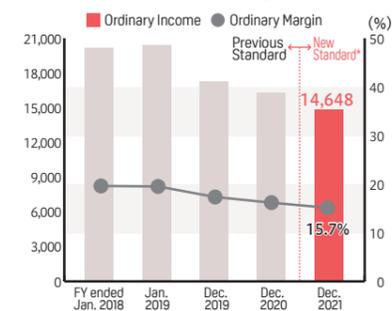
Net Sales



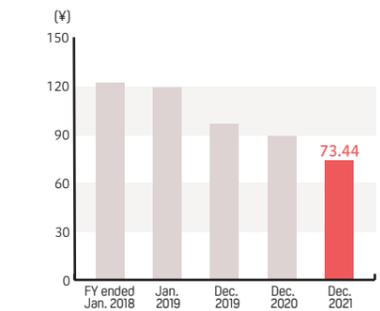
Operating Income/Operating Margin



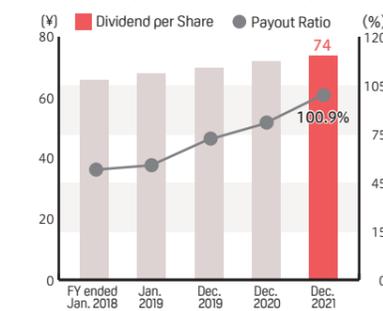
Ordinary Income/Ordinary Margin



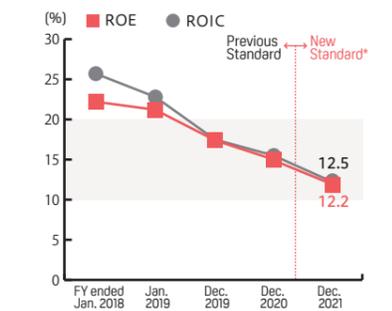
EPS



Cash Dividend per Share/Dividend Payout Ratio

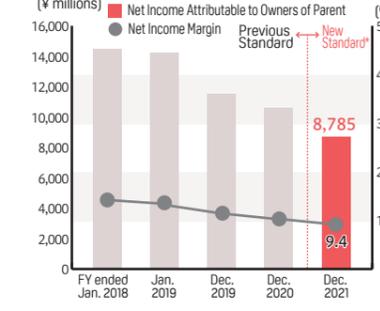


ROIC/ROE

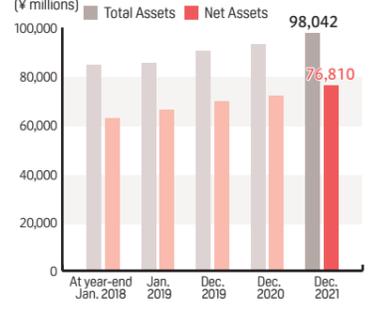


Note: ROE is return on equity, where the denominator is the average of the beginning and end of the period. ROIC is return on invested capital (NOPAT ÷ invested capital). The tax rate is 30.0%. Invested capital is the average of the beginning and end of the fiscal year.

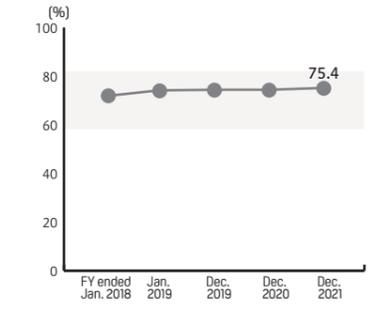
Net Income Attributable to Owners of Parent/Net Income Margin (%)



Total Assets/Net Assets



Equity Ratio



Note: The Pigeon Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the beginning of the consolidated fiscal year 2021. The “Previous Standard” in the above graph refers to actual results based on the accounting standards as of fiscal 2020, while the “New Standard” refers to actual results after the change in accounting standards. Effective from the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, fiscal 2019 was a transitional period of 11 months (February 1–December 31, 2019).

Change in Accounting Policy (Application of Accounting Standard for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of fiscal 2021 to recognize revenue as the amount expected to be received in exchange for promised goods and/or services when control of said promised goods and/or services is transferred to the customer. As a result, a portion of sales promotion expenses and other expenses (previously included in “Selling, general and administrative expenses”), as well as sales discounts (previously included in “Non-operating expenses”), has been deducted from sales. Also, the reserve for sales returns (previously included in “Current liabilities” based on gross profit equivalent) has been changed to a method that does not recognize the amount equivalent to sales and cost of sales of goods and/or products expected to be returned, while refund liabilities are included in “Other” under “Current liabilities” and returned assets in “Other” under “Current assets.”

In accordance with the transitional treatment stipulated in Paragraph 84 of the “Accounting Standard for Revenue Recognition,” the cumulative effect of retrospective application of the new accounting policy prior to the beginning of fiscal 2021 was added to or subtracted from retained earnings at the beginning of fiscal 2021. Also, the new accounting policy was applied from the balance at the beginning of fiscal 2021 and had no impact on that balance.

Due to the application of the new accounting standard, consolidated net sales in fiscal 2021 decreased ¥5,219 million, cost of sales increased ¥1 million, SG&A expenses decreased ¥4,981 million, non-operating income decreased ¥0 million, and non-operating expenses decreased ¥239 million, resulting in decreases in gross profit and operating income of ¥5,220 million and ¥239 million, respectively, with no impact on ordinary income and income before income taxes.

Business Environment and Performance

Business Conditions in Fiscal 2021

In the fiscal year under review, the Japanese economy showed some signs of recovery as the severe situation caused by COVID-19 gradually eased. The global economy (including Japan) saw gradual progress in the normalization of socioeconomic activities. Due to intermittent new outbreaks of infections and urban lockdowns, however, there was no end in sight for the pandemic, and the economic outlook remained uncertain.

Fiscal 2021 was the second year of our 7th Medium-Term Business Plan (covering the period from January 1, 2020, to December 31, 2022), which sets forth three key strategies (Brand Strategy, Product Strategy, and Regional Strategy). Based on these strategies, in fiscal 2021 we took various measures to realize not only business growth but also our Purpose: “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.”

Consolidated net sales amounted to ¥93,080 million, down 6.3% year on year due to the application of the “Accounting Standard for Revenue Recognition,” as well as the continued direct and indirect impact of COVID-19 on our markets. While sales declined, we actively deployed sales promotion expenses, advertising expenses, and the like in conjunction with the launch of new products, and incurred higher R&D expenses aimed at enhancing the appeal of our products in the future. As a result, operating income declined 12.9% to ¥13,336 million, ordinary income decreased 9.1% to ¥14,648 million, and net income attributable to owners of parent fell 17.5% to ¥8,785 million.

The main exchange rates used in the financial statements (income and expenses) of overseas consolidated subsidiaries are as follows: US\$1.00 equals ¥109.85 (¥106.77 in fiscal 2020) and 1 CNY equals ¥17.03 (¥15.47 in fiscal 2020).

Income Statement Analysis

Cost of sales amounted to ¥49,008 million, resulting in gross profit of ¥44,072 million, down 11.7% year on year, and a gross margin of 47.3%, down 2.9 percentage points. Selling, general, and administrative (SG&A) expenses declined 11.2% to ¥30,735 million. Consequently, operating income decreased 12.9% to ¥13,336 million, and the operating margin slipped 1.1 percentage points to 14.3%.

Among non-operating items, we recorded a foreign exchange gain in fiscal 2021 versus a foreign exchange loss in the previous period, leading to ordinary income of ¥14,648 million, down 9.1%. Net income attributable to owners of parent declined 17.5% to ¥8,785 million, due to an extraordinary loss related to a voluntary product recall.

Performance by Segment

Our business segments for reporting purposes have separate financial information available from the constituent units in the Group. These segments are subject to regular review by the Board of Directors to determine the allocation of management resources and evaluate performance.

The Group has four business segments for reporting purposes: Japan Business, China Business, Singapore Business, and Lansinoh Business. Overviews of each segment are given below. Due to the application of the Accounting Standard for Revenue Recognition at the beginning of fiscal 2021, year on year comparisons for the Japan Business and China Business segments use numbers based on different calculation methods.

Business Environment and Performance

▶ Japan Business

This segment consists mainly of the Domestic Baby & Mother Care Business, Child Care Service Business, and Health & Elder Care Business. In fiscal 2021, segment sales declined 14.9% year on year to ¥38,264 million, partly reflecting application of the Accounting Standard for Revenue Recognition, and segment income fell 31.3% to ¥2,065 million, mainly due to a decline in gross profit associated with the decrease in segment sales.

Sales of childcare and feminine products declined year on year due to various factors. These included the absence of inbound demand from foreign visitors to Japan; the dissipation of special demand for cleaning and disinfection products, wet wipes, and other COVID-related products; and the impact of new COVID-19 outbreaks around Japan. On the other hand, sales remained strong for breast pumps, which is an area of focus for the Group. In July 2021, we launched the “Wuggy” bouncer, and in September we launched our fifth specialty stroller for specific company stroller, both of which were well received by customers.

▶ China Business

Partly due to the application of the Accounting Standard for Revenue Recognition, sales in this segment edged down 1.3% to ¥37,239 million and segment income declined 6.4% to ¥11,792 million.

Sales on a local-currency basis decreased year on year as demand in mainland China, which was strong in the previous year, subsided, while COVID-19 continued to impact sales at brick-and-mortar stores. In September 2021, we released a renewed series of “Shizen Jikkan” nursing bottles (product name in Japan: “Bonyu Jikkan®”), which occupies the largest market shares in Japan and China (according to Pigeon’s research) and are born from more than 60 years of baby-feeding research. (We started pre-sales of the new series in the Chinese market.) Sales of skincare products increased steadily thanks mainly to the launch of a series focusing on hot spring minerals and the renewal of existing products.

▶ Singapore Business

In this segment, sales rose 3.6% to ¥12,619 million and segment income grew 10.0% to ¥1,811 million.

In the ASEAN countries and India, where this segment operates, the impact of COVID-19 remained significant, evidenced by emergency declarations and urban lockdowns in various locations, which restricted business activities, while export sales to the Middle East and Southeast Asia also slowed. In skincare products, an area of focus, we released the new “Natural Botanical” series in August 2021. At least 90% of the ingredients used in these environmentally friendly products are derived from plants, and recycled materials are used for some of the containers.

▶ Lansinoh Business

In the Lansinoh Business segment, sales increased 6.8% year on year to ¥13,320 million, but segment income fell 30.4% to ¥953 million, due to soaring distribution costs and aggressive allocation of SG&A expenses.

Despite the spread of COVID-19 in North America and Europe, sales remained strong, mainly in the e-commerce channel. In particular, our business in North America continued to be affected by delays in product arrivals and shipments stemming from disruptions in logistics. However, we reported strong sales of nipple care creams and offerings in the new category of prep & postpartum.

Financial Position

▶ Assets

As of December 31, 2021, Pigeon had consolidated total assets of ¥98,042 million, up ¥4,570 million from a year earlier. Over the period under review, current assets increased ¥1,023 million to ¥66,254 million, and fixed assets rose ¥3,547 million to ¥31,888 million. The main factors boosting current assets were a ¥1,167 million increase in notes and accounts receivable-trade, a ¥466 million increase in merchandise and finished goods, and a ¥590 million increase in materials and supplies, which contrasted with a ¥1,944 million decrease in cash and time deposits. The main reasons for the rise in fixed assets were a ¥1,913 million increase in buildings and structures, a ¥565 million increase in furniture and fixtures, and a ¥1,262 million increase in land (all under tangible fixed assets), which contrasted with a ¥282 million decrease in software (under intangible fixed assets).

▶ Liabilities

Total liabilities at the fiscal year-end stood at ¥21,232 million, up ¥385 million from a year earlier. Over the period under review, current liabilities decreased ¥592 million to ¥15,072 million and fixed liabilities rose ¥978 million to ¥6,159 million. The decline in current liabilities was mainly due to a ¥670 million decrease in notes and accounts payable-trade, a ¥474 million decrease in accrued payables, and a ¥725 million decrease in accrued income tax, which contrasted with a ¥360 million increase in accrued expenses and a ¥1,067 million increase in other current liabilities. The main factors boosting fixed liabilities were a ¥178 million increase in deferred tax liabilities and a ¥654 million rise in other fixed liabilities.

▶ Net Assets

Net assets at the fiscal year-end amounted to ¥76,810 million, up ¥4,184 million. This was mainly due to a ¥43 million rise in retained earnings and a ¥3,935 million increase in foreign-currency translation adjustment.

▶ Information and Financial Policies on Capital Resources and Capital Liquidity

There are two main types of capital demand for the Group: working capital demand and equipment capital demand. Major sources of working capital demand are related to the purchase of raw materials for manufacturing the Group’s products, as well as manufacturing costs and operating outlays for selling, general, and administrative expenses. Equipment capital demand relates mainly to the purchase of buildings, machinery,

and other fixed assets associated with the acquisition of production facilities. The Group’s financial policy is to maintain sound balance sheets and adequate liquid assets for business activities. The Group’s primary funding needs, namely working capital and capital equipment, are generated mainly by internal funds derived from cash flows from operating activities. Any shortfall of funds among Group companies in Japan is covered by loans from the company, while demand for funds among overseas Group companies is met mainly by foreign-currency loans from the Company. In addition, we place top priority on ensuring liquidity and safety in managing our cash reserves on the premise that they serve as standby funds for business investments.

With its sound financial position and the ability to generate cash flows from operating activities, the Group believes that, in order to secure future growth particularly of its overseas businesses, it will be able to procure the necessary funds even if demand for investment funds exceeds the current liquidity on hand. In the fiscal year ending December 31, 2022, the Group plans to use internal funds to cover capital expenditures and other long-term capital needs.

The Group does not have any borrowings from financial institutions. As of December 31, 2021, the Group had cash and cash equivalents of ¥35,218 million, and its equity ratio remained high at 75.4%.

Cash Flows

▶ Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥10,893 million, compared with ¥18,400 million in the previous fiscal year. The main factors boosting cash flows included ¥13,531 million in income before income taxes, ¥3,997 million in depreciation, and a ¥469 million increase in notes and accounts receivable-trade. Contrasting factors included a ¥1,511 million decrease in notes and accounts payable-trade, a ¥466 million increase in inventories, and ¥5,565 million in income taxes paid.

▶ Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥5,593 million, compared with ¥3,815 million in the previous year. The main factors were ¥5,659 million in purchase of tangible fixed assets and ¥234 million in purchase of intangible fixed assets.

▶ Cash Flows from Financing Activities

Net cash used in financing activities was ¥8,693 million, compared with ¥9,231 million in the previous fiscal year. This was mainly due to ¥8,741 million in payment of cash dividends.

Other Performance Indicators

▶ ROE

Pigeon uses return on equity (ROE) as a key performance indicator in its effort to improve profitability and capital efficiency. As of the fiscal year-end, ROE stood at 12.2%, down 3.3 percentage points from a year earlier.

▶ 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 2021, invested capital totaled ¥74,718 million, compared with the fiscal 2020 amount of ¥71,545 million and our target of ¥74,437 million, resulting in a PVA spread of 7.5% compared with the fiscal 2020 figure of 10.0% and our target of 9.8%. The PVA for fiscal 2021 was ¥5,600 million, compared with the fiscal 2020 figure of ¥7,144 million and our target of ¥7,829 million. All figures for fiscal 2021 fell below previous-year figures and our targets.

Net operating profit after tax (NOPAT) amounted to ¥9,335 million, compared with the fiscal 2020 figure of ¥10,721 million and our target of ¥11,550 million, and return on invested capital (ROIC, with a tax rate of 30.0%) was 12.5%, compared with the fiscal 2020 figure of 15.0% and our target of 15.5%. In addition, the cash conversion cycle (CCC) in fiscal 2021 was 105.9 days, which was 13.6 days worse than fiscal 2020 (92.3 days) and 14.0 days above our target (91.9 days). The main reason for the change in CCC was deterioration in days inventory outstanding (DIO), stemming mainly from an increase in in-house inventories resulting from a higher online sales ratio in the China Business, as well as an increase in offshore inventories in the Lansinoh Business due to logistics disruptions associated with COVID-19.

Note: Figures for the previous fiscal year are before taking into account the new revenue standards, while those for the current fiscal year and planned figures are after taking into account the new revenue standards.

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. With respect to specific shareholder-return goals, under our 7th Medium-Term Business Plan we are targeting a consolidated dividend payout ratio of around 55%, as well as year on year increases in cash dividends for each fiscal period. Accordingly, we have sought to further enhance and strengthen measures to return profits to our shareholders.

In fiscal 2021, we paid an interim cash dividend of ¥37.00 per share (¥37.00 regular dividend) and a year-end dividend of ¥37.00 per share (¥37.00 regular dividend). This brought the total annual dividend to ¥74.00 per share (¥74.00 regular dividends), up ¥2.00 year on year. The consolidated dividend payout ratio was 100.9%.

Outlook for the Next Fiscal Year

In fiscal 2022 (ending December 31, 2022), we are targeting consolidated net sales of ¥98,700 million (up 6.0% year on year), operating income of ¥14,200 million (up 6.5%), ordinary income of ¥14,300 million (down 2.4%), and net income attributable to owners of parent of ¥9,500 million (up 8.1%).

Note: These figures are the forecasts contained in our financial results announcement, released on February 15, 2022.

(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 could impact the Group's performance and financial position.)

Financial Data

Consolidated Balance Sheets

(¥ millions)

Item	FY ended	Jan. 2018	Jan. 2019	Dec. 2019	Dec. 2020	Dec. 2021
Assets						
Cash and Deposits		31,346	30,949	32,416	37,163	35,218
Notes and Accounts Receivable — Trade		16,440	15,004	16,588	15,085	16,253
Merchandise and Finished Goods		6,059	7,360	8,144	8,256	8,723
Other Current Assets		4,331	4,887	4,783	4,724	6,059
Total Current Assets		58,178	58,201	61,933	65,231	66,254
Tangible Fixed Assets		21,116	21,127	22,494	23,262	27,093
Intangible Fixed Assets		3,307	4,223	3,863	2,957	2,572
Investment Securities		1,020	889	950	687	532
Total Investments and Other Assets		1,865	2,065	2,200	2,020	2,122
Total Fixed Assets		26,289	27,417	28,558	28,241	31,788
Total Assets		84,467	85,618	90,491	93,472	98,042
Liabilities						
Notes and Accounts Payable — Trade		5,194	4,567	4,900	4,757	4,087
Accounts Payable		3,141	3,363	2,660	2,727	2,253
Income Taxes Payable		2,578	1,951	1,272	1,906	1,180
Accrued Bonuses to Employees		1,035	972	928	952	882
Other Current Liabilities		5,723	4,768	5,876	5,320	6,668
Total Current Liabilities		17,673	15,623	15,638	15,664	15,072
Long-Term Borrowings		—	—	—	—	—
Other Fixed Liabilities		3,982	3,412	4,389	5,181	6,159
Total Fixed Liabilities		3,982	3,412	4,389	5,181	6,159
Total Liabilities		21,655	19,036	20,028	20,846	21,232
Net Assets						
Capital Stock		5,199	5,199	5,199	5,199	5,199
Capital Surplus		5,179	5,179	5,179	5,179	5,179
Retained Earnings		49,729	55,704	58,979	61,120	61,163
Treasury Stock		(949)	(951)	(1,088)	(1,478)	(1,479)
Valuation Difference on Available-for-Sale Securities		44	21	25	13	16
Foreign Currency Translation Adjustment		1,490	(910)	(572)	(130)	3,805
Non-Controlling Interests		2,119	2,339	2,741	2,722	2,925
Total Net Assets		62,812	66,582	70,463	72,625	76,810
Total Liabilities and Net Assets		84,467	85,618	90,491	93,472	98,042

Notes: 1. Figures less than one million yen are truncated.

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

Equity Ratio, ROE, and ROIC

(%)

Item	FY ended	Jan. 2018	Jan. 2019	Dec. 2019	Dec. 2020	Dec. 2021
Equity Ratio		71.9	75.0	74.8	74.8	75.4
ROE		25.7	22.8	17.5	15.5	12.2
ROIC		22.2	21.2	17.4	15.0	12.5

Notes: 1. ROE is return on equity, where the denominator is the average of the beginning and end of the fiscal year. ROIC is return on invested capital. It is calculated using a tax rate of 30%. Invested capital is the average of the beginning and end from the fiscal year.
2. Effective from the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, fiscal 2019 was a transitional period of 11 months (February 1–December 31, 2019).

Consolidated Statements of Income

(¥ millions)

Item	FY ended	Jan. 2018	Jan. 2019	Dec. 2019	Dec. 2020	Dec. 2021
Net Sales		102,563	104,747	100,017	99,380	93,080
Cost of Sales		51,990	50,889	49,216	49,459	49,008
Gross Profit		50,572	53,858	50,800	49,921	44,072
Gross Margin (%)		49.3	51.4	50.8	50.2	47.3
Selling, General and Administrative Expenses		31,159	34,246	33,727	34,605	30,735
Operating Income		19,412	19,612	17,072	15,316	13,336
Operating Margin (%)		18.9	18.7	17.1	15.4	14.3
Non-operating Income		1,263	1,295	1,136	1,406	1,427
Non-operating Expenses		547	509	924	608	115
Ordinary Income		20,129	20,398	17,284	16,113	14,648
Ordinary Margin (%)		19.6	19.5	17.3	16.2	15.7
Extraordinary Income		1,058	243	121	38	65
Extraordinary Loss		271	379	300	315	1,182
Income before Income Taxes		20,916	20,262	17,104	15,836	13,531
Income Taxes — Current		5,931	5,794	5,067	4,715	4,690
Income Taxes — Deferred		225	(127)	267	261	(138)
Net Income		14,759	14,594	11,769	10,860	8,979
Net Income Attributable to Non-Controlling Interests		244	356	230	216	193
Net Income Attributable to Owners of Parent		14,515	14,238	11,538	10,643	8,785

Notes: 1. Figures less than one million yen are truncated.
2. Effective from the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, fiscal 2019 was a transitional period of 11 months (February 1–December 31, 2019).

Consolidated Statement of Cash Flows

(¥ millions)

Item	FY ended	Jan. 2018	Jan. 2019	Dec. 2019	Dec. 2020	Dec. 2021
Cash Flows from Operating Activities		17,094	13,632	14,098	18,400	10,893
Cash Flows from Investing Activities		(3,586)	(4,704)	(3,995)	(3,815)	(5,593)
Cash Flows from Financing Activities		(12,812)	(8,338)	(8,734)	(9,231)	(8,693)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		599	(986)	98	(718)	1,560
Net Increase (Decrease) in Cash and Cash Equivalents		1,294	(397)	1,467	4,634	(1,832)
Cash and Cash Equivalents at Beginning of Period		30,052	31,346	30,949	32,416	37,050
Cash and Cash Equivalents at End of Period		31,346	30,949	32,416	37,050	35,218

Notes: 1. Figures less than one million yen are truncated.
2. Effective from the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, fiscal 2019 was a transitional period of 11 months (February 1–December 31, 2019).

Data per Share

Item	FY ended	Jan. 2018	Jan. 2019	Dec. 2019	Dec. 2020	Dec. 2021
EPS (yen)		121.20	118.89	96.37	88.93	73.44
Cash Dividend (yen)		66.00	68.00	70.00	72.00	74.00
Dividend Payout Ratio (%)		54.5	57.2	72.7	81.0	100.9
BPS (yen)		506.79	536.43	565.64	607.06	642.04

Note: Effective from the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, fiscal 2019 was a transitional period of 11 months (February 1–December 31, 2019).

Employee Data

Item	FY ended	Dec. 2019	Dec. 2020	Dec. 2021
Pigeon Group	Number of employees (persons)	3,954	3,886	3,935
	Ratio of female employees (%)	64%	62%	62%
	Ratio of non-Japanese employees (%)	—	—	67%
	Number of managers (persons)	—	478	492
	Japan (persons)	—	160	153
	Overseas (persons)	—	318	339
	Ratio of female managers (%)	—	40%	43%
	Japan (%)	—	27%	29%
	Overseas (%)	—	47%	49%
	Voluntary turnover of regular employees (%)	—	9%	15%
Pigeon Corporation	Number of employees (persons)	361	373	368
	Ratio of female employees (%)	38%	39%	41%
	Number of managers (persons)	76	75	71
	Ratio of female managers (%)	20%	21%	24%
	Mid-career hires at management positions* (%)	—	44%	42%
	Voluntary turnover of regular employees (%)	3%	1%	2%
	Average length of service (years)	15.5	15.0	14.8
	Number of new-graduate hires (persons)	9	8	8
Number of mid-career hires (persons)	17	16	5	

*Ratio of mid-career hires in management positions to the number of mid-career hires in each period.
Note: The number of managers and the ratio of female managers in the Pigeon Group for FY2020 have been restated.

Officer Data (As of December 31 in each year)

Number of directors (persons)	10	12	12
Ratio of female directors (%)	10%	25%	25%
Ratio of Outside Directors (%)	30%	42%	42%
Ratio of non-Japanese directors (%)	10%	8%	8%
Number of Audit & Supervisory Board Members (persons)	4	4	4
Ratio of female Audit & Supervisory Board Members (%)	25%	25%	25%
Number of managing officers (persons)	13	13	11
Ratio of female managing officers (%)	8%	8%	9%

Occupational Health and Safety

Pigeon Group	FY ended	Dec. 2019	Dec. 2020	Dec. 2021
Occupational accidents (persons)		—	65	74
(Of which) occupational accidents requiring leave from work (persons)		—	12	15

Note: The number of occupational accidents and occupational accidents requiring leave from work for FY2020 have been restated.

Environmental Data

Scope 1 and 2 CO ₂ emissions* ¹ (tonne-CO ₂)	26,931	24,973	23,510
Scope 1 and 2 CO ₂ emissions per unit of sales* ¹ (kg-CO ₂ /¥ million)	285.8	265.6	252.6
Non-recycled industrial waste generated* ² (tonnes)	969	420	271
Industrial waste per unit of sales* ² (kg/¥ million)	10.3	4.5	2.9
Reuse and recycling ratio (%)	74%	89%	93%

Notes: 1. Figures for domestic operations in the Fiscal year ended Dec. 2019 refer to actual results for an 11-month period (February–December 2019) due to a change in the fiscal year-end.
2. Scope 1 and 2 CO₂ emissions per unit of sales and industrial waste per unit of sales for FY2018, FY2019 and FY2020 have been restated as a result of recalculation of net sales according to the revised Accounting Standard for Revenue Recognition.
*¹ Scope of data collection: Pigeon Corporation and its domestic and overseas consolidated subsidiaries (Scope 1 & 2).
For some sales locations, electricity consumption is estimated from electricity consumption charge. For details on the calculation method of CO₂ emissions, please refer to our corporate website (Responding to Climate Change). The CO₂ emissions for FY2018, FY2019, and FY2020 have been restated.
*² Scope of data collection: Pigeon Corporation and its domestic and overseas consolidated subsidiaries.
The calculation covers industrial waste, excluding general waste from business operations, and does not include recycled waste (including thermal recycling). Non-recycled industrial waste volume for FY2018, FY2019, and FY2020 have been restated.

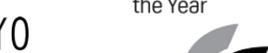
Corporate Data (As of December 31, 2021)

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 https://www.pigeon.com (global) https://www.pigeon.co.jp (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 childcare products, maternity items, women's care products, home healthcare products, elder care products, etc.; operation of child-minding centers
Number of Employees	368 (Japan, full-time employees) / 3,935 (Worldwide, includes part-time employees)

Consolidated Subsidiaries (25 companies) (As of December 31, 2021)

- 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 AMERICA INC.
- PIGEON MANUFACTURING (SHANGHAI) CO., LTD.
- PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.
- LANSINOH LABORATORIES, INC.
- LANSINOH LABORATORIES MEDICAL DEVICES DESIGN INDUSTRY AND COMMERCE LTD. CO.
- LANSINOH LABORATORIES BENELUX
- LANSINOH LABORATORIES SHANGHAI
- LANSINOH LABORATORIES (HONGKONG) CO., LIMITED
- LANSINOH LABORATORIES UK LIMITED
- LANSINOH LABORATORIES FRANCE SAS
- DOUBLEHEART CO. LTD.
- PIGEON INDIA PVT. LTD.
- PIGEON INDUSTRIES (THAILAND) CO., LTD.
- THAI PIGEON CO., LTD.

Main External Evaluation (As of May 31, 2022)

<ul style="list-style-type: none"> ● JPX NIKKEI INDEX 400 	<ul style="list-style-type: none"> ● MSCI Japan Empowering Women Index 	<ul style="list-style-type: none"> ● S&P/JPX Carbon Efficient Index 	<ul style="list-style-type: none"> ● TOKYO FINANCIAL AWARD 	<ul style="list-style-type: none"> ● Corporate Governance of the Year 
<ul style="list-style-type: none"> ● IR Prime Business Award 	<ul style="list-style-type: none"> ● Forbes JAPAN WOMEN AWARD 2021 	<ul style="list-style-type: none"> ● Platinum Kurumin 	<ul style="list-style-type: none"> ● Consumer-Oriented Companies selected by Minister of State Commendation 	<ul style="list-style-type: none"> ● Forest x Decarbonizing Challenge 2022 Excellence Award 

Pigeon Group Business Structure (As of December 31, 2021)

	Company name	Location	Percentage of voting rights in the stock of a subsidiary held by a parent corporation	Business
GHO	Pigeon Corporation	Japan	—	—
Japan Business	● Pigeon Corporation	Japan	—	Maternity and baby products: Sales, R&D, etc.
	● Pigeon Home Products Corporation* ²	Japan	100%	Manufacture and sale of toiletries
	● Pigeon Hearts Corporation	Japan	100%	Child-minding and daycare services, babysitter dispatch services, preschool education services
	● Pigeon Manufacturing Hyogo Corporation* ²	Japan	100%	Manufacture and sale of non-woven products
	● Pigeon Manufacturing Ibaraki Corporation* ²	Japan	100%	
	● Pigeon Tahira Corporation	Japan	100%	Sale of elder care products
● Pigeon Manaka Corporation	Japan	67%	At-home elder care services, sale of elder care products	
China Business	● PIGEON (SHANGHAI) CO., LTD.* ^{2,3}	China	100%	Sale of maternity and baby products Nursing Bottle, Skincare, Cleaning and Disinfecting products, etc.
	● PIGEON AMERICA INC.* ¹	United States	100% (100.0%)	Sale of baby products Nursing Bottle, etc.
	● PIGEON MANUFACTURING (SHANGHAI) CO., LTD.* ²	China	100%	Manufacture of maternity and baby products Nursing Bottle, Skincare products, Breast Pad, etc.
	● PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.	China	100%	
	● DOUBLEHEART CO. LTD.	South Korea	100%	Sale of maternity and baby products Nursing Bottle, Skincare, Cleaning and Disinfecting products, etc.
Singapore Business	● PIGEON SINGAPORE PTE. LTD.* ²	Singapore	100.0%	Sale of maternity and baby products Nursing Bottle, Skincare products, Breast Pump, etc.
	● PIGEON MALAYSIA (TRADING) SDN. BHD.* ¹	Malaysia	100% (100.0%)	
	● PT PIGEON INDONESIA* ^{1,2}	Indonesia	65% (65.0%)	Manufacture of maternity and baby products Nursing Bottle, Nipple Care products, etc.
	● PT PIGEON BABY LAB INDONESIA* ¹	Indonesia	100% (100.0%)	Sale of maternity and baby products Nursing Bottle, Skincare products, Breast Pump, etc.
	● PIGEON INDIA PVT. LTD.* ^{1,2}	India	100% (0.1%)	Manufacture and sale of maternity and baby products Nursing Bottle, Breast Pump, etc.
	● PIGEON INDUSTRIES (THAILAND) CO., LTD.* ²	Thailand	97.5%	Manufacture of maternity and baby products Nursing Bottle, Wet wipes, Nipple Care products, etc.
● THAI PIGEON CO., LTD.* ²	Thailand	53%		
Lansinoh Business	● LANSINOH LABORATORIES, INC.* ³	United States	100%	Sale of maternity and baby products Nipple Care products, Breast Milk Storage Bag, Breast Pump, etc.
	● LANSINOH LABORATORIES MEDICAL DEVICES DESIGN INDUSTRY AND COMMERCE LTD. CO.* ^{1,2}	Turkey	100% (99.9%)	Manufacture of maternity and baby products Nursing Bottle, Breast Pump, etc.
	● LANSINOH LABORATORIES BENELUX* ¹	Belgium	100% (100.0%)	Sale of maternity and baby products Nipple Care products, Breast Milk Storage Bag, Breast Pump, etc.
	● LANSINOH LABORATORIES SHANGHAI* ¹	China	100% (100.0%)	
	● LANSINOH LABORATORIES (HONGKONG) CO., LIMITED* ¹	China	100% (100.0%)	
	● LANSINOH LABORATORIES UK LIMITED* ^{1,2}	United Kingdom	100% (100.0%)	
● LANSINOH LABORATORIES FRANCE SAS* ¹	France	100% (100.0%)		

*1 In the Percentage of Voting Rights column, numbers in parentheses () represent the percentage of indirect holdings and are included in the total percentage of voting rights held by the Company.
 *2 The company is classified as specific subsidiaries.
 *3 PIGEON (SHANGHAI) CO., LTD., and LANSINOH LABORATORIES, INC., account for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies).

Stock Data (As of December 31, 2021)

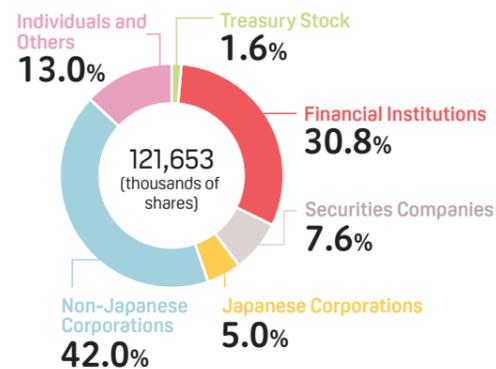
- Shares Authorized 360 million
- Shares Issued 121,653,486
- Total number of shareholders 22,486
- Number of shareholders with voting rights 20,221
- Treasury stock 1,893,272

Major Shareholders (As of December 31, 2021)

Shareholder name	Number of shares (Thousand)	Ownership* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,825	16.6
Custody Bank of Japan, Ltd. (Trust Account)	5,864	4.9
STATE STREET BANK AND TRUST COMPANY 505223	4,579	3.8
STATE STREET BANK CLIENT OMNIBUS OM04	3,743	3.1
SMBC Nikko Securities Inc.	3,444	2.9
BNYSANV RE MIL RE FIRST SENTIER INVESTORS ICVC - STEWART INVESTORS ASIA PACIFIC LEADERS SUSTAINABILITY FUND	3,307	2.8
RBC ISB S/A DUB NON RESIDENT/TREATY RATE UCITS-CLIENTS ACCOUNT-MIG	3,097	2.6
JPMorgan Securities Japan Co., Ltd.	2,958	2.5
Y.N Corporation	2,378	2.0
The Nomura Trust & Banking Co., Ltd. (Investment Equity)	2,071	1.7

*Shareholding ratio is calculated deducting treasury stock (1,893,272 shares). Treasury stock does not include the number of shares held by the Board Incentive Plan for Directors (BIP) Trust Account (124,800 shares).

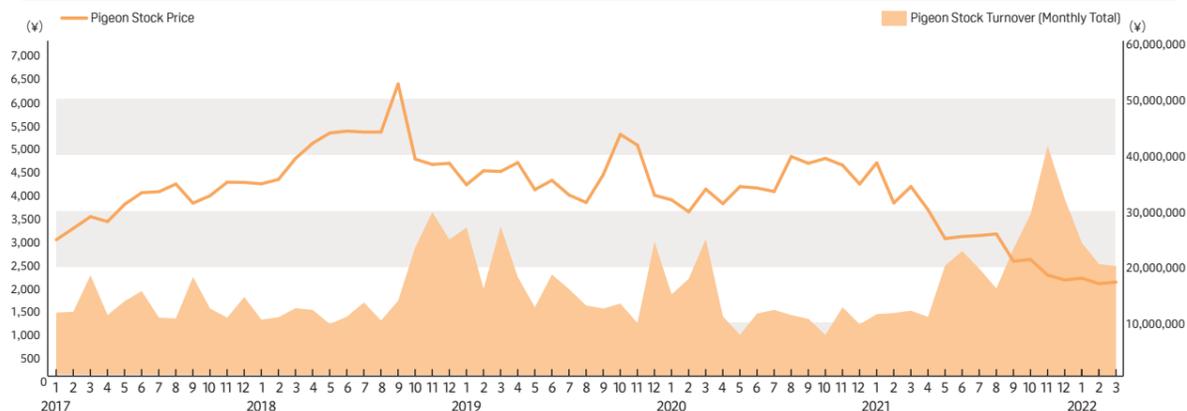
Share Breakdown by Shareholder Type (As of December 31, 2021)



	Number of shares
Non-Japanese Corporations	51,089 (thousands)
Financial Institutions	37,487 (thousands)
Individuals and Others	15,864 (thousands)
Japanese Corporations	6,058 (thousands)
Securities Companies	9,260 (thousands)
Treasury Stock	1,893 (thousands)

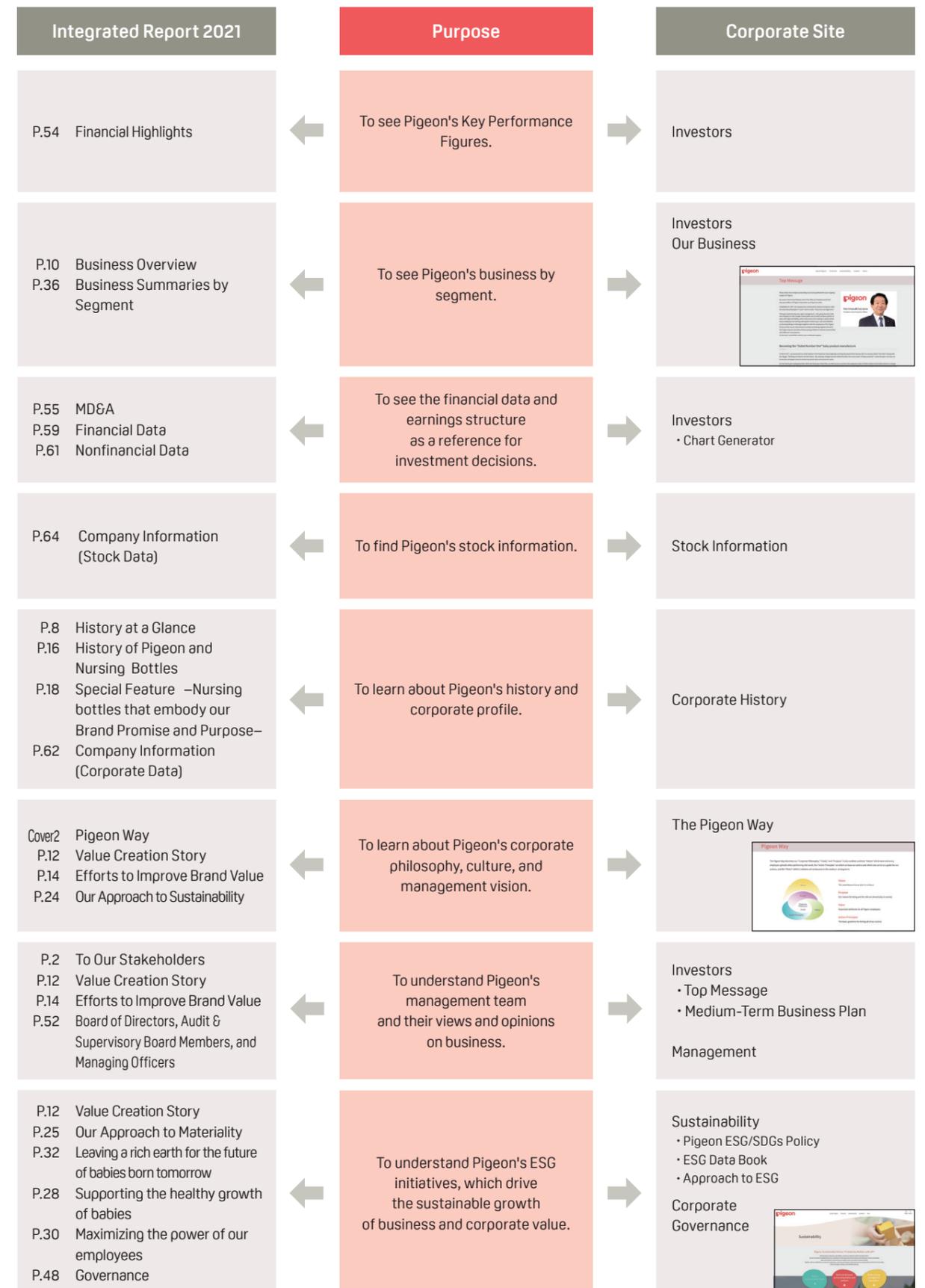
Figures in Number of Shares are truncated.

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 is 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.



Pigeon Corporation

(Securities Code: 7956)

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