



Integrated Report 2019

For the Year Ended January 31, 2019



Highlights of the Current Fiscal Year/ Key Performance Indicators



Performance Highlights (¥ millions)

Item	FY ended	Jan. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019
Net Sales		84,113	92,209	94,640	102,563	104,747
Gross Profit		38,296	43,345	44,688	50,572	53,858
Gross Margin (%)		45.5	47.0	47.2	49.3	51.4
Operating Income		12,780	14,521	16,015	19,412	19,612
Operating Margin (%)		15.2	15.7	16.9	18.9	18.7
Ordinary Income		13,299	15,080	16,462	20,129	20,398
Ordinary Margin (%)		15.8	16.4	17.4	19.6	19.5
Net Income Attributable to Owners of Parent		8,451	10,197	11,118	14,515	14,238
Total Assets		72,367	73,943	78,889	84,467	86,006
Net Assets		47,297	50,792	53,736	62,812	66,582
Free Cash Flows (Note 1)		7,001	10,147	12,956	13,508	8,928
ROE (%) (Note 2)		19.8	21.3	21.8	25.7	22.8
ROIC (%) (Note 3)		13.7	15.1	16.3	22.2	21.2
EPS (¥) (Note 4)		70.55	85.15	92.84	121.20	118.89
Dividend per Share (¥) (Note 4)		35.00	42.00	53.00	66.00	68.00
Dividend Payout Ratio (%)		49.6	49.3	57.1	54.5	57.2
Employees (Consolidated)		3,617	3,743	3,739	4,306	3,875

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

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

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

4. The Company carried out a 2-for-1 split of common stock, effective August 1, 2013, and a 3-for-1 split of common stock, effective May 1, 2015. Figures have been calculated assuming that those stock splits were conducted at the beginning of the year ended January 31, 2014.

Highlight

1 New record-high figures for net sales, operating income, and ordinary income, with ROE remaining at high level

Consolidated net sales for the year amounted to ¥104.7 billion, up 2.1% year on year, marking a new record-high figure. This was due largely to healthy performances by the Domestic Baby & Mother Care Business and the Singapore Business. We also improved the cost of sales ratio and posted record-high earnings, with operating income of ¥19.6 billion (up 1.0%) and ordinary income of ¥20.3 billion (up 1.3%). Reflecting these strong results, ROE remained high, at 22.8%.

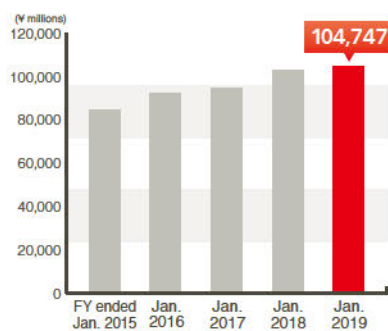
2 Targeting renewed growth with change of president for first time in six years

Seeking to further enhance Groupwide competitiveness and deliver renewed growth, Pigeon changed its president for the first time in six years. On April 25, 2019, Shigeru Yamashita moved from president to chairman and Norimasa Kitazawa moved from vice president to president. We also consolidated the head office functions into Global Head Office (GHO) and reorganized our operations into four business units: Japan Business (covering Domestic Baby & Mother Care, Health & Elder Care, and Child Care Service), China Business, Singapore Business, and Lansinoh Business. Through this reorganization, we will accelerate growth by promoting the transfer of authority.

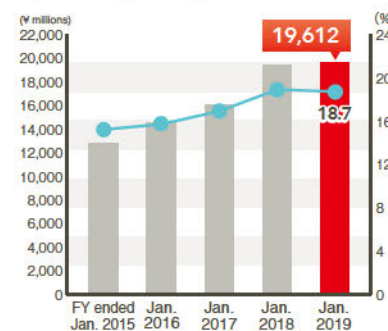
3 Further strengthening of management incorporating ESG

Our social responsibility as a company is to help improve the sustainability of society through ESG (environmental, social, governance) activities. To put this idea into practice at Pigeon, we formulated our "Pigeon ESG/SDGs Policy," marking a major step forward in our commitment to ESG-driven management.

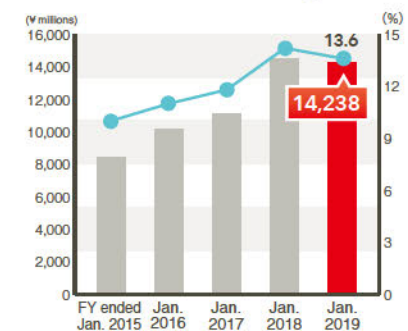
Net Sales



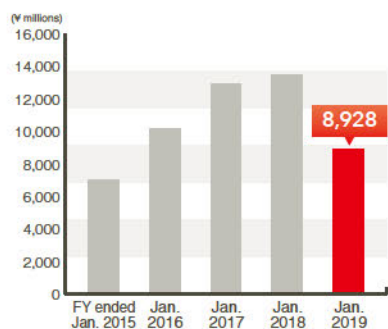
Operating Income/
Operating Margin (%)



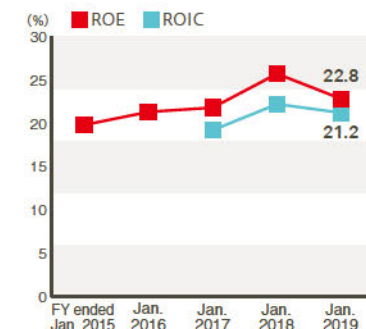
Net Income Attributable to Owners
of Parent/Net Income Margin (%)



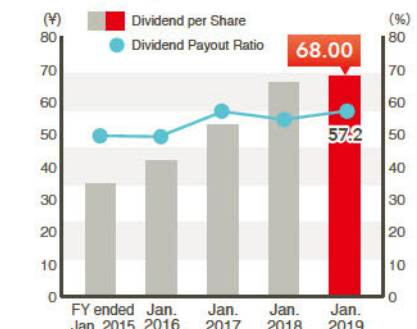
Free Cash Flows



ROE/ROIC



Dividend per Share/
Dividend Payout Ratio (%)



Pigeon History

Corporate

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



Domestic Baby & Mother Care Business

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



1949~

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



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

1970~

Health & Elder Care Business

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

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

- ▶1966 Exports business

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

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



1980~

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



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

1990~

Child Care Service Business

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

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

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Corporate

- ▶2000 Seiichi Matsumura appointed President and Chief Operating Officer; Yoichi Nakata appointed Chairman and Chief Executive Officer
- ▶2002 PHP Hyogo Corporation joined the Pigeon Group

Domestic Baby & Mother Care Business

- ▶2002 Wide neck "Bonyu Jikkan" nursing bottle, which promote babies' natural sucking peristaltic movement, launched
- ▶2003 Baby shoes, designed using research on toddlers' walking patterns, released

- ▶2006 Head office relocated to Nihonbashi Hisamatsu-cho, Chuo-ku, Tokyo
- ▶2007 Akio Okoshi appointed President and Chief Operating Officer; Seiichi Matsumura appointed Chairman and Chief Executive Officer; Yoichi Nakata appointed Executive Advisor and Member of the Board



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

- ▶2010 Renewal of "Bonyu Jikkan" series of nursing bottles and nipples
Full-scale entry into baby stroller market
- ▶2015 "Runfee" baby stroller that runs smoothly over uneven ground launched
- ▶2017 "Bingle" type B baby stroller launched
- ▶2018 "Bonyu Assist" breast pump series completely overhauled
- ▶2019 "Palskip" 3-wheel air-tire stroller launched



2000~

Child Care Service Business

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

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



Health & Elder Care Business

- ▶2000 Pigeon Manaka Corporation established

- ▶2004 Tahira Corporation (now Pigeon Tahira Corporation) joined the Pigeon Group
- ▶2007 Recoup brand of anti-aging products launched

China Business

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

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



Singapore Business

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

Lansinoh Business

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



- ▶2011 Daycare service launched by Pigeon Manaka Corporation
- ▶2015 Sano Day Service Center opened
- ▶2016 "Oral Cavity Care for Nursing of Senior Citizens" series launched



- ▶2018 "ProFitCare" series, a product line focused on maintaining good seated posture in nursing-care facility users, launched
- ▶2019 "Sanitary Care" series, a product line created from the needs of nursing care, launched

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

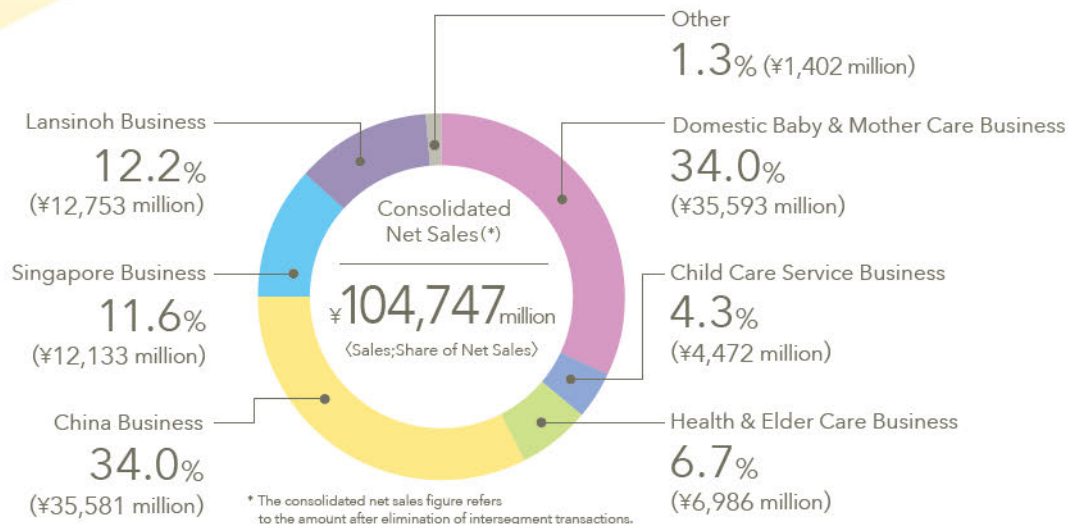
- ▶2015 Pigeon India Pvt. Ltd. plant established in India
- ▶2017 PT Pigeon Indonesia made a subsidiary

- ▶2010 Lansinoh Laboratories Medical Devices Design Industry and Commerce Ltd. Co. established in Turkey
- ▶2011 Earth Friendly Baby brand acquired by Lansinoh Laboratories, Inc. in the USA

- ▶2014 Lansinoh Laboratórios Do Brasil Ltda. established in Brazil
- ▶2015 Lansinoh Laboratories Benelux NV established in Belgium
- ▶2016 Lansinoh Laboratories Shanghai established in China

Purpose of This Integrated Report

The Pigeon Group (Pigeon Corporation and its consolidated subsidiaries) seeks to maximize economic and social value through communications with all stakeholders, including shareholders and other investors. This document, which contains reports on management strategies, as well as business and ESG activities, is designed to deepen people's understanding of corporate value created by the Pigeon Group. We hope you find it informative.



Domestic Baby & Mother Care Business

Products/Services

Baby and mother care products/
Large-sized products

Business conditions and Group strengths

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



Child Care Service Business

Products/Services

Child care services
Child-rearing support services/ Operation of in-company child-care facilities and daycare centers/ Event child-care services/ Preschool education services

Business conditions and Group strengths

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



Health & Elder Care Business

Products/Services

Elder care products/ Elder care services

Business conditions and Group strengths

We will entrench various measures, including introduction of new, competitively superior products and raising the quality of nursing care services.



China Business

Products/Services

Baby and mother care products

Business conditions and Group strengths

We propose new lifestyle scenarios, with an emphasis on nursing bottles and nipples, toiletries, and high-end skincare products. With more than 500 types of products on the Chinese market, we are focusing on meeting high-end demand from the growing number of newly wealthy people in major coastal cities. We are also strengthening our response in the expanding field of e-commerce.



Singapore Business

Mainly Southeast Asia, Middle East, and Oceania

Products/Services

Baby and mother care products

Business conditions and Group strengths

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



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 elsewhere in Europe, as well as in China, Brazil, and other countries. Going forward, we will upgrade our nursing bottles and other product categories.



Dear Stakeholders



We aim to foster a company with
a powerful brand, strong earnings,
and a motivated and passionate workforce.

Norimasa Kitazawa
President and COO

Shigeru Yamashita
Chairman of the Board and CEO

Pigeon adopted a new corporate structure under a new president in April 2019. Below is an interview with Shigeru Yamashita, the new chairman, and Norimasa Kitazawa, the new president, about the management of Pigeon going forward.

Q: What major changes will take place under Pigeon's new corporate structure?

Yamashita: We changed our corporate structure on January 16, 2019, prior to Mr. Kitazawa's appointment as president. Under the corporate structure, we established Global Head Office (GHO) in order to consolidate and strengthen our head office functions and oversee the entire Group's business. We also divided our operations into four units: Japan Business (including the Domestic Baby & Mother Care, Health & Elder Care, and Child Care Service), China Business, Singapore Business, and Lansinoh Business. Our aim is to accelerate decision-making by transferring more authority to the four business units, while giving GHO the power to optimize overall operations. In the corporate structure, we also reviewed our product development capability, which represents Pigeon's core competency. Functions involving basic research remain centered in Japan, but product planning functions that reflect consumer insights are integrated into the marketing departments of the four business units to ensure closer contact with consumers in each region.

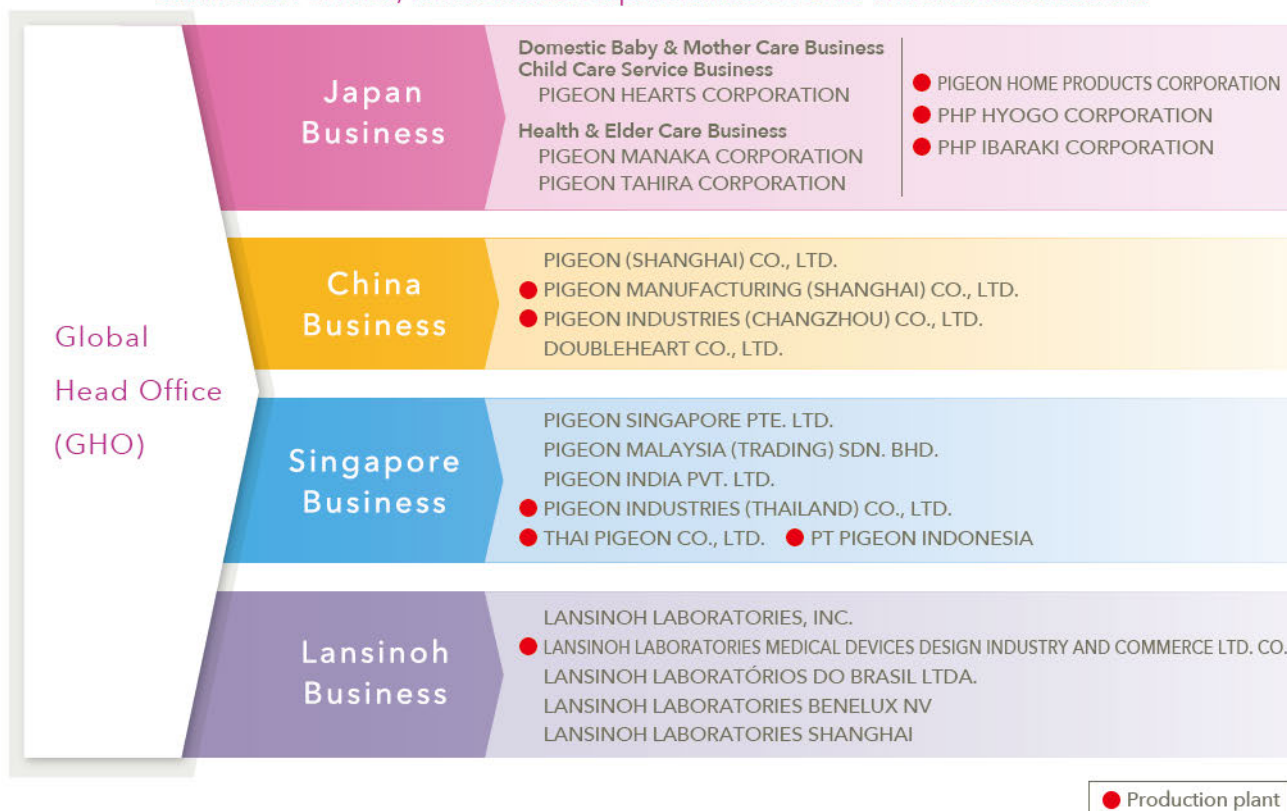
Kitazawa: The speed of business is accelerating worldwide. In various fields, products created by start-up companies are rapidly swamping the market via e-commerce, particularly in the United States and China. We cannot keep up if we entrust product

planning, development and various other decisions to the Japan side. We cannot monitor demand trends in each country from Japan. The aim of four business units is to quickly pinpoint and respond to the needs of each market.

Yamashita: In addition to speeding up decision-making, we will work to strengthen the role of GHO. Each business unit will be responsible for making swift and optimal decisions locally. At the same time, GHO will provide support and management for business expansion from a perspective of overall Group optimization. I believe GHO has three main roles to play. The first is to improve Pigeon's brand value globally by bringing all Group companies together with a focus on Pigeon Way. The second is to increase corporate value from medium- and long-term perspectives. This means improving economic value and social value, which Pigeon regards as the core elements of corporate value, and will entail the optimal allocation of personnel and other management resources. The third is to shape the future of Pigeon. This means assigning the role of creating the future to GHO. It will entail fostering human resources while considering the introduction of new frameworks, such as in-house venture and in-house recruitment systems.

Global Head Office (GHO) system

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



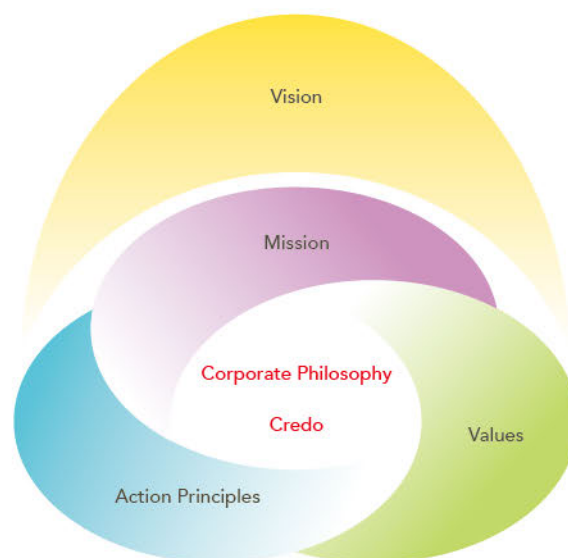
Q: What aspects will continue as before under President Kitazawa?

Kitazawa: We will continue emphasizing Pigeon Way as the cornerstone of management. We will also continue prioritizing communication with all stakeholders, including shareholders and other investors.

Yamashita: Pigeon places importance on embracing common business principles on a global basis. Our Corporate Philosophy is "Love," Credo is "Only love can beget love," and Mission is "To bring joy, happiness, and inspiration to babies and families around the world by providing them with products and services that embody love". Our Vision is "To be the baby product manufacturer most trusted by the world's babies and families (i.e. 'Global Number One')." In addition, we formulated Pigeon Way, which incorporates three basic Values (important attributes for all Pigeon employees) and five Action Principles (basic guideline driving all of our actions).

Pigeon Way effectively articulates our Corporate Philosophy and has spread to all Group employees, both in Japan and overseas. However, my efforts to date have only resulted in "Pigeon Way 1.0." When considering the future of Pigeon, I think it will be necessary to modify our basic Values and Action Principles according to the times, although our Corporate Philosophy and Credo will remain unchanged. Rather than elevating and enshrining Pigeon Way in its current form, I want to upgrade it to "Pigeon Way 2.0" under our new organization.

Kitazawa: Pigeon Way has been a very effective tool for sharing our Corporate Philosophy, even with employees of overseas Group companies with different cultures and ideas. For this reason, I want to build on Pigeon Way by using it as a base for adding concrete examples in the future. For instance, one of the Action Principles under Pigeon Way is "Global collaboration among competent individuals." I want to create frameworks to actively promote this principle, while considering the introduction of in-house venture systems and the like.



Q: Give a review of Pigeon's performance in the year ended January 2019 and an illustration of the Group's future growth potential.

Yamashita: While our Domestic Baby & Mother Care Business and Singapore Business posted healthy sales, growth in the China Business and Lansinoh Business was sluggish. Accordingly, consolidated net sales rose 2.1% year on year, to ¥104.7 billion. On the earnings side, we improved the cost of sales ratio by 2.1 points, but the SG&A expenses ratio also increased. Accordingly, operating income rose 1.0%, to ¥19.6 billion, and ordinary income grew 1.3%, to ¥20.3 billion. Net income attributable to owners of parent decreased by 1.9%, to ¥14.2 billion, caused by extraordinary items. PT Pigeon Indonesia became our subsidiary in the previous fiscal year.

In China (including Hongkong), which is driving our growth, local-currency sales rose 3.9% year on year, remaining in single digits. In the next fiscal year, however, we will continue

strengthening our product development capabilities and implementing product and marketing strategies targeting a return to double-digit growth. Meanwhile, the Lansinoh Business posted higher sales of electric breast pumps in the core North American market by deploying new sales routes, including the durable medical equipment (DME) channel. We also maintained the top market share in that region for mainstay nipple cream and breast pads. Meanwhile, sales are rising in Germany and France, and in China Lansinoh (Shanghai) will continue stepping up e-commerce sales to achieve further expansion. In the Singapore Business, focused on India and expanded the number of stores mending our products to over 50,000. Sales grew briskly in Indonesia also. Given the expansion of these emerging markets, I am convinced that we can continue

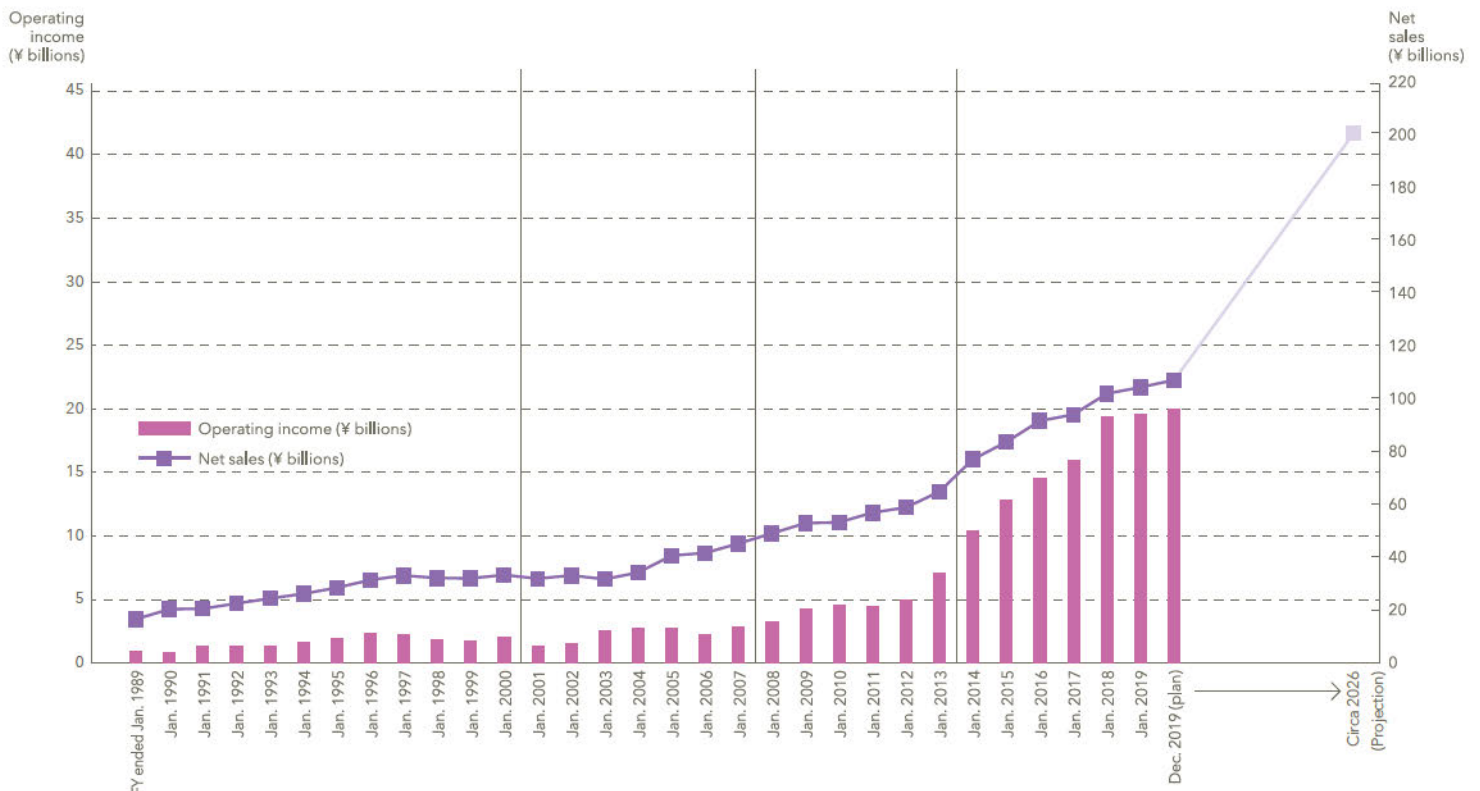
growing in the future.

Kitazawa: As for the speed of our growth, we will adhere to our existing plan. In fiscal 2019, the final year of our Sixth Medium-Term Business Plan, we are targeting consolidated net sales of ¥110.0 billion (¥106.2 billion after fiscal year-end change), building a solid foundation for subsequent growth. By achieving sustainable growth from fiscal 2020 onward, moreover, we will progress toward our major net sales goal of ¥200 billion, as envisaged initially under our medium-term plan.

Overseas business development has been the main driver of Pigeon's growth for the past 12 years. Looking at the markets, we can still expect demand to remain vibrant. In the China Business, we will target a return to double-digit growth on a local-currency basis by launching multiple new products in fiscal 2019. We will also pursue concentrated sales promotion activities in connection with China's two major e-commerce events. In addition, we will assign product

planning responsibilities to the Lansinoh Business unit and the Singapore Business unit in order to accelerate development of products that meet the needs of each market. Two other markets that we will focus on for the time being are India, with about 26 million childbirths annually, and Indonesia, with about 5 million. As you can see, these two nations have very large and attractive markets. In India, we will target further sales growth by strengthening our local product development system while working to improve brand recognition. And in Indonesia, we will aim for double-digit sales growth while improving our production capabilities. In addition to these appealing large markets, we can be confident of posting greater growth if we enter other emerging markets, such as Bangladesh and Pakistan. In light of our overseas growth record and the promising markets in our sights, our employees can look forward to renewed growth with confidence.

Long-term Trend in Business Results and Projected Net Sales



Note: In the fiscal year ending December 2019, the 11-month period from February 1 to December 31, 2019 is used as the consolidated period for consolidated subsidiaries whose fiscal years end January 31.



This illustration tells the story of Pigeon’s value creation process in terms of solving society’s problems through capital investment, value-chain formation, value creation and business activities. Here as outcomes of our business activities, including corporate philosophy and non-financial items, we extracted elements of both economic value and social value. From these, we selected items compatible with the SDGs. By clarifying the response of each business, product and service to the SDGs, we believe this illustration makes our initiatives easy for all stakeholders to understand.

Creation Story

Output (products and services)

Outcomes



Economic value
(Sixth Medium-Term
Business Plan:
Fiscal 2019)

Net sales | **¥ 110 billion**

Gross profit | **¥ 55 billion**

Operating income | **¥ 20 billion**

Pigeon Value Added (PVA) / Cash Conversion Cycle (CCC) | **¥ 10.5 billion 64 days**



Enhancement of business competitiveness and R&D capabilities



Sustainable reduction of environmental impact



Enhancement of stakeholder responsiveness



Improvement in quality of human resources



Creation of an ideal working environment



Establishment of solid management base



Social value
(Fiscal 2026)



Q: Tell us about your ESG activities.

Yamashita: To enhance our corporate value and contribute as a corporate Group to the improvement of sustainability in society, in April 2019 we established a new policy, the "Pigeon ESG/SDGs Policy."

Our Credo is, "Only love can beget love." The most important thing is that we do business in a spirit of valuing other

people as precious—that is, love. Guided by this world-view, we at the Pigeon Group perform real ESG management by providing products and services to babies, children and everyone else who needs them. Our efforts in ESG are explained on the following page.

► Pigeon ESG/SDGs Policy

In line with Pigeon's Corporate Philosophy, Credo, and Mission, we have established the three basic Values that each employee values in the execution of business, the five Action Principles that are the basic guideline for each employee, and Vision that we want to achieve over the medium to long term as "Pigeon Way." We have set the policy of embodying Pigeon Way and contributing to the development of a sustainable society as "Pigeon ESG/SDGs Policy" (hereinafter referred to as the "Policy").

We will pursue sustainable operations from the perspectives of environmental (E), social (S), and governance (G), and conduct business activities to contribute to the resolution of social issues represented by SDGs by creating new value through the provision of products and services. Through our business activities, we aim to build relationships of trust with our stakeholders and contribute to the development of a sustainable society by enhancing our corporate value on the whole.

Story to Develop a Sustainable Society Based on Pigeon's ESG/SDGs Policy

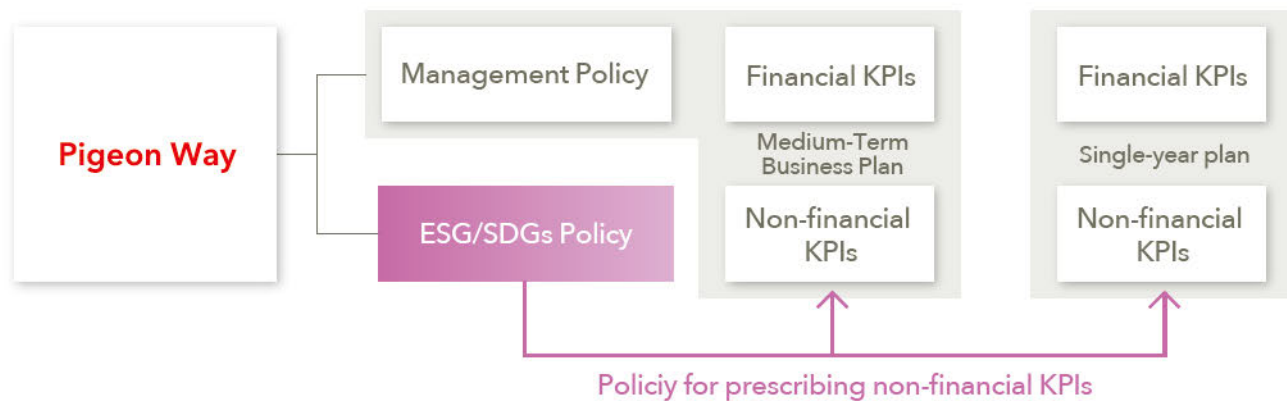


► Position in the Philosophy

This policy is positioned as a substructure of "Pigeon Way" in the philosophy structure. After Pigeon Way, the Management Policy which is stated in the Medium-Term Business Plan comes into place with the ESG/SDGs Policy. The Management Policy

prescribes the financial KPIs, while the ESG/SDGs Policy prescribes the non-financial KPIs (contributions to ESG and social issues (SDGs)).

Position of This Policy in the Philosophy Structure

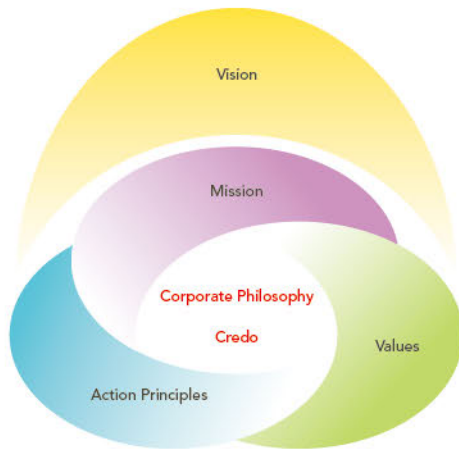


► Our Vision (Target Point)

As mentioned in Pigeon Way, our Vision is ‘to be the baby product manufacturer most trusted by the world’s babies and families, i.e. “Global Number One”’.

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, i.e. “Global Number One”

Mission

Our purpose of working and what we promise to achieve for consumers

We will bring joy, happiness and inspiration to babies and families around the world by providing them with products and services that embody love.

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

► Materialities (Key Issues)

In order to achieve the target points indicated above, we have set the following six materialities (key issues) to be resolved.

■ E: Environmental ■ S: Social ■ G: Governance

1. Enhancement of business competitiveness and R&D capabilities	Develop products and services to help solve social issues	Increase productivity with AI/IoT	Improve productivity by streamlining the product development process	Maintain and improve product quality
2. Sustainable reduction of environmental impact	Articulate environmental policy and environmental vision	Respond to global warming	Develop environment-friendly products and packages	Reduce plastics
	Prevent pollution	Share knowledge on reduction of environmental impact	Introduce environmental management system	Earmark funds for environmental costs
3. Enhancement of stakeholder responsiveness	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
4. Improvement in quality of human resources	Articulate HR development policy	Promote HR development and hiring on a global basis	Reinforce expertise of each department	
5. Creation of an ideal working environment	Promote diversity	Take initiatives toward diverse working styles	Promote work-life balance	
6. Establishment of solid management base	Improve the MBO (management by objectives) system	Introduce compensation system for officers	Put risk management in place	Strengthen compliance
	Strengthen brand power	Enhance ESG responsiveness		

Q: Pigeon has a new president. Can you tell us about the appointment process?

Yamashita: In my case, I was appointed president after being nominated by the previous president. Given the rapidly changing times, I decided that at this time it would be best to pass the baton to the next president while we are formulating our next growth strategies under the Seventh Medium-Term Business Plan, even if our business results are good.

In making this appointment, we put forward several candidates and obtained the opinions of other directors, including outside directors. In light of our expanding Overseas Business to date, however, we felt we could not earn the confidence of

stakeholders if we did not appoint someone with a good overseas track record. During this time, I also made some approaches, and in the end Mr. Kitazawa put up his hand.

Kitazawa: I decided I wanted to help guide Pigeon to its next stage of growth.

Yamashita: Pigeon does not currently have a Nomination Committee. However, the recent presidential appointment was decided because the opinions of both in-house and outside directors coincided, which I thought was really good.

Q: (To Yamashita) How would you review your tenure as president? What are your expectations of the new president Kitazawa?

Yamashita: Thankfully, during my six years as president, we achieved sustained and steady growth in business results and market capitalization. We also received good evaluations from third parties, for which I'm very grateful. These include the Corporate Value Improvement Award Grand Prize (fiscal 2015), Porter Prize (fiscal 2016), and Best IR Award (fiscal 2018). Of course, I did not win these awards on my own, but with the help of an orchestra called the Pigeon Group, with me acting as conductor. While there are some areas that earned commendation, however, there are also goals that I was unable to attain, such as personnel system reform. I hope that Mr. Kitazawa will assume steady control and lead the Group in a better direction.

In the future, all responsibility for business execution will be transferred to President Kitazawa. For the time being, there will be a succession period, and I may offer my input from time to time. But basically, I think my future task will be to support Mr.

Kitazawa and make it easier for him to manage the Group. In any case, Mr. Kitazawa's strengths are "change" and "speed." I am confident that he will utilize these strengths to undertake management in a swift and decisive manner.

As CEO, I have decided that my mission is to optimize corporate governance in order to improve corporate value over the medium and long terms, as well as to further revitalize the Board of Directors.



Q: (To Kitazawa) What are your aspirations as Pigeon's new president?

Kitazawa: Having worked overseas for many years, I have come to appreciate the importance of business agility. Going forward, I want to speed up the management of Pigeon and make it a better company. From my perspective, a good company is one that not only has a respected brand, sustained increases in revenue, and high profits, but also one that brings a sparkle to the eyes of its many employees. As a maker of items used by babies, we must

ensure absolute safety. As a product manufacturer, meanwhile, we want to consistently create unique products that meet the consumer needs in an environment of free ideas. I anticipate that the four business units under our new organization will develop many such products. At the same time, I hope we can enhance synergies by encouraging the units to stimulate each other.

Q. Finally, do you have a message for shareholders and other investors?

Yamashita: For the year ended January 2019, we declared annual cash dividends of ¥68.00 per share, up ¥2.00 from the previous year. Pigeon will continue to embrace new challenges in the years ahead. We would appreciate your support under our new organization.

Kitazawa: Our Mission is to bring joy, happiness, and inspiration to babies and families around the world. By fulfilling this mission, we will continue bringing joy to shareholders and other investors as well. We would appreciate your ongoing support.



Norimasa Kitazawa
President and COO

Shigeru Yamashita
Chairman of the Board and CEO



Domestic Baby & Mother Care Business

● Business Environment

In 2018, the total number of births in Japan was 918,000, down 28,000 from 946,000 in 2018 (*Summary of Monthly Report of Vital Statistics*, Ministry of Health, Labour and Welfare, 2018). The Japanese economy in 2018 continued maintaining an overall moderate recovery tone on the back of improvements in corporate earnings and employment conditions. From the consumer's perspective, however, the future remains uncertain amid rising costs of social security and daily necessities, so the business environment will continue to defy optimism.

● Our Competitive Edge

Based on more than 60 years of research into breastfeeding and infant and child development, the predominance of the Pigeon brand is the result of creating a wide range of high-quality products that solve child-rearing concerns. Here, we use the discoveries we have made via in-depth research into the babies' growth and development and we have uncovered various problems that parents encounter when raising children. Our competitive edge lies in our high public profile as leader in the industry and creator of the very strong Pigeon brand.

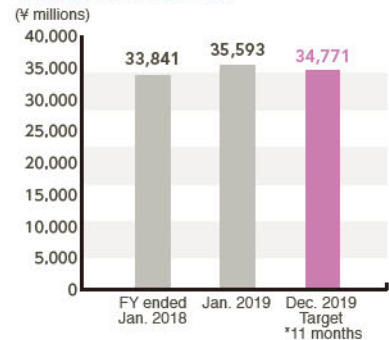
● Business Strategy

In the year under review, we worked to strengthen our position in the six priority categories and rigorously implement countermeasures against competing companies aimed at maintaining high market shares in nursing bottles and nipples. We also sought to expand our business and increase market share through proactive sales and marketing of baby strollers and other large-sized products. In addition, we stepped up our approach to the maternity market through our ongoing direct communication policy, and we promoted information dissemination activities targeting collaboration with medical professionals.

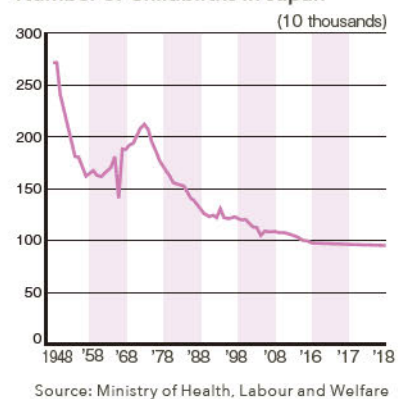
● Existing Category Initiatives

We are conducting more in-depth research into the physical development of babies while expanding our product lineup for the maternity market in order to meet the diversifying needs of customers. We are also striving to maintain and boost our market shares for all existing categories by stepping up educational activities. Pigeon has the ability to offer a full range of baby products. Deploying this capability, we are working in collaboration with large retailers to establish unique in-store Pigeon product sections and develop sales promotion strategies.

Sales of Domestic Baby & Mother Care Business



Number of Childbirths in Japan



New Category Initiatives

In large-sized products, a new category that we have been fostering, we offer the "Runfee" baby stroller series, developed based on in-depth behavioral observation. These strollers run smoothly over uneven ground thanks to their large-diameter tires, thus resolving potential concerns of customers. Since its launch in January 2015, the market share for Runfee has grown sharply, and we have continued introducing large-sized products, centered on the Runfee series, as we foster this category into a new pillar of our business. Also highly rated are our type B strollers, which make going out with baby a fun and active experience, and our light, three-wheel air-tire strollers.

Performance and Highlights

In fiscal 2018, sales in the Domestic Baby & Mother Care Business segment increased 5.2% year on year, to ¥35,593 million, benefiting from solid ongoing inbound demand from overseas tourists. Segment income grew 2.8%, to ¥6,096 million.

In February 2018, we launched "Pigeon Medicated Body Foam Soap (Peach Leaves)," a body soap specially formulated for babies' sensitive skin, and in March we launched a new model of stroller "Runfee" that is easier to push in the rear-facing position. In July, we refreshed the "Bonyu Assist®" breast pump series, which is equipped with "Baby Rhythm" technology created through more than 60 years of baby nursing research. Finally, in August we launched the "Pigeon Electric Baby Nasal Aspirator," developed jointly with otolaryngologists. Sales and market share steadily rose during the period under review. During the year, we held a total of 31 of events as a part of our direct communications program. These included "Pre-mama Classes" for expecting mothers / her family and seminars about breastfeeding for medical professionals. Around 3,100 people attended these events in total. We also added a number of improvements to "Pigeon Info," a website that supports women during pregnancy, in childbirth, and while raising children. In addition to updating the product lineup, we stepped up efforts in cooperation with medical professionals through a website dedicated to their needs, opened in May 2018. In these ways, we continued improving Pigeon Info to make it more convenient for users.

Priorities for Fiscal 2019

▶ Strengthening of six priority categories*

- In the nursing bottles and nipples category, we will take extensive measures to address competition in order to maintain our high market share.
- In breast pumps, we will take appropriate measures to respond to the competitive environment.
- ▶ In baby strollers and other large-size products, we will enhance our product lineup and marketing activities, while strengthening sales and distribution systems, in order to further increase market share. (Under our Sixth Medium-Term Business Plan, we are targeting 25% market share for this category.)
- ▶ We will also work actively to popularize our products, aiming for close collaboration with medical professionals.

Segment sales forecast for FY 2019: ¥34,771 million (11-month period)

* The six key categories are: Nursing bottles and nipples; Drinking cups; Pacifiers and teethingers; Breastfeeding accessories such as breast pumps and nursing pads; Skincare products, toiletries and detergents; and electrical products, which include electrical sterilizers.



Runfee



Pigeon Medicated Body Foam Soap (Peach Leaves)



Electrically powered Pro Personal Plus breast pump with Bonyu Assist®

Domestic Market Share of Pigeon's Main Products

No.1 79%
Nursing bottles

No.1 62%
Breast pumps

No.1 71%
Breast pads

No.1 37%
Baby skincare products (washing-related)

January 2019

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

Note: Figures for nursing bottles, breast pumps and nursing pads are based on share of amounts paid. Figures for other products are based on share of quantity sold.

Child Care Service Business



● Business Environment

There are an increasing number of women who want children and wish to keep working, and more and more women want to return to work while raising children. With high expectations for a major role for our daycare and child-minding operations, we believe these factors are positive for the development of our Child Care Service Business.

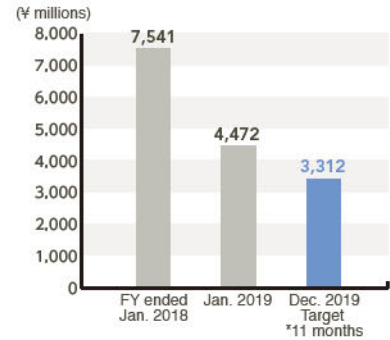
● Our Competitive Edge

Through its provision of baby and child care offerings, Pigeon has built a reputation for safe and reliable products. Deploying this brand strength, we are building our Child Care Service Business under the principle that “children’s growth is first priority,” and we have earned the confidence of customers with our high-quality services. Today, the Pigeon Group provides a host of child-rearing support services that meet the varied needs of users. These include the operation of child-care facilities, such as licensed and certified daycare centers and in-company child-care facilities. The Pigeon Group also operates preschool education facilities, such as Kids World.

● Business Strategies

The solid reputation and trust earned by our Child Care Service Business represent real social value, which in turn leads to further business growth. For this reason, we are working to raise the quality of our services, which are directly tied to the quality of our business, as our top priority. We are targeting business expansion by providing child care and educational services with added value that only the private sector can effectively deliver. This is spearheaded by staff with high levels of awareness and competence working within safe and secure systems. Through ongoing classes at Pigeon Heartner Open College, our training facility for child care workers and other staff members, we endeavor to uphold the Pigeon Group’s reputation as a provider with unparalleled knowledge of babies while also striving to improve business profitability.

Sales of Child Care Service Business



● Performance and Highlights

In the year under review, sales in Child Care Service Business segment fell 40.7% year on year, to ¥4,472 million, and segment income declined 22.7%, to ¥169 million. March 2018 saw the expiration of a bulk outsourcing agreement for child care hospital centers under the National Hospital Organization (independent administrative agency). In the year under review, however, we were newly entrusted to operate five in-company child-care facilities, bringing the total to 56. Together with other facilities, we now provide child care services in 76 locations. We will continue advancing this business while enhancing the quality of our services.



Priorities for Fiscal 2019

- ▶ Streamline our business to improve profitability
Embrace new opportunities to provide in-company child care services
- ▶ Strengthen crisis management and otherwise further entrench safety-related measures

Segment sales forecast for FY 2019: ¥3,312 million (11-month period)

Health & Elder Care Business



● Business Environment

Japan's population is aging rapidly while the number of births declines. In 2016, the population of baby boomers (born between 1947 and 1949) aged 65 and over reached 35.14 million. This is equivalent to 27.7% of the total population—more than one in four Japanese people—and the share continues to grow steadily. In response to ever-rising elder-care costs, the national government changed its elder-care system in 2015, taking concrete steps to shift its elder-care policy from institutional care to at-home care. These steps included increasing the portion of expenses borne by the patient in elder-care insurance and tightening of conditions for admission to intensive-care elder homes. These policies include raising the personal contribution to nursing care insurance and tightening preconditions for moving into special elder care homes.

● Our Competitive Edge

In the Health & Elder Care Business, we offer items in many product categories, including toileting, bathing, hygiene, meals, sleeping, and mobility. Pigeon's strengths in this segment lie in its product planning capabilities—which accurately pinpoint unsatisfied customer demand—as well as its advanced quality control systems acquired in the course of developing baby care products. The Pigeon Group has two sales channels for health and elder care products: retail stores and institutions/hospitals. By providing elder care services, centering on Tochigi Prefecture, we are building our track record and accumulating expertise in the Health & Elder Care Business.

● Business Strategies

We are working to improve product competitiveness in the key categories of bottom wipes, body wipes, skincare products, food, oral care products, and wheelchairs. We also sell Habinurse-brand products through retail stores and institutions/hospitals, and we are working comprehensively to meet the needs of people receiving care in facilities or in their homes.

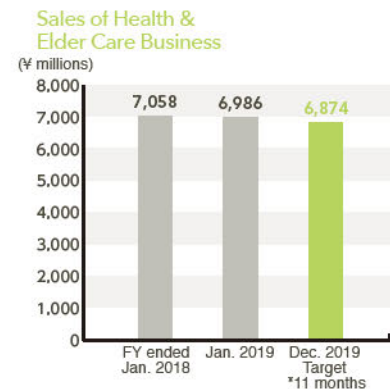
● Performance and Highlights

Sales in this segment edged down 1.0% year on year, to ¥6,986 million, and segment income declined 24.5%, to ¥353 million. At the International Home Care & Rehabilitation Exhibition held in October 2018, we exhibited new products scheduled for release in 2019. These were warmly received by customers and distributors. Going forward, we will step up efforts targeting retail stores and nursing care facilities while implementing rigorous measures to enhance the quality of our nursing care services.

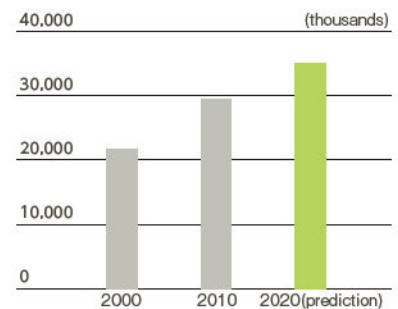
Priorities for Fiscal 2019

- ▶ Aim to increase sales and improve profitability by promoting two new offerings: ProFitCare wheelchairs and height-adjustable tables and the Sanitary Care Inspired by Nursing Series
- ▶ Cultivate new sales channels and adopt new marketing approaches

Segment sales forecast for FY 2019: ¥6,874 million (11-month period)



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



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



"ProFitCare" series



"Sanitary Care Inspired by Nursing Series"

China Business



● Business Environment

China's annual childbirths have averaged about 15-17 million over the past several years, which is 15-17 times the number of births of Japan. Even if Pigeon targets half of this market, it is still a huge potential market. Given that we generate ¥35.5 billion per year from our Domestic Baby & Mother Care Business in Japan, where only 918,000 million babies are born annually, we regard our growth potential in China to be extremely large. Looking ahead, we estimate that the number of childbirths will remain high in China. These factors, coupled with increasing disposable incomes nationwide and growing concern among consumers about product safety, will underpin the growth of our China Business.

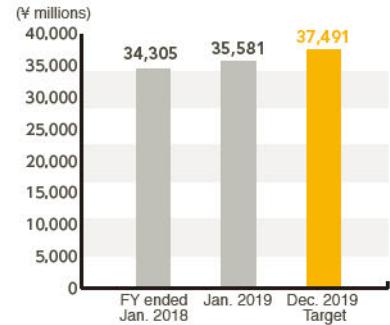
● Our Position

Since our full-scale entry into the Chinese market in 2002, we have broadened our sales coverage across the entire nation, from coastal regions to inland. The main target for Pigeon's products is the "new rich" market, and we are developing that market with more than 500 types of products—centering on our mainstay nursing bottles and nipples, toiletries, and high-end skincare products—while proposing new lifestyle scenarios. By maintaining stable pricing backed by high product quality, we have increased the number of stores handling our offerings and dedicated Pigeon Corner sections within retail outlets. As a result, our business has grown at a faster rate than the Chinese market. In major coastal cities, we also offering high-priced products to meet demand for high-end products stemming from the growing "new rich" market. In recent years, the main generation creating new families in China has shifted from the "80s generation" to the "90s generation." With this in mind, we provide wide-ranging responses to the consumer needs while embracing e-commerce, which is growing rapidly, especially among the "90s generation." In the meantime, recognition of Pigeon among consumers as a safe, reliable, high-quality brand is spreading.

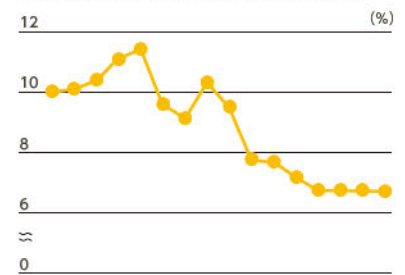
● Business Strategies

From the beginning, Pigeon has regarded China as a market rather than a production center. With this in mind, we have worked to strengthen brand awareness and penetration. With respect to manufacturing, Pigeon Manufacturing (Shanghai) Co., Ltd., established in 2006, has been making and assembling various products. These include silicon nipples, detergents, and toiletries, as well as nursing bottles. To address the rapidly growing market for consumables, Pigeon Industries (Changzhou) Co., Ltd. started operations at its plant in Changzhou, Jiangsu Province, producing breast pads and baby wipes. Since 2013, it has also been producing disposable diapers, which Pigeon does not sell in Japan.

Sales in China Business



Annual GDP Growth Rate in China



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



● Sales Development and Network

We are expanding sales network with local distributors across the entire nation. For the retail channel, we will reinforce our distribution network by mobilizing both primary and secondary distributors as we seek to further boost sales in China. Meanwhile, we will strengthen our network of dedicated "Pigeon Corner" sections within baby specialty shops. Recent years have seen rapid growth of sales via major Chinese e-commerce websites. In response, we are striving to increase online sales by strengthening initiatives in partnership with distributors and e-commerce service providers.



China e-commerce website

● Business Performance

In the China Business segment, sales increased 3.7%, to ¥35,581 million, buoyed by healthy sales of mainstay nursing bottles and nipples and skincare products. Segment income grew 4.0%, to ¥11,972 million. During the year, we continued to enjoy healthy sales of "Medicated Skincare Series (Peach Leaves)" and "Nursing Bottle My Precious." Two new products released in the second half of the year—nursing bottles with handles and a steam sterilizer—also attracted a warm response. In addition, we stepped up efforts targeting the growing e-commerce market, and we continued using social network services and opinion leaders to stimulate direct communication with consumers. Moreover, by continuing to strengthen offline initiatives, such as in-store promotions and hospital-based activities, we increased points of contact with consumers and strove to expand our business.



Dedicated Pigeon Corner section in a retail outlet



Premama seminar

Priorities for Fiscal 2019

- ▶ Aiming for double-digit sales growth on a local-currency basis, we will actively introduce new products in priority categories
- ▶ Focus on intensive sales promotion at two major e-commerce events in China
- ▶ Step up digital marketing by upgrading our e-commerce website

Segment sales forecast for FY 2019: ¥37,491 million



Manufacturing nursing bottles



Children Baby Maternity Expo (CBME)



New-product event



Singapore Business

(Mainly ASEAN, India, Middle East and Oceania)

● Business Overview

The Singapore Business unit conducts Pigeon-brand operations in Singapore, Indonesia, and other ASEAN countries, as well as India, the Middle East (including the United Arab Emirates), Oceania, South Africa.

● Business Environment

Approximately 135 million babies are born each year in around the world, and around 91.6 million of them are born in the top 20 nations in terms of childbirth numbers. We are focusing on expanding our business in two of those nations—India, with about 26 million childbirths annually, and Indonesia, with about 5 million—which we regard as priority markets. Given Japan’s birthrate of only 918,000 per year, the potential market for the Singapore Business is extremely large, and we have significant room for growth.

Our competitive advantage in overseas markets derives from two key strengths. One is the appeal of our products. We conduct basic research into “matters that concern our consumers,” and make products accordingly. 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 review our distributors according to performance, but thanks to the support of good partners in the field, our overseas business development is accelerating.

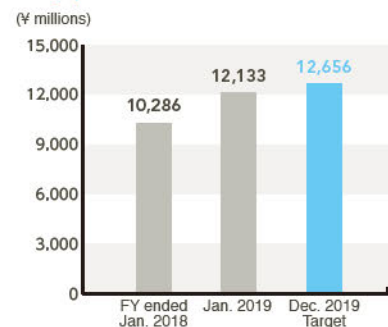
● Business Strategies

Targeting further business expansion, Pigeon is actively entering new markets. In Thailand, we are upgrading our production base, and in India we began production of nursing bottles and nipples at our local plant in 2015. In addition to manufacturing products for other nations, our Thai and Indian facilities export products to Japan. In Indonesia, we converted our operation there and an equity-method affiliate into a consolidated subsidiary in November 2017. We will continue advancing into new markets, including in Africa, to achieve further growth.

● Performance and Highlights

Sales in the Singapore Business rose by 18.0%, to ¥12,133 million. Segment income rose by 10.3%, to ¥2,744 million, thanks to an improved gross margin and the effective deployment of SG&A expenses. In Singapore, we seized and maintained the No. 1 market share for nursing bottles, worked to strengthen communication through digital marketing, and expanded sales through e-commerce. In Australia, we attained the No. 1 market share for nursing bottles among pharmacies. We enjoyed steady sales of nursing bottles and nipples in Malaysia. We will continue aggressively expanding our sales and marketing activities to achieve further market penetration of the Pigeon brand.

Singapore Business



(Left) Detergent for washing nursing bottles and vegetables in the Indonesian market
(Right) Laundry detergent in the Indonesian market

Business Development in Indonesia

In November 2018, we converted PT Pigeon Indonesia into a consolidated subsidiary. That company has performed well with respect to manufacturing and sales, with products for the domestic market and exports. We are focusing on Indonesia as a priority growth market. Going forward, we will step up marketing in Indonesia to expand our business.

Priorities for Fiscal 2019

- ▶ Singapore
 - We will strengthen our product development organization for items aimed at the middle class, while further reinforcing the Pigeon brand through digital marketing.
- ▶ India
 - We will continue improving brand recognition and further expand sales by strengthening our local product development system.
- ▶ Indonesia
 - We will strive to further improve our production capabilities while aiming for a double-digit sales increase.

Segment sales forecast for FY 2019: ¥12,656 million

Lansinoh Business

(Mainly North America, Europe and China)



● Business Overview

The Lansinoh Business segment covers North America (including United States and Canada), Europe (including United Kingdom, Germany, and Belgium), China (Lansinoh Shanghai), Turkey, Latin America and other countries and regions. In 2004, Pigeon transformed Lansinoh Laboratories, Inc. into a wholly owned subsidiary. Serving as the Pigeon Group's platform for business development in the United States and Europe, that company leverages the Lansinoh brand to advance its business.

● Business Environment

In the United States, the total fertility rate is 1.76 (in 2016), and the average number of annual births is 3.85 million (in 2017), which is relatively stable among economically advanced countries. It is because breastfeeding is recommended, specialists "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 sucking and breastfeeding. In the United States, demand for breast pumps and other breastfeeding-related products is rising. Amid increasing demand for breastfeeding-related products stemming from worldwide promotion of breastfeeding, Lansinoh's offerings have garnered strong support thanks to their high quality.

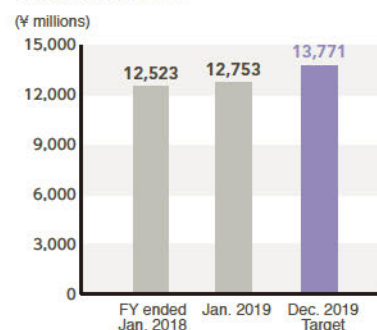
● Our Competitive Edge

In the Lansinoh Business, we mainly handle breastfeeding-related products, including nipple care creams, breast pads, breast milk storage bags, and breast pumps. Lansinoh is recognized for its unmatched brand strength and product quality, and its offerings are handled by more than 40,000 stores in the United States. In January 2014, Lansinoh made a full-scale launch of nursing bottles. Going forward, we will continue enhancing our brand power as a company that offers total support – pump, storage and feed – for breastfeeding. Lansinoh is also working hard to penetrate the Chinese market, having established a local subsidiary there in April 2016. As a result, both Lansinoh and Pigeon brands are generating sales growth in China.

● Performance and Highlights

Sales in this segment rose 1.8% year on year, to ¥12,753 million, and segment income grew 1.5%, to ¥1,576 million. In North America, we continued to increase sales of breast pumps and products via new routes, including the durable medical equipment (DME) channel and hospitals. We also maintained our top market share for nipple care creams and breast pads. In Europe, we enjoyed particularly high sales growth in Germany and France, and the capacity utilization rate of our plant in Turkey remained steady. During the year, we stepped up our product development efforts. Meanwhile, Lansinoh Shanghai strengthened e-commerce sales and undertook marketing and brand reinforcement measures aimed at further expanding its business.

Lansinoh Business



Smartpump™ electric breast pump from Lansinoh

Business Development in the Middle East

In the Middle East, Lansinoh Laboratories opened a branch in Turkey in 2009. In the following year, it established Lansinoh Laboratories Medical Devices Design Industry and Commerce Ltd. Co. (LMD) to coordinate research and development, produce Lansinoh-brand breast pumps, and operate an assembly plant. In January 2017, LMD commissioned a new plant to make breast pumps and nursing bottles and nipples, reflecting efforts to strengthen its production system for Europe and North America.

Priorities for Fiscal 2019

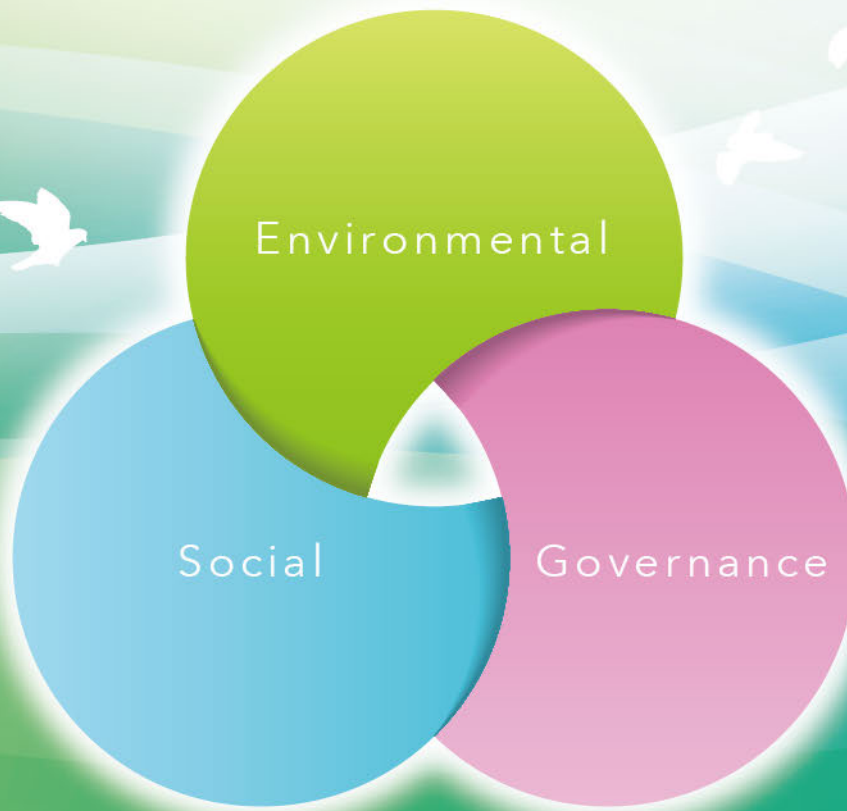
- ▶ Focus on developing new products to increase sales
 - We will strengthen our internal product development system and innovate our lineup of core breastfeeding products.
 - We will collaborate with universities and other external organizations, leading to new value creation and business expansion.
- ▶ Further expand our business in Europe, Asia, and Latin America, where there is room for competition
- ▶ Work to broaden our network of new sales routes, including e-commerce and the DME channel

Segment sales forecast for FY 2019: ¥13,771 million

Pigeon ESG Activities

The core principle of Pigeon Group's operations is captured in our Corporate Philosophy, "Love." We provide products and services that embody love to those who need assistance and support for pregnancy, childbirth, childcare and elderly care. Pigeon Group believes that becoming indispensable for the community leads our improvement of corporate value in terms of environmental, social and governance (ESG) performance. Pigeon is committed to contributing to a sustainable society through its operating activities. Based on this conviction, the Pigeon Group established the Pigeon ESG/SDGs Policy in April 2019. This basic policy outlines six

materialities (key issues) that the Group will address (pp.12-13). Pigeon will work hard to build strong relationships of trust with all our stakeholders, aiming to contribute to the development of a sustainable society by enhancing our corporate value. The Pigeon Group's medium-term targets and related social issues (SDGs) are enumerated at right. The Group will set quantitative targets for each issue, pursuing further improvements through progress reviews and disclosure in the 7th Medium-Term Business Plan (governing the period FY2020 to FY2022), currently in preparation.



Resolving Consumer Social 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, in July 2018 the Company issued its Consumer-Oriented Declaration.







Complaint Response Management System



Medium-term targets and the SDGs

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

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

Materiality	Medium-term target	Individual issues	Related SDGs
1. Enhancement of business competitiveness and R&D capabilities	Development of next-generation businesses and products that offer solutions to society	<ul style="list-style-type: none"> ● Develop products and services to help solve social issues ● Increase productivity with AI/IoT ● Improve productivity by streamlining the product development process ● Maintain and improve product quality 	
2. Sustainable reduction of environmental impact	Sustained pursuit of reduction of environmental impact	<ul style="list-style-type: none"> ● Articulate environmental policy and Environmental vision ● Respond to global warming ● Develop environment-friendly products and packages ● Reduce plastics ● Prevent pollution ● Share knowledge on reduction of environmental impact ● Introduce environmental management system ● Earmark funds for environmental costs 	
3. Enhancement of stakeholder responsiveness	Continue to be "Loved" from 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 	
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 	
5. Creation of an ideal working environment	Creating a workplace where people will continue to work at Pigeon	<ul style="list-style-type: none"> ● Promote diversity ● Take initiatives toward diverse working styles ● Promote work-life balance 	
6. Establishment of solid management base	Building a strong management foundation to support sustainable growth	<ul style="list-style-type: none"> ● Improve the MBO (management by objectives) system ● Introduce compensation system for officers ● Put risk management in place ● Strengthen compliance ● Strengthen brand power ● Enhance ESG responsiveness 	

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



Resolving Social Issues

— For all babies —

Our products are developed based on over 60 years of comprehensive research and a great deal of consumer feedback. For nursing bottles and nipples, our central laboratory has conducted years of extensive research about babies' sucking behaviors, for example by using ultrasound to record the inside of a baby's mouth during sucking.

Also, we have been conducting joint research with the neonatal intensive care units (NICUs) of hospitals and clinics to develop nursing bottles and nipples for special needs such as premature and weak sucking strength or cleft palate/lips. Our objective in the study on sucking is to support healthy feeding for babies. Our special nursing bottles and nipples are also designed to promote natural sucking behaviors.

The vast experience and knowledge we have accumulated in professional fields over many years underpins our formidable product development capability.



Helping babies who were born small

● Basic Approach to Environmental Protection; Environmentally Friendly Products

The Pigeon Group is committed to preventing global warming and realizing a sustainable society. In addition to complying with relevant laws, such as the Energy Saving Act and Law Concerning the Promotion of Measures to Cope with Global Warming, we undertake Groupwide environmental initiatives, such as establishing energy-efficient systems. As a maker of daily commodities, the Group is committed to ensuring that its products do not have a bad effect on the global environment, not only while in use but also after they are discarded. Also, from the stage of selection of raw materials and ingredients, we adopt environmentally friendly papers and inks, and reduce the number of colors on cartons and packaging. As a result, we have created an extensive lineup of numerous environmentally friendly products.



We modified the materials of our cooking cup, which are now mainly composed of cornstarch.



Paper container that is easy to dismantle and recycle after use; big enough for two refills.

● Climate Change and Biodiversity

The Pigeon Group gives full consideration to climate change mitigation and biodiversity. To this end, we have specified the volume of our greenhouse gas emissions, both direct and indirect, and we are working to save electricity. In May 2019 two of Pigeon's China producing companies put solar panels into full-fledged use, making an effort to reduce CO₂ emissions. Pigeon is also applying photocatalytic paint and implementing LED lighting to save electricity.



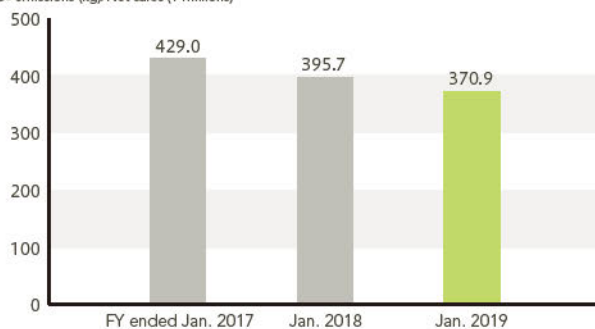
PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.

CO₂ Emissions by Pigeon Group Domestic and Chinese Production Companies

3 domestic production companies

(Pigeon Home Products Corporation, PHP Hyogo Corporation, PHP Ibaraki Corporation)

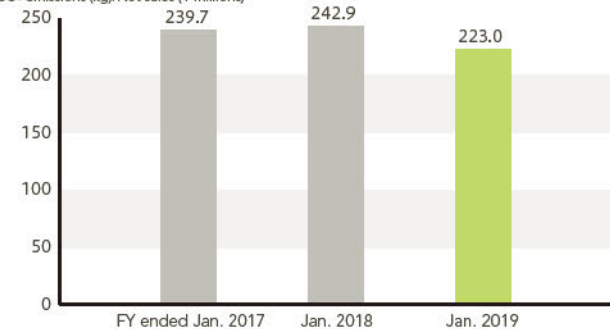
CO₂ emissions (kg)/Net sales (¥ millions)



2 Chinese production companies

(Pigeon Manufacturing (Shanghai) Co., Ltd., Pigeon Industries (Changzhou) Co., Ltd.)

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



● CSR-Oriented Procurement

Pigeon is committed to the sustainable use of resources. Among chemically derived materials that we handle, we use rubber as the raw material for our nursing bottle nipples. Here, we do not use any natural rubber, but rather silicon and silica gel.



Raw Materials Procurement Volume

FY2018	PIGEON MANUFACTURING (SHANGHAI) CO., LTD.	PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.	THAI PIGEON CO., LTD.	PIGEON INDUSTRIES (THAILAND) CO., LTD.	PIGEON INDIA PVT. LTD.	PT PIGEON INDONESIA
Silicon (tons)	707	47	420	53	24	342
PPSU (tons)	283	18	208	—	—	—

● Pollution Prevention

Since practically all of our end-users are babies, we are very stringent and cautious when selecting with materials and ingredients. For our body soaps, other liquids and detergents, in the year under review we sought to reduce waste by identifying sources of pollution and waste related to our production activities. We closed waste incinerators in March 2019 that had been operating at our domestic production sites.

● Environmental Opportunities

For the past 33 years, we have continuously held our annual Newborn Baby Commemorative Tree-Planting Campaign, which began in 1986. This campaign is held at the "Pigeon Miwa no Mori" site, a combination of national forest and Pigeon-owned land near Hitachi-Omiya City, Ibaraki Prefecture. In addition to providing parents with memories of their babies' birth, the campaign contributes to educational awareness about environmental protection. Forests help prevent global warming by absorbing carbon dioxide and also help preserve biodiversity. In addition, they play a role in preventing floods and erosion while preserving high water quality, to the extent that they are referred to as "green dams." Over the past 33 years, we have planted around 145,000 seedlings on 45.15 hectares of land (both national forest and private land). In the national forest portion, covering 25.37 hectares, the "green dam" benefits equate to storage and purification of 5.71 million two-liter PET bottles.



"Pigeon Miwa no Mori" site



Newborn Baby Commemorative Tree-Planting Campaign

● Environmental Management Systems

As a company that advances its business globally, the Pigeon Group seeks to obtain ISO 14001 certification for environmental management systems at many of its business operations and affiliated companies. These include Lansinoh Laboratories Medical Devices Design Industry and Commerce Ltd. Co., which received certification in 2018. Our environmental activities are not aimed simply at temporarily reducing the impact of our operations on the environment. By adopting the PDCA cycle as well, we work hard to maintain an upward spiral for our environmental management systems.

Pigeon Group Companies with ISO 14001 Certification

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

Note: Pigeon Home Products Corporation (based in Shizuoka Prefecture), PHP Ibaraki Corporation (Ibaraki Prefecture), and Pigeon Industries (Changzhou) Co., Ltd. (China) are scheduled to obtain certification in 2019.

● Human Capital: Motivating Work Environments and Corporate Culture

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

● Embracing Diversity

One of our Corporate Ethics Policies is that "Pigeon shall respect its employees' human rights and personalities at all times, ensuring them discrimination-free, equal job opportunities and rewarding work environments, and offering them fair merit ratings to help their self-fulfillment." With respect to composition of personnel, 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.

Also, in December 2018 we received the Forbes Japan Women Award 2018 for our training and other initiatives to promote diversity. In addition, we respect the rights of employees, with whom we engage in dialogue about civic and political rights.

With respect to labor, our Compliance Committee spearheads rigorous compliance-oriented activities to ensure respect for workers' and human rights both in Japan and overseas.

● Fostering Global and Managerial Human Resources

Pigeon gives all employees opportunities to participate in technology development, education, and practical training. In Japan, we eliminated gender differences in job types and career courses before the enactment of the Equal Employment Opportunity Law. In line with our recent globalization, every year we hold English-language training in Japan with separate courses for each level. 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 enduring advancement of the Company, we work to foster next-generation managerial personnel earmarked to become business department and divisional managers as "human resources who can refine human power and continue increasing corporate value under the values of Pigeon Way."

"Pigeon Miwa no Mori Mosaic Art Project" is an all-employee participation project aimed at increasing the sense of solidarity in the Company.



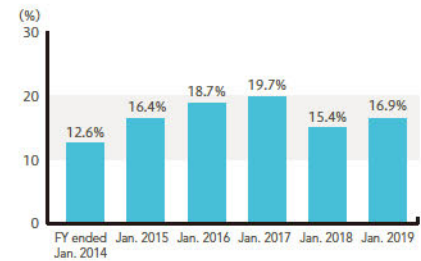
Meet the Diversity Training, a training program using shared housing for young employees



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

Now, more than ever, creating an environment enabling women to excel is a particularly important priority for the Pigeon Group in its constant pursuit of “world-class business excellence.” For this reason, we focus on fostering women in management positions. In the year ended January 2019, women accounted for 16.9% of the Company’s management. With respect to promoting women’s advancement, we have cited three core initiatives—“expansion of work-family balance support system,” “workplace mindset reforms,” and “backup for women’s feelings and skills”—thus providing support from the perspectives of both system enhancement and employee mindsets. In May 2018, we received “Platinum Kurumin” accreditation, which is given to Kurumin-certified companies deemed to be introducing and utilizing excellent work-family balance support systems and high-level initiatives. As a company engaged in child care services, from an early stage we have been enhancing our systems to help employees giving birth and raising children. From the perspective of promoting the advancement of women and encouraging men’s participation in child care, we have established a variety of systems, including a parental leave scheme called “One Month Together” and “Work-at-home.” In addition to providing workplace environments where both men and women can take parental leave as a matter of course, these systems have the added benefit of enabling employees’ child-rearing experiences to be reflected in actual product development.

Female Manager Ratio (Head Office)



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

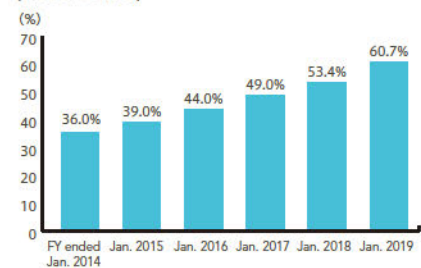
- 1 Increase number of men using the work-family balance support system to 10 or more
- 2 Increase awareness about work-family balance support regardless of gender
- 3 Grasp and improve status and outcomes of work-at-home system
- 4 Establish frameworks enabling women to give birth, raise children, and return to work with peace of mind

● Work-Life Balance Head Office

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

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

Paid Leave Take-up Rate (Head Office)



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

System	Details	Usage status
One Month Together	1-month parental leave system for male employees	Uptake rate: 100% (100% consistently since fiscal 2015) Users: 38 persons (cumulative over 4 years since fiscal 2015)
Leave the workplace (go home) by 7:00pm rule	Rule to leave the workplace by 7:00pm in principle, even when doing overtime	Average overtime per month: 5.4 hours (fiscal 2018)
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 fiscal 2015, 2016, and 2017
Work-at-home	System available to all employees to work at home or at a satellite office for child care or nursing care reasons	System implemented in April 2019

Community Activities

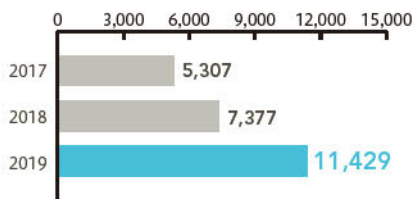
Breastfeeding Period Research Group

In March 2015, we launched the "Pigeon Smile Breastfeeding Period Research Group" in collaboration with various experts on mothers and babies during breastfeeding, with the aim identifying issues faced while breastfeeding and providing solutions. The philosophy of this initiative is to "realize a society in which more babies are raised in good health and more mothers feel happy when raising children." Its activities include distribution of the "Shiawase (Happy) Breastfeeding Support Book," a free-of-charge publication that summarizes the five most important points about breastfeeding.

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 mothers working in the vicinity, as well as mothers and babies living nearby. In other nations, as well, we provide support to establish breastfeeding/pumping rooms in various locations, including within general corporations, with the aim of helping female employees return to work after giving birth. We support 11,429 Lactation Lounges in 15 countries around the world as of November 2019.

Number of Lactation Lounges (15 nations)



Worker Health and Safety

Pigeon is extremely meticulous about managing the health and safety of workers. In addition to Japan, we have plants overseas, including in China, Thailand, and India, and we conform to the Pigeon Group's workplace health and safety standards uniformly at all those facilities. We have also obtained certification under the OHSAS 18001 standard for occupational safety and health, widely adopted around the world.

Certification under ISO 45001 (OHSAS 18001)

Company Name	Location
Pigeon Industries (Thailand) Co., Ltd.	Thailand
Thai Pigeon Co., Ltd.	Thailand
PHP Hyogo Corporation	Hyogo Prefecture, Japan
Pigeon Manufacturing (Shanghai) Co., Ltd.	China
PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.	China
Pigeon India Pvt. Ltd.	India
Lansinoh Laboratories Medical Devices Design Industry and Commerce .Ltd. Co.	Turkey

Note: Pigeon Home Products Corporation (Shizuoka Prefecture) will earn this certification in 2019.
PT Pigeon Indonesia is expected to earn this certification in or after 2019

Breastfeeding Support Book (around 140,000 copies distributed)



Pigeon has Lactation Lounges in various countries

● Human Resource Development

Providing Scholarships to Students

The aim of the Pigeon Scholarship Foundation, a public interest incorporated foundation, is to realize a society in which everyone can give birth and raise children with peace of mind, while fostering the healthy lives and growth of mothers and babies. The Foundation provides scholarship support, with no repayment required, to students in the neonatal, pediatric, and obstetrics departments of universities (students majoring in medicine at domestic general universities or medical universities). In the year ended January 2019, it provided financial support to 76 students in 16 universities (total of new fifth-year and sixth-year students).



Supporting Children's Creativity

For the past 39 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.



● Fair Trading

Seeking to prevent patent infringement and the like from the product development perspective, Pigeon established an intellectual property-related department at Head Office. This department is responsible for matters pertaining to intellectual property globally. Meanwhile, in China, which faces numerous problems with counterfeited products, we established a Legal Affairs Department at Pigeon (Shanghai) Co., Ltd. It is working to increase respect for property rights, including intellectual property in collaboration with intellectual property-related Head Office.

Pigeon rejects excessive political involvement. We try to build "win-win" relationships with our business partners on the basis of equality at all times. With respect to relationships with authorities and other entities, as well, we do not behave in ways that are not grounded in social common sense, including provision of entertainment and gifts that could be regarded as payoffs or facilitations. Our rules in this area

Social Investments in Overseas Communities

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



Waseda University Corporate Course

The Company has conducted partnership courses (donation courses) at Waseda University since fiscal 2017. Running for three months, this "Entrepreneur Training Course" was attended by around 300 Waseda students in the year under review. We will continue fostering the development of human resources with an entrepreneurial spirit and a drive to create innovation.

are clearly stated in our Compliance Guidebook. Regarding fair trading and free competition, we make sure that our activities conform to competition laws, and we actively participate in surveys and the like conducted by relevant authorities as necessary. We also conduct extensive compliance training and other forms of employee education in an effort to prevent collusion with authorities and involvement in anticompetitive behavior.



Corporate Governance

The Company has introduced a commissioned managing officer system with the aim of ensuring reciprocal collaboration between the governance (management decision-making and oversight) function and the business execution function, as well as to clarify the business execution responsibility of directors.

The Board of Directors has the authority to oversee the execution of duties by directors and managing officers. Chaired by the chairman, the Board meets to make decisions concerning laws and regulations, the Articles of Incorporation, and matters stipulated in the rules of the Board of Directors (important business execution strategies, such as management targets). The Board of Directors is strengthening the control/oversight function of business execution by obtaining robust opinions from its outside directors and audit & supervisory board members. We now have three outside directors (including one woman): Takayuki Nitta (appointed in April 2015), Rehito Hatoyama (April 2016), and Erika Okada (April 2018). The role of Pigeon's three outside directors is to provide advice and recommendations that will improve the Company's business strategies and corporate governance, based on their wealth of experience and knowledge, and to monitor the appropriateness of decision-making by the Board of Directors. We are also working to increase the diversity of top management. At present, we have 10 directors (including three outside directors, one of whom is female, and one foreign national), and four audit & supervisory board members (including two outside audit & supervisory board members, and one of whom is female).

To perform the management oversight function from an external perspective, the Audit & Supervisory Board has appointed two outside audit & supervisory board members. Under the Companies Act, audit & supervisory board members are given strong authority to audit and supervise the Company's directors, including the right to attend Board of Directors' meetings to voice their opinions and the authority to examine the Company's business operations and financial status. Moreover, they are guaranteed terms of four years. Our previous outside audit & supervisory board members were Shigeru Nishiyama and Shuji Idesawa. Drawing on objective viewpoints based on independent perspectives, these outside audit & supervisory board members asked questions and offered opinions as they attended the meetings of the Board of Directors and conversed

with the representative director and other directors. In this way they fulfilled a monitoring function by fulfilling the audit & supervisory board member's legal role of auditing legitimacy of the Company's operations and assisting in assuring appropriate management judgment.

In April 2019, the Company appointed two new outside audit & supervisory board members: Koichi Otsu, who has deep knowledge in the fields of corporate finance and management, and Atsuko Taishido, an attorney. Because both audit & supervisory board are highly independent and have specialist knowledge, their role extends beyond compliance to include raising corporate value.

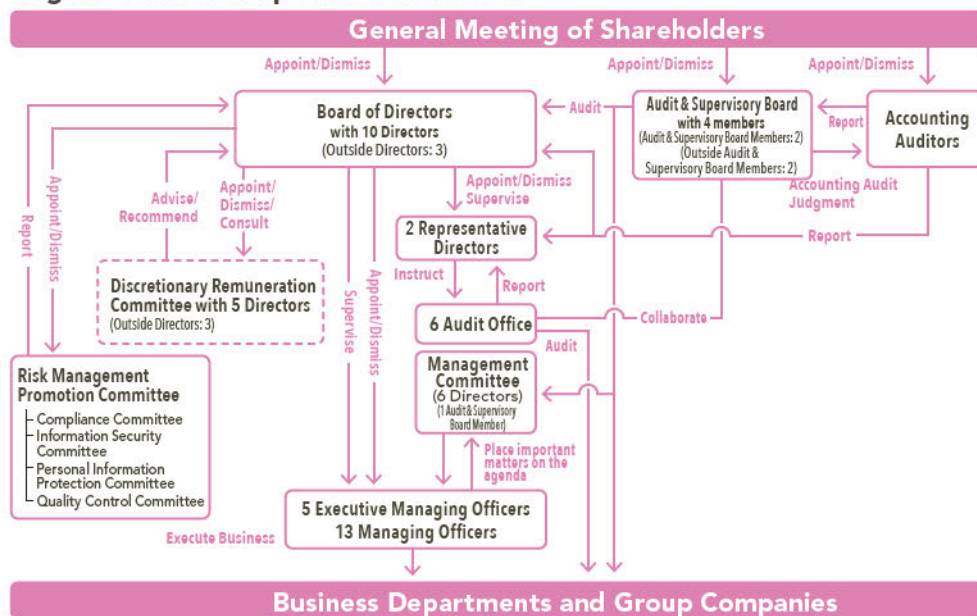
According to audit policy and allotment of duties, Pigeon's audit & supervisory board members attend Board of Directors' meetings and other important meetings, where they listen to directors, view important resolution documents, examine the current status of business and financial assets, and otherwise conduct meticulous supervision and oversight. The audit & supervisory board members also meet regularly with the president to receive reports on important issues. With respect to information heard from within the Company, the president receives feedback from audit & supervisory board members and exchanges opinions with them.

Executive Remuneration

Remuneration for full-time directors consists of "basic remuneration" (according to position held), "bonus" (short-term incentive), and "share-based remuneration" (medium-to-long-term incentive). The retirement benefit 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 determined by each director's position, which is based on size of job responsibilities, and bonuses vary (0-150%) according to achievement level of the Group's consolidated performance targets (net sales, operating income, and PVA). Share-based remuneration has two portions: performance-linked (60%) and non-performance-linked (40%). In principle, the performance-linked portion varies (0-150%) according to achievement level of performance targets and non-financial indicators stated in the Medium-Term

Organization of Corporate Governance



Business Plan. In view of systems introduced during the final year of the 6th Medium-Term Business Plan, the performance-linked portion for FY2019 (fiscal year ending December 2019) will vary (0-150%) according to achievement level of the Group's consolidated performance targets (net sales, operating income and PVA). In order 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 twice a year to discuss basic executive remuneration policy and content of the executive remuneration system, and provides advice and recommendations to the Board of Directors.

Reflecting its fundamental approach to corporate governance, the Company has set three basic objectives for all directors' remuneration: (1) Help improve the Group's corporate value over the medium and long terms, (2) Help secure exceptional management personnel to realize the Company's "Global Number One" vision (based on Pigeon Way), and (3) Provide a remuneration system that is highly independent, objective, and transparent, and capable of delivering accountability to stakeholders.

Based on the Company's business environment, as well as a 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 (including a maximum of ¥100 million for outside directors, which does not include the employee salary portion for those directors who serve concurrently as employees). In order to further strengthen their independence from management, audit & supervisory board members receive only basic remuneration. There is no retirement allowance system for audit & supervisory board members.

● Internal Audits

To perform internal audits, the Company has established an Audit Office, staffed by six people. Based on annual plans, the Audit Office conducts regular internal audits of every department across the Pigeon Group, including domestic and overseas subsidiaries. The results of those audits are reported to the president, directors, and audit & supervisory board members, and evaluations and continuous improvement proposals are carried out under the PDCA cycle. The Audit Office also conducts internal control audits related to financial reporting under Japan's Financial Instruments and Exchange Act.

● Commissioned Managing Officer System

In order to respond promptly and appropriately to changes in the business environment, achieve sustainable growth, and establish a solid management foundation, we strive to ensure that management decisions are made rationally and efficiently. In 2012, we introduced a commissioned managing officer system with the aim of ensuring reciprocal collaboration between the governance (management decision-making and oversight) function and the business execution function, as well as to clarify the business execution responsibility of directors.

● Responsible Dialogue with Shareholders and Other Investors

Pigeon engages in responsible dialogue with shareholders and other investors. For example, Shigeru Yamashita (former president), Kevin Vyse-Peacock (director), and Rehito Hatoyama (outside director) participate in the Company's financial results briefings, and this system has been retained under Norimasa Kitazawa, the new president. Pigeon takes pains to ensure that shareholders have sufficient time to consider the agenda for each General Meeting of

Shareholders. The Notice of Convocation for the General Meeting of Shareholders is posted on the corporate website about one month before the meeting (in the case of institutional investors) and is mailed to institutional investors three weeks before the meeting. We also enable shareholders to exercise their voting rights electronically via personal computer, smartphone or mobile phone. We also endeavor to make our General Meeting of Shareholders accessible to as many shareholders as possible. Sign language interpretation and temporary child-minding services are provided during the meetings. Pigeon also permits beneficial shareholders to attend as observers, once they have completed certain stipulated procedures.



Responsible Dialogue with Shareholders and Other Investors

62nd Ordinary General Meeting of Shareholders (April 25, 2019)	Number of attendees: 326 Voting rights exercised: 83.2%
IR meetings with institutional investors	Total number of correspondences: 369 (fiscal 2018)

● Compliance System

The Pigeon Group operates its compliance system cross-laterally through the efforts of the Compliance Committee, chaired by the director in charge of supervision of the Legal Division. To ensure compliance-oriented management, we have defined universal Corporate Ethics Policies. Based on the policies, we have a code of conduct, in which individual employees comply with all laws and regulations, as well as social standards and the spirit thereof, and act with sincerity and a high ethical sense, in order to win the deep trust of our stakeholders. We emphasize the importance of constantly communicating our Corporate Philosophy and Values to all employees. To this end, our representative directors and all other executives lead by example in rigorously promoting our spirit of ethics and compliance. With respect to consolidated subsidiaries, our Business Strategy Division implements cross-lateral Groupwide responses by developing a system capable of verifying current conditions from the perspective of ensuring appropriate monitoring and reporting systems.

We are also enhancing the effectiveness of compliance-related education through e-learning courses, as well as corporate ethics training at overseas Group companies. We distribute "Pigeon Compliance Communication" each month to all employees to help them understand and address compliance-related matters that could arise in the course of their daily work. Once a year, we conduct Compliance Self-Checks, in which employees fill out questionnaires, in order to raise their awareness and knowledge about compliance. Each segment holds meetings with stipulated themes on compliance-related concepts. These include laws that affect Pigeon operations, such as the Antimonopoly Act and the Act against Unjustifiable Premiums and Misleading Representations, as well as issues such as harassment. In addition, we established "Speak Up" as a reporting/consulting system for employees and "Pigeon Partners Line" as a reporting/consulting system for business partners. The systems help ensure the swift resolution of problems that are detected inside and outside the Company by addressing the problems at Compliance Committee meetings and investigating the facts while protecting the identities of whistle-blowers and consultants. We also pay due attention to the legality of issues by obtaining advice from lawyers as necessary. Reports on the content of compliance education and the internal reporting/consulting systems are submitted at meetings of the Board of Directors and Audit & Supervisory Board each year.



Board of Directors, Audit & Supervisory Board Members and Managing Officers
(As of April 25, 2019)

Outside Director

**Rehito
Hatoyama**

Outside Director

**Takayuki
Nitta**

Director, Executive
Officer

**Kevin
Vyse-Peacock**

Director, Managing
Executive Officer

**Yasunori
Kurachi**

Outside Director

**Erika
Okada**

Director, Senior Managing
Executive Officer

**Eiji
Akamatsu**

President and COO

**Norimasa
Kitazawa**

Senior Managing Officers

Ryo Yano

China Business Division Manager/Representative
Director of Pigeon (Shanghai) Co., Ltd.

Yusuke Nakata

Singapore Business Division Manager/President of
Pigeon Singapore Pte. Ltd.

Managing Officers

Tutomu Matsunaga

Business Strategy Division Manager

Hiroyasu Maki

Accounting & Finance Division Manager

Koji Ishigami

Human Resources & General Affairs Division Manager

Yuko Ohara

Customer Communication Division Manager



Director, Managing
Executive Officer
**Tadashi
Itakura**

Audit & Supervisory
Board Member
**Kazuhisa
Amari**

Audit & Supervisory
Board Member
**Nobuyuki
Hashimoto**

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

Chairman of the
Board and CEO
**Shigeru
Yamashita**

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

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

Katsushi Tsutsui
Kazuyuki Tajima
Takatoshi Urakari
Takanori Tsuru

Research & Development Division Manager
Quality Control Division Manager
Domestic Baby & Mother Care Business Division Manager
Child Care Service Business Division Manager/President of
Pigeon Hearts Corporation

Hiroshi Nishimoto
Ken Kaku
Koji Matsutori

Logistics Division Manager
Representative Director of Pigeon Manufacturing
(Shanghai) Co., Ltd.
Deputy Division Manager of Lansinoh Business Div./
Director of Lansinoh Laboratories, Inc.



Outside Director | Takayuki Nitta

Your expected role as outside director and your approach

I have served as Pigeon's first outside director for four years. In general, companies expect outside directors to enhance management transparency and objectivity and strengthen governance. In addition to these roles, when I was first appointed I was asked to provide proactive advice about practicing assertive management aimed at helping Pigeon grow into a larger company. As an outside director who represents shareholders, I have endeavored to speak frankly from an external perspective. When I think something is correct, I say so. The same applies when I think something is wrong. Also, in my unique role as outside director—which is different from being a consultant or advisor—I have been proactive in establishing a governance system and providing advice on how to make it effective.

Particular areas of focus over the past year

Pigeon's management has placed high emphasis on governance and this matches with my viewpoint. We recently established a Compensation Committee, and I became its chairman. Among publicly listed companies, we certainly were not quick to establish such a committee. Nevertheless, the new body enables us to link executives' performance to Pigeon Value Added (PVA)—our unique performance indicator—as well as to short- and medium-term results and share price. So I think we have made a good start and are in line with the times.

Board of Directors and governance issues

At Board of Directors meetings, which include outside directors, we engage in very robust debates. However, the reality is that we

spend much more time listening to reports from relevant managers than we spend in active discussion. I hope that Mr. Yamashita, who has been newly appointed as chairman of the Board, will improve the situation by making the meetings more debate-oriented.

In terms of governance, the establishment of a Nomination Committee remains as a matter for future consideration. This time, the process for changing presidents was done under a system of directors included outside directors, which was different from the past. Going forward, we must design a new process for the appointment and dismissal of officers and the training of successors. In the long run, moreover, I think we need to further strengthen governance by establishing a Nomination Committee. Then we can pursue growth with a management system grounded on good governance.

Concluding message for stakeholders

While specializing in niche areas, Pigeon has grown its business by leveraging its key strengths—high quality and competitive products. There are many sincere people in the Company, from top management to regular employees, who work very hard on business growth measures and human resource development to improve long-term corporate value, so I feel their high potential for further growth. In the short term, it is normal for companies to have their ups and downs, and Pigeon is no exception. I will do my utmost as outside director, and I look forward to the support of stakeholders over the long term.

Outside Director | **Rehito Hatoyama****Your expected role as outside director and your approach**

I think the most important role of outside directors is to scrutinize the Company's strategies and progress from different perspectives, because in-house directors alone are easily affected by biased opinions and viewpoints. In light of Pigeon's current situation, moreover, I believe it is important to quickly identify innovations occurring around the world and reflect them in the Company's business. Taking advantage of my personal network as a resident of Silicon Valley in the United States, I am taking the initiative in promoting innovation so that it can be reflected in our strategies.

Key aspects about the oversight function of outside directors

Minimizing risk. In other words, we have various risks, such as management risk, human risk, and growth stagnation risk. I think it's important to closely monitor the situation to ensure that the controls and protocols for addressing these risks are working effectively. At a Board of Directors meeting three years ago, when I was first appointed outside director, we were examining our various strategic options. In the process, we received many documents that would not have been produced unless we requested them. Now this process has become routine, indicating that our management environment has changed and is now very easy to monitor.

Governance issues at Pigeon

Pigeon must now make further changes, and I'm very confident about the appointment of President Kitazawa, who has a track record in getting the China Business up and running.

With this in mind, one issue under consideration regarding

governance at Pigeon today is the establishment of a transparent officer appointment system. We need to create a system to pool and train successor candidates internally. Under our recent organizational change, we divided our business units into four regions. In addition to expediting decision-making, I expect this will greatly contribute to the process of training next-generation managers.

Concluding message for stakeholders

In general, companies are promoting workstyle reforms and the empowerment of women in Japan and elsewhere. In the last few years, in particular, society has changed, giving women more and more opportunities to excel. I think Pigeon is in the best position to support such changes through its products and services. In this context, I would like to elevate Pigeon into a company that goes beyond providing products and services to serve as a leader in social change.

In the United States, where women's social advancement has progressed more than in Japan, there are breastfeeding rooms everywhere, including offices and restaurants, and breast pumps are also commonplace. Also, it is normal for husbands and wives to support each other when raising children. Social conditions in Japan, including workstyles, must change further to realize a world where women can play an active part while giving birth and raising children. I will do my best to make Pigeon a company that can impact society and provide transformative leadership while utilizing innovation as part of its medium- and long-term strategies. Please stay tuned for our future growth.





Outside Director | Erika Okada

Impressions of first year as outside director

My impression is that Pigeon is a warm company in which officers can express their individual traits. The ability to demonstrate the individuality of each person helps promote diversity and create an environment in which new values and results can be produced. I think our Board of Directors brings out the good features of each individual member, including personal insights, experience, and personality.

In Board of Directors meetings of large corporations, proposals are often fully discussed beforehand, with the assumption that they will pass at the meeting as a formality. Nevertheless, I believe Pigeon's Board of Directors operates in a very effective way. For example, proposals discussed by the Board are specific, detailed, and easy to understand. We also get to look at proposals that have not reached passage by end of the meeting (and thus are carried over to the next meeting). In terms of market capitalization, Pigeon is transitioning from a medium-sized company to a large one, but I feel that the spirit of a small-scale business remains intact.

Your expected role as outside director and your approach

I think the fundamental role of outside directors is to view the same things that in-house directors look at, but from a different distance and angle, and to engage in discussion about the different perspectives. When Japanese companies originally began appointing outside directors, many did so in order to formally meet regulatory requirements, and outside directors often found it difficult to participate in debates. I am still in my first year at Pigeon, and I need to learn many things about its business content and the like.

However, I feel that Pigeon is a very "outside director friendly" company. At Board of Directors meetings, for example, the chairman himself gives outside directors a chance to speak, and outside directors also receive briefings in advance of such meetings. The three of us—Mr. Nitta, Mr. Hatoyama, and myself—have different backgrounds, experiences, and ideas, so we put forward varying questions and remarks that reflect our respective viewpoints. In the process of establishing the Compensation Committee, moreover, I felt that we effectively conveyed our perspectives and ideas to the Company in a tripartite manner.

Governance issues

We have established a Compensation Committee, but not a Nomination Committee. We need to consider setting up a Nomination Committee because it will further improve the transparency of governance. In the recent change of president, appropriate processes were followed. I have very high confidence in Mr. Kitazawa who has a proven track record.

Concluding message for stakeholders

Love for babies is a universal feeling, and love is embodied not only in Pigeon's products and services, but also in its Corporate Philosophy. All caregivers want to raise babies with precious care, and we will continue launching products that satisfy the universal feeling of love. In so doing, we will work hard to become the "Global Number One manufacturer of baby products," which I believe is achievable. As an outside director, I want to contribute to the further growth of Pigeon, and I look forward your ongoing support.

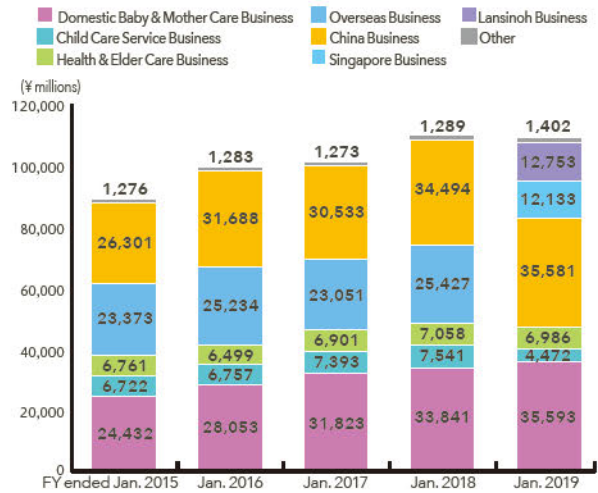
Management's Discussion and Analysis

Net Sales and Gross Margin by Segment

	FY ended Jan. 2019		
	Amount	Percentage (%)	Gross Margin(%)
Consolidated Amount	104,747	100.0%	51.4%
Domestic Baby & Mother Care Business	35,593	34.0%	48.6%
Child Care Service Business	4,472	4.3%	14.0%
Health & Elder Care Business	6,986	6.7%	32.4%
China Business	35,581	34.0%	56.0%
Singapore Business	12,133	11.6%	49.3%
Lansinoh Business	12,753	12.2%	59.5%
Eliminations	(4,176)	(4.0%)	—
Other	1,402	1.3%	13.1%

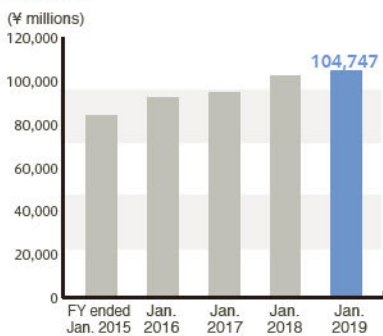
Note: The consolidated net sales figure refers to the amount after elimination of intersegment transactions.

Net Sales by Segment

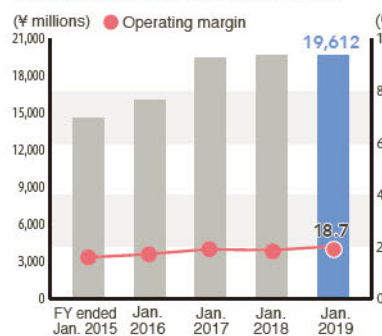


Note: In fiscal 2019 Pigeon changed the name of its Overseas Business to "Singapore Business," in view of its focus on Pigeon-brand operations in ASEAN and the Middle East. The former Lansinoh-brand operations of the Overseas Business, whose focus is on North America and Europe, was made a separate business, the Lansinoh Business.

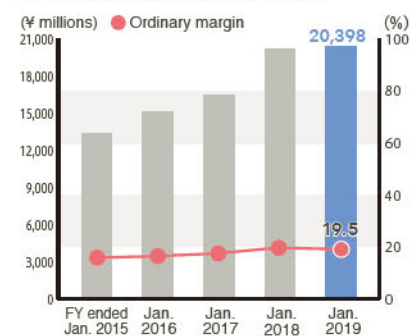
Net Sales



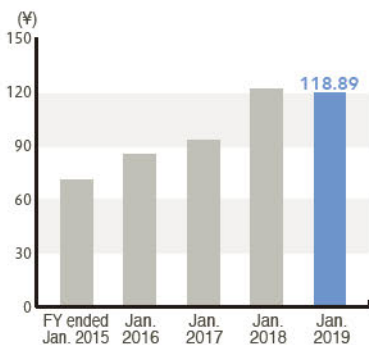
Operating Income/Operating Margin



Ordinary Income/Ordinary Margin

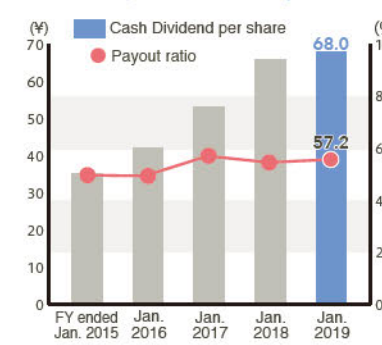


EPS

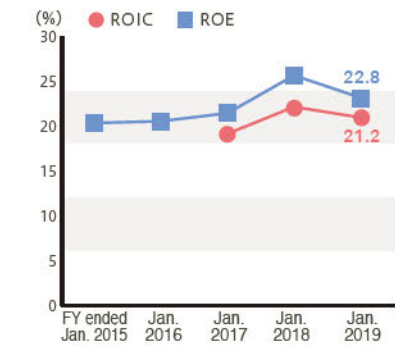


The Company carried out a 3-for-1 split of common stock, effective May 1, 2015.

Cash Dividends per Share/Dividend Payout Ratio

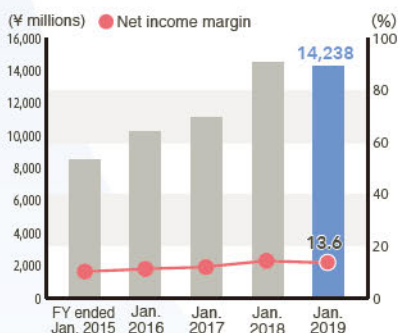


ROIC/ROE

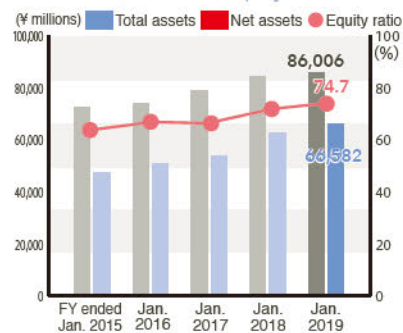


ROE is the ratio calculated by dividing net income for the year by the average equity at the beginning and end of the FY. ROIC is return on invested capital, defined as NOPAT divided by invested capital. The tax rate is 30.0% and the invested capital is the average of the beginning and year-end figures.

Net Income Attributable to Owners of Parent



Total Assets/Net assets/Equity Ratio



Management's Discussion and Analysis

Business Environment and Performance

► Business Conditions in Fiscal 2018

In fiscal 2018, ended January 31, 2019, the Japanese economy continued maintaining an overall moderate recovery tone on the back of improvements in corporate earnings and employment conditions, despite a series of natural disasters. The world economy, while faced with increasing trade frictions between the United States and China, benefited from moderate recoveries in Europe and North America, as well as a healthy economy in China.

Fiscal 2018 was the second year of the Group's Sixth Medium-Term Business Plan. During the year, we promoted initiatives aimed at renewed growth, reflecting the slogan of the plan: "Building our dreams into the future—By creating a bridge towards the Global Number One." We also set out the following three basic strategies, with the aims of expanding the Group's operations and improving management quality.

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

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

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

In fiscal 2018, we implemented the aforementioned business policies and pursued strategies for our various business and functions. As a result, consolidated net sales for the year amounted to ¥104,747 million, up 2.1% from fiscal 2017. This was due mainly to healthy sales performances by the Singapore Business, Domestic Baby & Mother Care Business, and China Business.

Main exchange rates used in the financial

statements (income and expenses) of overseas consolidated subsidiaries are as follows: US\$1.00 equals ¥110.43 (¥112.16 in fiscal 2017) and 1 CNY equals ¥16.70 (¥16.62 in fiscal 2017).

► Income Statement Analysis

During the year, the Group worked to improve the cost of sales ratio. Accordingly, cost of sales declined 2.1% year on year, to ¥50,889 million, and the gross margin improved by 2.1 points, to 51.4%. As a result, gross profit climbed 6.5%, to ¥53,858 million, growing at a higher rate than net sales.

Selling, general and administrative (SG&A) expenses rose 9.9%, to ¥34,246 million, due to increases in personnel expenses and market research costs. Operating income grew 1.0%, to ¥19,612 million, and the operating margin edged down 0.2 point, to 18.7%. Ordinary income increased 1.3%, to ¥20,398 million, benefiting from a foreign exchange gain. The Group reported a loss on disposal of fixed assets and did not incur a gain on step acquisitions (which was incurred in the previous fiscal year). As a result, net income attributable to owners of parent decreased 1.9%, to ¥14,238 million.

Performance by Segment

Effective the fiscal year under review, we have divided the Overseas Business segment into two parts: the Singapore Business, which advances the Pigeon brand mainly in ASEAN, India, and the Middle East; and the Lansinoh Business, which advances the Lansinoh brand mainly in Europe and North America. As a result, the number of business segments rose from five to six, the others being the Domestic Baby & Mother Care Business, Child Care Service Business, Health & Elder Care Business, and China Business. To allow year-on-year comparisons, we have recalculated figures from the previous fiscal year to reflect the new segment classification.

▶ Domestic Baby & Mother Care Business

In fiscal 2018, sales in this segment increased 5.2% year on year, to ¥35,593 million, benefiting from ongoing inbound demand from overseas tourists and the like. Segment income grew 2.8%, to ¥6,096 million.

▶ Child Care Service Business

Sales in this segment fell 40.7% year on year, to ¥4,472 million, due to the expiration of a bulk outsourcing agreement for childcare hospital centers under the National Hospital Organization (independent administrative agency), effective March 2018. Segment income declined 22.7%, to ¥169 million.

▶ Health & Elder Care Business

Sales in this segment edged down 1.0% year on year, to ¥6,986 million, despite steady results in the core categories of bottom wipes, food, and oral care products for the elderly, as well as the Sano Day Service Center. Segment income fell 24.5%, to ¥353 million.

▶ China Business

In this segment, sales increased 3.7%, to ¥35,581 million, buoyed by healthy sales of mainstay nursing bottles and nipples and skincare products. Segment income grew 4.0%, to ¥11,972 million.

▶ Singapore Business

Sales in this segment rose 18.0%, to ¥12,133 million, benefiting from steady increases in sales, mainly of nursing bottles and nipples, in Indonesia and elsewhere in ASEAN, as well as countries in the Middle East. Segment income rose 10.3%, to ¥2,744 million, thanks to an improved gross margin and the effective deployment of SG&A expenses.

▶ Lansinoh Business

In this segment, sales rose 1.8%, to ¥12,753 million, owing to healthy ongoing sales of nipple care creams, breast pumps, and other flagship items. Segment income was up 1.5%, to ¥1,576 million.

▶ Other

Sales in this segment climbed 8.8%, to ¥1,402 million, and segment income grew 12.8%, to ¥142 million.

Financial Position

▶ Assets

As of January 31, 2019, Pigeon had consolidated total assets of ¥86,006 million, up ¥1,538 million (1.8%) from a year earlier. Within this amount, current assets increased ¥747 million (1.3%), and fixed assets rose ¥791 million (3.0%).

Main factors boosting current assets were a ¥1,300 million increase in merchandise and finished goods and a ¥499 million rise in receivables, which contrasted with a ¥397 million decrease in cash and deposits and a ¥1,436 million decline in notes and accounts receivable–trade.

The main factor boosting fixed assets was a ¥1,199 million increase in software in progress.

▶ Liabilities

Total liabilities at fiscal year-end stood at ¥19,423 million, down ¥2,231 million (10.3%) from a year earlier. Within this total, current liabilities declined ¥2,049 million (11.6%), and fixed liabilities were down ¥182 million (4.6%). Main factors holding down current liabilities were a ¥626 million decrease in notes and accounts payable–trade, a ¥627 million decline in income taxes payable, and an ¥890 million decrease in other current liabilities, which contrasted with a ¥221 million increase in accounts payable. The main factor holding down fixed liabilities was a ¥178 million decrease in deferred tax liabilities.

▶ Net Assets

Consolidated net assets at fiscal year-end amounted to ¥66,582 million, up ¥3,770 million (6.0%) from a year earlier. This was due mainly to a ¥5,974 million rise in retained earnings, which contrasted with ¥2,400 million decline in foreign currency translation adjustment.

Management's Discussion and Analysis

▶ Sound Financial Position

At fiscal year-end, the Group had cash and cash equivalents of ¥30,949 million and zero interest-bearing debt, having repaid all borrowings in the previous fiscal year and making no new borrowings in the year under review. The equity ratio remained high, rising 2.8 points year on year, from 71.9% to 74.7%.

Cash Flows

▶ Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥13,632 million, from ¥17,094 million in the previous year. Factors boosted operating cash flows included ¥20,262 million in income before income taxes and ¥2,638 million in depreciation. Contrasting factors included a ¥2,300 million increase in inventories and ¥6,491 million in income taxes paid.

▶ Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥4,704 million, from ¥3,586 million in the previous year. Main factors included ¥3,686 million in acquisition of tangible fixed assets and ¥1,704 million in acquisition of intangible fixed assets.

▶ Cash Flows from Financing Activities

Net cash used in financing activities was ¥8,338 million, from ¥12,812 million in the previous year. The main factor was ¥8,260 million in payment of cash dividends.

▶ ROE

Seeking to improve profitability and capital efficiency, Pigeon uses return on equity (ROE) as a key performance indicator. At the fiscal year-end, ROE was 22.8%, down 2.9 points from 25.7% a year earlier.

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

Seeking to increase enterprise value, we are mindful of free cash flow when conducting internal controls, and we employ an 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 2018, invested capital totaled ¥64,698 million, compared with the fiscal 2017 amount of ¥61,124 million and our target of ¥65,731 million, resulting in a PVA spread of 16.2%, compared with the fiscal 2017 figure of 17.2% and our target of 16.7%. The PVA for fiscal 2018 was ¥10,494 million, compared with the fiscal 2017 figure of ¥10,533 million and our target of ¥10,993 million.

Net operating profit after tax (NOPAT) amounted to ¥13,729 million, compared with the fiscal 2017 figure of ¥13,589 million and our target of ¥14,280 million, and return on invested capital (ROIC, with tax rate of 30.0%) was 21.2%, compared with the fiscal 2017 figure of 22.2% and our target of 21.7%. In addition, the cash conversion cycle (CCC) in fiscal 2018 was 75.6 days, which was 8.0 days worse than 67.6 days in fiscal 2017 and 9.6 days more than our target of 66.0 days.

Profit Appropriation Policy

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

With respect to specific goals of shareholder return,

under our Sixth Medium-Term Business Plan we are targeting a consolidated dividend payout ratio of around 55%, and we aim to increase year-on-year cash dividends and improve the consolidated dividend payout ratio in each business period.

During the year, we paid an interim cash dividend of ¥34.00 per share (¥34.00 regular dividend) and a year-end dividend of ¥34.00 per share (¥34.00 regular dividend). This brought total annual dividends to ¥68.00 per share (¥68.00 regular dividends), up ¥2.00 year on year. The consolidated dividend payout ratio was 57.2%.

Outlook

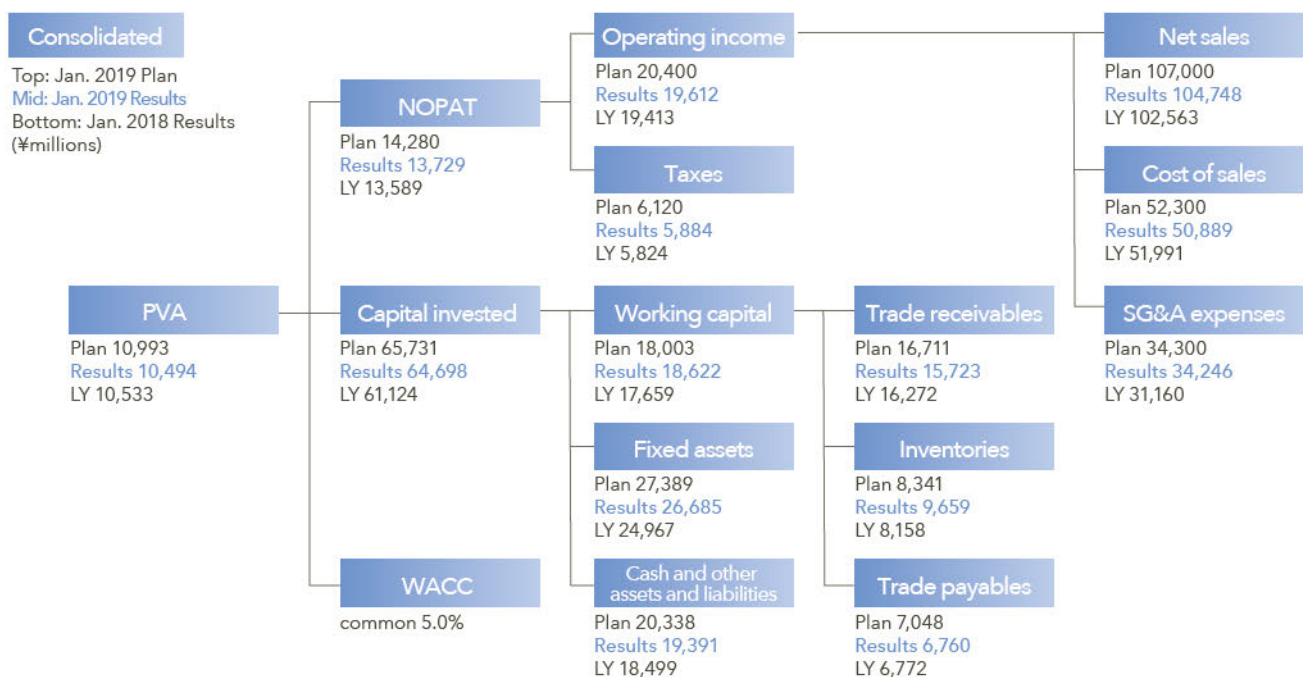
At its 62nd Ordinary General Meeting of Shareholders held on April 25, 2019, the Company partially revised its Articles of Incorporation to change its fiscal year-end from January 31 to December 31. As a result, fiscal 2019 will be an 11-month period ending December 31, 2019. For consolidated Group companies that currently settle their accounts on December 31, or are doing so

temporarily, the consolidation period shall remain the 12-month period from January 1 to December 31.

In fiscal 2019, we are targeting consolidated net sales of ¥106.2 billion, operating income of ¥20.0 billion, ordinary income of ¥20.0 billion, and net income attributable to owners of parent of ¥14.3 billion.

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

PVA Tree: Consolidated Results in FY ended Jan. 2019



Note: The figures on the balance-sheet used in calculation of PVA are the beginning of the amounts at the beginning and end of the fiscal year.

Consolidated Balance Sheets

(¥ millions)

Item	FY ended	Jan. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019
Assets						
Cash and Deposits		21,590	24,297	30,052	31,346	30,949
Notes and Accounts Receivable - Trade		15,278	13,870	16,103	16,440	15,004
Merchandise and Finished Goods		5,899	6,146	5,328	6,059	7,360
Other Current Assets		4,258	4,600	3,761	4,333	5,612
Total Current Assets		47,027	48,913	55,244	58,178	58,925
Tangible Fixed Assets		21,383	21,471	20,263	21,116	21,127
Intangible Fixed Assets		1,724	1,346	1,106	3,307	4,223
Investment Securities		1,531	1,477	1,481	1,020	889
Total Investments and Other Assets		701	734	794	846	841
Total Fixed Assets		25,339	25,029	23,644	26,289	27,080
Total Assets		72,367	73,943	78,889	84,467	86,006
Liabilities						
Notes and Accounts Payable - Trade		4,462	3,743	4,857	5,194	4,567
Accounts Payable		3,778	2,147	2,477	3,141	3,363
Income Taxes Payable		1,535	1,505	2,324	2,578	1,951
Accrued Bonuses to Employees		783	894	929	1,035	972
Other Current Liabilities		4,714	5,934	10,794	5,725	4,770
Total Current Liabilities		15,272	14,223	21,381	17,673	15,623
Long-term Borrowings		5,928	5,000	—	—	—
Other Fixed Liabilities		3,869	3,926	3,770	3,982	3,800
Total Fixed Liabilities		9,797	8,926	3,770	3,982	3,800
Total Liabilities		25,069	23,150	25,152	21,655	19,423
Net Assets						
Capital Stock		5,199	5,199	5,199	5,199	5,199
Capital Surplus		5,180	5,180	5,179	5,179	5,179
Retained Earnings		31,383	36,790	42,280	49,729	55,704
Treasury Stock		(942)	(947)	(948)	(949)	(951)
Valuation Difference on Available-for-Sale Securities		36	32	47	44	21
Foreign Currency Translation Adjustment		5,306	3,311	628	1,490	(910)
Non-Controlling Interests		1,132	1,225	1,349	2,119	2,339
Total Net Assets		47,297	50,792	53,736	62,812	66,582
Total liabilities and Net Assets		72,367	73,943	78,889	84,467	86,006

Figures less than 1million yen are truncated.

Equity Ratio, ROE/ROIC

(%)

Item	FY ended	Jan. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019
Equity Ratio		63.8	67.0	66.4	71.9	74.7
ROE		19.8	21.3	21.8	25.7	22.8
ROIC		13.7	15.1	16.3	19.2	21.2

Note: ROE is the ratio of net income attributable to owners of parent to the average of shareholders' equity at the beginning and end of the fiscal year. ROIC is defined as NOPAT divided by invested capital. This figure is calculated using a tax rate of 30.0% from the year ended January 31, 2018 and for the second (bottom) of the two figures for the year ended January 31, 2017. A tax rate of 40.7% is used for the first (top) of the two figures for the year ended January 31, 2017 and before. Invested capital is calculated using the average of the beginning and year-end figures.

Consolidated Statements of Income

(¥ millions)

Item	FY ended	Jan. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019
Net Sales		84,113	92,209	94,640	102,563	104,747
Cost of Sales		45,817	48,864	49,951	51,990	50,889
Gross Profit		38,296	43,345	44,688	50,572	53,858
Gross Margin (%)		45.5	47.0	47.2	49.3	51.4
Selling, General and Administrative Expenses		25,515	28,823	28,673	31,159	34,246
Operating Income		12,780	14,521	16,015	19,412	19,612
Operating Margin (%)		15.2	15.7	16.9	18.9	18.7
Non-operating Income		923	1,112	945	1,263	1,295
Non-operating Expenses		404	553	498	547	509
Ordinary Income		13,299	15,080	16,462	20,129	20,398
Ordinary Margin (%)		15.8	16.4	17.4	19.6	19.5
Extraordinary Income		8	10	122	1,058	243
Extraordinary Loss		167	204	350	271	379
Income before Income Taxes		13,140	14,887	16,234	20,916	20,262
Income Taxes - Current		3,768	4,548	5,165	5,931	5,794
Income Taxes - Deferred		734	(124)	(273)	225	(127)
Net Income		8,636	10,462	11,342	14,759	14,594
Net Income Attributable to Non-Controlling Interests		185	265	224	244	356
Net Income Attributable to Owners of Parent		8,451	10,197	11,118	14,515	14,238

Figures less than 1million yen are truncated.

Consolidated Statement of Cash Flows

(¥ millions)

Item	FY ended	Jan. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019
Cash Flows from Operating Activities		10,135	13,479	14,810	17,094	13,632
Cash Flows from Investing Activities		(3,134)	(3,332)	(1,854)	(3,586)	(4,704)
Cash Flows from Financing Activities		(150)	(6,567)	(6,223)	(12,812)	(8,338)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		1,637	(873)	(891)	599	(986)
Net Increase (Decrease) in Cash and Cash Equivalents		8,488	2,706	5,840	1,294	(397)
Cash and Cash Equivalents at Beginning of Period		13,102	21,590	24,297	30,052	31,346
Cash and Cash Equivalents at End of Period		21,590	24,297	30,052	31,346	30,949

Figures less than 1million yen are truncated.

Per Share Data

Item	FY ended	Jan. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019
EPS (yen)		70.55	85.15	92.84	121.20	118.89
Cash Dividends (yen)		35.00	42.00	53.00	66.00	68.00
Dividend Payout Ratio (%)		49.6	49.3	57.1	54.5	57.2
BPS (yen)		385.46	413.88	437.43	506.79	536.43

The Company carried out a 3-for-1 split of common stock, effective May 1, 2015. Figures have been calculated assuming that those stock splits were conducted at the beginning of the year ended January 31, 2014.

Employees

(persons)

Item	FY ended	Jan. 2015	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019
Employees (Consolidated)		3,617	3,743	3,739	4,306	3,875

Corporate Data (As of January 31, 2019)

Company Name... Pigeon Corporation

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

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.

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

Employees (Consolidated) 3,875 persons, (Head Office) 359 persons

Consolidated Subsidiaries (21 companies) (As of January 31, 2019)

- PIGEON HOME PRODUCTS CORPORATION
- PIGEON HEARTS CORPORATION
- PHP HYOGO CORPORATION
- PHP IBARAKI CORPORATION
- PIGEON TAHIRA CORPORATION
- PIGEON MANAKA CORPORATION
- PIGEON SINGAPORE PTE. LTD.
- PIGEON MALAYSIA (TRADING) SDN. BHD.
- PT PIGEON INDONESIA
- PIGEON (SHANGHAI) CO., LTD.
- PIGEON MANUFACTURING (SHANGHAI) CO., LTD.
- PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.
- LANSINOH LABORATORIES, INC.
- LANSINOH LABORATORIES MEDICAL DEVICES DESIGN INDUSTRY AND COMMERCE LTD. CO.
- LANSINOH LABORATÓRIOS DO BRASIL LTDA.
- LANSINOH LABORATORIES BENELUX NV
- LANSINOH LABORATORIES SHANGHAI
- DOUBLEHEART CO. LTD.
- PIGEON INDIA PVT. LTD.
- PIGEON INDUSTRIES (THAILAND) CO., LTD.
- THAI PIGEON CO., LTD.

Pigeon Group

● Production plant (As of January 31, 2019)

Japan Business (covering Domestic Baby & Mother Care, Health & Elder Care, and Child Care Service)

Pigeon Corporation

Health & Elder Care Business

- **PIGEON MANAKA CORPORATION**
At-home nursing care services, sale of nursing care products 2000
- **PIGEON TAHIRA CORPORATION**
Sale of nursing care products February 2004

Child Care Service Business

- **PIGEON HEARTS CORPORATION**
Child-minding and daycare services,
babysitter dispatch services, preschool
education services 1999

Domestic Production Plants

- **PIGEON HOME PRODUCTS CORPORATION**
Manufacture and sale of toiletries 1985
- **PHP IBARAKI CORPORATION**
Manufacture and sale of nonwoven products 1996
- **PHP HYOGO CORPORATION**
Manufacture and sale of nonwoven products 2002

China Business China, South Korea

- PIGEON (SHANGHAI) CO., LTD.**
China 2002
Sale of maternity and baby products
- **PIGEON INDUSTRIES (CHANGZHOU) CO., LTD.**
China 2009
Manufacture of maternity and baby products
- **PIGEON MANUFACTURING (SHANGHAI) CO., LTD.**
China 2006
Manufacture of maternity and baby products
- DOUBLEHEART CO. LTD.**
South Korea 2012
Sale of maternity and baby products

Singapore Business Southeast Asia, West Asia

- 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
- PIGEON INDIA PVT. LTD.**
India 2009
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
- **PT PIGEON INDONESIA**
Indonesia 2017
Manufacture of maternity and baby products

Lansinoh Business North America, Latin America, Europe, China

- LANSINOH LABORATORIES, INC.**
USA 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 LABORATÓRIOS DO BRASIL LTDA.**
Brazil 2014
Sale of maternity and baby products
- LANSINOH LABORATORIES BENELUX NV**
Belgium 2015
Sale of maternity and baby products
- LANSINOH LABORATORIES SHANGHAI**
China 2016
Sale of maternity and baby products

Stock Data (As of January 31, 2019)

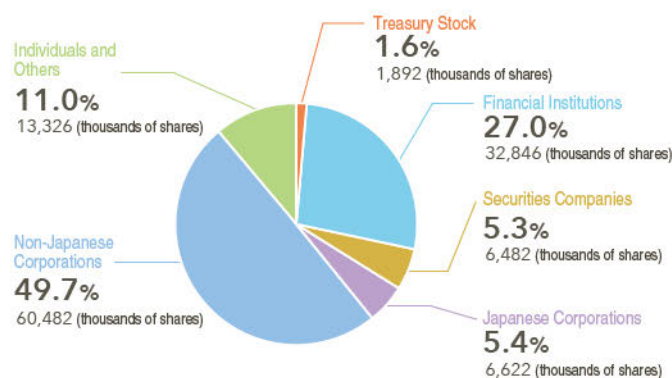
- Shares Authorized 360 million
- Shares Issued 121,653,486
- Total Number of Shareholders 15,253
- Number of Shareholders with Voting Rights 13,624
- Treasury Stock 1,892,704

Situation of Major Shareholders (As of January 31, 2019)

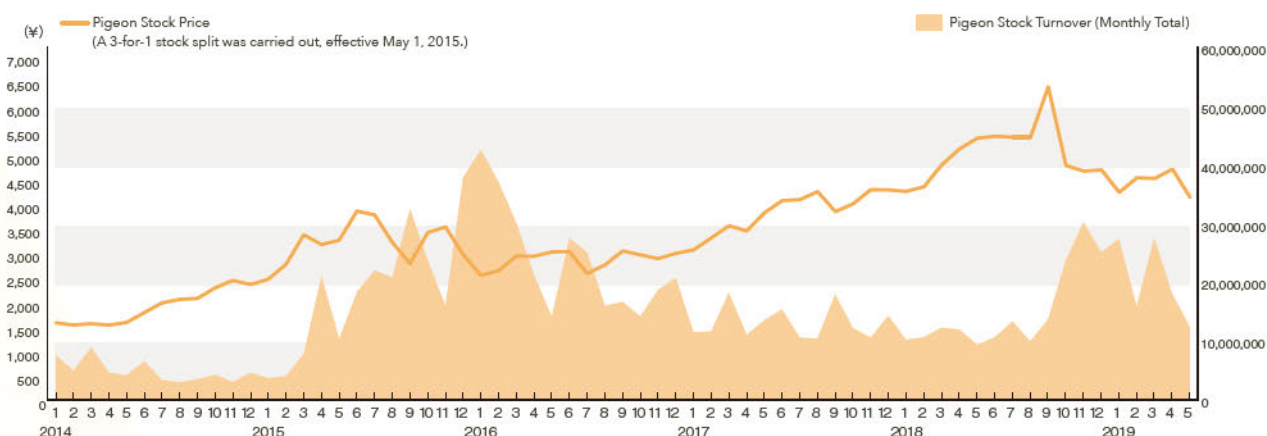
Shareholder name	Number of shares (Thousand)	Ownership* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,213	5.19
Japan Trustee Services Bank, Ltd. (Trust Account)	4,679	3.90
SMBC Nikko Securities Inc.	4,145	3.46
THE BANK OF NEW YORK MELLON 140042	3,710	3.09
BBH FOR MATTHEWS ASIA DIVIDEND FUND	3,077	2.57
Y.N Corporation	3,000	2.50
BNYMSANV RE MIL RE FSI ICVC-STEWART INV ASIA PACIFIC LEADERS FD	2,977	2.48
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,371	1.98
THE BANK OF NEW YORK MELLON 140044	2,240	1.87
JAPAN SECURITIES FINANCE CO., LTD.	2,152	1.79

*Ownership ratios are based on 119,761,157 shares (121,653,486 shares issued and outstanding, minus 1,892,329 shares of treasury stock).

Share Breakdown by Shareholders (As of January 31, 2019)



Stock Price Range/Turnover of Common Stock





Investor's Guide 2019



Please see the IR section of our corporate website below.
<https://www.pigeon.com/ir/>

PIGEON CORPORATION

(Securities Code: 7956)

Head Office

4-4, Nihonbashi Hisamatsu-cho,
Chuo-ku, Tokyo 103-8480, Japan

Tel: +81-3-3661-4200

+81-3-3661-4188

Fax: +81-3-3661-4320

<https://www.pigeon.com>

Please address media inquiries to:
Public Relations & ESG Section
Corporate Communications Department
Business Strategy Division



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