



Celebrate babies the way they are

Integrated Report 2023

For the Year Ended December 31, 2023



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.

Pigeon DNA

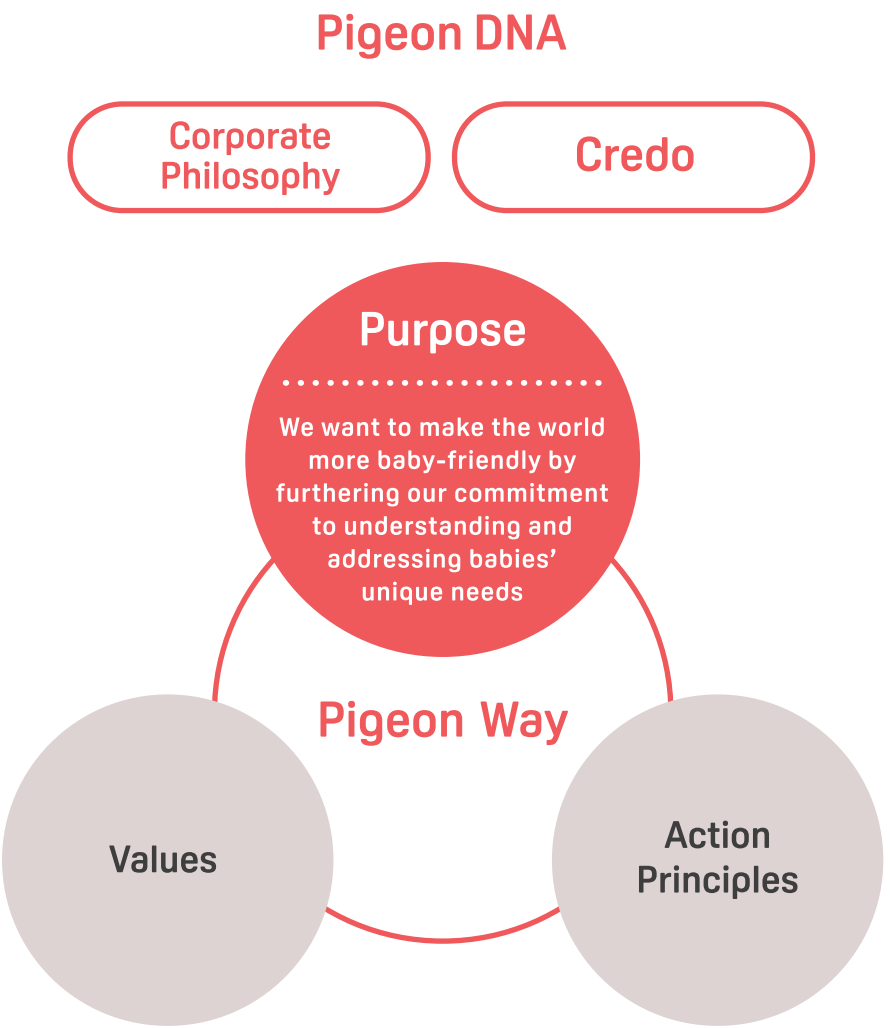
The Pigeon DNA comprises our Corporate Philosophy and Credo, and has been the core of Pigeon throughout its history and will continue so into the future.

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.



Purpose of This Integrated Report

The Pigeon Group issues our Integrated Report to deepen the understanding of all stakeholders, including shareholders and other investors, of the corporate value and other values we create over the short, medium, and long term. This Integrated Report 2023 reports on the performance, strategies, and sustainability (ESG) initiatives of the Pigeon Group and its business segments during the reporting period. It also introduces the fundamental strategies and structural reforms outlined in the 8th Medium-Term Business Plan, “Toward Sustainable Growth,” currently being implemented, along with the progress made in these endeavors.

In addition to the Integrated Report, Pigeon provides the Investor’s Guide, which focuses on quantitative data regarding the performance trends of the Pigeon Group, and the ESG Data Book, which includes more comprehensive sustainability-related information. Please visit the sites below for details.

- Investor’s Guide https://www.pigeon.com/ir/library/inv_guid/
- ESG Databook <https://www.pigeon.com/sustainability/databook/>

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

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

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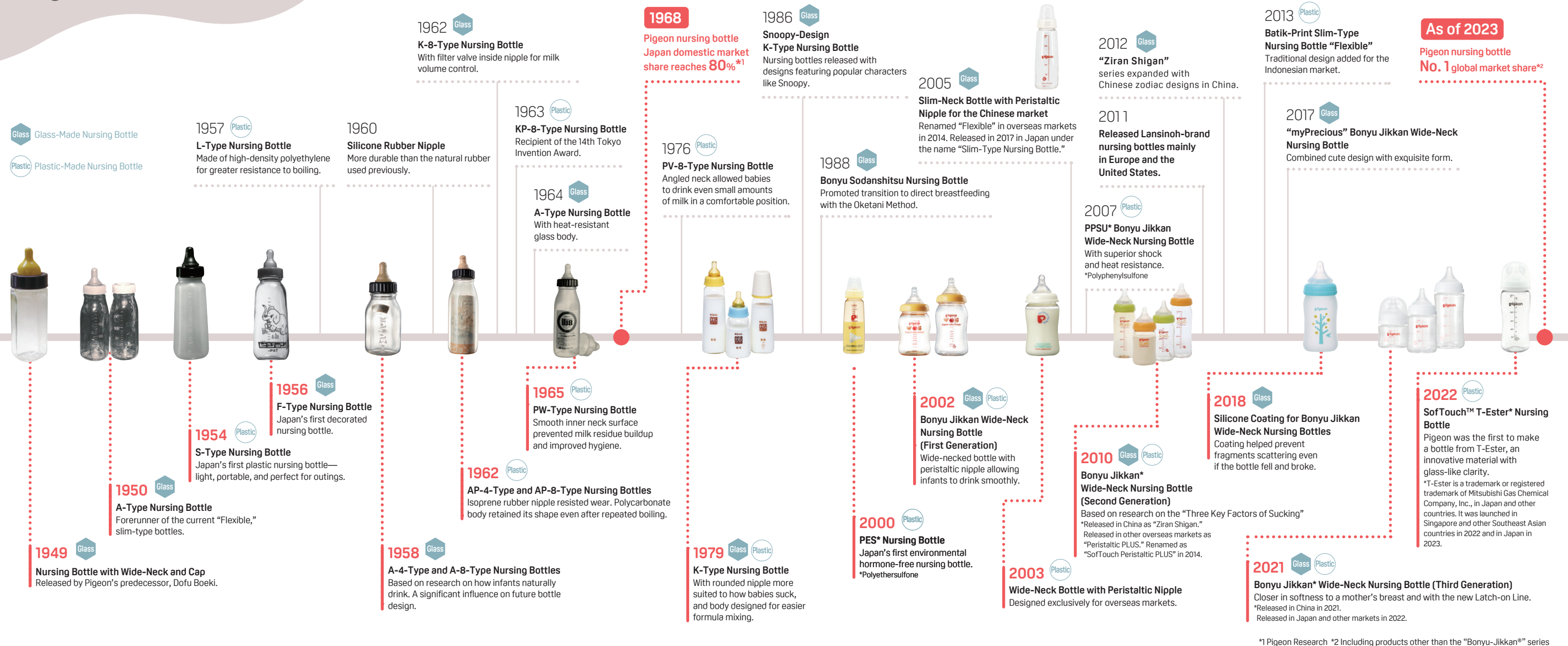
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History of Pigeon and Nursing Bottles



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.



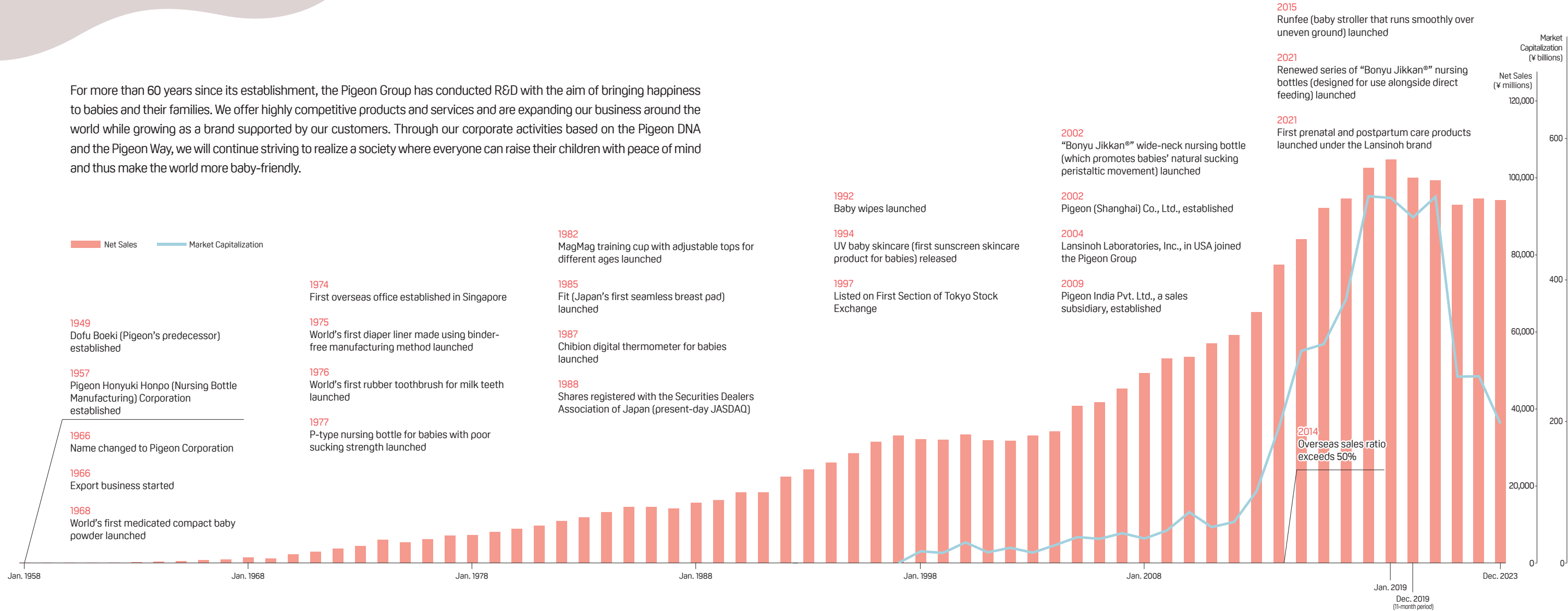
There is no finish line for our development of nursing bottles.

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 conducted 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 DNA and 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-

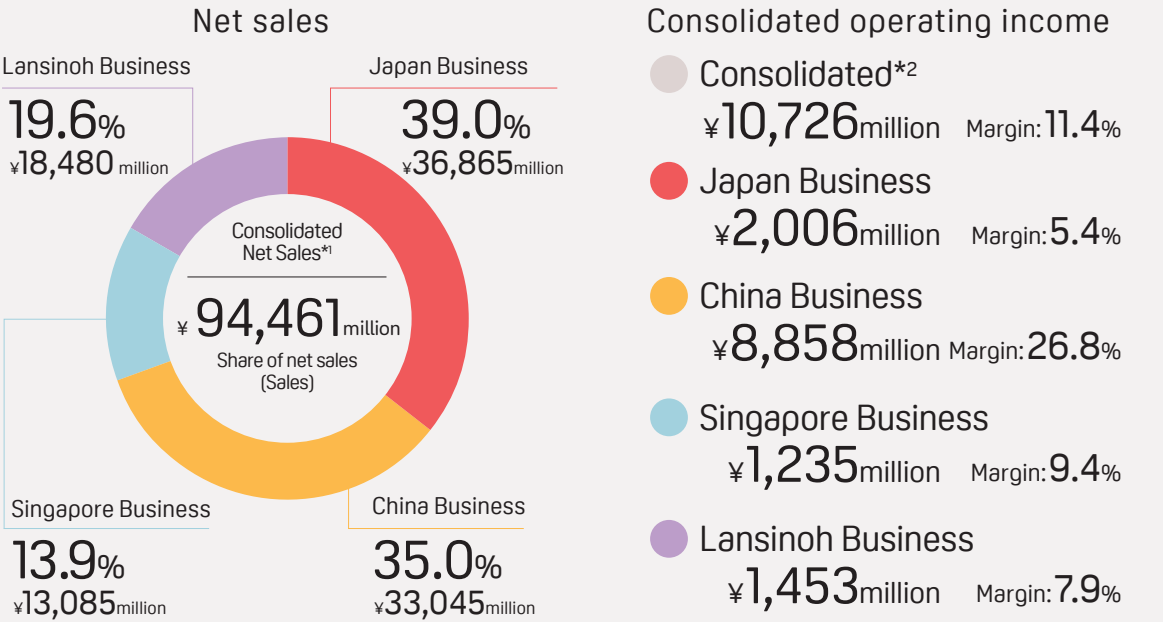
The future for Pigeon's brand power

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.

Current Status of the Pigeon Group (As of December 31, 2023)

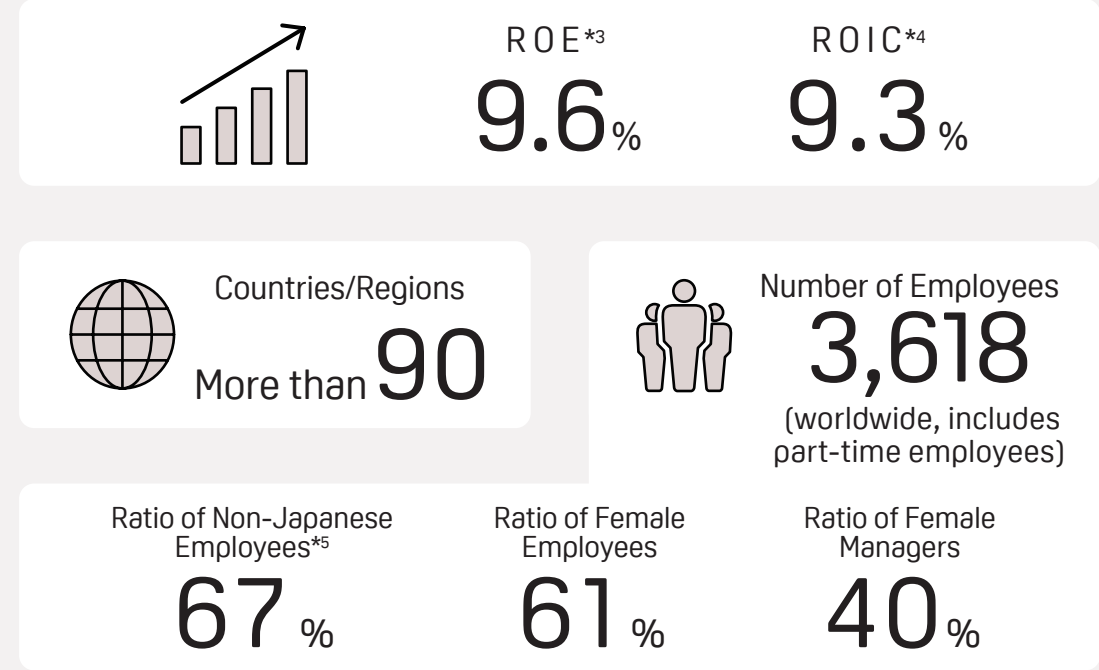
Pigeon Corporation is a leading global company in baby products that has been supporting babies, mothers, and families around the world for more than 60 years since its establishment in Japan.

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.



*1 The consolidated net sales figure refers to the amount after elimination of intersegment transactions.

*2 The consolidated operating income figure refers to the amount after segment profit adjustments, which mainly comprise expenses associated with administrative departments.



*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.

*5 Ratio of employees with nationality other than Japanese.

Japan Business

China Business

Singapore Business

Lansinoh 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*6

● 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 initiative 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 to our goal of further business expansion in the Middle East and Oceania, we are working to expand into Africa, and are establishing a local subsidiary in Kenya in 2023.



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.





北澤憲政

Norimasa Kitazawa
President and CEO

Creating New Business Areas and a Long-Term Plan to Realize Our Purpose

Formulation of the 8th Medium-Term Business Plan

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.”

In February 2023, the Group announced the 8th Medium-Term Business Plan, covering three years from the fiscal year ending December 2023, following a review of the Key Issues

(Materiality) that must be resolved to realize our Purpose. Amid a rapidly evolving global business environment, we have established three fundamental strategies—Brand Strategy, Product Strategy, and Regional Strategy—to achieve sustainable growth while flexibly adapting to environmental changes. Furthermore, alongside strengthening existing business areas, we are committed to actively restructuring our business by focusing on exploring and cultivating new growth areas where the insights of the Pigeon Group can be utilized to their fullest potential.

Medium-Term Stability and Growth Toward the Future

Considering the heightened uncertainty in market outlooks, compounded by the challenges posed by the COVID-19 pandemic, the rationale behind pursuing business restructuring becomes apparent. The pandemic has led to significant declines in birth rates in Pigeon’s key markets such as Japan and China, alongside restrictions on economic activities, thereby impacting our performance. Looking at the global perspective, the birth rates in our targeted regions represent less than 30% of the worldwide total, indicating a sizable untapped market of approximately 100 million babies per year, offering significant business opportunities for Pigeon. However, when projecting ahead over spans of three years, five years, and beyond, it becomes clear that solely concentrating on existing markets and initiatives, such as enhancing our market share in nursing bottles and nipples or expanding skincare product sales in primary markets, will not suffice to propel our business onto a long-term growth trajectory, even if it bolsters our business in the short term. To truly fulfill our purpose of creating a more baby-friendly world while maintaining our business foundation and achieving stable medium-term growth, we must also set our sights on the future. This entails boldly transcending existing boundaries to explore and cultivate new areas of opportunity.

Cultivating New Areas in 2023 (Individual Issue: Creating New Business)

In the inaugural year of the 8th Medium-Term Business Plan, our focus was on strengthening existing domains while venturing into new areas where Pigeon’s strengths could be harnessed. Specifically, with respect to new areas, we are pleased to witness the emergence of fresh growth opportunities, fueled by a diverse array of employee ideas and fostered by the development teams within each of the four business segments.

For example, baby-care appliances have seen notable success in the Japanese market. Our electric nasal aspirator, launched in August 2023, has been well-received for its suction power, comparable to devices used in ear, nose, and throat (ENT) clinics, enabling efficient removal of baby nasal mucus. Its positive reception has resulted in strong sales. Moreover, sales of household appliances priced above ¥10,000, including bottle sterilizers and dryers, have also risen, further bolstering our overall performance.

In the Chinese market, we have expanded our core customer target demographic by focusing on toddlers, introducing skincare products for kids aged three and older. In addition, we have launched products to facilitate a natural and smooth transition from breastfeeding (using nursing bottles) to weaning and are actively promoting their adoption through aggressive marketing efforts.

Products for prenatal and postpartum care, targeting mothers before and after childbirth, have experienced notable sales growth, not only in North America but also in European markets, largely driven by our Lansinoh Business. This category presents a promising new area for expansion. We will further

develop this range of products across all four business segments, considering regulatory requirements in each country.

As a strategic move looking ahead to the next decade, we established a local subsidiary in Kenya in October 2023. This milestone marks Pigeon’s inaugural venture into Africa, with operations overseen by our Singapore Business, as we undertake comprehensive market development efforts. We have assigned a dynamic employee from Japan to the local subsidiary, and we are thrilled to receive her enthusiastic reports, brimming with excitement about the opportunities she is eager to pursue.

To further explore new territories, we have established the New Business Development Meeting, comprising executives and key members from each business segment. Led by Director Kevin Vyse-Peacock, who heads the Lansinoh Business, the meeting regularly conducts discussions to share and evaluate ideas from each segment and explore the potential for mergers and acquisitions (M&A).

Steady Achievements Amid Declining Sales and Profit in Fiscal 2023

As positive outcomes begin to emerge in new business areas, we have observed year-on-year growth in sales across our existing areas of nursing bottles and nipples. However, in terms of fiscal 2023 performance, we encountered rapid changes in the business environment early on, leading to challenging results that fell short of our initial plans.

A significant factor contributing to this was the decline in purchases of Japanese brands observed in mainland China during the fourth quarter. Until the third quarter, we were progressing above the levels of the same period the previous year. With the end of the pandemic, we intensified our activities by actively investing in selling, general, and administrative expenses. However, our business in China was forced to decelerate sharply due to the impact of the Advanced Liquid Processing System (ALPS)-treated water released into the ocean in late August 2023.

In fiscal 2023, net sales decreased 0.5% year on year to ¥94.4 billion, operating income decreased 12.1% to ¥10.7 billion, ordinary income fell 14.4% to ¥11.5 billion, and net income attributable to owners of parent decreased 13.5% to ¥7.4 billion. This represents a challenging start toward achieving the goals of our 8th Medium-Term Business Plan. However, at present, we have no intention of altering the Plan’s objectives. As mentioned earlier, last year saw the emergence of new categories within each business segment, and we have implemented measures to foster their growth this fiscal year. Furthermore, we are actively working to revitalize our operations in China, which I will elaborate on later. Therefore, we remain committed to achieving our initial targets by the final year of the plan. I firmly believe that with the collective creativity and collaboration of every employee worldwide, our goals are entirely within our grasp. In today’s unpredictable landscape, where unexpected events are frequent, I advocate for focusing our resources and efforts on long-term milestones rather than short-term revisions. In addition, by cultivating the ability to adapt flexibly to unforeseen changes in the environment, we are adopting a more pragmatic approach.

Sowing the Seeds of Future Growth

Despite the volatile external environment, we are steadily implementing measures within our control, with some dynamic changes emerging.

One aspect is the establishment of a system where employees and development teams can continuously bring to market new products and services conceived through innovative thinking, even given uncertain market conditions. High-quality and intriguing new products, tailored to local needs, are emerging in various categories across different regions. This is partly due to the effectiveness of having development teams for each of the four business segments, enabling the swift market entry of good products and facilitating a trial-and-error approach where subsequent actions are determined based on market feedback. This background is supported by the ability to balance in-house production with external outsourcing, without being fixated on mass production, as well as the existence of diverse sales channels. Various avenues for distribution, including baby specialty stores, chain drugstores, and our own website, facilitate the dissemination of our products. This diverse array of channels also serves as a foundation for expanding sales rapidly across other channels when a popular product gains traction.

In addition, a more significant change we have observed is the increased vibrancy and dynamism within our organizational culture. Having gone through the experiences of the COVID-19 pandemic, communication within our organization is now more active and engaged than ever. Efforts to instill the Pigeon DNA and the Pigeon Way have been ongoing, and with the update of our corporate philosophy, the Corporate Branding team at the Global Head Office (GHO) took the lead in visiting global group offices to ensure thorough internal education on our Purpose and Vision of a Baby-Friendly Future. These activities are now carried forward by the brand management departments at each local site. As a result, even with staff changes, we have established an organizational foundation that consistently understands and resonates with our Purpose.

Commitment to Enhancing Employee Engagement

In 2019, we introduced the Pigeon Frontier Awards (PFA), a program that recognizes innovative ideas from employees. From this initiative, the “My Purpose Project” was launched, which focuses on our Purpose. This project encourages employees to engage in group discussions to define their individual purposes. In the engagement survey conducted in 2023, “empathy toward our Purpose” scored 3.8 out of 5. While there is room for improvement, this is not a poor result and reflects the success of our efforts to promote understanding and awareness of our Purpose.

In addition, various ideas from the PFA have been linked to new businesses. In 2023, all three product ideas that made it to the final screening in 2022 entered the development phase. One of them is a mouth care product for the morning sickness period conceived by an

employee who was in their first year at the Company when submitting the idea. Furthermore, a temporary employee proposed the repurposing of nursing bottles filled with memories, which culminated in the launch of Bonyu Jikkan® Parts (straw and lid for nursing bottles) in August 2023, receiving incredibly positive feedback.

The initiative to actively incorporate ideas and concepts from employees not only contributes to fostering a vibrant organizational culture but also, coupled with a sense of shared purpose, leads to enhanced employee engagement. Starting from 2024, the Human Resource Department has been transferred from under the umbrella of the Japan Business to the GHO. Drawing inspiration from the initiatives of overseas Group companies that lead in areas such as diversity and the active participation of female employees, we aim to incorporate employee engagement indicators into long-term incentives for executive compensation. This is in our pursuit to be listed among the “White 500” companies recognized for excellence in health and productivity management.

P. 48- Managing Talent and Cultivating the Right Culture for Our Purpose

Sustainability as Essential for Manifesting Our Purpose

When considering the world we aspire to build based on our Purpose, sustainability initiatives emerge as essential pillars. In recent years, we have been advancing sustainability disclosures while also strengthening our internal structure through the establishment and operation of the Sustainability Committee.

We strive to reduce the environmental impact in all the countries and regions where we operate to leave a rich earth for the future of babies born tomorrow, while also addressing societal challenges that affect infants and families. Furthermore, within the Sustainability Committee, we have accelerated our efforts globally by addressing individual issues based on identified Key Issues (Materiality), monitoring the progress of our environmental vision, the Pigeon Green Action Plan, and conducting quantitative analyses of climate-related risks and opportunities, along with reporting the results.

In September 2023, we signed the pledge to support the UN Global Compact. In 2024, we plan to commence comprehensive human rights due diligence and strengthen our efforts in areas such as human rights, labor, environment, and anti-corruption.

I believe that working toward sustainability has a positive impact on Pigeon’s profitability. Moreover, engaging in activities that contribute to societal sustainability is undoubtedly fulfilling for our employees. Our commitment to sustainability has been highly praised externally, and we received an “AA” rating for the first time in the MSCI ESG ratings, reflecting our efforts in this area. In Japan, Pigeon’s educational program “Lessons for Learning About Babies,” which is conducted nationwide for junior high school students, received an Encouragement Award for fiscal 2023 in the Commendation for Companies Promoting Youth Experience Activities organized by the Ministry of Education, Culture, Sports, Science and Technology.

P. 32- Promoting Sustainability Management



Priority on Recovery in Mainland China Business in 2024

To achieve stable medium-term growth, we will continue to focus on brand and product strategies in fiscal 2024, working to strengthen existing business areas and cultivating new areas globally.

Our primary focus will be on the recovery of our business in China. We will prioritize revitalizing sales and market share in mainland China, actively executing growth investments. Despite a declining birth rate trend there, it remains a vast market where more than nine million babies are born each year, making it a cornerstone for Pigeon. In fiscal 2023, our mainstay nursing bottles and nipples maintained an annual market share above 40%* and our skincare products retained their market share. We will continue to strengthen *monozukuri* (manufacturing) and increase product unit prices in existing areas. Simultaneously, in new business areas, we will strive for sustainable growth by nurturing the toddler market segment. To facilitate the recovery of our business in mainland China, we will significantly strengthen investments in growth domains, particularly e-commerce, which accounts for more than 70% of our sales, as we aggressively pursue a comeback in fiscal 2024.

In the Japan Business, even after implementing two price revisions in 2023, our mainstay nursing bottles have continued to maintain overwhelming market share, reaffirming the strength of our brand. We are particularly delighted to have been able to leverage our strengths and uniqueness to achieve new value creation, including contributions from new business areas. In 2024, we will continue to focus on leveraging Pigeon’s research-and-development capabilities to generate new value, aiming to improve profitability.

Inventory levels, which posed a challenge for the Singapore Business in 2023, are anticipated to normalize. We will now concentrate on rebuilding via our nursing bottles, nipples, and skincare products. In nursing bottles and nipples, we will focus on further expanding sales through the rebranding of high-profit wide-neck bottles boasting exceptional functionality. In skincare, we will expand the product lineup of our Natural Botanical Baby series and enhance its exposure. We will also utilize the official character of the Pigeon brand, Howapi, to again propel us onto a growth trajectory.

In the Lansinoh Business, we will continue to focus on stable growth in existing areas, centered on our mainstay products with No. 1 market share. We will also expand product categories, including new areas, while maintaining our commitment to growth investments.

While pursuing growth in each segment, we will effectively utilize the assets of both the Lansinoh and Pigeon brands, ensuring the realization of synergies without cannibalization. The sales ratio of nursing bottles and nipples in the Lansinoh Business, originally focused on nipple care for mothers, has already increased to around 8%. This demonstrates the strength of the Lansinoh brand and the product quality backed by Pigeon’s baby research, achieved without additional marketing investments. Looking ahead, in the Japanese market, we will enhance the offering of products supporting mothers, including prenatal and postpartum care, drawing on the expertise developed by the Lansinoh Business. This will drive further business growth in each market.

* Pigeon research P. 24- Pigeon Group’s Business Strategy

Implementing Capital Policies Based on a Solid Financial Foundation

Regarding finances, we maintain operational flexibility through debt-free management. As of December 31, 2023, our cash and cash equivalents amounted to ¥34.3 billion. During discussions with investors, we occasionally receive inquiries about our approach to cash position. Pigeon aims to maintain reserves equivalent to two to three months of working capital for each business segment. In addition, as we have begun actively considering M&A opportunities, we do not currently perceive our cash position as excessive. Furthermore, our consolidated payout ratio has exceeded 100% recently. We recognize the importance of aligning this with profit levels; thus, we are committed to further improving performance in each business segment. Regarding returns to shareholders, we plan to continue providing stable dividends in line with the policy set forth in the 8th Medium-Term Business Plan.

Pigeon is dedicated to driving business growth by leveraging our strengths in research and development and implementing rapid business expansion tailored to regional characteristics through our brand and product strategies. We appreciate the ongoing support of all stakeholders as we move forward.

P. 20- Toward Sustainable Growth: The 8th Medium-Term Business Plan

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 added economic value.

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.

Pigeon currently sets the WACC in the PVA calculation at 5%, but periodically (twice a year) the actual value is calculated. We verify the reasonability of the set values (cost of equity is calculated on a CAPM basis). We will continue to consider the appropriate level of WACC through dialogue with investors and other parties.

Formula: $PVA = NOPAT - \text{Cost of capital (Invested capital} \times \text{WACC)}$

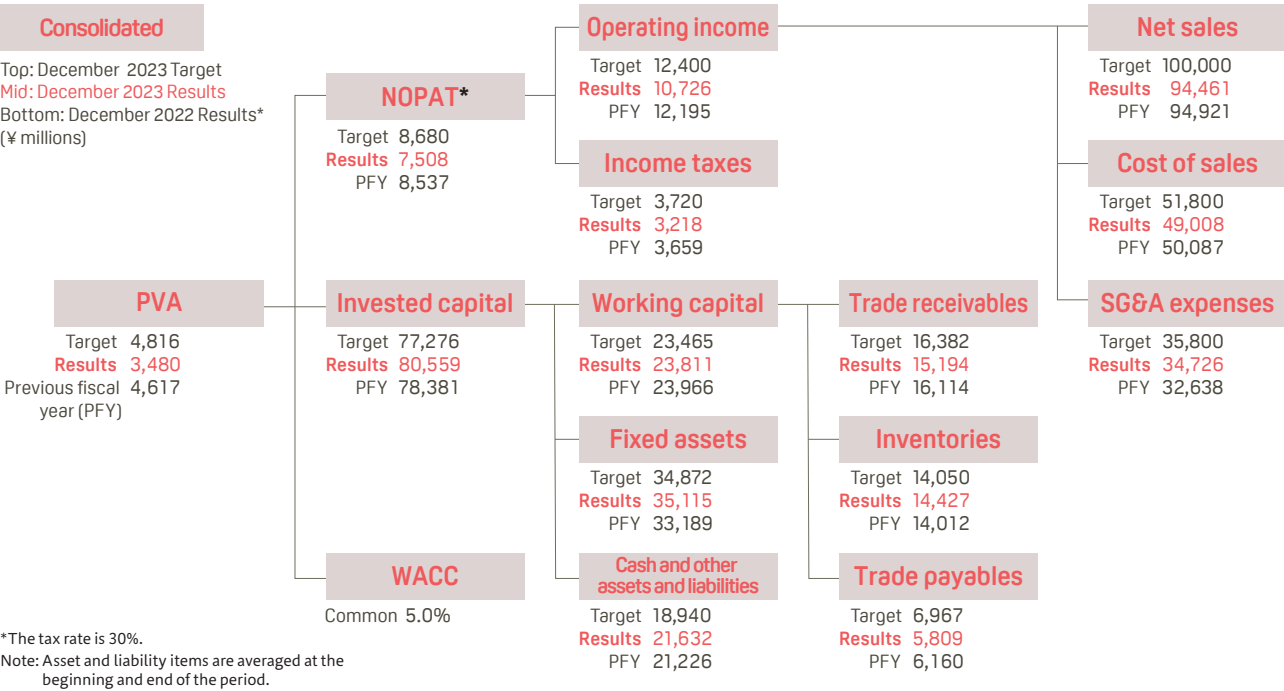
Introduction and Use of PVA

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 for 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 below, 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.

PVA Tree for the Fiscal Year Ended December 2023



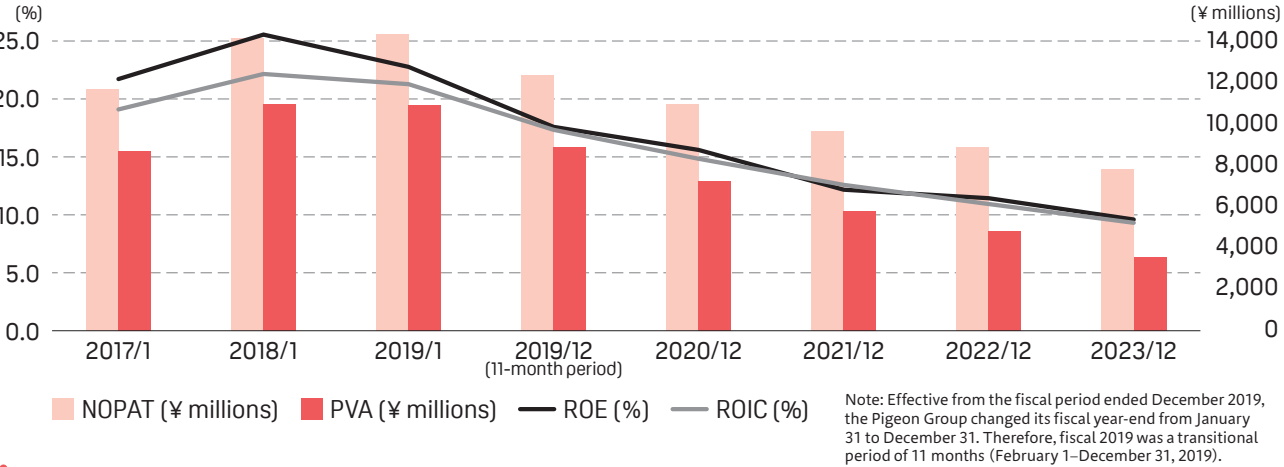
Current Status Analysis

Our challenge is the recovery and growth of various PVA components

Currently, Pigeon’s ROE is above WACC (our set value of 5%).

However, the main markets are suffering from market turmoil, a decline in the number of births, and soaring costs, among other factors, with the COVID-19 pandemic as the starting point. In 2023, sales in China slowed due to the release of ALPS-treated water and the Company continues to face difficult conditions regarding business performance. Accordingly, the levels of PVA and its various constituent indicators have been on a downward trend.

As the stock price level is generally in line with the trends of PVA and other KPIs, we recognize that the recovery and growth of PVA and its various PVA components is an important issue for improving corporate value.



Future Initiatives

Pigeon will promote the following initiatives to enhance corporate value through improvement of PVA and various KPIs, which are important management indicators.

Improvement of PVA

- Execution of various strategies (e.g., the 8th Medium-Term Management Plan) to improve profitability
 - Utilization of PVA to examine the business portfolio and optimize the allocation of management resources
 - Efforts to reduce working capital
- Various KPIs that are components of PVA are used to verify each business’s performance and examine the business portfolio, aiming for an optimal business structure and the optimal allocation of management resources to achieve it.
- With “invested capital,” one of the components of PVA, we will promote the optimization of capital efficiency, especially by properly managing inventories and reducing excess inventory, which will lead to further improvement of PVA.

Further promotion of stock price conscious management

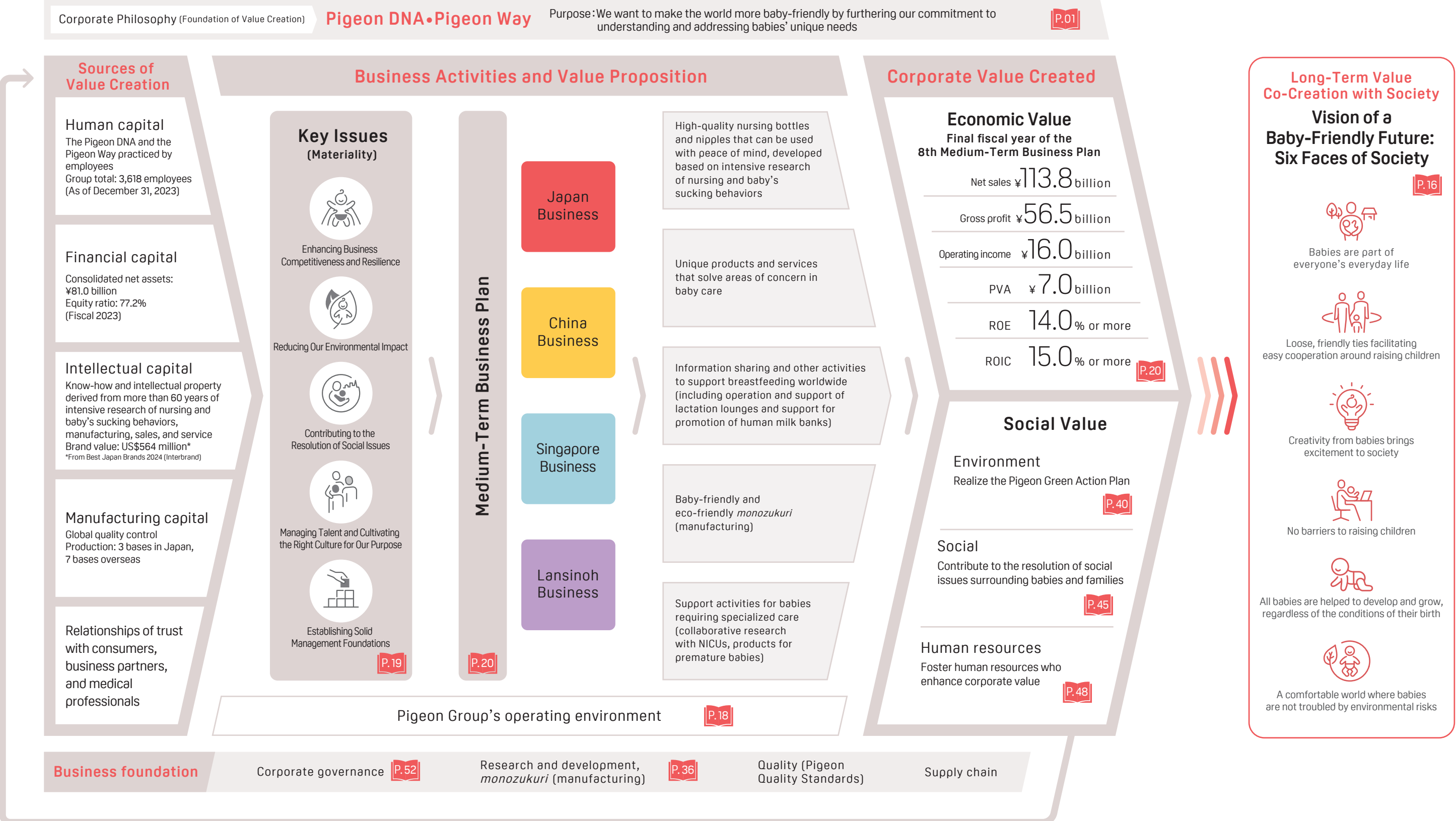
- Incorporation of various performance and stock price indices into the calculation standards for executive compensation
 - Disclosure related to ESG and materiality, and enhancement of dialogue with our shareholders, investors, and other stakeholders
- The compensation calculation for directors (excluding independent outside directors) incorporates KPI progress evaluations such as PVA and ROIC and is designed to foster a high awareness of various management indicators and the cost of capital among the management team. In addition, to be in the “same boat” (sharing awareness of interests with shareholders), TSR as a stock price index is incorporated into the basis for the calculation of executive compensation, and we will promote efforts to enhance corporate value over the medium to long term.
- We will continue to enhance and improve the content of our disclosures, as well as that of our activities, to enhance the corporate value of the Group. In addition, we will actively hold IR meetings, briefings, and other dialogues with various investors and other stakeholders to promote a better understanding of our company’s situation and activities.

IR meetings with institutional investors

Total number of dialogues: 332 (fiscal 2023)

Status of Dialogues with Shareholders and Investors

https://www.pigeon.com/sustainability/files/pdf/dialogue_shareholders2404e.pdf



Pigeon Group's Operating Environment <Risks and Opportunities in Sustainable Management>

In Japan and China, which account for a large portion of the Pigeon Group's sales, the decline in birth rates has accelerated, a trend amplified by the COVID-19 pandemic. This decline continues even as the prevalence of the infectious disease has normalized. Nonetheless, there were still numerous markets the Group had not yet entered, such as the Africa region, where birth rates are on an upward trajectory, offering substantial opportunity for business growth. Moreover, as climate change advances 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, while there is ongoing discussion about an international treaty for preventing plastic pollution, 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 for everyone throughout the supply chain.

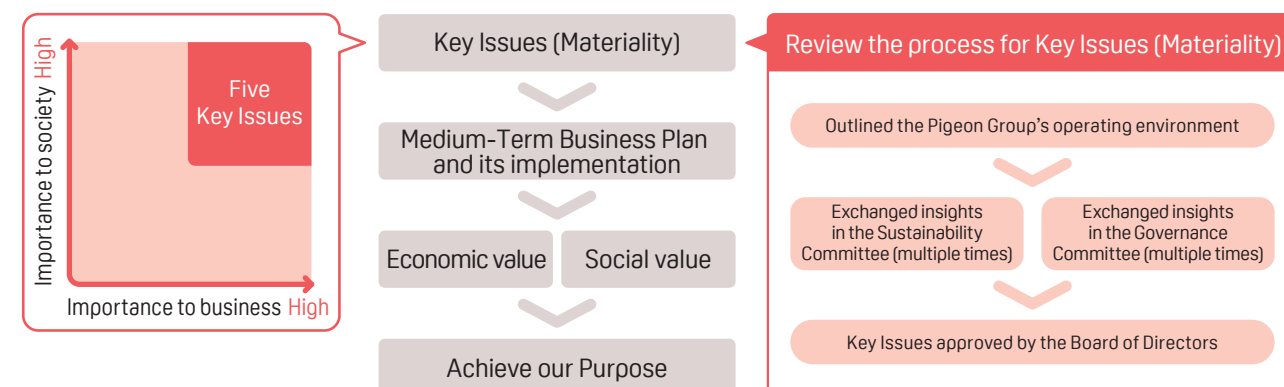
*1 Source: United Nations "World Population Prospects 2022" <https://population.un.org/wpp/>
*2 Source: UNICEF News, May 15, 2019 <https://www.unicef.or.jp/news/2019/0071.html>

Birth rate trends
<ul style="list-style-type: none"> - Declining birth rate in key markets (Japan, China)*1 - Increasing birth rate in the Africa region*1
Environmental issues
<ul style="list-style-type: none"> - 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
<ul style="list-style-type: none"> - One in seven babies worldwide (more than 20 million annually) is born with a low birthweight 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 birthweight*2 - Consideration of local communities and human rights - Diversification of work styles
Rapidly changing business environment
<ul style="list-style-type: none"> - Intensifying competition due to a growing e-commerce market - Diversification and increasing complexity of supply chain risks

Process for Identifying and Reviewing 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 the 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 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.



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 Be Addressed in the Medium to Long Term to Achieve Our Purpose

Key Issues (Materiality)	Individual Issues	2025 Goals
Enhancing Business Competitiveness and Resilience	<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 	<ul style="list-style-type: none"> - Expand nursing bottles and other nursing-related products through nursing support for babies worldwide - Expand skincare products by supporting healthy baby skin development - Create new businesses aimed at growing operations - Achieve net sales of at least ¥10 billion in new domains - Establish resilient distribution systems to support childcare worldwide
Reducing Our Environmental Impact	<ul style="list-style-type: none"> - Reducing greenhouse gas emissions (Scope 1, 2, and 3) - Circular manufacturing - Using sustainable resources (paper and palm oil) 	<ul style="list-style-type: none"> - Work toward achieving the medium- to long-term environmental goals of the Pigeon Green Action Plan (targets for 2030 and 2050)
Contributing to the Resolution of Social Issues	<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 	<ul style="list-style-type: none"> - Develop new products and services to address the challenges faced by babies and their families requiring specialized support, such as those admitted to the neonatal intensive care unit (NICU) - Implement various activities to solve the issues surrounding babies and their families needing specialized support, including those in the NICU - Improve and expand the use of products designed for maternity hospitals - Promote responsible procurement in collaboration with suppliers, focusing on human rights, labor, and the environment, and conduct CSR procurement surveys - Conduct human rights due diligence - Engage in various social contribution activities
Managing Talent and Cultivating the Right Culture for Our Purpose	<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 	<ul style="list-style-type: none"> - Take steps to become a motivating workplace where employees resonate with the Company's direction and proactively engage in their work - Improve scores in employee engagement surveys - Foster an organizational culture that embraces challenges where each employee can leverage their strengths to contribute to business expansion - Hold the Pigeon Frontier Awards (PFA) - Increase investment in human resource development to implement measures that grow the number of highly specialized personnel capable of adapting to changes in the external environment - Formulate the Personnel Development Policy and the Internal Environment Development Policy - Promote the creation of a workplace environment where employees understand and embrace diversity, implementing measures that allow each employee to work authentically
Establishing Solid Management Foundations	<ul style="list-style-type: none"> - Reinforcing Group governance - Reinforcing compliance - Reinforcing risk management - Dialogue with stakeholders 	<ul style="list-style-type: none"> - Strengthen corporate governance (Governance Committee) - Conduct an annual evaluation of the effectiveness of the Board of Directors - Convene the GHQ Risk Management Committee at least once a year - Implement Group-wide risk assessments annually - Implement Group-wide compliance training - Conduct compliance surveys once every three years - Engage in dialogue with the capital markets and focus on the recovery and growth of Pigeon Value Added (PVA) to enhance corporate value

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/

The 8th Medium-Term Business Plan (2023–2025)

To respond flexibly to the rapidly changing global business environment and ensure sustainable growth, we have been advancing our 8th Medium-Term Business Plan since 2023, keeping in mind the Key Issues (Materiality) to address over the medium to long term to achieve our Purpose.

Theme for the 8th Medium-Term Business Plan

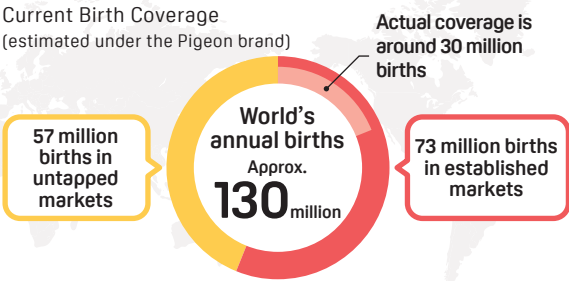
“Toward Sustainable Growth: Restructuring of the business structure in response to global economic, political, and environmental changes”

Details of the Medium-Term Business Plan <https://www.pigeon.com/ir/management/midplan/>

Environment and Key Challenges

The business environment surrounding the Pigeon Group has undergone significant and rapid changes in the wake of the COVID-19 pandemic. Amid a global decline in birth rates, including in our key markets of Japan and China, we are facing rising costs due to surges in raw material and energy prices, shifts in customer values and consumption behaviors, increased uncertainty about the global economic outlook, and heightened geopolitical risks. The pace of change worldwide is relentless, making future predictions extremely challenging.

On the other hand, out of the approximately 130 million births worldwide*1 annually, the Pigeon Group’s reach is still around 30 million*1, or 30%, considering the income levels and other factors in each country. Although there has been a temporary decline in global birth rates due to COVID-19, countries such as China continue to have more than nine million births annually. China remains a vast market from an economic perspective due to its economic strength. Moreover, in various Asian countries and other emerging markets with high birth rates, we anticipate the expansion and development of e-commerce, as well as increased consumption due to economic growth, over the medium to long term. In addition, there are many markets worldwide the Group has yet to enter. In particular, the Africa region accounts for approximately 45 million births annually. We believe that by strengthening and deepening our business activities in these existing and new markets, we can expect significant growth in the future.



In the 8th Medium-Term Business Plan, we aim to further strengthen our core products in existing business areas by leveraging our strengths and competitiveness, guided by the three basic strategies of “Brand Strategy,” “Product Strategy,” and “Regional Strategy.” Specifically, we will focus on enhancing nursing bottles, nipples, and baby skincare products and services to adapt to societal changes post-COVID. Furthermore, we will actively explore and cultivate new product categories, such as toddler products and women’s care products with high customer affinity, applying our strengths to expand our customer base. We will also proactively explore entry into new markets, including the African region, to tap into and nurture new areas that will drive growth for the next generation.

Basic strategies	
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	
<ul style="list-style-type: none">Further strengthen nursing bottle, nipple, and baby skincare product categories where we have a competitive edgeStructural reforms in each business<ul style="list-style-type: none">Lansinoh and Singapore Businesses: Accelerate growthChina Business: Shift from high growth to stable growthJapan Business: Improve profitability	<ul style="list-style-type: none">Expansion of core customer target groups<ul style="list-style-type: none">Toddlers, mothers to be, fathersExpansion of the target market<ul style="list-style-type: none">North America (Pigeon)Africa region	
Common to existing and new areas: Strengthen brand strategy and <i>monozukuri</i>		

Existing Areas (Core categories)

Nursing bottles and nipples

Nursing bottles and nipples, commanding top global market share, are at the heart of the Pigeon Group, representing our origins and most significant products. Drawing from extensive research findings and competitive advantages, along with the trust of customers and healthcare professionals worldwide, 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, we aim to bolster Group profitability by expanding the sales ratio of our mainstay wide-neck nursing bottles, particularly in the Singapore market, and continue supporting breastfeeding in various markets. Furthermore, in markets such as China where wide-neck nursing bottles are already commonplace, we will strive to further expand market share.



Skincare products

Despite global growth in the baby skincare market, it remains a highly competitive field with numerous competing brands. The Pigeon Group has established research bases in Japan and China, where we have been conducting fundamental research focused on baby skin for decades. In addition, we are concurrently engaged in research and development aimed at commercializing and mass-producing the insights and technologies gained. We aim to enhance the presence of the Pigeon brand by swiftly developing and introducing a high-value product lineup of skincare solutions tailored to the needs of each market, ensuring optimal skincare for babies. Our current market share in Japan is approximately 30%*2, whereas in China it is around 10%*3. As such, there is ample room for expansion in the skincare category worldwide, including Japan and China. While the current market share in the major countries overseen by the Singapore Business is modest, significant growth opportunities exist.

*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



New Areas

We will also focus on exploring and nurturing new growth areas where we can leverage the expertise the Pigeon Group has developed over the years. In the final year of the current Medium-Term Business Plan, 2025, the Group aims to achieve an increase in consolidated sales of ¥19 billion from 2022. Of this, approximately ¥10 billion is expected to come from growth in new product categories such as toddler products and women’s care products.

Furthermore, as part of our expansion into the new market of Africa, we will begin by establishing a local subsidiary in Kenya and proceed with sales preparations.



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 the 8th Medium-Term Business Plan, to flexibly respond to the rapidly changing consumer values and competitive market environment in the wake of the COVID-19 pandemic, we will further invest and strengthen our management resources into a series of *monozukuri* activities, which includes enhancing product planning and accelerating the product development process.



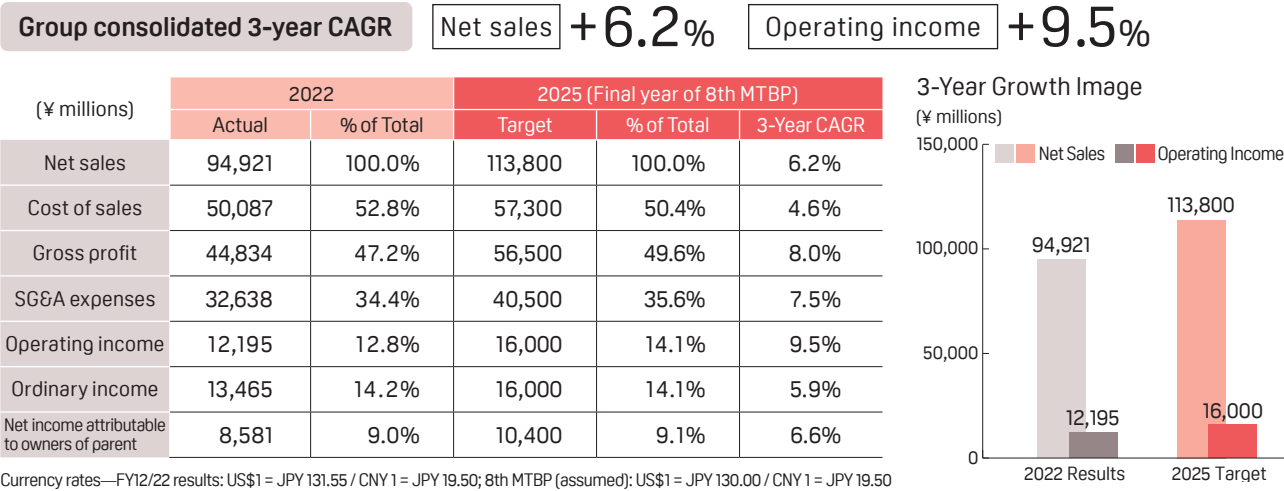
Financial Targets and KPIs

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 2025, the final year of the Plan, we aim to achieve an operating margin of 14% or higher by implementing optimal tailored profit improvement measures to address the specific challenges of each business. 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 margin.

Regarding financial 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.

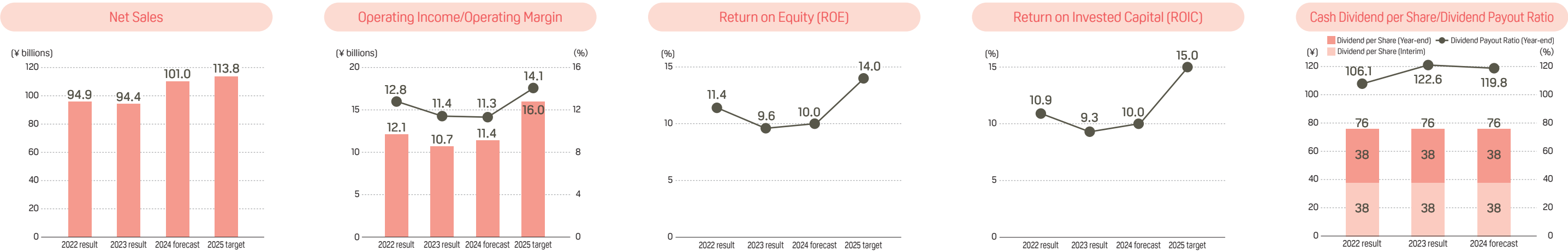
8th Medium-Term Business Plan Targets



Shareholder Return Policy

Under the 8th Medium-Term Business Plan, 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.

Financial Indicators and Shareholder Returns



Results of Initiatives in Fiscal 2023 (Plan Year 1)

Although the consolidated performance for the first year of the 8th Medium-Term Business Plan, fiscal 2023, fell short of expectations, results for the Japan Business and the Lansinoh Business exceeded projections. While the performance of the China Business and the Singapore Business did not meet initial plans, we have seen solid progress in each segment regarding the initiatives to further strengthen existing business areas and explore and cultivate new areas based on the fundamental brand, product, and regional strategies of the Plan. In existing business areas, Group sales of mainstay nursing bottles and nipples grew year on year. In new business areas, sales exceeded ¥3 billion in the first year, focusing on childcare appliances in the Japanese market, toddler products in the China Business, and women's care products such as prenatal and postpartum items in the Lansinoh Business.

Regarding shareholder returns, we have maintained stable dividends, with the annual dividend for fiscal 2023 set at ¥76 per share (ordinary dividend of ¥76).



Forecast for Fiscal 2024

In fiscal 2024, we will continue to strengthen existing business areas while exploring new opportunities globally. A key objective for this period is to revitalize sales in the China Business, necessitating significant investments for growth. Our overarching aim is to drive revenue and profit growth across the Group. Furthermore, we are committed to sustaining the momentum achieved by our Japan and Lansinoh businesses in the initial year of the 8th Medium-Term Business Plan, as they continue to implement strategies aligned with their targets for the second year. The Singapore Business will concentrate on maximizing its core product offerings and implementing various initiatives to regain a growth trajectory in 2024.

Regarding shareholder returns, we plan to maintain stable dividends in fiscal 2024, with an expected annual dividend of ¥76 per share (ordinary dividend of ¥76).

Please refer to the following document for the performance outlook and business strategies for 2024.

Website https://www.pigeon.com/ir/files/pdf/kessan20240215_e.pdf

Japan Business

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

Market Trends and Business Environment

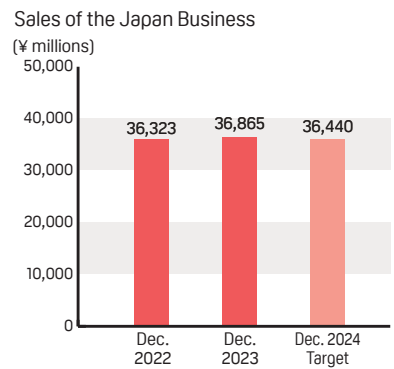
In Japan, the birth rate hit a record low of 727 thousand births in 2023*1, and it is expected to continue gradually declining. At the same time, with the overall female employment rate in Japan at 53.6%*2, there are growing expectations in Pigeon for childcare support. Furthermore, the proportion of 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 2023 (approximate)
*2 Summary of Statistics Bureau of Japan's "Labor Force Survey (Basic Tabulation), Average for 2023"
*3 White Paper on Aging Society 2023, Cabinet Office, Government of Japan

Fiscal 2023 Performance and Highlights

Net sales increased 1.5% year on year to ¥36,865 million and segment income increased 34.5% to ¥2,006 million due to price revisions that boosted profits despite higher procurement prices and other factors. In the Baby Care Business (childcare and women's care), net sales grew year on year, buoyed partly by price revisions implemented in February and September on baby-related products such as nursing bottles and nipples. Sales of core products such as nursing bottles, nipples, and baby skincare products, as well as of consumables such as baby wipes, were favorable, benefiting from reinvigorated sales efforts. In August 2023, the Baby Care Business launched SHUPOT, an electric nose cleaner that quickly draws out mucus that can collect at the back of babies' noses, and Bonyu Jikkan® Parts, a product series that enables mothers to repurpose the nursing bottles that are so filled with memories. These products were extremely well received by customers. Also, for our official online shop, we are working to further invigorate sales by improving convenience through strengthened collaboration with online shopping malls, and by expanding our lineup of limited edition products. Furthermore, as part of our efforts for direct communication, we held online events such as breastfeeding seminars for mothers who are about to give birth and a Pigeon seminar for medical professionals on the theme of "breastfeeding childcare as part of intimate childrearing for mothers and children." More than 2,000 people participated in the seminars. For the general public, we held online and offline exhibitions on "babies and families requiring specialized care" in an effort to raise awareness on this topic. For Pigeon Info, a website supporting women during pregnancy, childbirth, and childcare, in addition to updating product information, we are continuing to make improvements aimed at bringing even greater convenience to customers.

In products for health and elder care, we implemented price revisions in February and September for some products. Pigeon also continued to revitalize its Habinurse elder-care brand. The brand launched products such as Liquid Thickener—Simply Add, a product that adjusts the viscosity of foodstuffs and can be used even in carbonated beverages. Regarding childcare service, we currently provide services at 61 in-company childcare facilities and will continue to further develop this business while striving to improve the quality of the service content.



SHUPOT Electric Nose Cleaner



POCHItto Bottle Sterilizer and Dryer



The Tiny Birth Cry Support Project

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. We have used these findings to develop numerous high-quality products. Pigeon is widely recognized as a leading brand in the industry and enjoys overwhelming customer support with a market share of more than 85% of the nursing bottle market in Japan. Leveraging this robust brand influence, we have successfully diversified our product offerings across various categories, securing and sustaining top market positions. As a result, despite the continuous decrease in birth rates since the 1970s, we have been able to steadily grow our performance in the Japanese market. 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." Known for our unparalleled knowledge concerning babies, the Pigeon Group is constantly expanding and improving the quality of its childcare services, earning the trust of our users. To support the elderly, we are enhancing our efforts through the development and active market penetration of new competitive products. Leveraging our product planning capabilities and high-level quality control honed in baby products, we aim to accurately address unmet needs.



Bonyu Jikkan® Series

Completion of New Pigeon Home Products Factory

Pigeon Home Products Corporation, responsible for producing key product categories for the Pigeon Group, such as skincare products, has completed a new factory in Fuji City, Shizuoka Prefecture. This new facility consolidates the previous Factory No. 1 and Factory No. 2 and began full-scale operations in September 2023. Aiming to create customer value with new skincare products and other items, the new factory will focus on strengthening its development system, increasing production capacity, and implementing environmental measures. Efforts will be made to enhance the development system by expanding new research-and-development facilities and increasing the number of development personnel, enabling the development and production of better products for customers. In addition, consolidating the previously separate factories into one will improve production efficiency and increase profitability. Moreover, the factory will be open to the community through tours, aiming to enhance communication with customers, thereby increasing brand presence and driving further growth in the baby skincare category.



PIGEON HOME PRODUCTS CORPORATION'S New Factory

Looking Ahead

In the Japanese market, where a declining birth rate is expected to continue, we will continue efforts to enhance profitability through the creation of new value by leveraging our strengths and uniqueness. In childcare and women's care, we are focused on two categories: breastfeeding support centered on nursing bottles and nipples, the Group's core offerings where we command top global share, and baby skincare, where significant market opportunities continue to exist. We are committed to expanding our business by boosting sales and improving market share. In addition to introducing new value propositions such as My Bonyu Jikkan®, which offers 150 customizable options for nursing bottles and nipples, we are deepening our research into baby skin to enhance our skincare capabilities. We are also further strengthening our research-and-development system centered on the newly completed factory by Pigeon Home Products. In addition, in response to the increasing number of dual-income households in recent years, we will continue to create new product categories such as childcare appliances to alleviate the burden on busy families raising children. By consistently offering innovative childcare solutions that meet the needs of the times, we aim to enhance profitability in the Japan Business.

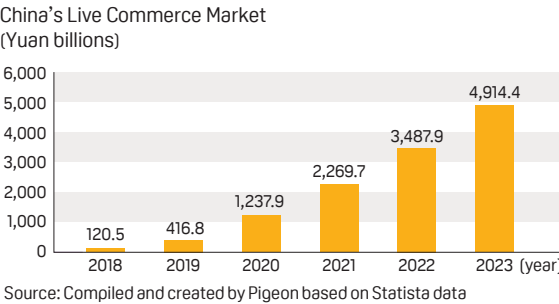
China Business

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 9.02 million births in 2023, according to the National Bureau of Statistics of China. We recognize that the growth opportunities for our business in the Chinese market remain large, as China’s overall disposable income continues to increase over the medium to long term, and consumer interest in the functionality and safety of products continues to grow. Furthermore, as a new generation of families in a digital-native era emerges, we are witnessing a significant shift in consumer behavior toward e-commerce. Recently, with the substantial growth of the live commerce market—which merges e-commerce with live streaming—Pigeon is adapting flexibly to this trend. The e-commerce channel in mainland China for this business has further increased through the COVID-19 pandemic, accounting for approximately 70% of total sales there in 2023*1.

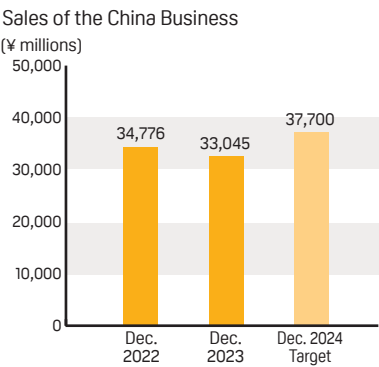
*1 Sell through, in value



Fiscal 2023 Performance and Highlights

Net sales in this segment amounted to ¥33,045 million, down 5.0% year on year, and segment profit decreased 14.9% to ¥8,858 million. In mainland China, particularly in the second half of the year, net sales in local currency terms were down year on year because of deteriorating economic confidence, increased awareness for saving, and a tendency to refrain from purchasing Japanese products due to the release of ALPS-treated water into the ocean. On the other hand, in addition to core baby products, we made concerted efforts to extend the utility of many products to older children, which Pigeon is working on as part of our efforts to respond to the declining number of births and to expand our customer base. These efforts are already producing good results, with strong sales including increased sales of the Natural Weaning Series of nursing bottles for older babies, launched in June 2023, and skincare products for children, rolled out at the end of 2022. In consumer communications, the Group took several steps to drive sustained business growth. The Group strengthened sales through Douyin, the mainland China version of the short-video platform TikTok, and made active use of digital marketing tools such as social media and live broadcasts. The Group also reinforced sales promotions at brick-and-mortar stores and activities at hospitals and maternity clinics.

In South Korea, where Group operations are managed through this segment, the Pigeon Group began reorganizing its distribution framework during the fiscal year. Using local sales subsidiaries as its base, the Group is strengthening sales and marketing efforts in South Korea, seeking to attract new customers and reinforce relationships with existing customers. Finally, the Group continued to strengthen efforts to boost sales of baby products under the Pigeon brand in the North American market.



Training Master Series



Skincare Products for Kids



Natural Weaning Series

Our Competitive Edge

Since entering the Chinese market at scale in 2002, Pigeon has fortified its business foundation, outpacing competitors. Through various strategies such as enhancing branding, developing products tailored to local consumer needs, establishing an end-to-end supply chain within China, and fostering trust in the brand through engagements in maternity hospitals and collaboration with healthcare professionals, we have driven business expansion here as a growth driver for the Pigeon Group. Our strength in the Chinese market stems not only from our strong reputation as a safe, reliable, high-quality brand for baby products but also from our extensive sales force offering more than 500 diverse products, including nursing bottles and skincare items, across the entire country, from coastal to inland regions. Furthermore, our establishment of breastfeeding consultation rooms in major hospitals nationwide and partnerships with maternity hospitals have effectively raised awareness of the benefits of breastfeeding. As a result, our nursing bottles have secured the top brand position in mainland China*2, contributing to the widespread recognition of Pigeon as a leading brand in the country. Despite the rapid advancement of e-commerce, facilitating market entry for competitors in the baby products segment, our position as the leading brand has been further solidified through endorsements from healthcare professionals and specialists who acknowledge the superior functionality and quality of our products, as well as positive feedback from satisfied users.

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.

*2 Pigeon research (Sell through, in value, of nursing bottles and nipples)

Looking Ahead

The annual birth rate in mainland China peaked at 17.86 million in 2016 and has since continued to decline. However, amid a medium- to long-term trend of increasing disposable income across China, consumer concerns about selecting the best childcare products for their precious babies have intensified. Short-term performance fluctuations have occurred due to factors such as the spread of COVID-19 and the impact of Japan’s ALPS-treated water release on consumer sentiment toward Japanese brands. Nevertheless, significant long-term growth opportunities persist, and our positioning of this market as one of the most crucial for the Group remains steadfast. Against this backdrop, to ensure sustained growth, we will first focus on investing rigorously in growth areas to revitalize our performance in mainland China. We will strive to solidify our position as a top brand and further strengthen our foothold in the market. Specifically, we will focus on executing growth investments and strategies in our core categories of nursing bottles, nipples, and skincare. Our aim for nursing bottles and nipples is to achieve a 50% market share, while actively pursuing the creation and development of new categories, including those catering to older babies, to further expand our business. In terms of sales, in addition to proactive investments in emerging platforms within the expanding e-commerce landscape, we will focus on direct communication with consumers through social media platforms such as live streaming. This approach will enable us to explore local needs, enhance branding, and improve sales effectiveness. Furthermore, as we continue to strengthen in-store promotions, expedite the placement of new products, and sustain our activities in maternity hospitals, we remain committed to driving growth in the China Business.

In addition, in the South Korean market where our Double Heart brand is widely recognized and e-commerce sales constitute the majority, following the fundamental revisions to our distribution system in 2023, we will continue to enhance e-commerce sales alongside expanding our product lineup to grow our business. Meanwhile, we are leveraging the expertise and resources gained from marketing and e-commerce in the Chinese market to strengthen efforts aimed at enhancing brand awareness and value in the North American market, where we commenced sales in 2022.



Maternity Class



Breastfeeding Consultation



PIGEON MANUFACTURING (SHANGHAI) Factory

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

Approximately 130 million babies are born worldwide every year. The Singapore Business operates primarily in Indonesia, which has an annual birth rate of around 4.5 million^{*1}, and India, which surpassed China in 2023 to become the world’s most populous country and has an annual birth rate of around 23 million^{*1}. Due to the expected economic growth in addition to the high birth rates in these countries, we have positioned Indonesia and India as key markets to focus on, aiming to make them growth drivers for the Group following the Chinese market. In addition, in the regions where the Singapore Business operates, there is an expanding middle class with annual disposable income ranging from \$5,000 to \$35,000 owing to 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.

^{*1}Source: Prepared by Pigeon based on UNICEF’s core report “The State of the World’s Children 2023 (executive summary)”

Fiscal 2023 Performance and Highlights

In this segment, net sales amounted to ¥13,085 million, down 7.5% year on year, and segment profit was ¥1,235 million, down 42.3% year on year. This segment is primarily responsible for operations in the ASEAN region and India. Net sales declined year on year amid a rebound due to the rising demand from the rapid recovery of the previous year, along with continued shipping adjustments, as COVID-19-related restrictions were lifted in major markets. In the core product categories that this business is focusing on, the Group introduced new nursing bottles, which are already available in the Chinese and Japanese markets, and then expanded the sales area. The Group also worked to further expand the product lineup and to strengthen sales and distribution with a focus on nursing bottles made with T-Ester^{*2}, a new plastic as transparent as glass, and on the Natural Botanical Baby skincare series, produced with natural ingredients to be gentle on babies’ skin and friendly to the environment. We continue to advance the development and launch of products that meet the needs of each market for the upper-middle class and higher-income brackets; for example, we renewed manual and electric breast pumps and launched products tailored to market characteristics. With the aim of achieving market penetration and strengthening Group brands, we will implement proactive sales and marketing activities, including improving in-store appeal, strengthening social media response, and expanding communication with hospitals and maternity clinics.

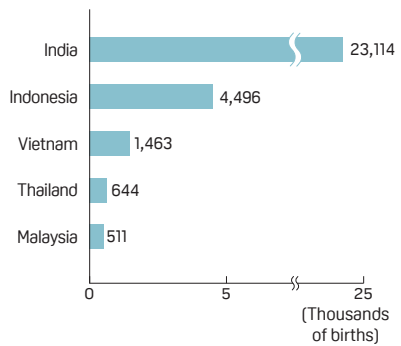
^{*2}T-Ester is a registered trademark of Mitsubishi Gas Chemical Company, Inc.

Our Competitive Edge

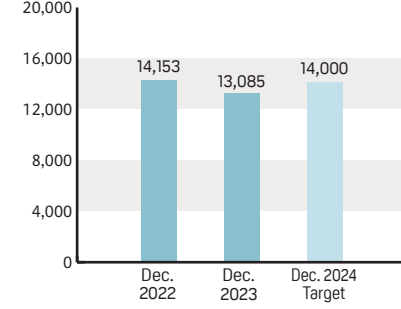
In Southeast Asia and the Middle East, where we have been operating since the 1970s, customer recognition of the Pigeon brand has grown steadily thanks to our high-quality products, derived from our research into feeding and infant development in Japan, as well as the cooperation of local partners with whom we have built relationships of trust over many years. Our nursing bottles command top market share^{*3} in Indonesia, Singapore, Thailand, Vietnam, and Saudi Arabia. Nursing bottles are one of the first products acquired for childcare, and the strong brand presence established in this category is highly effective for expanding into other product categories. 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. In recent years, we have been steadily enhancing our product development capabilities to address local needs, alongside strengthening our workforce, by launching new skincare series that respond to increasing environmental consciousness. Furthermore, in this segment’s sales areas, we are progressing with channel strategies that can adapt to the increasing demand for e-commerce, including strengthening digital marketing efforts.

^{*3}Pigeon research

Birth Rate by Country (2021)^{*1}



Sales of the Singapore Business (¥ millions)



Website of PIGEON SINGAPORE PTE. LTD.

Looking Ahead

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 categories that hold substantial market volume. Given this context, we have positioned the upper-middle to premium tiers in each market as priority targets, focusing our management resources on the Group’s core products of nursing bottles, nipples, and baby skincare, to drive business growth. In the nursing bottle category, while we are currently gaining market share, in many emerging countries, sales of slim-type nursing bottles, which tend to be relatively low-priced, have become mainstream. We intend to strengthen various activities to increase the sales ratio of higher-priced and functionally superior wide-neck nursing bottles. We will further promote and ensure that more customers understand the added value, such as the quality and functional advantages, derived from more than 60 years of research. By strengthening support for breastfeeding in each market, we aim to improve the profitability of this segment. Furthermore, for baby skincare, which we expect to be another pillar following nursing bottles, we are focusing on nurturing the category to acquire market share primarily by strengthening the development of products tailored to local needs and expanding the product lineup. In addition, we are continuously strengthening our product development capabilities in this segment. We are deepening our understanding of consumers in each market and steadily building a production system that can swiftly release products that meet their needs. Moreover, given the increasing demand for e-commerce in each country, we are advancing marketing strategies that can finely adapt to changes in consumer behavior and regional characteristics. This includes strengthening our digital marketing efforts.

Furthermore, as mentioned earlier, the four factories in this segment also produce goods for other businesses within the Pigeon Group. Therefore, the operational status and cost improvements at each factory are important issues for the entire Group. By improving production efficiency at the factories and optimally restructuring the supply chain, we aim to flexibly respond to fluctuations in raw material prices and logistics costs, thereby achieving stable production and improving profit levels.

India

Pigeon has been promoting business in India since 2009, establishing sales companies and factories locally. Besides concentrating on major cities, we have been flexibly evolving our sales and distribution system in response to changes in consumer purchasing behavior and mindset resulting from the COVID-19 pandemic, including the implementation of localized sales strategies. We are also focusing on raising awareness of the Pigeon brand through collaborations with maternity hospitals. On the production front, we have developed and launched stainless steel baby bottles that cater to the cultural preference for stainless steel tableware in India, as a unique initiative of our local factory. This is just one example of our efforts to expand business while strengthening our local manufacturing capabilities to support mothers in their breastfeeding journey.



Hospital Activity

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 successful collaborations with multiple national hospitals, our brand awareness in Indonesia has significantly increased. On the sales front, we established a new sales company in 2019 with the aim of creating procurement and sales processes to further expand our product lineup and boost profitability, as part of our initiatives to increase business in the Indonesian market. In the nursing bottle category, Pigeon has already captured more than 40% market share in Indonesia^{*4}, 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 sectors 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 and ensure business growth in Indonesia as one of our key markets in this segment.

^{*4}Pigeon research



Natural Botanical Baby skincare series

Lansinoh Business

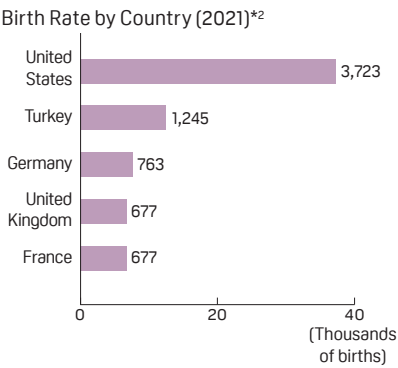


Market Trends and Business Environment

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 2023 reached the lowest level since 1979. The number of births decreased 2.1% from the previous year*¹ with a total fertility rate of 1.62 (provisional)*¹, showing a downward trend.

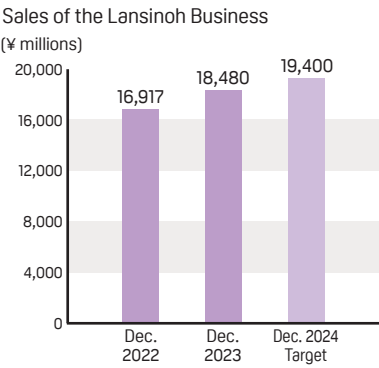
In Europe, although the total fertility rate in major countries is declining, certain countries are focusing on measures to address the issue of low birth rates. In addition, not only in the United States and Europe but also globally, awareness of the importance of breastfeeding and its medical and economic benefits is increasing every year. Consequently, demand for breastfeeding-related products is steadily rising. There is also a growing awareness of women’s care, including during pregnancy and childbirth, indicating that the market where this segment can contribute is expanding further.

*1 Source: The National Center for Health Statistics (NCHS) in the United States
*2 Source: Prepared by Pigeon based on UNICEF’s core report “The State of the World’s Children 2023 (executive summary)”



Fiscal 2023 Performance and Highlights

Net sales in this segment amounted to ¥18,480 million, up 9.2% year on year, while segment profit surged 25.9% to ¥1,453 million. North America and Europe, two vital markets for the segment, saw some calming in the disruption that had continued in marine logistics. Even so, there was still impact from persistently high logistics costs related to land transportation, especially in North America. In North America, net sales fell year on year in local currency terms, as market competition for consumables such as breast pads intensified and special demand for our products ran its course, following the end of a shortage of powdered milk supplies in the United States that had occurred intermittently since 2022. Meanwhile, sales were strong in Europe, notably in Germany and the United Kingdom, paced by nipple care creams, a core product line. As a result, net sales for the entire segment were up year on year. In addition, in North America and Europe, sales of the new category of birth preparation and recovery products have been performing well, benefiting from proactive promotional activities and investment efforts. Furthermore, sales of nursing bottles and nipples, which incorporate more than 60 years of Pigeon’s research-and-development expertise, have been steadily increasing under the Lansinoh brand.



Wearable Breast Pump

Prenatal and Postpartum Care Products

Our Competitive Edge

Acquired as a subsidiary in 2004, LANSINOH LABORATORIES, INC. (“Lansinoh”), has been providing comprehensive solutions for breastfeeding for more than 35 years through a range of unique and innovative products backed by research and trusted by professionals since its founding in 1984. Today, Lansinoh-brand products are enjoyed by customers in more than 85 countries and regions, including North America (United States, Canada, and others), Europe (United Kingdom, Germany, Belgium, and others), China, Turkey, and Central and South America. In the United States, Lansinoh’s primary market, the brand’s nipple care cream, breast pads, breast milk storage bags, and other products have achieved the No. 1 market share*³ in their categories, earning strong support from customers as a leading brand of breastfeeding products. Leveraging this strong brand power, we have actively expanded our business in recent years not only in North America and Europe but also in Asia, including China, aiming to increase market share in each country. Lansinoh is particularly proactive in developing new areas within the Pigeon Group, with prenatal and postpartum care products planned and developed by Lansinoh seeing growth in sales in the United States and Europe, and being introduced to the Japanese market under the Pigeon brand.

In production, our in-house factory in Turkey is dedicated to the development and production of Lansinoh’s mainstay breast pumps, enabling us to establish a flexible supply system tailored to the needs of markets in North America, Europe, and various Asian countries.

*3 Pigeon research



LANSINOH LABORATORIES MEDICAL DEVICES
DESIGN INDUSTRY AND COMMERCE LTD. CO.
(In-house factory in Turkey)

Looking Ahead

Lansinoh has established a strong position globally as a leading brand in breastfeeding-related products. It is widely supported by mothers and healthcare professionals across the United States, particularly for its nipple care cream. In addition, essential products such as breast pads and breast milk storage bags, as well as innovative items including wearable breast pumps for hands-free pumping and products for hospitals and maternity clinics, contribute to Lansinoh’s esteemed reputation. We will continue to focus on the value and tradition of Lansinoh breastfeeding products’ brand, which has been widely supported over the years, and work on expanding these existing business areas. We will also extend the Lansinoh brand into new areas such as women’s health and continue to invest in growth through product development. By doing so, we aim to evolve the brand to align with changing customer values and contemporary needs. As part of these initiatives, we are already working on the prenatal and postpartum care category, expanding the product lineup and exploring new markets to nurture it into a future business pillar. Moreover, Lansinoh will lead the Pigeon Group in the research and development of women’s care products, significantly contributing to the creation of synergies.



Pigeon ESG/SDGs Policy

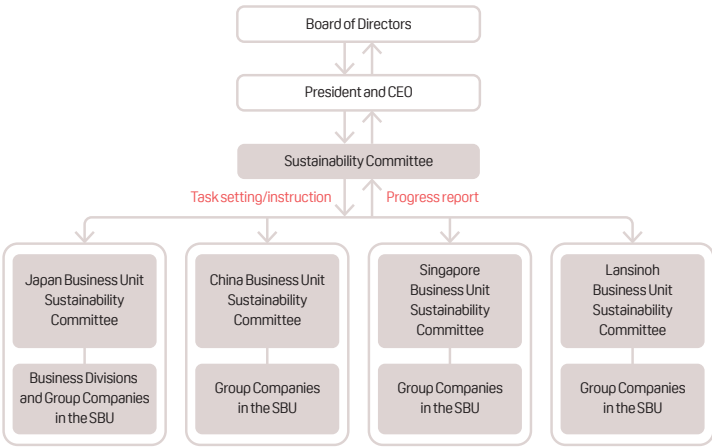
Together, the Pigeon DNA and the Pigeon Way comprise Pigeon’s philosophy that every employee upholds in the course of their duties. The Pigeon ESG/SDGs Policy embodies this philosophy, serving as a guideline for contributing to the development of a sustainable society.

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). 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.

Key Issues (Materiality)	What We Aim to Achieve
 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

Sustainability Committee

The Sustainability Committee was established in 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 nine times as of December 2023, conducting reviews of materiality and discussions toward the formulation of environmental targets covering medium- to long-term time frames among other matters. The medium- to long-term targets have been incorporated into the goals of each business division, with each division taking responsibility for implementing corresponding measures. The Committee monitors and reviews the progress of each division’s initiatives individually. In addition, details of discussions held by the Committee are provided to the Board of Directors.



2022 (Three sessions)

- Agenda
- Report 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)

2023 (Two sessions)

- Agenda
- Report on the status of achievements under the 7th Medium-Term Business Plan (2020–2022)
 - Report on the progress of initiatives in each business division
 - Report on the results of Scope 3 GHG emission calculations for fiscal 2021 and the sharing of case studies on efforts to reduce Scope 3 GHG emissions in the Lansinoh Business toward the realization of a decarbonized society
 - Report on the analysis of the quantitative impact of climate-related risks and opportunities
 - Progress report on the RSPO Working Group



Sustainability Committee Chairman
Tadashi Itakura
Director, Senior Managing Executive Officer
Head of Global Head Office

Rehito Hatoyama
Outside Director
Chairman of the Board

Sustainability Roundtable

Driving management with a view to the next 100 years, envisioning a baby-friendly world

Hatoyama: Considering that a baby born today will grow up and have their own child in approximately 30 years, Pigeon must envision the future of the company, society, and the environment 30 years from now, starting today. Moreover, with the expected increase in average life expectancy, a baby born today could potentially live for the next 100 years. In this context, Pigeon’s vision of a baby-friendly future also encompasses a perspective that looks 100 years ahead. The challenge lies in creating an environment where babies can be born and raised safely and securely, even a hundred years from now. From this forward-looking standpoint, I believe that addressing both business and societal challenges defines Pigeon’s sustainability efforts.

Itakura: Absolutely. Pigeon, with its focus on babies, stands at the forefront of the future, not only addressing the well-being of infants but also tackling issues such as declining birth rates. We aspire to be a company that solves parenting challenges and sustains its business as a force for the future of the planet. Our goal is to garner empathy from stakeholders while involving other companies and society as a whole in our journey.

implementation of new products, services, and initiatives that contribute to solving societal issues relies on employees. As such, we remain committed to discovering and nurturing talent, as well as fostering engagement that cultivates empathy.

Hatoyama: Considering that products and services are the primary touchpoints with customers, I encourage the continuous development of offerings that foster environments supportive of childbirth and child-rearing. Just looking at nursing bottles, we have witnessed significant advancements in recent years. While it’s understood that Pigeon alone has its limitations, I hope the Company continues its efforts to address societal issues.

Balancing Social and Economic Value

Itakura: What do you think is necessary to enhance social value while pursuing economic value?

Hatoyama: Economic value and social value are not binary opposites but rather differences in perspective between short-term and long-term views. There is also growing momentum for ethical consumption in regions such as Europe. Over the medium to long term, societal norms and regulations are also likely to evolve, and companies that fail to consider the future will be phased out. I believe we are entering an era where companies will be challenged to justify their existence if they do not adapt, including addressing cost structures.

Itakura: We pride ourselves on being a company that faces the future with a focus on babies, and we believe there are no companies that surpass Pigeon in this regard. It will be an unprecedented and challenging endeavor, but for Pigeon to continue generating value in the future, it is essential for both management and employees to be aligned, deepen their understanding of sustainability, and persist in their efforts with a medium- to long-term perspective.

Hatoyama: Indeed. It is crucial to foster an organizational culture where each employee resonates with Pigeon’s Purpose and can fully unleash their potential, enabling the company to drive innovation through new products and services. I also hope that all stakeholders support Pigeon over the medium and long term in realizing a baby-friendly future.

Initiatives of the Sustainability Committee

Hatoyama: In 2023, Pigeon appears to have made considerable progress in its sustainability efforts.

Itakura: Yes, we diligently proceeded with gathering and analyzing information in preparation for TCFD disclosure. In addition, the Sustainability Committee conducted a progress review of the Pigeon Green Action Plan, which was announced in February 2023, confirming that initiatives are advancing across the Group.

Hatoyama: During my visit to a Pigeon factory in China in October 2023, I was pleasantly surprised to see the clear progress in decarbonization and recycling efforts. This gave me a sense of anticipation that there will be even further advancements in the future. As efforts progress, how does the Sustainability Committee perceive future challenges?

Itakura: Our focus is on continuing to promote understanding and awareness of sustainability on the front line. In addition to decarbonization, we aim to strengthen initiatives such as enhancing human capital, which includes improving human rights and employee engagement. The



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. 36-39

Supporting healthy baby skin development
P. 34

Creating new businesses
PP. 34-35

Releasing products that exceed customer expectations

Building resilient distribution systems

Supporting Healthy Baby Skin Development

A newborn baby's skin is about half the thickness of an adult's, making it more susceptible to external stimuli, while having a similar number of sweat glands to adults, which makes babies prone to sweating. In addition, from around three months of age, babies have less sebum to protect their skin from dryness, making them the most susceptible to dry, flaky skin throughout their lifetime. It is well-known that many children develop atopic dermatitis, commonly known as eczema, during the period when their skin barrier is immature. Pigeon's baby skincare products are designed based on the mechanisms of a baby's skin health and development. Considering moisturizing capabilities and sensitivity, they are formulated to complement and nurture the healthy development of the skin barrier, aiding its growth and function. Moreover, in addition to ensuring quality and safety, we focus on customer satisfaction by considering factors such as ease of pumping, rinsing, and spreading, so that skincare does not become burdensome for parents. In 2023, Pigeon Home Products Corporation, which is responsible for manufacturing skincare products and other items, completed the construction of a new factory in Fuji City, Shizuoka Prefecture, consolidating its first and second factories, which were previously located separately. This consolidation aims to increase production efficiency and profitability. Also, expanding research-and-development facilities and increasing the number of development personnel serves to strengthen development capabilities. This will enable delving into new areas such as research on skin microbiota, collaborative research with universities, and the development of proprietary ingredients using plants sourced from Shizuoka Prefecture. The factory is open to the community, with tours for the public starting in April 2024, making it a venue for community engagement activities involving private organizations, government agencies, and others in the region. Explanations of the processes involved in completing a product, from development and manufacturing to inspection, as well as interactive exhibits where customers can enjoy learning about babies and childcare, enhance communication with customers, thereby boosting the brand presence in the baby skincare category and driving the growth of the category.



Pigeon Home Products Corporation's New Factory

Creating New Business

In pursuit of sustainable growth, the Pigeon Group is focused not only on further strengthening existing areas but also 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 8th Medium-Term Business Plan (fiscal 2025) by ¥19 billion compared with 2022, with approximately ¥10 billion coming from new areas and ¥9 billion from existing areas. In fiscal 2023, the first year of the plan, sales exceeded ¥3 billion, primarily driven by childcare appliances in the Japanese market, age-up products in the Chinese market, and women's care products such as birth preparation and recovery products in the Lansinoh Business.

Childcare Appliances

In Japan, we began selling the electric nose cleaner SHUPOT (priced at ¥15,400 including tax) in 2023, which quickly suctions mucus that tends to accumulate deep in the nose. SHUPOT features Pigeon's proprietary pump, which is optimized for mucus suction by focusing on two key parameters: suction pressure and suction flow rate. This design ensures optimal suction power for effectively clearing nasal mucus. In addition, by redesigning the internal structure of the mucus catcher, we have reduced the number of parts that require maintenance compared to previous models. In 2022, responding to customer feedback expressing a desire to save time and reduce hassle in sterilizing and drying baby bottles, we launched POCHitto, a bottle sterilizer and dryer (priced at ¥17,380 including tax), which fully automates the sterilization and drying process. POCHitto uses the power of steam and can sterilize in approximately 12 minutes with just the addition of water. Childcare appliances that help reduce the burden of household chores and childcare have been well received in Japan, where the proportion of dual-income households is increasing. These products have also been awarded the Kids Design Award by the Kids Design Association, a nonprofit organization.



SHUPOT Electric Nose Cleaner

POCHitto Bottle Sterilizer and Dryer

Age-up Products

In China, as part of our strategy to expand our customer base, we are actively working to strengthen our range of age-up products by increasing sales of the Natural Weaning series for older babies and skincare products for kids, and proactively exploring new markets.

The Natural Weaning series is a range of nursing bottles designed for older babies, featuring a newly developed nipple to facilitate a smooth transition from bottle feeding to straw drinking. This strengthens our lineup of nursing bottles, a core product. Meanwhile, our skincare products for kids are aimed at children aged three and older, leveraging the results of our long-standing research on baby skin. Sales of these products are progressing smoothly. We will continue efforts aimed at achieving total Group sales of ¥6 billion by 2025 in the age-up category.



Natural Weaning Series



Skincare Products for Kids

Women's Care Products

Under the Lansinoh brand, we have launched prenatal and postpartum care products that focus on the delicate needs of pregnant and postpartum women. We sell organic massage oils for perineal massage during pregnancy, gel pads to protect scars after a cesarean section, and wash bottles for gently washing delicate areas in the shower. Sales in North America and Europe have been progressing well. In addition, in Japan, we have launched a new series called ME. by Pigeon aimed at women experiencing concerns about their delicate areas during pregnancy and postpartum. The women's care category aims for total Group sales of ¥1.5 billion by 2025.



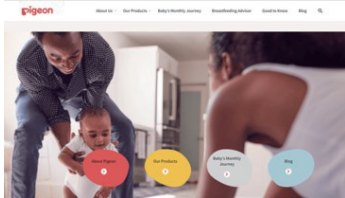
ME. by Pigeon



Lansinoh-brand Prenatal and Postpartum Care Products

Expansion into Africa

At the end of 2023, the Pigeon Group established its first local subsidiary in Africa in Kenya. The Kenyan subsidiary will engage in the sale of Pigeon's core products, including nursing bottles, nipples, and baby oral care products.



Website of the local subsidiary PIGEON BABY LAB KENYA LIMITED

In 2023, the Pigeon Group established the New Business Development Meeting, led by the Lansinoh Business Division Manager and comprising the president and CEO along with division managers from the Japan Business, China Business, and Singapore Business. The meeting aims to explore new business opportunities through ongoing discussions. The Pigeon Group will pursue continuous growth in existing business areas while focusing on the exploration and nurturing of new growth opportunities, with the goal of achieving sustainable growth overall.

P. 22 Efforts to Enhance Financial Performance

Special Feature

Commitment to Breastfeeding: Bottles and Nipples Designed to Help the Transition from Breastfeeding to Bottle Feeding and Back

Aiming to Design the World's Best Nursing Bottles to Celebrate Every Individual Baby

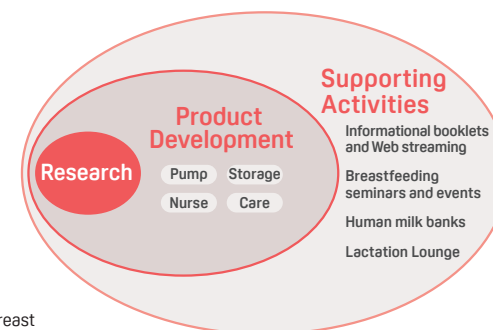
Pigeon's commitment to support breastfeeding

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

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

* Cases where direct breastfeeding is difficult:

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



Continuing breastfeeding, which is important for babies and mothers

Pigeon is dedicated to designing nursing bottles that replicate the natural sucking motion of breastfeeding, allowing mothers to comfortably continue breastfeeding whenever necessary. Breast milk contains all the nutrients needed to support the growth and development of babies up to six months of age while boosting the immune system and protecting against infection. Breastfeeding is the first choice for the baby's growth and development. Understanding the importance of breastfeeding, Pigeon is committed to supporting and promoting it through both our products and services.

The best way for a baby to receive breast milk is directly from the mother's breast for as often and as long as the child desires. At the same time, circumstances such as maternal and baby health issues, postpartum recovery, or lifestyle changes might necessitate alternative feeding methods. In such cases, expressing breast milk and using nursing bottles provide a viable option.

However, it is often suggested that frequent switching between the mother's nipple and an artificial nipple can potentially confuse the baby's oral instincts. When this "nipple confusion" occurs, a bottle-fed baby might struggle with direct breastfeeding, whereas a baby who has been directly breastfed might refuse a nursing bottle, making it challenging to continue direct breastfeeding. An artificial nipple should closely resemble the mother's nipple to ensure that the baby can comfortably drink breast milk from either source, allowing the nursing bottle to be used alongside breastfeeding with no interference.

What is nipple confusion?

WHO and UNICEF have pointed out that repeatedly allowing the baby to suck on the mother's nipple and an artificial nipple can lead to confusion in the baby's oral response*1.

When this confusion occurs, it is possible that a baby who has been breastfed directly might refuse bottle feeding, and a baby who has been bottle-fed might resist direct breastfeeding, making proper feeding difficult.

*1 WHO and UNICEF Implementation Guidance: Protecting, promoting, and supporting breastfeeding in facilities providing maternity and newborn services. From the revised Baby-friendly Hospital Initiative 2018.

We focus on replicating the sucking action rather than the shape and appearance of the breast. Our approach is backed by more than 60 years of research, dedicated to perfecting 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 articulate their needs. The way babies suckle at the breast differs significantly from the way adults drink through a straw. The intricate movements and functions occurring in a baby's oral cavity are not readily apparent through external observation alone. To delve deeper into this phenomenon, we developed unique techniques for observing babies. These include using an intraoral observation camera, utilizing echography (diagnostic ultrasound), and designing devices to measure the vacuum pressure during sucking. Through these methods, we unveiled the intricate sucking behavior of babies, focusing on the "Three Key Factors of Sucking": 1) latching on, 2) peristaltic tongue movement, and 3) swallowing.

At our Central Research Laboratory, which includes rooms for observing babies' behavior, we routinely conduct studies with the cooperation of more than 250 pairs of mothers and babies living nearby each year. In the monitoring room, mothers are asked to feed their babies while we observe the feeding process via video and echography. We also compare and analyze the difference in the sucking movements of babies using artificial nipples versus those feeding directly from their mothers. In addition, we actively disseminate our research findings through academic conferences and publications, contributing to the global field of breastfeeding research. Pigeon's research initiatives have sparked collaborative studies with hospitals, fostering partnerships between academia and industry.



Published with permission

Three Key Factors of Sucking

Latching on

Grasping and tightly adhering the mouth to the nipple or areola

Swallowing

Smoothly swallowing with a gulp

Peristaltic tongue movement

Described as "peristaltic-like movement," the tongue moves in a wave-like motion to draw out milk from the nipple

TOPICS Commitment to Quality

Sensation...Quantifying sensation to improve artificial nipples

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

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

Please refer to our website for details.

Website <https://www.pigeon.com/about/quality/>



Nursing bottles born from close observation Bonyu Jikkan® series / SofTouch™ series

Pigeon boasts the top global share in nursing bottles, with approximately 11%*1 of the market. Among these products, the Bonyu Jikkan® series of nursing bottles overturned the perception that “all nursing bottles are the same.” This accomplishment stems from our rigorous research on baby feeding and our attention to detail in the planning and design process, integrated into our product development, which is unparalleled worldwide.

Since its first launch in 2002, the Bonyu Jikkan® series has been embraced by numerous babies and families. The second generation, introduced in 2010, has seen remarkable success, with approximately 140 million units and 290 million individual nipples sold worldwide in the 11-year period to 2020. In Japan, our Bonyu Jikkan® bottle is the most widely adopted in hospitals and maternity facilities, securing an overwhelming top share above 85%*2 in the domestic nursing bottle market.

Since its launch in the early 2000s as the Shizen Jikkan series in China, Pigeon has gained the trust of Chinese parents across a wide range of generations due to the brand’s high reliability, functionality, and safety. As a result, it has secured the top market share in mainland China.

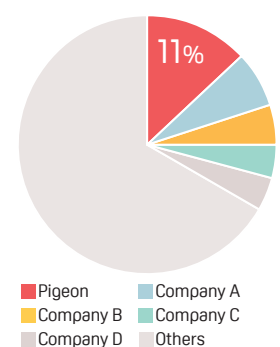
In other international markets, the products are sold as the SofTouch™ series, and alongside other series of nursing bottles, Pigeon’s nursing bottles have achieved the top market share in Indonesia, Singapore, Thailand, and Vietnam*3. In addition, in our Lansinoh Business, we have introduced the NaturalWave® Nipples series based on the Bonyu Jikkan® series under the Lansinoh brand in North America and Europe. Pigeon’s Bonyu Jikkan® series has earned high praise worldwide, garnering support from many customers who wish to continue breastfeeding.

*1 Includes products other than the Bonyu Jikkan® series

*2 Pigeon research (average of 12 months in 2023, based on expanded estimates from nationwide baby shops and drugstores using Intage POS data)

*3 Pigeon research (based on sell-out data of nursing bottles and nipples, in terms of sales value)

Global Market Share of Nursing Bottles in 2023



Source: Global Nursing Bottle Market 2024 by Manufacturers, Regions, Type and Application, Forecast to 2030, Global Info Research

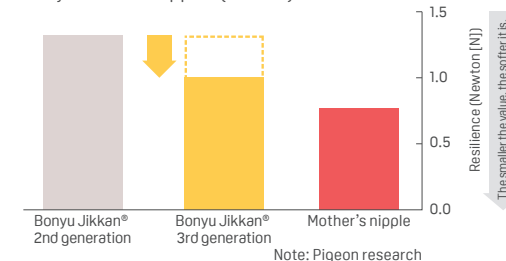
Evolution of nursing bottles

Aiming to develop the world’s best nursing bottles to ensure the well-being of all babies, Pigeon continues to pursue its ideals. In September 2021, we launched the third generation of the Bonyu Jikkan® series in China, followed by its release in Japan in February 2022. These nipples are made of newly developed silicone with improved softness. However, silicone is a material that tends to tear as it gets softer, so we must take care to ensure that it does not tear when a baby chews on it. Supporting our development of nipples with both “ideal softness” and “durability” were the efforts and ingenuity of our developers, who made prototype after prototype. As babies grow, moreover, their sucking, drinking, and chewing abilities change, so we make small changes both in the size of the nipple hole and the hardness of the nipple itself. For example, nipples for older babies are designed to be strong enough for teething babies to chew on. Also, if the baby does not firmly latch on during feeding, breast milk or formula might leak from the corner of the baby’s mouth, and the nipple could get damaged. With this in mind, we designed a new “Latch-on line” that guides mother and baby to the appropriate depth when latching on. The line is presented in a wave shape instead of a straight line so the person feeding the baby does not have to stress about being too precise, and so babies do not lose their own individual feeding styles.

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



Comparison of Softness between Mother's Nipple and Bonyu Jikkan® Nipples (SS size)



Nursing bottles for babies who require specialized support

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

Pigeon is providing specialized products that enable babies with low birthweight or other physical issues to drink breast milk with minimal effort. These include nursing bottles for babies with cleft lips and/or palates and nipples for babies with weak suckling strength. 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. In 2024, we launched the “Silicone Long Nipple Feeder,” a renewed version of the nursing bottle with an elongated nipple, designed for babies experiencing difficulties in direct breastfeeding or bottle feeding with artificial nipples due to conditions such as cleft lip and/or palate or other conditions. This is but one example of our commitment to research and development to assist in the nutritional intake of all babies. Moreover, the expertise we have accumulated through our constant support for babies requiring specialized care has been reflected in Pigeon’s *Monozukuri*, serving as a significant strength that underpins our product quality.




Making the world a more baby-friendly place

Pigeon’s nursing bottles are highly acclaimed around the world. Not satisfied with the status quo, however, we continue making every effort to further evolve our products. Our aim for the future is to supply Pigeon nursing bottles for all babies in need. The Pigeon Group is still in the process of developing the global baby care market, and there are many babies around the world with whom Pigeon can engage.

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

Intellectual property rights

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




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)
P. 42

Circular manufacturing
P. 43

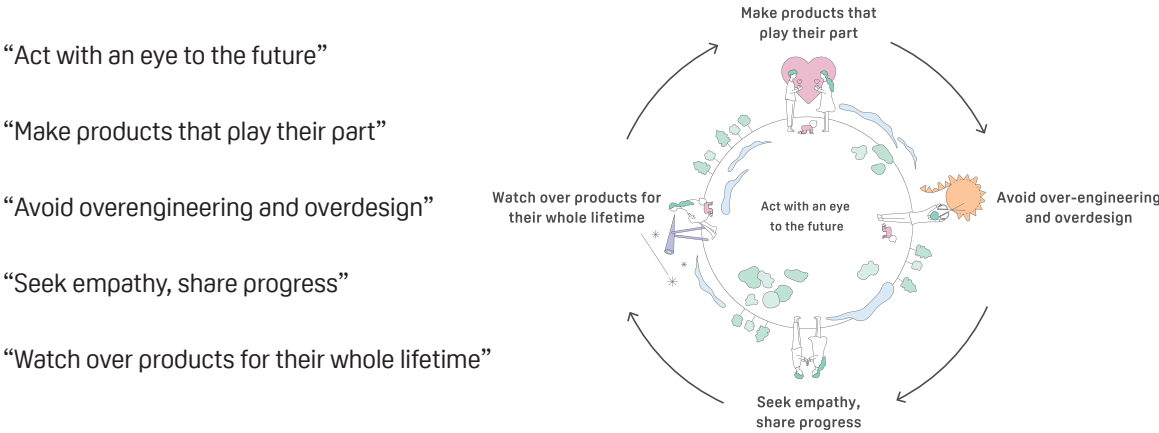
Using sustainable resources (paper and palm oil)
P. 44

Basic Approach to Global Environmental Protection (Environmental Policy)

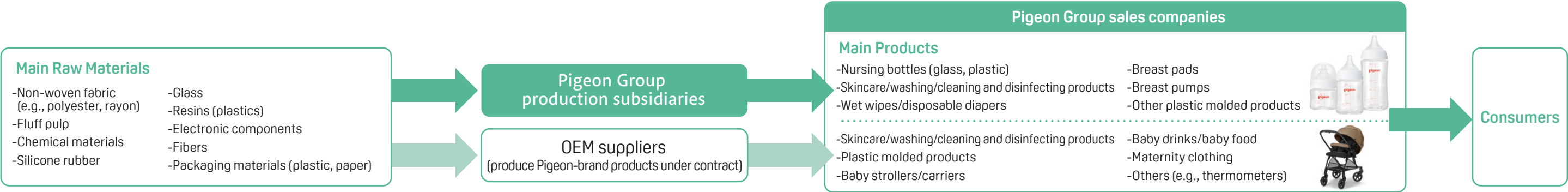
In addition to complying with environmental laws and regulations, the Pigeon Group recognizes the relationship between our business activities and the environment, while energetically tackling environmental issues as a common challenge for humanity to leave a rich earth for the future of babies born 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.



Flow of Materials for Baby Care and Maternity Products




Outline of the Pigeon Green Action Plan

Pigeon formulated the Pigeon Green Action Plan in 2022 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




Decarbonization

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)



Circular society

2030—Plant-derived or recycled materials in packaging: **50% by weight**

2030—Reusable/recyclable/compostable packaging: **100%**



Coexistence with nature

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)

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 GHG Risk Management Committee spearheads the management of risks that are highly probable in the short to medium term 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 GHG 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.

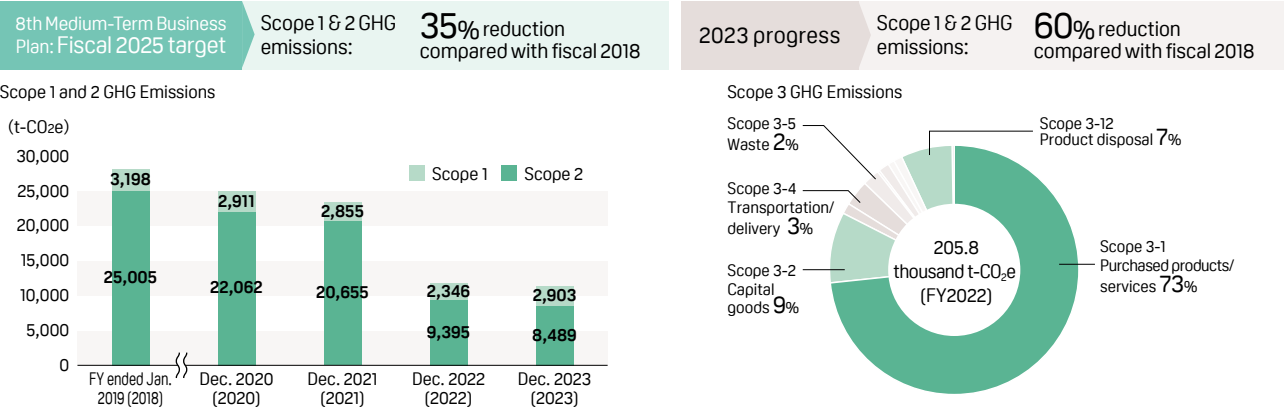
Strategies: Climate Scenario Analysis

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 are conducting a financial impact analysis for 2030 (with consideration of physical risks up to 2050) based on two scenarios: one aimed at achieving decarbonization to limit the rise in the world's average temperature to 1.5°C compared to pre-industrial levels (the 1.5°C scenario), and the other where carbon emissions remain high, resulting in a 4°C increase in the world's average temperature (the 4°C scenario). For detailed information on climate-related risks and opportunities, as well as the potential financial impacts they might cause, please refer to the Pigeon Group TCFD Report 2023.

TCFD Report 2023 https://www.pigeon.com/sustainability/files/pdf/tcfreport_20231124_e.pdf

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)



In addition to increasing energy efficiency in facilities and equipment and boosting self-generated power through solar energy, we have made strides in transitioning to renewable energy and procuring renewable energy certificates (RECs). As a result of these initiatives, Scope 1 and 2 greenhouse gas (GHG) emissions in 2023 decreased 60% compared with the fiscal 2018 baseline. Furthermore, we are calculating Scope 3 GHG emissions for the entire Pigeon Group with the aim of collaborating with business partners to mitigate emissions across activities such as sourcing raw materials and supplies, manufacturing OEM products, transportation, product use, and disposal. In 2022, Scope 3 GHG emissions decreased by approximately 12% year on year.

Scope of data collection: Pigeon Corporation and its domestic and overseas consolidated subsidiaries
Note: For Scope 1 GHG emissions, only energy-derived CO₂ is calculated for the period from the fiscal year ended January 31, 2019, to the fiscal year ended December 31, 2022. From the fiscal year ended December 31, 2023, GHG gases other than energy-derived CO₂, such as methane and nitrous oxide, are also included in the calculation scope. In calculating Scope 3 GHG emissions, we include Categories 1, 2, 3, 4, 5, 6, 7, 9, 11, 12, and 14. Category 9 applies only to the Lansinoh Business.

Website https://www.pigeon.com/sustainability/environment_top/co2/

Initiatives to Realize a Circular Society

Medium-Term Targets	2030 Plant-derived or recycled materials in packaging: 50% by weight 2030 Reusable/recyclable/compostable packaging: 100%
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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 promote circular *monozukuri* (manufacturing) by overseeing products throughout their entire life cycle.

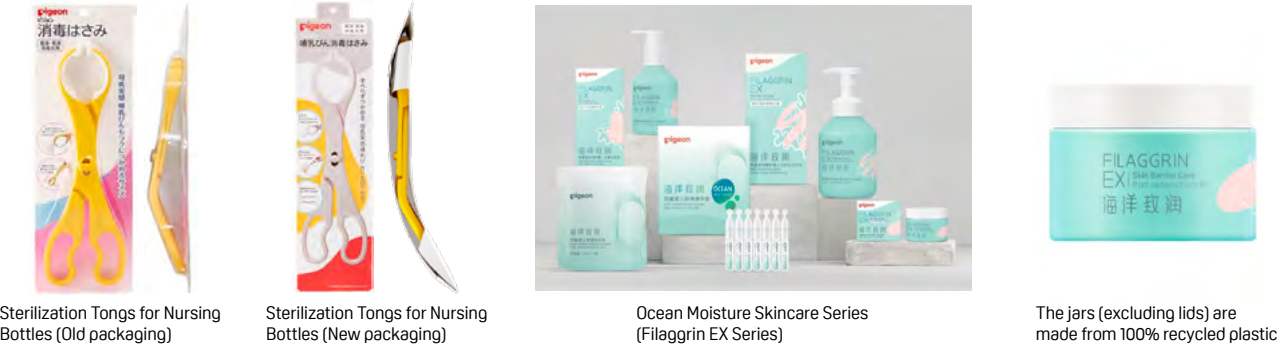
2030 Target	Plant-derived or recycled materials in packaging: 50% by weight	2023 Performance	Currently under review, including the proportion of plant-derived or recycled materials used
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We are working to reduce the use of petroleum-based virgin plastic, aiming to increase the proportion of plant-based or recycled materials in our product packaging to 50% by weight by 2030.

In Japan, the packaging for Sterilization Tongs for Nursing Bottles, which previously featured plastic blister packaging on paper backings, has been replaced with forest-certified paper. This has led to a substantial reduction in plastic usage in the packaging.

We are continuously exploring alternative materials to plastic for packaging toiletry and skincare products. In China, our Ocean Moisture Skincare Series (Filaggrin EX Series*), launched in July 2023, features jars made from 100% recycled plastic (excluding lids), and the individual boxes for each product in the series are made from forest-certified paper.

*Filaggrin, a vital protein found within the skin's stratum corneum cells, serves as the precursor to natural moisturizing factors (NMF), which play a crucial role in skin hydration.

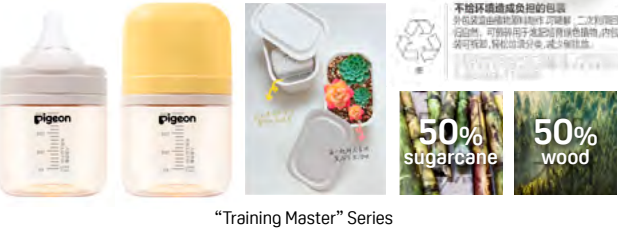


2030 Target	Reusable/recyclable/compostable packaging: 100%	2023 Performance	81% (of SKUs)
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The Pigeon Group aims to make all product packaging reusable, recyclable, and/or compostable by design by 2030. “Reuse” is defined as the ability for a product to be used again for the same purpose after initial use, while “recycling” refers to the ability for customers to easily disassemble the product packaging into parts such as caps, bottles, and labels, with each part composed of a single material rather than composite materials. In 2023, packaging for 81% of all stock keeping units (SKUs) sold by the Pigeon Group met this standard. However, the packaging of wet wipes, baby food pouches, and the shrink film of certain products are made of composite materials, making them unsuitable for recycling.

In 2024, the Pigeon Group launched the new “Training Master” series of baby drink cups in China. This series is made with 50% sugarcane and 50% wood pulp for the product packaging material. It also has waterproof functionality, allowing it to be used for a long time as a small container or a flowerpot. Furthermore, after fulfilling its purpose, the packaging can be crushed to achieve compostable product packaging. We will continue to explore packaging materials that are reusable, recyclable, and/or compostable.

The Pigeon Group is also committed to promoting the recycling of nursing bottles and industrial waste, as well as reducing water usage at production facilities. For more information on these initiatives, please visit our website.



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

Initiatives to Realize Coexistence with Nature

Medium-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)
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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

2030 Target	Sustainable paper usage rate in packaging: 100%	2023 result	58% (of SKUs)
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The Pigeon Group promotes the use of forest-certified paper and recycled paper sourced from properly managed forests. By 2030, we aim to ensure that 100% of our stock keeping units (SKUs) using paper in their packaging* will utilize forest-certified or recycled paper.

We are particularly advancing the adoption of forest-certified paper for the individual boxes of our core products, nursing bottles and nipples. In Japan, we have already implemented forest-certified paper for all paper packaging in the new series of our Bonyu Jikkan® products. Similarly, in China, we have adopted forest-certified paper for most of the packaging for Ziran Shigan (the Chinese equivalent of Bonyu Jikkan® in Japan). In addition, we are promoting the use of sustainable paper for the packaging of a wide range of products, including maternity clothing, skincare, washing, and cleaning and disinfecting products.

We are not only focusing on packaging; in 2023, we also launched bamboo-based dry wipes as part of our Natural Botanical Baby skincare series, available in countries such as Singapore. Bamboo is a biodegradable material that grows quickly and is easily sourced in large quantities, making it a sustainable resource. In addition, we use paper boxes instead of plastic film for the packaging of this product.

*Excludes items such as cardboard boxes used during transportation and label stickers.



Natural Botanical Baby skincare series (bamboo-based dry wipes)

2030 Target	RSPO-certified sustainable palm oil usage rate in Pigeon-manufactured skincare/washing/cleaning products: 100% (including RSPO Credits)	2023 result	15%
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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 been using the RSPO Credits purchased and claimed through the B&C model for some detergents and skincare products. The Natural Botanical Baby skincare series, available in countries such as Singapore and Indonesia, is one of our products that features the RSPO certification label.



Natural Botanical Baby Skincare Series (features the RSPO certification label)

Type		2021	2022	2023
Palm oil	Total amount used*1	176 tonnes	244 tonnes	351 tonnes
	RSPO Credits purchased and claimed*2	CSP0: 25 tonnes	CSP0: 52 tonnes	CSP0: 56 tonnes
Palm kernel oil	Total amount used*1	346 tonnes	432 tonnes	258 tonnes
	RSPO Credits purchased and claimed*2	CSPK0: 28 tonnes	CSPK0: 56 tonnes	CSPK0: 46 tonnes

Scope of data collection: Pigeon Home Products Corporation, Pigeon Manufacturing (Shanghai) Co., Ltd., Pigeon Singapore Pte. Ltd., Pigeon Industries (Thailand) Co., Ltd., and PT Pigeon Baby Lab Indonesia.
For Pigeon Home Products Corporation, calculations are based on the raw materials of its in-house manufactured products, covering detergents as well as cleaning and skincare products.
*1 Figures are obtained by converting the amount of palm oil-derived components of the raw material to their equivalent in palm oil or palm kernel oil.
*2 The amount of RSPO Credits purchased and claimed includes 12 tonnes of small-scale farm credits. These figures have not been audited through the RSPO certification system.



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. 45-46

Promoting responsible procurement

P. 47

Expanding use of products designed for maternity hospitals

PP. 45-46

Participating in and supporting communities

P. 47

Through initiatives in various countries, we support the healthy growth of babies born prematurely, babies with low birthweight, and babies born with medical conditions that require special treatment 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 birthweight 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 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 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. In China, we developed a special oil for low birthweight babies to alleviate issues caused by underdeveloped skin. In 2024, we launched Silicone Long Nipple Feeder, renewed a feeder with a long silicone nipple for babies who have difficulty breastfeeding directly or with artificial nipples due to cleft lips and/or palates or medical conditions. Our accumulated expertise, gained from our constant support of babies in need of specialized care, is reflected in our manufacturing activities and is directly linked to the superior performance of Pigeon-brand products.



Activities for Babies Needing Special Care and Their Families: Photo Exhibition “Drops of Love ~ Hand-in-Hand with Supporting Professionals”

To promote awareness of Precious Drop, a device that supports the collection of colostrum, among healthcare professionals, a photo exhibition titled “Drops of Love ~ Hand-in-Hand with Supporting Professionals” was held at the 64th Annual Meeting of the Japan Society of Maternal Health in 2023. More than half of the participants (approximately 1,000 people) were midwives. The exhibition showcased the backstory of Precious Drop and photos depicting its usage scenes, aiming to convey the features of the product, as well as the images of prematurely born babies and their families, to healthcare professionals in the field.



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

As part of our activities for babies and families in need of specialized care, we support human milk banks*1 in Japan, China, India, Vietnam, and elsewhere. In 2020, we opened the Nihonbashi Human Milk Bank, the second of its kind in Japan at the time, on the first floor of our Head Office. Through campaigns donating a portion of sales from breast pads, breast pumps, and breast milk storage bags to the Japan Human Milk Bank Association, as well as conducting awareness surveys regarding human milk banks, we have been conducting outreach activities to raise awareness about human milk banks.

In China in 2020, we became the first main partner in the Beijing Chunmiao Charity Foundation's special human milk bank fund, and between then and July 2023, we donated a total of RMB 1 million (roughly ¥19 million), contributing to the opening of human milk banks in six hospitals, including Fujian Children's Hospital, Beijing Huaxin Hospital (the First Hospital of Tsinghua University), and Kunming Children's Hospital in Yunnan province. Since our support began, these human milk banks have provided a total of 2.2 million ml*2 to more than 1,600 babies born prematurely. We aim to enhance our corporate value by contributing to the resolution of social issues surrounding babies and their families in various countries.

*1 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.
*2 An average of approximately 1,300 ml of donor milk is provided per baby.



The Newly Established Human Milk Bank at Kunming Children's Hospital

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. In 2023, we conducted a campaign in China in collaboration with the nonprofit organization Operation Smile to raise awareness about cleft lips and/or palates and to raise funds for surgical costs. Ten employees participated in this campaign. In addition, employees from Pigeon Singapore Pte. Ltd. volunteered to participate in a charity event called “#Fitness4Smiles,” where teams took turns cycling in a relay format. Donations were made corresponding to the total kilometers ridden by a team. The six teams, consisting of 18 members from Pigeon Singapore, collected approximately ¥500,000 in support of babies with a cleft lip and/or palate. Pigeon also provides administrative support during surgeries. Beyond donating products and engaging in fundraising activities, local employees volunteer their time to provide assistance. By supporting babies and their families and collaborating with healthcare professionals, we aim to strengthen and enhance our brand power.

*A cleft lip and/or palate is a congenital condition characterized by an opening or a split in the roof of the mouth, involving either the soft palate, the hard palate, or both, and/or a fissure in the lip.



Seminars for General Consumers and Seminars for Healthcare Professionals

The Pigeon Group organizes online seminars and events for general consumers in various countries. In Japan, we hold the Breastfeeding College seminar, where participants can learn from obstetricians and midwives about breastfeeding. We also collaborate with a drugstore to conduct joint seminars, focusing on practical lessons on bathing and moisturizing led by experienced mothers, as well as skincare product tutorials led by Pigeon employees, targeting expecting mothers and fathers. In 2023, 3,920 people participated in these events. In addition, overseas, we conduct numerous seminars on breastfeeding and baby teeth care.

The Pigeon Group also conducts seminars in different countries 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. Healthcare professionals from hospitals around the world participated again in 2023. In Japan, we hold seminars focusing on breastfeeding support and postpartum care, while in China, we organize seminars on skin issues in premature and low birthweight infants, providing information including the features of our baby oil. We will continue to foster awareness and build trust in hospitals and maternity centers through seminars tailored for healthcare professionals.



A Seminar in China Showcasing the Use of Our Baby Oil

Disaster Preparedness for Babies

In 2022, Pigeon launched its “Babies and Preparedness Circle Promotion Project” declaration to firmly establish the concept of disaster preparedness for babies in society. Under the project, we have initiated collaborations with municipalities and businesses aligned with the declaration's objectives to always keep babies safe and continue to create a baby-friendly world. We had garnered support from 34 municipalities as of the end of December 2023. In addition to product donations, our project introduces disaster preparedness items for babies, tailored item lists according to developmental stages, and actively shares information and engages in activities related to disaster preparedness in coordination with municipalities. In August 2023, we hosted a workshop on disaster prevention for babies, focusing on pregnant women and infants, who are particularly vulnerable during disasters but have often been overlooked. Researchers from the National Research Institute for Earth Science and Disaster Resilience, along with local government officials, presented their insights and case studies. In September 2023, in collaboration with Meiji Co., Ltd., we launched the disaster prevention set combining Meiji Hohoemi Raku-Raku Milk with Pigeon's Bonyu Jikkan® nursing bottles to ensure that babies can receive nutrition with ease even during disasters. Furthermore, we have categorized the concept of disaster preparedness for babies into three categories—“Feeding,” “Toileting and Bathing,” and “Oral Care”—providing easily understandable information to parents. We remain committed to raising awareness of the significance of disaster preparedness for babies and fostering this culture within society.

Note: Pigeon provided disaster relief supplies, including the Emergency Baby Cup, following the Noto Peninsula Earthquake in 2024 in response to a request from the Ministry of Economy, Trade and Industry.

In addition, the Pigeon Group is dedicated to addressing social issues by helping to set up, operate, or support Lactation Lounges. We have also established the Pigeon Smile Lactation Research Institute, where we collaborate with specialists working with mothers, fathers, and babies to identify challenges during the breastfeeding period and provide solutions. These are just some of the efforts we are undertaking. For more information on our initiatives, please visit our website.

Website https://www.pigeon.com/sustainability/social_top

Promoting Responsible 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 2023

Scope of aggregation

Japan Business, China Business, Singapore Business, and Lansinoh Business

Surveyed suppliers

For the 2023 survey, the CSR Procurement Self-Assessment Questionnaire developed by Global Compact Network Japan (GCNJ) was distributed to a total of 478 suppliers. This included all primary external suppliers of Pigeon Corporation, Pigeon (Shanghai) Co., Ltd., and Pigeon Singapore Pte. Ltd., as well as each sales company under the Lansinoh Business. Furthermore, the survey now encompasses major suppliers of the production subsidiaries of both the Singapore Business and Lansinoh Business, thus broadening its scope to include primary suppliers of production subsidiaries worldwide. We received responses from 367 suppliers for a response rate of 76.8%.

Survey results

The overall average score was 84.7%, with progress noted in the “environment” and “fair corporate activities” categories compared to the previous year. However, “CSR-related corporate governance,” “supply chain,” and “coexistence with local communities” remain areas for improvement. By working together with suppliers to address the issues identified in the survey, we aim to tackle social challenges and strengthen our relationships with them.



In 2024, the Pigeon Group newly established its Human Rights Policy. This policy defines our commitment to respecting human rights as outlined in our Corporate Ethics Guidelines and CSR Procurement Policy, as well as how we intend to implement it. For more information, please visit our website.

Human Rights Policy https://www.pigeon.com/sustainability/social_top/humanrights/



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
PP. 50-51

Ambitious organizational culture
P. 51

Enriched investment in human resource development
P. 51

Promoting Diversity & Inclusion
P. 50

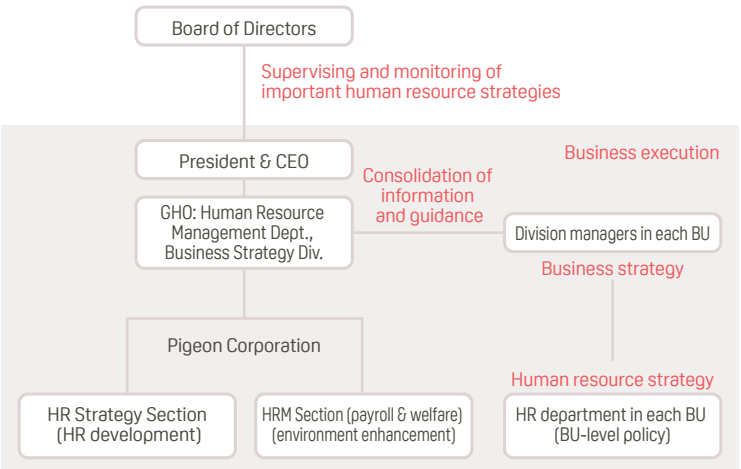
Aiming to Be a Company Where Every Employee Can Shine in Their Own Way

The Pigeon Group places greater importance than ever on our human resource strategy, recognizing it as essential for executing business strategies that enable sustainable growth, even amid significant changes in the business environment. We believe in the potential of human capital as the source of value creation, respect individuals with autonomy, and continually work to foster their growth and success while providing the necessary environment for their achievements. We understand that our human resource strategy must be aligned with both our management and business strategies.

To achieve this, in 2024, we established the Human Resource Management Department within the Business Strategy Division of the Global Head Office (GHO). This allows us to consolidate information on organizational and personnel issues and initiatives from each business division that support the Company's overall business strategy. By coordinating with the Board of Directors as needed, we have created a system that enables us to provide guidance tailored to each business division. We will implement various initiatives to further enhance the overall value of the Group's human resources, ensuring that each individual can continue to shine in their own unique way.



(From left) Takatoshi Uragari, Deputy Head of the Business Strategy Div.; Naoki Wakayama, Senior Manager of the Human Resource Management Dept. and Manager of the HR Strategy Section; and Yukika Watanabe, Manager of the HRM Section (payroll & welfare)

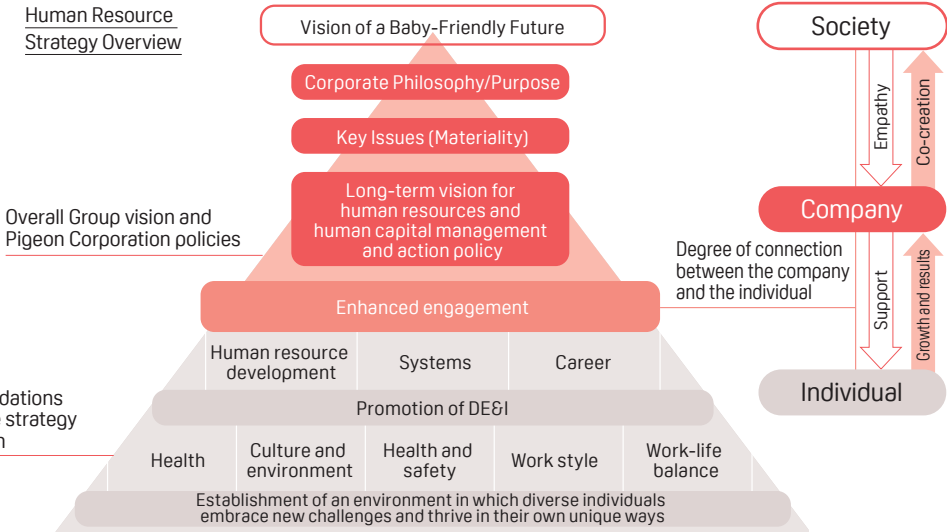


Notes:
1. GHO: Global Head Office, overseeing the entire Pigeon Group
2. BU: Four Strategic Business Units (Japan Business, China Business, Singapore Business, and Lansinh Business) responsible for business operation and growth

Human Resource Strategy

The Pigeon Group aims to be an organization where every employee can shine in their own way by acquiring and nurturing personnel with the ability to think autonomously about what new products and services are demanded and how they can contribute to solving societal issues, amid significant changes in the business environment. In addition, we are committed to continuously developing an environment where employees can work actively and vigorously. We have established a long-term vision for human resources and a human capital action policy, envisioning that the Sustainable Growth and Purpose outlined in the 8th Medium-Term Business Plan can be achieved through the brilliance and accomplishments of Group employees.

Human Resource Strategy Overview



Metrics and Targets

Pigeon is promoting initiatives aimed at maintaining and improving various metrics toward realization of the key issue of “Managing talent and cultivating the right culture for our Purpose.”

		FY2021 (Results)	FY2022 (Results)	FY2023 (Results)	FY2025 (Target)
Pigeon Group	Engagement	Score*1			4.11
	Diversity, equity, and inclusion (DE&I)	Ratio of female managers			4.21 or above
		Ratio of employees with disabilities			30.0%
		Paternity Leave Uptake Rate during fiscal year*2			Maintain above 3%
		Average number of days of paternity leave taken*2			100.0% 40 days or more
	Occupational health management	Ratio of mid-career hires promoted to managerial positions			Maintain at 50%
		Comprehensive health risk from stress check			Maintain under 80 pts
		Degree of occupational health management (standard deviation)			White 500 certified (unofficial)
		Injured persons in occupational accidents			0
	Health and safety	Number of work-related injuries requiring at least one day of absence from work			0
		Average monthly overtime hours			Less than 10
	Work environment	Paid leave uptake rate			80% or above

*1 The survey on engagement covers Pigeon Corporation, Pigeon (Shanghai) Co., Ltd., and Pigeon Singapore Pte. Ltd.
*2 The rate of paternity leave taken during fiscal year is determined based on a calculation method publicly disclosed by the Ministry of Health, Labour and Welfare. The average number of paternity leave days taken represents the average duration of parental leave taken by male employees before the child reaches the age of one year and six months during the reporting period.

Effective Paternity Leave Uptake Rate of 100% for Eight Consecutive Years*: Initiative Supporting Employee Childcare

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 program, allowing employees to take one month of paid leave following the birth of their child. It has now become commonplace for departments to discuss the timing of this leave when a male employee's spouse becomes pregnant. This has fostered an environment where paternity leave is regarded as standard practice. As a result, the uptake of this leave among male employees has effectively reached 100% for eight consecutive years, with an average of more than 30 days taken per leave.

One employee who took approximately three and a half months of paternity leave mentioned that after taking leave for their first child, he desired to take a longer leave the next time, which he did with support and encouragement during the consultation process. He noted that the opportunity to focus more on childcare allowed him to deeply reflect on the efficiency of his work style and the significance of his work.

Furthermore, all employees with children submit childcare reports, sharing their experiences and insights gained from childcare on the internal company website. By cultivating employees who can discuss childcare, we harness their experiences to contribute to the planning, development, and promotion of our products.



Three Pillars of the Human Resource Strategy

1. Enhanced engagement

The Pigeon Group has initiated engagement surveys, recognizing the importance of employees’ strong empathy toward the Pigeon DNA and the Pigeon Way, as well as their tangible connection to individual work and our Purpose.

Engagement Survey (2023)

〈Scope of aggregations〉

Regular employees of Pigeon Corporation, Pigeon (Shanghai) Co., Ltd., and Pigeon Singapore Pte. Ltd.

〈Survey items〉

The survey included items provided by Gallup, Inc., along with the Pigeon Group’s unique statements: “I empathize with the Pigeon Way the Company embraces,” “I feel that my team’s work contributes to the realization of Pigeon’s Purpose,” and “I can be myself in the workplace.” The response rate was 88.9%.

〈Survey results〉

Based on the findings that there is a high correlation between the engagement score and the scores for the Pigeon Group’s unique statements, we have set the average score of these three statements as a key performance indicator (KPI). We will promote initiatives aimed at improving this score.

2025 target Engagement score 4.21

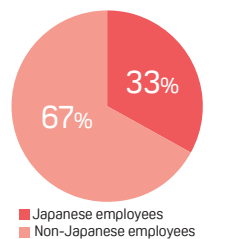
2023 result Engagement score 4.11

2. Promotion of DE&I

Our Corporate Ethics Policies states 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, race, gender, age, disability, gender identity, sexual orientation, 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. In terms of labor, guided by the Pigeon DNA and the Pigeon Way, we consistently uphold high ethical standards and promote compliance-oriented management, respecting the rights and human rights of workers both in Japan and abroad.

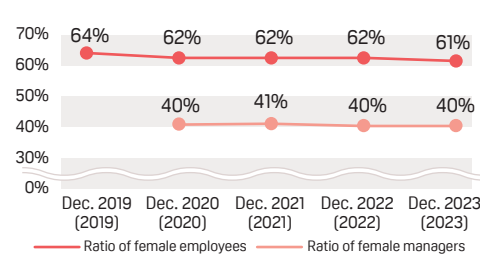


Ratio of Non-Japanese Employees (Pigeon Group)



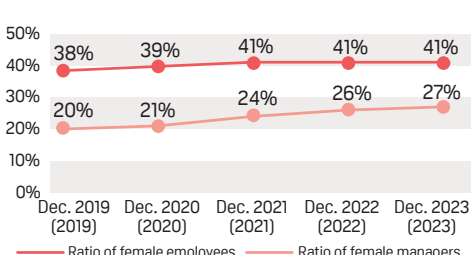
Scope of aggregation: Pigeon Corporation and its domestic and overseas consolidated subsidiaries

Ratio of Female Employees and Managers (Pigeon Group)



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

Ratio of Female Employees and Managers (Pigeon Corporation)



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).

3. Establishment of an environment in which diverse individuals embrace new challenges and thrive in their own unique ways

The Pigeon Group believes it is essential to foster an environment where diverse individuals can maintain both physical and mental health, showcase their unique personalities and expertise, and strive toward their desired selves. We also emphasize the importance of cultivating a culture that accepts failures during the process of taking on new challenges, enabling individuals to learn and grow from their experiences. In addition, we have enhanced our human resource system to accommodate various life events that employees might encounter. To ensure these systems are practical and effective, we actively disseminate information to employees and work to promote their understanding.

Eight Foundations of the Human Resource Strategy

1. Human resource development

The Pigeon Group’s human resource development policy aims to create a diverse team of specialists who possess advanced knowledge and experience across various points of the value chain. These employees are expected to remain keenly aware of societal changes, think about the future, and proactively update their skills and knowledge.

2. Systems

Pigeon Corporation operates a human resource system that includes “breadth and depth of expertise” as an evaluation criterion. Furthermore, to secure and acquire outstanding talent, we have constructed a role-based wage system, ensuring a compensation structure linked not to age or length of service, but rather to the roles and responsibilities fulfilled by employees. This approach ensures competitiveness in the market.

3. Career

Pigeon Corporation has instituted the Accelerate My Career program to bolster employees’ self-driven career growth by offering avenues to embrace diverse work styles, perspectives, and values. This initiative encompasses internal job postings, internships, pro bono work, external postings, volunteer/pro bono leave, and various other opportunities. We equip employees with insights and experiences beyond their routine tasks, empowering them to actively shape and propel their careers forward.

4. Health

Pigeon Corporation has been recognized as a Health & Productivity Management Outstanding Organization 2024 (Large Enterprise Category) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (“Japan Health Council”), showcasing its commitment to exemplary health management practices. Striving to create a workplace where employees can work energetically and maintain good health, we have established a health management promotion system directly under the President and CEO. Collaborating with industrial physicians and health insurance associations, we are dedicated to improving employees’ exercise habits and health literacy.



5. Culture and environment

In Japan, we have implemented the Pigeon Frontier Awards (PFA) system to support and recognize forward-thinking employees who embrace challenges without fear of failure, allowing us to leverage their strengths to the fullest. Through this system, we invite all employees to submit innovative ideas and new business concepts. Outstanding proposals are not only rewarded but also developed with the potential for future commercialization.

All employees, regardless of their employment status—be it regular, temporary, casual, or part-time—are eligible to apply if they possess a strong desire and unwavering dedication to realizing their ideas. Since introducing the system, we have received applications from a wide range of departments.

Through the PFA initiative, we aim to foster an environment where employees can find joy in their work and clarify their career aspirations, ultimately contributing to the creation of new high-value-added products and services. To learn more about the philosophy behind projects born from the PFA, such as the new bottle cap and straw cap designed for the Bonyu Jikken® nursing bottles, please visit our website.

Website <https://push.pigeon.info/article-63.html> (Japanese only)



Kaori Nagata, leader of the project for recycling Bonyu Jikken® nursing bottles, was awarded the Grand Prize at PFA 2022. (At the time of the PFA submission, she was employed as a temporary worker and was promoted to a regular employee in 2023.)

6. Health and safety

Pigeon Corporation is committed to initiatives centered on health management as measures for promoting the maintenance and enhancement of health. In addition, as part of efforts to establish a safe and comfortable workplace environment, we determine and implement measures through discussions in the Health and Safety Committee and the Central Health and Safety Committee, aiming to safeguard both the well-being of employees and the integrity of the workplace.

7. Work style

Pigeon Corporation has been implementing various measures to promote a work-life balance and enhance productivity under the work-style reform slogan, “Smart & Smile! Work.” These initiatives include establishing a “Dash Day” for employees to leave the office on time, adopting efficient work practices through flexible hours and telecommuting, and generally discouraging e-mails and meetings after regular working hours. 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 81.4% in 2023.

8. 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. In 2024, we launched a new grandchild support system, enabling employees to take leave upon the birth or caregiving needs of their grandchildren.



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
PP. 52-54

Reinforcing compliance
P. 55

Reinforcing risk management
P. 57

Dialogue with stakeholders
P. 13

Corporate Governance

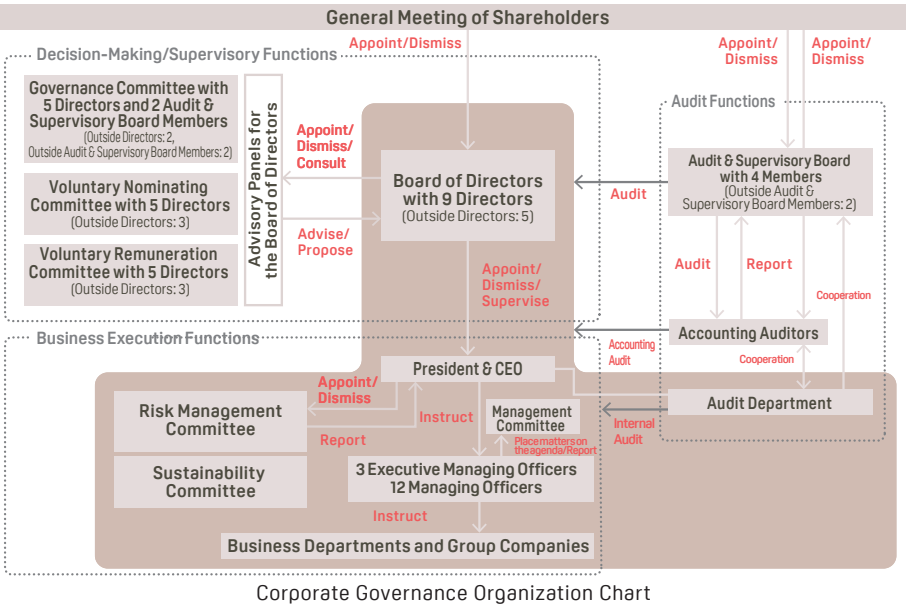
The Company adopts the system of a company with Audit & Supervisory Board Members and has made rigorous legal audits by Audit & Supervisory Board Members the basis of compliance management. The primary management structures (meeting bodies) are as follows: The Board of Directors comprises nine members (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, headed by the President and CEO, comprises standing Directors and Senior Managing Officers. The Company is working to enhance the diversity of each of the meeting bodies. In addition, the Company adopts a mandatory executive officer system to provide for mutual partnership between decision-making and oversight (governance) of 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 2023. Furthermore, apart from Board meetings, we hold a meeting on future strategies biannually to eliminate information asymmetry among Directors and Audit & Supervisory Board Members and for them to discuss the Group’s management issues and strategies from a medium- to long-term viewpoint.

In addition to the Voluntary Nominating and Remuneration committees, for which the chair and a majority are Independent Outside Directors, we established the Governance Committee in 2021 as an advisory panel to the Board of Directors aimed at further strengthening corporate governance in the Pigeon Group. 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 audit policy and segregation 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 opinion.

Under the current management structure, centered on the Board of Directors, the Audit & Supervisory Board, and the Management Committee, Pigeon is working to improve corporate governance by expanding the diversity of the Board of Directors through the appointment of more 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.



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 Independent 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. In fiscal 2023, we looked at measures to realize human capital management, reviewed amendments to the Articles of Incorporation (business purposes), followed up on the performance of the functions of the Global Head Office, confirmed the progress of governance issues overall, and implemented the evaluation of the effectiveness of the Board of Directors (analysis of evaluation results and consideration of countermeasures).

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.

Evaluating the Effectiveness of the Board of Directors

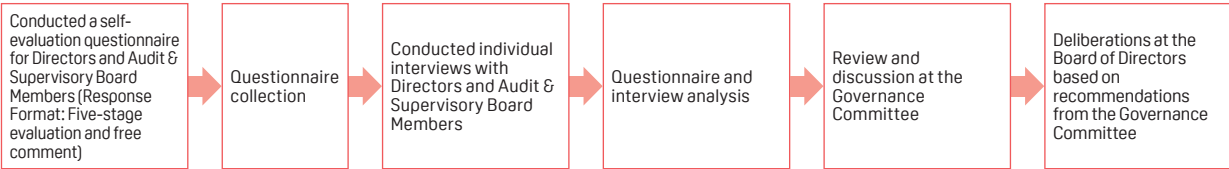
The Company conducts an annual evaluation of the effectiveness of the Board of Directors with the aim of strengthening the Board and improving its governance.

Regarding the effectiveness evaluation and analysis methods implemented in fiscal 2023

【Implementation period】 October–November 2023

【Respondents】 Directors and Audit & Supervisory Board Members (total: 13 people)

【Implementation procedure】



【Questionnaire items】

- (i) The role and function of the Board of Directors
- (ii) The composition and size of the Board of Directors
- (iii) Operation of the Board of Directors
- (iv) Coordination with auditors
- (v) Providing opportunities for Outside Directors’ success
- (vi) Engagement with shareholders and investors
- (vii) Advisory panels (Voluntary Nominating Committee, Voluntary Remuneration Committee, and Governance Committee)

Please refer to the following page for fiscal 2022 issues and initiatives, fiscal 2023 evaluation results and issues, and future efforts.

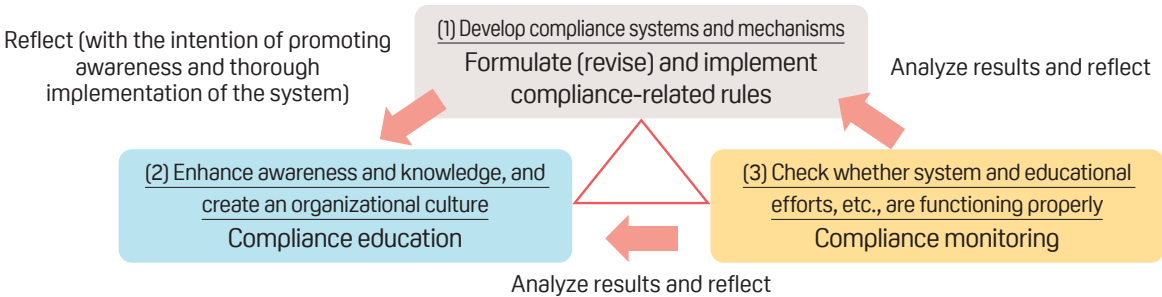
Evaluating the Effectiveness of the Board of Directors

Regarding fiscal 2022 issues, fiscal 2023 evaluation results and issues, and future efforts

Issues identified at the fiscal 2022 evaluation	The Company set the following issues to be addressed in the future to realize the Purpose of the Pigeon Way. <ul style="list-style-type: none">Continuous operational improvements aimed at further invigorating discussions by the Board of Directors, such as strengthening discussions and progress checks on Key Issues (Materiality).
Initiatives in fiscal 2023	The Company continuously addressed operational improvements aimed at further invigorating discussions by the Board of Directors, focusing on the following: <ul style="list-style-type: none">Selected Key Issues (Materiality) to be discussed at the Board of Directors meeting in fiscal 2023, set them as agenda items for the Board of Directors meeting schedule in advance, and discussed them.With the appointment of an outside director as the chairman of the Board of Directors, we secured time for discussion at the Board meetings by streamlining Board operations, such as by holding preliminary briefings and applying bulk deliberations.
fiscal 2023 evaluation results and issues	<p>The Company confirmed that the Company’s Board of Directors and advisory panels make appropriate decisions through open and active discussions, taking advantage of the diverse expertise, values, and perspectives of its Outside Directors and other members, and that they play an effective role in enhancing corporate value over the medium to long term.</p> <p>Regarding the issues recognized in the fiscal 2022 evaluation, we confirmed that progress has been made as follows:</p> <ul style="list-style-type: none">Among Key Issues (Materiality), new business (business portfolio), human capital/appointment of women to higher positions, and business in China were selected as agenda items. They were discussed, and progress was confirmed at the Board of Directors meeting. Regarding business in China, we also had a business trip to the country (e.g., visiting Chinese business bases), so we were able to improve our understanding and have discussions on that item.By holding a preliminary briefing and applying bulk deliberations, we were able to operate the Board of Directors meeting with a more balanced time allocation and to secure sufficient time for agenda items that require time for discussion.An outside director assumed the position of chair of the Board of Directors and facilitated listening to a wide range of opinions from inside and outside directors, which enabled more lively discussions. <p>The following issues have been identified as needing to be addressed in the future to realize the Purpose and sustainable growth.</p> <ul style="list-style-type: none">Demonstrate more advanced supervisory functions by the Board of DirectorsAchieve more substantive engagement with stakeholdersSystematic organization of officer training
Future efforts (in fiscal 2024)	<p>We will continue to review and take necessary measures to maintain and improve the effectiveness of the Board of Directors, improve corporate value, and achieve sustainable growth over the medium to long term, focusing on the following:</p> <ul style="list-style-type: none">Demonstrate more advanced supervisory functions by the Board of Directors: Strengthen confirmation and supervision of important matters including Group governanceAchieve more substantive engagement with stakeholders: Further enhance information disclosure given requests for “efforts to realize management with an awareness of capital costs and stock prices”Systematic organization of officer training: Organize officer trainings specific to internal, external, and newly appointed personnel, and expand as necessary

Compliance

The Pigeon Group has been implementing compliance-related measures with a focus on the following three pillars. We are examining and implementing these measures to 1) prevent compliance violations and 2) detect and resolve compliance violations as soon as possible. Compliance-related measures are reported annually to the Board of Directors.



- (1) Compliance-related rules
- 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. Based on the Corporate Ethics Guidelines, the Group is committed to ensuring that every employee complies with all laws, regulations, social norms, and their spirit and takes actions with the highest sense of ethics and integrity, thereby earning more trust and support from stakeholders. Moreover, in the three areas that are considered to pose a particularly high risk within the entire Group—“Anti-bribery and Corruption,” “Antitrust Compliance,” and “Information Management”—we have established “Compliance Policies” that outline specific actions to be taken and the necessary systems and mechanisms. Furthermore, to detect and resolve compliance violations, we have the following internal reporting systems in place: the “Speak-Up Desks” (for Pigeon Group employees to make reports through three contact points: the Audit & Supervisory Board Members, the Legal Department, and a corporate attorney) and the “Pigeon Partners Line” (for customers to make reports through two contact points: the Legal Department and a corporate attorney). For the Speak-Up Desks, we launched a multilingual reporting system that ensures anonymity in 2023. If a problem is found in or outside the Company, the Risk Management Committee or the person in charge of the internal reporting system, such as Audit & Supervisory Board Members, investigates the facts and responds to the report, giving due consideration to the protection of the person who made the report, and the Risk Management Committee takes measures to prevent recurrence as necessary. When responding to the reports made through these systems, we consult with a corporate attorney as necessary to ensure the legality of our responses and solutions. In fiscal 2023, there were six Speak-Up Desk reports and zero Pigeon Partners Line reports.
- (2) Compliance education
- The Pigeon Group aims to raise the compliance awareness of all Group employees by providing them with compliance education based on the Pigeon DNA and the Pigeon Way, the Corporate Ethics Guidelines, the Compliance Policy, the internal reporting at the Company and Group companies in Japan and overseas.
- In 2023, we provided employees with training with a focus on the internal reporting system and the Compliance Policy. Through the training, all Group employees learned how to utilize the new internal reporting system launched in 2023 in reference to our own created materials and deepened their understanding of the Compliance Policy through case studies. After the training, participants were asked to reply to a questionnaire, and the results have been utilized to improve the content of our compliance education and training. In addition, we circulated the monthly “Pigeon Compliance Communication” newsletter to employees of the Company and all domestic Group companies on the theme of the Group’s internal reporting system and the Compliance Policy, with an eye to instilling the compliance that employees should practice in their daily work.
- (3) Compliance monitoring
- By regularly conducting compliance monitoring for all domestic and overseas Group employees, we identify and analyze compliance risks in the Group. We then reflect the results in the compliance rules and education described above, aiming to reduce the compliance risks of the Group and raise awareness toward compliance of the employees and executives of the Group.
- In 2023, we conducted compliance monitoring, and tabulated and analyzed the results for the entire Group and for each Group company. Based on the results for the entire Group, we identified issues such as the lack of knowledge about the internal reporting system including the details of the protection given to whistleblowers, as well as the tendency to prioritize business performance. Accordingly, we will examine and implement specific compliance measures to be implemented in and after 2024 to raise employees’ awareness and understanding about the internal reporting system and the importance of giving priority to compliance.

Tax Initiatives

The Pigeon Group has established the Global Tax Policy as a group regulation based on a resolution by the Board of Directors. The policy outlines matters such as the ultimate responsibility for tax management within the Group, our approach to tax payment, and the policy for tax risk management.

〈Global Tax Policy〉

Pigeon Group has established Corporate Ethics Guideline as a universal guideline to implement compliance (compliance with laws and corporate ethics) management. We comply with all laws and regulations, social norms and their spirit, and each and every employee is expected to act in good faith with higher ethical standards.

Approach to Tax Payment

We believe it is essential to commit to the society through tax contributions to realize our Purpose. Further, we believe that appropriate tax operations will contribute to our business growth and maintain trust from our stakeholders. Based on this belief, we define the roles of each member engaged in tax activities, and in order to ensure tax compliance, established and published Global Tax Policy based on the resolution of the Board of Directors.

Governance Structure

The Board of Directors of Pigeon Corporation (hereinafter referred to as “Pigeon”) is ultimately responsible for the tax operations of the Pigeon Group. The Global Head Office Accounting & Finance Managing Officer of Pigeon formulates and executes tax policies based on delegation from the Board of Directors.

Compliance

We act as a good corporate citizen in all countries and jurisdictions we operate in with a high sense of ethics. We are committed to paying the right amount of tax at the right time. We comply with all relevant laws and regulations, following both the spirit and the letter of the law.

Ensuring Transparency

We disclose our approach to tax and strive to ensure transparency.

Tax Incentives and our Relationships with Tax Authorities

When considering the use of tax incentives that aligns to our commercial objectives, we ensure to maintain good relationship with tax authorities by respecting the intended objectives of the benefits. We are committed to responding to the inquiries from tax authorities in a prompt, transparent, and a courteous manner. When a conflict in opinion rises between tax authorities, we will strive to resolve the conflict through constructive dialogue.

Cross Border Transactions and Transfer Pricing

We comply with the OECD Transfer Pricing Guidelines and determine our transfer price based on the arm’s length principle. We will not use tax havens for the purpose of tax avoidance or use artificial schemes lacking commercial substance.

Tax Risk Management

Any potential tax risk that may have a material impact on the Group will be reported to the Board of Directors of Pigeon at an appropriate timing. To mitigate our tax risk for complex tax matters or issues requiring an ambiguous legal interpretation, we will consult with independent external advisors as needed.

Shareholding Status

Criteria and Considerations for Categorizing Investment Stocks

The Pigeon Group classifies stocks primarily held for benefiting from fluctuations in stock value or dividends as “investment stocks held for pure investment purposes,” while categorizing others as “investment stocks held for purposes other than pure investment.” Pigeon does not hold any “investment stocks held for pure investment purposes.”

Shareholding policy for “investment stocks held for purposes other than pure investment,” the method of verification of the rationale for shareholdings, and details of verification by the Board of Directors, etc., regarding the appropriateness of holding individual stocks

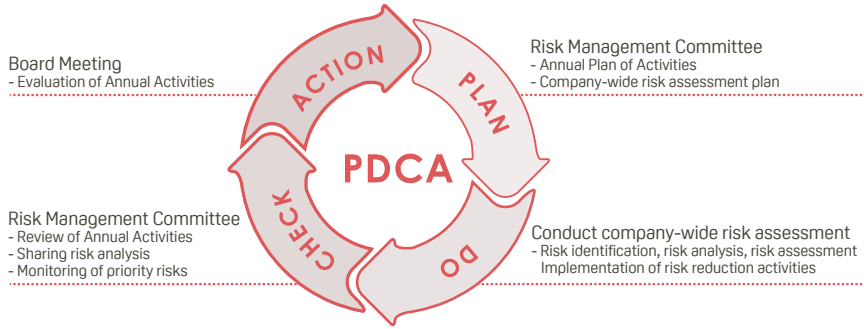
Our shareholding policy involves strategically holding shares of issuing companies when we determine that fostering synergies through strengthened relationships and collaboration associated with the shareholding will contribute to the sustainable enhancement of the Group’s corporate value over the medium to long term. When assessing the rationale for shareholdings, we verify, on a case-by-case basis, the actual returns and trading conditions based on our cost of capital, and review these, including the appropriateness of the holdings, at Board of Directors meetings. As of December 31, 2023, Pigeon held only one overseas listed stock.

Risk Management

Governed by the Pigeon Group’s Rules for Risk Management, the Global Head Office (GHO) Risk Management Committee is chaired by the director for GHO, under the supervision of the president and CEO. Reporting directly to the GHO Risk Management Committee are the Risk Management Committees of each business segment, chaired by the respective heads of operations in each segment, namely the Japan Business, the China Business, the Singapore Business, and the Lansinoh Business. This framework facilitates the collection of risk-related information across the entire Group, implements necessary controls, and enables swift response to risk issues by each segment.



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, 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 in each business segment collect, analyze, and evaluate risk information pertaining to their respective segments, including risk information related to Group companies within the same segment, and consider and implement response measures.



In addition to responses during normal times, in the event of a crisis affecting the Group, such as a large-scale disaster, the Risk Management Committee promptly convenes in accordance with the Risk Management Regulations or the Business Continuity Plan (BCP) and responds to minimize losses and restore operations. In the event of a serious risk or incident, the GHO Risk Management Committee reports to the Board of Directors on the details and results of the response, as appropriate.

Activities of the GHO Risk Management Committee (2023)

Number of meetings	Twice a year
Reports to the Board of Directors	Twice a year
Activities	<ul style="list-style-type: none">Sharing of information on Group risks and incidentsFormulating measures to mitigate key risks and manage progressReporting on the results of risk assessments conducted and risk mitigation measures implemented across the entire Group

Key Risks monitored by the GHO Risk Management Committee

- Compliance
 - Finance
 - Information security
 - Supply Chain Management (SCM)
 - Customer complaints
- Note: Human rights added in fiscal 2024

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) It 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.

(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 GH0/4SBU 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	

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 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), the 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 %

<Indicators related to the Key Issues for bonuses and stock remuneration and reason for selection>

Indicators and achievement rates related to Key Issues for bonuses and stock remuneration are shown below.

Remuneration	Key Issues	Indicators	Reason for Selection	Weight	Target Value	2023 Achievement Rate
Bonuses	Enhancing Business Competitiveness and Resilience	Increase in ratio of wide-neck nursing bottles	High-quality nursing bottles and nipples that can be used with peace of mind, developed based on intensive research into babies’ sucking behavior, are among Pigeon’s strengths. Expanding our range of wide-neck nursing bottles, which embody our research findings, is crucial for enhancing our business competitiveness and resilience.	5 %	Set by the SBU	50 %
	Establishing Solid Management Foundations	Maintenance and improvement of ESG scores	We strive to enhance corporate value (economic and social value) while concurrently seeking to strengthen governance structures that support its realization. The adoption of external agency scores allows for an objective evaluation of these initiatives.	5 %	FTSE 3.8 or higher, MSCI BBB or higher	150 %
Stock remuneration	Reducing Our Environmental Impact	Execution of the Pigeon Green Action Plan	We believe that implementing the Pigeon Green Action Plan, aimed at achieving decarbonization, a circular society, and coexistence with nature, contributes to leaving a rich earth for the future of babies born tomorrow.	5 %	Execution of the provisions of the Pigeon Green Action Plan	-
	Contributing to the Resolution of Social Issues	Diverse support and awareness activities for childcare	Executing diverse support and awareness activities for childcare helps to resolve social issues affecting babies and their families and fosters joy and happiness through parenting.	5 %	Set by the SBU	-
	Managing Talent and Cultivating the Right Culture for Our Purpose	Enhancement of employee engagement	We believe that the highest priority lies in cultivating a strong resonance with the Pigeon Way embraced by the Company, and in ensuring that each employee feels their work is deeply connected to our Purpose.	10 %	0.1 above the average score of three of our original engagement questions	-

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 the 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	
<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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

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: 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 61).
- (iii) Required competencies
- The required competencies of the CEO are determined based on the “Responsibilities and authority” referenced above (see the table on page 61).

<Standards for the appointment and dismissal of senior management, Directors, and the CEO>
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 actions have been taken 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)

<CEO 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 of Directors>
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 the 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 Voluntary Nominating Committee		
<ul style="list-style-type: none">• Executive nomination policy• Personnel requirements for the CEO• Standards for the appointment and dismissal of Directors• Succession planning for Independent Outside Directors	<ul style="list-style-type: none">• Roles of the Chairman of the Board• Succession planning for the CEO and management• Term of office and tenure for Directors• Improving the effectiveness of the Voluntary Nominating Committee	<ul style="list-style-type: none">• Skill matrix of the Board of Directors• Candidates for Director

Table (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.

Table (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 28, 2024)



President and CEO
Norimasa Kitazawa
Number of the Company's common shares held: 44,416
(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: 16,989
(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: 3,991
(Includes 0 shares to be granted based on the stock remuneration system)



Outside Director
Chairman of the Board
Rehito Hatoyama
(Appointed in April 2016)
Number of the Company's common shares held: 3,900



Outside Director
Chiaki Hayashi
(Appointed in March 2020)
Number of the Company's common shares held: 2,500



Outside Director
Eriko Yamaguchi
(Appointed in March 2020)
Number of the Company's common shares held: 500



Outside Director
Yumiko Miwa
(Appointed in March 2022)
Number of the Company's common shares held: 1,300



Outside Director
Hidenori Nagaoka
(Appointed in March 2024)
Number of the Company's common shares held: 0

Audit & Supervisory Board Members (As of March 28, 2024)



Audit & Supervisory Board Member
Hiroshi Nishimoto
Number of the Company's common shares held: 2,600



Audit & Supervisory Board Member
Koji Ishigami
Number of the Company's common shares held: 43,000



Outside Audit & Supervisory Board Member
Koichi Otsu
(Appointed in April 2019)
Number of the Company's common shares held: 7,200



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

Note: Number of the Company's common shares held is as of December 31, 2023.

Managing Officers (As of March 28, 2024)

Zenzou Yamaguchi

Senior Managing Officer
Head of Japan Operations

Nobuo Takubo

Business Strategy Division Manager

Takashi Arai

Accounting & Finance Division Manager

Eiko Yamanaka

Research & Development Division Manager

Masatoshi Oguchi

Baby Care Business Division Manager

Katsushi Tsutsui

Deputy Division Manager of
Singapore Business Division

Yusuke Nakata

Senior Managing Officer
Singapore Business Division Manager

Takatoshi Urakari

Deputy Division Manager of Business Strategy Division

Takanori Tsuru

Related Business Division Manager

Kazuyuki Tajima

SCM Division Manager

Akira Okamoto

Seconded to Pigeon (Shanghai) Co., Ltd.

Koji Matsutori

Deputy Division Manager of
Lansinoh Business Division

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 respective body. For this reason, we have clarified the areas of expertise of each in the following table (Skills Matrix), based on a resolution by the Voluntary Nominating Committee. Each area of expertise has been selected based on the relationships among 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 can beget 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										Committee members ◎Chairperson ○Members		
		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	Nomination	Compensation	Solving societal issues
Directors	Norimasa Kitazawa President & CEO	○	○	○	○		○					○	○	○
	Tadashi Itakura Director, Senior Managing Executive Officer				○	○		○	○	○		○	○	○
	Kevin Vyse-Peacock Director, Executive Officer	○	○	○	○		○							
	Ryo Yano Director, Executive Officer	○	○	○			○	○						○
	Rehito Hatoyama Outside Director and Chairman of the Board	○		○			○		○	○				○
	Chiaki Hayashi Outside Director	○			○		○	○			○		○	◎
	Eriko Yamaguchi Outside Director	○		○	○		○				○	○		
	Yumiko Miwa Outside Director							○	○		○	◎	◎	
Audit & Supervisory Board Members	Hidenori Nagaoka Outside Director	○					○		○	○		○	○	
	Hiroshi Nishimoto Audit & Supervisory Board Member		○			○								
	Koji Ishigami Audit & Supervisory Board Member	○	○					○						
	Koichi Otsu Outside Audit & Supervisory Board Member								○	○				○
	Atsuko Taishido Outside Audit & Supervisory Board Member									○	○			○

*1 A maximum of five main areas of expertise are presented for each person
*2 SCM: Supply Chain Management

Committee Members

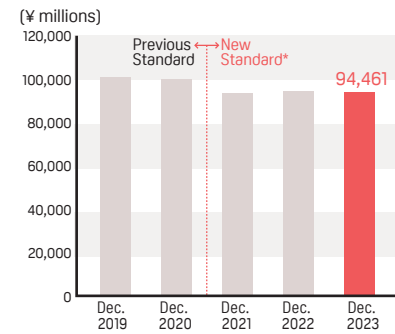
The Company has established the three committees shown below as advisory panels to the Board of Directors. Each committee is chaired by an independent outside director, and outside officers constitute the majority of members.

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

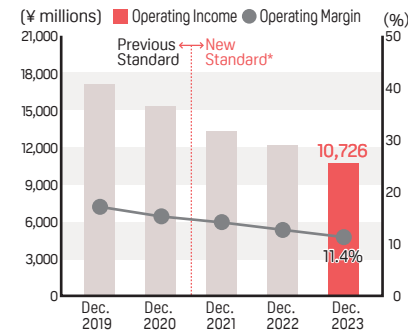
Financial and Nonfinancial Highlights/Financial Data

Financial Highlights

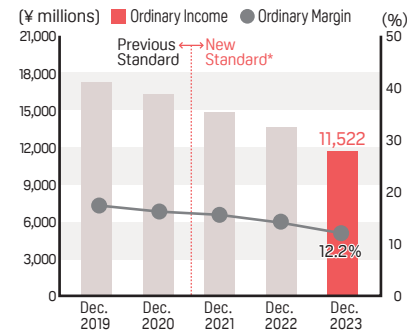
Net Sales



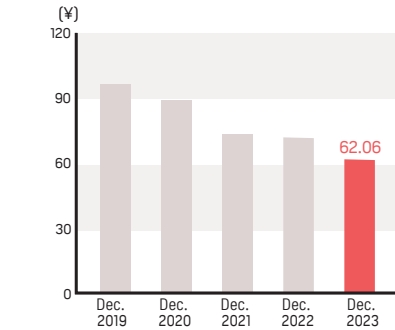
Operating Income/Operating Margin



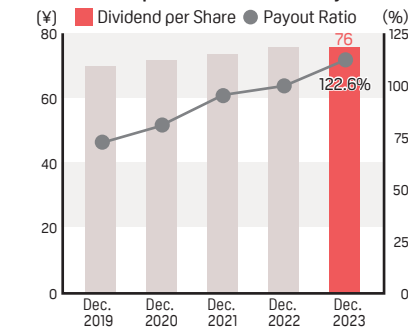
Ordinary Income/Ordinary Margin



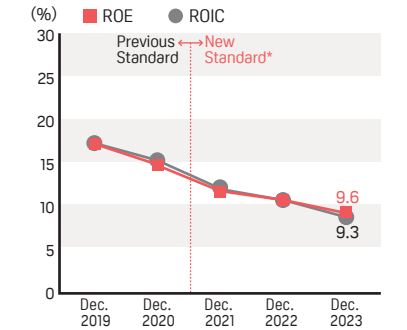
EPS



Cash Dividend per Share/Dividend Payout Ratio

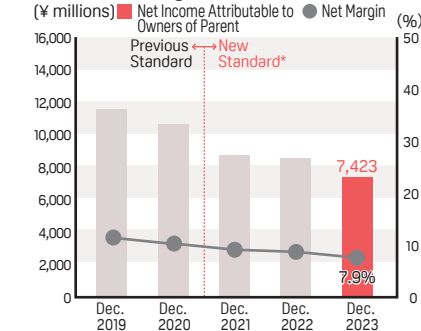


ROE*/ROIC*2

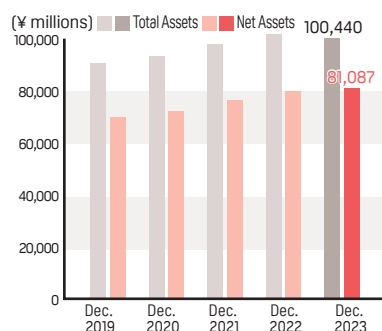


*1 Return on equity: The denominator is the average of the figures at the beginning and end of the fiscal year.
*2 Return on invested capital: The denominator is the average of the figures at the beginning and end of the fiscal year. This figure is calculated using a tax rate of 30.0%.

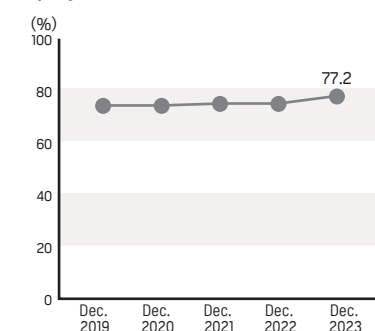
Net Income Attributable to Owners of Parent/Net Margin



Total Assets/Net Assets

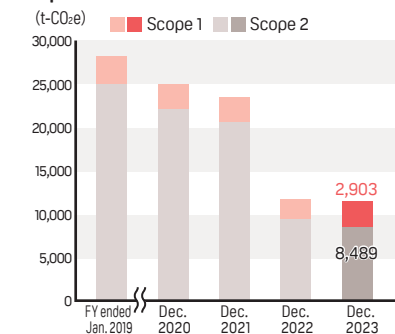


Equity Ratio



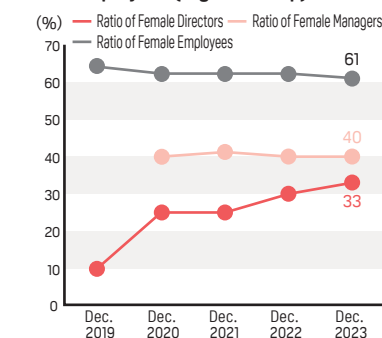
Nonfinancial Highlights

Scope 1 and 2 GHG Emissions



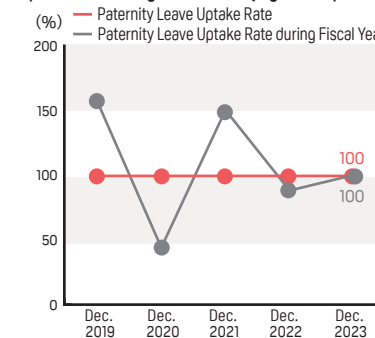
Scope of data collection: Pigeon Corporation and its domestic and overseas consolidated subsidiaries

Ratio of Female Directors, Managers, and Employees (Pigeon Group)



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

Paternity Leave Uptake Rate*1 and Paternity Leave Uptake Rate during Fiscal Year*2 (Pigeon Corporation)



Scope of data collection: Pigeon Corporation
*1 Proportion of eligible individuals who utilized the system during the period when parental leave could be taken
*2 Uptake rate during the fiscal year the child was born based on the calculation formula of the Ministry of Health, Labour and Welfare

Note: 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 standard as of fiscal 2020, whereas the "New Standard" refers to actual results after the change in accounting standard.

Financial Data

Consolidated Balance Sheets

Item	FY ended	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Assets						
Cash and Deposits		32,416	37,163	35,218	34,283	34,357
Notes and Accounts Receivable—Trade		16,588	15,085	16,253	15,975	14,412
Merchandise and Finished Goods		8,144	8,256	8,723	10,529	9,575
Other Current Assets		4,783	4,724	6,059	6,355	6,454
Total Current Assets		61,933	65,231	66,254	67,143	64,800
Tangible Fixed Assets		22,494	23,262	27,093	30,132	31,952
Intangible Fixed Assets		3,863	2,957	2,572	2,308	1,483
Investment Securities		950	687	532	547	558
Total Investments and Other Assets		1,250	1,333	1,590	1,601	1,644
Total Fixed Assets		28,558	28,241	31,788	34,590	35,639
Total Assets		90,491	93,472	98,042	101,733	100,440
Liabilities						
Notes and Accounts Payable—Trade		4,900	4,757	4,087	5,066	3,643
Accounts Payable		2,660	2,727	2,253	2,373	2,353
Income Taxes Payable		1,272	1,906	1,180	989	495
Accrued Bonuses to Employees		928	952	882	920	923
Other Current Liabilities		5,876	5,320	6,668	6,212	6,116
Total Current Liabilities		15,638	15,664	15,072	15,563	13,532
Long-Term Borrowings		—	—	—	—	—
Other Fixed Liabilities		4,389	5,181	6,159	6,217	5,820
Total Fixed Liabilities		4,389	5,181	6,159	6,217	5,820
Total Liabilities		20,028	20,846	21,232	21,781	19,352
Net Assets						
Capital Stock		5,199	5,199	5,199	5,199	5,199
Capital Surplus		5,179	5,179	5,179	5,132	5,132
Retained Earnings		58,979	61,120	61,163	60,762	59,033
Treasury Stock		△ 1,088	△ 1,478	△ 1,479	△ 1,387	△ 1,488
Valuation Difference on Available-for-Sale Securities		25	13	16	26	33
Foreign Currency Translation Adjustment		△ 572	△ 129	3,805	6,962	9,672
Non-Controlling Interests		2,741	2,722	2,925	3,257	3,505
Total Net Assets		70,463	72,625	76,810	79,952	81,087
Total Liabilities and Net Assets		90,491	93,472	98,042	101,733	100,440

Note: Figures less than one million yen are truncated.

Equity Ratio, ROE, and ROIC

Item	FY ended	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Equity Ratio		74.8	74.8	75.4	75.4	77.2
ROE		17.5	15.5	12.2	11.4	9.6
ROIC		17.4	15.0	12.5	10.9	9.3

Note: 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 30.0%. Invested capital is the average of the beginning and end of the fiscal year.

Financial Data

Consolidated Statements of Income

(¥ millions)

Item	FY ended	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Net Sales		100,017	99,380	93,080	94,921	94,461
Cost of Sales		49,216	49,459	49,008	50,087	49,008
Gross Profit		50,800	49,921	44,072	44,834	45,452
Gross Margin (%)		50.8	50.2	47.3	47.2	48.1
Selling, General and Administrative Expenses		33,727	34,605	30,735	32,638	34,726
Operating Income		17,072	15,316	13,336	12,195	10,726
Operating Margin (%)		17.1	15.4	14.3	12.8	11.4
Non-Operating Income		1,136	1,406	1,427	1,418	1,126
Non-Operating Expenses		924	608	115	149	329
Ordinary Income		17,284	16,113	14,648	13,465	11,522
Ordinary Margin (%)		17.3	16.2	15.7	14.2	12.2
Extraordinary Income		121	38	65	7	29
Extraordinary Loss		300	315	1,182	329	397
Income before Income Taxes		17,104	15,836	13,531	13,143	11,154
Income Taxes—Current		5,067	4,715	4,690	4,678	3,778
Income Taxes—Deferred		267	261	△138	△296	△186
Net Income		11,769	10,860	8,979	8,761	7,561
Net Income Attributable to Non-Controlling Interests		230	216	193	179	137
Net Income Attributable to Owners of Parent		11,538	10,643	8,785	8,581	7,423

Note: Figures less than one million yen are truncated.

Consolidated Statement of Cash Flows

(¥ millions)

Item	FY ended	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Cash Flows from Operating Activities		14,098	18,400	10,893	13,210	14,523
Cash Flows from Investing Activities		△3,995	△3,815	△5,593	△5,659	△5,467
Cash Flows from Financing Activities		△8,734	△9,231	△8,693	△9,666	△10,256
Effect of Exchange Rate Changes on Cash and Cash Equivalents		98	△718	1,560	1,180	1,275
Net Increase (Decrease) in Cash and Cash Equivalents		1,467	4,634	△1,832	△934	74
Cash and Cash Equivalents at Beginning of Period		30,949	32,416	37,050	35,218	34,283
Cash and Cash Equivalents at End of Period		32,416	37,050	35,218	34,283	34,357

Note: Figures less than one million yen are truncated.

Data per Share

	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
EPS (yen)	96.37	88.93	73.44	71.72	62.06
Cash Dividend (yen)	70.00	72.00	74.00	76.00	76.00
Dividend Payout Ratio (%)	72.7	81.0	100.9	106.1	122.6
BPS (yen)	565.64	584.30	617.59	640.96	648.73

Nonfinancial Data

Employee Data (As of December 31 in each year)

Item	FY ended	December 2021	December 2022	December 2023
Pigeon Group	Number of employees (persons)	3,935	3,803	3,618
	Ratio of female employees (%)	62%	62%	61%
	Ratio of non-Japanese employees*1 (%)	66%	67%	67%
	Number of managers (persons)	469	441	455
	Japan (persons)	153	145	149
	Overseas (persons)	316	296	306
	Ratio of female managers (%)	41%	40%	40%
	Japan (%)	29%	30%	33%
	Overseas (%)	48%	45%	44%
	Voluntary turnover of regular employees (%)	15%	19%	16%
Pigeon Corporation	Number of employees (persons)	368	345	334
	Ratio of female employees (%)	41%	41%	41%
	Number of managers (persons)	71	65	71
	Ratio of female managers (%)	24%	26%	27%
	Mid-career hires at management positions (%)	42%	46%	52%
	Ratio of non-Japanese managers (%)	—	2%	1%
	Voluntary turnover of regular employees (%)	2%	5%	6%
	Wage differential between males and females*2 (%)	—	63.4%	58.4%
	Regular employees*2 (%)	—	78.3%	69.4%
	Non-regular employees*2 (%)	—	45.5%	50.5%
	Average length of service (years)	14.8	15.2	15.5
	Males (years)	16	17	18
	Females (years)	13	13	12
	Number of new-graduate hires (persons)	8	3	10
	Number of mid-career hires (persons)	5	5	4

*1 Ratio of employees with nationality other than Japanese.

*2 The aggregation period is from January 1 to December 31 in each year, calculated in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015). Wages include basic salary, bonuses, and other standard wages. There is no difference in wages based on gender for equal work performed by employees. The primary factors contributing to wage disparities in regular employees include differences in the proportion of male and female employees in management positions, where bonuses make up a higher proportion of annual earnings, as well as variations in average length of service. As for non-regular employees, the disparity arises from the fact that while men tend to be full-time workers, women are more likely to work part-time hours.

Officer Data (As of December 31 in each year)

Number of directors (persons)	12	10	9
Ratio of female directors (%)	25%	30%	33%
Ratio of Outside Directors (%)	42%	50%	56%
Ratio of non-Japanese directors (%)	8%	10%	11%
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)	11	12	10
Ratio of female managing officers (%)	9%	8%	0%

Environmental Data (As of December 31 in each year)

GHG emissions (Scope 1 and Scope 2)*1 (t-CO ₂ e)	23,510	11,741	11,392
GHG emissions (Scope 3)*1 (thousand t-CO ₂ e)	234.1	205.8	Being calculated
Non-recycled industrial waste generated*2 (tonnes)	271	198	153
Reuse and recycling ratio (%)	93%	94%	95%

*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 GHG 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/
External Evaluation and Related Items/
Pigeon Group Business Structure

Corporate Data (As of December 31, 2023)


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 URLs: 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 fiscal 2019 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	334 (Japan, full-time employees) /3,618 (worldwide, includes part-time employees)

Consolidated Subsidiaries (26 companies) (As of December 31, 2023)


- PIGEON HOME PRODUCTS CORPORATION
 - PIGEON HEARTS CORPORATION
 - PIGEON MANUFACTURING HYOGO CORPORATION
 - PIGEON MANUFACTURING IBARAKI CORPORATION
 - PIGEON TAHIRA CORPORATION
 - PIGEON MANAKA CORPORATION^{Note}
 - PIGEON SINGAPORE PTE. LTD.
 - PIGEON INDIA PVT. LTD.
 - PIGEON MALAYSIA (TRADING) SDN. BHD.
 - PT PIGEON BABY LAB INDONESIA
 - PIGEON BABY LAB KENYA LTD.
 - PIGEON INDUSTRIES (THAILAND) CO., LTD.
 - PT PIGEON INDONESIA
 - THAI PIGEON CO., LTD.
- PIGEON (SHANGHAI) CO., LTD.
 - PIGEON AMERICA INC.
 - PIGEON MANUFACTURING (SHANGHAI) CO., LTD.
 - PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.
 - DOUBLEHEART CO. LTD.
 - LANSINOH LABORATORIES, INC.
 - LANSINOH LABORATORIES MEDICAL DEVICES DESIGN INDUSTRY AND COMMERCE LTD. CO.
 - LANSINOH LABORATORIES BENELUX NV
 - LANSINOH LABORATORIES SHANGHAI
 - LANSINOH LABORATORIES (HONGKONG) CO. LTD.
 - LANSINOH LABORATORIES UK LTD.
 - LANSINOH LABORATORIES FRANCE SAS

Note: As for Pigeon Manaka Corporation, on April 1, 2024, we transferred our entire holding of Pigeon Manaka Corporation (67.0% of voting rights) to Marumitsu Corporation.


External Evaluation and Related Items (As of May 31, 2024)




JPX-NIKKEI 400




FTSE Blossom Japan Index




FTSE Blossom Japan Sector Relative Index




S&P/JPX Carbon Efficient Index




2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)




Morningstar Japan ex-REIT Gender Diversity Tilt Index




FTSE4Good



MSCI ESG RATINGS AA



2023 年度 奨励賞



2024 健康経営優良法人

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Pigeon Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index are used by a wide variety of market participants to create and assess responsible investment funds and other products. FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Pigeon Corporation has been independently assessed according to the FTSE 4Good criteria and has satisfied the requirements to become a constituent of the FTSE 4Good Index Series. Created by the global index provider FTSE Russell, the FTSE 4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE 4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products. Please refer to our website for details of the Morningstar Japan ex-REIT Gender Diversity Tilt Index.¹⁾

Pigeon Group Business Structure (As of December 31, 2023)

	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	—	Sales, R&D of maternity and baby products
	● Pigeon Home Products Corporation ^{*2}	Japan	100%	Manufacture of toiletries
	● Pigeon Hearts Corporation	Japan	100%	Child-minding and daycare services, preschool education services
	● Pigeon Manufacturing Hyogo Corporation ^{*2}	Japan	100%	Manufacture of non-woven products
	● Pigeon Manufacturing Ibaraki Corporation ^{*2}	Japan	100%	
	● Pigeon Tahira Corporation	Japan	100%	Sale of elder care products
	● Pigeon Manaka Corporation ^{Note}	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 such as nursing bottles, skincare products, and cleaning and disinfecting products
	● PIGEON AMERICA INC. ^{*1}	United States	100% (100.0%)	Sale of maternity and baby products such as nursing bottles
	● PIGEON MANUFACTURING (SHANGHAI) CO., LTD. ^{*2}	China	100%	Manufacture and R&D of maternity and baby products such as nursing bottles, skincare products, and breast pads
	● PIGEON INDUSTRIES (CHANGZHOU) CO., LTD. ^{*2}	China	100%	Manufacture of maternity and baby products such as nursing bottles, skincare products, and breast pads
	● DOUBLEHEART CO. LTD.	South Korea	100%	Sale of maternity and baby products such as nursing bottles, skincare products, and cleaning and disinfecting products
Singapore Business	● PIGEON SINGAPORE PTE. LTD. ^{*2}	Singapore	100%	Sale of maternity and baby products such as nursing bottles, skincare products, and breast pumps
	● ● PIGEON INDIA PVT. LTD. ^{*1,2}	India	100% (0.1%)	Manufacture and sale of maternity and baby products such as nursing bottles and breast pumps
	● PIGEON MALAYSIA (TRADING) SDN. BHD. ^{*1}	Malaysia	100% (100.0%)	Sale of maternity and baby products such as nursing bottles, skincare products, and breast pumps
	● PT PIGEON BABY LAB INDONESIA ^{*1}	Indonesia	100% (100.0%)	Sale of maternity and baby products such as nursing bottles, skincare products, and breast pumps
	● PIGEON BABY LAB KENYA LTD.	Kenya	100%	Sale of maternity and baby products
	● PIGEON INDUSTRIES (THAILAND) CO., LTD. ^{*2}	Thailand	97.5%	Manufacture of maternity and baby products such as nursing bottles, wet wipes, and nipple care products
	● PT PIGEON INDONESIA ^{*1,2}	Indonesia	65% (65.0%)	Manufacture of maternity and baby products such as nursing bottles and nipple care products
	● THAI PIGEON CO., LTD. ^{*2}	Thailand	53%	Manufacture of maternity and baby products such as nursing bottles, wet wipes, and nipple care products
Lansinoh Business	● LANSINOH LABORATORIES, INC. ^{*3}	United States	100%	Sale of maternity and baby products such as nipple care products, breast pumps, and breast milk storage bags
	● LANSINOH LABORATORIES MEDICAL DEVICES DESIGN INDUSTRY AND COMMERCE LTD. CO. ^{*1,2}	Turkey	100% (99.9%)	Manufacture of maternity and baby products such as breast pumps and nursing bottles
	● LANSINOH LABORATORIES BENELUX NV ^{*1}	Belgium	100% (100.0%)	Sale of maternity and baby products such as nipple care products, breast pumps, and breast milk storage bags
	● LANSINOH LABORATORIES SHANGHAI ^{*1}	China	100% (100.0%)	
	● LANSINOH LABORATORIES (HONGKONG) CO. LTD. ^{*1}	China	100% (100.0%)	
	● LANSINOH LABORATORIES UK LTD. ^{*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).
Note: As for Pigeon Manaka Corporation, on April 1, 2024, we transferred our entire holding of Pigeon Manaka Corporation (67.0% of voting rights) to Marumitsu Corporation.

Stock Data (As of December 31, 2023)

● Shares authorized 360 million ● Total number of shareholders 48,777 ● Treasury stock 1,893,833

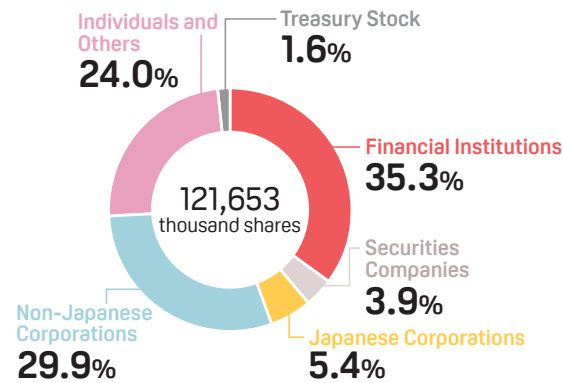
● Shares issued 121,653,486 ● Number of shareholders with voting rights 43,026

Major Shareholders (As of December 31, 2023)

Shareholder Name	Number of Shares (Thousands)	Ownership* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	22,815	19.1
Custody Bank of Japan, Ltd. (Trust Account)	10,660	8.9
BNYMSANV RE MIL RE FIRST SENTIER INVESTORS ICVC - STEWART INVESTORS ASIA PACIFIC LEADERS SUSTAINABILITY FUND	5,283	4.4
STATE STREET BANK CLIENT OMNIBUS OM04	2,211	1.8
THE BANK OF NEW YORK MELLON 140051	2,090	1.7
Yoichi Nakata	1,944	1.6
Y.N. Corporation	1,678	1.4
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,550	1.3
STATE STREET BANK WEST CLIENT - TREATY 505234	1,442	1.2
The Nomura Trust and Banking Co., Ltd. (Trust Account)	1,349	1.1

*Pigeon holds 1,893,833 treasury shares, which are excluded from the aforementioned major shareholders. Shareholding ratios are calculated after deducting treasury shares. Note that treasury shares do not include the number of shares held in the Board Incentive Plan for Directors (BIP) Trust Account (169,948 shares).

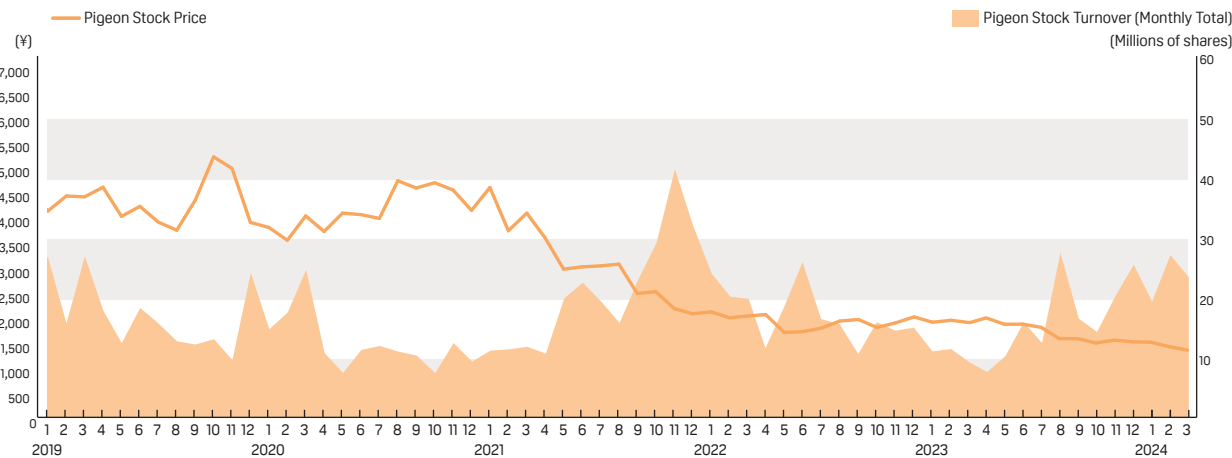
Share Breakdown by Shareholder Type (As of December 31, 2023)



	Number of shares*
Financial Institutions	42,962 (thousands)
Non-Japanese Corporations	36,312 (thousands)
Individuals and Others	29,163 (thousands)
Japanese Corporations	6,613 (thousands)
Securities Companies	4,708 (thousands)
Treasury Stock	1,893 (thousands)

Note: Share distribution ratios are rounded to the first decimal place. *The number of shares held has been rounded down to the nearest unit.

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 Investor's Guide and our corporate website, which give qualitative and quantitative details of the Pigeon Group's history.



Pigeon Corporation

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