



Celebrate babies the way they are

Integrated Report 2020/12

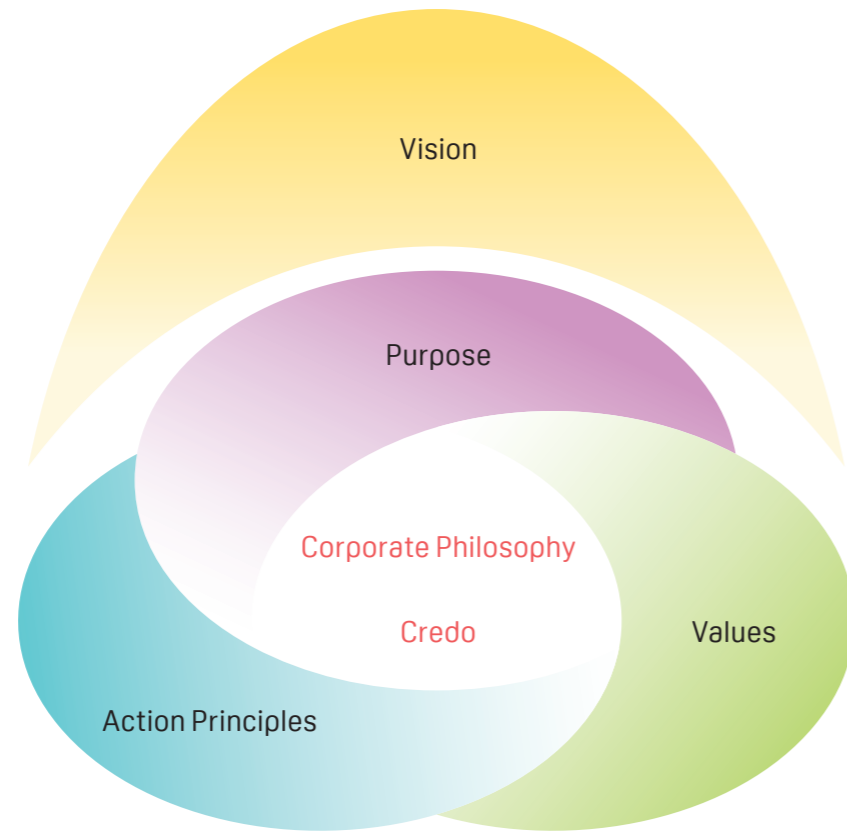
For the Year Ended December 31, 2020





The Pigeon Way

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



● Corporate Philosophy
—The essence and core of our company
Love

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

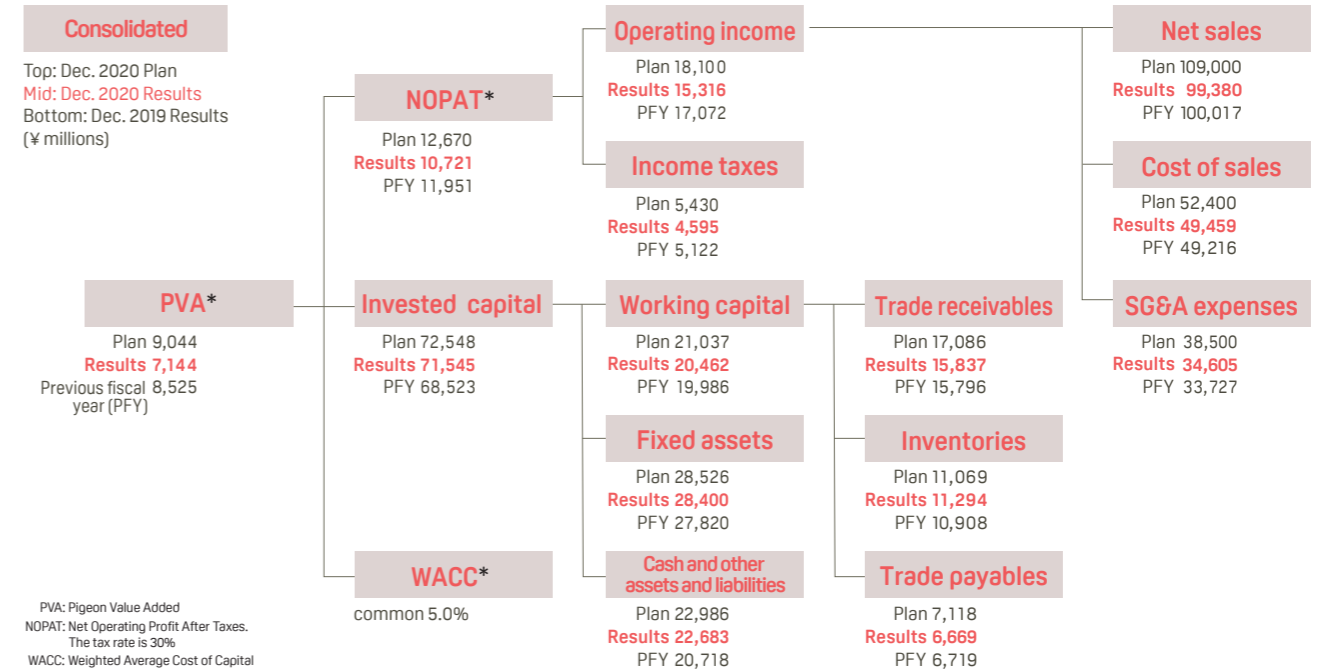
● Vision
—The goal Pigeon Group aims to achieve
To be the baby product manufacturer most trusted by the world’s babies and families: Global Number One

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

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

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

PVA Tree: Consolidated Results in FY ended Dec. 2020



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

* The figures on the balance sheet used in calculation of PVA are the amounts at the beginning and end of the fiscal year. Effective the fiscal period ended December 2019, the Pigeon Group changed its fiscal year-end from January 31 to December 31. Therefore, fiscal 2019 was a transitional period of 11 months (February 1–December 31, 2019.)

Pigeon
Integrated Report
2020/12
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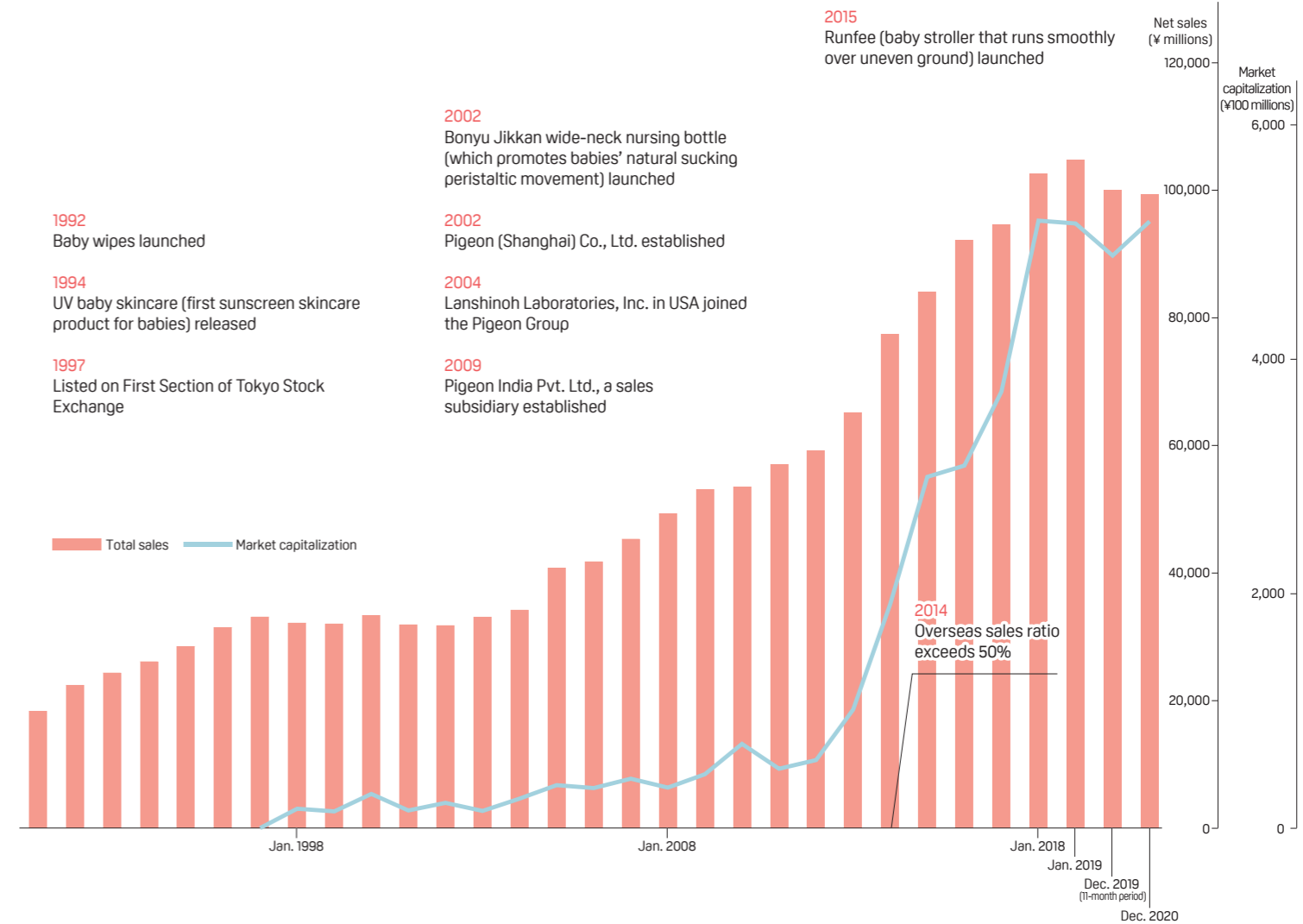
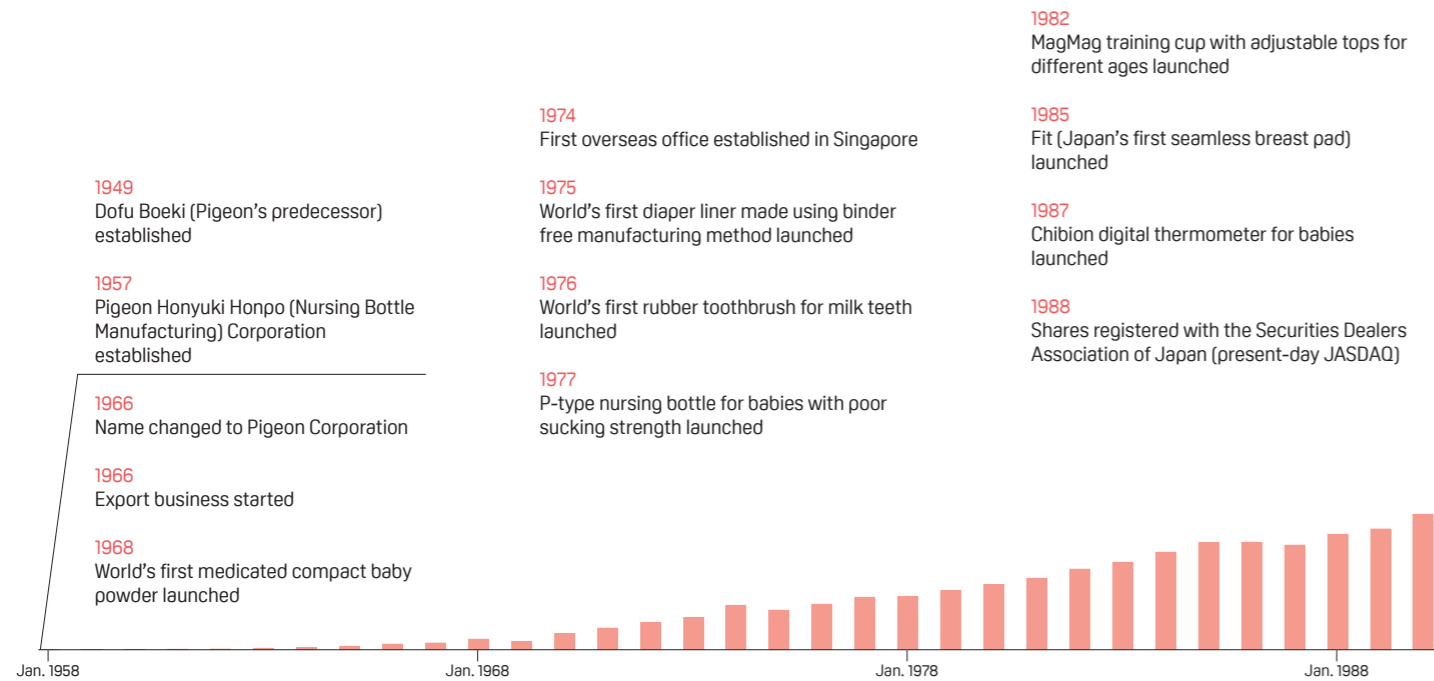
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Purpose of This
Integrated Report

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

History at a Glance

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



1957

Pigeon's beginnings

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

1958-1969

Becoming a comprehensive baby care manufacturer

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

1970-1982

Crossing the ocean, launching our elder care business

Pigeon began exporting its products in 1966, opening its first overseas office in Singapore in 1974. In 1975, Pigeon entered the elder care business. The falling Japanese birthrate 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 a Central Research Center. Two years later, in 1993, it expanded into child care services. In 1990, Pigeon established its first overseas manufacturing center in Thailand. These diverse initiatives would drive strong growth in the years to come.

2000-2006

Onward to China, then to the world

In 2000, Seiichi Matsumura became Pigeon's third president, and the first not directly related to the company's founder. At that time, Pigeon's overseas business accounted for less than 10% of net sales. Nevertheless, Matsumura identified global markets as a future growth driver, and led the company's full-fledged entry into China in 2002. Two years later, in 2004, Matsumura broadened the scope and territory of Pigeon's global business further by adding US-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 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 birthrates 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-

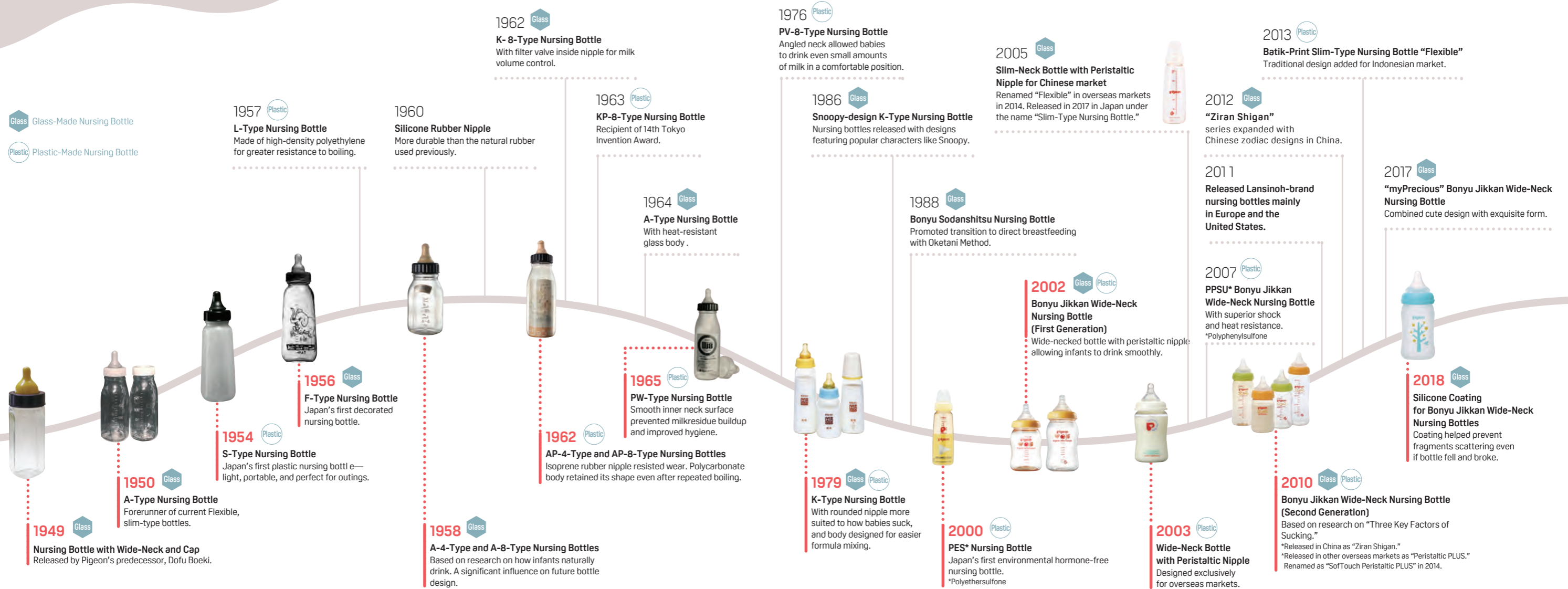
The future for Pigeon's brand power

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 "Purpos": "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.

History of Pigeon and Nursing Bottles

Glass Glass-Made Nursing Bottle

Plastic Plastic-Made Nursing Bottle



Pigeon's history mirrors the evolution of nursing bottles.

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

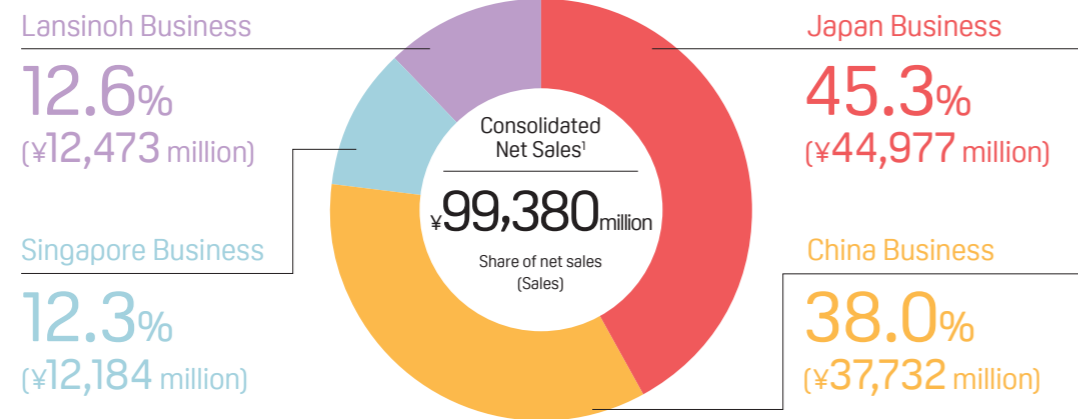


There is no finish line for our development of nursing bottles.

We pursue to design nursing bottles in which babies can 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 for nursing bottles.





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

Effective the year under review, ended December 31, 2020, the Group has four business segments for reporting purposes: Japan Business, China Business, Singapore Business, and Lansinoh Business. Four former business segments—Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and Other (manufacturing and sales handled by domestic production subsidiaries for non-Group entities)—have been consolidated into the Japan Business.

Japan Business

Products/Services

Baby and mother care products, baby strollers, child-care services, operation of in-company child-care facilities, day-care services, event child-care services, preschool education services, aging-prevention products, elder care products and services

Business Conditions and Group Strengths

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



China Business

Mainly China, South Korea, and East Asia

Products/Services

Baby and mother care products

Business Conditions and Group Strengths

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



Singapore Business

Southeast Asia, India, Middle East, Oceania

Products/Services

Baby and mother care products

Business Conditions and Group Strengths

We sell baby and mother care products under the Pigeon brand. In particular, we have positioned India and Indonesia as priority markets, and we are strengthening our production and sales systems accordingly. We are also working to broaden our presence in the Middle East and Oceania, and we have started expanding into Africa.



Lansinoh Business

Mainly North America, Europe, and China

Products/Services

Baby and mother care products

Business Conditions and Group Strengths

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





北澤憲政

Norimasa Kitazawa
President & CEO

Making the world more baby-friendly while increasing corporate value through speed-focused ESG management

Pigeon's strong brand demonstrated by the COVID-19 global pandemic

On February 13, 2020, about a month before the World Health Organization (WHO) declared the COVID-19 outbreak a global pandemic, we announced our Seventh Three-Year Medium-Term Business Plan, which focuses on our Brand Strategy, Product Strategy, and Regional Strategy. With this, we took the first step on the road to achieving our sales target of ¥200 billion in the coming decade. In fiscal 2020, the pandemic forced major changes in the Group's management and operating environment, including its supply chain, market, and industry. Yet, I believe we did well. I would like to express my sincere gratitude to each and every one of our employees around the world for their hard work and for carrying out their duties while putting highest priority on the health and safety of themselves and others.

With respect to our consolidated results, net sales declined year on year, to ¥99.3 billion, but the magnitude of the decrease was limited to 4.0%¹. Operating income slipped 11.0%, to ¥15.3 billion, and the operating margin was 15.4%, remaining in the mid-teen range. Ordinary income declined 7.2%, to ¥16.1 billion, and net income attributable to owners of parent fell 8.2%, to ¥10.6 billion. As for shareholder return, we paid annual dividends of ¥72.00 per share, up ¥2.00 year on year, without changing our commitment to having a robust financial base.

In 2002, when I was posted to China, there was the SARS epidemic, and based on my experience I found there was solid demand for baby products despite unexpected deterioration in the external environment. As a result of the COVID-19 pandemic, demand from inbound tourism to Japan disappeared and sales activities in India and Malaysia were restricted. However, in Europe, United States, and China, where we have been strengthening our e-commerce business, we expanded our business performance on a local-currency basis compared with the previous fiscal year. In times of emergencies, there is a marked tendency for consumers to purchase products sold by trusted and proven brands. In Japan, our mainstay nursing bottles and nipples generated increased sales and market share, and sales of wipes and disinfectant products also increased against the backdrop of growing hygiene awareness among consumers. I believe that two factors contributed to our strong performance in an unprecedentedly difficult business environment: The brand strength of Pigeon products, which are recognized for their safety, reliability, and high quality, and our wide range of products, underscoring our reputation as a "comprehensive childcare products brand," which is rare in the world.

¹ : In fiscal 2019, Pigeon changed its fiscal year-end from January 31 to December 31. Therefore, fiscal 2019 refers to an 11-month transitional period from February 1 to December 31, 2019. In this paragraph, we do not consider the aforementioned anomalies and compare our results in fiscal 2020 with a hypothetical 12-month conversion of our fiscal 2019 results.

Source of brand value: Product strength backed by R&D

Our brand power is underpinned by our core product lines, especially nursing bottles, which account for around 30% of net sales. A newborn baby's first mouthpiece, other than the mother's breast, requires high quality standards in every aspect. As of the fourth quarter of fiscal 2020, Pigeon's market share for nursing bottles was in the mid-80% range in Japan² and more than 40% in China³, where we continue to hold the overwhelming top position. Many customers choose our nursing bottles and are satisfied with our products, making Pigeon a brand known for safety and reliability. This has also helped us earn a reputation as a strong and "comprehensive childcare products brand" that is popular in other categories, including skincare (products applied to the skin), oral care baby food (products put into the mouth), and healthcare (products for monitoring and maintaining health). Since its founding over 60 years ago, Pigeon has been helping babies (who cannot speak) by conducting rigorous research into babies' feeding mechanism and nursing bottles while continually improving products in terms of hygiene, safety, function, and design. In the process, we have also conducted in-depth research in collaboration with maternity hospitals in our quest to help all babies enjoy a more comfortable feeding experience. For example, we have actively developed specially modified bottles for babies born with cleft lip and/or palate, babies with low birth weight, and babies with weak drinking ability. Our other product lines are also the culmination of such diligent research and our evidence-based approach. The strength of our products is the source of the value of the Pigeon brand, which is not threatened by counterfeit products.

² : Pigeon's estimate (12-month average for fiscal 2020), extrapolated from data on sales of baby shops and drug stores across Japan released by Intage Inc.

³ : Pigeon's estimate (value terms based on sell-out)

Mobilizing the power of employees to make the world more baby-friendly

In fiscal 2020, we upgraded the Mission component of Pigeon Way to our Purpose, which states: “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.” In line with this, we sought to strengthen the Pigeon brand by announcing our Brand Promise—“Celebrate babies the way they are”—to people inside and outside the Group. This easy-to-understand message has been readily accepted by employees as well as consumers. Always keeping our Purpose in mind, our employees now engage in lively discussions about how the Brand Promise can be implemented in our products and services. They have also come up with ways to help people who are suffering from anxiety and other issues caused by the COVID-19 pandemic, and their ideas are put into practice around the world in the form of supporting activities, which are expanding rapidly. While the heart of our Corporate Philosophy, “Love,” remains unchanged, the entire Pigeon Group aims to become a more meaningful and brand-oriented entity with the help of each and every employee. In the midst of this crisis caused by the COVID-19 pandemic, I am very happy that we addressed these challenges, and am proud of our employees for their commitment.

Looking ahead to the post-COVID era

In our quest for sustainable growth, it is important that we accurately recognize the changes brought about by COVID-19 and envisage the market in the post-COVID era. Annual birth numbers have been declining not only in Japan but globally due to the impact of COVID-19, so the falling birthrate is indeed a matter of concern. On the other hand, the Pigeon Group is still in the process of developing a global baby care market, and there are many babies around the world who can benefit from our services. Therefore, we do not consider the downtrend itself to be a threat that could directly affect our business performance. There is still plenty of room for growth, whether in developed countries or undeveloped areas. In the countries where we already have a presence, especially emerging markets, it is mainly wealthy customers who purchase Pigeon products consistently. Going forward, we will introduce products that target the upper-middle class in order to increase the number of Pigeon-brand users. I also believe we can increase our market share by making Pigeon products available to more babies in emerging countries, where economies are growing. In addition, it is important for us to embrace the challenge of untapped markets, such as countries in Africa. In this global market, where there is significant room for development, we will further enhance our brand power and focus

more on core products that leverage our strengths in such areas as nursing bottles and skincare products. At the same time, we will target sustainable growth by developing product lineups that reflect the market characteristics and local needs of each country.

Meanwhile, our e-commerce business has gathered momentum due to the COVID-19 pandemic, and we expect the market to shift rapidly to e-commerce in Japan and Southeast Asia, where the e-commerce sales ratios are relatively low. In China, which has spearheaded the shift to e-commerce, we have been accumulating know-how from an early stage. In that market, price competition is likely to be fiercer compared with physical stores, which poses an ongoing threat. This is due to the emergence of companies that act without regard to profits, as well as companies that deploy unique products and the simplicity of market launches to capture the hearts of consumers. To survive in this environment, it is essential to have value-added products based on solid evidence and the speed to quickly introduce such products to the market. However, some products, such as consumables, are difficult to differentiate. Here, companies will be forced to engage in price competition amid the ongoing shift to private brand products by e-commerce and major retailers, making it difficult to survive in the future.

In order to maintain high profitability and a strong presence in the post-COVID market, we must not only speed up our processes, from R&D and product planning to decision-making, but also take a bird’s eye view of our business and product portfolio, including our production systems. The key to success is the speed with which we can introduce evidence-based products to the market in short time periods. In this regard, it may be best to increase the level of outsourced production to some extent in the future. Naturally, we would have to give up some of the benefits of in-house production, but we believe we can compensate for this and achieve both speedy market launch and secure profitability through some outsourcing.

Accelerate transition to environmentally friendly materials

Beyond COVID-19, our long-term Vision is “to be the baby product manufacturer most trusted by the world’s babies and families (Global Number One).” Key to remaining “trusted” is to adopt ESG perspectives.

With respect to the environment, we will step up environmental initiatives by setting more specific numerical targets in accordance with our sustainable development policy, CSR Procurement Policy, and other policies formulated in 2020, in order to “leave a rich earth for the future of babies born tomorrow.” In our Japan Business, we will quantitatively evaluate environmental impacts at each stage of the product cycle—raw material procurement, manufacturing, distribution, use, and final disposal—and label products that meet our standards with the Pigeon Eco-Label, signifying them as being environmentally friendly. By 2025, all products sold in Japan will carry this label, reflecting our efforts to reduce the amount of plastic used in packaging and products. Furthermore, we will also try to remove plastic from our materials and make our products more compact. Our flagship nursing bottles are available in glass or plastic. We currently use polyphenylsulfone (PPSU) and polypropylene (PP) as materials in our lightweight and easy-to-carry plastic nursing bottles. In the future, however, we make all our plastic-related materials, including those used in nursing bottles, more environmentally friendly, which will enhance the environmental value and brand of the Pigeon Group.

Reflecting increased social value in economic value

Providing products and services that address challenges faced by consumers, especially those raising infants, is a business with high social value, which makes me proud. The United Nations has adopted 17 Sustainable Development Goals (SDGs), the third of which is titled “Health and well-being for all” and lists the levels of neonatal and under-five mortality that all countries should aim for. This is an area in which the Pigeon Group can leverage its accumulated expertise and exert its power to eliminate preventable deaths among babies.

Unfortunately, around 2.5 million babies die within the first month of life annually worldwide, and more than 80% of these babies are born with low birth weight⁴. Postnatal nutritional support is important for the survival and growth of babies born with low birth weight, but many mothers are unable to produce the necessary amount of breastmilk immediately after delivery, as is the case with premature births. The Human Milk Bank⁵, opened in September 2020, is an initiative to deliver donor milk to such babies. In addition, the Pigeon Group is working as one to address various social issues. Together with hospitals, for example, we have developed nursing bottles for babies with weak feeding ability. We also support the Rubella Zero project, which aims to eradicate the incidence of congenital rubella syndrome in babies. In the process of tackling these difficult issues, we often gain insights that help us differentiate our products and services. For example, our “Save Premature Babies” campaign⁶, launched in 2020 in conjunction with the establishment of Human Milk Bank, has resonated among many customers, leading to an increase in market share of our products. This made us appreciate the synergistic benefit of increasing both social and economic value.

⁴ Source: UNICEF News, May 15, 2019

⁵: In September 2020, we opened the Nihonbashi Human Milk Bank, the largest such bank in Japan, on the first floor of Pigeon’s head office. For details, please refer to page 34.

⁶: In conjunction with the opening of Human Milk Bank, we held our “Save Premature Babies” campaign, donating a portion of sales of our breast pads to the Japan Human Milk Bank Association.

Pigeon's sustainable growth supported by each employee

The strength of the Pigeon brand and the products that support it are both created by our employees, and it is our employees who underpin the sustainability of the Pigeon Group. Unleashing the power of our employees is one of my top priorities. If our motivated and capable employees can fully demonstrate their abilities, they will be better able to mix and share opinions and more accurately grasp world trends and social changes. This will enable individual employees to generate more and more ideas. In addition to addressing the challenges faced by our customers, we want to create inspiring experiences for new generations of customers by developing products and systems that go beyond their imagination. When I was young and wanted to take on challenges, Pigeon gave me various opportunities. The experience and knowledge I gained in the process enabled me to grow, which is the basis of Pigeon's approach.

We are working to improve employee salaries, maternity allowance, and other benefits while promoting health management as a matter of course. Taking it a step further, we introduced the "Pigeon Frontier Awards (PFA)" in 2019 in order to increase the amount of time that employees have fun at work and help them take on challenges without fear of failure for the future. PFA provides a forum where employees can freely propose and realize their ideas. We bestowed awards to seven idea-based projects in 2020, some of which have since started and are earmarked for commercialization in 2021 or later. In 2020, we also launched a new career support system to develop "competent individuals (professionals)." This system has produced results in supporting employees' work styles and career development from a broader perspective, including internal recruitment for departments seeking human resources, as well as an external residency program embraced by two employees. In the beginning of fiscal 2021, we introduced a new personnel system with significantly revised, core elements, including the grading system, evaluation system and remuneration system. By shifting to a structure in which rewards are linked to actual roles and actions lead to results, I hope that we can talk about the future of the Pigeon Group together with our employees. Therefore, I encourage them to make full use of the system to achieve their own dreams.

We established the Sustainability Committee in December 2020, seeking to promote sustainability management while transforming the workplace into one where employees can enjoy and feel motivated to work. The new committee is chaired by the head of Global head Office and includes the managers of each business division as well as the manager of the Business Strategy Division. In the future, we will formulate medium- and long-term goals and promote activities to directly achieve them.

Targeting long-term growth

While improving social value, we aim to achieve economic value in the form of ¥200 billion in annual net sales over the next 10 years. The progress of our Seventh Medium-Term Business Plan was stalled for about one year due to COVID-19. For this reason, we announced a revised plan in February 2021. Under the revised plan, we are targeting the sales growth rate that we originally envisioned, and have not changed our direction with respect to pursuing our three key strategies: Brand Strategy, Product Strategy, and Regional Strategy. We also plan to continually increase year-on-year cash dividends and maintain a consolidated total shareholder return ratio of around 55%, as initially expected. We will also grow and expand the scale of our four business segments through the speedy introduction of products that meet local needs. As we learned from the COVID-19 pandemic, meanwhile, we will strengthen overall manufacturing in various ways, including by expanding our range of emergency preparedness baby products across the Group, strengthening our competitiveness in the e-commerce market, and creating environmentally friendly offerings and new product categories.

To achieve organic growth, we will aggressively expand our investments in R&D, which is the source of our value, while continuing to consider growth through M&As. Compared with nursing bottles, which we have been researching for many years, we believe there is room for increased R&D in the skincare and oral care fields, which we have identified as priority categories. In terms of our R&D facilities, we will divide R&D themes between various regions in order to increase the speed of investment recovery. In skincare, for example, we will focus on China, which leads other countries in terms of skincare research. Meanwhile, we aim to improve return on invested capital (ROIC), a key performance indicator, from 15.0% in fiscal 2020 to 16.5% or more in the final year of the medium-term plan, based on the new accounting standard (see note below). By swiftly introducing high-value-added products to the market and improving gross profit, we aim to raise the operating margin from 16.0% in fiscal 2020 to 16.9% in fiscal 2022 and 20.0% in around 10 years, based on the new accounting standard.

As of June 2021, when this report is issued, it remains uncertain when the COVID-pandemic will end. Even if it takes a prolonged period of time, however, we are confident that we can continue growing on the strength of Pigeon's solid products and brand power, backed by its research, against the backdrop of solid demand for baby products. I look forward to your continued support.

* As a change in its accounting policy, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the fiscal year ending December 31, 2021. The above outlook is based on figures after the change in accounting policy.

Seventh Medium-Term Business Plan

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

Brand Strategy

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

Product Strategy

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

Regional Strategy

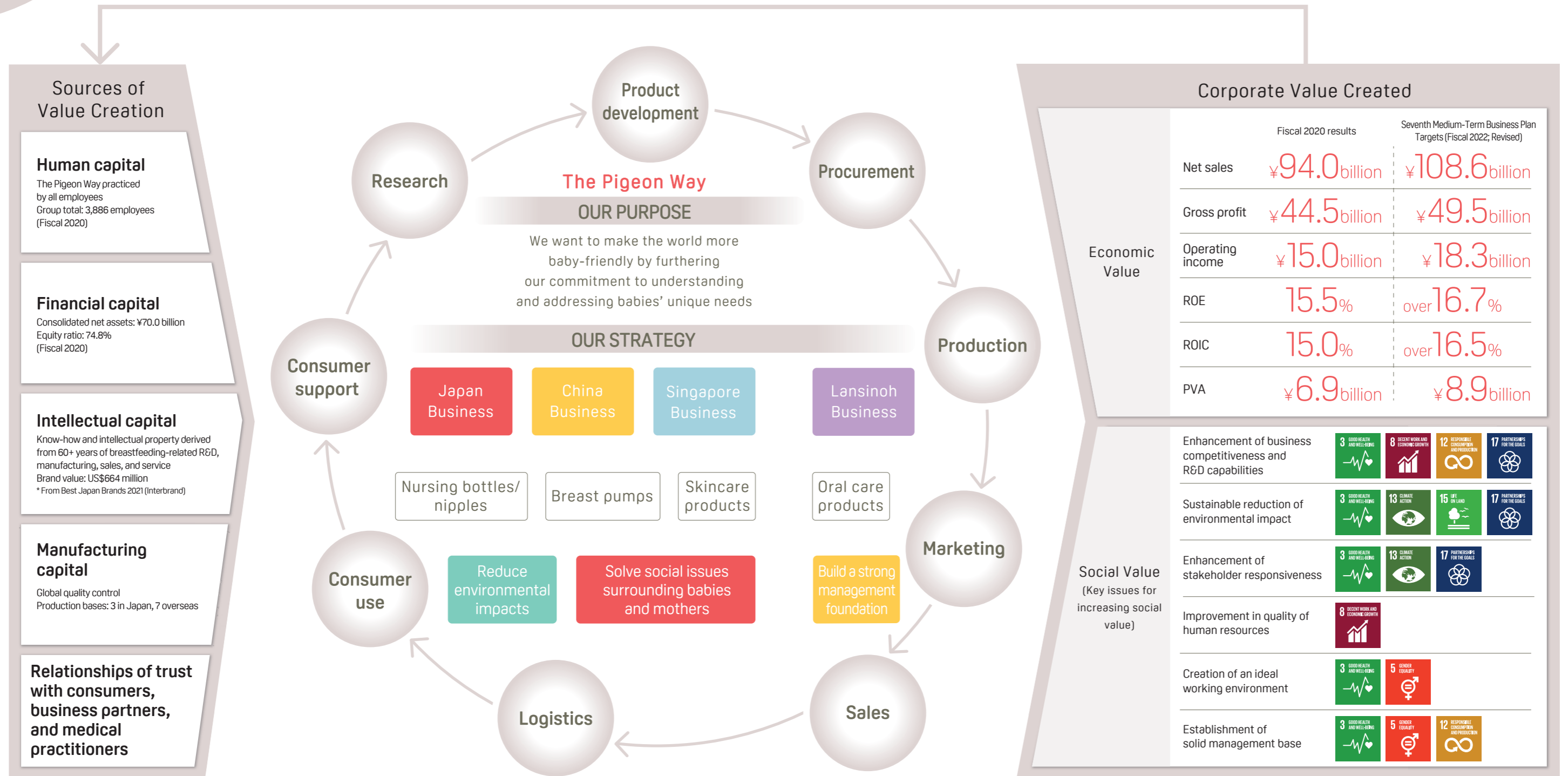
- By promoting a four-segment business system and transferring authority to each business, we will accelerate decision-making on the frontlines. In the process, we will build a "development, production, and sales" cycle that matches the market characteristics of each region and operate our business in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

In fiscal 2020, the first year of the Medium-Term Business Plan, we pursued business activities based on the above strategies, but the spread of COVID-19 had a significant impact on our performance. For this reason, we reviewed our forecasts for the second and third years of the plan and announced a revised plan in February 2021, based on our results in fiscal 2020 and the direction of the pandemic. Under the revised plan, we will continue our three basic strategies—Brand Strategy, Product Strategy, and Regional Strategy—while further strengthening our monozukuri (thoughtful fabrication, full of craftsmanship) capabilities and examining measures that will lead to our next medium-term plan.

In the revised plan, we changed our consolidated net sales forecasts to ¥100,800 million for fiscal 2021 and ¥108,600 million for fiscal 2022. We have maintained our compound annual growth rate (CAGR) targets at the high levels of the original medium-term plan: 7.3% CAGR for net sales and 10.2% CAGR for operating income. We also expect the overseas sales ratio, which was 56% in fiscal 2019, to rise to around 62% in fiscal 2022.

* As a change in its accounting policy, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the fiscal year ending December 31, 2021. The above forecasts are based on figures after the change in accounting policy.

Value Creation Story



* As a change in its accounting policy, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the fiscal year ending December 31, 2021. The above results for fiscal 2020 and targets for fiscal 2022 are based on figures after the change in accounting policy.

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

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

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

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

In 2020, we renewed the Pigeon brand with the aim of improving our brand power. Since then, we have been promoting activities based on our Brand Promise—“Celebrate babies the way they are”—which is our pledge to society. We will continue delivering and strengthening the Pigeon brand globally and consistently at all points of contact with our stakeholders.

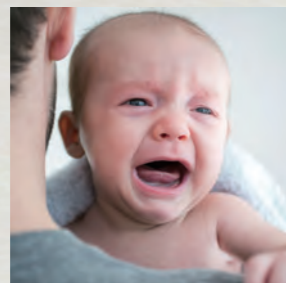
Background of Brand Reinforcement

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

Things That Only Pigeon Can Do

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

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



Pigeon Brand Story

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

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

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



Celebrate babies the way they are



Dialogue between Outside Directors and Internal Director

Monozukuri¹: The Source of Our Corporate Value

Ms. Chiaki Hayashi and Ms. Eriko Yamaguchi, who joined Pigeon’s management as outside directors in March 2020, and Mr. Tadashi Itakura, director and senior managing executive officer, held a dialogue on the theme of monozukuri, the source of Pigeon’s corporate value. In this section, we report on the content of the dialogue.

¹ : Monozukuri means “thoughtful fabrication, full of craftsmanship” in English.

Expectations of monozukuri as consumer values change

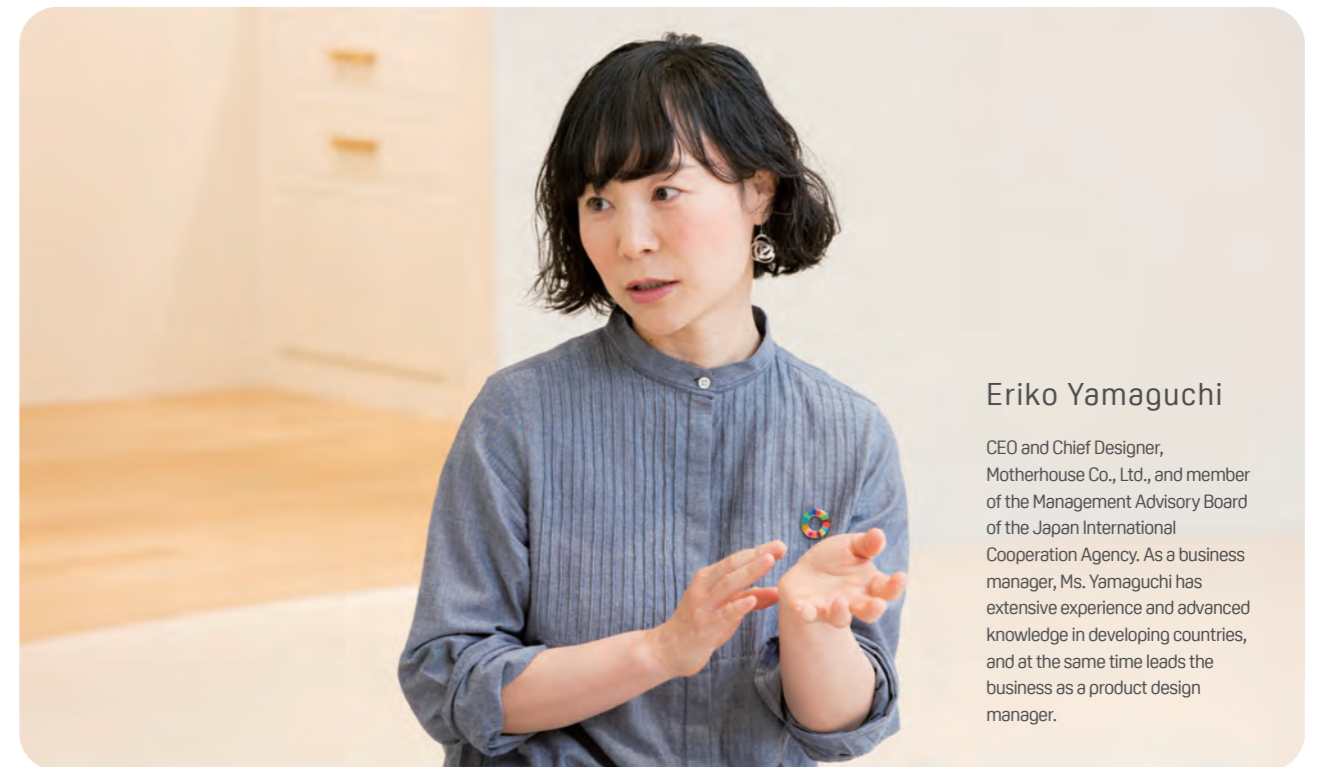
Itakura: For more than 60 years, we at Pigeon have emphasized monozukuri that delivers “safety, security, and high quality,” and this has been the source of our corporate value. However, we are witnessing major changes in consumer purchasing behavior and value perceptions of products, partly due to the COVID-19 pandemic. In light of this, will we be able to continue differentiating ourselves through our monozukuri style of delivering high-quality products that address childcare issues, as we have in the past? Does the balance we have between quality and price meet the needs of customers? Shouldn’t we take into account the needs of our customers after they use our products? I’ve been thinking a lot about these questions.

Hayashi: I think that is really true. The period of time that consumers have contact with Pigeon is very short, from before the baby is born to about three years old. This is because the relationship fades when the baby becomes a toddler. When I think back to my own experience, however, I had a sense of security and trust in the brand and thought that Pigeon was the only choice by the time

my baby was born. When I became an outside director last year, I learned about Pigeon Way and the Brand Promise, and I especially loved the tagline, “Celebrate babies the way they are.” Since each person is born under different circumstances, I believe these words are truly a stronghold for mothers and families to embrace. When it comes to monozukuri, however, the implications of quality have certainly changed. There is always a need for good quality. But what constitutes “good quality”? Take the plastic materials used in nursing bottles. Nowadays, the focus is on biodegradability and ease of recycling, more so than stability (durability), or being able to withstand boiling and chemical disinfection. People are placing more and more emphasis on the environmentally friendly qualities of our products. The content of the quality people demand is changing.

Itakura: Certainly, durability is one aspect of quality that we have always pursued.

Hayashi: True, but that means quality at the consumption level. What the world needs now is quality at the experiential level. Quality is important in the buying decision, but when you’ve finished using the product, you may wonder, “What can do with this? Can I restore it to its original condition?” People expect quality that includes these perspectives. In the future,



Eriko Yamaguchi

CEO and Chief Designer, Motherhouse Co., Ltd., and member of the Management Advisory Board of the Japan International Cooperation Agency. As a business manager, Ms. Yamaguchi has extensive experience and advanced knowledge in developing countries, and at the same time leads the business as a product design manager.

Pigeon will need to make changes at the experiential level, and Ms. Yamaguchi and I may be able to contribute in this regard.

Yamaguchi: I agree. During the start-up phase of a business, the key factors are to focus on functions that solve problems and to perform a fast cycle of gathering customer feedback and reflecting it on the product development and manufacturing frontlines. When customers pick up one of our products, they feel that the product satisfies their functional requirements as a matter of course. Having reached that stage, however, the next step is to give them emotional value that goes beyond their expectations. There are limitations to creating products from a “market-in” perspective based on data analysis. With a “product-out” approach, by contrast, technologies can deliver surprises, and the notion of ideas and parts being unintentionally created by the designer can evoke a sense of romance. By passing that romance to the customer and sharing it, we can create wonderful products that we never thought possible. It would be nice if, once or twice a year, we could launch a product that hits a home run with a pitch thrown from the emotional perspective.

Hayashi: Home run attempts often end with three strikes. It’s important for the batter and everyone to say, “It was a good swing.” Most batters would be reluctant to get angry at you if you said, “Why you didn’t hit a home run?” and think of himself/herself in a passive way. Therefore, I think that the portfolio also needs margins and play areas in order to avoid passiveness.

Yamaguchi: It’s more important to evaluate the impact of the attempt on the organization than whether it was successful or not.

Hayashi: I agree! Of course, we need to maintain our policy of not releasing a product to the world unless it has a certain level of quality. Over its long history, however, Pigeon has been highly conscious of the “safety and security” aspects of quality, so the next step will be important.

Itakura: We have recently been focusing on product design that also places importance on emotion, while emphasizing the “safety and security” aspects of quality. However, we acknowledge that such products focus mainly on customers’ “current” feelings of joy or anxiety, and do not pay enough attention to post-use and disposal.

Yamaguchi: I have a four-month-old baby now, and I want my stroller and carrier, which I use outside the house, to

have a certain amount of “style” in the fashion sense. However, Pigeon promotes monozukuri in a way that solves problems. So how much should we invest in the fashion area of fabric products? I have no answer to that question. However, it is important to have “style,” so it would be nice to be able to articulate what Pigeon-like “style” would be.

Hayashi: Getting into the fashion world certainly requires a different strategy. But as Kitazawa-san clearly states, “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.”² It is important to share these words throughout the Group.

2: This is Pigeon’s Purpose. In December 2019, we upgraded the Mission component of Pigeon Way to Purpose, which defines our meaning and role in society and further clarifies the direction the Pigeon Group should take.

Itakura: The Human Milk Bank³ is just one example of our efforts. We will continue increasing our focus on initiatives that recognize social issues and embody the significance of Pigeon’s presence. From the perspective of sustainability, we aim to take actions that will lead to a recycling-oriented business that include collecting plastic nursing bottles that are no longer needed after use and turning them back into nursing bottles. I also want to connect our company more closely with our brand. Rather than “Pigeon’s nursing bottles are great,” we want people to say, “Pigeon is great.”

3: In September 2020, we opened the largest breastmilk bank in Japan, Nihonbashi Human Milk Bank, on the first floor of Pigeon’s head office (see page 34 for details).

Hayashi: If we are going to recycle, we don’t have to stick to baby bottles. I think that limiting our recycling to nursing bottles will only result in a small cycle. For example, if the plastic nursing bottle material collected is used to make 90% of cloth used in our baby carriers, it would make sense for Pigeon to enter that product category, wouldn’t it?

Yamaguchi: From an emotional viewpoint, consumers would feel a great sense of value if the product they have become attached to can be returned to the manufacturer instead of being sold on the second-hand market. Designing products with this in mind may be a good idea.

Itakura: The notion of not only reusing a product but also thinking about its next life is interesting because not many people have thought about it.

Hayashi: In areas of our involvement, we may be able to change the way we think about manufacturing and otherwise expand our roles in fields that could lead to new product ideas.

Chiaki Hayashi

Chairperson, Loftwork Inc., and Chairperson, Hidakuma Inc. Ms. Hayashi has a wealth of experience in co-creative manufacturing as an assistant director of MIT Media Lab, and also serves on various committees to strengthen Japan’s resilience, including the Cabinet Office and the Ministry of Economy, Trade and Industry.



Thinking about what “products” will be five to 10 years from now

Itakura: I would like the two of you to embrace your business experiences within the Company. As outside directors, meanwhile, you are expected to play a role from a governance perspective in supervising the decision-making process. So, wouldn’t it be difficult for you to become involved in technical matters, such as product specifications?

Hayashi: Ideas for new products are different from specifications. The direction in which a product is launched depends on the direction in which Pigeon wants to move. We respect our employees for the work they do on specifications and ask them to continue their good efforts. However, new product ideas provide an insight into a company’s direction, so in my position as outside director, I hope I can offer opinions and advice in the upstream area that will help change the way we think about monozukuri.

Yamaguchi: As someone who has been involved in manufacturing as a business, I am certainly interested in what is inside a product. Rather than go in with a hands-on

approach, however, I think my role is to participate in a way that can only be done from the outside. One thing that has been bothering me in this regard is that discussions at Board meetings are separated according to our four business segments. In the case of nursing bottles, for example, I think it would be good to change our practice and engage in discussions globally from a product-focused perspective.

Hayashi: I also think that nursing bottles should be discussed globally.

Itakura: As for nursing bottles, Pigeon’s core product category, each of our outside directors are different with respect to areas of expertise, years in office, and levels of understanding and thinking. For this reason, I’d like to see an increase in opportunities to explain in more depth the history, features, and differentiating points of our nursing bottles, as well as their impact on Pigeon as a whole and related strategies. This applies not only to nursing bottles, but also to other important categories, such as skincare.

Hayashi: Thank you. Our nursing bottles are already sold globally, but our skincare business is not yet global.

Sales have been increasing in each country, but now would be a good time to have discussions from a global perspective. The key is to balance the local and global aspects.

Itakura: Discussions about Pigeon's skincare business are currently leaning toward localization to some extent. Certainly, some of our competitors have skincare brands with universal designs and are expanding globally. I would like to aim for that at Pigeon, but at the same time I wonder how much it would cost to make it happen, and whether it is possible with Pigeon's current capabilities. So right now, perhaps localization may be the easier path.

Hayashi: Initially, brands need to be localized in order to enter each region. If you're looking for the best outcome, however, your need to consolidate your offerings into one common global product line, even if some local adjustments are necessary. It would be nice if the product managers of our four business segments could share the most important aspects of their products and stories from their businesses, while also discussing what should be shared as global products and where they should be made.

Itakura: It is very encouraging to receive your suggestions and advice about the strategies we have developed internally at Pigeon, in light of your skills and past experiences.

Yamaguchi: Manufacturing is a fairly long-term process. Especially when it comes to the development of materials, you need to capital investments over five to 10 years. Our management team is currently engaged in discussions aimed at 2030. I'm wondering what kind of products are we preparing for 2030, and what will be our next mainstay category after nursing bottles.

Itakura: We are also aware of this issue. In fact, the Breastfeeding Research & Strategy Section of the Global Head Office (GHO) is currently steering a course for our nursing bottles and the Pigeon brand product strategy for the next 10 years. Rather than entrusting this to local employees, we are working to build a framework that incorporates evidence-based research elements related to functions required of nursing bottles.



Tadashi Itakura

Joined the Company in 1987. After serving as Representative Director and President of Thai Pigeon Co., Ltd., Mr. Itakura helped strengthen the Company's product development and quality control capabilities as General Manager of the Development Division. He assumed his current position in January 2019. He also serves as Head of the Global Head Office, where he oversees and promotes ESG activities and measures to strengthen Pigeon Group governance.

Developing human resources who will create our products

Hayashi: In this sense, I believe that the Pigeon Frontier Awards (PFA)⁴ will become a very important initiative in the future. Rather than proceed in accordance with policies set by the Company, we want each and every employee to adopt a "product-out" approach that encompasses values and lifestyles in addition to products. This means encouraging them to consider what kind of products or services they want to make when they think about babies. If we focus on individual ideas, we can build a very big asset in 10 years, I feel.

4: This in-house venture system was launched in 2019. We welcome the free thinking of our employees and aim to foster a corporate culture that allows them to embrace challenges without fear of failure, while at the same time considering the commercialization of excellent ideas.

Itakura: Launched last year, the Pigeon Frontier Awards have produced good feedback, but only a small number of employees have entered the program. Over the next three-to-five years, however, I believe the number of entries will increase alongside growing enthusiasm of employees and quality of ideas. It will become easier to gain empathy, involve others, and give shape to new ideas, making the awards a fulfilling experience.

Hayashi: I'd like to see the program grow more and more. Individual employees seem to find it very rewarding. At the same time, not all proposals have the potential for commercialization. Nevertheless, I think the awards provide a good educational opportunity for those whose entries were not selected, including with respect to the closure process. They would feel fortunate that the Company had given them time to come up with proposals. Then they would be motivated to seek the next ideas. I think it's a very good program.

Itakura: When I interview new employees who have just joined the Company, I find that they all have a passion for babies. Some employees are assigned to jobs other than manufacturing, but PFA encourages everyone to propose ideas regardless of their affiliation, so anyone with a passion can take on the challenge.

Yamaguchi: Last year, I had the opportunity to participate in a product development meeting, and it was so exciting that I'm still inspired. The team was researching children's excretion behavior around the world, and I was really impressed by how much

enthusiasm there was for Pigeon's monozukuri. This included the ability of employees to conduct research and interview outside advisors, which is something you can't get from Board meetings alone. I think we can better communicate the value of Pigeon's products if we could help employees "visualize" the drama behind the brand, so they can become the main characters. Personally, I've been able to see Pigeon's strengths more clearly when I've been inside the Company rather than as an outside observer. To bridge this gap, I would like to have discussions where we can better verbalize the image of our organization and its products and use them as strengths.

Itakura: I don't think intentions alone can make innovation happen. It's more difficult when members of the Company tend to think in the same way. We have a very diverse team of outside directors, but by creating more opportunities to talk with them outside of Board meetings, we can gain a lot of new insights and ideas. In addition to your governance oversight function, I hope that the two of you will be a force for change at Pigeon and continue inspiring people at head office, development sites, and elsewhere. And I'd like to make use of your many suggestions to promote monozukuri that is different from the past and realize new child-rearing scenarios, and increase our corporate value as a consequence.

Japan Business

Effective the year ended December 31, 2019, manufacturing and sales operations for the non-Group handled by domestic subsidiaries—previously categorized under Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and Other—have been consolidated into the Japan Business.

● Business Environment

In 2019, the total number of births in Japan was 865,000 (confirmed number, according to statistics released by the Ministry of Health, Labour and Welfare in 2019), a record-low figure. In 2020, the figure is expected to decline even further due to the impact of the COVID-19 pandemic on childbearing sentiment. Meanwhile, with the female employment rate in Japan exceeding 50% (52.2% on an all-age basis, according to the Ministry of Health, Labour and Welfare), there are growing expectations of our company in terms of child care support. In addition, the ratio of people aged 65 and over to the total population (aging rate) is at an all-time high of 28.7% (Statistics Bureau, Ministry of Internal Affairs and Communications; estimate as of September 15, 2020), reflecting the nation's ongoing aging trend.

● Our Competitive Edge

Based on more than 60 years of research into breastfeeding and infant and child development, Pigeon conducts in-depth research into the growth processes of babies and uncovers various problems that parents encounter when raising children. We have used these findings to develop numerous high-quality products, which embody the strength of the Pigeon brand. We are now widely recognized as the leading brand in the industry, and our market share is growing significantly even for baby strollers, a relatively new introduction to our portfolio. Through our provision of baby and child care offerings, we have earned a reputation for safe, secure, and reliable products. Deploying this brand strength, we are building our child care service business, which includes contracted operation of in-company child care centers, under the principle that “children's growth is our first priority,” and we have earned the confidence of customers as a result. Known for its unparalleled knowledge about babies, the Pigeon Group is constantly expanding and improving the quality of its child care services. For the elderly, we offer new competitive products while improving the quality of our elder care services. Here, we leverage our product planning capabilities, as well as the high-level quality control we have cultivated in baby products, to accurately identify the unmet needs of consumers.

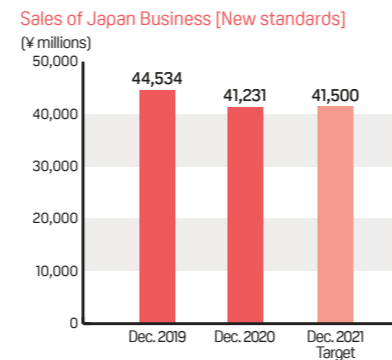
● Business Strategy

In baby and mother care products, our core offerings are nursing bottles and nipples, which boast a domestic market share of over 80%. We are also working to expand our business and increase market share in skincare products, as well as strollers and other large-scale products. Meanwhile, we are stepping up our approach to the maternity market through our ongoing direct communication policy, while promoting information dissemination activities targeting collaboration with medical professionals. In child care services, our reputation and trust represent real social value, which in turn leads to business growth and development. For this reason, we are working to raise the quality of our services, which reflect the quality of our business, as our top priority. For elderly people, we are working to improve product competitiveness in the key categories of bottom wipes, body wipes, skincare products, food, oral care products, and wheelchairs.

● Fiscal 2020* Performance and Highlights

In fiscal 2020, sales in the Japan Business segment amounted to ¥44,977 million, and segment income totaled ¥3,008 million.

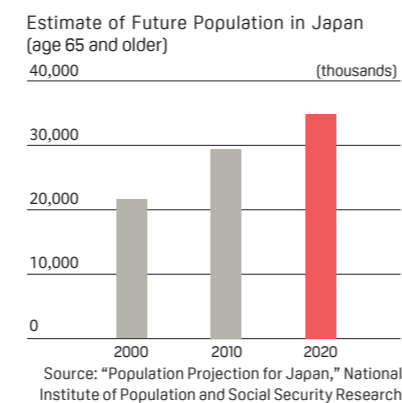
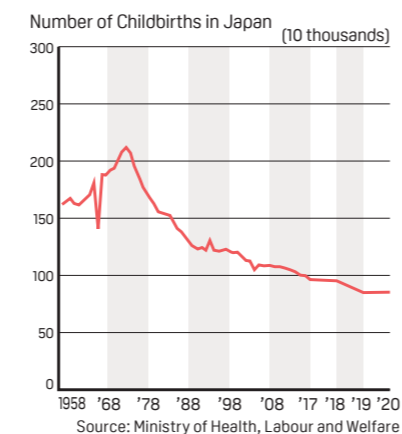
In baby and mother care products, the spread of COVID-19 greatly restricted the movement of people, leading to declines in sales of nursing bottles, skincare products, and other items for which



* Due to a change in fiscal year-end, fiscal 2019 refers to an 11-month transitional period from February 1 to December 31, 2019. In the above graph, we compare our results in fiscal 2020 with a 12-month conversion of our fiscal 2019 results.

* In fiscal 2019, the Japan Business was divided into three segments for reporting purposes: Domestic Baby & Mother Care Business, Child Care Service Business, and Health & Elder Care Business. Figures shown here for fiscal 2019 are based on the conversion of those segments business into the Japan Business.

* As a change in its accounting policy, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the fiscal year ending December 31, 2021. The above results for fiscal 2020 and targets for fiscal 2022 are based on figures after the change in accounting policy.



there is normally strong inbound demand from foreign tourists. In terms of net domestic demand, however, our market share for nursing bottles grew to 86%, and our share for other core products has also increased. Meanwhile, the market for baby strollers shrank 19% year on year as COVID-19 prompted people to refrain from going outside. On the other hand, we reported significant increases in sales of wet wipes and other consumables due to special demand arising from the pandemic.

In August 2020, we launched Microwavable Packed Soft Rice for Babies, which makes it possible to enjoy freshly cooked rice porridge without any additives, simply by heating it in a microwave oven. Then, in October, we launched nautR, a stroller that delivers the ultimate in comfort for both operator and passenger. We also started selling nautR, priced highly at more than ¥70,000, in department stores, a new channel for our strollers, and sales have been strong. Meanwhile, we enjoyed healthy sales of the caboo series of baby slings, originally developed in the United Kingdom and launched by Pigeon in Japan in fiscal year 2019, as people spent more time at home due to COVID-19 and tended to carry their babies around the house. Our caboo slings received the 13th Parenting Award 2020 by a prominent parenting magazine. Although declining birth numbers will remain a future concern in Japan, we will compensate for this by offering premium products and increasing unit prices. In addition, Japan has a relatively low ratio of e-commerce sales, at only 9%, which we see as a challenge for the future.

In child care services, we operated in-company child care facilities at 71 locations in fiscal 2020. We will continue developing this business while improving the quality of its service content.

In health and elder care products, we enjoyed healthy sales of products that support hygiene management at home, nursing care facilities, and the like. Going forward, we will step up sales activities to retail stores and nursing care facilities while working rigorously to improve the quality of our elder care services.

In fiscal 2020, we held multiple events under our direct communications program, including Breastfeeding College for expecting mothers and seminars about breastfeeding while parenting for medical professionals. More than 1,500 people attended these events in total. In order to alleviate anxiety felt by mothers and fathers during the ongoing pandemic, we started offering support-related information via our website and social media. We also host “Pigeon Info,” a website that supports women during pregnancy, in childbirth, and when raising children. On the site, we are updating our products and making other improvements to increase convenience for customers.

* Due to a change in the fiscal year-end, fiscal 2019 was an 11-month period from February 1 to December 31, 2019. For this reason, year-on-year comparisons are not provided.



Microwavable Packed Soft Rice for Babies



nautR top-end baby stroller



13th Parenting Awards 2020 ceremony

Key Strategies for 7th Medium-Term Plan

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

Sales target for final year (ending Dec. 2022) (after revision; new standard)
¥43,000 million (compound annual average growth rate (CAGR) of 2.1%)

Column COVID-Related Initiative

Utilizing its expertise in the production of breast pads, Pigeon Manufacturing Hyogo, a domestic manufacturing subsidiary, has developed and is manufacturing a “mask replacement sheet” that can be attached to the inside of masks and replaced to ensure hygienic and long-lasting use of masks. We also distributed around 60,000 of these replacement sheets, which prevent mask contamination and have a filter effect, to staff at elder care and child care facilities free of charge. Leveraging our production know-how in the domestic baby and mother care business, as well as the networks of our health & elder care and child care businesses, we executed the entire product, from product development to distribution, in just one month.



China Business

● Business Environment

Although there has been a downward trend in birth numbers in China over the past few years, the country remains a huge market with 14.65 million births in 2019 (National Bureau of Statistics of China). Moreover, there is enormous growth potential for Pigeon in the Chinese market amid ongoing growth in disposable income and rising consumer interest in product safety. In addition, the percentage of purchases made through e-commerce is increasing every year as people born in the 1980s and 1990s, some of who are digital native, create new families.

● Our Competitive Edge

Since our full-scale entry into the Chinese market in 2002, we have broadened our sales coverage across the entire nation, from coastal to interior regions. The main target for Pigeon's products is the "new rich" market, and we are developing that market with more than 500 products, centering on our mainstay nursing bottles/nipples and skincare products. Since 2009, Pigeon has opened breastfeeding consultation rooms in major hospitals across the country in collaboration with China's Ministry of Health. We also host educational forums on breastfeeding in cooperation with maternity hospitals. Accordingly, Pigeon has become widely recognized as a safe, reliable, high-quality brand in China.

● Business Strategy

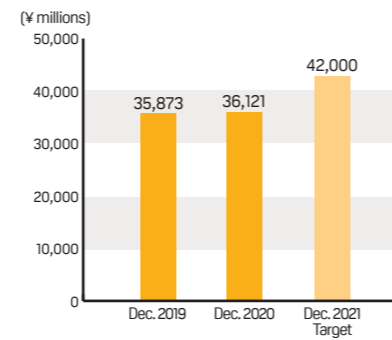
In addition to face-to-face sales at physical stores, the ratio of e-commerce sales is expanding year by year (accounting for 63% of Pigeon's sales in China in fiscal 2020). In response, we are using social media to step up direct communication with consumers. On the production side, Pigeon Manufacturing (Shanghai) Co., Ltd. makes and assembles nursing bottles, silicone nipples, detergents, and toiletries. Meanwhile, Pigeon Industries (Changzhou) Co., Ltd. makes disposable nursing pads and baby wipes and also produces disposable diapers, which Pigeon does not sell in Japan.

● Fiscal 2020* Performance and Highlights

In fiscal 2020, sales in the China Business totaled ¥37,732, and segment income was ¥12,600 million. On a local-currency basis, sales in mainland China grew 6.7% year on year thanks to strong sales of nursing bottles and skincare products, mainly through e-commerce. On the other hand, exports from China to Russia, Taiwan, and the Philippines were weakened by the COVID-19 pandemic. The segment was significantly affected by the spread of COVID-19 at the beginning of the period. However, this only lasted until the end of the first quarter, with the economy subsequently recovering strongly, especially in mainland China, and we continued to enjoy healthy sales of our mainstay nursing bottles and nipples, as well as skincare products, for which we are focusing on basic research.

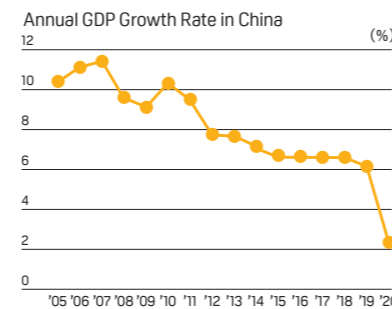
On November 11 each year, China holds "Double 11," the largest e-commerce shopping event of the year. At the most recent event, Pigeon's e-commerce sales jumped 20% year on year, and our brand ranked No. 1 in nursing bottles and baby skincare products on China's leading e-commerce site JD.com. Amid intensifying competition in the child care market as a whole, Pigeon's core offerings—nursing bottles and skincare and oral care

Sales of China Business [New standards]



* In fiscal 2019, Pigeon changed its fiscal year-end from January 31 to December 31. Therefore, fiscal 2019 refers to an 11-month transitional period from February 1 to December 31, 2019. In this graph, we compare our results in fiscal 2020 with a hypothetical 12-month conversion of our fiscal 2019 results.

* As a change in its accounting policy, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the fiscal year ending December 31, 2021. The above results for fiscal 2020 and targets for fiscal 2022 are based on figures after the change in accounting policy.



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



Pigeon Manufacturing (Shanghai) office



Avocado skin care series (released in 2020)

items—generated double-digit year-on-year growth despite the pandemic, and our market share for nursing bottles continued growing.

In June 2020, we launched Ssence, a new baby skincare brand with direct shipment from the factory. By delivering our products directly to customers within 48 hours of production, we are able to provide offerings that are free of preservatives, antibacterial agents, fragrances, alcohol, and other additives, and the brand has been well received as a result.

Amid rapid growth of e-commerce in China in general, the ratio of Pigeon's e-commerce sales to total segment sales rose to 63% in fiscal 2020, while sales at physical stores fell 14% year on year. This trend is expected to continue, and in response Pigeon will step up various initiatives centered on the e-commerce market. At the same time, we will stimulate direct communication with consumers through social media and live streaming and provide child care information related to COVID-19. In addition, we will continue reinforcing our in-store sales promotions, new product distributions, and activities at hospitals and maternity centers, while increasing our contact with customers to expand our business.

* Due to a change in the fiscal year-end, fiscal 2019 was an 11-month period from February 1 to December 31, 2019. For this reason, year-on-year comparisons are not provided.

* As a change in its accounting policy, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the fiscal year ending December 31, 2021. The above forecasts are based on figures after the change in accounting policy.



Children Baby Maternity Expo (CBME) 2020



Nursing bottles (core Pigeon product category)



Ssence (new baby skincare brand with direct shipment from factory)

Key Strategies for 7th Medium-Term Plan

- ▶ Achieve higher product prices through uncompromising commitment to manufacturing
- ▶ Build new business model based on new Ssence brand
- ▶ Establish Shenzhen Creative Studio to monitor latest trends

Sales target for final year (ending Dec. 2022) (after revision, new standard)
¥46,000 million (compound annual average growth rate (CAGR) of 12.9%)

Column COVID-Related Initiative

To combat the spread of COVID-19 in the Chinese market, we disseminated information via medical specialists to pregnant women and families with newborns, including advice on developing habits to boost the immunity of newborns. We also used social media to provide information on how to use Pigeon products during COVID-19. In addition, we switched to live streaming for all our planned sales events, enabling us to continue our business despite the pandemic. We also provided support to essential workers by donating baby items to the homes of doctors and nurses, as well as antibacterial hand gels and medical gowns to medical institutions.



Singapore Business

● Business Environment

Approximately 140 million babies are born each year around the world, and the regions covered by our Singapore Business segment represent a major proportion of this total. This segment encompasses Southeast Asia (including Singapore, Indonesia, and Malaysia), India, the Middle East (including United Arab Emirates), Oceania, and others (including South Africa), as well as emerging nations. We are expanding our business in two of those nations—India, with around 24 million childbirths annually, and Indonesia, with about 4.8 million—which we regard as priority markets. In regions covered by our Singapore Business, the middle class (with annual disposable incomes of US\$5,000–35,000) is expanding in line with economic growth. Pigeon is also targeting this market (including the upper-middle class, with incomes of US\$12,000 and higher), which is tipped for further growth.

● Our Competitive Edge

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

Since entering Southeast Asia in the 1970s, customer recognition of the Pigeon brand has grown steadily, to the extent that our nursing bottles occupy the top market shares in Indonesia, Singapore, Thailand, and Vietnam. In India, we started production of nursing bottles and nipples at our local factory in 2015, and we are also exporting those products to Japan and elsewhere. In 2017, we converted our affiliated company in Indonesia into subsidiary to further expand our business. In the Middle East as well, we are enjoying sales growth in Saudi Arabia and the United Arab Emirates, especially for our nursing bottles and nipples, and we have also started exports to Nigeria, a new market for Pigeon.

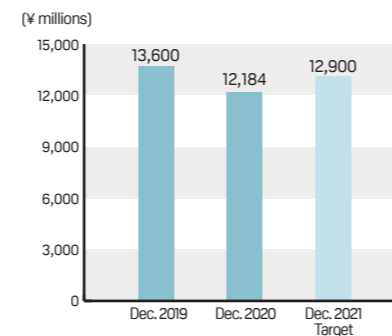
● Business Strategy

We manufacture nursing bottles and nipples at our local factories in Thailand, India, and Indonesia. These are sold locally and also exported to other countries, including Japan. The Singapore Business covers many nations with comparatively low levels of income and regions with diverse ethnicities, languages, religions, and cultures. For this reason, it is important that we deepen our understanding of consumers in each region and respond quickly to their needs. Generally, it is said that consumer activity in a country or region will take off when its per-capita GDP surpasses US\$3,000. Anticipating future market expansion, Pigeon will target renewed growth by developing and releasing products for the middle class in each of its categories.

● Priority Market: India

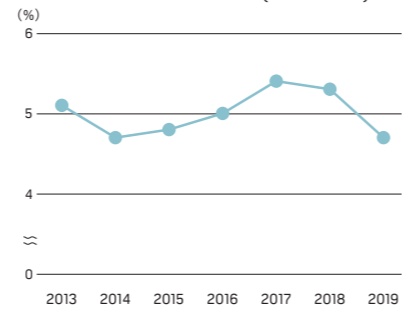
India has a population of 1.36 billion people (according to 2019 World Bank data), about half of whom are under the age of 25, and an annual birthrate of 24 million, which is far greater than China. By 2030, moreover, India is projected to overtake China to become the world's most populous nation. Therefore, we are working to raise recognition of Pigeon in India as a quality mother and baby care brand. In addition to expanding mainly in major cities, such as Delhi and Mumbai, we are developing outlets linked closely with local communities. We are also establishing and reinforcing our distribution system, expanding our sales network with a focus on pharmacies, and reinforcing our e-commerce business.

Sales of Singapore Business



* In fiscal 2019, Pigeon changed its fiscal year-end from January 31 to December 31. Therefore, fiscal 2019 refers to an 11-month transitional period from February 1 to December 31, 2019. In this graph, we compare our results in fiscal 2020 with a hypothetical 12-month conversion of our fiscal 2019 results.

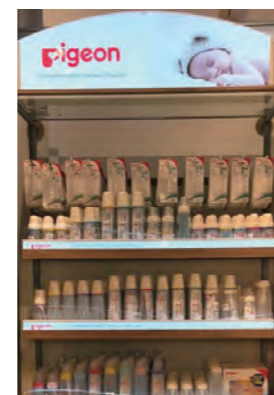
ASEAN: Real GDP Growth Rate (10 countries)



Source: ASEAN Secretariat



Store in Malaysia



Store in Saudi Arabia

● Priority Market: Indonesia

Pigeon is expanding its business in Indonesia. In 2017, for example, we converted PT Pigeon Indonesia, our manufacturing subsidiary, into a consolidated subsidiary, and we also established a new sales company there in 2019. Sales of Go mini breast pumps and our Liquid Cleanser, developed for middle-class consumers, continue to increase. In particular, we switched the sourcing of Liquid Cleanser, which we had been making at our factory in Thailand for import to Indonesia, to an outstanding local supplier in Indonesia. This enabled us to enhance the product's price-competitiveness while upholding its high quality, a key Pigeon strength, leading to a significant increase in sales. We have also started making new products targeting the middle class in Indonesia.

● Fiscal 2020* Performance and Highlights

Sales in this segment amounted to ¥12,184 million, and segment income was ¥1,647 million. Although we launched new offerings in core categories, such as nursing bottles and nipples and oral care products, this segment faced multiple challenges. In Southeast Asia, the Middle East, and India, for example, the COVID-19 pandemic had a major impact on our business, while lockdowns in Malaysia and India caused factories and offices to suspend operations for more than eight weeks. Our Singapore Business, which mainly sells products via physical stores, was also affected by the suspension and closure of retail outlets. Delays in sales and other activities led to an inevitable decline in segment revenue. On the local-currency basis, however, the year-on-year decrease was limited to around 10%. Moreover, the disappearance of inbound demand in Japan led to declines in sales and income of our Thai manufacturing facility, which makes many nursing bottles for export to Japan.

Despite the spread of COVID-19, we increased our emphasis on communication with customers by actively providing information and support. We also switched to online communication for important activities, such as breastfeeding seminars. In addition, we strengthened our digital marketing resources and took other steps to increase sales via the e-commerce channel.

* Due to a change in the fiscal year-end, fiscal 2019 was an 11-month period from February 1 to December 31, 2019. For this reason, year-on-year comparisons are not provided.

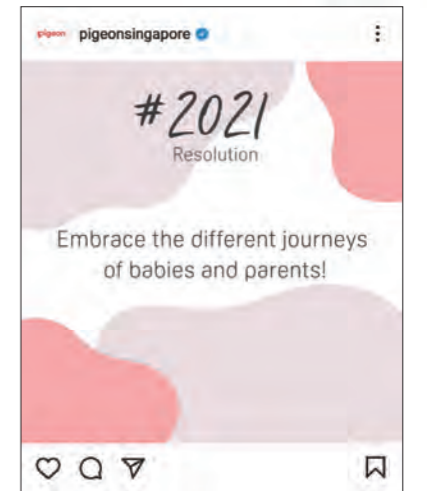
Key Strategies for 7th Medium-Term Plan

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

Sales target for final year (ending Dec. 2022) (after revision)
¥14,300 million (compound annual average growth rate (CAGR) of 8.3%)

Column COVID-Related Initiative

As cross-border traffic was restricted due to the COVID-19 pandemic, many Malaysian mothers working in Singapore were unable to return home. In some cases, they left their babies in their home countries and were unable to breastfeed for a long period of time. In response, Pigeon offered free breastmilk storage bags and breast pumps to enable these mothers to deliver breastmilk to their babies. In addition, logistics companies that sympathized with our activities transported the breastmilk for free, thus expanding the circle of support. We also held our first online breastfeeding seminar in order to continue providing breastfeeding support in Malaysia even during the pandemic.



Pigeon Singapore's official social media account



Lansinoh Business

● Business Environment

The Lansinoh Business is handled by Lansinoh Laboratories, Inc., which became a wholly owned subsidiary in 2004. This business covers North America (including the United States and Canada), Europe (including the United Kingdom, Germany, and Belgium), China, Turkey, Latin America, and elsewhere. Lansinoh is highly recognized as a brand of breastfeeding-related products, including its mainstay nipple care cream, breast pads, breast pumps, and breastmilk storage bags. In addition to North America and Europe, Lansinoh is expanding its business globally, entering the Chinese market through the newly established Lansinoh Shanghai in 2016.

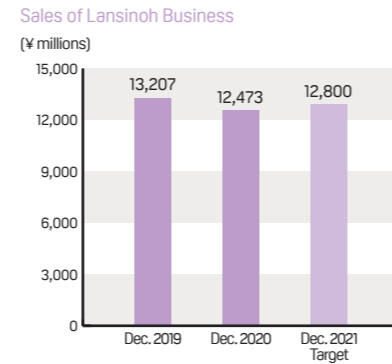
● Our Competitive Edge

Demand for breastfeeding-related products is increasing amid the spread of worldwide campaigns promoting the benefits of breastfeeding. Lansinoh Laboratories was established in 1984, and customers in more than 85 countries and regions now embrace its products. Lansinoh is recognized and strongly supported for its high brand power and the superior quality of its core products, which include nipple care creams, nursing pads, breastmilk storage bags, and breast pumps. In January 2014, Lansinoh made a full-scale entry into the nursing bottle market, strengthening its brand as a breastfeeding and baby-support company that provides comprehensive solutions related to breastmilk pumping, storing, and feeding.

● Business Development in the United States

In the United States, the total fertility rate is 1.73 (in 2018), and the average number of annual births is 3.75 million (in 2019), which is relatively stable among economically advanced countries. However, there are reports that United States will record a significant decrease in births from 2020 onwards due to a decline in fertility rate caused by the COVID-19 pandemic. In that nation, where breastfeeding is recommended, specialist “lactation consultants” provide general support for women around the time of birth by emphasizing the importance of breastfeeding and providing guidance and advice related to suckling and breastfeeding. Accordingly, demand for breast pumps and other breastfeeding-related products is rising.

More than 50,000 stores in the United States already handle our products. In addition to this network, we recently started selling electric breast pumps through the durable medical equipment (DME) channel, and sales are growing as a result. This is because breast pumps purchased via DME providers may be covered by insurance under the Affordable Care Act (“Obamacare”). Thanks to our various efforts, our nipple care creams and nursing pads have garnered the top share of the U.S. market, and our breast pumps are also increasing market share.



* In fiscal 2019, Pigeon changed its fiscal year-end from January 31 to December 31. Therefore, fiscal 2019 refers to an 11-month transitional period from February 1 to December 31, 2019. In this graph, we compare our results in fiscal 2020 with a hypothetical 12-month conversion of our fiscal 2019 results.



● Business Development in Europe

In the European market, we are enjoying sales growth in Germany, France, Belgium, and Turkey. France has the highest fertility rate in Europe, and although the rate slipped to 1.88 in 2018, it remains at a stable level. Meanwhile, Germany experienced a baby boom around 2016, due in part to its government’s expanded support for childcare and the welcoming of immigrants and refugees, but the number of births has continued to decline since 2019. In France, Germany, and elsewhere, the ratio of e-commerce sales to total sales has been increasing recently. In Turkey, meanwhile, sales at major baby product retail chains have been increasing. We are working to expand our market share by developing different business strategies for each country and region in Europe.



Lansinoh products that have won numerous awards around the world

● Fiscal 2020* Performance and Highlights

In this segment, sales amounted to ¥12,473 million, and segment income was ¥1,370 million. In North America, e-commerce sales are strong, and the ratio of e-commerce sales in the United States is also rising. Local-currency sales grew in all regions except China, with North America increasing 8% year on year. Since major e-commerce companies have designated Lansinoh products as “daily necessities,” we were able to avoid running out of stock and deliver products reliably to our customers. We did this by increasing inventories and taking other measures, especially during the second wave of COVID-19 toward the end of the year, which also saw a sharp rise in logistics costs.

In the United States, we reported healthy sales of nipple care creams and breast pumps, and the market share of our nipple care creams grew to 76% in spite of the pandemic. We also posted growth in e-commerce sales, but sales of breast pumps through the DME and hospitals channels continued to struggle due to the effects of the pandemic.

* The Pigeon Group changed its fiscal year-end in the fiscal period ended December 2019. Therefore, that period was a transitional period of 11 months (February 1 to December 31, 2019). For this reason, year-on-year comparisons are not provided in this report.



Organic Nipple Balm

Key Strategies for 7th Medium-Term Plan

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

Sales target for final year (ending Dec. 2022) (after revision)
¥14,000 million (fiscal 2020–2022 CAGR of 5.9%)

Column COVID-Related Initiative

During the year, we provided extra support for the lives of babies and their families by posting a special page on the Lansinoh website about childcare in the COVID era and how to spend the pregnancy period in comfort. In Spain, we have been donating lanolin cream (nipple care cream) to medical professionals to care for mask scars, and in Europe and the United States, we provided support to frontline workers by regularly issuing messages of appreciation to essential workers on social networking sites.



Pigeon Sustainable Vision "Celebrate Babies with All"

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

We aim to achieve sustainable growth as a company by reducing environmental impacts and solving social issues surrounding babies and mothers in all countries and regions where we conduct our business activities.

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

Operating Environment

**Number of births worldwide:
140.2 million per year¹**

- One in seven babies (more than 20 million people) born with low birth weight (less than 2,500g)².
- Of the 2.5 million newborns who die worldwide each year, more than 80% are born with low birth weight²

Climate change

- Aiming for decarbonization throughout the supply chain
- Increasingly severe and frequent natural disasters
- Impact on procurement

Global environmental issues

- Marine plastic problem
- Resource depletion
- Biodiversity problem

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

Seventh Medium-Term Business Plan: Priority Issues

Environment

Reduce environmental impacts

Leave a rich earth for the future of babies born tomorrow

- Quantitative Targets of Seventh Medium-Term Business Plan (FY2022)
- Address global warming: Reduce CO₂ emission intensity by 10% compared with FY2018 * Scope 1 and 2 (see pages 41 and 55)
 - Prevent pollution: Reduce industrial waste volume intensity by 1% or more per year (see pages 41 and 55)

Social

Solve social issues surrounding babies and mothers

Create a world that celebrates babies the way they are

- Create new products and services that solve issues surrounding babies who need special support (such as NICU hospitalization) and their families (see page 34)

Governance

Build a strong management foundation

Support sustainable growth to stay close to the baby

- Responsible dialogue with shareholders and other investors: More than 300 IR meetings per year (see page 44)

The international community is changing as it increases its emphasis on sustainability, highlighting the need for companies to embrace ESG initiatives. In April 2019, we formulated the Pigeon ESG/SDGs Policy and identified the material issues that we need to address. Together with our stakeholders, we are working to make the world more baby-friendly under the Pigeon Sustainability Vision: "Celebrate Babies with All."

Materiality Initiatives in FY2020

Materiality	Medium-term target	Individual issues	FY2020 Initiatives
1. Enhancement of business competitiveness and R&D capabilities	Development of next-generation businesses and products that offer solutions to society	<ul style="list-style-type: none"> • Develop products and services to help solve social issues • Increase productivity with AI and IoT • Improve productivity by streamlining the product development process • Maintain and improve product quality 	<ul style="list-style-type: none"> - Human milk bank support 🏆 Tokyo Financial Award 2020 - Published support book for mothers of late-preterm infants - Disseminated general information on childcare (social media, webinars) - Reviewed our product development process - Continued implementing quality improvement activities
2. Sustainable reduction of environmental impact	Carrying out sustained pursuit of reduced environmental impact	<ul style="list-style-type: none"> • Articulate environmental policy and environmental vision • Respond to global warming • Develop environment-friendly products and packaging • Reduce plastics • Prevent pollution • Share knowledge on reduction of environmental impact • Introduce an environmental management system • Earmark funds for environmental costs 	<ul style="list-style-type: none"> - Formulated environmental policy - Started examining long-term environmental vision - Installed new solar panels (Indonesia) - Purchased new renewable energy (hydroelectric power) (Japan) - Formulated Pigeon Eco-Label - Became an ordinary member of RSP0 - Implemented nursing bottle recycling campaign (Singapore) - Acquired ISO 14001 certification for all production sites
3. Enhancement of stakeholder responsiveness	Continuing to be loved by stakeholders	<ul style="list-style-type: none"> • Promote CSR procurement • Respond in a responsible manner to consumers • Engage in social contribution activities • Engage in dialogue with shareholders and investors in a responsible manner 	<ul style="list-style-type: none"> - Formulated CSR procurement policy - Continued activities based on consumer-focused voluntary declaration - Provided support for nursing and breastfeeding rooms - Held tree planting campaign
4. Improvement in quality of human resources	Developing professional human resources that can be active on a global basis	<ul style="list-style-type: none"> • Articulate HR development policy • Promote HR development and hiring on a global basis • Reinforce expertise of each department 	<ul style="list-style-type: none"> - Established education program based on new personnel system - Creating global human resource development program (in progress)
5. Creation of an ideal working environment	Carrying out thorough workplace development that will make people want to continue to work at Pigeon	<ul style="list-style-type: none"> • Promote diversity • Take initiatives toward diverse working styles • Promote work-life balance 	<ul style="list-style-type: none"> - 100% childcare leave uptake among male employees - Held meetings for mothers returning to work - Promoted health management
6. Establishment of a solid management base	Building a strong management foundation to support sustainable growth	<ul style="list-style-type: none"> • Introduce a new personnel system • Put risk management in place • Strengthen compliance • Strengthen brand power • Enhance ESG responsiveness 	<ul style="list-style-type: none"> - Established new personnel system established (January 16, 2021) - Reviewed risk maps and scenarios - Conducted compliance monitoring checks for all employees - Modernized head office showroom - Established Sustainability Committee

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

Awarded Tokyo Financial Award 2020 in the ESG Investment Section (SDGs Category)

Our efforts to support human milk banks won the inaugural award in the SDGs Category (new category introduced in 2020 in the ESG Investment Section) of the Tokyo Financial Awards 2020, sponsored by the Tokyo Metropolitan Government. The award recognizes Pigeon's practical application of SDG-related management.



Sustainability Committee Established

Committed to deepening its ESG-focused management from a medium-to-long-term perspective, the Pigeon Group established the Sustainability Committee in December 2020. The new committee is chaired by the Head of the Global Head Office and includes the Division Managers of each Business as well as the Business Strategy Division Manager. Its duties include setting medium- and long-term targets, identifying materialities, conducting regular reviews, and reviewing the progress of measures taken. We also established the Corporate Sustainability Department as a dedicated entity to serve as secretariat for new committee. The committee held its first meeting on March 1, 2021 and presented a report at the Board of Directors on March 30, 2021.



● Tiny Birth Cry Support Project

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



Products for Babies Who Need Special Care

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

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



Activities for Babies Needing Special Care and Their Families

Support for Human Milk Banks

Since April 2020, we have provided support for establishing Human Milk Banks. As part of this effort, we provided full support for the opening of the Nihonbashi Human Milk Bank at Pigeon Head Office in September 2020, the second such bank in Japan. The bank is capable of supplying donated human milk to 600 babies a year. In China, Pigeon has become the first main partner in the Beijing Chunmiao Charity Foundation's "Human Milk Bank Special Fund" project. In the initial year of 2021, we will provide active support to help the foundation establish new human milk banks and operate existing facilities.

Pigeon Preterm Infant Health Insurance (China)

In November 2018, Pigeon (Shanghai) Co., Ltd. partnered with Ping An Insurance Company of China, Ltd. to establish "Pigeon Preterm Infant Health Insurance." Neonatal care for babies born small is making progress in China, but there are still many families who discontinue treatment for financial reasons. By providing health insurance for preterm babies, we help alleviate the financial burden of medical expenses for families with preterm babies.

Psychological Support for Late Preterm Infants and Their Families (Pigeon Smile Lactation Research Institute)

Since 2018, the Pigeon Smile Lactation Research Institute has been conducting research into the thoughts and feelings of mothers of late preterm infants in NICUs or growing care units (GCUs), and we have presented our findings at academic conferences. Our research revealed the need to provide emotional support to mothers of babies born prematurely. As part of our support efforts, we worked with members of our research team to produce a booklet for the families of late preterm babies and distributed it free of charge.

What is a human milk bank?

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



Nihonbashi Human Milk Bank on the first floor of Pigeon Head Office



Support booklet for families of late preterm infants in NICUs/GCUs

● Lactation Research

In March 2015, we launched the Pigeon Smile Lactation Research Institute, which aims to "Create a society that values more babies growing up healthy and more mothers and fathers finding happiness in childrearing." The Institute works with specialists researching breastfeeding mothers and infants to identify issues during the breastfeeding period and propose solutions to them. In 2016, we produced the Happy Breastfeeding Support Book, a comprehensive compilation of information on nursing for mothers. As of December 2020, we have distributed around 620,000 copies of this booklet free of charge.



Happy Breastfeeding Support Book

● Lactation Lounges

We have set up breastfeeding/pumping rooms called Lactation Lounges at Head Office with the aims of creating comfortable working environments for employees with small babies and contributing to local communities. In addition to employees, the rooms are available for use by mothers working in the vicinity, as well as mothers and babies living nearby. In other nations as well, we provide support to establish Lactation Lounges in various locations, including plants and offices, with the aim of helping female employees return to work after giving birth. As of December 31, 2020, we have supported 9,465 such rooms in 21 countries around the world.



Lactation Lounge at Pigeon Head Office

● Support for foundation providing scholarships to medical students

The Pigeon Scholarship Foundation, a public interest incorporated foundation, aims to realize a society in which all mothers can give birth and raise children with peace of mind, while fostering the healthy lives and growth of mothers and babies. The Foundation provides scholarship support, with no repayment required, to students in the neonatal, pediatric, and obstetrics departments of universities (students majoring in medicine at domestic general universities or medical universities). Since the foundation's establishment, Pigeon has made financial donations and provided human resources support. In the fiscal year ended December 2020, the foundation provided financial support to 101 students at 25 universities (total of new fifth-year and sixth-year students).

● Human Resource Development

Improving Educational Environments (China)

In China, we have been building and donating to schools in areas with inadequate educational infrastructure. Following the Sichuan Earthquake of 2008, our local Chinese subsidiary Pigeon (Shanghai) Co., Ltd. opened the Pigeon Hope Elementary School in Meishan District of Sichuan Province in 2009. We subsequently donated school buildings at the pace of one building per year, and the total reached 10 schools by 2018.

Supporting Children's Creativity (Japan)

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



● Newborn Baby Commemorative Tree-Planting Campaign

For more than 30 years, we have continuously held our annual Newborn Baby Commemorative Tree-Planting Campaign, which began in 1986. Under the slogan "Raising Children, Raising Trees: The Spirit Is the Same," the campaign celebrates children born in each particular year. The campaign is held at the "Pigeon Miwa no Mori" site, a combination of national forest and Pigeon-owned land near Hitachi-Omiya, Ibaraki Prefecture. To date, we have planted trees on behalf of 186,399 babies under the campaign. We will continue working to create memories for parents and children.



In order to continuously develop more value-added products, we need to provide environments in which employees can work comfortably. If we do not value our employees, we will not succeed in our business. Based on this belief, we strive to build a comfortable workplace culture by refining our systems to enhance our working environments.

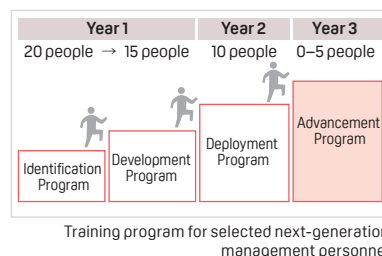
● Diversity and Human Rights

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



● Training Professional and Managerial Human Resources

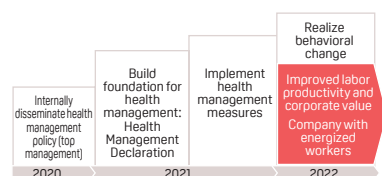
Pigeon gives all employees opportunities to participate in technology development, education, and practical training. We stopped setting gender differences in job types and career courses before the enactment of the Equal Employment Opportunity Law. At our overseas bases, the employee turnover rate has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



Every six years, we run a two-year training course for selected next-generation managerial human resources. To ensure the continuous growth of the Group, we work to cultivate next-generation managerial personnel as “Human qualities that can enhance resourcefulness and continuously increase the Company’s corporate value based on the values of the Pigeon Way.” In 2020, we launched the Pigeon AMC (Accelerate My Career) Program at Pigeon’s headquarters. This is an open recruitment program to help people shape their own careers and experiences. In addition to internal recruitment, internal internship, and internal pro bono work (short-term work support in other departments), the program includes external volunteer leave and an external residency program that allows employees to work at another company for three months to gain new experiences and skills. In fiscal 2020, the first year of the program, two employees took advantage of the external residency program to work at venture companies. In January 2021, meanwhile, we shifted to a new personnel system that clarifies the roles of individual employees by setting up positions according to their career aspirations and aptitudes and eliminating age, seniority, and other factors, so that each employee can become a professional with deep expertise.

● Health Management

Seeking to become “a company where employees can work lively in good health,” we take care to support the maintenance and promotion of their health and strive to provide dynamic and supportive work environments. We also established a health management promotion system under the direct supervision of the President and collaborate with industrial physicians and health insurance associations to tackle various challenges. These include eliminating smoking, reducing lifestyle-related disease risks, and tackling mental health issues.



Pigeon Rubella Zero Action

We are implementing the Pigeon Rubella Zero Action project as part of our corporate responsibility related to health management and babies. To elevate the rubella antibody retention rate among employees, Pigeon pays for antibody tests and vaccinations and provides in-house education to deepen understanding of rubella. On February 4, 2020 (Rubella Day), our activities were recognized by an award from the Rubella Zero Project Executive Committee, which is promoted by the Japan Association of Obstetrics and Gynecologists.

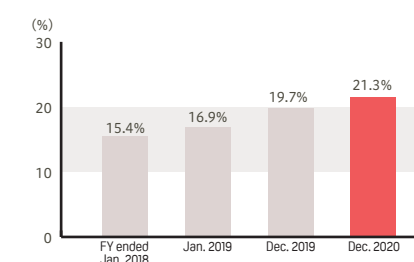


In-house lecture (December 2019)

● Supporting the Advancement of Women

Pigeon considers the creation of environments in which female employees can play an even more active role to be a particularly important issue. With this in mind, we formulated our Three-Year Action Plan for Promoting Advancement of Women. The plan has three pillars: “Expand support systems for balancing work and family life,” “Raise awareness in the workplace,” and “Provide support for women’s feelings and skills.” In these ways, we continue to enhance our systems and support the mindsets of our employees. We also focus on training for female management prospects. In the fiscal period ended December 2020, women accounted for 21.3% of Head Office management and 38.8% of overall Pigeon Group management.

Female Manager Ratio (Head Office)



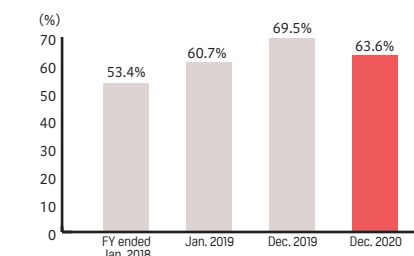
Three-Year Action Plan for Promoting Advancement of Women (February 2020 to December 2022)

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

● Work-Life Balance Head Office

In addition to complying with domestic regulations on worker protection and work hours established by legislation and labor agreements, we are implementing measures to promote work-life balance and labor productivity. These include establishing a rule to leave the workplace by 7:00 p.m. and setting one day per week as a “no-overtime day.” We also introduced teleworking in April 2019. As a company involved in child-rearing, we are expanding our employee support systems for parenting and focusing on helping employees return to the workplace quickly after childbirth, with programs that include One Month Together (parental leave for male employees), Women’s Early-Reinstatement Support System, and Financial Assistance System for Parents with Children on Waiting Lists. At Pigeon, we have created workplace environments where anyone can take childcare and nursing care leave as a matter of course. We are also working to develop employees who can talk about their childcare experiences, and we reflect their feedback in our product development and other operations.

Paid Leave Usage Rate (Head Office)



In Japan, the Ministry of Health, Labour and Welfare gives “Kurumin” certification to companies that have met certain standards for measures to address declining birthrates and support child-rearing. In 2018, Pigeon received “Platinum Kurumin” accreditation, which recognizes companies that have made considerable progress and engage in high-level initiatives to introduce and deploy systems that support both work and family life.



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

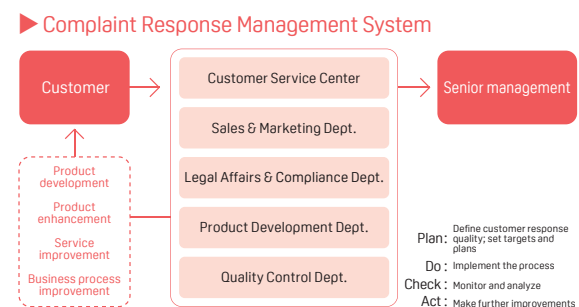
Name	Details	Usage status
One Month Together	1-month parental leave system for male employees	Uptake rate: 100% (100% consistently since FY Jan. 2016) Users: 55 persons (cumulative over 6 years since FY Jan. 2016)
Leave the workplace (go home) by 7:00 p.m. rule	Rule to leave the workplace by 7:00 p.m. in principle, even when doing overtime	Average overtime per month: 6.7 hours (FY Dec. 2020)
No overtime day (1 day per week)	Every Wednesday designated as “no overtime day” to promote consistent departures	
Life Design Leave and Temporary Retirement	System enabling up to 2 years of leave or temporary retirement for fertility treatment and adoption processes	Provided in 2015, 2016, and 2017, 2019, and 2020
Telework	System available to all employees to work at home or at a satellite office	System implemented in April 2019



Materials explaining One Month Together

● Resolving Consumer Issues

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



● Quality and Safety Initiatives

The Pigeon Group is passionate about providing safe and reliable products to babies and their families all over the world. To accomplish this task, we have built an original quality assurance system that improves quality in two stages: Design quality (at the product-development stage) and production quality (at the manufacturing stage).

To support and improve design quality, the Pigeon Group specifies the Pigeon Quality Standards (PQS). These standards embody an original product-design approach and criteria that build safety, ease of use, and durability into products from the product-development stage onward. By applying PQS globally, we are working to support and improve the design quality of our products manufactured worldwide. In production, we strive to achieve stable quality through key standards and practices. One of these is Pigeon Productive Management (PPM), our original set of criteria for the manufacturing equipment and production environments at each plant. Another is Good Manufacturing Practice (GMP), established for each country. In these two initiatives to improve quality, the processes are managed according to ISO 9001 and are checked and reviewed every six months.



● Promoting CSR Procurement

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

To fulfill our social responsibilities in each process of the value chain, we emphasize mutual communication with suppliers. Going forward, we will ask new suppliers to comply with the guidelines based on the items set forth in the CSR Procurement Policy, and conduct annual CSR procurement assessments to evaluate them. We will also use our CSR Procurement Self-Assessment Questionnaire to assess the status of our existing suppliers, and promote initiatives for continuous improvement.

▶ Communication with Suppliers

To deepen mutual understanding with our suppliers, we hold an annual “Pigeon Report Meeting” to explain our policies. In February 2021, we invited 56 suppliers from Japan and overseas to participate in the online meeting, where we explained our CSR Procurement Policy and asked for their cooperation in our CSR procurement assessments.

● Chemical Management

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

● Fair Business Practices

To ensure fair business practices, we established our Corporate Ethics Policies, which commit Pigeon to participate in fair and open competition and carry out fair transactions and responsible procurement in its corporate activities for sound growth. Pigeon also maintains healthy relationships with politics and the administration of government. Under our Corporate Ethics Policies and in accordance with our Code of Conduct, we strive to prevent bribery and corruption by undertaking procurement in accordance with our fair transaction policy. We also ensure compliance with competition laws, refrain from giving or receiving entertainment or gifts for the purpose of gaining unfair profits or preferential treatment, and do not perform any act that arouses suspicion among political or administrative authorities. In addition, we actively cooperate with investigations by the relevant authorities. We work to prevent collusion with governments and involvement in anti-competitive activities, by instituting a system for complying with competition laws and rigorously educating employees through compliance training and other programs.

Management and Use of Intellectual Property Rights for Fair Business Practices

At Pigeon, we believe that intellectual property rights are essential for sustainable corporate development and that the legitimate creation, protection, and exploitation of intellectual property rights contribute to the development of sound industry. Based on this concept, we strive to protect and utilize rights so we can conduct legitimate business activities, while creating systems and an internal culture that respect the intellectual property rights of others.

Whistle-Blowing System and Contact Point for Business Partners to Report or Seek Consultation on Compliance

We operate two whistle-blowing systems: “Speak-Up Desk” for Pigeon Group employees and “Pigeon Partners Line” for business partners and others outside of the Group. These systems encourage parties to report real or suspected corporate ethics violations (compliance violations) occurring in the course of business activities or transactions with the Pigeon Group. In fiscal 2020, three (3) reports were made to Speak-Up Desk and zero (0) reports to Pigeon Partners Line.

Our Sustainable Actions

The website below introduces the Pigeon Group's activities in various nations. Please visit it.

<https://www.pigeon.com/sustainability/activity/>



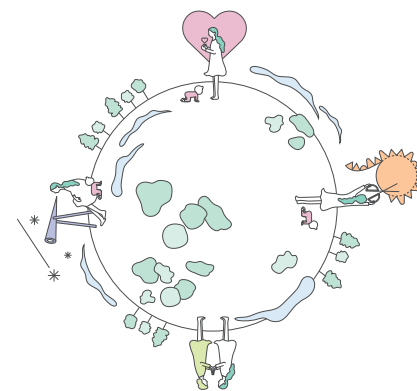
● Basic Approach to Environmental Protection (Environment Policy)

The Pigeon Group is committed to form a sustainable society in the Earth's finite environment and 'leave a rich earth for the future of babies born tomorrow' by acting based on Pigeon Way. In addition to complying strictly with environmental laws and regulations, we recognize the relationship between its business activities and the environment, energetically tackle the environmental issues faced by all humanity.

In that spirit, we pursue maximum efficiency in the use of natural resources and energy and reduce emissions of greenhouse gases, waste, harmful chemicals and other substances that impact the environment. Thereby contributing to the reduction of global warming, preventing pollution and conservation of biodiversity. In advancing these various efforts, we strive to form appropriate partnerships and cooperative relations with the diverse range of stakeholders in its supply chain, including customers, business partners and regional communities, to have a beneficial effect on the global environment of the future.

● Sustainable Development Policy

In order to develop products with full consideration to the future environment of childcare and the global environment, it is important for each of us to think about the environmental impact of their actions. With this in mind, we develop products based on our Sustainable Development Policy, which sets out the following key rules: "Act with an eye to the future," "Make products that play their part," "Avoid overengineering and overdesign," "Seek empathy, share progress," and "Watch over products for their whole lifetime."



Environmental Label

To assist customers in choosing products that are gentle to the environment, in February 2021 the Pigeon Group began affixing the Pigeon Eco-Label on products that meet its own environmental standards. Products carrying the label are those that meet at least one of the Pigeon Environmental Standards set by Pigeon at each stage, covering raw material procurement, manufacturing, distribution, use, and disposal. By 2025, we aim to display the label on all baby and maternity products sold in Japan.

Products with Pigeon Eco-Label

Use of recycled materials



Clear cases and trays used in packaging are made of 100% recycled PET bottles.

Downsizing to reduce paper usage



Compact products that can be stacked enable us to reduce the size of individual boxes. The size of such boxes can be reduced by more than 30% compared with conventional products, lowering the amount of paper used.



Plant-derived ink



Inks used in our packaging are made of environmentally friendly plant-derived raw materials.

Forest-certified paper



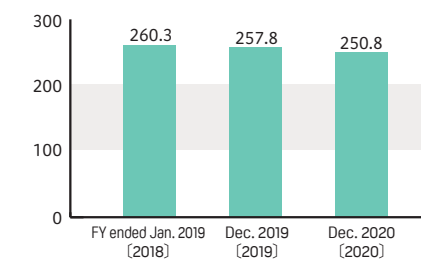
The cardboard we use is made from FSC®-certified paper. The FSC® certification system is an international forest certification scheme for responsibly managed forests and forest products procured in such a way that limited forest resources will remain available in the future.

● Climate Change

The Pigeon Group is working to identify and reduce direct and indirect greenhouse gas emissions in order to mitigate climate change. For example, we are installing solar panels at our factories. In 2019, our two production companies in China and one in India put solar panels into full-fledged use, followed by Indonesia in 2020 and Thailand in January 2021. In addition, we are purchasing renewable energy (hydroelectric power generation) for some of our factories, using photocatalytic paints, and switching to all-LED lighting to save electricity.

CO₂ Emission Intensity (Scope 1 & 2)

CO₂ emissions (kg)/Net sales (¥ millions)



Target for final year of Seventh Medium-Term Business Plan (FY2022)
CO₂ emission intensity 10% reduction from FY2018

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

* At some sales bases, CO₂ emissions are calculated based on electricity usage as reflected in electricity charges, and others are based on emission coefficients published by the Ministry of the Environment.

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

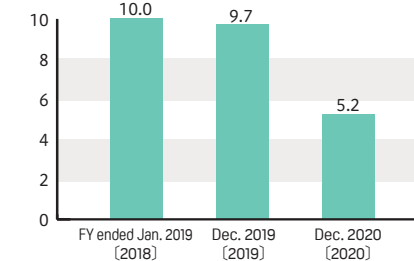
* There was an error in past data, and the figures have been corrected.

● Pollution Prevention

The Pigeon Group is committed to minimizing non-recyclable industrial waste generated by its business activities. Our goal is to reduce the volume of industrial waste per unit of production by 1% per year. We are also working in other ways to prevent pollution at our plants, such as improving productivity and yield and closing waste incinerators. In addition, we have reviewed our disposal vendors to ensure that industrial waste that had been disposed of without being recycled has since been recycled.

Industrial Waste Volume Intensity

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



Target for final year of Seventh Medium-Term Business Plan (FY2022)
Industrial waste volume intensity 1% reduction per year

* Scope: Pigeon Group total, excluding Pigeon (Shanghai) Co., Ltd. and the Pigeon Osaka Branch

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

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

* There was an error in past data, and the figures have been corrected.

● Sustainable use of resources

To promote the sustainable use of palm oil, in December 2020 Pigeon became an ordinary member of the Roundtable on Sustainable Palm Oil (RSPO), a non-profit organization that encourages the production and use of sustainable palm oil, including through the conservation of tropical rainforests and biodiversity.

Please check our progress at www.rspo.org.



Solar panels on the roof of PT Pigeon Indonesia



Solar panels on the roof of Thai Pigeon Co., Ltd.



Pigeon Manufacturing Hyogo Corporation provides cat litter manufacturers with breast pads and non-woven fabrics that are discharged during the production process. Around 225 tons of such items are recycled by the manufacturers each year.



Environment

Leave a rich earth for the future of babies born tomorrow

● Initiatives for Biodiversity

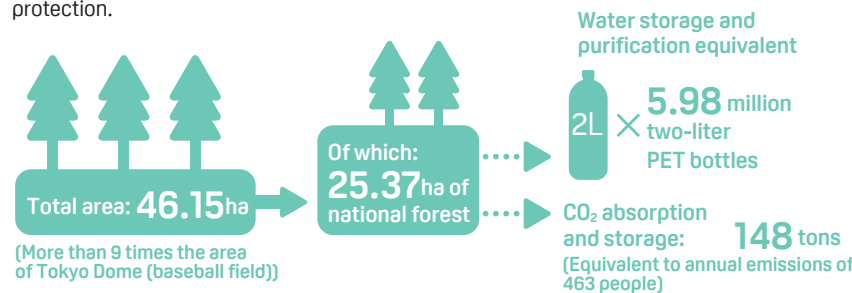
The Pigeon Group recognizes that biodiversity is the foundation for the survival of society as a whole and is an essential element of sustainable business activities. Based on full consideration for how our business activities affect biodiversity in various situations such as raw material procurement,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

Pigeon Miwa no Mori Tree-Planting Activities

Forests help prevent global warming by absorbing carbon dioxide and also help preserve biodiversity. In addition, they play a role in preventing floods and erosion while preserving high water quality, to the extent that they are referred to as “green dams.” Over the past 34 years, we have planted around 150,000 seedlings on 46.15 hectares of land (both national forest and private land) at the Pigeon Miwa no Mori site, a combination of national forest and Pigeon-owned land near Hitachi-Omiya, Ibaraki Prefecture. In the national-forest portion, covering 25.37 hectares, the “green dam” benefits equate to storage and purification of 5.98 million two-liter PET bottles. Through these forestry efforts, we are also contributing in a small way to educational activities related to global environmental protection.



Pigeon Miwa no Mori site



Restoring Forests in Indonesia

PIGEON SINGAPORE PTE.LTD. is partnering with WWF-Singapore to support forest restoration efforts in Indonesia. We support the rehabilitation of 50 hectares of land with the planting of 5,000 seedlings in West Sumatra, Indonesia under the NEWtrees program which is a planting project for forest trees and fruit trees in key biodiversity areas that are threatened by deforestation.



©WWF-Indonesia

● Water Conservation

We are working to reduce water consumption through the effective use of water resources for manufacturing, water conservation, and wastewater reuse. For example, Pigeon Industries (Changzhou) Co., Ltd. generates industrial wastewater at its baby wipe production lines and its laboratories, but it uses an industrial wastewater treatment system to turn the wastewater into water that can be used in aquariums.



Aquarium at Pigeon Industries (Changzhou) that reuses treated industrial wastewater

● Environmental Management Systems

As a company that advances its business globally, the Pigeon Group seeks to obtain ISO 14001 certification for environmental management systems. By the end of 2020, all of our production facilities had obtained certification. In addition, we are working on environmental activities not just as temporary measures to reduce environmental impact, but also as an upward-moving management system based on the PDCA cycle.

ISO 14001 certification rate at Pigeon Group production sites

100%

Governance

Support sustainable growth to stay close to the baby

● Corporate Governance

We are organized as a company with an Audit & Supervisory Board. The Audit & Supervisory Board Members' auditing to ensure strict adherence to the law, forms the cornerstone of our compliance management. Our current top management structure (meeting bodies) consists of the Board of Directors, chaired by the Chairman and consisting of 12 Directors (9 males and 3 females; 11 Japanese nationals and 1 foreign national), including 5 Outside Directors; the Audit & Supervisory Board, consisting of 4 members (3 males and 1 female; 4 Japanese nationals), including 2 Outside Audit & Supervisory Board Members; and the Management Committee meetings, chaired by the President and consisting of Executive Officers and Audit & Supervisory Board Members. For all bodies, we strive to increase diversity of membership. We have also introduced a managing officer system. The aims of this system are to provide for mutual partnership between the decision-making/management functions (governance) and execution of business and to clarify the operating responsibilities of Directors.

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

In addition to the Nominating Committee and Remuneration Committee, on March 30, 2021 we established a new Governance Committee to serve as an advisory panel for the Board of Directors. The aim of the new committee is to further enhance corporate governance at the Pigeon Group, which is based around Pigeon Corporation. It is chaired by an Outside Director and a majority of its members are Outside Directors and Outside Audit & Supervisory Board Members.

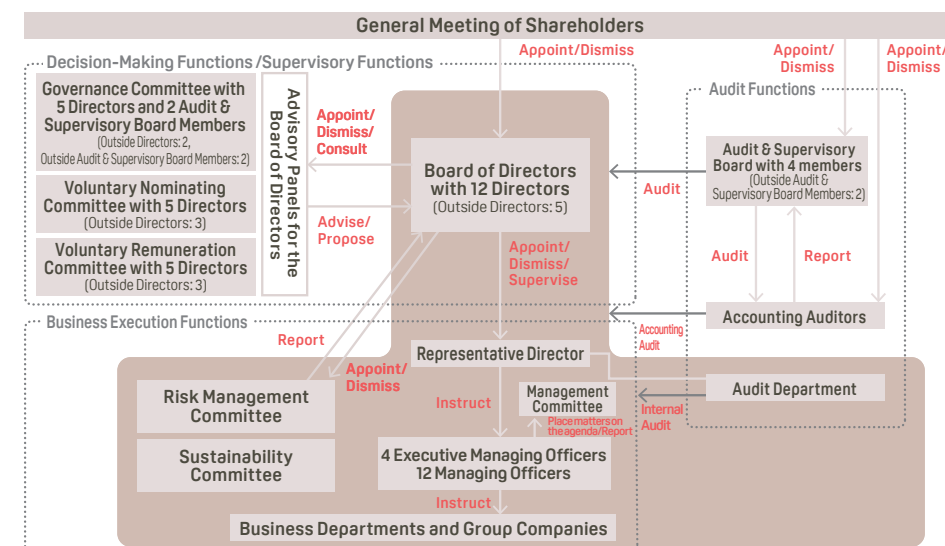
Audit & Supervisory Board Members attend meetings of both the Board of Directors and the Management Committee, where they deploy their experience in the field to swiftly resolve issues. In addition to enhancing the supervisory function through expression of opinions and

the like, Audit & Supervisory Board Members listen to directors, view important resolution documents, examine the current status of business and financial assets, and otherwise conduct meticulous supervision and oversight in accordance with Pigeon’s policies on auditing and allotment of duties. They also meet regularly with the President and CEO, receive reports on matters such as important company issues, and carry out frank exchanges of opinions.

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

● Evaluating the Effectiveness of the Board of Directors

Seeking to increase corporate value and achieve sustainable growth over the medium and long terms, the Board of Directors conducts annual evaluations of its effectiveness and works to maintain and improve such effectiveness. In fiscal 2020, we addressed issues related to the operation of the Board of Directors and provided training opportunities for Directors and Audit & Supervisory Board Members identified in the effectiveness evaluation conducted in fiscal 2019. Regarding the operation of the Board of Directors, for example, we allocated sufficient time for deliberation by providing and explaining reporting materials in advance and shortening the time spent on reporting at Board of Directors’ meetings. We also reviewed agenda items for the Board of Directors’ meetings by revising the rules of the Board of Directors. As for training opportunities, we provided training and content, mainly related to corporate governance and finance, to Directors and Audit & Supervisory Board Members, as well as briefings on our business activities. As a result, our effectiveness evaluation conducted from November to December 2020 revealed some improvements, including in the issues mentioned above. As in fiscal 2019, it was confirmed that the Board of Directors is making effective decisions through open and lively discussion and playing an influential role in improving medium-to-long-term corporate value. Meanwhile, the need to further enhance efforts towards ensuring the internal control system’s effectiveness and coordination with auditors was identified.

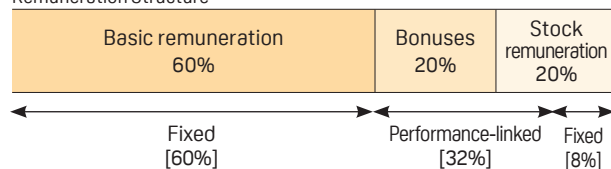


Corporate Governance Organization Chart

● Executive Remuneration System and Remuneration Committee

Remuneration for Directors (excluding Independent Outside Directors) consists of “basic remuneration” commensurate with position, “bonuses” provided as a short-term incentives, and “stock remuneration” provided as a medium-to-long-term incentive designed to share interests with shareholders. The retirement allowance system for directors was abolished at the conclusion of the 62nd Ordinary General Meeting of Shareholders held on April 25, 2019. Basic remuneration amounts are now determined for each role and responsibility. Bonuses vary (0–150%) according to the level of achievement of the Group’s consolidated performance targets (net sales, operating income, and Pigeon Value Added (PVA), our original performance indicator). Stock remuneration consists of two components: performance shares (60%) and restricted stock (40%). In principle, the performance shares portion varies (0–150%) according to the level of achievement of performance targets and nonfinancial indicators stated in the Medium-Term Business Plan.

Remuneration Structure



To increase the independence, objectivity, and transparency of the executive remuneration system, the Company established a Remuneration Committee to serve as an advisory body to the Board of Directors. More than half of the Committee’s members are Independent Outside Directors, one of whom serves as chairman. The Remuneration Committee meets at least four times a year in principle to discuss the necessity of revising the basic executive remuneration policy and individual executive remuneration levels, and the Committee also provides advice and recommendations to the Board of Directors.

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

● Executive Nomination Process and Nominating Committee

To increase the independence, objectivity, and transparency of the process of selecting and dismissing Directors, the Company established a Nominating Committee in September 2019 to serve as an advisory panel to the Board of Directors. More than half of the Committee’s members are

Independent Outside Directors, one whom serves as Chairman. In addition to human-resource requirements for CEO (responsibilities and authority, main duties and expected results, and required competencies), the executive nomination policy sets out standards for appointment and dismissal, successor plans, terms of office, and the like. The ideal human qualities necessary for the role of Chief Executive Officer (CEO) of the Company are “Human qualities that can enhance resourcefulness and continuously increase the Company’s corporate value (social and economic value), based on the values of the Pigeon Way.”

For details of the executive remuneration and nomination policies, please refer to the sites below:

- Executive Remuneration Policy:
https://www.pigeon.com/sustainability/files/pdf/Executive_remuneration_policy.pdf
- Executive Nomination Policy:
https://www.pigeon.com/sustainability/files/pdf/Executive_nomination_policy.pdf

● Internal Audits

We established the Audit Office, an independent organization under the direct control of the President, as an internal auditing body. Each year, the Office formulates an audit plan based on a risk approach for the Company and domestic and overseas group companies and conduct internal audits accordingly. In conducting the audits, it focuses mainly on the effectiveness and efficiency of operations, 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 Groupwide internal controls and the financial process for closing accounts, pursuant to the basic plan for internal controls over financial reporting under the Financial Instruments and Exchange Act, and to monitor the appropriateness of the development and operation of these controls.

● Responsible Dialogue with Shareholders and Other Investors

The Company actively engages in responsible dialogue with shareholders and other investors. During the COVID-19 pandemic, for example, we increased the number of contact points compared with the previous year by using the Web and teleconferences to host IR meetings and financial results briefings. We recognize that the Ordinary General Meeting of Shareholders is the Company’s highest decision-making body and is also a forum for constructive dialogue with shareholders. Accordingly, we ensure a sufficient period of time and a good environment so shareholders can properly exercise their rights. Each year, we post the convocation notice in Japanese and English on the Company’s corporate website and other media around one month before the Ordinary General Meeting of Shareholders and send out paper copies three weeks prior. In addition, we strive to ensure convenience for shareholders, including by enabling them to exercise their voting rights via the Internet or a platform for electronic exercise of such rights. We also provide sign language interpreters at the venue of the Ordinary General Meeting of Shareholders, as well as a special child-care room. Moreover, beneficial shareholders who hold the Company’s shares in the name of trust banks and the like are allowed to observe the Ordinary General Meeting of Shareholders after completing the prescribed procedures. At the 64th Ordinary General Meeting of Shareholders held on March 30, 2021, we took steps to prevent

the spread of COVID-19. For example, we used a virtual format so that even shareholders who were not present at the meeting could view the proceedings. We also asked speakers and management staff to wear masks at the meeting venue, and shareholders in attendance had to wear masks and sit apart.

Responsible Dialogue with Shareholders and Other Investors

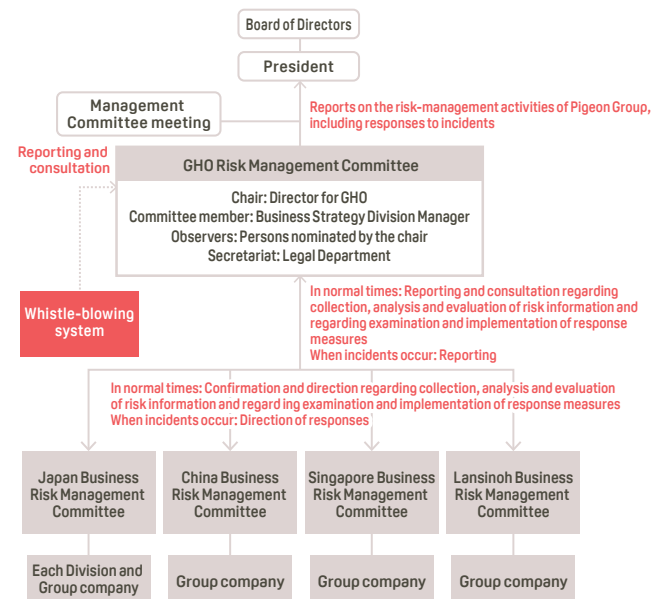
64th General Meeting of Shareholders (March 30, 2021)	Number of attendees: 55* Voting rights exercised: 88.57%
IR meetings with institutional investors	Total number of correspondences: 424 (fiscal 2020)

* We also held an interactive virtual shareholders’ meeting.

● Risk Management

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

In addition to addressing normal situations, in the event that the Group is confronted with a crisis, such as a disaster or other major incident, the



Risk Management Organization Chart

Risk Management Committee convenes and takes steps to minimize damage and effect recovery, based on the Rules for Risk Management and the Business Continuity Plan (BCP). Furthermore, information on consultations and reporting through the internal whistle-blowing system are collected and sent to the GHO Risk Management Committee. The Risk Management Committee or a department nominated by the Risk Management Committee responds as necessary based on the details of the consultations and reporting. The GHO Risk Management Committee reports to the Board of Directors at least once each year.

● Compliance

The Pigeon Way is the cornerstone of all our activities. On this basis, we established a basic policy on compliance called the “Corporate Ethics Guidelines.” The Corporate Ethics Guidelines are composed of two parts: the “Corporate Ethics Policies,” which are ethical standards that Pigeon should always have and hold to continue existing as a corporation trusted and supported by society, and the “Code of Conduct,” which is a set of guidelines for each and every employee to help materialize the Corporate Ethics Policies in various company activities. The Corporate Ethics Guidelines stipulate Pigeon’s basic compliance policy for winning the confidence of all stakeholders (interested parties) involved in practicing compliance in our corporate activities. To ensure that each and every employee is keenly aware of the Pigeon Way and compliance efforts, we believe it is vital to continue disseminating to all Group employees Pigeon’s corporate philosophy and the sense of values of its management. For this reason, our representative directors and all other executives lead by example in rigorously promoting our spirit of ethics and compliance.

With respect to compliance-related education, we conduct e-learning and other training sessions on such topics as the Corporate Ethics Guidelines at the Company and domestic and overseas Group companies in order to spread compliance to all employees. We also distribute our “Pigeon Compliance Report” newsletter each month to all employees of the Company and domestic Group companies to help them understand and address compliance-related matters that could arise in the course of their daily work. This newsletter provides overviews of laws related to the Group’s business, including the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Unjustifiable Premiums and Misleading Representations, as well as harassment and other compliance-related issues. In addition, we conduct periodical questionnaire-based compliance surveys to raise awareness and knowledge about compliance among all Group employees, and we use the results to improve compliance measures.

As for internal reporting, we operate two whistle-blowing systems: “Speak-Up Desk” for Pigeon Group employees (three points of contact: Audit & Supervisory Board Members, Legal Department, and a consulting lawyer) and “Pigeon Partners Line” for business partners and others (two points of contact: Legal Department and a consulting lawyer). When a problem is discovered within the Group or outside it, the Risk Management Committee considers appropriate responses as necessary and examines the facts, taking every precaution to protect whistleblowers and consultants. In this way, the Risk Management Committee arranges to make the responses necessary to resolve the problem in a timely manner. If necessary, the advice of a legal adviser may be sought to weigh the legal propriety of responses. Reports on the content of compliance education and the whistle-blowing systems are submitted at meetings of the Board of Directors each year.

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

(As of May 13, 2021)



Executive Advisor & Member of the Board
Yoichi Nakata



Chairman of the Board
Shigeru Yamashita



President & CEO
Norimasa Kitazawa



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



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



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



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



Outside Director
Takayuki Nitta
(Appointed in April 2015)



Outside Director
Rehito Hatoyama
(Appointed in April 2016)



Outside Director
Erika Okada
(Appointed in April 2018)



Outside Director
Chiaki Hayashi
(Appointed in March 2020)



Outside Director
Eriko Yamaguchi
(Appointed in March 2020)



Audit & Supervisory Board Member
Tsutomu Matsunaga



Audit & Supervisory Board Member
Hiroshi Nishimoto



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



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

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

Managing Officers

Ryo Yano Senior Managing Officer
China Business Division Manager
Representative Director of Pigeon (Shanghai) Co., Ltd.

Nobuo Takubo Business Strategy Division Manager

Koji Ishigami Administration Division Manager

Katsushi Tsutsui Research & Development Division Manager

Takatoshi Urakari Domestic Baby & Mother Care Business Division Manager

Koji Matsutori Deputy Division Manager of Lansinoh Business Division
Director of Lansinoh Laboratories, Inc.

Yusuke Nakata Senior Managing Officer
Singapore Business Division Manager
Chairman of the Board of Pigeon Singapore Pte. Ltd.

Hiroyasu Maki Accounting & Finance Division Manager

Yuko Ohara Customer Communication Division Manager

Kazuyuki Tajima Supply Chain & Quality Management Division Manager

Takanori Tsuru Related Business Division Manager
President of Pigeon Hearts Corporation
Representative Director of Pigeon Manufacturing (Shanghai) Co., Ltd.

Ken Kaku

● Areas of Expertise Required of the Board of Directors

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

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

* SCM: Supply chain management

Committee Members

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

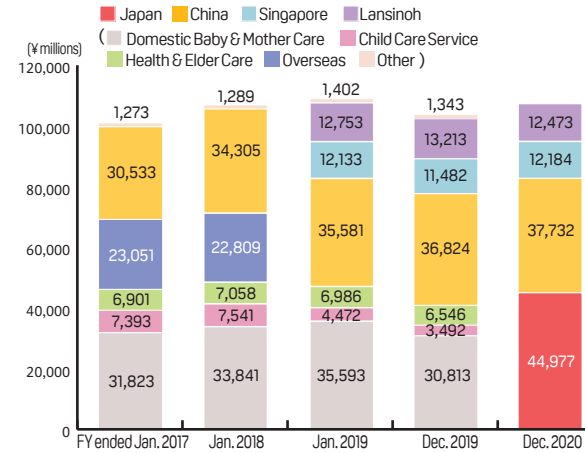
Nominating Committee: Takayuki Nitta (Chair), Shigeru Yamashita, Norimasa Kitazawa, Erika Okada, Eriko Yamaguchi
Remuneration Committee: Takayuki Nitta (Chair), Shigeru Yamashita, Norimasa Kitazawa, Erika Okada, Eriko Yamaguchi
Governance Committee: Rehito Hatoyama (Chair), Shigeru Yamashita, Norimasa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

Net Sales and Gross Margin by Segment (¥ millions)

	FY ended Dec. 2020		
	Amount	Percentage (%)	Gross Margin(%)
Consolidated Amount	99,380	100.0%	50.2%
Japan Business	44,977	45.3%	39.5%
Eliminations	37,732	38.0%	54.3%
Singapore Business	12,184	12.3%	38.4%
Lansinoh Business	12,473	12.6%	55.6%
Eliminations	△7,986	△8.0%	—

Note: The figure for consolidated net sales refers to the figure after elimination of inter-segment transactions.

Annual Sales Trend by Segment (¥ millions)



Note 1: In the fiscal year ended January 2019, the Pigeon Group changed the name of its Overseas Business to the Singapore Business in view of its focus on Pigeon-brand operations in Southeast Asia, India, Middle East, and Oceania. At the same time, the Lansinoh-brand operations of the Overseas Business, whose focus is on North America and Europe, was made into a separate business, the Lansinoh Business.
 Note 2: Effective the fiscal year ended December 31, 2020, the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and Other segments have been consolidated into the Japan Business.

Business Environment and Performance

Due to a change in the fiscal year-end, the previous consolidated fiscal year was the 11-month period from February 1 to December 31, 2019. For this reason, year-on-year comparisons are not provided.

Business Conditions in Fiscal 2020

In the fiscal year under review, the Japanese economy continued facing tough conditions due to the impact of COVID-19, despite signs of recovery in some areas. In the global economy, including Japan, countries are moving to gradually increase the level of socioeconomic activities while taking measures to prevent the spread of COVID-19. However, there have been intermittent resurgences of the virus and city lockdowns in various regions, and it is impossible to predict when the pandemic will end. Accordingly, the economic outlook is also expected to remain uncertain for the time being.

Under these circumstances, the Group sought to expand its business and improve the quality of management by steadily implementing the following three basic strategies set forth in its Seventh Medium-Term Business Plan (covering the period from January 31, 2020 to December 31, 2022). In fiscal 2020, the first year of the new plan, we implemented various measures to achieve not only business growth but also our Purpose: “We want to make the world more baby-friendly by furthering our commitment to understanding and addressing babies’ unique needs.”

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

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

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

As a result, in the year under review we posted consolidated net sales of ¥99,380 million, operating income of ¥15,316 million, ordinary income of ¥16,113 million, and net income attributable to owners of parent of ¥10,643 million.

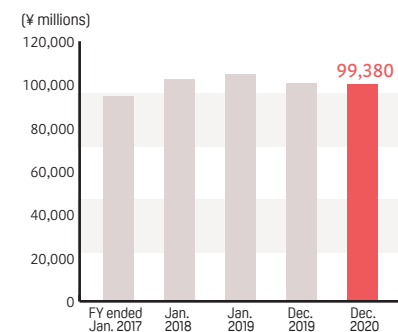
Main exchange rates used in the financial statements (income and expenses) of overseas consolidated subsidiaries are as follows: US\$1.00 equals ¥106.77 (¥109.02 in fiscal 2019) and 1 CNY equals ¥15.47 (¥15.77 in fiscal 2019).

Income Statement Analysis

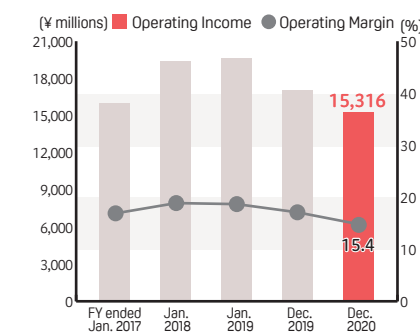
Cost of sales amounted to ¥49,459 million, resulting in gross profit of ¥49,921 million and a gross margin of 50.2%. Selling, general, and administrative expenses (SG&A) totaled ¥34,605 million, resulting in operating income of ¥15,316 million and an operating margin of 15.4%.

Despite a foreign exchange loss, we benefited from subsidy income (around the same amount as the previous year), resulting in ordinary income of ¥16,113 million. Net income attributable to owners of parent totaled ¥10,643 million.

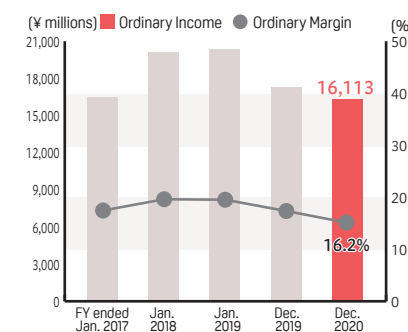
Net Sales



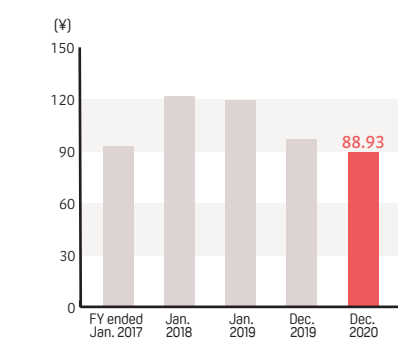
Operating Income/Operating Margin



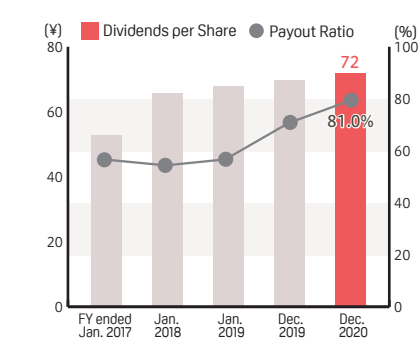
Ordinary Income/Ordinary Margin



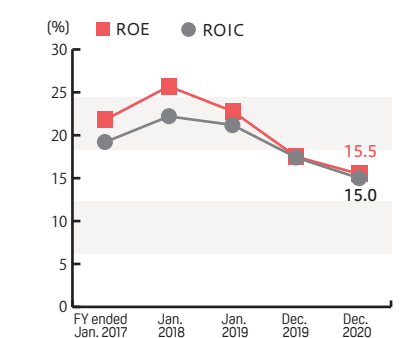
EPS



Cash Dividends per Share/Dividend Payout Ratio

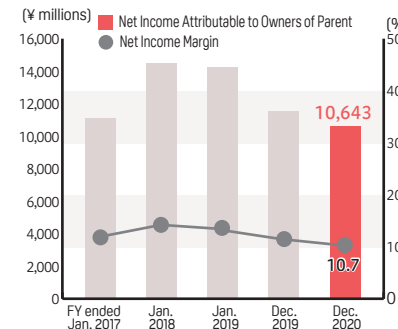


ROIC/ROE

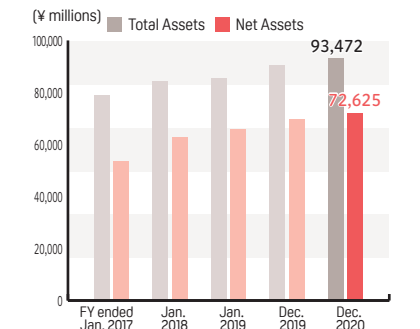


Note: ROE is return on equity, where the denominator is the average of the beginning and end of the period. ROIC is return on invested capital (NOPAT ÷ invested capital). The tax rate is 30.0%. Invested capital is the average of the beginning and end of the fiscal year.

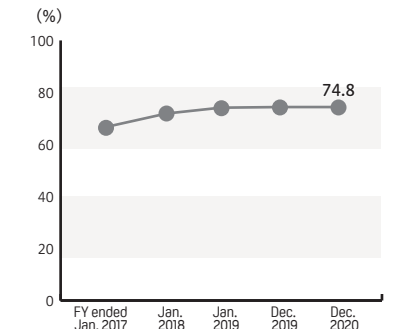
Net Income Attributable to Owners of Parent/Net Income Margin (%)



Total Assets/Net Assets



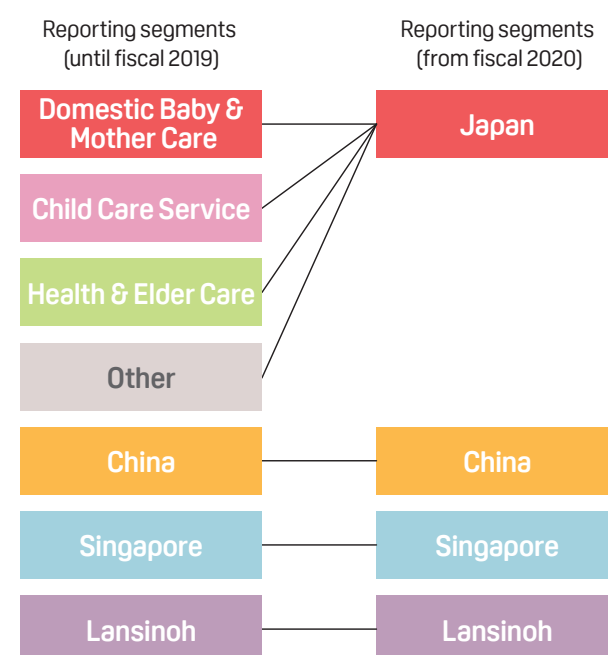
Equity Ratio



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

Performance by Segment

Effective the year under review, ended December 31, 2020, the Group has four business segments for reporting purposes: Japan Business, China Business, Singapore Business, and Lansinoh Business. As shown in the figure below, manufacturing and sales operations for the non-Group handled by domestic subsidiaries (previously categorized under Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and Other) have been consolidated into the Japan Business.



▶ Japan Business

This segment consists of the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business and Other. In fiscal 2020, segment sales amounted to ¥44,977 million, and segment income was ¥3,008 million. Sales of products for babies and mothers were greatly affected by the absence of foreign visitors to Japan and other factors, with particular sales declines for product groups with large inbound demand. In the Child Care Service Business, in the year under review we operated 71 in-company childcare facilities. In the Health & Elder Care Business, we posted strong sales to private residences, nursing-care facilities, and the like of products that support health management.

▶ China Business

Sales in the China Business segment amounted to ¥37,732 million, and segment income was ¥12,600 million. The segment was significantly affected by the spread of COVID-19 at the beginning of the period. However, the economy subsequently recovered strongly, especially in mainland China, and we continued to enjoy healthy sales of our mainstay nursing bottles and nipples, as well as skincare products, for which we are focusing on basic research.

▶ Singapore Business

In the Singapore Business, we reported segment sales of ¥12,184 million, and segment income of ¥1,647 million. In Southeast Asia, the Middle East, and India, there were numerous cases in which we were forced to refrain from sales activities due to the large impact of COVID-19 pandemic.

▶ Lansinoh Business

In the Lansinoh Business, we posted segment sales of ¥12,473 million and segment income of ¥1,370 million. During the year, we enjoyed robust sales via the e-commerce channel in North America, but sales of breast pumps via the durable medical equipment (DME) channel and the hospital channel continued to be affected by COVID-19.

Financial Position

▶ Assets

As of December 31, 2020, Pigeon had consolidated total assets of ¥93,472 million, up ¥2,980 million from a year earlier. Over the period under review, current assets increased ¥3,297 million, to ¥65,231 million, and fixed assets rose ¥317 million, to ¥28,241 million. Main factors boosting current assets were a ¥4,747 million increase in cash and time deposits and a ¥111 million increase in merchandise and finished goods, which contrasted with a ¥1,502 million decrease in notes and accounts receivable-trade. The main reason for the decrease in fixed assets was a ¥437 million decline in software (under intangible assets). This was despite a ¥153 million increase in buildings and structures (under tangible fixed assets).

▶ Liabilities

Total liabilities at fiscal year-end stood at ¥20,846 million, up ¥818 million. Over the period under review, current liabilities increased ¥25 million, to ¥15,664 million, and fixed liabilities rose ¥792 million, to ¥5,181 million. Main factors boosting current liabilities were a ¥66 million increase in accrued payables and a ¥633 million rise in accrued income tax, which contrasted with a ¥142 million decrease in notes and accounts payable-trade, a ¥338 million decrease in electronically recorded obligations, and a ¥229 million decrease in other current liabilities. The main factors boosting fixed liabilities were a ¥389 million increase in deferred tax liabilities and a ¥272 million rise in other fixed liabilities.

▶ Net Assets

Net assets at fiscal year-end amounted to ¥72,625 million, up ¥2,162 million from a year earlier. This was due mainly to a ¥2,140 million rise in retained earnings and a ¥442 million increase in foreign-currency translation adjustment.

▶ Information and Financial Policies on Capital Resources and Capital Liquidity

There are two main types of capital demand for the Group: working capital demand and equipment capital demand. Major sources of working capital demand are related to the purchase of raw materials for manufacturing the Group's products, as well as manufacturing costs and operating outlays for selling, general, and administrative expenses. Equipment capital demand relates mainly to the purchase of buildings, machinery, and other fixed assets associated with the acquisition of production facilities. The Group's financial policy is to maintain sound balance sheets and adequate liquid assets for business activities. The Group's primary funding needs, namely working capital and capital equipment, are generated mainly by internal funds derived from cash flows from operating activities. Any shortfall of funds among Group companies in Japan is covered by loans from the company, while demand for funds among overseas Group companies are met mainly by foreign-currency loans from the company. In addition, we place top priority on ensuring liquidity and safety in managing our cash reserves on the premise that they serve as standby funds for business investments.

With its sound financial position and the ability to generate cash flows from operating activities, the Group believes that, in order to secure future growth particularly of its overseas businesses, it will be able to procure the necessary funds even if demand for investment funds exceeds current liquidity on hand. In the fiscal year ending December 31, 2021, the Group plans to use internal funds to cover capital expenditures and other long-term capital needs. The Group does not have any borrowings from financial institutions. As of December 31, 2020, the Group had cash and cash equivalents of ¥37,163 million, and its equity ratio remained high, at 74.8%.

Cash Flows

▶ Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥18,400 million, compared with ¥14,098 million in the previous fiscal year. Factors boosting cash flows included ¥15,836 million in income before income taxes, ¥3,815 million in depreciation, and a ¥1,351 million decrease in notes and accounts receivable-trade. Contrasting factors included a ¥260 million decrease in notes and accounts receivable-trade, a ¥42 million increase in inventories, and ¥4,322 million in income taxes paid.

▶ Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥3,815 million, compared with ¥3,995 million in the previous year. Main factors were ¥3,601 million in purchase of tangible fixed assets and ¥222 million in purchase of intangible fixed assets.

▶ Cash Flows from Financing Activities

Net cash used in financing activities was ¥9,231 million, compared with ¥8,734 million in the previous year. This was mainly due to ¥8,517 million in payment of cash dividends.

Other Performance Indicators

▶ ROE

Pigeon uses return on equity (ROE) as a key performance indicator in its effort to improve profitability and capital efficiency. As fiscal year-end, ROE stood at 15.5%.

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

Seeking to increase enterprise value, we are mindful of free cash flow when conducting internal controls, and we set our own unique indicator called Pigeon Value Added (PVA), which is based on economic added value, to make various investment and other decisions and to make performance evaluations of each business segment. In fiscal 2020, invested capital totaled ¥71,545 million, compared with the fiscal 2019 amount of ¥68,523 million and our target of ¥72,548 million, resulting in a PVA spread of 10.0%, compared with the fiscal 2019 figure of 12.4% and our target of 12.5%. The PVA for fiscal 2020 was ¥7,144 million, compared with the fiscal 2019 figure of ¥8,525 million and our target of ¥9,044 million. All figures for fiscal 2020 fell below previous-year figures and our targets.

Net operating profit after tax (NOPAT) amounted to ¥10,721 million, compared with the fiscal 2019 figure of ¥11,951 million and our target of ¥12,670 million, and return on invested capital (ROIC, with tax rate of 30.0%) was 15.0%, compared with the fiscal 2019 figure of 17.4% and our target of 17.5%.

In addition, the cash conversion cycle (CCC) in fiscal 2020 was 92.3 days, which was 3.6 days worse than fiscal 2019 (88.7 days) and 7.3 days above our target (85.0 days).

* For the previous fiscal year, figures for Japan are based on an 11-month period due to a change in the fiscal year-end date.

Shareholder Return Policy and Measures

The Pigeon Group regards the return of profits to shareholders as an important management priority. Our basic policy is to actively return profits to shareholders through the appropriation of retained earnings and other means, while reinforcing our financial position based on considerations of medium-term changes in business conditions and the Group's business strategies. In addition to strengthening our financial

position, we effectively use retained earnings in a number of ways to fortify our operational base and improve future Group earnings. These include investing in new businesses and research and development, as well as investing in production facilities to raise production capacity, reduce costs, and enhance product quality.

During the year, we strove to further upgrade and strengthen our policy of returning profits to our shareholders. With respect to specific shareholder-return goals, under our Seventh Medium-Term Business Plan, announced in February 2020, we are targeting a consolidated dividend payout ratio of around 55%, as well as year-on-year increases in cash dividends for each fiscal period.

During the year, we paid an interim cash dividend of ¥36.00 per share (¥36.00 regular dividend) and a year-end dividend of ¥36.00 per share (¥36.00 regular dividend). This brought total annual dividends to ¥72.00 per share (¥72.00 regular dividends), up ¥2.00 year-on-year. The consolidated dividend payout ratio was 81.0%.

Outlook for the Next Fiscal Year

In fiscal 2021 (ending December 31, 2021), we are targeting consolidated net sales of ¥100,800 million (up 1.4% year on year), operating income of ¥16,500 million (up 7.7%), ordinary income of ¥16,700 million (up 3.6%), and net income attributable to owners of parent of ¥11,100 million (up 4.3%). (These are our forecasts as announced at the financial results briefing held on February 10, 2021.)

* The figures shown here are the forecasts contained in our financial results announcement, released on February 10, 2021. As a change in its accounting policy, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the fiscal year ending December 31, 2021. The above forecasts are based on figures after the change in accounting policy, and comparisons with the previous year are based on figures calculated using a different standard.

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

Financial Data

Consolidated Balance Sheets

(¥ millions)

Item	FY ended	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019	Dec. 2020
Assets						
Cash and Deposits		30,052	31,346	30,949	32,416	37,163
Notes and Accounts Receivable - Trade		16,103	16,440	15,004	16,588	15,085
Merchandise and Finished Goods		5,328	6,059	7,360	8,144	8,256
Other Current Assets		3,761	4,333	4,888	4,785	4,727
Total Current Assets		55,244	58,178	58,201	61,933	65,231
Tangible Fixed Assets		20,263	21,116	21,127	22,494	23,262
Intangible Fixed Assets		1,106	3,307	4,223	3,863	2,957
Investment Securities		1,481	1,020	889	950	687
Total Investments and Other Assets		2,273	1,865	1,729	2,200	2,020
Total Fixed Assets		23,644	26,289	27,417	28,558	28,241
Total Assets		78,889	84,467	85,618	90,491	93,472
Liabilities						
Notes and Accounts Payable - Trade		4,857	5,194	4,567	4,900	4,757
Accounts Payable		2,477	3,141	3,363	2,660	2,727
Income Taxes Payable		2,324	2,578	1,951	1,272	1,906
Accrued Bonuses to Employees		929	1,035	972	928	952
Other Current Liabilities		10,794	5,725	4,770	5,878	5,320
Total Current Liabilities		21,381	17,673	15,623	15,638	15,664
Long-term Borrowings		—	—	—	—	—
Other Fixed Liabilities		3,770	3,982	3,412	4,389	5,181
Total Fixed Liabilities		3,770	3,982	3,412	4,389	5,181
Total Liabilities		25,152	21,655	19,036	20,028	20,846
Net Assets						
Capital Stock		5,199	5,199	5,199	5,199	5,199
Capital Surplus		5,179	5,179	5,179	5,179	5,179
Retained Earnings		42,280	49,729	55,704	58,979	61,120
Treasury Stock		△ 948	△ 949	△ 951	△ 1,088	△ 1,478
Valuation Difference on Available-for-Sale Securities		47	44	21	25	13
Foreign Currency Translation Adjustment		628	1,490	△ 910	△ 572	△ 129
Non-Controlling Interests		1,349	2,119	2,339	2,741	2,722
Total Net Assets		53,736	62,812	66,582	70,463	72,625
Total liabilities and Net Assets		78,889	84,467	85,618	90,491	93,472

Figures less than one million yen are truncated.

Equity Ratio, ROE, and ROIC

(%)

Item	FY ended	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019	Dec. 2020
Equity Ratio		66.4	71.9	75.0	74.8	74.8
ROE		21.8	25.7	22.8	17.5	15.5
ROIC		16.3	19.2	22.2	21.2	15.0

* ROE is return on equity, where the denominator is the average of the beginning and end of the fiscal year. ROIC is return on invested capital. It is calculated using a tax rate of 30% for the second (bottom) of the two figures for the year ended January 31, 2017 and for the year ended January 31, 2018 and thereafter; and using a tax rate of 40.7% for the first (top) of the two figures for the year ended January 31, 2017. Invested capital is the average of the beginning and end of the fiscal year.

Financial Data

Consolidated Statements of Income

(¥ millions)

Item	FY ended	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019	Dec. 2020
Net Sales		94,640	102,563	104,747	100,017	99,380
Cost of Sales		49,951	51,990	50,889	49,216	49,459
Gross Profit		44,688	50,572	53,858	50,800	49,921
Gross Margin (%)		47.2	49.3	51.4	50.8	50.2
Selling, General and Administrative Expenses		28,673	31,159	34,246	33,727	34,605
Operating Income		16,015	19,412	19,612	17,072	15,316
Operating Margin (%)		16.9	18.9	18.7	17.1	15.4
Non-operating Income		945	1,263	1,295	1,136	1,406
Non-operating Expenses		498	547	509	924	608
Ordinary Income		16,462	20,129	20,398	17,284	16,113
Ordinary Margin (%)		17.4	19.6	19.5	17.3	16.2
Extraordinary Income		122	1,058	243	121	38
Extraordinary Loss		350	271	379	300	315
Income before Income Taxes		16,234	20,916	20,262	17,104	15,836
Income Taxes - Current		5,165	5,931	5,794	5,067	4,715
Income Taxes - Deferred		△ 273	225	△ 127	267	261
Net Income		11,342	14,759	14,594	11,769	10,860
Net Income Attributable to Non-Controlling Interests		224	244	356	230	216
Net Income Attributable to Owners of Parent		11,118	14,515	14,238	11,538	10,643

Figures less than one million yen are truncated.

Consolidated Statement of Cash Flows

(¥ millions)

Item	FY ended	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019	Dec. 2020
Cash Flows from Operating Activities		14,810	17,094	13,632	14,098	18,400
Cash Flows from Investing Activities		△ 1,854	△ 3,586	△ 4,704	△ 3,995	△ 3,815
Cash Flows from Financing Activities		△ 6,223	△ 12,812	△ 8,338	△ 8,734	△ 9,231
Effect of Exchange Rate Changes on Cash and Cash Equivalents		△ 891	599	△ 986	98	△ 718
Net Increase (Decrease) in Cash and Cash Equivalents		5,840	1,294	△ 397	1,467	4,634
Cash and Cash Equivalents at Beginning of Period		24,297	30,052	31,346	30,949	32,416
Cash and Cash Equivalents at End of Period		30,052	31,346	30,949	32,416	37,050

Figures less than one million yen are truncated.

Data Per Share

Item	FY ended	Jan. 2017	Jan. 2018	Jan. 2019	Dec. 2019	Dec. 2020
EPS (yen)		92.84	121.20	118.89	96.37	88.93
Cash Dividends (yen)		53.00	66.00	68.00	70.00	72.00
Dividend Payout Ratio (%)		57.1	54.5	57.2	72.7	81.0
BPS (yen)		437.43	506.79	536.43	565.64	607.06

Nonfinancial Data

Employee Data

Item	FY ended	Jan. 2019	Dec. 2019	Dec. 2020
Pigeon Group	Number of employees (persons)	3,875	3,954	3,886
	Female employee ratio (%)	—	63.6%	62.3%
	Number of managers (persons)	—	—	467
	Japan (persons)	—	—	160
	Overseas (persons)	—	—	307
	Female management ratio (%)	—	—	38.8%
	Japan (%)	—	—	26.9%
	Overseas (%)	—	—	45.0%
	Voluntary turnover of regular employees (%)	—	—	8.6%
Pigeon Corporation	Number of employees (persons)	359	361	373
	Female employee ratio (%)	37.0%	38.2%	39.4%
	Number of managers (persons)	71	76	75
	Female manager ratio (%)	16.9%	19.7%	21.3%
	Voluntary turnover of regular employees (%)	3.3%	2.8%	1.3%
	Average length of service (years)	15.7	15.5	15.0
	Average age (years)	43.3	43.1	42.6
	Number of new-graduate hires (persons)	9	9	8
Number of mid-career hires (persons)	19	17	16	

Officer Data

Number of directors (persons)	11	10	12
Ratio of female directors (%)	9.1%	10.0%	25.0%
Ratio of non-Japanese directors (%)	9.1%	10.0%	8.3%
Number of Audit & Supervisory Board Members (persons)	4	4	4
Ratio of female Audit & Supervisory Board Members (%)	0.0%	25.0%	25.0%
Number of managing officers (persons)	14	13	13
Ratio of female managing officers (%)	14.3%	7.7%	7.7%

Occupational Health and Safety

Pigeon Group	Number of occupational accidents ¹ (cases)	—	—	75
	(Of which) occupational accidents requiring leave from work (cases)	—	—	7

¹Includes cases that do not require first aid

Environmental Data

CO ₂ emissions ¹ (t-CO ₂)	27,266	25,785	24,922
CO ₂ emission intensity (per unit of sales) ¹ (kg-CO ₂ /¥ million)	260.3	257.8	250.8
Industrial waste volume ² (t)	1,047	967	520
Industrial waste volume intensity (per unit of sales) ² (kg/¥ million)	10.0	9.7	5.2
Amount of water withdrawn ³ (thousand m ³)	—	217.7	219.2
Amount of water discharged ³ (thousand m ³)	—	164.1	169.7

Note: Figures for domestic operations in FY ended Dec. 2019 refer to actual results for 11-month period (February–December 2019) due to change in fiscal year-end.

¹ Scope: All Group companies (Scope 1 & 2). For some sales offices, electricity consumption is calculated from electricity usage rates (based on emission factors published by the Ministry of the Environment).

² Scope: All Group companies except Pigeon (Shanghai) Co., Ltd. and Osaka Branch. Calculations are based on industrial waste, excluding business-related general waste, and do not include waste that is recycled (such as thermal recycling).

³ Scope: All Group companies

Corporate Data (As of December 31, 2020)

Company Name..... Pigeon Corporation

Address 4-4, Nihonbashi Hisamatsu-cho, Chuo-ku, Tokyo 103-8480, Japan
 Phone +81-3-3661-4200 Fax +81-3-3661-4320
 URL <https://www.pigeon.com> (global)
<https://www.pigeon.co.jp> (japan)

Established August 15, 1957

Capital Stock ¥5,199,597 thousand

Fiscal Year-End December 31
 Note: At the 62nd Ordinary General Meeting of Shareholders convened April 25, 2019, a partial amendment to the Articles of Incorporation was approved, changing the fiscal year-end from January 31 to December 31, from FY2019 onward.

Our Business Manufacture, sale, import and export of baby and child-care products, maternity items, women's care products, home healthcare products, elder care products, etc.; operation of child-minding centers

Number of Employees 373 (Japan, Full-time employees) / 3,886 (Worldwide, Includes Part-time employees)

Consolidated Subsidiaries (23 companies) (As of December 31, 2020)

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

Third-Party Evaluations (As of May 31, 2021)

- JPX NIKKEI INDEX 400

- MSCI Japan Empowering Women Index

2021 CONSTITUENT MSCI日本株女性活躍指数 (WIN)
THE INCLUSION OF PIGEON CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF PIGEON CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.
- S&P/JPX Carbon Efficient Index

- TOKYO FINANCIAL AWARD

- LISTED COMPANY AWARD

- IR Prime Business Award

- Forbes JAPAN WOMEN AWARD2018

- Platinum Kurumin


Pigeon Group Business Structure (As of December 31, 2020)

Global Head Office (GHO)

Pigeon Corporation Head Office: Tokyo 1957

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

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

China Business

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

Singapore Business

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

Lansinoh Business

- **Lansinoh Laboratories, Inc.** United States 2004
 Sale of maternity and baby products
- **Lansinoh Laboratories Medical Devices Design Industry And Commerce Ltd. Co.** Turkey 2010
 Manufacture of maternity and baby products
- **Lansinoh Laboratories Benelux** Belgium 2015
 Sale of maternity and baby products
- **Lansinoh Laboratories Shanghai** China 2016
 Sale of maternity and baby products
- **Laboratories (Hongkong) Co., Ltd.** Hong Kong 2020
 Sale of maternity and baby products
- **Lansinoh Laboratories UK Ltd.** United Kingdom 2020
 Sale of maternity and baby products

● Sales / Service offices ● Factories

Stock Data (As of December 31, 2020)

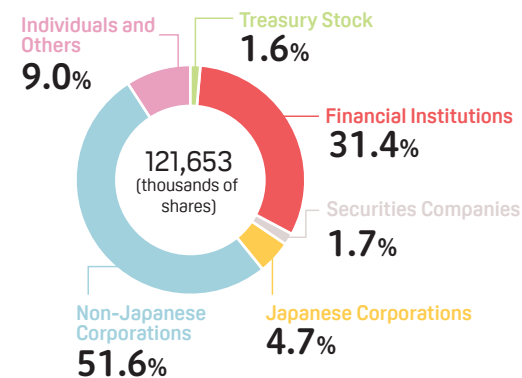
- Shares Authorized 360 million
- Shares Issued 121,653,486
- Total number of shareholders 11,576
- Number of shareholders with voting rights 10,163
- Treasury Stock 1,893,080

Major Shareholders (As of December 31, 2020)

Shareholder name	Number of shares (Thousand)	Ownership* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,801	9.0
Custody Bank of Japan, Ltd. (Trust Account)	6,286	5.2
STATE STREET BANK AND TRUST COMPANY 505223	4,961	4.1
BNYMSANV RE MIL RE FIRST SENTIER INVESTORS ICVC - STEWART INVESTORS ASIA PACIFIC LEADERS SUSTAINABILITY FUND	3,643	3.0
THE BANK OF NEW YORK MELLON 140042	3,148	2.6
RBC ISB S/A DUB NON RESIDENT/TREATY RATE UCITS-CLIENTS ACCOUNT	2,998	2.5
Y.N Corporation	2,378	2.0
THE BANK OF NEW YORK MELLON 140044	2,233	1.9
BBH FOR MATTHEWS ASIA DIVIDEND FUND	2,048	1.7
Custody Bank of Japan, Ltd. (Trust Account)	2,037	1.7

* Ownership percentage figures are based on 119,760,406 shares (121,653,486 shares issued, minus 1,893,080 shares of treasury stock).

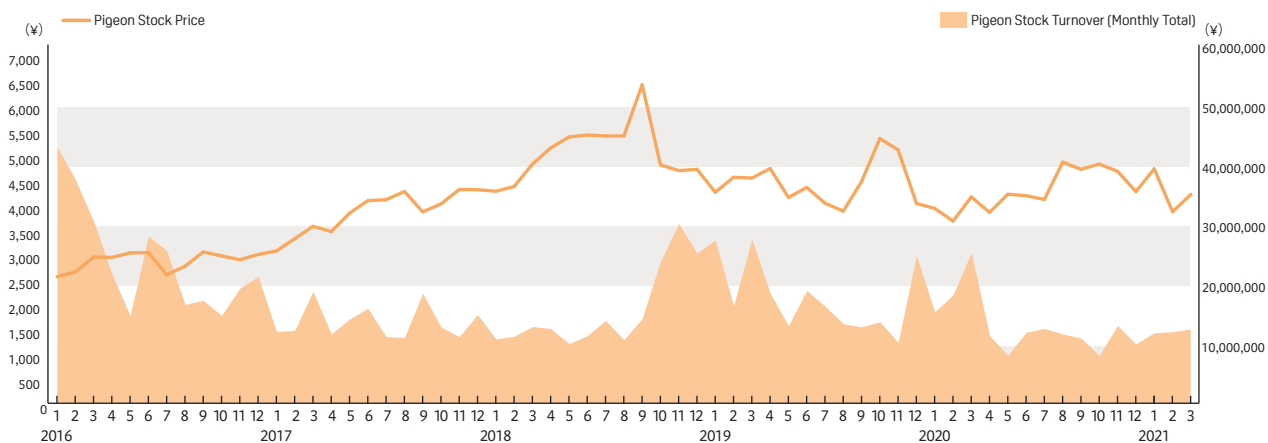
Share Breakdown by Shareholder Type (As of December 31, 2020)



	Number of shares
Non-Japanese Corporations	62,756 (thousands of shares)
Financial Institutions	38,228 (thousands of shares)
Individuals and Others	10,922 (thousands of shares)
Japanese Corporations	5,763 (thousands of shares)
Securities Companies	2,089 (thousands of shares)
Treasury Stock	1,893 (thousands of shares)

Figures in Number of Shares are truncated.

Stock Price Range/Turnover of Common Stock



IR Tools (Quick Reference)

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

Integrated Report 2020/12	Purpose	Corporate Site
P.48 Financial Highlights	To see Pigeon's Key Performance Figures.	Investors
P.06 Business Overview P.24 Business Summaries by Segment	To see Pigeon's business by segment.	Investors Our Business
P.49 MD&A P.53 Financial Data P.55 Nonfinancial Data	To see the financial data and earnings structure as a reference for investment decisions.	Investors · Chart Generator
P.58 Company Information (Stock Data)	To find Pigeon's stock information.	Stock Information
P.02 History at a Glance P.04 History of Pigeon and Nursing Bottles P.56 Company Information (Corporate Data)	To learn about Pigeon's history and corporate profile.	Corporate History
Cover2 Pigeon Way P.14 Value Creation Story P.16 Efforts to Improve Brand Value	To learn about Pigeon's corporate philosophy, culture and management vision.	The Pigeon Way
P.08 To Our Stakeholders P.14 Value Creation Story P.16 Efforts to Improve Brand Value P.18 Dialogue between Outside Directors and Internal Director P.46 Board of Directors, Audit & Supervisory Board Members, and Managing Officers	To understand Pigeon's management team and their views and opinions on business.	Investors · Top Message · Medium-Term Business Plan Management
P.32 Pigeon's ESG Activities	To understand Pigeon's ESG initiatives which drive the sustainable growth of business and corporate values.	Sustainability · Pigeon ESG / SDGs Policy / ESG · Data Book · Approach to ESG Corporate Governance

Pigeon Corporation

(Securities Code: 7956)

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