



Celebrate babies the way they are

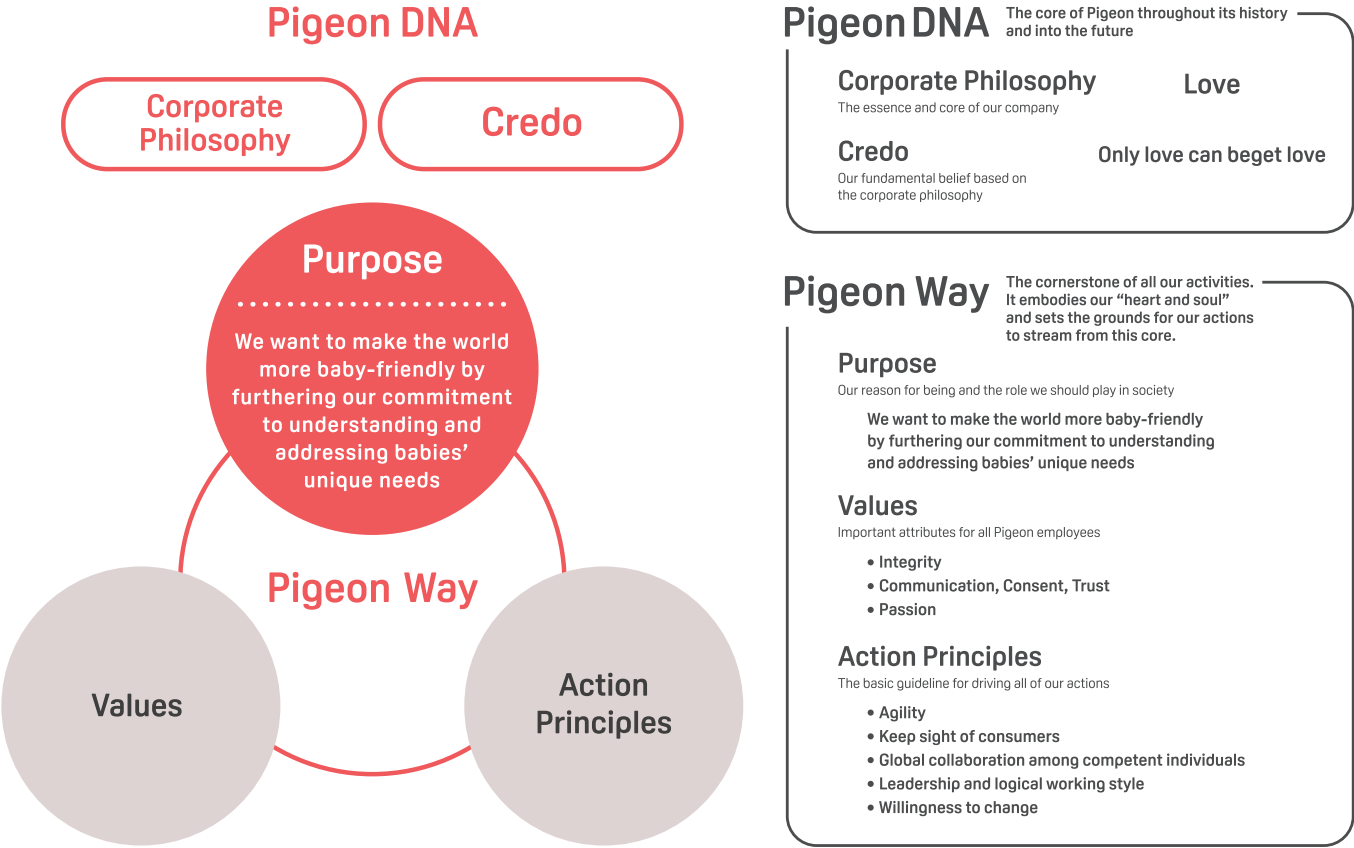
Integrated Report 2022

For the Year Ended December 31, 2022



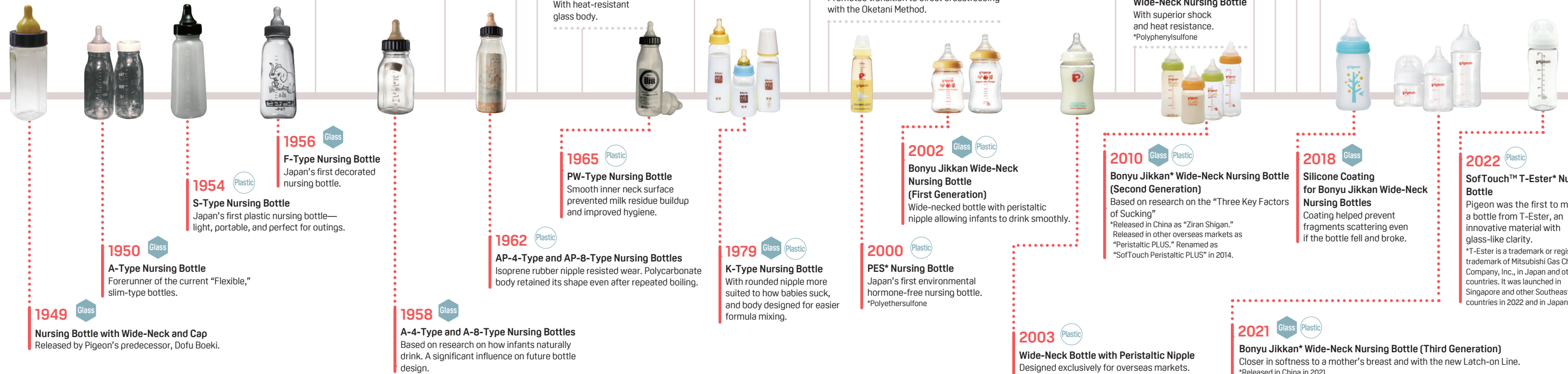


In order that all Pigeon employees should embody a baby-friendly world as we strive to realize our purpose, we have updated the Pigeon Way.



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 goal has not changed since Pigeon's establishment.

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. Our leadership at the time 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.



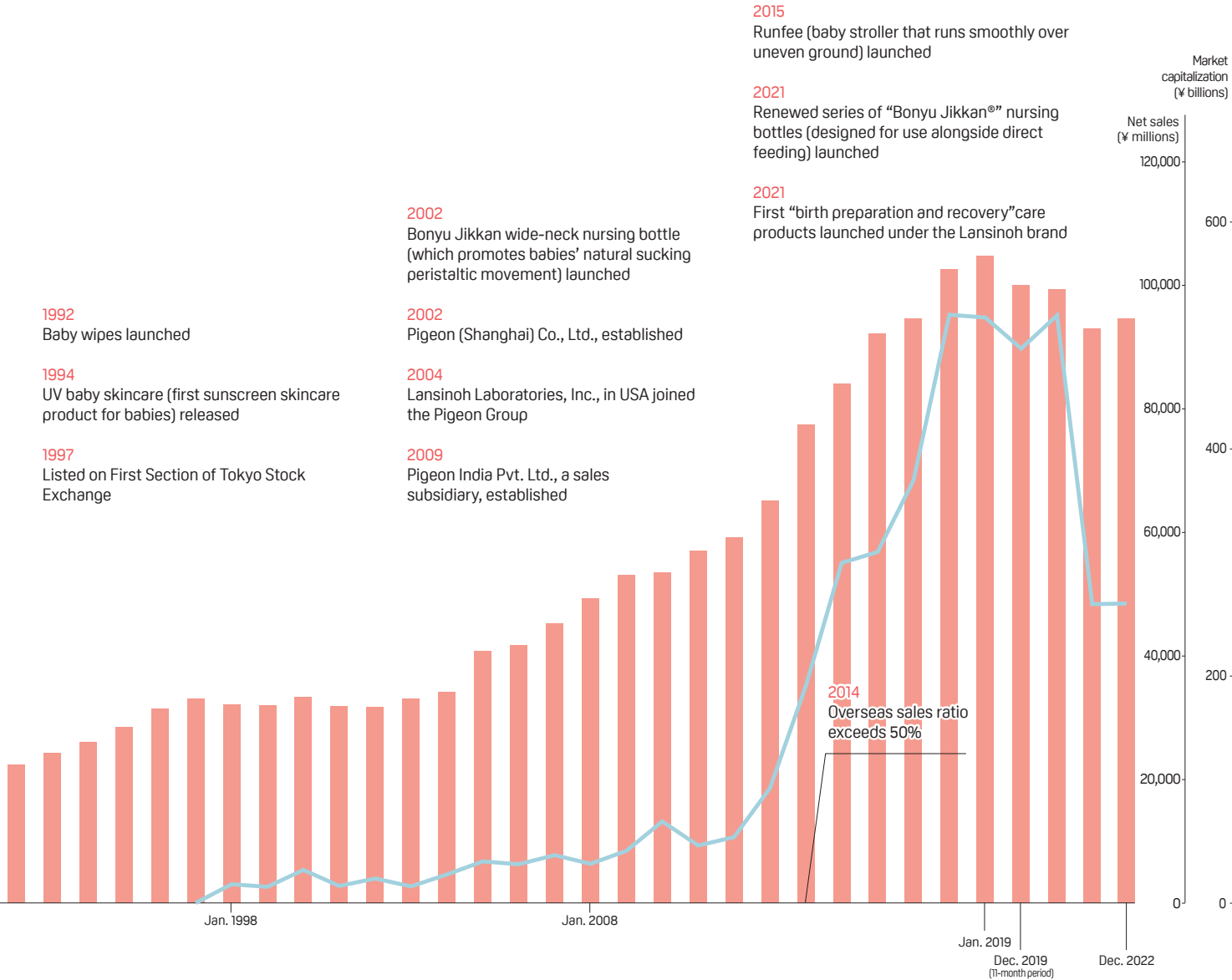
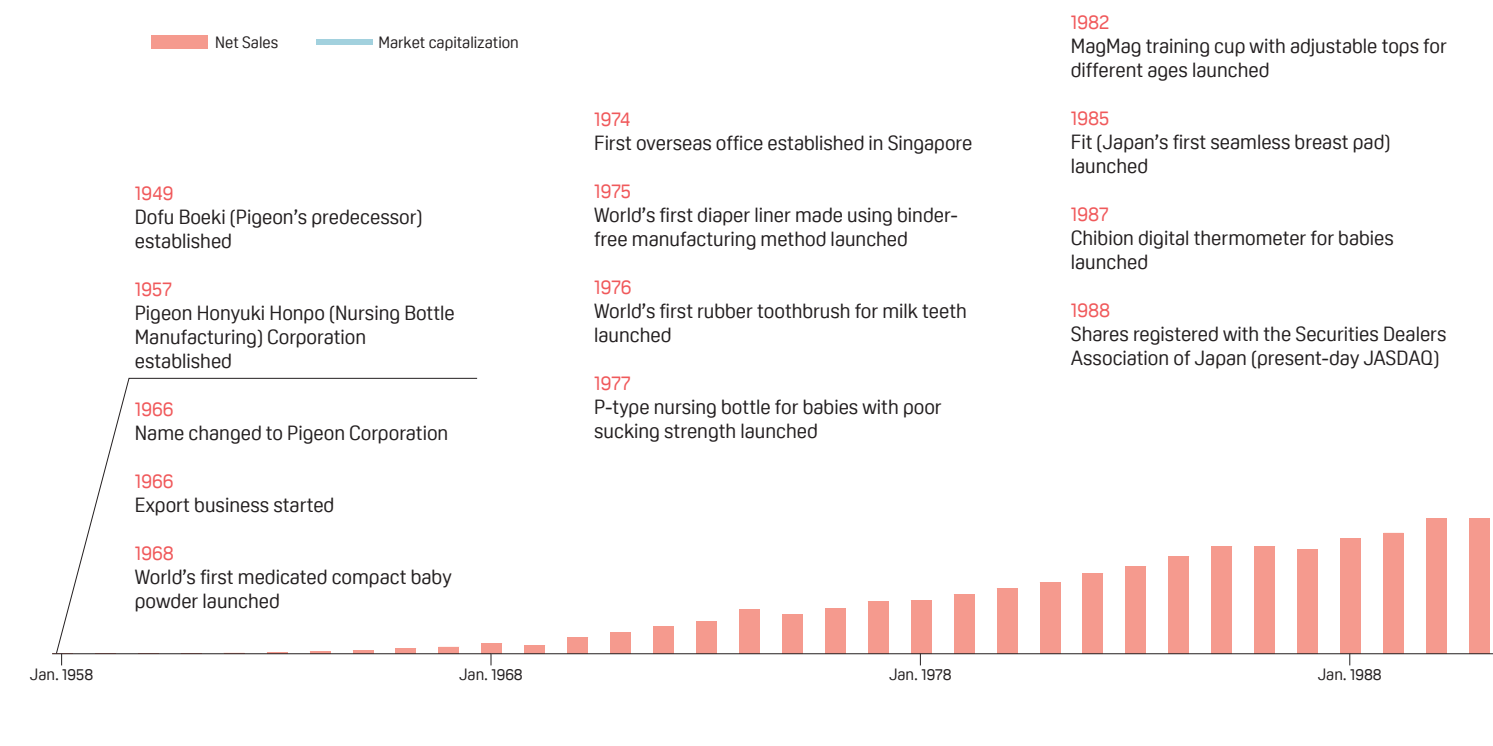
There is no finish line for our development of nursing bottles.

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.



History at a Glance

For more than 60 years since its establishment, 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, Seichi 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.

PVA-An Independent Performance Indicator Aimed at Enhancing Corporate Value

Pigeon positions its unique Pigeon Value Added (PVA) as a key performance indicator based on economic value added. PVA is calculated by deducting the cost of capital from net operating profit after tax (NOPAT) and expresses the financial amount of corporate value generated through our business activities that exceeds the cost of capital. PVA is designed to assess how efficiently limited resources such as funds and assets have been utilized to maximize returns. By evaluating the absolute value rather than the ratio, PVA helps prevent a diminishing equilibrium in business, ensuring a solid foundation for future growth.

Formula: PVA equals NOPAT minus cost of capital (Invested capital times WACC*)

*Weighted Average Cost of Capital

Introduction and Use of PVA

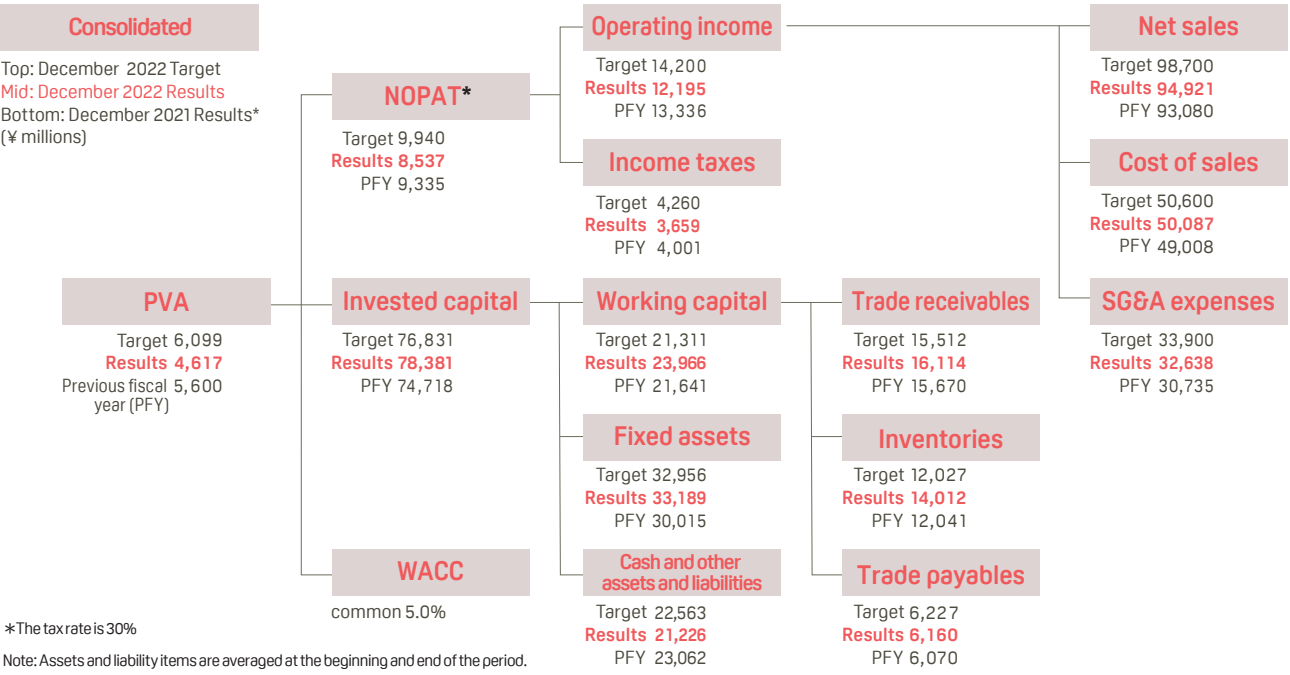
Pigeon introduced PVA in 2013 as a tool to pursue three key elements simultaneously: profitability, efficiency, and growth across the entire Group. The utilization of PVA extends not only to the overall Group but also to individual business segments and companies, with the achievement of PVA goals being incorporated into the compensation system of full-time Directors.

The adoption of PVA concepts and the dissemination of a PVA tree within the Pigeon Group have resulted in clearer identification of areas for improvement and specific actions to enhance PVA. Furthermore, a common Group-wide understanding of PVA leads to shared goals, which fosters greater collaboration among departments. In addition, the mindset of employees, which used to be heavily focused on sales and profits, has been elevated to embrace concepts such as cash flow management and corporate value. To promote the adoption of PVA, internal study sessions are organized not only for top management but also for all employees, thereby ensuring their comprehension. By breaking down PVA into a tree-like structure, as depicted in the diagram at right, Pigeon aims to visualize how everyone’s tasks contribute to its various components.

Pigeon utilizes the PVA tree to facilitate dialogue and discussions with stakeholders through external disclosure.

We will continue to leverage PVA and strive to further increase our corporate value.

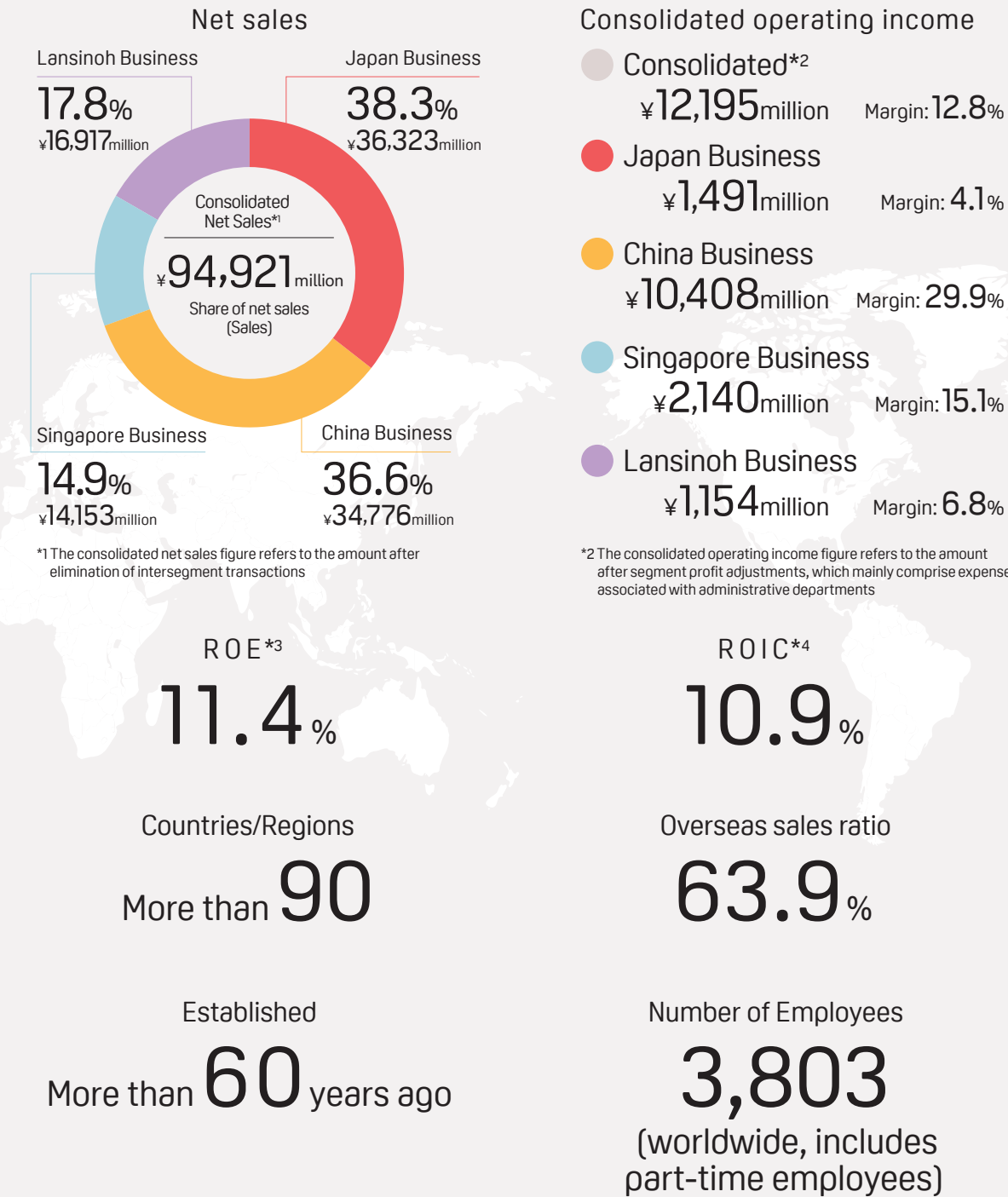
PVA Tree for the Fiscal Year Ended December 2022



Current Status of the Pigeon Group (As of December 31, 2022)

Pigeon Corporation is a leading global company in baby products that has been supporting babies, mothers, and families around the world for more than 60 years since its establishment in Japan.

Effective from the year ended December 31, 2020, the Group has four business segments for reporting purposes: Japan Business, China Business, Singapore Business, and Lansinoh Business.



*3 Return on equity (ROE): The denominator is the average of the figures at the beginning and end of the fiscal year.
*4 Return on invested capital (ROIC) is defined as net operating profit after tax (NOPAT) divided by invested capital. This figure is calculated using a tax rate of 30.0%. Invested capital is calculated using the average of the beginning and year-end figures.

Japan Business

Products/Services

Baby and mother care products, childcare services, operation of in-company childcare facilities, preschool education services, aging-prevention products, elder care products and services

● Sales/service: 4 bases ● Production: 3 bases

Business Conditions and Group Strengths

Despite concerns about declining childbirths in this market, we have developed and launched a wide range of high-quality products based on more than 60 years of research into breastfeeding and early childhood development, resulting in widespread recognition of Pigeon as a leading and trusted company in the industry. Leveraging this trust, we are rigorously launching new, highly competitive products and improving the quality of our offerings in the areas of child-rearing support, healthcare, and elder care.



Products/Services

Baby and mother care products

● Sales/service: 3 bases ● Production: 2 bases

Business Conditions and Group Strengths

We offer new ways of living with an emphasis on nursing bottles, nipples, and skincare products together with the hundreds of other products in China under the Pigeon brand. We have both production plants and sales companies catering to core products in China and are strengthening our presence in the growing e-commerce field under an efficient production and supply system.



Products/Services

Baby and mother care products

● Sales/service: 4 bases ● Production: 4 bases

Business Conditions and Group Strengths

We sell baby and mother care products under the Pigeon brand. In particular, Indonesia and India are positioned as priority markets, and we are strengthening our production and sales systems, including collaboration with local partners, to meet the diverse needs of each region. In addition, we aim to further expand our business in the Middle East and Oceania.



Products/Services

Baby and mother care products

● Sales/service: 6 bases ● Production: 1 base

Business Conditions and Group Strengths

We sell breastfeeding-related products under the Lansinoh brand, and mainstay nipple care cream and breast milk storage bags have been well received by consumers, particularly in the key market of the United States. We are strengthening our brand while expanding product categories such as nursing bottles and birth preparation and recovery products in the United Kingdom, Germany, and other European countries, as well as China.





Reinforcing a Foundation for Sustainable Growth Based on Our Purpose

The Pigeon Group conducts business with a dedication to our Purpose: “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.”

The world is changing drastically. Not only has the COVID-19 pandemic altered the way people live and their values, but we are also facing a temporary sharp decline in the number of births worldwide and changes in the needs of and purchasing behavior for baby-care products.

To respond to the rapidly changing environment and realize sustainable growth, the Pigeon Group recognizes the importance of evolving the Pigeon Way, which serves as a crucial foundation for driving our business. We have also established a framework in which each employee keeps a firm focus on our Purpose and actively engages in activities toward its realization, including the updating of the Key Issues (Materiality). In February 2023, we formulated and announced our 8th Medium-Term Business Plan covering from 2023 to 2025 aiming to build a foundation supporting sustainable growth.

Review of the 7th Medium-Term Business Plan

Fiscal 2022 Performance Below Expectations Amid a Challenging Business Environment

Fiscal 2022 marked the final year of our 7th Medium-Term Business Plan. Despite our efforts to drive growth under the three basic strategies of brand strategy, product strategy, and regional strategy, in which each business division swiftly implemented measures tailored to the characteristics of each region, the unforeseen impact of the COVID-19 pandemic on different parts of the world at different times hindered our ability to implement measures in a timely manner, making the past three years exceptionally challenging. Besides the varied impacts of the pandemic, we also recognized the significant risk to our business posed by the sharp decline in the number of births observed in many regions such as Japan, China, South Korea, Europe, and the United States.

Given these difficult circumstances, performance fell below expectations for fiscal 2022. Although net sales grew to ¥94.9 billion, up 2.0% year on year, profit indicators declined. Operating income decreased 8.6% to ¥12.1 billion, ordinary income was down 8.1% to ¥13.4 billion, and net income attributable to owners of parent fell 2.3% to ¥8.5 billion. In particular, the extended lockdown of close to two months in Shanghai, China, had a significant impact, leading to the suspension of operations at our sales companies and factories. Key performance indicators (KPIs) also fell below levels posted in the final year of the 6th Medium-Term Business Plan (fiscal 2019), namely our own unique Pigeon Value Added (PVA), which expresses economic value added; the cash conversion cycle (CCC), which expresses capital efficiency in cash flow management; return on equity (ROE); and return on invested capital (ROIC). Clearly, we must focus on enhancing economic value moving forward.

Strong Brand Power Reaffirmed in Difficult Environment

At the same time, the COVID-19 pandemic has provided an opportunity for us to recognize strengths that might not be apparent during normal times. One such strength is our brand power. In our China Business, despite a year-on-year decline in sales due to the prolonged lockdown in Shanghai in 2022, we maintained a strong position in the market in our mainstay nursing bottle and skincare categories through major annual e-commerce events such as the shopping festivals “618” on June 18 and “Double Eleven” on November 11. We also achieved top rankings in sales in other product categories for the first time, demonstrating the robustness of the Pigeon brand in the rapidly expanding e-commerce landscape in China. Even amid a pandemic-induced decline in inbound demand, the Japan Business maintained a high level of competitiveness. We have also been included in Interbrand Japan’s “Best Japan Brands” for four consecutive years, ranking 73rd in 2023. In addition, in many Southeast Asia countries and regions where lockdown measures were implemented, we witnessed a swift recovery in sales immediately after the restrictions were lifted, which can be attributed to the resilience of our brand.

Product Strategy under the Four-Segment Business Structure Gains Momentum

In our product strategy, we launched new models of nursing bottles in key markets worldwide despite the COVID-19 pandemic. We also enhanced our organizational structure by delegating decision-making authority to the four business segments, each with deep knowledge of their respective markets, enabling us to rapidly develop products that align with the characteristics of each market.

Our Lansinoh Business has achieved consistent growth almost every year for the past three years, primarily driven by e-commerce, even amid the pandemic. By releasing birth preparation and recovery products that cater to the needs of expectant and new mothers, we have captured consumer interest, leading to growth in sales and the creation of new product markets. In our China Business, we have made a strong start with skincare products targeting children aged three and above. Throughout the 7th Medium-Term Business Plan, we have introduced approximately 250 new products each year Group-wide, including upgrades, reaffirming our commitment to strengthening “*monozukuri*” (manufacturing) as a vital element for Pigeon’s sustainable growth.

Business Opportunities and Issues

Supply Chain and Japan Business Highlighted as Key Challenges

Although the brand strategy, product strategy, and regional strategy implemented during the 7th Medium-Term Business Plan have yielded positive results, the COVID-19 pandemic has also revealed new challenges.

One such challenge concerns our supply chain. The global pandemic exposed disparities in logistics, supply, and distribution systems across different markets, resulting in varying performance levels. In times of crises like the COVID-19 pandemic, sales through distributors have struggled compared to the direct sales model, and we recognize the need to reassess our approach, considering regional characteristics and past performance. We will also look to optimize our production system by considering not only in-house production but also cooperative relationships with local suppliers, aiming to strengthen profitability. Another challenge is specific to our Japan Business. The decline in domestic consumer demand and the rising costs of raw materials due to the pandemic have directly affected our profitability. To address this, we will focus on developing high-value-added products, explore price revisions again, and work toward improving profitability.

Medium-Term Business Plan PP. 24-25

Business Opportunities in Untapped Market of 100 Million People

While we recognize the risks posed by the sharp decline in birth rates due to crises like the COVID-19 pandemic, when we look at the number of babies reached by Pigeon currently, there remains

significant untapped growth potential in the global market. The annual number of births worldwide is approximately 130 million^{*1}, whereas Pigeon’s existing markets cover around 73 million births. Considering factors such as income levels, our products currently reach only about 30% of the global market, or approximately 30 million people. In other words, there is still an untapped market of around 100 million people worldwide. Even in the established markets where our Singapore Business and Lansinoh Business operate, there are still many babies and families who have yet to experience our products.

^{*1}According to Pigeon research

Rebuild a Foundation for Sustainable Growth under the 8th Medium-Term Business Plan

Toward Sustainable Growth through the Restructuring of Our Business Structure

In our 8th Medium-Term Business Plan covering the three-year period from 2023 to 2025, we have identified challenges and business opportunities under the theme, “For Sustainable Growth: Restructuring of our business structure in response to global economic, political, and environmental changes.”

Building upon the three basic strategies of the 7th Medium-Term Business Plan, namely brand strategy, product strategy, and regional strategy, we will pursue sustained growth in existing areas and explore and cultivate new areas.

Existing Areas: Nursing Bottles and Baby Skincare Products Core to Product Strategy

In existing areas, we will hone our competitive edge by further enhancing our nursing bottle and baby skincare ranges as domains of comparative advantage.

For our Japan Business, where improving profitability is of the utmost importance, we will make price revisions and reevaluate our product portfolio to boost profitability. In addition, we have plans to complete a new plant in Fuji City, Shizuoka Prefecture, in August 2023, where we will strengthen our research-and-development capabilities, notably in baby skincare, allowing us to create products that embody the essence of Pigeon as a trusted brand in Japan.

In China, we will enhance our product lineup and strengthen our sales efforts for nursing bottles with the aim of capturing a 50% market share. Our baby skincare products, such as the Avocado and Yuzu series, meet market needs and have been well received. We will expand our range to also cater to babies aged 12 months and older and tap into the growing demand in the Chinese market, especially as it recovers from its strict zero-COVID policy. Furthermore, with our Chinese business taking the lead, we plan to leverage expertise gained in the Chinese e-commerce market to facilitate the entry of the Pigeon brand into the North American market, aiming to achieve further sales growth.

In our Singapore Business, we will transition from our mainstay slim-type nursing bottles to wide-type versions, which more closely resemble

a mother’s nipple. This shift, combined with the strengthening of our baby skincare product range, will contribute to the growth of our sales and profit margins. We have set a target of achieving double-digit growth annually, particularly in Indonesia, India, and other major countries, and will strive to expand business to achieve this. We will also review our sales structure and strengthen our manufacturing system by working with promising local partners.

In the Lansinoh Business, which focuses on supporting mothers, we plan to introduce a new model of breast pump, further strengthening and fostering birth preparation and recovery products into a mainstay category. With continued growth prospects in Europe, the United States, and China, we are also looking to increase production capacity at our plant in Turkey to drive business expansion.

In this way, we will strengthen autonomous business operation in each business segment and reform our production and sales systems tailored to market characteristics to further enhance the profitability of the entire Pigeon Group.

New Challenges in Our Four Business Segments with a Focus on Toddlers, Women’s Care, and Father Care

In our existing four business segments, we will take on the challenge of expanding our core customer target groups based on the keywords of “toddler,” “women’s care,” and “father care.”

Although we have already made progress with the “toddler” category in China, we will further develop skincare products that cater to children aged three and above. We are also planning the global launch of birth preparation and recovery products under the Lansinoh brand targeting expectant mothers. During the approximate six-week postpartum period, a mother’s body undergoes various changes as it returns to its pre-pregnancy state. The Lansinoh brand has earned the trust of mothers worldwide on the back of renowned products such as nipple care creams that alleviate soreness during the challenging phase of breastfeeding initiation and are safe for babies. We will leverage this strength in the birth preparation and recovery product category and nurture it into a new pillar of growth.

Providing Pigeon Know-How to Empower Male Parenting

The key focus of “father care” centers on products and services that support men’s childcare efforts. This includes raising awareness and promoting a society that encourages men’s active involvement in parenting.

Babies are undeniably adorable, and as parents, we aspire to spend as much quality time with them as possible. As a father of two, I took on the responsibility of bathing my sons during their infancy. However, upon reflection, I believe there were further opportunities for me to actively engage in childcare. Today, where female participation in the workforce is increasingly encouraged, it is crucial to transform the role of fathers in childcare, allowing them to be more involved and take the initiative. By doing so, we can contribute to the realization of a society where males can confidently embark on parenthood.

At Pigeon, we established One Month Together, which allows one month of paid childcare leave regardless of gender. The uptake of this leave among

male employees has been 100% for seven consecutive years since the fiscal year ended January 31, 2016. While Japan recently introduced the concept of paternity leave in October 2022, by widely sharing our well-established practices and expertise in implementing and managing such leave policies, we can contribute to the growth of opportunities for fathers to actively participate in childcare and create a society that warmly embraces newborns. With Pigeon’s profound understanding of babies’ unique needs and the challenges and joys of parenting, we are uniquely positioned to provide meaningful support. Through our efforts, we aim to promote activities that make the journey of parenthood a joyful experience for as many individuals as possible.

Full-Fledged Exploration of Business Expansion in Untapped Markets

As mentioned earlier, there are still vast untapped markets worldwide for Pigeon. Among them, approximately 57 million babies are born each year in countries and regions we have yet to enter. In particular, the African region, which accounts for around 45 million annual births, presents an opportunity for us to embark on new market development, including establishing sales bases under the Pigeon brand, with a long-term perspective spanning a decade. In addition to Africa, we are exploring new markets in Southeast Asia and the Middle East for the Pigeon brand, as well as expanding our presence in Europe with the Lansinoh brand. I

had the opportunity to travel to multiple regions last year after overcoming the challenges posed by the pandemic. Among them, the Middle East underwent significant environmental changes before and after the pandemic, which left me not only surprised but also deeply moved. I witnessed remarkable progress in women’s empowerment and the rapid rise of e-commerce, which was virtually nonexistent there just three years ago. Discovering the emerging growth markets in the Middle East filled me with great joy and excitement.

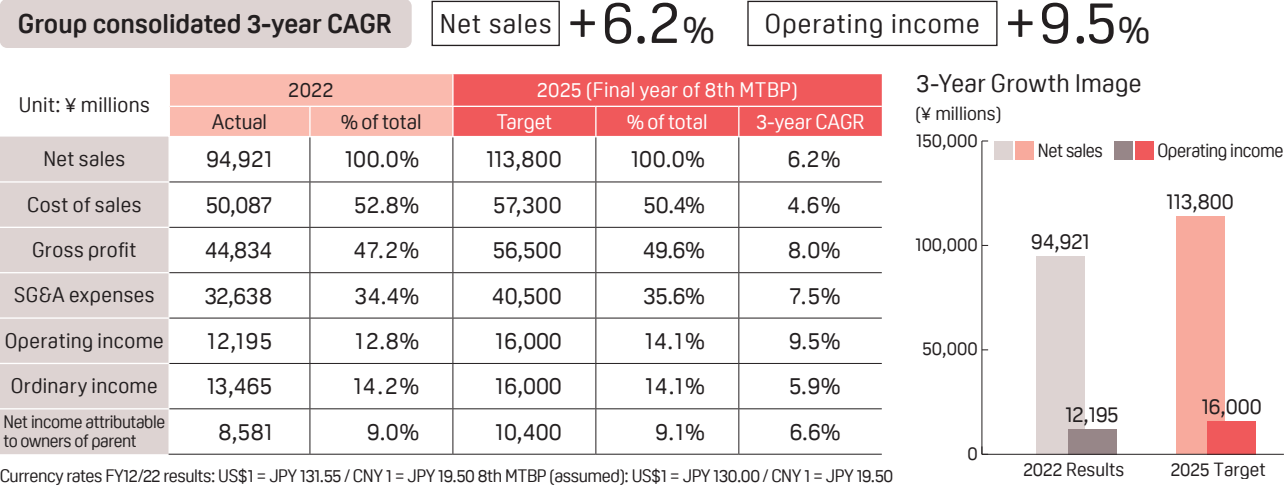
We are committed to cultivating these growing markets by taking advantage of such environmental changes in a timely manner.

Aiming for Record High Sales

By strengthening existing areas and exploring and cultivating new areas, we aim to achieve the following targets in fiscal 2025, the final year of our 8th Medium-Term Business Plan: Net sales of ¥113.8 billion, a record high; operating income of ¥16 billion; and an operating margin of 14.1%. We have also set financial KPIs for an ROE of 14% or more, an ROIC of 15% or more, and a PVA of ¥7 billion. Out of the expected operating cash flow of approximately ¥34 billion over the three-year period, we have earmarked around ¥12 billion for growth investments. As per our shareholder return policy, we will continue to provide stable dividend payments by maintaining current dividend levels along with further improvement in consolidated performance and financial condition.

8th Medium-Term Business Plan PP. 26-39

8th Medium-Term Business Plan Targets



Capital Policy and Shareholder Returns under the 8th MTBP

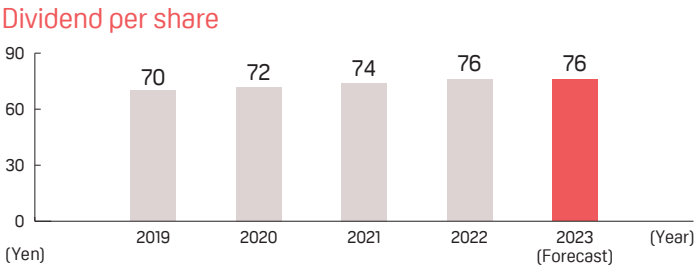
Cash flows
Increase in operating cash flow (3 years): Approx. ¥34 billion

Investment
Investment for growth (3 years): Approx. ¥12 billion

KPI targets in final year of 8th MTBP
ROE^{*1}: 14% or more
ROIC^{*2}: 15% or more
PVA: ¥7 billion or more

^{*1} ROE: Calculated with equity being the average of the beginning and ending balances
^{*2} ROIC: NOPAT/Invested capital, calculated with a tax rate of 30.0% and invested capital being the average of the beginning and ending balances

Shareholder return policy
Continue stable dividend payments by maintaining current dividend levels along with further improvement in consolidated performance and financial condition.



Make the World More Baby-Friendly

Updated the Pigeon Way

To drive our business forward, it is crucial to clearly define “what we aim for.” Therefore, in February of this year, we simplified the Pigeon Way, which embodies our “heart and soul,” to make it easier to understand.

We separated our Corporate Philosophy, “Love,” and Credo, “Only love can beget love,” from the Pigeon Way, as the cornerstones of Pigeon that will remain unchanged into the future.

As such, the Pigeon Way is now structured around our Purpose, Values, and Action Principles, with our Purpose, “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs,” at the core. This empowers our employees to be deeply conscious of fulfilling our Purpose in their daily activities and drives them to advance our business.

| Pigeon DNA · Pigeon Way PP. 16-17

Formulation of Our “Vision of a Baby-Friendly Future”

We formulated our “Vision of a Baby-Friendly Future” to further advance our efforts to realize our Purpose, by depicting, in terms of six specific faces of society, the “baby-friendly” world envisaged in that Purpose. This Vision, shared both internally and externally, was created based not only on proposals from Pigeon employees the world over but also from ideas that arose through various discussions with experts on regions and communities, the environment, and welfare, along with everyday mothers and fathers. The Vision serves as a guide for product development and helps employees visualize how their work contributes to this future.

I ask not only our employees but also all our business partners who make up our value chain to embrace our Purpose as members of the Pigeon family and to take actions aligned with that Purpose together with us.

We also reviewed the Key Issues (Materiality) that Pigeon must address to realize the society depicted in this Vision, identifying five elements in December 2022.

| Vision of a Baby-Friendly Future PP. 20-21

| Promoting Sustainable Management PP. 40-41

Realize Decarbonization, a Circular Society, and Coexistence with Nature for the Future of Babies

The first key issue, “Enhancing business competitiveness and resilience,” has been explained as a concrete initiative of the 8th Medium-Term Business Plan. The second key issue, “Reducing our environmental impact,” must be addressed to leave a rich earth for the future of babies born tomorrow. This led us to formulate the

Pigeon Green Action Plan, which aims to achieve decarbonization, a circular society, and coexistence with nature, in December 2022.

During the 7th Medium-Term Business Plan, we made great strides in assessing and disclosing our environmental (E) and social (S) initiatives. Our efforts were well received, and we even earned recognition by being included in prominent ESG investment indices worldwide. We also surpassed our initial expectations in reducing carbon dioxide emissions. Our commitment remains steadfast in achieving a decarbonized society, aiming for net-zero greenhouse gas (GHG) emissions (Scope 1 and Scope 2) by 2050. We are actively calculating our Scope 3 emissions and working toward obtaining SBT (Science-Based Targets) certification, which involves setting specific targets aligned with SBT criteria and developing a comprehensive road map. Moreover, as a manufacturer, we will promote sustainable sourcing practices and accelerate the adoption of circular manufacturing approaches.

| Reducing Our Environmental Impact PP. 46-51

Toward a Culture That Embraces Challenges

The third and fourth Key Issues, “Contributing to the resolution of social issues” and “Managing talent and cultivating the right culture for our Purpose,” are particularly relevant to our social (S) initiatives. In our Human Milk Bank program, the number of babies receiving donated breast milk more than doubled from 364 to 813 in 2022. This initiative has been crucial in supporting premature and underweight babies.

In addition, we continue to invest in employee education and training, fostering a culture where employees can boldly embrace challenges and face the future without fear of failure. Under our “Pigeon Frontier Awards (PFA)” program, which started in 2019 to recognize innovative employee ideas, we receive a diverse range of ideas each year, some of which have been implemented as successful business ventures. In January 2023, we published a book about parenting^{*2}, inspired by the PFA, while “Precious Drop,” a device supporting colostrum collection, was commercialized from an employee idea in 2022 and has been adopted by a growing number of perinatal medical centers, hospitals, and clinics nationwide since its launch in 2022.

One of the key points I emphasize when dealing with talent is the spirit of embracing new challenges. I believe that individuals grow by facing and addressing challenges within their own environments, and I value individuals who have taken on challenges and failed over those who haven’t tried at all. Moreover, as failure is often a part of taking on challenges, I believe that fostering a culture that celebrates attempts and does not condemn failure is essential for generating innovation within the organization. I actively place capable individuals in challenging positions to cultivate them into the talent that will lead the next generation.

^{*2} Published by KADOKAWA Co., Ltd., on January 19, 2023 (Japanese only)

| Contributing to the Resolution of Social Issues PP. 52-55



Diversity as a Key Issue: Increasing the Ratio of Female Managers

I enjoy reading books that introduce animal ecology, and I have always felt that the natural world is full of phenomena that can serve as references for corporate management. For example, when it comes to ants, known for their collective behavior, it is said that around 20% of them deliberately keep themselves available to respond in emergencies. Although ants might have different ways of working, they complement each other’s roles and operate based on the idea of overall optimization. This teaches us the importance of diversity within an organization.

Pigeon is actively promoting diversity and has received recognition from external sources, such as being selected for the MSCI Japan Empowering Women (WIN) Select Index. However, I believe there is still more to be done. Increasing the ratio of female managers at Pigeon Corporation is one of our most pressing issues. During the 8th Medium-Term Business Plan, our goal is to surpass a ratio of 30%, but in addition to achieving the target ahead of schedule, we would like to reach a level of more than 40% on a constant basis. As a global company, we recognize the importance of diversity, not only in terms of nationality but also in nurturing a workplace where diverse talents can demonstrate their individuality and capabilities, both within the leadership team and among the generations who will build the Pigeon of tomorrow.

| Managing Talent and Cultivating the Right Culture for Our Purpose PP. 56-59

Diverse Board of Directors Structure

The fifth key issue concerns “Establishing solid management foundations” and enhancing corporate governance, including Group governance. Starting in 2023, the Board of Directors of

Pigeon will consist of a majority of Outside Directors for the first time, with Rehitō Hatoyama, an Independent Outside Director, serving as the Chairman of the Board. This brings us closer to a well-established governance structure. Through effective governance, we will support proactive and bold endeavors in each business division, which will lead to the long-term enhancement of corporate value.

| Establishing Solid Management Foundations PP. 60-71

In Conclusion

In this Integrated Report, we present the evolution of our nursing bottles, to which we have dedicated years of research and development.

I have previously seen nursing bottles and cradles from the early Qing Dynasty (17th century) at the Shenyang Imperial Palace Museum in China. It was a profound experience for me to realize that despite the passage of time, baby products essential to humanity remain unchanged. While technological advancements have significantly transformed our lives in terms of convenience and the speed of change, the process and timeline of human growth from infancy remain constant, transcending eras and geographical boundaries. The expertise we have accumulated through our research and development in nursing bottles will not be easily eroded. Having products that can secure significant market share is a major strength for us in achieving sustainable growth.

With approximately 100 million babies still without access to our products, we are committed to making the world more baby-friendly through the dedication of our employees to take on challenges and the pursuit of innovation born from new ideas and diversity. Through this journey, we highly value engagement with all stakeholders involved in our business and ask for your continued support as we forge ahead.



Pigeon undertakes various business initiatives aimed at realizing our Purpose, “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.” We updated the Pigeon Way in February 2023 so that all Pigeon employees can provide products and services with a greater focus on realizing our Purpose.

■ Pigeon DNA

The Pigeon DNA is an independent embodiment of our Corporate Philosophy and Credo, which have been passed down for generations and will continue to be valued highly. Our DNA has served as the core of Pigeon throughout our history and will remain so into the future.

■ Pigeon Way

The Pigeon Way comprises our Purpose, Values, and Action Principles. We have positioned our Purpose as the cornerstone of the Pigeon Way to emphasize our commitment to achieving our reason for being. Our Values represent the key attributes that all Pigeon employees should embrace, and our Action Principles serve as the basic guideline driving all our actions. Linking these three elements of the Pigeon Way as shown in the diagram at right conveys the importance of aligning our actions with our Purpose to achieve its underlying tenets.

Employees of the Pigeon Group will uphold the Pigeon DNA and Pigeon Way in the course of everyday activities to build an even stronger brand.



Pigeon DNA
The core of Pigeon throughout its history and into the future

Corporate Philosophy
The essence and core of our company

Love

Credo
Our fundamental belief based on the corporate philosophy

Only love can beget love

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

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

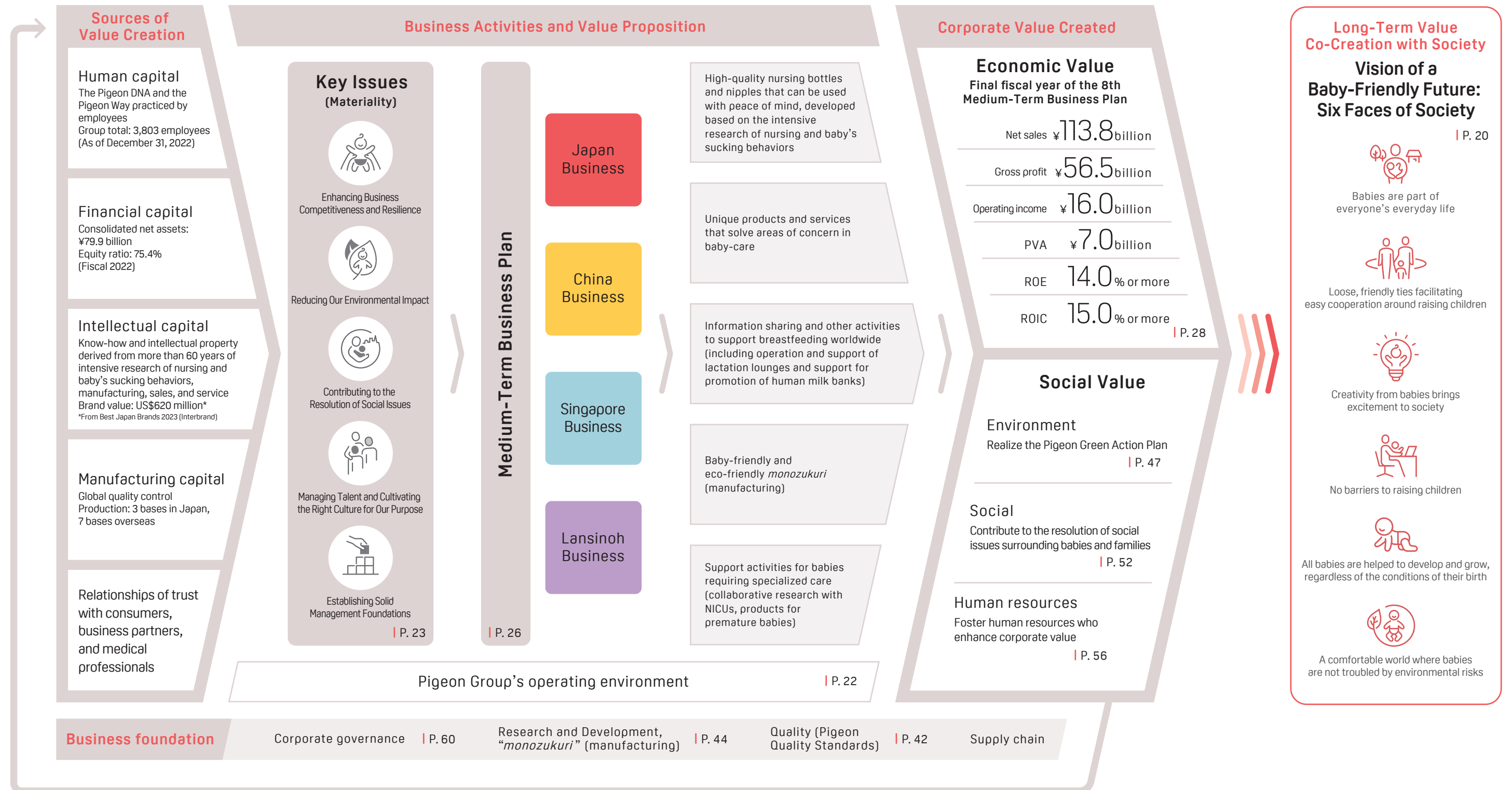
- Agility
- Keep sight of consumers
- Global collaboration among competent individuals
- Leadership and logical working style
- Willingness to change

Corporate Philosophy (Foundation of Value Creation)

Pigeon DNA • Pigeon Way

Purpose: We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs

| P. 16



Based on our Purpose, "We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies' unique needs," the Pigeon Group has identified the Key Issues (Materiality) that we must address to foster a sustainable society through our business activities and enhance our corporate value. Drawing upon our "sources of value creation," which include human capital and financial capital, we will harness our strengths to provide unique, high-quality products and services that solve areas of concern in child-rearing for babies and their families worldwide. This includes providing

nursing bottles and nipples, where we command the top global market share. Our mission is to address materiality while reducing environmental impact and solving social issues surrounding babies and their families in all the countries and regions where we conduct business.

To make the world more baby friendly, we, the Pigeon Group, aim to drive sustainable growth and enhance corporate value as a global leading company in the niche field of baby products.

Vision of a Baby-Friendly Future



Vision of a Baby-Friendly Future: Six Faces of Society



Babies are part of everyone’s everyday life
Create more opportunities to encounter babies in everyday life, making everyone feel closer to them.



Loose, friendly ties facilitating easy cooperation around raising children
Foster more loose, friendly ties between parents and others to make discussion and mutual aid easier, instead of leaving parents to bear the entire burden of childrearing.



Creativity from babies brings excitement to society
Turn scenes from daily life into moments that encourage creativity from babies, instead of seeing parenting as simply “child-minding.”



No barriers to raising children
Prepare flexible systems and career stages for employees having and raising babies, instead of making them choose between children and career.



All babies are helped to develop and grow, regardless of the conditions of their birth
Reach out to ensure that all babies have the chance to develop, and that their parents feel secure raising them, regardless of the conditions of their birth.



A comfortable world where babies are not troubled by environmental risks
Review business activities to eliminate environmental burden, and alert society to the risks babies may face during their lives in the future.

Pigeon has formulated the Vision of a Baby-Friendly Future to advance efforts to realize our Purpose, “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.” The Vision describes the baby-friendly world envisaged in our Purpose in terms of six faces of society. Amid the great changes now taking place around babies and their families, the Vision of a Baby-Friendly Future is the result of thinking about how society should be to improve the world babies will face in the future. The Vision was created based not only on proposals from Pigeon employees but also from ideas that arose through various discussions with experts on regions and communities, the environment, and welfare along with everyday mothers and fathers.

To realize its Vision of a Baby-Friendly Future, Pigeon will move forward step by step, seeking to increase the number of people in society who empathize with the vision and co-creating and taking action with a diverse range of stakeholders.



Pigeon Group Initiative Offering nursing support to each and every baby

To realize a society where there are no barriers to raising children and all babies are helped to develop and grow regardless of the conditions of their birth, Pigeon has been offering nursing support in countries around the world. One of our key initiatives is providing nursing bottles that allow babies to have a similar feeding experience when direct breastfeeding is not possible for different reasons. This results in no interference in breastfeeding continuity. Families in diverse countries have embraced these nursing bottles.

We also conduct joint research with medical institutions to develop and offer exclusive products that assist in nursing babies requiring specialized care, including those born prematurely and those with a cleft lip and/or palate. Moreover, we extend our support to human milk banks providing donated breast milk to premature babies and provide operational support for lactation lounges in 24 countries worldwide.



Pigeon Group’s Operating Environment

In Japan and China, which account for a large portion of the Pigeon Group’s sales, birth rates have been steadily declining, a trend amplified by the COVID-19 pandemic. Nonetheless, there are still numerous untapped markets for the Group, such as the Africa region, where birth rates are on an upward trajectory, offering substantial opportunity for business growth. Moreover, as global warming worsens and natural disasters become more frequent and severe, governments around the world are increasingly committing to achieving a carbon-neutral society, demanding that companies take decisive action toward decarbonization. Many countries are also now enforcing stricter regulations on single-use plastics, driving the rapid transition to a circular economy.

In addition to addressing environmental challenges, companies are focused on initiatives related to human capital as a critical step in achieving sustainable growth. From a risk management perspective, there is a growing expectation for companies to undertake activities in respect of human rights not only for their employees but also everyone throughout the supply chain.

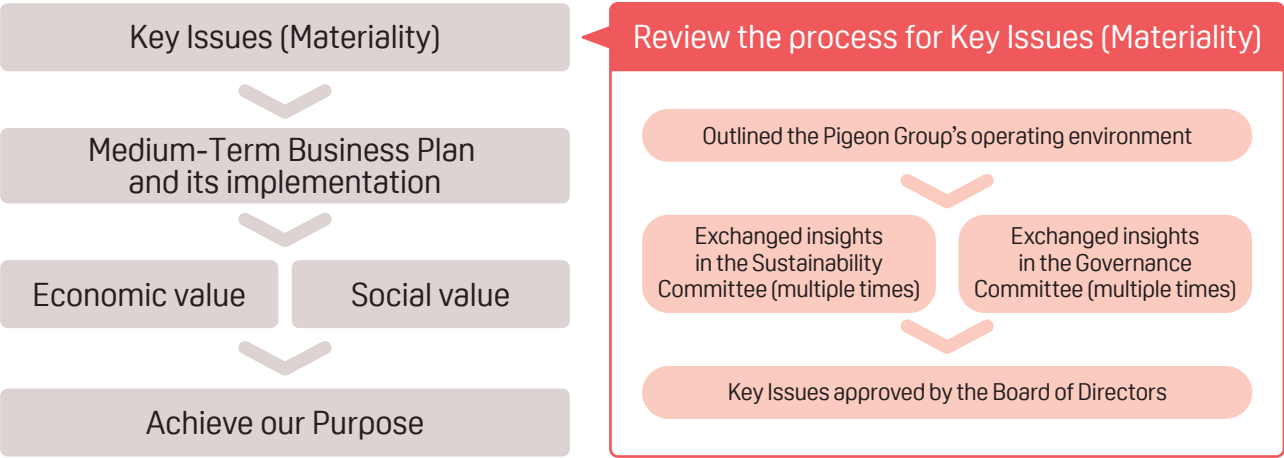
*1 Source: United Nations “World Population Prospects 2022” <https://population.un.org/wpp/>
*2 Source: UNICEF News, May 15, 2019 <https://www.unicef.or.jp/news/2019/0071.html>

Birth rate trends
- Declining birth rate in key markets (Japan, China)*1 - Increasing birth rate in the Africa region*1
Environmental issues
- Accelerating global efforts to achieve a decarbonized society - Escalation and increased frequency of natural disasters - Transition to a circular economy - Marine pollution caused by microplastics - Biodiversity degradation
Social issues
- One in seven babies worldwide (more than 20 million annually) is born with a low birth weight of less than 2,500 grams*2 - More than 80% of the world’s 2.5 million newborns who die every year are of low birth weight.*2 - Consideration of local communities and human rights - Diversification of work styles
Rapidly changing business environment
- Intensifying competition due to a growing e-commerce market - Diversification and increasing complexity of supply chain risks


Review of Key Issues (Materiality)

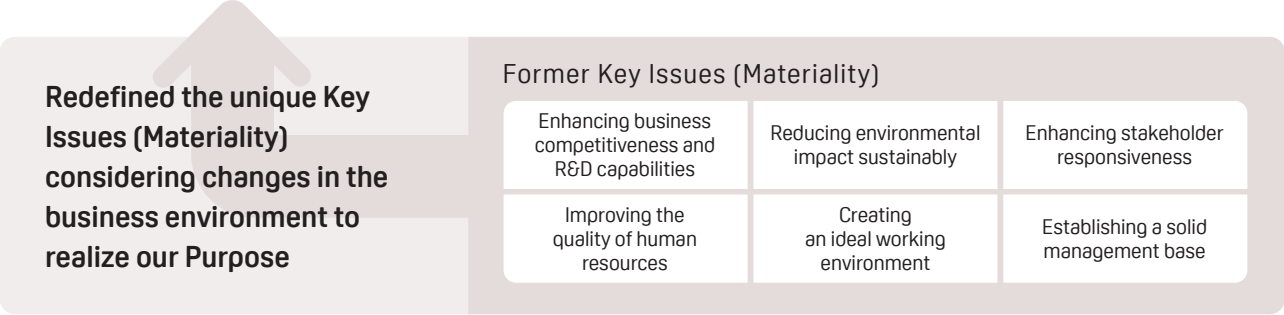
In April 2019, we identified the Key Issues (Materiality) that we must address to foster the development of a sustainable society through our business activities and enhance our corporate value. The specific process entailed identifying social issues based on international standards and guidelines such as ISO 26000, the Global Reporting Initiative (GRI) standards, and the Sustainable Development Goals (SDGs), as well as evaluation criteria from major environmental, social, and governance (ESG) rating agencies, and pinpointing 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 the Key Issues (Materiality) in terms of their importance in building a sustainable society and their importance in our business from the perspective of enhancing our corporate value.

In 2022, we conducted a review of materiality given significant changes in our business and the social environment. The Sustainability Committee and Governance Committee engaged in discussions on multiple occasions to exchange insights aimed at establishing a foundation for value creation and driving a business that balances both economic and social value while achieving our Purpose, “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.” Five Key Issues that ought to be addressed over the medium to long term were uncovered and subsequently approved by the Board of Directors in December 2022. These Key Issues, together with the newly formulated medium- to long-term environmental goals of the Pigeon Green Action Plan, serve as the guiding principles for achieving our 8th Medium-Term Business Plan through which we will strive to create corporate value by realizing our Purpose and secure sustainable growth by working to achieve the SDGs.



Key Issues (Materiality)

Key Issues (Materiality)	What We Aim to Achieve	SDGs Contributed to
 Enhancing Business Competitiveness and Resilience	Becoming an indispensable company by building a robust framework for the creation, production, and delivery of products and enhancing our corporate value over the medium to long term	  
 Reducing Our Environmental Impact	Implementing the Pigeon Green Action Plan aimed at realizing decarbonization, a circular society, and coexistence with nature, to leave a rich earth for the future of babies born tomorrow	      
 Contributing to the Resolution of Social Issues	Helping to resolve social issues affecting babies and their families	   
 Managing Talent and Cultivating the Right Culture for Our Purpose	Cultivating an organizational culture in which diverse individuals resonate with the Pigeon Way and our Purpose; feel pride in the Company, their department, and their work; have an intrinsic motivation to contribute; and can embrace new challenges and express themselves to drive personal growth	  
 Establishing Solid Management Foundations	Reinforcing our GHQ/4SBU structure and enhancing our corporate governance framework to encourage ambitious endeavors to boost corporate value over the medium to long term	 



Formulated the Pigeon Green Action Plan

In December 2022, Pigeon formulated the Pigeon Green Action Plan detailing medium- to long-term environmental targets to leave a rich Earth for the future of babies born tomorrow. The Group will focus on addressing climate change, issues caused by plastic, and biodiversity degradation-areas with particularly high relevance to our operations. The Plan includes goals and initiatives toward achieving decarbonization, a circular society, and coexistence with nature, with the overarching objective of reducing the environmental burden.

| Pigeon Green Action Plan P. 47



Under the Pigeon Way, established in 2014, Pigeon is dedicated to making the world a more baby-friendly place through its daily business activities. By sharing our medium- to long-term business strategy with stakeholders, Pigeon aims to enhance corporate value from both “social value” and “economic value” perspectives. To adapt to the significant changes in the business environment, Pigeon announced the 8th Medium-Term Business Plan in February 2023 with the theme, “For Sustainable Growth: Restructuring of the business structure in response to global economic, political, and environmental changes.”

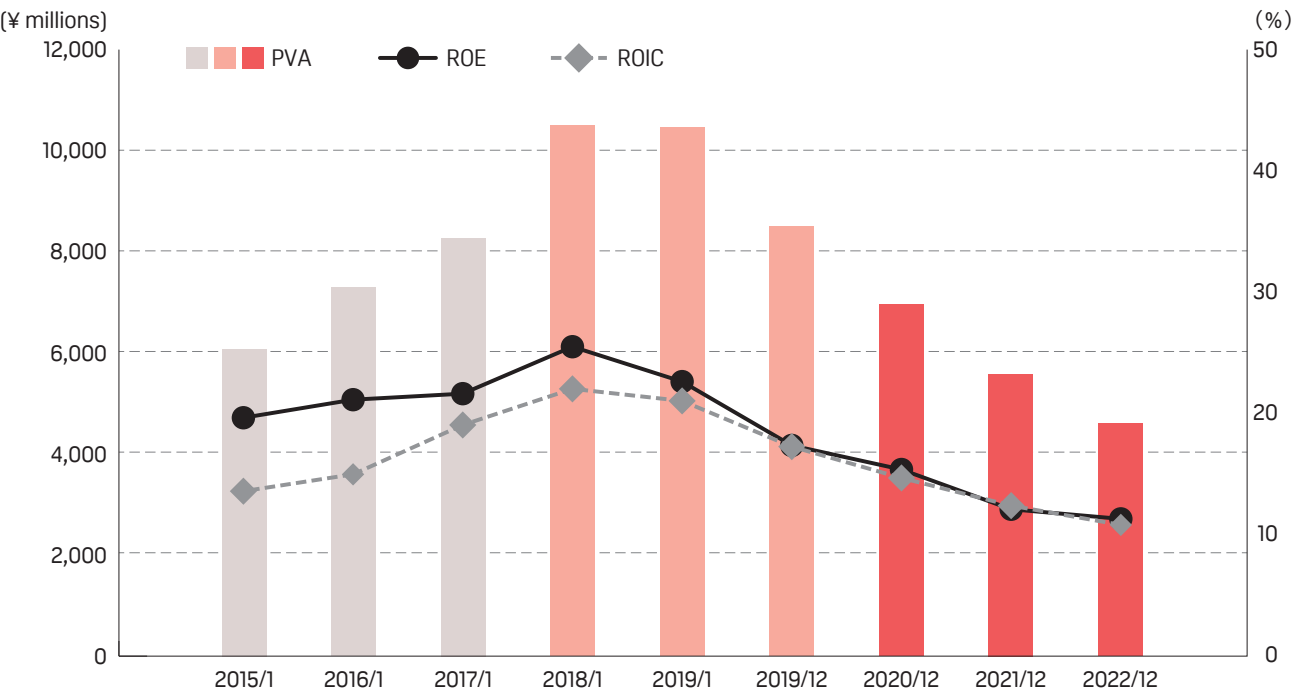
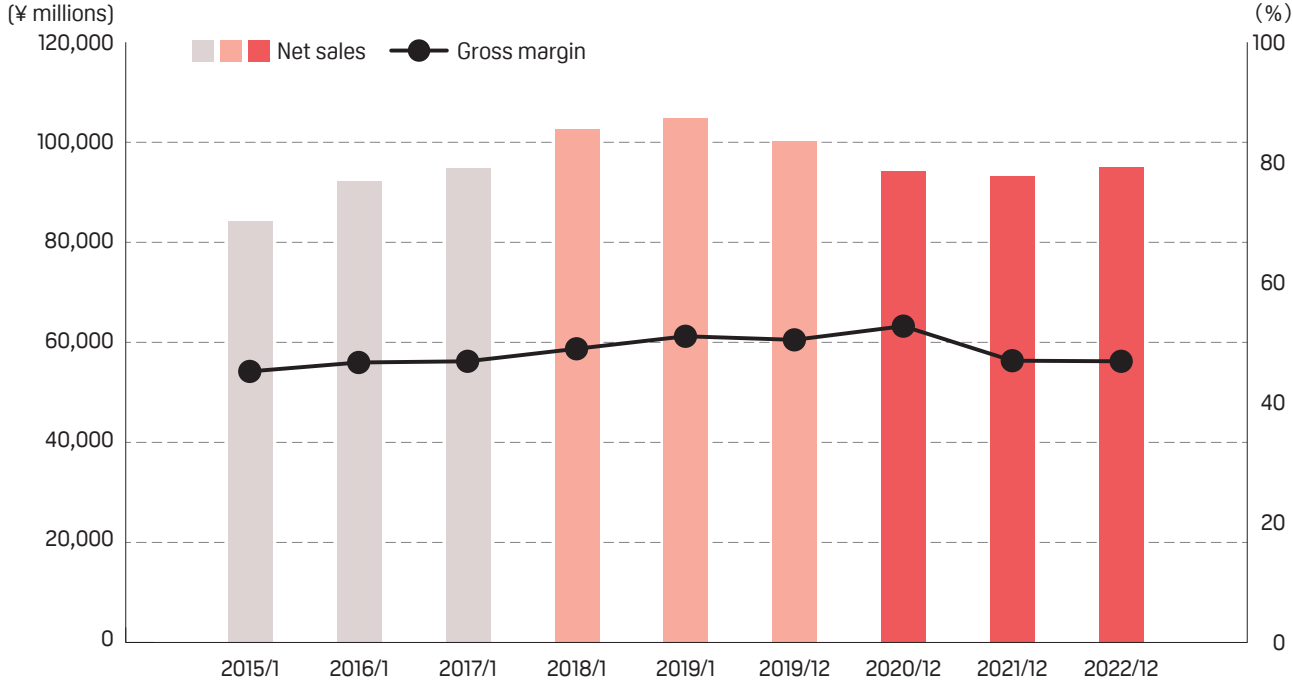
Environment and Key Challenges P. 26	Quantitative Data P. 28	Brand Strategy P. 29	Product Strategy PP. 30-31	Regional Strategy PP. 32-39
---	----------------------------	-------------------------	-------------------------------	--------------------------------

Review of Past Medium-Term Business Plans

	5th MTBP (FY Jan. 2015 to FY Jan. 2017)	6th MTBP (FY Jan. 2018 to FY Dec. 2019)	7th MTBP (FY Dec. 2020 to FY Dec. 2022)
Business policy/ theme	Vision 2016 1. Strengthen our brand power (as the No. 1 baby care manufacturer in the world) 2. Strengthen the management structure for sustainable business expansion 3. Enhance management quality by focusing on cash flows 4. Develop global human resources, establish a global personnel management system, and implement an ax system to facilitate employees' success 5. Further improve enterprise value	Basic Strategy -Social Value Enhancement Create and implement measures based on the Pigeon Way to realize our Vision -Economic Value Enhancement 1. Improve business profitability and efficiency, and maximize cash flow 2. Invest management resources giving priority to key products to lay solid foundations for the future	Theme Expand the Key Success Factors (KSFs) of the Chinese market globally and achieve healthy business growth and profitability in all regions Basic Strategies Brand strategy: Develop a brand “chosen by customers who buy into a business” rather than a brand “chosen by customers who buy a product” Product strategy: Accelerate growth in our core products where we offer unique competitive advantages in the global market Regional strategy: Develop and implement a cycle of “product development, production, and sales” that fits the market characteristics and consumer preferences in each region
Changes in the business environment	-Expansion of the global e-commerce market, led by China -Increase in inbound demand in Japan Exchange rates:* FY Jan. 2017 US\$1 = JPY 108.77 / CNY 1 = JPY 16.35	-Intensifying competition due to expansion of the e-commerce market (e.g., new competitors due to lower barriers to entry and competition with private-label brands in retail stores) -Decline in inbound demand in Japan Exchange rates:* FY Dec. 2019 US\$1 = JPY 109.02 / CNY 1 = JPY 15.77	-Global outbreak of COVID-19 and establishment of a new lifestyle (“living with COVID-19”) -Increased geopolitical risks -Decreased birth rates and slowing growth in major markets such as Japan and China -Intensifying competition in each market -Sharp exchange rate fluctuations Exchange rates:* FY Dec. 2022 US\$1 = JPY 131.55 / CNY 1 = JPY 19.50
KPIs and results (vs. the final year of the MTBP)	Total return ratio Approx. 45%–50% ⇒ 57.1% Return on equity (ROE) 21.0% or above ⇒ 21.8% Return on invested capital (ROIC) 15.0% or above ⇒ 16.3%	Gross margin 50.0% ⇒ 50.8% Return on equity (ROE) 22.0% or above ⇒ 17.4% Return on invested capital (ROIC) 20.0% or above ⇒ 17.5%	Operating margin 18.3% ⇒ 12.8% Return on equity (ROE) 20.0% or above ⇒ 11.4% Return on invested capital (ROIC) 19.0% or above ⇒ 10.9%
Review	Although net sales fell short of the initial target, we exceeded our goal in operating income despite the impact of exchange rates. Our operating margin reached 16.9%, and ROE reached a record high of 21.8%, indicating a significant improvement in our revenue structure. In nonfinancial highlights, we received high praise externally for our management strategy and its progress, including the successful implementation of the Pigeon Way, culminating in various awards. In terms of governance, we made strides in building a management structure aimed at becoming a truly global company by appointing Outside Directors and non-Japanese Directors.	Although the China Business grew as planned and achieved a gross margin of 50% in the final fiscal year, we faced challenges in the Japanese market due to a decline in birth rates and a decrease in inbound demand. In addition, slow growth in the Indian and Indonesian markets contributed to us falling short of financial targets in the final year of the MTBP. At the same time, under the leadership of our newly appointed President and CEO, Norimasa Kitazawa, we established a four-business segment structure (Japan, China, Singapore, Lansinoh) and created a “product development, production, and sales” cycle tailored to the market characteristics of each segment while also conducting business activities from an ESG perspective. We also established a branding promotion department and made steady preparations for growth strategies in the evolving competitive landscape.	Financial targets were not met due to the ongoing impact of COVID-19 throughout the three years. We achieved our nonfinancial targets, however, including the establishment of a sustainability promotion department, leading to continued improvement in corporate value. Pigeon earned an FTSE Russell ESG Rating of 1.1 in the final year of the 6th Medium-Term Business Plan and improved this to 3.8 in the final year of the 7th Medium-Term Business Plan, demonstrating solid progress despite the challenging business environment. Key Progress of Basic Strategies Brand strategy: Revitalized the Pigeon brand and provided support for human milk banks Product strategy: Created new categories such as disaster preparedness and birth preparation and recovery products, and announced a new model of breast pump Regional strategy: Released skincare products that leverage regional characteristics

*Exchange rates are based on the average rate during the term.

Profitability and Efficiency KPI Trends



Notes:
1. PVA values for the fiscal years ending January 31, 2015 and 2016, are calculated based on a tax rate of 30.0%.
2. As a result of the change of consolidated closing date from January 31 to December 31 in 2019, fiscal 2019 was the 11-month period from February 1, 2019, to December 31, 2019.
3. The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the beginning of the fiscal year ended December 31, 2021. Results for the fiscal year ended December 31, 2020, are calculated based on the adapted accounting standard.

Theme

“For Sustainable Growth:
Restructuring of the business structure in response to global economic, political, and environmental changes”

Basic Strategies (Enhanced from
the 7th Medium-Term Business Plan)

Brand strategy | Product strategy | Regional strategy

Environment and Key Challenges

Pigeon started implementing the 8th Medium-Term Business Plan in fiscal 2023 under the theme, “For Sustainable Growth: Restructuring of the business structure in response to global economic, political, and environmental changes.” Keeping in mind the Key Issues (Materiality) that need to be addressed over the medium to long term to realize our Purpose, “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs,” we strive for sustainable operations from the perspectives of environment (E), society (S), and governance (G). In all countries and regions where we conduct business activities, we aim to reduce the environmental impact and address social issues surrounding babies and their families. In addition, by venturing into new businesses, the Pigeon Group aims to achieve sustainable growth and enhance corporate value, establishing ourselves as an indispensable entity in society.

The Group’s business environment has been affected by various factors, including the global spread of COVID-19, which has resulted in a decline in birth rates worldwide, including in Japan and China. In addition, there have been economic stagnation and reduced consumer spending due to lockdown measures, as well as significant increases in logistics costs and raw material prices caused by disruptions in the supply chain. Although we are witnessing some signs of improvement in certain areas, the pace of recovery lacks stability, and the overall outlook remains uncertain.

Meanwhile, China, despite continually declining birth rates, remains a vast market considering the number of births and economic strength. Moreover, in various Asian countries and other emerging markets, we anticipate significant growth in the medium to long term as consumption expands alongside economic growth and due to the expected penetration and development of e-commerce.

Currently, it is estimated that the global annual birth rate is around 130 million*. Of this number, the Pigeon brand reaches less than 30% , which only accounts for around 30 million babies worldwide. Although there has been a temporary decline in global birth rates due to COVID-19, we remain optimistic about the significant growth opportunities that lie ahead for both the Pigeon and Lansinoh brands.

The previous Medium-Term Business Plan period (FY December 2020 to FY December 2022) was a challenging three-year period characterized by rapid environmental changes exacerbated by COVID-19. Certain initiatives could not be executed as planned, and the strategies themselves needed to be adjusted to align with the changing realities. Our performance has suffered as a result. In the 8th Medium-Term Business Plan, we will carry over the three basic strategies of “Brand Strategy,” “Product Strategy,” and “Regional Strategy” from the previous plan, while further deepening them to adapt to the changing global environment as we focus on restructuring our business structure.

In our brand strategy, we will focus on enhancing brand power through our products, with our Purpose at the core of corporate activities. In our product strategy, we will strengthen *monozukuri* (manufacturing) and focus on key areas such as nursing bottles, nipples, and the baby skincare category where we command a competitive edge, while also exploring new areas. In our regional strategy, we will reinforce autonomous operation in each business unit and further advance business operations tailored to the characteristics of each market.

In addition to pursuing sustainable growth in existing business areas, we will explore and cultivate new areas with the aim of establishing a foundation for long-term, sustainable growth.

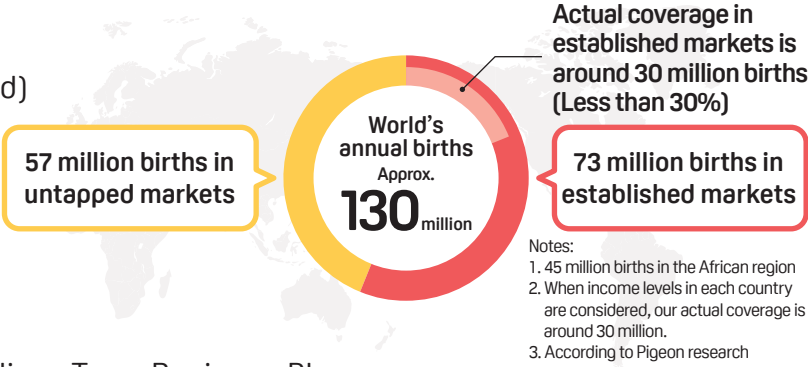
In terms of existing areas, we have set the core products of nursing bottles, nipples, and baby skincare products as priority categories. In each business, we will focus on improving profitability in the mainstay baby care segment and implement measures that include increasing high-value-added products in the Japan Business. In the China Business, the priority is to overcome the disruptions caused by the pandemic and further strengthen the business foundation for stable growth over the next three years. In the Singapore Business and the Lansinoh Business, we will strive to maintain the momentum in recovery seen from the previous year and continue to accelerate growth during the period of the plan to nurture these sectors into future pillars of revenue.

Regarding new areas, we will strive to cultivate customers in the toddler, women’s care, and father care categories while also seeking to expand the markets we target. In North America, we have already begun selling Pigeon-brand products through major e-commerce platforms, and we are actively considering establishing sales bases for the Pigeon brand in the African region.

*According to Pigeon research

Current Birth Coverage
(estimated under the Pigeon brand)

While the number of births is declining worldwide, our global coverage of births is still around 30%. Considering income levels and other factors in each country, there are still significant opportunities in markets where we have already established a presence.



Key Challenges under the 8th Medium-Term Business Plan

Basic Strategies (Enhanced from the 7th Medium-Term Business Plan)

Brand Strategy	Centered on our Purpose for business activities and strengthening brand power through products
Product Strategy	Strengthen <i>monozukuri</i> (manufacturing), focus on core categories (nursing bottles, nipples, and skincare products), and explore new areas
Regional Strategy	Strengthen autonomous business operation in each business unit, implement drastic structural reform to establish production and sales systems tailored to market characteristics, improve efficiency and profitability, stabilize the supply chain, and prepare for expansion into new markets

Implementation of structural reforms

Sustained growth in existing areas and exploration and cultivation of new areas

Existing Areas	New Areas
Further strengthen nursing bottle, nipple, and baby skincare product categories where we have a competitive edge	Expansion of core customer target groups Toddlers, mothers to be, fathers
Structural reforms in each business Lansinoh and Singapore Businesses: Accelerate growth China Business: Shift from high growth to stable growth Japan Business: Improve profitability	Expansion of the target market North America (Pigeon) Africa region

Common to existing and new areas: Strengthen brand strategy and *monozukuri*

Key Issues (Materiality) to Address over the Medium and Long Term to Achieve Our Purpose P. 41

Financial Targets and KPIs

Under the 8th Medium-Term Business Plan, the Pigeon Group aims for financial targets of a 6.2% CAGR (compound annual growth rate) in net sales and a 9.5% CAGR in operating income over the three-year period, emphasizing both sales growth and steady improvement in the operating margin. In 2022, due to factors such as lockdowns and global increases in raw material and logistics costs, the operating margin was only 12.8%, while under the current plan, the goal is to achieve a result of 14% or higher in 2025 by ensuring that each of our four business segments implements tailored profit improvement measures to address specific challenges. We are also committed to investing in enhancing our manufacturing capabilities, which will serve as the foundation for sustained growth. Moreover, we will focus on initiatives to improve operational efficiency in production and logistics and optimize the sales mix by emphasizing high-margin product categories to boost the gross profit margin.

8th Medium-Term Business Plan Targets

Group consolidated
3-year CAGR

Net sales

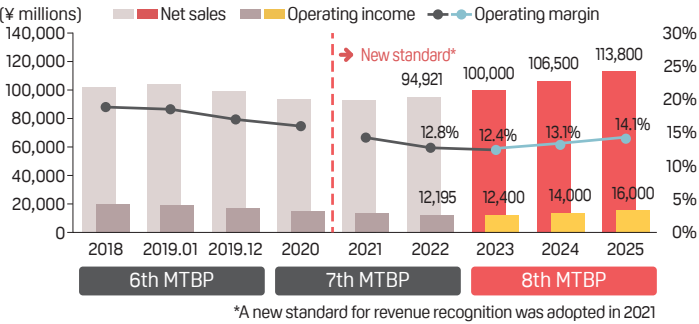
+6.2%

Operating income

+9.5%

Unit: ¥ millions	2022		2025 (Final year of 8th MTBP)		
	Actual	% of total	Target	% of total	3-year CAGR
Net sales	94,921	100.0%	113,800	100.0%	6.2%
Cost of sales	50,087	52.8%	57,300	50.4%	4.6%
Gross profit	44,834	47.2%	56,500	49.6%	8.0%
SG&A expenses	32,638	34.4%	40,500	35.6%	7.5%
Operating income	12,195	12.8%	16,000	14.1%	9.5%
Ordinary income	13,465	14.2%	16,000	14.1%	5.9%
Net income attributable to owners of parent	8,581	9.0%	10,400	9.1%	6.6%

Currency rates-FY2022 results: US\$1 = JPY 131.55 / CNY 1 = JPY 19.50; 8th MTBP (assumed): US\$1 = JPY 130.00 / CNY 1 = JPY 19.50

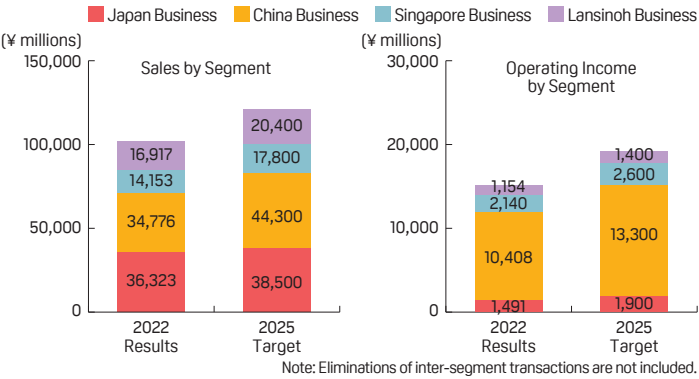


Targets by Segment and Region

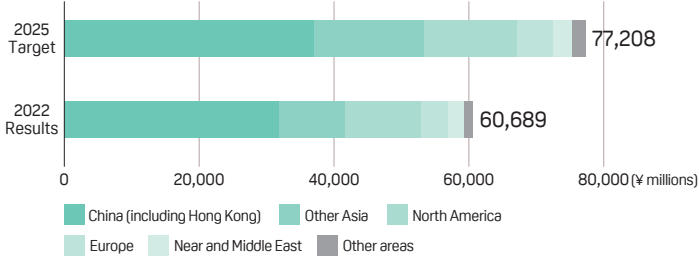
By business segment, we are projecting a 3-year CAGR of 8.4% for our China Business, 7.9% for our Singapore Business, 6.4% for our Lansinoh Business, and 2.0% for our Japan Business. In the 8th Medium-Term Business Plan, we anticipate that our China Business will drive the growth in sales, benefiting from initiatives such as revitalizing our sales structure in South Korea. We are also actively aiming for robust sales growth in our Singapore and Lansinoh businesses, positioning them as future pillars of revenue.

As for operating income, we are targeting a 3-year CAGR of 8.5% for our China Business, 8.4% for our Japan Business, and 6.7% for both our Singapore and Lansinoh businesses. The Japan Business has faced challenges due to the impact of rising costs, leading us to implement price adjustments for certain product categories in 2023. We are planning a thorough review of our product lineup and sales strategies to ensure further stability in our earnings. Note that our plans do not account for the uncertainties surrounding the recovery timeline for inbound demand.

Growth Projection by Business Segment (8th MTBP)



Growth Projection by Region (Sales in 8th MTBP)



Cash Flows and Shareholder Return Policy

Over the period of the 8th Medium-Term Business Plan, we expect operating cash flow to increase by approximately ¥34 billion and have earmarked roughly ¥12 billion for investments to drive growth. The Pigeon Group regards the return of profits to shareholders as an important management priority. Under the MTBP, our basic policy is to continue stable dividend payments by maintaining current dividend levels along with further improvement in consolidated performance and financial condition. In addition to strengthening our financial position, we effectively use retained earnings in several ways to fortify our operational base, improve future Group earnings, and further enhance corporate value. These include investing in new businesses and research and development, as well as investing in production facilities to raise production capacity, reduce costs, and boost product quality, all aimed at driving greater growth. Regarding KPIs, we aim to achieve ROE of 14% or higher, ROIC of 15% or higher, and PVA of ¥7 billion or more in the final year of the Plan. With this in mind, we will work on improving capital efficiency and cash flow through initiatives such as reviewing inventory levels to reduce working capital.

Cash flows

Increase in operating cash flow (3 years): Approx. ¥34 billion

Investment

Investment for growth (3 years): Approx. ¥12 billion

KPI targets in final year of 8th MTBP

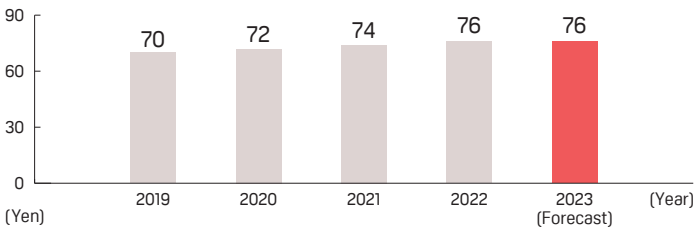
ROE*1: 14% or more
ROIC*2: 15% or more
PVA: ¥7 billion or more

*1 ROE: Calculated with equity being the average of the beginning and ending balances
*2 ROIC: NOPAT/Invested capital, calculated with a tax rate of 30.0% and invested capital being the average of the beginning and ending balances

Shareholder return policy

Continue stable dividend payments by maintaining current dividend levels along with further improvement in consolidated performance and financial condition.

Dividend per share



Brand Strategy

The Pigeon Group formulated our “Vision of a Baby-Friendly Future” to further advance efforts to realize our Purpose, “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs,” by depicting, in terms of six specific faces of society, the “baby-friendly” world envisaged in that Purpose. This Vision, shared both internally and externally, was created based not only on proposals from Pigeon employees but also from ideas that arose through discussions with individuals from various backgrounds. This is a promising source of our Purpose more relatable for our employees and serves as a guiding direction and source of inspiration for our initiatives. The Pigeon Group will focus on enhancing brand power through products that embody our Purpose, which has been positioned at the core of our corporate activities.

There are three key points to consider in strengthening our brand.

The first and most important point is to strengthen the “distinctiveness” of Pigeon. We have gained an in-depth understanding of babies’ growth processes and identified areas of concern in child-rearing based on more than 60 years of research into breastfeeding and early childhood development. This has led to our development and launch of numerous high-quality products, resulting in a competitive advantage for the Pigeon brand. While Pigeon is widely recognized as a leading company in Japan and China, we aim to showcase our strengths and unique value proposition in Asia and other regions as well. By incorporating these unique qualities into our products, services, and communications, Pigeon strives to provide customers with a truly exceptional brand experience and differentiate itself from competitors.

The second point is to deliver a consistent brand experience (“coherence”). Pigeon aims to communicate its message clearly by ensuring consistent communications at all points of contact with customers, whether through our website, e-commerce platforms, or physical stores.

The third point is “participation.” Pigeon aims to be a brand that involves society and encourages co-creation by actively incorporating customer feedback into products and services to meet changing needs. In addition, we will collaborate with the community to realize our “Vision of a Baby-Friendly Future.”

What We Aim for under the 8th Medium-Term Business Plan

Distinctiveness

Sharpen the “distinctiveness” of Pigeon

Embody the strength and distinctiveness of Pigeon in our products, services, and communications, and provide a distinctive brand experience

Coherence

Provide a consistent brand experience

Ensure consistent communications at all points of contact with customers

Participation

Engage in collaboration with customers and society

Generate dialogue with customers, actively incorporate customer opinion into products and services, and engage in collaboration with society to realize a “baby-friendly future”

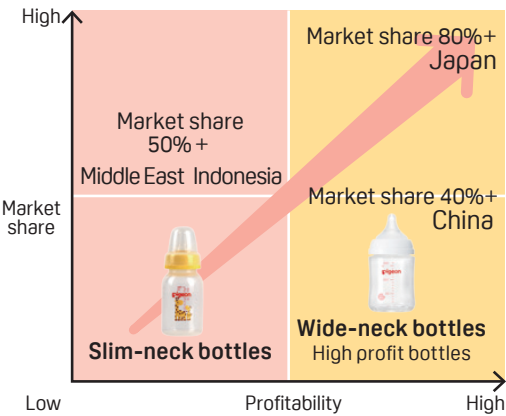
Main priority

Product Strategy: Basic Policy for Nursing Bottles and Nipples

Nursing bottles and nipples are at the heart of the Pigeon Group, representing our origins and most significant products. With the wealth of knowledge gained from long-term research, our competitive edge, and the trust we have earned from our customers, we strive to foster their growth into even more formidable categories.

We will continue our unwavering efforts in the field of breastfeeding research, and on the sales front, work to expand the sales ratio of high-profit wide-neck nursing bottles featuring exceptional functionality.

In the Middle East and Indonesia, our nursing bottle market share is already high. However, as our main products are standard-neck bottles, in these markets, we will focus on effectively communicating the superior functionality of wide-neck bottles for the well-being of babies to strengthen sales and improve profitability. In China, where wide-neck bottles are already commonly used, our current market share is around 44%*. We will further incorporate customer feedback and refine our product development approach to target a market share of more than 50% in the future.



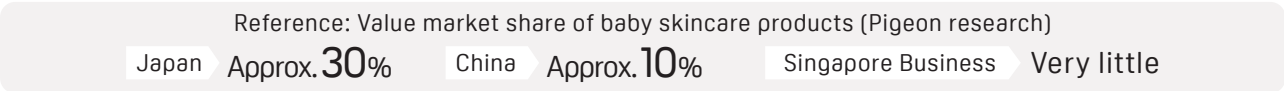
*1 Refers to our share within our target market segment, based on internal research

Intellectual Property Initiatives

At Pigeon, we recognize intellectual property as a vital management asset that contributes to our sustainable business growth. Since our founding, we have been committed to acquiring, managing, and leveraging intellectual property rights in a responsible manner. In response to intensifying global competition and the rapid proliferation of counterfeit products through the Internet, our Intellectual Property Department collaborates closely with our development and business divisions to protect and utilize Pigeon’s intellectual property globally in key technology fields and markets for the future. This involves securing rights for patents, designs, trademarks, and other forms of intellectual property, as well as strengthening the monitoring of counterfeit products in both online and offline markets. Through proactive measures against imitation through the exercise of rights, we aim to safeguard the interests of our customers and enhance our corporate value.

Product Strategy: Basic Policy for Baby Skincare Products

The baby skincare category is a growing market, but it is also recognized as a highly competitive field with numerous global and local players in each market. In the Japan business, the first priority is to improve profitability in the mainstay baby care business, and measures such as increasing the number of high-value-added products will be implemented. The Chinese business will first get over the turmoil caused by the COVID-19 disaster and further develop its business foundation for stable growth over the next three years. In the Singapore and Lansinoh businesses, we will maintain the recovery trend from the previous year, continue to accelerate growth during the current medium-term management plan period, and develop them to become pillars of earnings in the next generation. By swiftly introducing items aligned to each market, we aim to enhance the presence of our brand in the category. Currently, we hold a market share of approximately 30% in Japan*2 and around 10% in China*3. However, there is still ample room for expansion in the skincare category worldwide, including Japan and China. In our Singapore Business, we have introduced the Natural Botanical series, a new line of products that holds promising growth opportunities despite its limited market share.



*2 Pigeon research (POS nationwide stores specializing in baby products and pharmacy combined growth estimates, INTAGE Inc.)
*3 Refers to our share within our target market segment, based on internal research

Existing Areas

Expand market share by strengthening the Basic series

New Areas

Capture new market opportunities through the development and nurturing of skincare products for toddlers and local strategic products

Products Strategy: Strengthen Our *Monozukuri*

For the Pigeon Group, which provides various types of value to babies and their families through our products, *monozukuri* (manufacturing) is a foundation for growth in both existing and new business areas, and it is a crucial means of embodying the brand. Under our 8th Medium-Term Management Plan, in addition to traditional research and development, we will further invest management resources into a series of *monozukuri* activities, including market research and product planning, to strengthen our capabilities. Over the next three years, we plan to increase our *monozukuri* expenses by approximately ¥2 billion compared with 2022, expanding those expenses to about ¥6 billion by 2025.

The Pigeon Group has always been dedicated to *monozukuri* activities, with one example being the launch of POCHitto, a bottle sterilizer and dryer, in the Japanese market in 2022. Although this product category had a successful track record in overseas markets, it had not gained popularity in Japan, where the habit of using electrical appliances to sterilize baby bottles was not widespread, and Pigeon Corporation did not offer such a product. However, through customer surveys, we discovered a shift in customer preferences, indicating potential demand in the Japanese market, and made the decision to introduce the product. The actual market response has been positive, with customers appreciating the product despite its higher price point, and sales have been progressing well.

In addition, our stainless-steel baby bottles sold in India are a good example of our *monozukuri* activities tailored to market characteristics. Recognizing the cultural preference for stainless-steel tableware in India, this product features a simple stainless-steel design without insulation functionality. It has been well received by customers in India, and sales have exceeded our expectations since its launch.

Through surveys, we can discern shifting customer preferences and use that knowledge to explore horizontal expansion for existing products and propose new product ideas. We also strive to plan and develop products tailored to specific market characteristics, considering factors such as cultural backgrounds. We will continue to strengthen our *monozukuri* from various perspectives.

Examples of strengthening our *monozukuri*

1. Baby bottle steam sterilizer and dryer POCHitto (Japan)

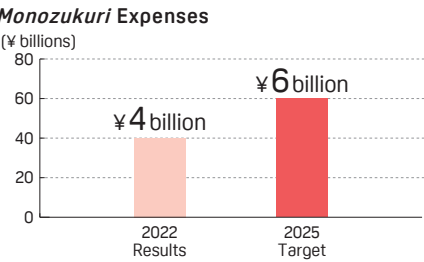


▲ With this product, Pigeon has introduced a new steam sterilization method for bottles to Japan, which is popular overseas. The convenience of fully automated sterilization, drying, and storage has been well received.

2. Slim-neck steel feeding bottle (India)



▲ This stainless-steel nursing bottle was developed specifically for the Indian market, considering the preference for this material in tableware.



Product Strategy: Explore and Cultivate New Areas

Under our 8th Medium-Term Business Plan, the Pigeon Group will focus on exploring and cultivating new growth areas where we can leverage our expertise. Our goal is to increase consolidated Group sales in the final year of the plan, 2025, by ¥19 billion compared with 2022, including approximately ¥10 billion from new areas and ¥9 billion from existing areas. In terms of new areas, we will focus on “toddlers,” “women’s care,” and “father care.” Through the toddler category, we plan to increase Group sales by around ¥6 billion, mainly via growth in products for skincare and supporting oral health and development. We will also look to introduce a skincare range for children aged three and older and launch nursing bottles for older infants in the Chinese market. For women’s care, while our current focus is on the Lansinoh brand, we also have plans to expand under the Pigeon brand, aiming for Group-wide growth in sales of around ¥1.5 billion by 2025. In addition, we plan to achieve Group sales growth of approximately ¥2.5 billion from other new areas.

Three-Year Sales Growth Target

New Areas	Existing Areas
+¥10 billion	+¥9 billion

Toddlers	¥6 billion	Skincare, oral development, and others
Women's care	¥1.5 billion	Birth preparation and recovery pregnancy care, and others
Others	¥2.5 billion	Next-generation healthcare and lifestyle products, and others

Sales Projections for New Areas (¥ billions)

Japan Business

This segment consists of baby & women’s care, childcare services, health & elder care, and others.

Market Trends and Business Environment

In Japan, the birth rate hit a record low of 770,000 births in 2022*1, and it is expected to continue gradually declining. At the same time, with the overall female employment rate in Japan at 53.0%*2, there are growing expectations in Pigeon for childcare support. Furthermore, the proportion of the population aged 65 and older (aging rate) has reached 29.0%*3, indicating the ongoing trend of population aging.

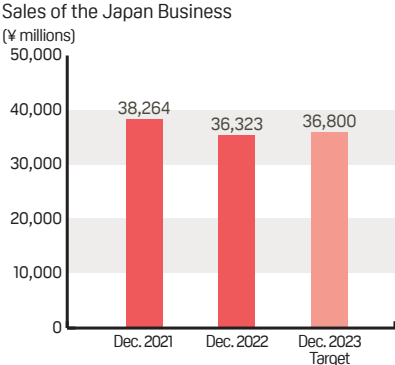
*1 According to National Vital Statistics Reports for 2022 (approximate)
*2 Based on Statistics Bureau of Japan’s “Labor Force Survey (Basic Tabulation), Average for 2022”
*3 Statistics Bureau of Japan estimate as of October 1, 2022

Fiscal 2022 Performance and Highlights

Net sales for this segment were down 5.1% year on year to ¥36,323 million and segment profit decreased 27.8% year on year to ¥1,491 million due to factors such as a decrease in gross profit caused by the decline in net sales and high procurement prices. In baby and women’s care, net sales declined year on year. Contributing factors included people staying indoors because of the COVID-19 pandemic and consumer demand turning to lower-priced goods due to advancing inflation. Sales of nursing bottles and breast pumps, two of the Group’s mainstay product lines, remained strong, although some consumables such as baby wipes declined year on year amid intensifying price competition. In the baby skincare category, while sales struggled as overseas demand declined, we enhanced our product line with new value propositions that included new products adopting eco-friendly paper-cube packs. In addition, Pigeon launched its first disaster preparedness series for babies. By providing these products free of charge to certain local governments, we worked to entrench public awareness of the importance of disaster preparedness for babies. We also overhauled the Official Pigeon Online Shop, boosting sales capabilities to new levels by strengthening connections with social media for better convenience and augmenting the shop’s lineup of limited-edition products.

In addition, we are reinvigorating our efforts to disseminate information that is attentive to customer needs through Pigeon Info, a website that supports women during pregnancy, childbirth, and childcare, and through various video distribution sites.

In products for health and elder care, net sales decreased year on year as the Group rejigged this category’s product lineup to improve the gross profit margin from 2021. Efforts to enhance profit margins are starting to bear fruit. In childcare services, we currently provide services at 64 in-company facilities and will continue to develop this business further while striving to enhance service quality.



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 in Japan since our founding. We have used these findings to develop numerous high-quality products. As such, Pigeon is widely recognized as a leading brand in the industry, and our strength lies in our 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. In recent years, we have been proposing products that enable caregivers to enjoy parenting in a relaxed manner in such categories as baby strollers and bouncers, where we were a late market entrant. We have earned a reputation for safe, secure, and reliable products through our 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 our unparalleled knowledge concerning 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.

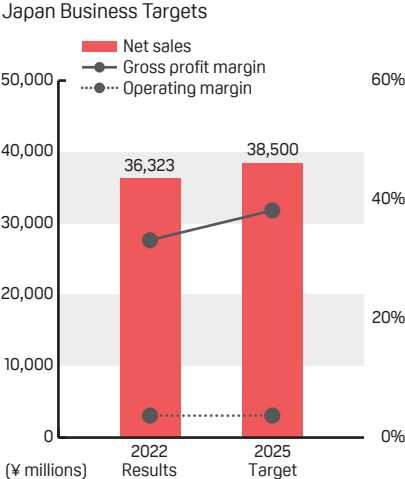
Business Strategy under the 8th Medium-Term Business Plan

In baby and women’s care products, we are focused on two categories: breastfeeding support centered on nursing bottles and nipples, the Group’s core offerings, and baby skincare. We are committed to expanding our business by boosting sales and improving market share. As a leading manufacturer of baby products with a wide range of categories, we continuously review our lineup to meet the evolving needs of our customers. We strive to increase the value of our products and reflect this in pricing, allowing us to enhance competitiveness and profitability while absorbing cost increases. In addition to creating new categories within the existing baby-related field, we are venturing into areas that resonate with our customers, such as women’s care and father care, ensuring growth even in the face of a declining birth rate. In February 2023, we introduced a new series called “ME. by Pigeon,” which focuses on caring for the delicate needs of pregnant and postpartum women, and we will continue to introduce innovative products to the Japanese market. We are also committed to our own e-commerce channel, leveraging it as a primary sales platform to effectively communicate our brand’s essence. In particular, for new product categories, we will implement proactive strategies such as exclusive products and pre-launches, capitalizing on the flexibility of our operations.

In childcare services, we strive to enhance the quality of childcare by catering to the individual growth and development of each child. In health and elder care, we are working to further enhance competitiveness by launching new products that exceed customer expectations and boast exceptional efficiency, with a focus on products developed and manufactured in-house, such as baby wipes, body wipes, skincare products, and oral care products, as well as wheelchairs and other institutional products.



- Priority Strategies (Baby Care)
- 1 Improve profitability through price revision and product portfolio review
Focus on bottles and nipples, breastfeeding support, and baby skincare
 - 2 Create new categories
(Target sales exceeding ¥5,000 million over three years)
New areas in the baby sector (e.g., next-generation healthcare, toddlers)
Other areas (e.g., women’s care, father care)
 - 3 Strengthen our own e-commerce platform
(Target sales in 2025: 4 times the 2022 level)
Position the e-commerce platform as a major channel for new category products



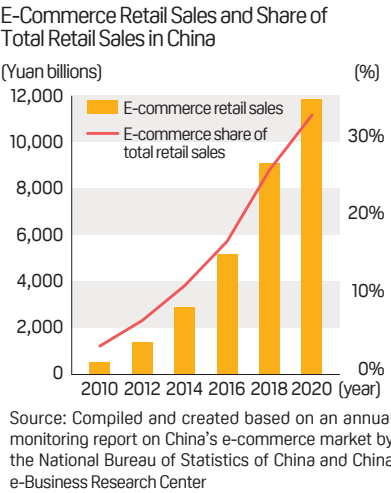
China Business

The China Business includes our operations in mainland China, Hong Kong, and Taiwan, as well as other countries and regions such as South Korea, the Philippines, and Mongolia. Approximately 90% of total sales in this segment come from mainland China.

Market Trends and Business Environment

Although there has been a downtrend in the number of births in China since 2016, which has been further exacerbated by the COVID-19 pandemic, the country remains a huge market with 9.56 million births in 2022, according to the National Bureau of Statistics of China. There is enormous growth potential for the Pigeon brand over the medium to long term in the Chinese market amid increasing disposable income and rising consumer interest in product functionality and safety. Furthermore, as a new generation of families emerges, transitioning from the 1980s and 1990s to the digital-native era, we are witnessing a significant shift in consumer behavior toward e-commerce. Pigeon is responding flexibly to this trend, with the e-commerce channel in mainland China accounting for a growing proportion of sales each year. The pandemic has also driven a continued shift to e-commerce, and in 2022, it accounted for approximately 70% of total sales in mainland China^{*1}.

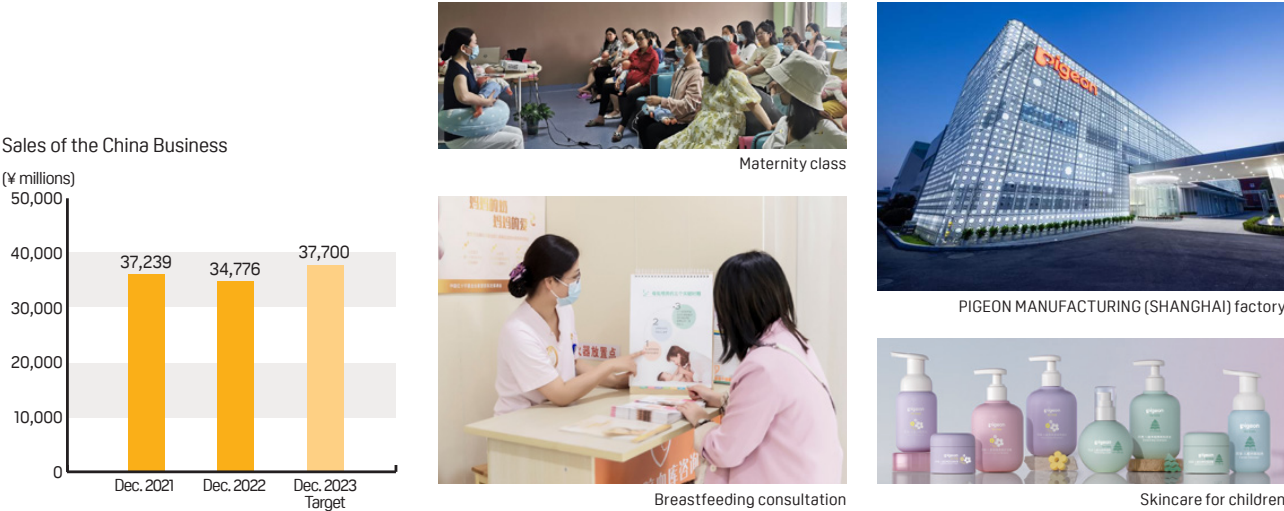
^{*1} Sell through, in value



Fiscal 2022 Performance and Highlights

Net sales in this segment amounted to ¥34,776 million, down 6.6% year on year, and segment profit decreased 11.7% to ¥10,408 million. Due to the ongoing spread of COVID-19 in mainland China since the beginning of 2022, lockdown measures were implemented in April and May, primarily in the Shanghai area, resulting in the temporary reduction or suspension of business activities. However, as the restrictions were eased in June, we witnessed a recovery in our manufacturing and operational activities, and by July, domestic logistics disruptions were gradually resolved. There was a resurgence of the infection in mainland China in December, however, due to the relaxation of the zero-COVID policy. This had a significant impact on consumer behavior and our business activities. In mainland China, our largest market, we have all but completed the switch to the “Shizen Jikken” series of nursing bottles that were upgraded in September 2021 in a move that was well received by the market. These nursing bottles are marketed as “Bonyu Jikken” in Japan. In the baby skincare category, where we are focused on basic research, we leveraged the results of our efforts regarding babies’ skin to launch a line of skincare products for children aged three and older in the third quarter of fiscal 2022. This served to expand our new customer domains in the Chinese market.

We also initiated the sale of baby products under the Pigeon brand in North America in 2022 by leveraging the capabilities and knowledge gained in China.



Our Competitive Edge

Pigeon made a full-scale entry into the Chinese market in 2002. As China's economy has grown, we have witnessed an increasing number of customers in the country choosing to purchase our products. We now consider more than half of all households in China as our target audience. Since 2009, we have been working on a collaborative project with the National Health Commission of the People's Republic of China, opening breastfeeding consultation rooms in major hospitals across the country. In addition, we have formed partnerships with maternity hospitals to raise awareness about the benefits of breastfeeding. These initiatives have greatly contributed to the widespread recognition of Pigeon as a leading brand of safe, reliable, high-quality baby products in China. In the thriving e-commerce market, the breast pump category has seen an influx of competitors. However, through the endorsement of healthcare professionals who have recognized the superior functionality and quality of our breast pumps, as well as the positive reviews from satisfied users, we have maintained our position as the No. 1 brand for nursing bottles in mainland China^{*2}.

^{*2} Survey conducted by Pigeon (nursing bottle and nipple sell through, in value)

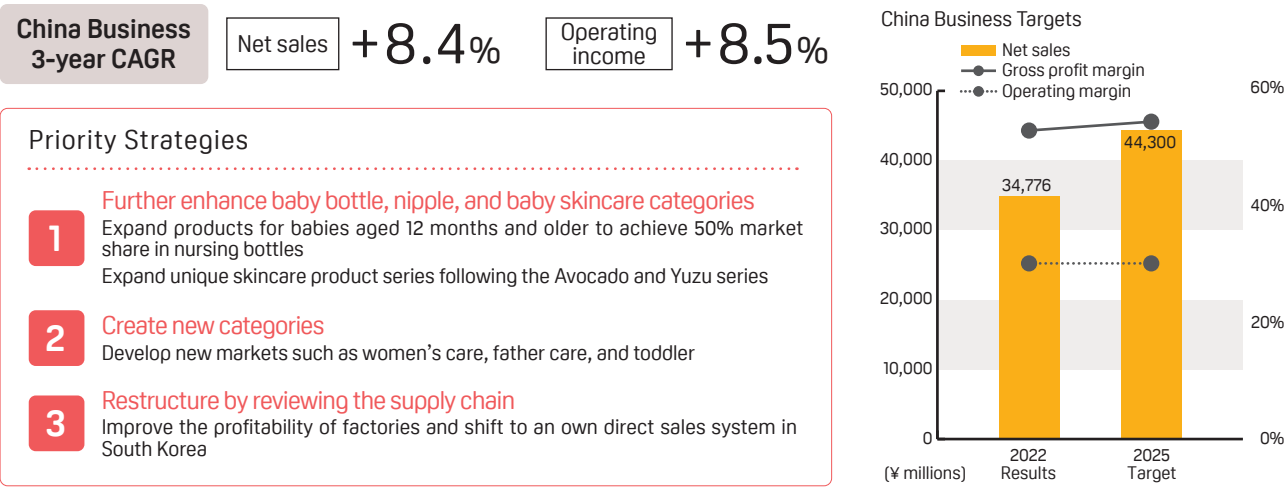
Business Strategy under the 8th Medium-Term Business Plan

Looking ahead to 2023 and beyond, as we anticipate the ongoing trend of declining birth rates in mainland China, we will continue to focus on our core nursing bottle and baby skincare categories. At the same time, we are actively pursuing the creation of new product categories to further expand our business. To accurately understand our customers' needs and propose concrete products, we encourage collaboration not only between our marketing and planning teams but also with our research-and-development department to ensure the seamless integration of foundational research and product development and enable innovative ideas. These efforts have already led to notable successes, including the introduction of products targeting children aged three and older, which we launched in the third quarter of fiscal 2022.

In terms of sales, we are actively responding to the expanding e-commerce landscape by making investments in new platforms that align with our customers' purchasing behaviors. We are also strengthening direct communication with consumers through social media platforms, enabling us to explore local market needs, enhance our brand presence, and boost sales. Meanwhile, given the accelerated closure of small retail stores during the pandemic, sales at our brick-and-mortar stores are declining. We are stepping up efforts to halt the decline by introducing items exclusive to these physical stores, such as the Avocado skincare range, thereby differentiating ourselves from e-commerce platforms.

This segment is characterized by having both production facilities and sales companies for core products within China. This allows us to establish an efficient production and supply system, resulting in high-profit margins within the Group. Our self-owned factories in Shanghai and Changzhou City, Jiangsu Province, incorporate the latest technologies to streamline operations and improve product quality, ultimately enhancing profitability. We are also addressing the increased costs resulting from our manufacturing activities and prior investments in e-commerce through production improvements. E-commerce sales make up a significant portion of sales in the South Korean market, where we are widely recognized under the Double Heart brand. To further drive business growth starting from 2023, we are focusing on strengthening our e-commerce sales while implementing fundamental revisions to our distribution system and expanding our product lineup. Our goal is to double our sales within a three-year period.

Meanwhile, starting from 2022, we are leveraging the expertise and resources of the Pigeon brand in marketing and e-commerce in our Chinese operations to initiate sales in the North American market. This expansion into new business territories marks an important step for us, and we are committed to increasing brand recognition and value for Pigeon in North America.



Singapore Business

The Singapore Business oversees operations in various regions, including ASEAN nations such as Singapore, Indonesia, and Malaysia; India; Middle Eastern countries including the United Arab Emirates; Oceania; and others, including South Africa, as well as emerging nations.

Market Trends and Business Environment

It is estimated that approximately 130 million babies are born worldwide each year. The Singapore Business focuses on Indonesia and India as key markets in efforts to expand business. Despite the challenges posed by the COVID-19 pandemic, these countries have shown stable birth rates. Indonesia has an annual birth rate of around 5.2 million^{*1}, and India, with its staggering annual birth rate of around 24 million, is projected to become the world's most populous country in 2023. Both countries offer significant growth opportunities not only in terms of birth rates but also on account of their surging economies. We are dedicated to nurturing these markets as the next key markets following our operations in China. In addition, in the regions where the Singapore Business operates, there is an expanding middle class with an annual disposable income ranging from \$5,000 to \$35,000 owing to the economic growth. This suggests that the target demographic for Pigeon, including the upper-middle class (with income levels exceeding \$12,000), is poised to grow further.



Fiscal 2022 Performance and Highlights

Net sales for this segment increased 12.2% to ¥14,153 million and segment profit was up 18.2% to ¥2,140 million on a year-on-year basis.

The ASEAN region and India continued to recover from the COVID-19 pandemic, and net sales and profits both rose in key countries such as Indonesia and India as well as Singapore and Malaysia, where we have our own bases. In the nursing bottle category, the Group began a revamp of its mainstay SoftTouch nursing bottle series (marketed as Bonyu Jikkan® in Japan), starting with China and Japan and proceeding to other major countries in August 2022, and sequentially rolled out nursing bottles made with T-Ester^{*2}, a new plastic as transparent as glass. In the baby skincare category, an area of focus for Pigeon, the Group deployed the Natural Botanical Baby skincare series in more than 15 countries and regions. In November 2022, the Group expanded this series by launching a baby powder made from natural materials based on corn starch.



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 in Japan, as well as the cooperation of local partners with whom we have built relationships of trust over many years. Our nursing bottles command top market share^{*3} in Indonesia, Singapore, Thailand, and Vietnam.

In the Singapore Business, we have production facilities in two locations in Thailand as well as in Indonesia and India. These factories adhere to the strict quality standards set by the Pigeon Group to enable the production of safe and high-quality products. They also serve as production and supply hubs for the entire Group, not only focusing on safety but also continuously striving to improve production efficiency. They play a significant role in enhancing our cost competitiveness in the markets where we operate.

^{*3} Pigeon research

Business Strategy under the 8th Medium-Term Business Plan

In our sales areas for this segment, we encounter a diverse range of ethnicities, languages, religions, and cultures, as well as a significant presence of emerging markets. This results in varied consumer price segments that hold substantial market volume. It is therefore crucial for us to deepen our understanding of consumers in each market and quickly respond to their needs by introducing appropriate products. We aim to build a flexible and agile structure by not only strengthening our planning and development functions within the Group but also exploring collaborations with promising local partners in areas such as design and production capabilities.

In recent times, we have been steadily enhancing our product development capabilities, which includes the launch of a new skincare series that caters to increasing environmental consciousness. Moving forward, our focus will be on activities for products that target the upper-middle to premium segments. In addition, given the rising demand for e-commerce, we are actively implementing marketing strategies that can adapt to changes in consumer behavior and regional characteristics. This includes strengthening our digital marketing efforts.

While we have been able to gain market share in the mainstay nursing bottle category, in many emerging markets, slim-neck bottles in the lower price range have become the mainstream choice. We will focus on strengthening our sales by effectively communicating the quality and functional advantages of higher-priced wide-neck nursing bottles, which have already become popular in Japan and China. By increasing the sales ratio of wide-neck bottles, we aim to improve profitability.

In markets where we have already established a brand position, such as Vietnam, Thailand, and Indonesia, we will carefully assess the timing and consider price strategy adjustments in each market to address cost increases.

Efficient production and cost improvement are vital challenges for our four facilities within this segment from a Group-wide perspective, as they also produce goods for other segments. By enhancing production efficiency and optimizing the supply chain, we can effectively respond to fluctuating raw material prices and logistics costs, ensuring stable production and improving profitability. In addition, we are committed to establishing an environmentally conscious production system, including efforts to reduce greenhouse gas emissions, to contribute to leaving a rich earth for the future of babies born tomorrow.

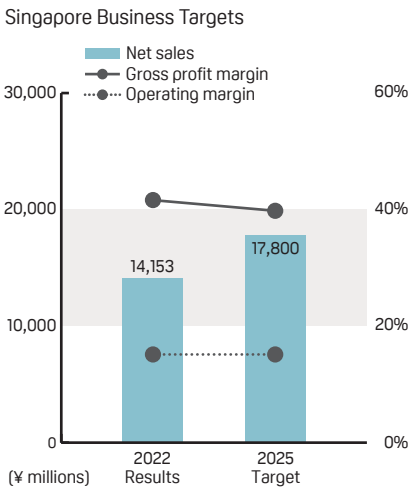
India: Pigeon has been promoting business in India since 2009. In addition to focusing on major cities, we are implementing localized sales strategies in consideration of changes in consumer purchasing behavior and mindset following the COVID-19 pandemic. We are reorganizing our sales and distribution system to align with these changes. We are also raising awareness of the Pigeon brand through collaborations with maternity hospitals. On a production front, we are strengthening our local manufacturing capabilities by introducing stainless steel baby bottles that cater to the cultural preference for stainless steel tableware in India, thereby supporting mothers in their breastfeeding journey.

Indonesia: Pigeon entered Indonesia in the 1980s and has built a distribution network covering almost the entire country with the support of local partners. By entering the childcare products market at an early stage and establishing collaborations with multiple national hospitals, our brand awareness in Indonesia has significantly increased. On a sales front, we are focused on expanding our product lineup, streamlining procurement and sales processes, and further expanding business in the Indonesian market. In 2019, we established a new sales company to support these efforts. In the key category of nursing bottles, Pigeon has already captured more than 50% market share in Indonesia, and we have continued to see growth in sales of our higher-priced premium wide-neck bottles. In other product categories, we are working on developing products targeting the upper-middle to premium class segments by enhancing price competitiveness through collaborations with reputable local suppliers who meet our stringent quality standards. In production, we consolidated the factory established in a joint venture with a local partner in 2017 as a subsidiary. In 2021, we further strengthened production capabilities and expanded our lineup through facility upgrades and expansions. We will continue to focus on improving production efficiency, implementing environmentally friendly practices, and generating synergies between Singapore Business manufacturing and other facilities to support growth in Indonesia.



Priority Strategies

- Accelerate business growth centered on nursing bottles, nipples, and baby skincare**
Target double-digit annual growth in Indonesia, India, and other major countries
- Strengthen manufacturing for upper-middle to premium class**
Strengthen in-house planning and development systems and utilize promising local partners
- Restructure business by reviewing supply chains and other key processes**
Review the sales structure in existing markets and restructure the Thai plants



Lansinoh Business



Market Trends and Business Environment

Currently, the sales composition of the Lansinoh brand by market is approximately 60% in North America, 30% in Europe, and 10% in other regions (including China). In the United States, the main market for the Lansinoh Business, demographics have remained relatively stable. However, with many choosing to postpone their plans of starting a family due to the COVID-19 pandemic, the number of births in 2020 reached the lowest level since 1979. Nevertheless, according to the National Center for Health Statistics (NCHS) in the United States, 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 was 1.66. In 2022, the number of births remained relatively unchanged, dipping just 0.1% year on year, with a total fertility rate of 1.67 (provisional figure). In Europe, while the total fertility rate in major countries is declining, some countries, such as France and Sweden, have implemented strong national initiatives to support parenting. As a result, they have managed to exceed the average birth rates of other advanced countries. Other countries are addressing the issue of low birth rates and population decline.

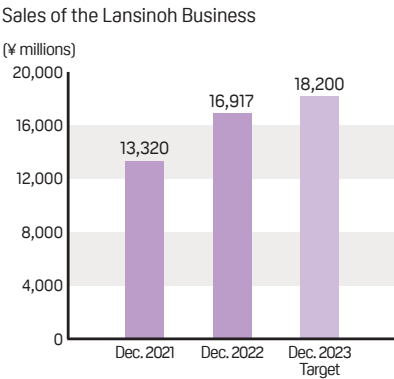
In addition, not only in the United States and Europe but also globally, there is increasing awareness of the importance of breastfeeding and its medical and economic benefits, and demand for breastfeeding-related products is steadily growing as a result.

Fiscal 2022 Performance and Highlights

Net sales in this segment amounted to ¥16,917 million, surging 27.0% year on year, and segment profit increased 21.1% to ¥1,154 million.

North America and Europe, two vital markets for the segment, continued to suffer delays in product arrivals and shipments due to disruptions in logistics, in a trend that began in 2021. In North America, net sales rose year on year in local currency terms, as sales were firm for nipple care creams, breast pumps, and breast milk storage bags, which are mainstay products, and sales swelled for prenatal and postnatal care products, which were launched in 2021. Meanwhile, in parts of Europe such as Germany and the United Kingdom, the energy crisis and high cost of living dampened consumer activity, causing net sales in this region to fall year on year in local currency terms.

Profits increased year on year. Logistical costs such as marine transportation expenses persisted at a high level, impacting unit costs, shipping expenses, and other factors, while vigorous marketing activities contributed to expenses. Nonetheless, sales rose in North America, contributing to the profit increase.



Our Competitive Edge

The Lansinoh brand 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 and reliability of its mainstay products, which include nipple care cream, breast pads, breast milk storage bags, and breast pumps. In the United States, this segment's key market, we command top 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.

The Lansinoh brand is at the forefront of research and development in the field of breastfeeding, and our in-house factory in Turkey is dedicated to the development and production of breast pumps, enabling us to establish a flexible supply system tailored to the needs of each market. In recent years, the brand has also been involved in the manufacturing of certain Pigeon products, helping to generate synergies with other businesses in the Pigeon Group.

*Pigeon research

Business Strategy under the 8th Medium-Term Business Plan

Lansinoh Business operations span various regions including North America (United States, Canada, and others) and Europe (United Kingdom, Germany, Belgium, and others), as well as China, Turkey, and Central and South America. With the aim of supporting mothers and their babies around the world in achieving the best start in their new lives, Lansinoh offers a comprehensive range of solutions in breastfeeding, from nipple care creams recommended by many physicians to Bluetooth-enabled electric breast pumps and products specifically designed for hospital use during the first few days after birth.

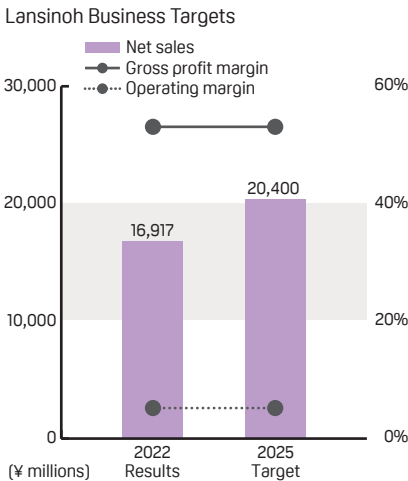
In the 8th Medium-Term Business Plan, we will focus on strengthening the sales of our core products such as nipple care creams and actively pursue the development and market introduction of highly competitive new products, particularly in the breast pump category. In addition to breastfeeding-related products, we will nurture the expansion and development of our portfolio in the prenatal and postnatal care product segment, which we started selling in 2021, aiming to make it a future pillar of our business. In terms of business scope, we will incorporate design thinking into our new product development process and continue to expand the current breastfeeding domain to cover women's health.

In terms of sales, we will focus on further expanding our business by strengthening relationships with major pharmacies, baby specialty stores, and retail chains in each country and on augmenting our product lineup to better cater to each market. In addition to enhancing our presence in the growing e-commerce sector and marketing activities, we will work on streamlining our European operations, including a review of our distribution networks.



Priority Strategies

- Strengthen and foster breast pump and prenatal and postpartum care product categories**
Introduce new breast pump models and elevate prenatal and postpartum care products to the next growth phase
- Develop new products and categories utilizing bio-design**
Expand the brand from "breastfeeding" to "women's health"
- Restructure business through a review of sales structure**
Improve the efficiency of European operations, including a review of distribution networks



Brand Overhaul

The Lansinoh brand has been highly regarded by customers over the years as a trusted brand for breastfeeding products. In our 8th Medium-Term Business Plan, as a first step toward further growth in both breastfeeding products, including breast pumps, and prenatal and postpartum care products, we announced a new brand vision, "Stand with the mothers," in March 2023. This vision is built upon the core values and traditions that have earned us support as a breastfeeding brand, while also aligning with our evolving values and brand direction both now and in the future.

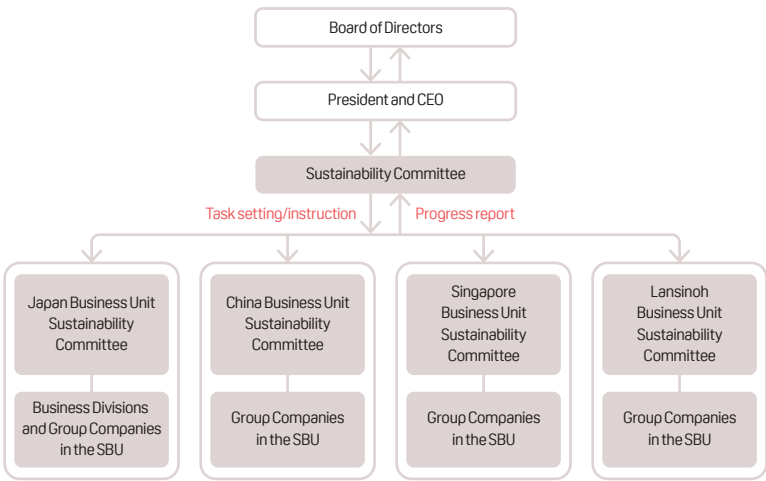
Pigeon ESG/SDGs Policy

Together, the Pigeon DNA and Pigeon Way comprise Pigeon’s philosophy that every employee upholds in the course of their duties. The Pigeon ESG/SDGs Policy embodies this philosophy, serving as a guideline for contributing to the development of a sustainable society.

We will pursue sustainable operations from the perspective of the Key Issues (Materiality) that the Pigeon Group must address, as well as from the standpoint of environmental (E), social (S), and governance (G) considerations. We will also look to create new value through the provision of products and services with the aim of helping solve social issues, including those highlighted by the Sustainable Development Goals (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.

Sustainability Committee

The Sustainability Committee was established in December 2020 to further enhance the Pigeon Group’s ESG management from a medium- to long-term perspective. Chaired by the Director in charge of the Global Head Office (GHO) and consisting of the Business Strategy Division Manager and other business division managers, the Committee sets medium- to long-term targets related to issues in sustainability, identifies and periodically revises the Key Issues (Materiality), and provides progress reports on initiatives to resolve these challenges. The Committee had convened seven times as of December 2022, conducting reviews of materiality and discussions toward the formulation of environmental targets covering medium- to long-term time frames. Details of the discussions of each meeting are provided to the Board of Directors.



Key Discussions in the Sustainability Committee to Date

During Sustainability Committee meetings held in 2021 and 2022, extensive discussions were conducted to formulate the Pigeon Green Action Plan and the Company’s medium- to long-term environmental targets. Across six sessions, the Committee identified the environmental issues most relevant to the Pigeon Group’s business activities and agreed to set targets that contribute to achieving a decarbonized society, a circular economy, and coexistence with nature.

First, discussions addressed the global challenge of achieving a decarbonized society, particularly setting targets for reducing Scope 1 and 2 greenhouse gas (GHG) emissions. A significant portion of the Pigeon Group’s Scope 1 and 2 emissions come from indirect emissions associated with the use of purchased electricity. To tackle this issue, several key measures were discussed regarding energy conservation, the introduction of self-generated solar power, and the purchase of renewable energy. For power consumption that cannot be fully offset by these measures, the Committee agreed to acquire renewable energy certificates. Simulations were conducted to determine the cost-effectiveness of these measures, considering factors such as the investment required for energy conservation and self-generation, the cost savings from reduced energy consumption, additional expenses for purchasing renewable energy, and the potential financial impact of future carbon taxes. Based on these simulations, it was decided that the Pigeon Group will aim to achieve net-zero Scope 1 and 2 GHG emissions by 2050 with an interim target of a 50% reduction (total) by 2030, compared with 2018 levels.

Discussions also centered on target values for realizing a circular economy and coexistence with nature, with proposals presented to the Board of Directors. The medium- to long-term goals of the Pigeon Green Action Plan have been incorporated into the 8th Medium-Term Business Plan with specific targets for each business division, which takes responsibility for implementing measures in alignment with these targets. The Sustainability Committee monitors and reviews the progress of each business division.

2021 (Four sessions)

- Explanation of the purpose of establishing the Sustainability Committee
- Discussion by outside experts of the latest trends in ESG/SDGs and deliberation on ESG themes
- Reports on the progress of initiatives in each business division
- Discussion on formulating medium- to long-term environmental targets for the realization of a decarbonized society, a circular economy, and coexistence with nature
- Information sharing for Scope 3 calculation
- Progress report on climate-related risk and opportunity analysis

2022 (Three sessions)






- Reports on the progress of initiatives in each business division
- Discussion by outside experts
- Discussion on formulating medium- to long-term environmental targets for the realization of a decarbonized society, a circular economy, and coexistence with nature
- Discussion on new Key Issues (Materiality) toward formulation of the 8th Medium-Term Business Plan (2023–2025)
- Initiatives for 2023 and beyond (shifting from target setting to the implementation phase) (Establishment of an operating framework for achieving targets, procurement of RSPO-certified sustainable palm oil, decarbonization, and human rights due diligence)

Pigeon Sustainable Action

Pigeon’s Purpose is to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.

In order to create a baby-friendly future, we aim to grow sustainably as an indispensable part of society by reducing our environmental impact and resolving the social issues that affect babies and their families across all the countries and regions where we operate, and by embracing the challenge of new business endeavors.

Key Issues (Materiality) to Address over the Medium and Long Term to Achieve Our Purpose

Key Issues (Materiality)	What We Aim to Achieve	Individual Issues
 Enhancing Business Competitiveness and Resilience	Becoming an indispensable company by building a robust framework for the creation, production, and delivery of products and enhancing our corporate value over the medium to long term	<ul style="list-style-type: none">- Supporting nursing babies- Supporting healthy baby skin development- Creating new businesses- Releasing products that exceed customer expectations- Building resilient distribution systems
 Reducing Our Environmental Impact	Implementing the Pigeon Green Action Plan aimed at realizing decarbonization, a circular society, and coexistence with nature, to leave a rich earth for the future of babies born tomorrow	<ul style="list-style-type: none">- Reducing greenhouse gas emissions (Scope 1, 2, and 3)- Circular manufacturing- Using sustainable resources (paper and palm oil)
 Contributing to the Resolution of Social Issues	Helping to resolve social issues affecting babies and their families	<ul style="list-style-type: none">- New products and services for babies needing support- Expanding the use of products designed for maternity hospitals- Promoting responsible procurement- Participating in and supporting communities
 Managing Talent and Cultivating the Right Culture for Our Purpose	Cultivating an organizational culture in which diverse individuals resonate with the Pigeon Way and our Purpose; feel pride in the Company, their department, and their work; have an intrinsic motivation to contribute; and can embrace new challenges and express themselves to drive personal growth	<ul style="list-style-type: none">- Working environments that achieve self-fulfillment and growth- Ambitious organizational culture- Enriched investment in human resource development- Promoting Diversity & Inclusion
 Establishing Solid Management Foundations	Reinforcing our GHQ/4SBU structure and enhancing our corporate governance framework to encourage ambitious endeavors to boost corporate value over the medium to long term	<ul style="list-style-type: none">- Reinforcing group governance- Reinforcing compliance- Reinforcing risk management- Dialogue with stakeholders

For more information about our Sustainability initiatives, please visit these websites.

Website	https://www.pigeon.com/sustainability/
ESG Databook	https://www.pigeon.com/sustainability/databook/



Key Issue
(Materiality)

Enhancing Business Competitiveness and Resilience

What We Aim to Achieve

Becoming an indispensable company by building a robust framework for the creation, production, and delivery of products and enhancing our corporate value over the medium to long term

Individual Issues

Supporting nursing babies
PP. 44-45

Supporting healthy baby skin development
P. 30

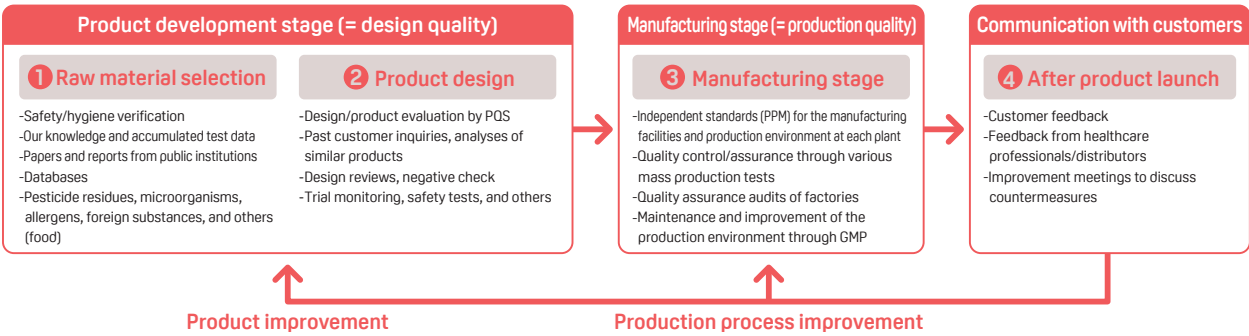
Creating new businesses
P. 31

Releasing products that exceed customer expectations
P. 43

Building resilient distribution systems
PP. 42-43

Pigeon Quality

To deliver safe and reliable products to babies and their families around the world, the Pigeon Group is committed to improving product quality from two perspectives: design quality (at the product development stage, including the selection of raw materials and product design) and production quality (at the manufacturing stage). Both processes adhere to international ISO 9001 standards and are reviewed every six months. In addition, after product launch, customer feedback is shared to improve 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 Practices (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

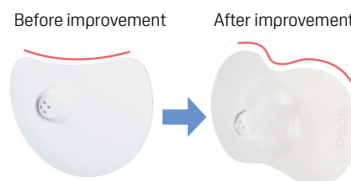
The Pigeon Group has a system in place to collect market information on launched products, including customer feedback and inquiries from medical institutions, and we reflect this information in our safety evaluations of raw materials and products. In the unlikely event of a safety concern, the relevant 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 remain conscious of safety as we strive to maintain higher levels of quality.

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. We endeavor to improve customer satisfaction by identifying issues through feedback and collaborating across departments such as quality control and product development to enhance the quality of our products and services.

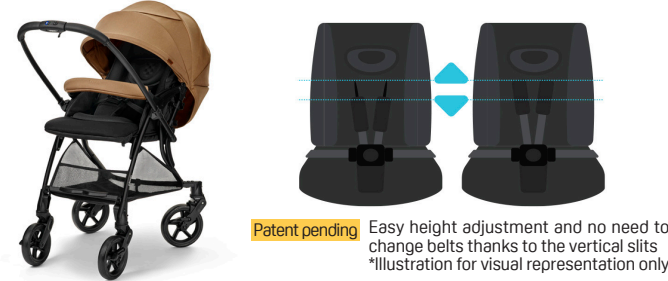
Nipple shields improved thanks to customer feedback

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).



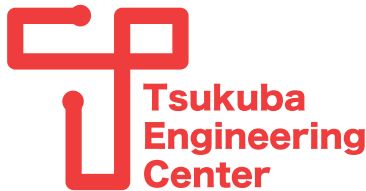
Reflected feedback to improve baby strollers with the Runfee RB3

With the new Runfee RB3, we redesigned the shoulder belt structure of our baby strollers and introduced vertical slits for effortless height adjustment to accommodate the child’s growth. This allows for a perfect fit and easy belt fastening. A further upgrade involved reducing the noise when opening and closing the hood by 13% compared to traditional models for quiet, hassle-free operation that doesn’t disturb the baby’s sleep.



Advancing the Development of New Environmentally Friendly Materials and Manufacturing Technologies

The Pigeon Tsukuba Engineering Center (TEC) opened its doors in February 2022 as a hub for developing new technologies to sustain the medium- to long-term growth of nursing bottles, a key product category. Knowledge from Pigeon’s production technologies and quality control will be integrated into the facility to further enhance productivity. It will also actively focus on exploring new materials and production technologies that reduce environmental impact. Through effective use of TEC, we will share production challenges and *kaizen* (improvement) initiatives with our production centers worldwide, thereby strengthening the development of talent engaged in production technology and enhancing our knowledge base. This will enable us to maintain the same high quality in the products we deliver globally.



The TEC logo design symbolizes the flow that connects from production centers and technology to customers

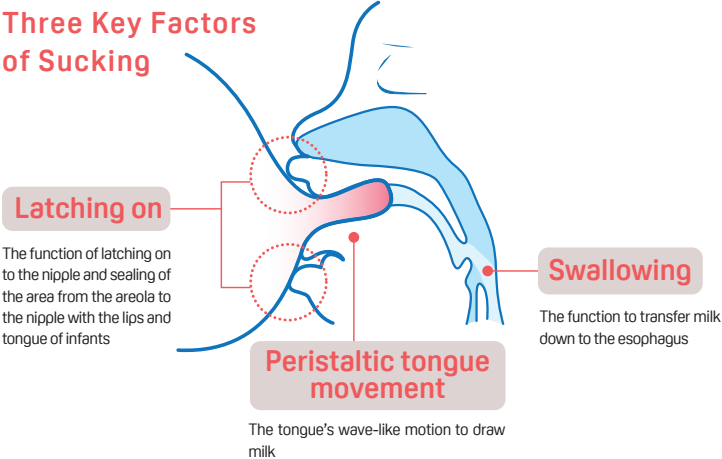


Part of the molding machine area at TEC

Pigeon conducts fundamental research into the growth and development of babies as well as research into the concerns and needs of customers based on behavioral observation to develop the best products and services.

Pigeon’s Breastfeeding Research: 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 various movements and functions occurring within a baby’s oral cavity are not readily apparent through external observation alone. Accordingly, we have conducted extensive research and developed unique observational techniques to examine the movement of the baby’s mouth and throat during breastfeeding. Through this research, we identified the “Three Key Factors of Sucking” that are crucial for successful breastfeeding.



Commitment: Emphasizing the Natural Sucking Motion in Product Development

At Pigeon, we are dedicated to developing nursing bottles that enable babies to suck as they do in breastfeeding, so that mothers can continue breastfeeding comfortably at any time.

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. Pigeon has also focused on the softness of the mother’s nipple, using a uniquely developed dedicated measuring device, a world-first, combined with the cooperation of many mothers, to quantify the softness and reflect this in product design. Ongoing efforts in measuring and analysis from diverse angles aim to quantify crucial sensations that can be integrated into product development.



Design: Nipples that suit a baby’s growth

Babies’ sucking behavior evolves as they grow. As such, our goal is to create nipples that allow babies to drink in a way that closely resembles breastfeeding by optimizing the size, softness, and shape of the nipple as well as the sucking holes as the baby grows. We currently offer a range of six artificial nipples tailored to the age of the baby.

Ease of drinking and durability: Pursuing raw material development and processing technology

While both softness and moderate pliability are essential for artificial nipples, the silicone used for their production presents challenges in achieving the desired balance of durability and softness. Pigeon teamed up with raw material manufacturers to conduct research and trial production for artificial silicone nipples, developing a different formulation for each age group. We also adjusted the thickness of the silicone from the nipple to the base based on accumulated research data to achieve both softness and durability.

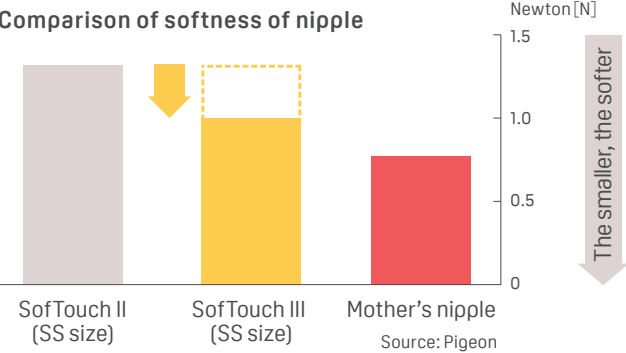
0 ~ months	1 ~ months	3 ~ months
SS	S	M
Round hole	Round hole	Y cut hole
6 ~ months	9 ~ months	Weaning
L	LL	15 months
Y cut hole	Y cut hole	3L
		Y cut hole

Nursing Bottles Born from R&D

Bonyu Jikkan® SofTouch series

Our Bonyu Jikkan® series of nursing bottles overturned the perception that “all nursing bottles are the same.” We achieved this by incorporating our rigorous research on baby feeding, as well as our attention to detail in the planning and design process, into our product development, which is unparalleled in the world. We launched a new Bonyu Jikkan® series in China in September 2021 and in Japan and Southeast Asia in 2022 that more closely resembles the softness of a mother’s nipple. In addition to artificial nipples, we are dedicated to baby bottles, releasing a series in 2022 focused on usability through application of a new material called “T-Ester*,” a plastic that offers a glass-like transparency, making volume markings easier to see when preparing formula. These and other efforts aim to ensure products that enhance the baby feeding experience.

* T-Ester is a registered trademark of Mitsubishi Gas Chemical Company, Inc.



Nursing Bottles and High Quality That Sustain Life

Pigeon’s artificial nipples, supplied to countries and regions the world over, are used by newborns as their first experience outside of breastfeeding to deliver nourishment, helping to sustain life. 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 a 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. Pigeon manufactures more than 100 million artificial nipples annually and continues striving to ensure the highest product quality at all our factories. We are always mindful of the fact that each artificial nipple is for a baby who is irreplaceable.

Pigeon’s quality control standards P. 42



Making the World a More Baby-Friendly Place

Pigeon remains dedicated to creating nursing bottles and to incorporating the know-how and ideas born from extensive observation and study of babies’ feeding movements into the development process. In addition, we will conduct R&D into new materials from a sustainability perspective and create unique products with social value and ones that reflect regional characteristics to drive ongoing growth in the nursing bottle category. Pigeon’s dedication to R&D extends beyond this category. We leverage the evidence gathered from research into breastfeeding to guide the development of breast pumps as well. In the field of baby skincare, we utilize research facilities both domestically and internationally to not only conduct fundamental research on baby skin but also develop products that meet the specific needs of consumers in different regions. Pigeon’s aim is to deliver our unique, meticulously crafted products to more and more babies and thus make the world a more baby-friendly place.



Key Issue
(Materiality)

Reducing Our
Environmental
Impact

What We Aim to Achieve

To leave a rich earth for the future of babies born tomorrow, we are implementing the Pigeon Green Action Plan, which includes objectives for decarbonization, a circular society, and coexistence with nature

Individual Issues

Reducing greenhouse gas emissions
(Scope 1, 2, and 3)
PP. 48–49

Circular
manufacturing
P. 50

Using sustainable resources
(paper and palm oil)
P. 51

Basic Approach to Global Environmental Protection (Environmental Policy)

In addition to complying with environmental laws and regulations, the Pigeon Group recognizes the relationship between our business activities and the environment, while energetically tackling the environmental issues as a common challenge for humanity to leave a rich earth for the future of babies born tomorrow. 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* (manufacturing) 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. The following concepts of our Sustainable Development Policy are adopted in our manufacturing.

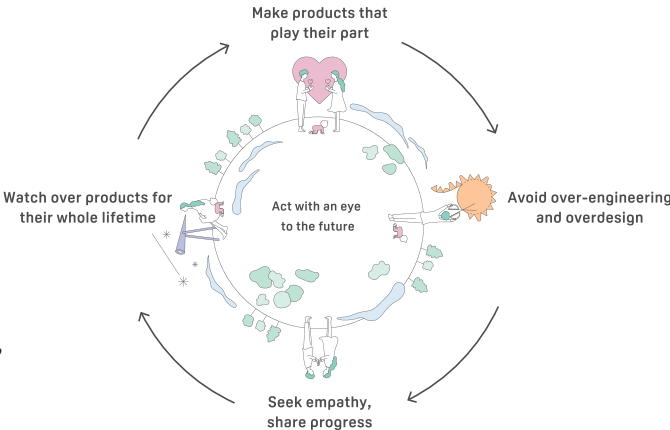
“Act with an eye to the future”

“Make products that play their part”

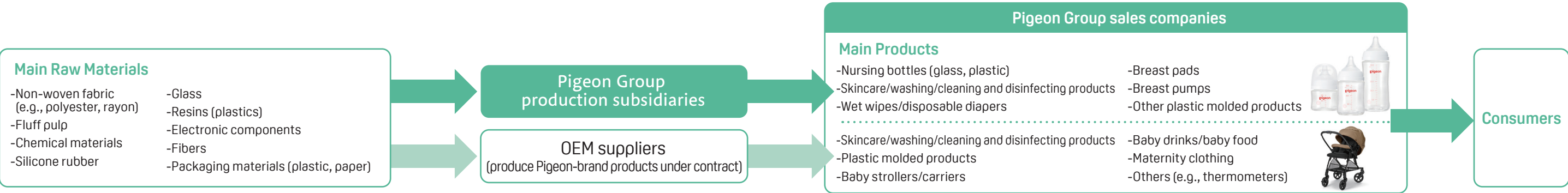
“Avoid overengineering and overdesign”

“Seek empathy, share progress”

“Watch over products for their whole lifetime”



Flow of Materials for Baby Care and Maternity Products

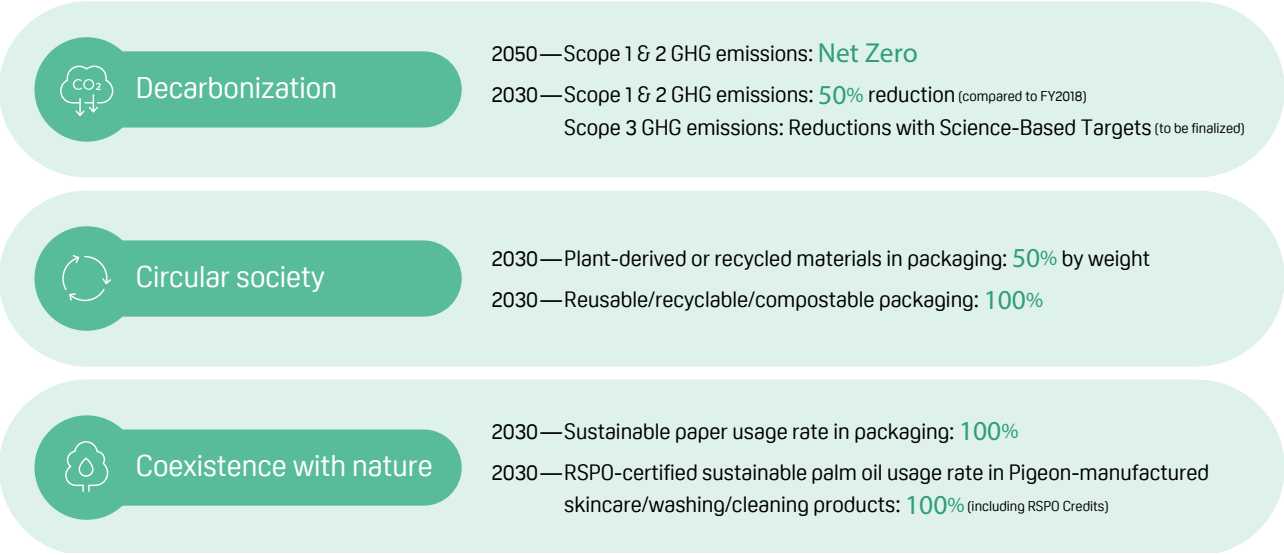


Outline of the Pigeon Green Action Plan

Pigeon has formulated the Pigeon Green Action Plan as a blueprint for leaving a rich earth for the future of babies born tomorrow. The plan sets medium- to long-term environmental targets for achieving decarbonization, a circular society, and coexistence with nature. The entire Pigeon Group is taking steps to achieve the targets.

Pigeon Green Action Plan

Leaving a rich earth for the future of babies born tomorrow



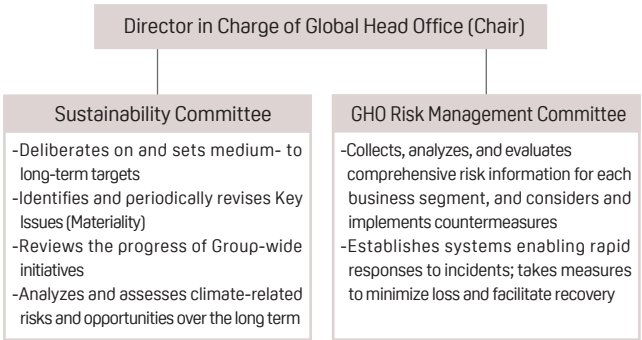
Scope 1: Direct greenhouse gas emissions from our operations and vehicles through fuel combustion, and similar uses
Scope 2: Greenhouse gas emissions associated with the use of electricity and heat supplied from other companies, including emissions from their power plants and heat generation facilities
Scope 3: Other indirect emissions by other companies and customers connected to our operations
RSPO stands for Roundtable on Sustainable Palm Oil
The book and claim (B&C) model supports certified palm (kernel) oil production by allowing end users to purchase credits issued based on the amount of palm (kernel) oil produced by RSPO-certified producers.

Initiatives to Realize a Decarbonized Society

Pigeon Corporation publicly declares 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.

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

Pigeon delivers a wide range of products and services to customers worldwide. As part of our analysis of risks and opportunities using climate scenarios, we initially focused on our core businesses in Japan and China, specifically the manufacturing and sale of nursing bottles, nipples, and skincare items. We considered two scenarios to envision the world in 2030, with physical impact projected until 2050: the 1.5°C scenario, where efforts toward decarbonization limit the global average temperature increase to 1.5°C, and the 4°C scenario, where the global average temperature rises by 4°C due to growing carbon emissions.

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 are conducting a quantitative financial impact analysis.

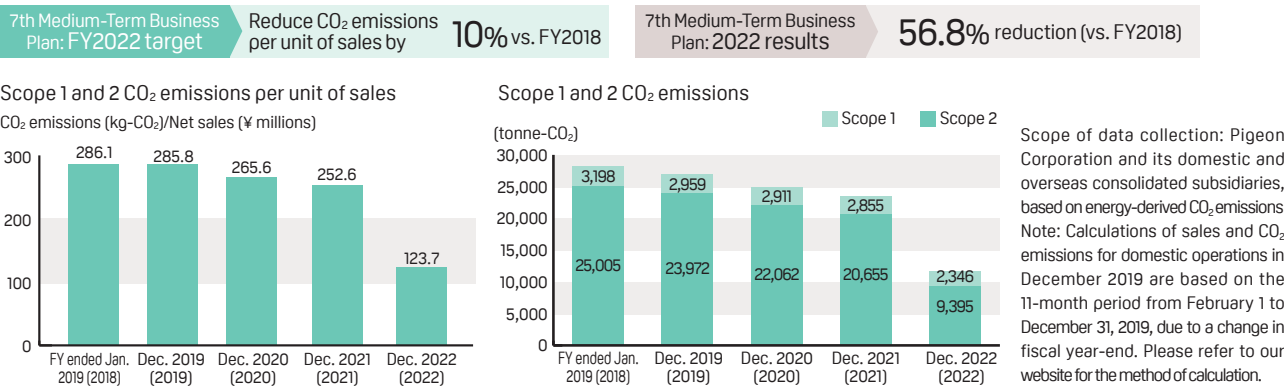
Increased frequency of natural disasters

Under both the 1.5°C and 4°C scenarios, the increase in global average temperatures would result in more frequent extreme weather events, the disruption of supply chains and logistics networks, and the 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 dual sources.

Metrics and Targets

Medium- to Long-Term Targets	2050—Scope 1 & 2 GHG emissions: Net Zero
	2030—Scope 1 & 2 GHG emissions: 50% reduction (compared to FY2018)
	Scope 3 GHG emissions: Reductions with Science-Based Targets (to be finalized)

As a result of initiatives such as the introduction of self-generated solar power and the purchase of renewable energy, Pigeon achieved a 56.8% reduction in CO₂ emissions (Scope 1 and 2) per unit of sales in 2022 compared with fiscal 2018 levels. This greatly exceeds the 2022 target of 10% set in the 7th Medium-Term Business Plan (2020-2022). We have set a new goal to achieve net-zero Scope 1 and 2 GHG emissions by 2050.



To reduce Scope 1 and 2 CO₂ emissions, we are conserving power by shifting to energy-saving facilities and LED lighting and promoting the self-generation of solar power by installing solar panels at production sites. These solar panels have been introduced at production subsidiaries in China, India, Indonesia, and Thailand since 2019. In 2022, we expanded this initiative to one production subsidiary and two business locations in Japan. We are also transitioning to renewable energy sources, with the Pigeon Head Office and the Central Laboratory now powered by 100% renewable energy. In addition, some of our domestic production subsidiaries have purchased feed-in tariff (FIT) non-fossil certificates and J-Credits derived from renewable energy, while some of our overseas subsidiaries have purchased international renewable energy certificates (I-REC).



Moreover, we actively calculate Scope 3 GHG emissions throughout the Pigeon Group, including emissions associated with the procurement of raw materials and packaging, outsourced manufacturing, transportation, product use, and disposal of used products, with the aim of reducing those emissions in collaboration with our business partners. We will analyze the findings and set targets in accordance with the Science-Based Targets (SBT) criteria with the aim of obtaining approval from the SBT Initiative by 2025. Please refer to our website for detailed information regarding the results of Scope 3 GHG emission calculations and the Pigeon Group TCFD Report 2022.

Website	https://www.pigeon.com/sustainability/environment_top/co2/
TCFD Report	https://www.pigeon.com/sustainability/files/pdf/tcfreport_20220414_e.pdf

Initiatives to Realize a Circular Society

Mid-Term Targets

2030 Plant-derived or recycled materials in packaging: 50% by weight
2030 Reusable/recyclable/compostable packaging: 100%

Global plastic consumption is on the rise, and much of the Pigeon Group’s product packaging uses plastic as well. To achieve a sustainable society, we watch over products for their entire lifetime through circular *monozukuri* (manufacturing). By 2030, 50% by weight of the materials used in the Pigeon Group’s packaging will be either plant-derived or recycled. This involves transitioning from plastic to paper alternatives for skincare containers and baby body foam soap refill pouches. We are also using recycled paper for 90% of the paper packaging and recycled PET for 80% of the plastic packaging in our KIPPOI Baby Tableware Sets, among other initiatives to switch to more sustainable packaging materials.

Moreover, the Pigeon Group aims for all product packaging to be reusable, recyclable, and/or compostable by design by 2030. We also actively promote the recycling of our products themselves in addition to the packaging. As an example, we have initiated recycling programs for nursing bottles, one of the Pigeon Group’s core products, in Japan, China, Singapore, and elsewhere. Please see our website for details of this initiative.

Examples of using paper packaging



Baby Milk Lotion 600-g Cube Pack Baby Foam Soap 800-ml Refill/Paper Pack

Example of using recycled materials

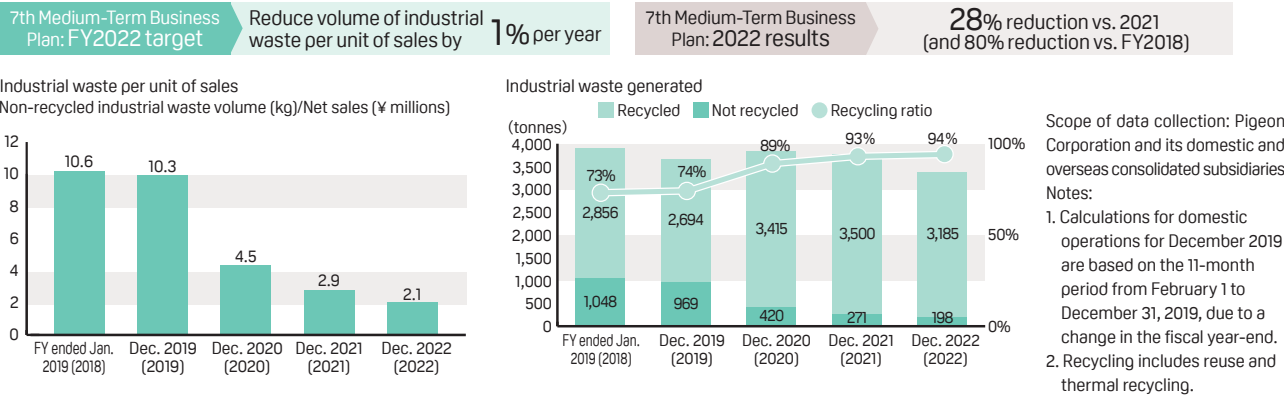


KIPPOI Baby Tableware Set

Website https://www.pigeon.com/sustainability/environment_top/circulation/

Industrial Waste

The Pigeon Group is committed to minimizing the non-recyclable industrial waste generated by its business activities. Under our 7th Medium-Term Business Plan (2020–2022), our goal is to reduce the volume of industrial waste per unit of sales by at least 1% per year. In 2022, we achieved a 28% reduction compared with 2021 and an 80% reduction compared with fiscal 2018. At our production subsidiaries over the three-year period from 2020 to 2022, we worked to reduce raw material losses by improving productivity and yield. We also made 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.



Water Conservation

In our production subsidiaries, we have started reusing the same water in more than one cleaning process and reuse wastewater generated in the production of purified water. Making process improvements and effectively using water resources like this helps cut consumption. Please see our website for details on efforts to reduce water use.

Website https://www.pigeon.com/sustainability/environment_top/circulation/

Initiatives to Realize Coexistence with Nature

Mid-Term Targets

2030—Sustainable paper usage rate in packaging: 100%
2030—RSPO-certified sustainable palm oil usage rate in Pigeon-manufactured skincare/washing/cleaning products: 100% (including RSPO Credits)

The book and claim (B&C) model supports certified palm (kernel) oil production by allowing end users to purchase credits issued based on the amount of palm (kernel) oil produced by RSPO-certified producers.

Sustainable Paper Use

Due to illegal tree felling and other factors, the world’s forested surface is shrinking. Destroying forests not only robs living beings of their homes but also has a major impact on natural hazards caused by water and soil degradation as well as climate change. At Pigeon, we promote the adoption of forest-certified paper that uses timber from responsibly managed forests as its raw material, as well as recycled paper.

Sustainable Palm Oil Use

Some of the skincare, washing, and cleaning and disinfecting 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, 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. The Pigeon Group is committed to promoting the use of RSPO-certified palm oil in our skincare, washing, and cleaning and disinfecting products. Since 2021, the Japan Business and the Singapore Business have purchased and claimed RSPO Credits for some detergents and skincare products through the B&C model.

Type	Total palm oil/palm kernel oil used*1		RSPO Credits purchased and claimed*2	
	2021	2022	2021	2022
Palm oil	176 tonnes	244 tonnes	CSP0: 25 tonnes	CSP0: 52 tonnes
Palm kernel oil	346 tonnes	432 tonnes	CSPK0: 28 tonnes	CSPK0: 56 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.

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

*2 These figures have not been audited through the RSPO certification system

Pigeon Eco-Label (Japan)

To assist customers in Japan seeking to choose greener products, we developed the Pigeon Eco-Label Standards adopting a life cycle assessment (LCA) perspective that quantifies environmental impact at every stage of the product life cycle, from raw material procurement and manufacturing to distribution, use, and disposal. Products that meet one or more of the criteria are eligible for the Pigeon Eco-Label. Our goal is to design packaging for all baby and maternity products sold in Japan that meets the Pigeon Eco-Label Standards by 2025 as part of our Pigeon Package Act 2025 project. Please see our website for details of the standards.



Website https://www.pigeon.com/sustainability/environment_top/product/



Key Issue
(Materiality)

Contributing to the Resolution of Social Issues

What We Aim to Achieve

Helping to resolve social issues affecting babies and their families

Individual Issues

New products and services for babies needing support
PP. 52-53

Expanding use of products designed for maternity hospitals
P. 52

Promoting responsible procurement
P. 55

Participating in and supporting communities
PP. 54-55

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 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 a nursing bottle for babies with cleft lips and/or palates, a feeder with a long silicone nipple, and nursing nipples for babies with weak sucking. We also offer a special Preemie Care pacifier for babies born prematurely to help ease the pain of treatments and procedures.

In 2021, we introduced a new disposable bottle exclusively for breast milk storage and pasteurization that enables safer and more hygienic storage of breast milk in human milk banks. In 2022, we launched Precious Drop, a device that supports the collection of colostrum from mothers to ensure that premature and low birthweight babies get as much of the mother's precious colostrum as possible, specifically for clinics and maternity wards. Also, in China, we developed a special oil for low birthweight babies to alleviate issues caused by underdeveloped skin. Our accumulated expertise, gained from our constant support of babies in need of specialized care, is reflected in general product development activities and is directly linked to the superior performance of Pigeon-brand products.



Activities for Babies Needing Special Care and Their Families: Support of Human Milk Banks

As part our activities for babies and families in need of specialized care, we support human milk banks in Japan, China, Indonesia, Vietnam, and elsewhere. These facilities collect breast milk donations, pasteurize them at low heat for safety, and provide the breast milk to babies with very low birthweight (less than 1,500 g at birth) whose mothers are unable to provide enough breast milk to them due to illness or lactation issues.

In September 2020, we provided comprehensive support for the Nihonbashi Human Milk Bank, the second of its kind in Japan at the time, which opened on the first floor of our Head Office. In 2021, we engaged in promotional activities to raise awareness of human milk banks, including serving as the facilitator of a roundtable discussion for donor milk recipient families led by the Japan Human Milk Bank Association. Based on the results of the discussion and a survey conducted by Pigeon, in 2022, we compiled the Donor Milk Recipient Brochure and started providing it free of charge to hospitals using donor milk with the aim of deepening understanding and eliminating reservations around the use of donor milk. The brochure outlines the safety and efficacy of donor milk and includes accounts from families who have used it. This helps to supplement knowledge gaps and assist families in making informed decisions regarding the use of donated breast milk.

Since 2020, we have conducted the “#Saving Tiny Lives” campaign whereby a portion of proceeds from designated products such as nursing pads and breast milk freezer packs is donated to the Japan Human Milk Bank Association. The campaign has received strong support, and we have donated approximately ¥10 million over three years.



Activities for Babies Needing Special Care and Their Families: Supporting Babies with a Cleft Lip and/or Palate

The Pigeon Group engages in activities to support babies with a cleft lip and/or palate in various parts of the world, including China, Singapore, Indonesia, Thailand, and Malaysia. A cleft lip and/or palate are congenital conditions characterized by an opening or split in the roof of the mouth, involving either the soft palate, the hard palate, or both, and/or a fissure in the lip. In addition to donating specially designed nursing bottles to facilitate feeding for babies with one of these conditions and other contributions through various nonprofit organizations, our employees in different regions volunteer to help babies with a cleft lip and/or palate and their families.

In 2022, local employees from Pigeon Singapore Pte. Ltd. volunteered to participate in a charity event called “#Fitness4Smiles” for babies with a cleft lip and/or palate, where teams took turns cycling in a relay format. Donations were made corresponding to the total kilometers ridden by a team. The seven teams from Pigeon Singapore collected SGD 6,907 in support of babies dealing with this condition.



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 or are running or supporting breastfeeding/pumping rooms called lactation lounges in 24 countries.

We also operate lactation lounges at our Head Office and the Central Laboratory for use not only by employees but also by mothers living and working in the vicinity.



Lactation lounge at the Pigeon Head Office

The Pigeon Smile Lactation Research Institute

In 2014, 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. As of December 2022, we had distributed around 890,000 copies of this booklet free of charge. The Happy Breastfeeding Support Book has been revised to meet changes in the parenting environment and the content has been enhanced to include topics related to the father's involvement in childrearing and maternal well-being after childbirth.

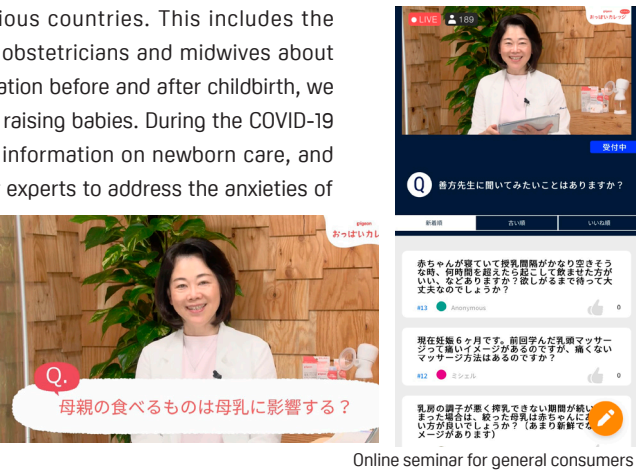
Since May 2021, we have been sharing parenting tips and information on breastfeeding and childcare during the nursing period in a friendly and understandable manner through a dedicated Instagram account.



Happy Breastfeeding Support Book

Seminars for General Consumers

The Pigeon Group organizes online seminars and events in various countries. This includes the Breastfeeding College seminar where participants can learn from obstetricians and midwives about breastfeeding, and baby skincare seminars. By sharing useful information before and after childbirth, we offer parenting support that empathizes with the feelings of families raising babies. During the COVID-19 pandemic, we conducted online breastfeeding seminars, provided information on newborn care, and facilitated consultations via social media with pediatricians and other experts to address the anxieties of mothers and fathers. These initiatives were implemented in Japan, the United States, Malaysia, China, Singapore, and other countries. By directly connecting and engaging with parents worldwide, we can address and alleviate concerns. We will continue to collaborate with healthcare professionals and experts to further promote communication with customers via online channels.



Seminars for Healthcare Professionals

The Pigeon Group also conducts seminars specifically designed for healthcare professionals such as doctors, midwives, nurses, public health nurses, dieticians, and pharmacists, who provide breastfeeding and lactation support. The seminars provide valuable information that can be applied in their care and support activities. In 2022, seminars were held in Japan on topics such as breastfeeding support and infection control measures for newborns and children based on basic medical research; comprehensive support from healthcare professionals during pregnancy, the postpartum period, and breastfeeding; and mental health care for pregnant women. We also actively disseminate product information and FAQs for healthcare professionals, aiming to enhance recognition and build trust within hospitals and maternity centers.



Lactation Volunteers

In September 2020, a total of 20 employees from Lansinoh Laboratories Medical Devices Design Industry and Commerce Ltd. Co., our Turkish Lansinoh Factory, and the Lansinoh Türkiye office in Istanbul started their training to become certified Lactation Volunteers to assist mothers who need help with breastfeeding. To become a Lactation Volunteer, one must complete special training organized by The Health Foundation of Turkey. Employees involved in the production of breastfeeding-related products voluntarily participated in this training, which lasted 100 hours, to further their understanding of breastfeeding, and in January 2021, those who passed the exam received a certificate of completion. In May 2021, Lactation Volunteer-certified employees conducted classroom training for employees and their families on the topic of breastfeeding support, as well as practical training in the plant's lactation room. In 2021, this activity won the bronze award in the HR category of the Stevie® Awards, known as the world's premier business awards. In 2022, in cooperation with the local authorities in Turkey, mothers with babies were invited to local venues for breastfeeding seminars. These activities have helped to raise employee awareness of our business areas and support working women, and we will continue to expand our activities to make further contributions to solving social issues. The Pigeon Group will continue to expand awareness of the importance of breastfeeding and provide a variety of information on breastfeeding and solutions to issues.



Disaster Preparedness for Babies

In disaster-prone Japan, although many families become more aware of the importance of disaster preparedness upon the birth of a child, more than 70%* of households lack proper disaster supplies for their children and are often unsure of what to prepare. To address this, Pigeon launched its first disaster preparedness series of products for babies called “sonaetta” in Japan in 2022 based on the concept of providing items that are not only useful in a disaster but also in everyday parenting. The series includes items such as the Emergency Baby Cup, the Head Protection Blanket, the Antibacterial/Antiviral Compact Bed, and the Wearable Care Light.

*Based on a survey conducted by Pigeon in May 2021 that had 1,270 valid responses



In September 2022, Pigeon revealed its “Babies and Preparedness Circle Promotion Project” declaration to firmly establish the concept of disaster preparedness for babies in society. With this project, we cooperate with municipalities and businesses that resonate with the declaration to always keep babies safe and continue to create a baby-friendly world. We had garnered support from 26 municipalities as of the end of December 2022. In addition to donating products, through the project we introduce disaster preparedness items for babies, offer item lists tailored to development stage, and actively share information and engage in activities related to disaster preparedness in coordination with municipalities. By fostering a shift in the mindset and behavior of families with babies toward self-help and promoting mutual assistance and public assistance, we aim to contribute to raising awareness of the significance of baby disaster preparedness and promoting this culture within society.

To always keep babies safe and continue to create a baby-friendly world, we at Pigeon declare our commitment to promoting broader awareness of the need for disaster preparation through our series of dedicated products and other means. We also pledge to cooperate with municipalities, businesses, and other groups that share the same dedication to supporting disaster preparedness for babies and to encourage baby-friendly urban planning.

Promoting CSR Procurement

The Pigeon Group has formulated its 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.

We conduct a CSR procurement survey annually and disclose the findings to gain insight into ESG-related initiatives at suppliers and issues in the Group's supply chain.

CSR Procurement Assessment 2022

Scope of aggregation
Japan Business, China Business, Singapore Business, and Lansinoh Business

Surveyed suppliers
For the 2022 survey, the CSR Procurement Self-Assessment Questionnaire developed by Global Compact Network Japan (GCNJ) was sent to a total of 247 suppliers: all primary external suppliers of Pigeon Corporation, Pigeon (Shanghai) Co., Ltd., and Pigeon Singapore Pte. Ltd., and each sales company under the Lansinoh Business, as well as major suppliers of production subsidiaries in Japan and China. We received responses from 236 suppliers for a response rate of 95.5%.

Survey results
The overall average score was 83.7%, with strong efforts being made in “quality and safety” and “labor,” whereas “supply chain” and “environment” remain challenging areas. 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.



Key Issue
(Materiality)

Managing Talent
and Cultivating the
Right Culture for
Our Purpose

What We Aim to Achieve

Cultivating an organizational culture in which diverse individuals resonate with the Pigeon Way and our Purpose; feel pride in the Company, their department, and their work; have an intrinsic motivation to contribute; and can embrace new challenges and express themselves to drive personal growth

Individual Issues

Working environments that achieve self-fulfillment and growth
P. 58

Ambitious organizational culture
P. 59

Enriched investment in human resource development
P. 57

Promoting Diversity & Inclusion
P. 56

We believe that a company cannot succeed in business unless it takes care of its employees. To realize the Pigeon Group's Purpose, we are working toward becoming a company where each and every employee can shine in their own way.

Promoting Diversity & Inclusion

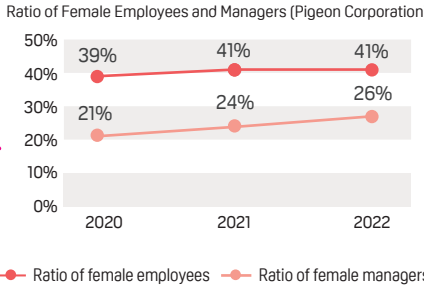
One of our Corporate Ethics Policies is that “Pigeon shall respect its employees’ human rights and personalities at all times, ensuring them discrimination-free, equal job opportunities and rewarding work environments, and offering them fair merit ratings to help their self-fulfillment.” We welcome motivated and talented individuals as employees regardless of their nationality, gender, age, disability, sexuality, and other factors. We also strive to create a workplace environment in which employees can maximize their abilities even when faced with different life circumstances such as illness or the need for childcare or nursing care. We embrace, respect, and utilize individual differences stemming from varied backgrounds to address ever-changing business conditions and diversifying customer needs. We respect the civil and political rights of employees—including freedom of expression, association, and religion—and engage in dialogue with them about these rights. Regarding labor, our Compliance Committee spearheads rigorous compliance-oriented activities to ensure respect for workers’ and human rights both in Japan and overseas. In October 2022, Pigeon Corporation formulated its Diversity & Inclusion Policy. Please refer to our website for details.

Website <https://www.pigeon.com/sustainability/HR/members/>

Supporting the Advancement of Women

Pigeon Corporation regards the creation of environments in which female employees can play an even more active role to be a particularly important issue and one inherent to our business. With this in mind, we formulated our Three-Year Action Plan for Promoting the Active Participation of Women. The three pillars of the Action Plan, which also form a key element of the 7th Medium-Term Business Plan (2020–2022), are “expansion of the support system for a work-life balance,” “reforming awareness in the workplace,” and “supporting the feelings and skills of women.” In these ways, we continue to promote female empowerment by enhancing systems and changing mindsets.

Although the ratio of female managers has been on the rise annually due to our consistent efforts, the proportion remains relatively low compared to the ratio of women making up our total workforce. Recognizing this as a challenge, we have set an ambitious target of a 30% ratio of female managers in our 8th Medium-Term Business Plan (2023–2025). As most people who consume our products are women, we remain committed to undertaking initiatives based on the aforementioned pillars to encourage the active participation of women in leadership positions.



2025 target	Ratio of female managers: 30%
2022 result	Ratio of female managers: 26%

Scope of aggregation: Pigeon Corporation
Managers are defined as those who have subordinates, as well as those who do not have subordinates but hold equivalent positions (excluding directors)

LGBTQ+-Related Initiatives

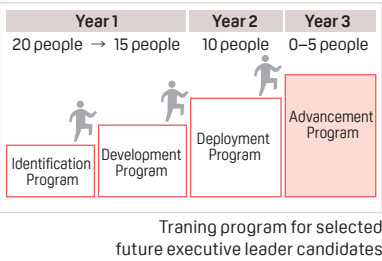
Pigeon Corporation aims to be a company where each and every employee can shine in their own way. We accept diversity in sexual orientation and gender identity and pursue initiatives to create work environments and systems in which everyone can be themselves at work, regardless of what they choose to publicly reveal. In November 2022, we introduced the “Familyship system,” under which common-law partners of any gender are eligible for the same internal schemes and welfare services as legally married spouses. We have also established a hotline for discussing harassment and other LGBTQ+ issues that can be used anonymously.

Personnel Development Policy

In 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.

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 advance participants, and the curriculum is designed to select and develop participants in each program process. The course has been held four times since its launch in 2004, and many of the 82 participants to date have gone on to become key personnel and managers.



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	Global Supporter
Global Players refer to human resources who perform their duties in a global environment, which includes experience working in an affiliated company overseas. 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. As of December 31, 2022, 12 individuals had been certified as Global Players.	Global Supporters refer to 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 different levels to improve these skills. As of December 31, 2022, 29 individuals had been certified as Global Supporters.

Promoting Continuous Individual and Organizational Development

Pigeon Corporation provides opportunities to gain insights into diverse work styles, perspectives, and value systems via the Accelerate My Career program. This program supports employees’ self-directed career development through internal recruitment, internships, and pro bono activities; external postings; and pro bono/volunteer leave. To stimulate the right brain as part of our key theme-based training, we hold “Dialogues in the Museum” and other events that enable participants to improve perceptivity with respect for diverse viewpoints and value systems. We plan to implement measures promoting digital transformation (DX) to maintain and strengthen competitiveness and increase the speed of that transformation.

Broadening perspectives and cultivating diverse values through external postings

Our external posting program is designed for employees to work at another company for approximately three months, around one day per week, to gain new experiences, learn new things, and network. Employees who utilize this program bring back leadership skills and new work attitudes to Pigeon and can apply the knowledge gained to transfer to a desired department, thereby shaping their own career path.



With colleagues at an external posting (Pigeon employee second from left)

Work-Life Balance

Pigeon Corporation, as a company dedicated to supporting parents and caregivers, has long been enhancing its employee childbirth and child-rearing programs. Since 2006, we have implemented the “One Month Together” initiative, which allows employees to take one month of paid childcare leave after the birth of a child. By nurturing employees with childcare experience, we can leverage their valuable insights in product development and other areas.

In October 2022, the Childcare and Family Care Leave Act was revised in Japan. Before this revision, Pigeon was already actively promoting a society where both mothers and fathers can take part equally in childcare. With the aim of encouraging male participation in childcare throughout Japanese society, we publicly share our accumulated knowledge and the initiatives we undertake. Pigeon have resulted in a 100% uptake of one-month childcare leave among eligible male employees for the past six consecutive years.



- Pigeon conducted interviews to gauge awareness of the revised Childcare and Family Care Leave Act and gain insight into the social environment. The following portrays related challenges and Pigeon's measures.
- | | | |
|---|---|--|
| 1 Many male employees have vague economic concerns when considering childcare leave | ➡ | To allay this fear, Pigeon provides individual explanations of the childcare leave system and tailored information on salary calculation, including the amount of childcare leave benefits received via employment insurance and exemption from social insurance premiums. |
| 2 Some feel guilty for being absent from the workplace and are concerned about the impact on their career | ➡ | Top management are vocal in dispelling these concerns while the Company strives to create an environment in which employees feel comfortable disclosing their private and family circumstances, and to build a system that encourages women to announce their pregnancy early on to enable smooth work handover. |
| 3 There is a lack of workplace understanding of male childcare leave | ➡ | Pigeon has introduced a rule requiring male employees to report to the president if they choose to forego childcare leave. Also, an internal system naming contest aims to increase familiarity while efforts are being made to provide easier access to leave without singling out childcare leave as a special case. |

In addition, considering the diversification of work styles in recent years, we launched the Childcare System Project Created by Employees with the aim of evolving our childcare system to meet the needs of current employees. This led to a new childcare system in 2022, which reflects employee feedback.

Since 2022, we have been undertaking a wide range of measures to promote a work-life balance and enhance productivity under the work-style reform slogan, “Smart & Smile! Work.” These include setting a “Dash Day” where employees leave the office on time, adopting efficient work styles using flexible work hour and telecommuting systems, and prohibiting e-mails and meetings after regular working hours, in principle. By optimizing work styles and encouraging employees to take breaks and rejuvenate, the uptake of annual paid leave increased from 54.2% in 2017 to 83.4% in 2022.



Occupational Health Management

Over the years, Pigeon Corporation has endeavored to be a corporate group through which employees can work in a lively fashion and in good health by supporting them in maintaining and improving their health to realize dynamic work environments. We have established a health management promotion system directly under the President and CEO, and coordinate with industrial physicians and a health insurance association on proactive initiatives such as anti-smoking programs, annual health check management improvements, and mental health measures. We also host walking events twice a year and internal lectures from industrial physicians and promote initiatives to encourage good exercise habits and higher health literacy among employees. Pigeon has been recognized as a Health & Productivity Management Outstanding Organization (Large Enterprise Category) for two consecutive years from 2022. Please see our website for details.



Website https://www.pigeon.com/sustainability/HR/health_management_policy/

Pigeon Frontier Awards: Encouraging Employees to Embrace Challenges

Pigeon introduced the Pigeon Frontier Awards (PFA) system in 2019 to support and recognize future-oriented employees who embrace challenges without fear of failure so that we can maximize their strengths. With the system, we solicit free ideas and new business concepts from all employees. Excellent proposals are awarded and developed with a view to future commercialization. All employees with a strong desire and unwavering dedication to realize ideas are eligible to apply, whether they are regular, temporary, casual, or part-time employees. In 2022, we began expanding eligibility to include employees of domestic Group companies in addition to Pigeon Corporation employees, and plan to extend this further to cover personnel at overseas Group companies. Since introducing the system, we have received applications from a wide range of departments, with seven each in 2020 and 2021, and five adopted in 2022 as projects under the direct control of the President & CEO. Through PFA, a platform for envisioning and shaping Pigeon's future, we will create an environment in which employees can enjoy their work and clarify their aspirations for their work and what they want to become, with the aim of creating new products and services of high quality.

- Features of PFA
1. Increases the amount of enjoyable time at work
 2. Encourages employees to take on challenges without fear of failure
 3. Includes direct support from the president, allowing ideas to materialize quickly



Project: Care for babies the way they are at NICUs (2020)

Pigeon embarked on this long-term project with the aim of becoming a trusted presence among healthcare professionals worldwide and laying the foundation to provide care that fosters the development and growth of every baby by leveraging the expertise of employees who have worked as midwives in hospitals. Through this endeavor, in 2022, we developed Precious Drop, a device for maternity wards and hospitals designed to reduce the burden of collecting colostrum for mothers so that as much of this vital first secretion as possible can be given to premature and low birthweight babies. The inspiration behind the development stems from the observation of mothers' struggles over years of work in hospital settings. Colostrum, which is secreted in the early postpartum period, is rich in immune-boosting substances and is particularly important for babies born prematurely or with low birthweights. However, when mothers are unable to directly breastfeed their babies because they are in a Newborn Intensive Care Unit (NICU), for instance, the only option is to manually express colostrum drop by drop using a small syringe. This can be challenging for inexperienced mothers, resulting in difficulties in effective collection.

Pigeon understands that mothers want to do everything they can for their babies, tirelessly expressing breast milk day or night and delivering it to their little ones despite lingering postpartum pain. Precious Drop embodies our desire to provide personalized care for babies and their families as well as to support healthcare professionals by alleviating the immense pressure they face, as witnessed by the Pigeon employees who played a role in the product's development. We will continue driving activities through this project, fueled by the excitement of shaping the future with like-minded individuals who have overcome many challenges since the project's inception.



Project: Empowering caregivers through a book of parenting reports (2021)

At Pigeon, all employees who become parents submit parenting reports sharing their experiences, insights, and observations on our internal website. As a company specializing in childcare products, some might assume that our employees are experts in parenting. However, they also face their own challenges and uncertainties in raising children. By externally sharing the realities revealed in the parenting reports, we hope to provide solace and support to others in society who might be struggling with parenting. This goal formed the basis for an employee-led project to transform the parenting reports into a book.

For the project, more than 200 parenting reports submitted by employees between 2006 and 2021 were compiled and released in a book about parenting insights and struggles (Publisher: KADOKAWA Co., Ltd.; Japanese only) in January 2023. The project team committed to producing and editing the book with the hope that it will bring some relief and a sense of reassurance to mothers, fathers, and families engaged in parenting and that it will contribute to a future where everyone can find even greater joy in parenting. The overwhelming support, cooperation, and kindness received during the project have inspired us to take on new challenges going forward.





Key Issue
(Materiality)

Establishing
Solid Management
Foundations

What We Aim to Achieve

Reinforce our GH0/4SBU structure and enhance our corporate governance framework encouraging ambitious endeavors to boost corporate value over the medium to long term

Individual Issues

- | | | | |
|---------------------------------------|---------------------------------|--------------------------------------|-------------------------------------|
| Reinforcing group governance
P. 62 | Reinforcing compliance
P. 65 | Reinforcing risk management
P. 64 | Dialogue with stakeholders
P. 65 |
|---------------------------------------|---------------------------------|--------------------------------------|-------------------------------------|

On March 30, 2023, following a resolution at the Ordinary General Meeting of Shareholders, Outside Director Hatoyama assumed the position of Chairman of the Board. Having served as an Outside Director for seven terms, Mr. Hatoyama reflects on the evolution of the Pigeon Group and shares his enthusiasm for his new role and his perspective on the responsibilities involved.

Message from Outside Director Rehito Hatoyama

The Board of Directors at Pigeon has always operated with an open and vibrant yet serious and focused approach. When I first joined, there were only two Outside Directors, Mr. Nitta and myself. Now, with five outside and four internal directors, the majority of the Board is comprised of external members, contributing to broader diversity. With each addition of an Outside Director, the dynamics within the Board have changed, allowing for greater awareness and reflection of external perspectives. Despite the challenges posed by COVID-19 and global uncertainties in fiscal 2022, the Board functioned effectively, further deepening mutual trust between internal and external directors.

The results of discussions held in 2022 are expected to materialize in fiscal 2023, with my appointment as Chairman of the Board being one such development. As Chairman, I aim to contribute to the advancement of governance by taking the Board beyond its role of conducting legal procedures and reporting and further enhance management agility.

In the past, discussions during Board meetings primarily focused on topics requiring internal perspectives. However, given the rapidly changing business environment, it is vital to consider a broader range of stakeholders and address topics that necessitate external perspectives at the appropriate timing while embracing a long-term view when determining the course of significant endeavors. To ensure that the necessary expertise is engaged when required, I will strive to facilitate Board operations that prioritize discussions over mere reporting and incorporate diverse opinions.

Pigeon is indeed a company with strong fundamentals. However, in this era of rapid change, it is crucial to enhance adaptability. To achieve this, the Company needs to further delegate business execution, actively leverage global talent, and explore business opportunities beyond core product development, which includes digital transformation and M&A activities.

Moving forward, it will be increasingly important for Pigeon to adopt a global mindset as a Japanese company. One significant challenge lies in recognizing that the global market, unlike the Japanese market where Pigeon has its headquarters, does not uniformly face declining birth rates. As someone who is

Japanese but has raised children in the United States, I have personally observed significant differences in how parents in Japan and the United States perceive and prioritize “spending time with their children.” While Japan has a well-developed childcare leave system, this period represents only a small fraction of the total time parents can spend with their children. In contrast, in the United States, there is a strong emphasis on actively enriching daily interactions with their children, even outside of childcare leave. Moreover, even in terms of product offerings, there are significant differences between Japan and the United States. For instance, looking at the use of breast pumps, the emphasis on enabling fathers to participate in feeding is greater in the United States than in Japan.

Being in Japan, it can be difficult to fully grasp the differences in language, market characteristics, culture, business practices, and decision-making processes across countries and regions. Therefore, it is crucial for the Board of Directors to consistently prioritize decision-making with a global perspective. I aim to contribute to enhancing Pigeon’s value by actively incorporating global best practices into management. Furthermore, by leveraging these best practices, I will strive to demonstrate Pigeon’s commitment as a Japanese company to making the world more baby-friendly. Also, by advancing governance, I will work diligently to drive tangible improvements in the Company’s medium- to long-term value on a quantitative level.



Rehito Hatoyama, Outside Director and Chairman of the Board of Directors

Rehito Hatoyama is the Representative Director of Hatoyama Soken Corporation. In addition to serving as Outside Director and Audit & Supervisory Committee member of Z Holdings Corporation, and Outside Director of transcosmos inc., he possesses a wealth of experience and deep insights in managing global business strategies and their execution as well as corporate governance, within various companies, and has provided support to numerous start-ups in Japan and abroad. He has been recognized by the U.S.-based economic publication *Business Insider* as one of the “31 most successful Harvard Business School graduates of all time.”

As a specialist in ESG and corporate governance, Outside Director Yumiko Miwa contributed to the development of Pigeon’s 8th Medium-Term Business Plan from the perspective of socially responsible investment. Here, she discusses her expectations of Pigeon and potential challenges after a year as Outside Director.

Message from Outside Director Yumiko Miwa

Pigeon updated its corporate philosophy of “Love” and its credo of “Only love can beget love” as the Pigeon DNA in February 2023. The core foundation of any company lies in its management philosophy, and when considering whether to accept the role of Outside Director, I placed the utmost importance on whether I agreed with the Company’s guiding principles. As someone who specializes in ESG investments and corporate governance for institutional investors, with a focus on research and activities toward a “financial ecosystem rooted in compassion” (a society where warmth permeates financial transactions), I was deeply moved by the presence of “Love” in Pigeon’s DNA. Over the past year, I have devoted my efforts as Outside Director to the advancement of Pigeon’s corporate value.

The Board of Directors at Pigeon is highly regarded for not only its diverse composition in terms of gender, nationality, and skill matrix but also for the presence of Outside Directors such as Mr. Nitta who reflect the perspective of institutional investors. Each Outside Director effectively demonstrates a well-balanced combination of monitoring and advisory functions. I consider this to be a significant characteristic of Pigeon’s Board that fits nicely into the Japanese style of the “Board 3.0” movement.

When considering my own role within this context, I recognize that it involves fulfilling the dual functions of monitoring from the standpoint of a minority shareholder and providing advisory support regarding value creation and strategy from a nonfinancial, ESG-based perspective. My efforts aim to enhance value for shareholders and all other stakeholders.

During the previous fiscal year’s Board meetings, we recognized the decline in birth rates not only in Japan but also in other developed countries as a significant challenge while formulating strategies for the 8th Medium-Term Business Plan. This is not just an issue for individual companies but a challenge that affects the entire nation. Although there is no immediate solution, I strongly hope that Pigeon will face it with positive initiatives and a determination to drive societal change through corporate action.

For instance, Pigeon’s efforts to support human milk bankshave gained widespread recognition and led to increased participation, making a significant contribution to the well-being of premature

babies and exemplifying how corporations can drive societal change. In the Lansinoh Business, Pigeon has made progress in ESG initiatives and successfully tapped into new markets with birth preparation and recovery products. Pigeon’s approach of allowing each business unit under a four-segment business structure to independently pursue product development, leveraging their deep understanding of market dynamics, is remarkably forward thinking. However, to further capitalize on the Group’s strengths, it would be advantageous if best practices, such as those in the Lansinoh business, could be disseminated more swiftly throughout the Group. In this regard, there is room to enhance Pigeon’s global governance, and I look forward to delving deeper into discussions on this topic.

Pigeon has long been committed to addressing societal issues through various initiatives such as product development and support for human milk banks. In recent years, the Company has strengthened its ESG initiatives, including organizational improvements, leading to high external evaluations. In particular, the appointment of an Outside Director, Mr. Hatoyama, as Chairman of the Board this year elevates the Company to a new level. Considering this, I will do my utmost to further enhance Pigeon’s presence in ESG and other nonfinancial fields while staying true to the Company’s essence, and thus help build corporate value.



Outside Director Yumiko Miwa

Yumiko Miwa is a professor at Meiji University’s School of Commerce who possesses specialized knowledge in ESG and corporate governance and high-level management expertise and supervisory capabilities that she leverages as Representative Director of I-O Wealth Advisors, Inc., and as a member of the Fund Management Committee, National Federation of Mutual Aid Associations for Municipal Personnel. She actively engages in research on the advancement of institutional investors and corporate governance, as well as ESG investments by institutional investors, and emphasizes the visualization of long-term investment effects, including the formulation of new stock price indices based on industry-academia collaboration.

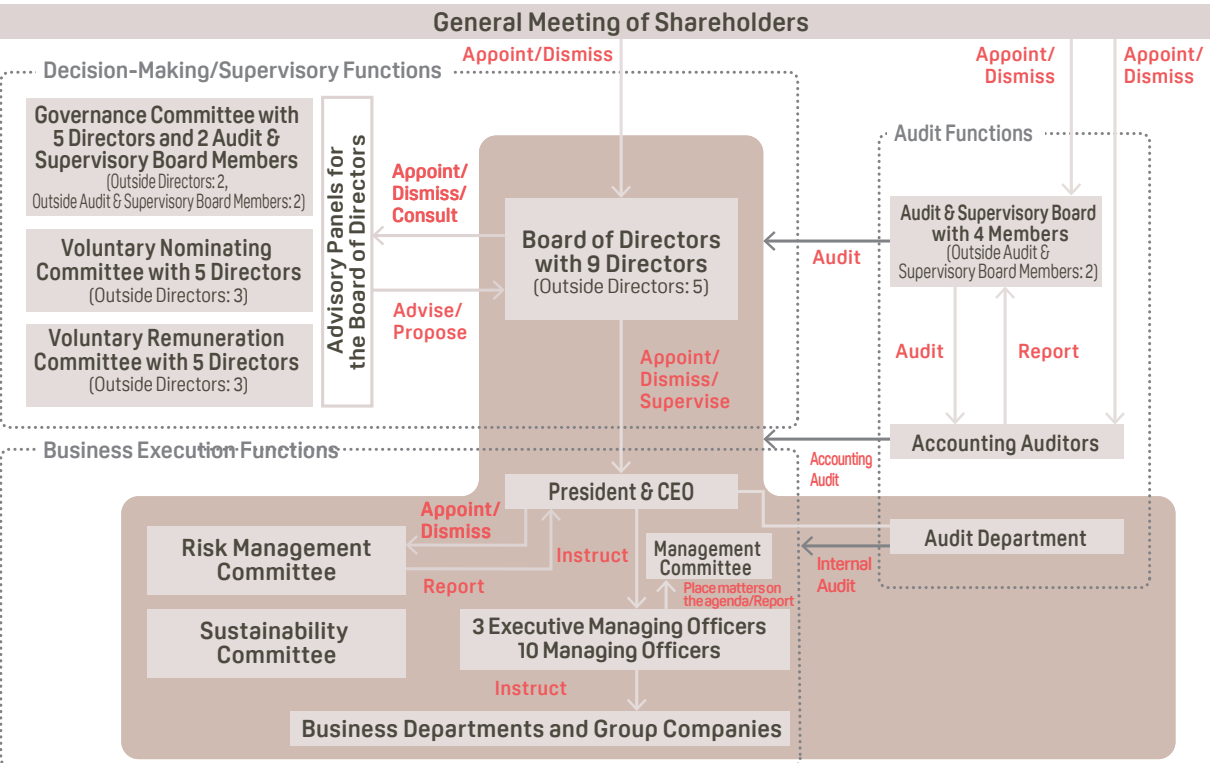
Corporate Governance

The Company adopts the system of a company with Audit & Supervisory Board Members and has made rigorous legal audits by Auditors the basis of compliance management. The primary management structures (meeting bodies) are as follows: The Board of Directors comprises nine members (six men, three women; eight Japanese nationals, one foreign national) including five Independent Outside Directors; the Audit & Supervisory Board comprises four members (three men, one woman; four Japanese nationals) including two Outside Audit & Supervisory Board Members; and the Management Committee is headed by the President and CEO and comprises standing Directors and Senior Managing Officers. The Company is working to enhance the diversity of each body. In addition, the Company adopts a mandatory executive officer system to provide for mutual partnership between decision-making and oversight (governance) with business execution and to clarify the operating responsibilities of Directors.

The Board of Directors makes decisions on matters (management objectives and important business-execution strategies such as the management strategy) prescribed in laws and regulations, the Articles of Incorporation, and the “Board of Directors Rules” based on its authority to supervise the execution of duties of directors and managing officers. The Board of Directors actively elicits the opinions of Outside Directors and Audit & Supervisory Board Members, and the supervisory function of the Board of Directors has been further strengthened by having an Independent Outside Director serve as Chairman of the Board from March 2023. In addition to the Voluntary Nominating Committee and Voluntary Remuneration Committee, both of which have a majority of Independent Outside Directors and are chaired by an Independent Outside Director, we established the Governance Committee in 2021 as an advisory panel to the Board of Directors. The Governance Committee is headed by an Independent Outside Director and has a majority of Outside Directors and Outside Audit & Supervisory Board Members.

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 swiftly resolve issues. In addition to enhancing the supervisory function through expression of opinions and the like, Audit & Supervisory Board Members listen to 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. They also 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, Audit & Supervisory Board, and Management Committee, Pigeon is working to improve corporate governance by expanding the diversity of the Board of Directors through the appointment and increase of Outside Directors; 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 the Audit & Supervisory Board.



Corporate Governance Organization Chart

Evaluating the Effectiveness of the Board of Directors

The Company conducts an annual evaluation of the effectiveness of the Board of Directors in order to strengthen it and improve its governance.

In fiscal 2022, the Company addressed the role and function of the Board of Directors and collaboration with both Outside Directors and auditors that were identified in the fiscal 2021 evaluation. Specifically, the meeting time of the Board of Directors was extended and the reporting time was reviewed, and each advisory panel to the Board of Directors reported its annual activity plans, results, and the like. In addition, Outside Directors participated in the reporting meetings hosted by each audit organization to confirm the content of the reports and exchange opinions.

In our effectiveness evaluation conducted from October to November 2022, all Directors and Audit & Supervisory Board Members were interviewed individually after completing a questionnaire-based self-assessment. The results of the questionnaire and interviews were then compiled and analyzed by the Secretariat, verified and discussed by the Governance Committee, and discussed by the Board of Directors based on the recommendations of the Governance Committee. In addition, the questionnaire and other methods confirmed questions regarding the role and function of the Board of Directors, the composition and size of the Board of Directors and other committees, the operation of the Board of Directors, cooperation with the audit organization, communication with management, engagement with shareholders and investors, and advisory panels (the Voluntary Nominating Committee, the Voluntary Remuneration Committee, and the Governance Committee).

As a result of the fiscal 2022 evaluation, the issues recognized in the evaluation for fiscal 2021 have been improved through the initiatives described above, and we have confirmed that the Board of Directors is making appropriate decisions through open and active discussions utilizing the diverse expertise, values, and perspectives of its Outside Directors, and plays an effective role in enhancing corporate value over the medium to long term. Meanwhile, we confirmed that it is necessary to improve the operation of the Board of Directors to further invigorate discussions at the Board of Directors meetings, including strengthening discussions and progress checks on the Key Issues to be resolved by the Company to realize its Purpose, and we will continue to examine and work on the necessary measures for maintaining and improving the effectiveness of the Board of Directors on an ongoing basis, focusing on improving the operation of the Board of Directors.

Governance Committee

To further strengthen corporate governance in the Pigeon Group, we established the Governance Committee as an advisory panel to the Board of Directors, chaired by an Outside Director and with a majority of its members being Outside Directors and Outside Audit & Supervisory Board Members. The Committee deliberates on various issues related to corporate governance within the Group that have been identified through the evaluation of the effectiveness of the Board of Directors and other measures from the perspective of promoting organic coordination and integration and proactive implementation, and provides advice and recommendations to the Board of Directors. During the current fiscal year, we reviewed and confirmed the permeation status of the Pigeon Way and Materiality, confirmed the role of the Global Head Office and exercise of its functions, and implemented the evaluation of the effectiveness of the Board of Directors (including consideration of implementation methods and analysis and verification of results).

Internal Audit

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 makes 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 Group-wide 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

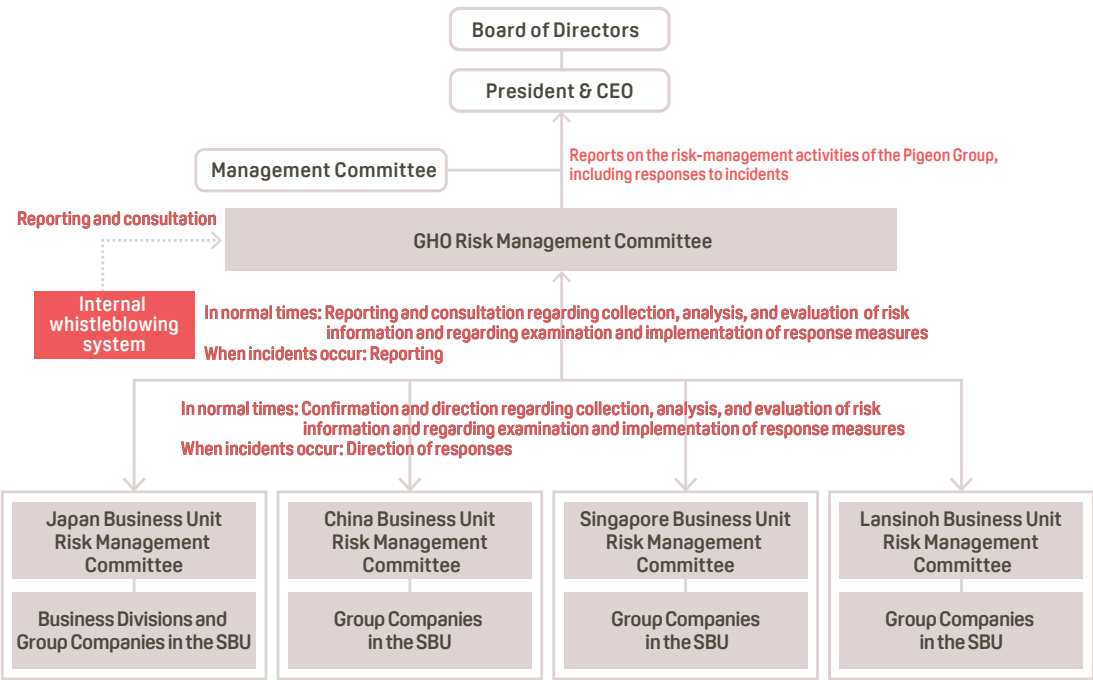
The risk management system of Pigeon is headed by the Global Head Office (GHO) Risk Management Committee. Governed by the Rules for Risk Management, which systematically stipulate the Group’s risk management responses, the GHO Risk Management Committee is chaired by the director for GHO, under the supervision 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 head of operations in each segment (Japan Business, China Business, Singapore Business, and Lansinoh Business). 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 from 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. In particular, compliance risk, financial risk, information security risk, supply chain management (SCM) risk, and customer complaint risk, which have been identified as key risks, are being addressed primarily by the departments in charge of risk as nominated by the GHO Risk Management Committee. These departments collate information and examine and implement measures across the Group.

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 the event that the Group is confronted with a crisis, such as a disaster or other major incident, the Risk Management Committee (here and hereinafter, “Risk Management Committee” refers to either the GHO Risk Management Committee or the Risk Management Committee of the appropriate segment) convenes and takes steps to minimize damage and effect recovery, based on the Rules for Risk Management and the Business Continuity Plan (BCP). In addition, in the event of significant risks or incidents, the GHO Risk Management Committee reports the details and the results of responses made to the Board of Directors, as necessary.

Activities of the GHO Risk Management Committee (2022)

Number of meetings	Two
Reports to the Board of Directors	One
Activities	-Sharing of information on Group risks and incidents -Formulation of measures mitigating key risks and management of progress -Reporting on the results of risk assessments conducted and risk mitigation measures across the entire Group



Risk Management Organization Chart

Compliance

Based on the Pigeon DNA and the Pigeon Way, the Group has established a basic policy on compliance called the “Corporate Ethics Guidelines.” The Corporate Ethics Guidelines have two components: corporate ethics policies, which comprise the ethical sensibility we must hold to continue to earn the trust and support of society, and a code of conduct, which comprises guidelines that spell out how each employee embodies the corporate ethics policies in business activities. The corporate ethics policies declare that every Pigeon Group employee must comply strictly with laws, regulations, and social norms, in both letter and spirit, acting in good faith and with a high sense of ethics. The Corporate Ethics Guidelines enable us to earn the trust and support of stakeholders. For each employee to strongly embrace the Pigeon DNA and the Pigeon Way and actively engage in compliance, as the Corporate Ethics Guidelines indicate, we believe it is vital to convey to all Group employees Pigeon’s business philosophy and the sense of values of its management. Our President and CEO and all other executives lead by example in rigorously promoting our spirit of ethics and compliance. We have also established compliance policies in three areas that are considered to pose a particularly high risk to the entire Group: “Anti-bribery and Corruption,” “Antitrust Compliance,” and “Information Management.” These policies outline specific actions to be taken and the necessary systems and frameworks in these three areas.

With regard to compliance education, we ensure that all Group employees are knowledgeable about compliance. We carry out training on topics such as the Pigeon DNA and the Pigeon Way, the Corporate Ethics Guidelines, and the internal whistleblowing system at the Company and at each Group company in Japan and overseas. In 2022, we circulated the monthly “Pigeon Compliance Communication” newsletter to employees of the Company and all domestic Group companies on the theme of the Corporate Ethics Guidelines and the Group’s internal whistleblowing system. In addition, as compliance training, all Group employees were informed of the importance of compliance through a video message from the President and CEO. Furthermore, the Pigeon DNA and the Pigeon Way, the Corporate Ethics Guidelines (including anti-corruption and compliance with antitrust laws), and the internal whistleblowing system were explained based on our own materials, in order to instill the compliance that employees should practice in their daily work. After the training, a questionnaire, utilized to improve the contents, was given to the participants. Furthermore, compliance monitoring is regularly conducted for all executives and employees to identify and analyze compliance risks in the Group. We are working to reduce compliance risks and promote compliance awareness among executives and employees of the Group by reflecting the measures on the above compliance system, framework, and training.

As for internal reporting, we operate two whistleblowing systems: Speak-Up Desks for Pigeon Group employees (three points of contact: Audit & Supervisory Board Members, the Legal Department, and a consulting lawyer) and the “Pigeon Partners Line” for business partners and others (two points of contact: the Legal Department and a consulting lawyer). In 2023, we introduced a reporting system that ensures anonymity and provides language assistance as needed at the contact points for Pigeon Group employees. When a problem is discovered within the Group or outside it, the Risk Management Committee, or the person in charge of taking whistleblower reports such as an Audit & Supervisory Committee Member, handles such reports by conducting an investigation into the facts, taking every precaution to protect whistleblowers and consultants. The Risk Management Committee takes measures to prevent reoccurrence as necessary. The advice of a consulting lawyer might be sought to weigh the legal propriety of responses and solutions. In fiscal 2022, there were five reports to Speak-Up Desks and one report to the Pigeon Partners Line. Details of compliance education and of reports made to the internal whistleblowing system are provided to the Board of Directors every year.

Responsible Dialogue with Shareholders and Other Investors

The Company actively engages in responsible dialogue with shareholders and other investors. During the COVID-19 pandemic, for example, we increased the number of contact points compared with the previous year by using the Web and teleconferences to host IR meetings and financial results briefings. We recognize that the Ordinary General Meeting of Shareholders is the Company’s highest decision-making body and is a forum for constructive dialogue with shareholders. Accordingly, we ensure a sufficient period 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 before the meeting. 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 the 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. Since 2021, we have conducted an online livestream so that shareholders who could not make it to the venue can watch the General Meeting of Shareholders.

Responsible Dialogue with Shareholders and Other Investors	
66th Ordinary General Meeting of Shareholders (March 30, 2023)	-Number of attendees: 79 Voting rights exercised: 84.6% -Number of online viewers: 78
IR meetings with institutional investors	Total number of correspondences: 332 (FY2022)

Executive Remuneration System

Basic policy on executive remuneration

The Company’s basic policy on remuneration for Directors (hereinafter “executive remuneration”) shall be as follows, in accordance with the aforementioned Pigeon DNA and Pigeon Way, the Key Issues, and the Basic Policy of Corporate Governance:

- (i) It should contribute to “management that improves the corporate value” of the Group over the medium to long term;
- (ii) It should contribute to the hiring of talented managers toward solving the Key Issues based on the Pigeon DNA and the Pigeon Way; and
- (iii) The remuneration system should be highly independent, objective, and transparent, and accountable to stakeholders.

Remuneration levels

The Company determines levels of executive remuneration in accordance with the aforementioned “Basic policy on executive remuneration,” after surveying and analyzing its business environment and the compensation levels in its peer group of companies in the same industry (manufacturing) and of the same size, through external databases and other research. Remuneration levels for each position are listed as shown on the right (with the president as 100%).

Position	Remuneration Level
President	100 %
Vice president	80 %
Senior managing executive officer	60 %
Managing executive officer	50 %
Director	40 %

Remuneration mix

The remuneration for the Company’s Directors (excluding Independent Outside Directors) consists of “basic remuneration” commensurate with position, “bonuses” provided as short-term incentives, and “stock remuneration” provided as a medium- to long-term incentive. The remuneration for Independent Outside Directors and Audit & Supervisory Board Members consists of “basic remuneration” only.

Note: “Bonuses” and “stock remuneration” are applicable to performance-based remuneration, and “stock remuneration” is applicable to non-monetary remuneration pursuant to Article 98, Paragraph (5), of the Regulation for Enforcement of the Companies Act.

Stock remuneration

Stock remuneration is paid at the time of retirement for the purpose of granting an incentive to improve the Group’s medium- to long-term company performance and corporate value, and to place Directors in the “same boat” as the shareholders (thus giving Directors and shareholders a shared interest).

In principle, the remuneration will vary within a range from zero to 150%, in accordance with the achievement level of targeted financial indicators related to consolidated performance set out in the Medium-Term Business Plan (EPS (Earnings per Share), growth rate, TSR (Total Shareholder Return), and ROIC) and indicators related to the Key Issues (reducing our environmental impact, contributing to the resolution of social issues, and managing talent and cultivating the right culture for our Purpose), based on the base amount of the stock remuneration determined for each position. Financial indicators related to consolidated performance are used to further improve business profitability and efficiency, as well as to increase our corporate value over the medium to long term. Regarding indicators related to the Key Issues, we will work to contribute to social issues surrounding babies, their mothers, and their families, as well as reduce factors that lead to environmental load in all countries and regions in which the Group operates, by fostering a corporate culture that allows diverse human resources to take on challenges and grow to be themselves, with the aim of making the world more baby-friendly. If there is a significant change in the targets set out in the Medium-Term Business Plan, the Board of Directors determines the appropriateness of the target values for stock remuneration, after deliberation at the Voluntary Remuneration Committee. The valuation ratio for each indicator is as shown on the right.

Indicator		Valuation Ratio
Consolidated performance	EPS growth rate	30 %
	TSR (relative comparison)	30 %
	ROIC	20 %
Key Issues	Reducing Our Environmental Impact	20 %
	Contributing to the Resolution of Social Issues	
	Managing Talent and Cultivating the Right Culture for Our Purpose	

(ii) Standard model for the composition of Director (excluding Independent Outside Directors) remuneration (if the achievement level of each indicator is 100%)

Type of Remuneration	Composition Percentage
Basic remuneration	60 %
Bonuses	20 %
Stock remuneration	20 %

Voluntary Remuneration Committee

To increase the independence, objectivity, and transparency of the details of the executive remuneration system, the Voluntary Remuneration Committee has been established as an advisory panel to the Board of Directors, consisting of a chairperson and a majority of Independent Outside Directors. The Voluntary Remuneration Committee shall meet at least four times per year, deliberate primarily on the following main agenda items regarding executive remuneration amounts, calculation methods, and policy for deciding the content of remuneration per individual, and provide advice and proposals to the Board of Directors. The Board follows such advice and proposals to the greatest extent possible in its decision-making. Please note that executive remuneration will be paid within the limit of remuneration adopted at the General Meeting of Shareholders.

To introduce an objective perspective from outside of the Company, as well as expertise on the executive remuneration system, the Company employs an outside consultant, with whose support it considers the details of the remuneration system, while taking into account matters such as external data, the economic environment, industry trends, management conditions, employee remuneration amount, and dividend amount.

In addition, to enhance the effectiveness of the Board of Directors, we are working to coordinate the Voluntary Nominating Committee and Voluntary Remuneration Committee on activities related to director nomination and remuneration. We also evaluate the effectiveness of the Voluntary Remuneration Committee in evaluating the effectiveness of the Board of Directors.

- Main agenda items of the Voluntary Remuneration Committee
- Governance of executive remuneration
 - Whether it is necessary to revise the executive remuneration policy
 - Remuneration levels of individual executives (base amount by position)
 - Performance targets and evaluation table for bonuses and stock remuneration
 - Performance evaluations, individual payment amounts and other considerations for bonuses in the previous fiscal year
 - Performance evaluations, individual payment amounts and other considerations for stock remuneration in the previous fiscal year
 - Status of initiatives of the Medium-Term Business Plan and the Key Issues
 - Factors such as level, composition and indicators of executive remuneration using external data and other research
 - The necessity of response to executive remuneration due to changes in the external environment and business environment
 - Improving the effectiveness of the Voluntary Remuneration Committee

(i) Overview of remuneration types

Basic remuneration

Positions are determined in accordance with the roles and responsibilities of each Director in the Company’s four business departments. Monetary amounts are decided by position and paid as monthly remuneration.

Bonuses

Bonuses are paid in March every year for the purpose of granting incentives to improve the Group’s consolidated performance and to solve the Key Issues.

In principle, the amount will vary within a range from zero to 150%, in accordance with the achievement level of targeted indicators related to consolidated performance (net sales, operating income, and PVA (Pigeon Value Added, the Company’s original performance indicator)) and indicators related to the Key Issues (enhancing business competitiveness and resilience and establishing solid management foundations), based on the base amount of the bonus determined for each position. Indicators related to consolidated performance are used to drive the expansion of the scale and earnings of our main business and the creation of corporate value that exceeds the cost of capital. With regard to the indicators related to the Key Issues, to make the world more baby-friendly, we aim to be a company essential to society by expanding our corporate value over the medium to long term by building a solid system that can “create,” “produce,” and “deliver” and by working to strengthen the GHQ/4SBU system and enhance corporate governance that enable employees to take on aggressive and bold challenges. We will also actively engage with shareholders and investors to ensure that they share and support these ideas, thereby building a solid management base to continue to be close to babies.

To calculate the targets, we use the performance forecasts published in the summary of financial results at the beginning of each period for net sales and operating income, and the initial fiscal-year plan for PVA and indicators related to the Key Issues (enhancing business competitiveness and resilience and establishing solid management foundations).

For Executive Directors in charge of department(s), bonuses will vary within a range from zero to 150%, in accordance with the achievement level of targets, with consolidated performance and the Key Issues accounting for 70% and the performance of the Directors’ respective departments (in net sales, operating income, and PVA) accounting for 30%.

The valuation ratio for each indicator is as shown on the right.

Indicator		Valuation Ratio
Consolidated performance	Net sales	40 %
	Operating income	30 %
	PVA	20 %
Key Issues	Enhancing Business Competitiveness and Resilience	10 %
	Establishing Solid Management Foundations	

Nomination and Dismissal of Candidates for Director

Human resource requirements of the Chief Executive Officer (CEO): 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 DNA and the Pigeon Way. The human resource requirements of the CEO (responsibilities and authority, main duties and expected results, and required competencies (behavioral characteristics, personality characteristics, experience and achievements, and knowledge and skills)) are determined based on the Pigeon DNA and the Pigeon Way, the Key Issues, and the Basic Policy of Corporate Governance.

(i) Responsibilities and authority

The responsibilities and authority of the CEO are determined based on the Pigeon DNA and the Pigeon Way, the Key Issues, and the Basic Policy of Corporate Governance.

Responsibilities: Is responsible for processes and results that increase corporate value (social and economic value) based on the values of the Pigeon DNA and the Pigeon Way to contribute to the improvement of social sustainability

Authority: Has the authority to make final decisions regarding the optimal allocation of management resources to improve corporate value (social and economic value)

(ii) Main duties and expected results

The main duties and expected results of the CEO are determined based on the “Responsibilities and authority” referenced above (see the table on page 69).

(iii) Required competencies

The required competencies of the CEO are determined based on the “Responsibilities and authority” referenced above (see the table on page 69).

Standards for appointment and dismissal: The policy for appointing senior management shall be to make appointments from an objective perspective, based on the “Human resource requirements of the Chief Executive Officer (CEO)” referenced above, and with reference to external assessments and other information. The appointment is referred to the Board of Directors to be decided, after deliberation by the Voluntary Nominating Committee. The appointment of Directors and the CEO is referred to the Board of Directors to be decided, after deliberation by the Voluntary Nominating Committee, based on the “Human resource requirements of the Chief Executive Officer (CEO)” referenced above. If a Director or the CEO meets the criteria for dismissal defined below, or there is a concern that they have taken actions that meet these criteria, the Voluntary Nominating Committee shall swiftly seek advice from the Board of Directors and deliberate based thereupon.

- a) Suspected misconduct, inappropriate actions, or disloyalty
- b) Recognized illegal or otherwise disqualifying actions
- c) It has been determined that the process or results of carrying out duties are inadequate, and it is no longer appropriate for the individual to continue his or her current duties
- d) ROE is below 5% for three consecutive fiscal years (CEO only)

Successor plans: Successor plans for the CEO are deliberated by the Voluntary Nominating Committee, in accordance with the “Human resource requirements of the Chief Executive Officer (CEO)” referenced above. Namely, the results and content of outside assessments of training for the development and selection of the next generation of management human resources for CEO candidates, evaluation regarding personnel, and career planning are deliberated. The Board of Directors oversees successor plans to verify that they are conducted appropriately, based on reports on deliberations by the Voluntary Nominating Committee.

Term of office: The term of office of Directors (including Independent Outside Directors) shall be one year.

Voluntary Nominating Committee

To increase the independence, objectivity, and transparency of the determination process for appointment, dismissal, and nomination of Directors, a Voluntary Nominating Committee has been established as an advisory panel to the Board of Directors, consisting of a chairperson and a majority of Independent Outside Directors. In principle, the Voluntary Nominating Committee shall meet at least four times per year, deliberate on issues including the standards for appointment and dismissal of Directors as well as CEO successor plans, and provide advice and proposals to the Board of Directors. The Board of Directors in turn follows such advice and proposals to the greatest extent possible in its decision-making. To introduce an objective perspective from outside of the Company, as well as expertise on nominations, the Company employs an outside consultant, with whose support it considers the details of the standards for appointment and dismissal of Directors as well as CEO successor plans and other issues, taking into account matters such as external data, the economic environment, industry trends, and management conditions. In addition, to enhance the effectiveness of the Board of Directors, we are working to coordinate the Voluntary Nominating Committee and Voluntary Remuneration Committee on activities related to Director nomination and remuneration. We also evaluate the effectiveness of the Voluntary Nominating Committee in evaluating the effectiveness of the Board of Directors.

Main agenda of the Nominating Committee

- Executive nomination policy
- Roles of the Chairman of the Board
- Skill matrix of the Board of Directors
- Personnel requirements for the CEO
- Succession planning for the CEO and management
- Candidates for Director
- Standards for the appointment and dismissal of Directors
- Term of office and tenure for Directors
- Succession planning for Independent Outside Directors
- Improving the effectiveness of the Voluntary Nominating Committee

(ii) Main duties and expected results

Key Issues	Main Duties	Expected Results
Enhancing Business Competitiveness and Resilience	Build a business model and strategy to become essential to society.	Establish a business model that achieves sustainable growth and improves corporate value over the medium to long term.
Reducing Our Environmental Impact	Build frameworks that promote the sustainable reduction of environmental impact to leave the Earth favorable for the future of babies born tomorrow.	Set numerical targets for each separate challenge and execute measures to achieve these targets.
Contributing to the Resolution of Social Issues	Build a mechanism to encourage the development of next-generation businesses and products to resolve social issues that affect babies and their families.	Carry out the development of next-generation businesses and products that help solve social issues, with consideration for the entire value chain.
Managing Talent and Cultivating the Right Culture for Our Purpose	Cultivate the right culture in which diverse human resources are motivated to take on challenges and grow to be themselves to make the world more baby-friendly.	Promote diversity and a work-life balance, and carry out initiatives toward diverse work styles. Ensure that there are future CEO candidates for the next and following generations.
Establishing Solid Management Foundations	Build a management base that enables employees to actively take on challenges to increase corporate value over the medium to long term.	Carry out both proactive and reactive measures to strengthen the management base. Meticulously provide information to stakeholders, engage in two-way communication with them, and get them on board with the Company’s plans and actions.

(iii) Required competencies

Item		Details
Behavioral characteristics	Innovative leadership	Has foresight and leads reform personally, without being hindered by past success or common knowledge
	Development and proliferation of our vision and corporate culture	Promotes the wide adoption of the Pigeon DNA and the Pigeon Way as well as a healthy corporate culture through strategic engagement with stakeholders
	Envisioning, planning, and execution of strategies	Proposes management strategies and a grand design that reflects our corporate culture, and allocates management resources in an optimal manner
	Development of human resources and the organization	Develops successors to the CEO and other management positions, and develops an organization that is accepting of diversity, in order to ensure sustainable growth over the medium to long term
	Building corporate governance	Increases the quality and speed of management by building a proactive and reactive governance system
Personality characteristics	Interest and curiosity	Has a strong interest in and diverse perspectives regarding the Company’s products and services, and displays an attitude of learning through a cycle of “creating, making, and delivering”
	Passion and romanticism	Has the courage to pursue dreams and take on challenges, and a strong commitment and passion to persevere until success is achieved
	Sensitivity and empathy	Carries out two-way communication with stakeholders, displays sensitivity, and focuses energy on having empathy
	Sensibility and ingenuity	Continually develops sensibility, and devises ways to carefully consider and carry out what is not being done by others
	Sincerity and trustworthiness	Is sincere, achieves missions in the proper way, and is trusted by employees
Experience and achievements		Has a record of contributing to the improvement of corporate value (social and economic value) in the top management of Group subsidiaries
		Has created new value by inventing new businesses, products, and services
		Has managed multiple functions, regions, or locations
		Has experience conducting management under chaotic conditions, including start-ups, reorganization, rehabilitation, and restructuring
Knowledge and skills		Has knowledge of all businesses, customers, and market trends
		Has management knowledge (e.g., marketing, accounting, management strategy, finance, human resource and organizational strategy, governance, business management)
		Has the English-language ability to converse directly with global stakeholders

Directors (As of March 31, 2023)



President and CEO
Norimasa Kitazawa
Number of the Company's common shares held: 43,716
(Includes 16,516 shares to be granted based on the stock remuneration system)



Director, Senior Managing Executive Officer
Tadashi Itakura
Head of Global Head Office
Number of the Company's common shares held: 16,289
(Includes 9,269 shares to be granted based on the stock remuneration system)



Director, Executive Officer
Kevin Vyse-Peacock
Lansinoh Business Division Manager/
CEO of Lansinoh Laboratories, Inc.
Number of the Company's common shares held: 6,605
(Includes 6,605 shares to be granted based on the stock remuneration system)



Director, Executive Officer
Ryo Yano
In charge of:
China Business Division/
Singapore Business Division
Number of the Company's common shares held: 0



Outside Director
Takayuki Nitta
(Appointed in April 2015)
Number of the Company's common shares held: 7,400



Outside Director
Chairman of the Board
Rehito Hatoyama
(Appointed in April 2016)
Number of the Company's common shares held: 3,200



Outside Director
Chiaki Hayashi
(Appointed in March 2020)
Number of the Company's common shares held: 1,600



Outside Director
Eriko Yamaguchi
(Appointed in April 2020)
Number of the Company's common shares held: 300



Outside Director
Yumiko Miwa
(Appointed in April 2022)
Number of the Company's common shares held: 400

Audit & Supervisory Board Members (As of March 31, 2023)



Audit & Supervisory Board Member
Hiroshi Nishimoto
Number of the Company's common shares held: 2,000



Audit & Supervisory Board Member
Koji Ishigami
Number of the Company's common shares held: 42,300



Outside Audit & Supervisory Board Member
Koichi Otsu
(Appointed in April 2019)
Number of the Company's common shares held: 5,400



Outside Audit & Supervisory Board Member
Atsuko Taishido
(Appointed in April 2019)
Number of the Company's common shares held: 2,100

Notes:
1. Mr. Takayuki Nitta, Mr. Rehito Hatoyama, Ms. Chiaki Hayashi, Ms. Eriko Yamaguchi, and Ms. Yumiko Miwa are Outside Directors as stipulated in Item 15 of Article 2 of the Corporate Law.
2. Mr. Koichi Otsu and Ms. Atsuko Taishido are Outside Auditors as stipulated in Item 16 of Article 2 of the Corporate Law.
3. Number of the Company's common shares held is as of December 31, 2022.

Managing Officers (As of March 31, 2023)

Yusuke Nakata	Senior Managing Officer Singapore Business Division Manager/ Representative Director of PIGEON SINGAPORE PTE. LTD.	Zenzou Yamaguchi	Senior Managing Officer Head of Japan Operations Baby Care Business Division Manager
Nobuo Takubo	Business Strategy Division Manager	Katsushi Tsutsui	Research & Development Division Manager
Kazuyuki Tajima	SCM Division Manager	Takatoshi Urakari	Human Resources & General Affairs Division Manager
Takanori Tsuru	Related Business Division Manager	Koji Matsutori	Deputy Division Manager of Lansinoh Business Division Director of Lansinoh Laboratories, Inc.
Takashi Arai	Accounting & Finance Division Manager		

Areas of Expertise Demanded 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 DNA, which is the core of Pigeon and will be upheld into the future as an unchanging spirit that describes our Corporate Philosophy (“Love”) and our Credo (“Only love begets love”); our Purpose, positioned as the core of the Pigeon Way, which embodies “heart and soul” and sets the grounds for our actions to stream from this core; and the five Key Issues (materiality) that we must address in the process of realizing our Purpose. We have also considered the core strategies of the 8th 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, in order to achieve the tenets of the Pigeon DNA, the Pigeon Way, and our Purpose, and to resolve the Key Issues (materiality).

	Name/Position	Expertise demanded of the Board of Directors*1									
		Management, business strategy	Experience in the company, industry experience	Global business	Design, R&D, product development	SCM*2	Marketing, branding	Human resource development, corporate culture	Finance, accounting	Law, compliance, risk management	Solving societal issues
Directors	Norimasa Kitazawa President & CEO	○	○	○	○		○				
	Tadashi Itakura Director, Senior Managing Executive Officer				○	○		○	○	○	
	Kevin Vyse-Peacock Director, Executive Officer	○	○	○	○		○				
	Ryo Yano *3 Director, Executive Officer	○	○	○			○	○			
	Rehito Hatoyama Outside Director and Chairman of the Board*4	○		○			○		○	○	
	Takayuki Nitta Outside Director*4	○							○	○	
	Chiaki Hayashi Outside Director*4	○			○		○	○			○
	Eriko Yamaguchi Outside Director*4	○		○	○		○				○
Audit & Supervisory Board Members	Yumiko Miwa Outside Director*4							○	○		○
	Hiroshi Nishimoto Audit & Supervisory Board Member		○			○					
	Koji Ishigami Audit & Supervisory Board Member	○	○					○			
	Koichi Otsu Outside Audit & Supervisory Board Member*4								○	○	
	Atsuko Taishido Outside Audit & Supervisory Board Member*5									○	○

*1 A maximum of five main areas of expertise are presented for each person
*2 SCM: Supply Chain Management
*3 Mr. Yano was elected and took office at the 66th Ordinary General Meeting of Shareholders, held on March 30, 2023
*4 Independent directors based on the regulations of the Tokyo Stock Exchange
*5 Independent directors who satisfy the requirements for an independent director based on the regulations of the Tokyo Stock Exchange

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 independent outside director, and outside officers constitute the majority of members.

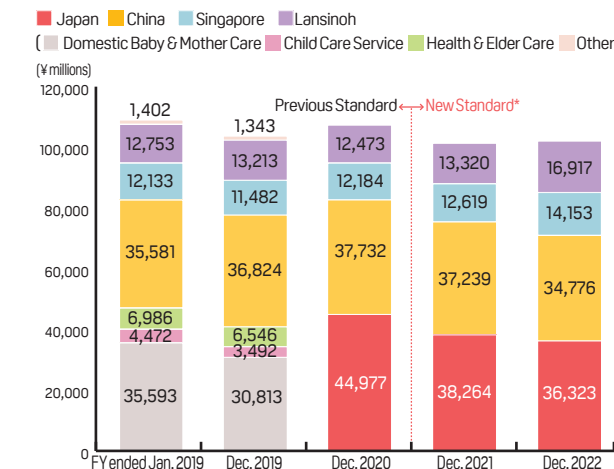
- Voluntary Remuneration Committee: Takayuki Nitta (Chair), Norimasa Kitazawa, Tadashi Itakura, Chiaki Hayashi, Yumiko Miwa
- Voluntary Nominating Committee: Takayuki Nitta (Chair), Norimasa Kitazawa, Tadashi Itakura, Eriko Yamaguchi, Yumiko Miwa
- Governance Committee: Rehito Hatoyama (Chair), Norimasa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

Financial Highlights/ Financial Data

Consolidated Statements of Income

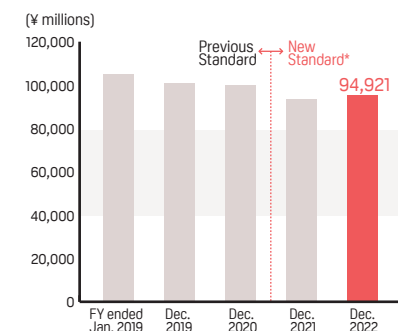
(¥ millions)	FY ended Dec. 2021	FY ended Dec. 2022	
	Result	Result	YoY change
Net sales	93,080	94,921	102.0%
Cost of sales	49,008	50,087	102.2%
Gross profit	44,072	44,834	101.7%
SG&A expenses	30,735	32,638	106.2%
Operating income	13,336	12,195	91.4%
Ordinary income	14,648	13,465	91.9%
Net Income attributable to owners of parent	8,785	8,581	97.7%

Annual Sales Trend by Segment

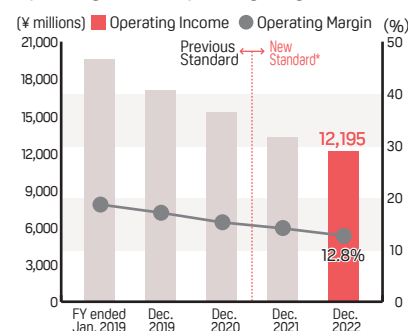


Note: Effective from the fiscal year ended December 31, 2020, the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and Other segments have been consolidated into the Japan Business.

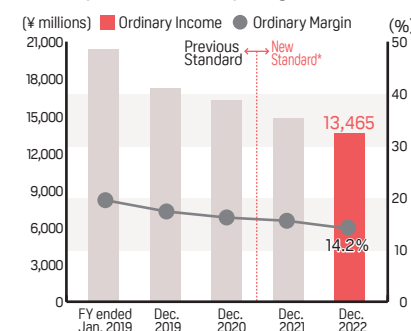
Net Sales



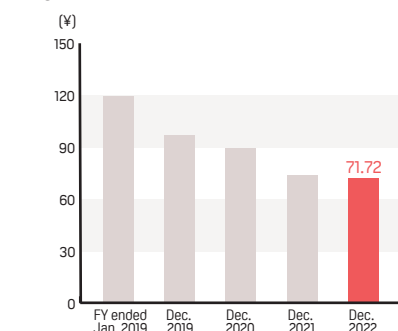
Operating Income/Operating Margin



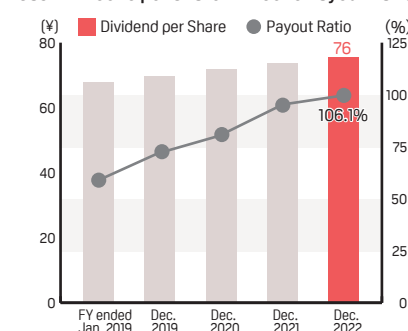
Ordinary Income/Ordinary Margin



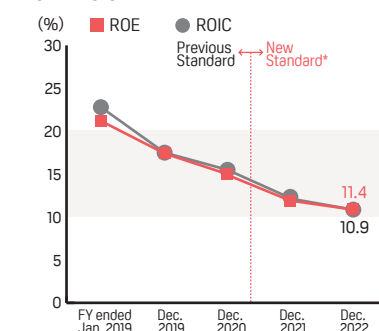
EPS



Cash Dividend per Share/Dividend Payout Ratio

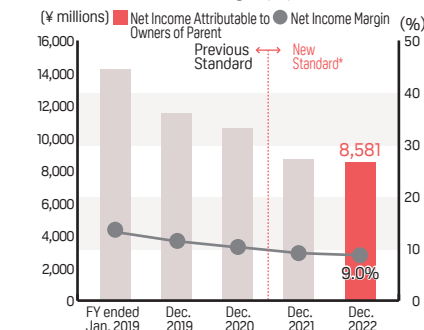


ROE*/ROIC*2

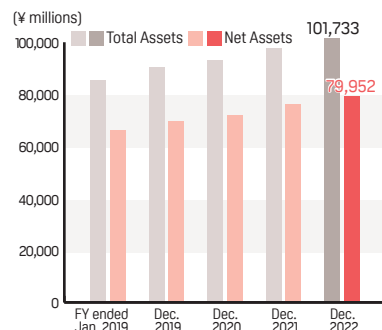


*1 Return on equity: The denominator is the average of the figures at the beginning and end of the fiscal year.
*2 Return on invested capital: It is calculated using a tax rate of 30.0%.

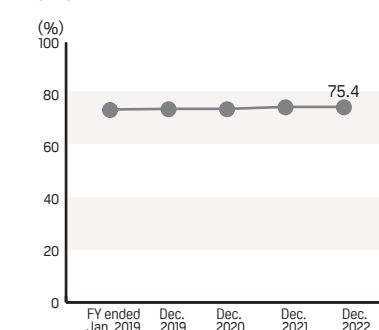
Net Income Attributable to Owners of Parent/Net Income Margin (%)



Total Assets/Net Assets



Equity Ratio



*The Pigeon Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) from the beginning of consolidated fiscal 2021. The "Previous Standard" in the above graph refers to actual results based on the accounting standards as of fiscal 2020, whereas 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).

Financial Data

Consolidated Balance Sheets

Item	FY ended	Jan. 2019	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Assets						
Cash and Deposits		30,949	32,416	37,163	35,218	34,283
Notes and Accounts Receivable—Trade		15,004	16,588	15,085	16,253	15,975
Merchandise and Finished Goods		7,360	8,144	8,256	8,723	10,529
Other Current Assets		4,887	4,783	4,724	6,059	6,355
Total Current Assets		58,201	61,933	65,231	66,254	67,143
Tangible Fixed Assets		21,127	22,494	23,262	27,093	30,132
Intangible Fixed Assets		4,223	3,863	2,957	2,572	2,308
Investment Securities		889	950	687	532	547
Total Investments and Other Assets		1,176	1,250	1,333	1,590	1,601
Total Fixed Assets		27,417	28,558	28,241	31,788	34,590
Total Assets		85,618	90,491	93,472	98,042	101,733
Liabilities						
Notes and Accounts Payable—Trade		4,567	4,900	4,757	4,087	5,066
Accounts Payable		3,363	2,660	2,727	2,253	2,373
Income Taxes Payable		1,951	1,272	1,906	1,180	989
Accrued Bonuses to Employees		972	928	952	882	920
Other Current Liabilities		4,768	5,876	5,320	6,668	6,212
Total Current Liabilities		15,623	15,638	15,664	15,072	15,563
Long-Term Borrowings		—	—	—	—	—
Other Fixed Liabilities		3,412	4,389	5,181	6,159	6,217
Total Fixed Liabilities		3,412	4,389	5,181	6,159	6,217
Total Liabilities		19,036	20,028	20,846	21,232	21,781
Net Assets						
Capital Stock		5,199	5,199	5,199	5,199	5,199
Capital Surplus		5,179	5,179	5,179	5,179	5,132
Retained Earnings		55,704	58,979	61,120	61,163	60,762
Treasury Stock		△ 951	△ 1,088	△ 1,478	△ 1,479	△ 1,387
Valuation Difference on Available-for-Sale Securities		21	25	13	16	26
Foreign Currency Translation Adjustment		△ 910	△ 572	△ 129	3,805	6,962
Non-Controlling Interests		2,339	2,741	2,722	2,925	3,257
Total Net Assets		66,582	70,463	72,625	76,810	79,952
Total Liabilities and Net Assets		85,618	90,491	93,472	98,042	101,733

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. 2019	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Equity Ratio		75.0	74.8	74.8	75.4	75.4
ROE		22.8	17.5	15.5	12.2	11.4
ROIC		21.2	17.4	15.0	12.5	10.9

Notes: 1. Return on equity: The denominator is the average of the figures at the beginning and end of the fiscal year. ROIC: Return on invested capital. It is calculated using a tax rate of 30%. Invested capital is the average of the beginning and end from the fiscal year. 2. As a result of the change of consolidated closing date, the consolidated fiscal year ended December 31, 2019; therefore, the 11-month transition period (February 1–December 31, 2019) was the timeframe used by the Company and its subsidiaries in Japan to settle their accounts on January 31, 2020.

Financial Data

Consolidated Statements of Income

(¥ millions)

Item	FY ended	Jan. 2019	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Net Sales		104,747	100,017	99,380	93,080	94,921
Cost of Sales		50,889	49,216	49,459	49,008	50,087
Gross Profit		53,858	50,800	49,921	44,072	44,834
Gross Margin (%)		51.4	50.8	50.2	47.3	47.2
Selling, General and Administrative Expenses		34,246	33,727	34,605	30,735	32,638
Operating Income		19,612	17,072	15,316	13,336	12,195
Operating Margin (%)		18.7	17.1	15.4	14.3	12.8
Non-operating Income		1,295	1,136	1,406	1,427	1,418
Non-operating Expenses		509	924	608	115	149
Ordinary Income		20,398	17,284	16,113	14,648	13,465
Ordinary Margin (%)		19.5	17.3	16.2	15.7	14.2
Extraordinary Income		243	121	38	65	7
Extraordinary Loss		379	300	315	1,182	329
Income before Income Taxes		20,262	17,104	15,836	13,531	13,143
Income Taxes—Current		5,794	5,067	4,715	4,690	4,678
Income Taxes—Deferred		△ 127	267	261	△138	△296
Net Income		14,594	11,769	10,860	8,979	8,761
Net Income Attributable to Non-Controlling Interests		356	230	216	193	179
Net Income Attributable to Owners of Parent		14,238	11,538	10,643	8,785	8,581

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. 2019	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Cash Flows from Operating Activities		13,632	14,098	18,400	10,893	13,210
Cash Flows from Investing Activities		△ 4,704	△ 3,995	△ 3,815	△5,593	△5,659
Cash Flows from Financing Activities		△ 8,338	△ 8,734	△9,231	△8,693	△9,666
Effect of Exchange Rate Changes on Cash and Cash Equivalents		△ 986	98	△718	1,560	1,180
Net Increase (Decrease) in Cash and Cash Equivalents		△ 397	1,467	4,634	△1,832	△934
Cash and Cash Equivalents at Beginning of Period		31,346	30,949	32,416	37,050	35,218
Cash and Cash Equivalents at End of Period		30,949	32,416	37,050	35,218	34,283

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

	Jan. 2019	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
EPS (yen)	118.89	96.37	88.93	73.44	71.72
Cash Dividend (yen)	68.00	70.00	72.00	74.00	76.00
Dividend Payout Ratio (%)	57.2	72.7	81.0	100.9	106.1
BPS (yen)	536.43	565.64	584.30	617.59	640.96

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).

Nonfinancial Data

Employee Data

Item	FY ended	Dec. 2020	Dec. 2021	Dec. 2022
Pigeon Group	Number of employees (persons)	3,886	3,935	3,803
	Ratio of female employees (%)	62%	62%	62%
	Ratio of non-Japanese employees* (%)	—	66%	67%
	Number of managers (persons)	478	469	441
	Japan (persons)	160	153	145
	Overseas (persons)	318	316	296
	Ratio of female managers (%)	40%	41%	40%
	Japan (%)	27%	29%	30%
	Overseas (%)	47%	48%	45%
	Voluntary turnover of regular employees (%)	9%	15%	19%
Pigeon Corporation	Number of employees (persons)	373	368	345
	Ratio of female employees (%)	39%	41%	41%
	Number of managers (persons)	75	71	65
	Ratio of female managers (%)	21%	24%	26%
	Mid-career hires at management positions (%)	44%	42%	46%
	Ratio of non-Japanese managers (%)	—	—	2%
	Voluntary turnover of regular employees (%)	1%	2%	5%
	Average length of service (years)	15.0	14.8	15.2
	Number of new-graduate hires (persons)	8	8	3
	Number of mid-career hires (persons)	16	5	5

*Ratio of employees with nationality other than Japanese.
Note: The ratio of non-Japanese employees, the number of managers, and the ratio of female managers in the Pigeon Group for FY2021 have been restated upon a review of data from previous fiscal years.

Officer Data (As of December 31 in each year)

Number of directors (persons)	12	12	10
Ratio of female directors (%)	25%	25%	30%
Ratio of Outside Directors (%)	42%	42%	50%
Ratio of non-Japanese directors (%)	8%	8%	10%
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	11	12
Ratio of female managing officers (%)	8%	9%	8%

Environmental Data

Scope 1 and 2 CO ₂ emissions* ¹ (tonne-CO ₂)	24,973	23,510	11,741
Scope 1 and 2 CO ₂ emissions per unit of sales* ¹ (kg-CO ₂ /¥ million)	265.6	252.6	123.7
Non-recycled industrial waste generated* ² (tonnes)	420	271	198
Industrial waste per unit of sales* ² (kg/¥ million)	4.5	2.9	2.1
Reuse and recycling ratio (%)	89%	93%	94%

Notes:
1. Scope of data collection: Pigeon Corporation and its domestic and overseas consolidated subsidiaries
Please refer to our website ("Initiatives to Achieve Decarbonization") for details of the calculation method for CO₂ emissions.
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, but does not include recycled waste (including thermal recycling).

Corporate Information

Corporate Data/Consolidated Subsidiaries/
Main External Evaluation/Pigeon Group Business Structure


Corporate Data (As of December 31, 2022)

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 and related products; operation of child-minding centers
Number of Employees	345 (Japan, full-time employees) / 3,803 (Worldwide, includes part-time employees)


Consolidated Subsidiaries (25 companies) (As of December 31, 2022)

- 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)




JPX-NIKKEI 400



FTSE Blossom Japan Index




FTSE Blossom Japan Sector Relative Index




S&P/JPX Carbon Efficient Index

2022 CONSTITUENT MSCI日本株女性活躍指数 (WIN)


THE INCLUSION OF Pigeon Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Pigeon Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



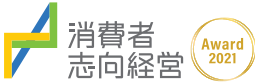
Morningstar GenDi J
Japan ex-REIT Gender Diversity Tilt Index
TOP CONSTITUENT 2023




FTSE4Good



Corporate Governance of The Year



消費者志向経営
Award 2021



GREEN PARTNER 2022 JAPAN

Pigeon Group Business Structure (As of December 31, 2022)

	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	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.*3	China	100%	Sale of maternity and baby products Nursing Bottles, Skincare products, Cleaning and Disinfecting products, etc.
	● PIGEON AMERICA INC.*1	United States	100% (100.0%)	Sale of baby products Nursing Bottles, and others
	● PIGEON MANUFACTURING (SHANGHAI) CO., LTD.*2	China	100%	Manufacture of maternity and baby products R&D Nursing Bottles, Skincare products, Breast Pads, etc.
	● PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.*2	China	100%	Manufacture of maternity and baby products Nursing Bottles, Skincare products, Breast Pads, etc.
	● DOUBLEHEART CO. LTD.	South Korea	100%	Sale of maternity and baby products Nursing Bottles, Skincare products, Cleaning and Disinfecting products, etc.
Singapore Business	● PIGEON SINGAPORE PTE. LTD.*2	Singapore	100%	Sale of maternity and baby products Nursing Bottles, Skincare products, Breast Pumps, etc.
	● PIGEON MALAYSIA (TRADING) SDN. BHD.*1	Malaysia	100% (100.0%)	
	● PT PIGEON INDONESIA*1,*2	Indonesia	65% (65.0%)	Manufacture and sale of maternity and baby products Nursing Bottles, Breast Pumps, etc.
	● PT PIGEON BABY LAB INDONESIA*1	Indonesia	100% (100.0%)	Sale of maternity and baby products Nursing Bottles, Skincare products, Breast Pumps, etc.
	● PIGEON INDIA PVT. LTD.*1,*2	India	100% (0.1%)	Manufacture and sale of maternity and baby products Nursing Bottles, Breast Pumps, etc.
	● PIGEON INDUSTRIES (THAILAND) CO., LTD.*2	Thailand	97.5%	Manufacture of maternity and baby products Nursing Bottles, 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 Bags, Breast Pumps, etc.
	● LANSINOH LABORATORIES MEDICAL DEVICES DESIGN INDUSTRY AND COMMERCE LTD. CO.*1,*2	Turkey	100% (99.9%)	Manufacture of maternity and baby products Nursing Bottles, Breast Pumps, etc.
	● LANSINOH LABORATORIES BENELUX*1	Belgium	100% (100.0%)	Sale of maternity and baby products Nipple Care products, Breast Milk Storage Bags, Breast Pumps, 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 a specific subsidiary.
*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, 2022)

● Shares authorized.....360 million ● Total number of shareholders 22,970 ● Treasury stock.....1,893,272

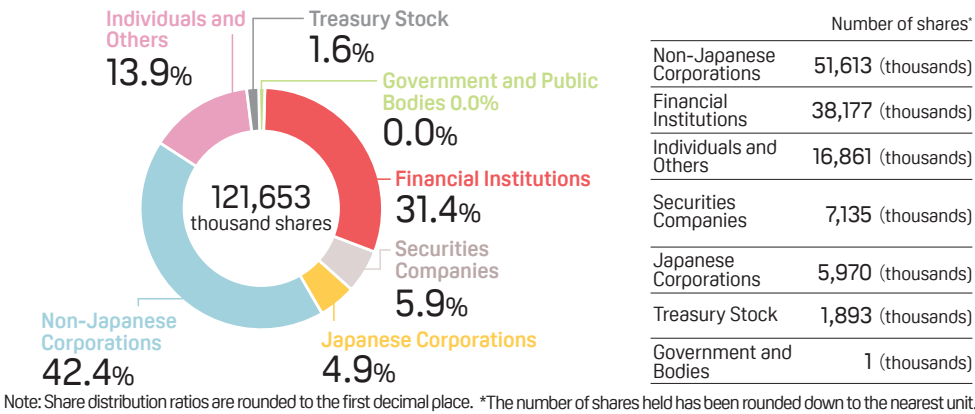
● Shares issued..... 121,653,486 ● Number of shareholders with voting rights 20,272

Major Shareholders (As of December 31, 2022)

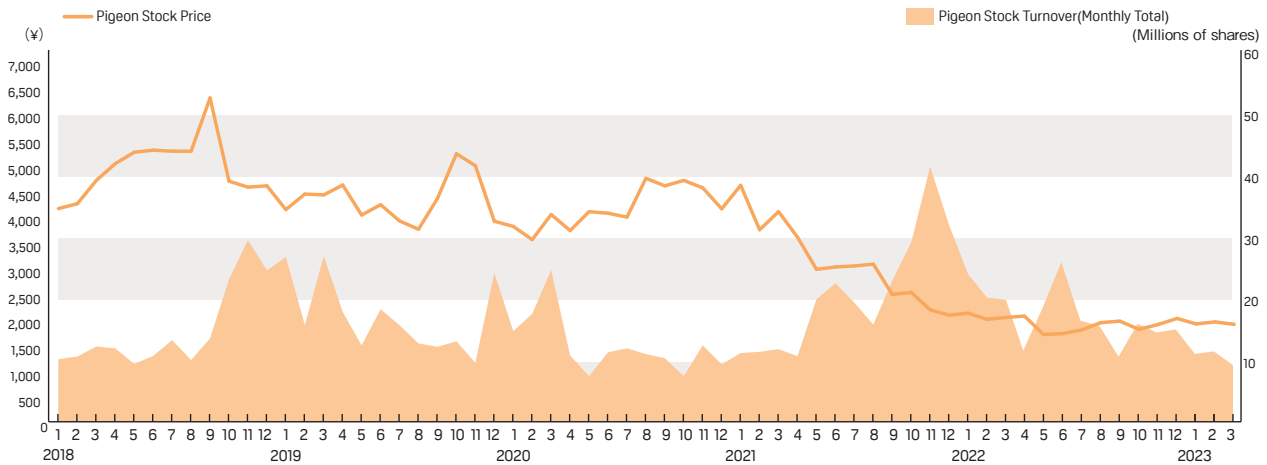
Shareholder name	Number of shares (Thousand)	Ownership* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,830	18.2
Custody Bank of Japan, Ltd. (Trust Account)	7,282	6.1
BNYMSANV RE MIL RE FIRST SENTIER INVESTORS ICVC - STEWART INVESTORS ASIA PACIFIC LEADERS SUSTAINABILITY FUND	5,168	4.3
SMBC Nikko Securities Inc.	3,340	2.8
THE BANK OF NEW YORK MELLON 140051	3,169	2.6
RBC ISB S/A DUB NON RESIDENT/TREATY RATE UCITS-CLIENTS ACCOUNT-MIG	2,783	2.3
STATE STREET BANK CLIENT OMNIBUS OM04	2,432	2.0
Y.N. Corporation	2,378	2.0
JPMorgan Securities Japan Co., Ltd.	2,030	1.7
Yoichi Nakata	1,944	1.6

*The shareholding ratio is calculated deducting treasury stock (1,893,532 shares). Treasury stock does not include the number of shares held by the Board Incentive Plan for Directors (BIP) Trust Account (102,956 shares)

Share Breakdown by Shareholder Type (As of December 31, 2022)



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)

Address 4-4, Nihonbashi Hisamatsu-cho,
Chuo-ku, Tokyo 103-8480, Japan (Head Office)

Tel +81-3-3661-4200
+81-3-3661-4204 (Business Strategy Section)

Fax +81-3-3661-4320
URL www.pigeon.com