[Translation for Reference and Convenience Purposes Only]

Pigeon Corporation

CORPORATE GOVERNANCE

Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report of Pigeon Corporation, which is reported to the Tokyo Stock Exchange. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Latest Revision:	October 26, 2016
Company:	Pigeon Corporation
Representative:	Shigeru Yamashita, President and Chief Operating Officer
Inquiries:	Tsutomu Matsunaga, Managing Officer, Corporate Administration Division
Securities Code:	7956
URL:	http://www.pigeon.com/

An Overview of Corporate Governance at Pigeon Corporation (the "Company") is Described Below.

I Basic Policy Regarding Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Policy

The Company has developed the "Pigeon Way," comprising its Mission, Values, Action Principles and Vision, under its credo of "Only love can beget love" and its corporate philosophy of "Love," as described below. Amidst the Company's ongoing global expansion, all Group companies and employees, both in Japan and abroad, are fundamentally united in an effort to realize the "Pigeon Way."

In order to realize the "Pigeon Way," we will need to proactively implement management measures that enable the sustained improvement of corporate value. The Company's understanding of corporate value encompasses both social and economic value. In terms of social value, we are aiming to become an indispensable part of society, while delivering joy and happiness to our target customers by providing solutions and new value. Regarding economic value, we are aiming to increase free cash flow consistently, efficiently and strategically, as we move into the future. In this way, the "Pigeon Way" is not merely a philosophy, but is a way of generating quantitative and qualitative results, and is the basic policy for our continued existence as an attractive company, which leads to the ongoing pursuit and enhancement of the best possible corporate governance.

To this end, we will place emphasis on dialogue with all of our stakeholders, including shareholders, customers, employees, and business partners, whom we consider to be important, and strive to deepen our mutual understanding in pursuit of realizing fair and transparent management.

<Pigeon Way>
Corporate Philosophy:
Love

Credo:
Only love can beget love

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

Pigeon Corporation

CORPORATE GOVERNANCE

Values:
- Integrity
- Communication, Consent, Trust
- Passion

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

Vision:
To be the baby product manufacturer most trusted by the world's babies and families, i.e. "Global Number One"

[Reasons for Non-Compliance with the Principles of the Corporate Governance Code]

While the Company respects and implements each principle of the Corporate Governance Code, the following items are currently under consideration for implementation.
(Supplementary Principle 4.11.3)
Although the Company does not currently conduct an evaluation of the effectiveness of the Board of Directors, going forward, it intends to conduct self-evaluation surveys of the Board of Directors as a whole, and to compile and evaluate the results of such surveys in an effort to enhance corporate governance.

[Disclosure Based on the Principles of the Corporate Governance Code]

1. Securing the Rights and Equal Treatment of Shareholders
(General Principle 1)
In accordance with its Basic Policy, the Company aims to win the trust of each of its stakeholders including shareholders, customers, employees, and society, and realize sustained corporate growth. To this end, we strive to disclose information and develop an environment that ensure equal treatment and transparency for all shareholders both in Japan and abroad, while at the same time deepening mutual understanding by placing emphasis on dialogue with these shareholders.

(Principle 1.1 Securing the Rights of Shareholders)
The Board of Directors submits proposals to the General Meeting of Shareholders based on the principle of focusing on dialogue and developing a mutual understanding with shareholders. However, when a considerable number of votes have been cast against a proposal submitted by the Company, it studies the opposing shareholders, analyzes the reasons behind the opposing votes and strives to understand why the proposal was opposed, so that improvements can be made.

(Principle 1.2 Exercise of Shareholder Rights at General Shareholder Meetings)
In recognition of the General Meeting of Shareholders as the highest decision-making body, as well as the opportunity for constructive dialogue with shareholders, the Company provides sufficient time and setting for shareholders to appropriately exercise their rights, while at the same time determining the date and location and developing an environment to facilitate shareholder attendance. Specifically, the Company is engaged in the following initiatives.
- The Company strives to prepare a convocation notice that is easy to read by using graphs, UD font, and plain language in its explanations.
- The Company reflects feedback from shareholders in the operation of the General Meeting of Shareholders by means such as providing a special child-care room and assistance through a sign language interpreter at

the meeting venue, in order to create an environment that promotes attendance.
- In order to provide shareholders with sufficient time for considering proposals, the Company sends the convocation notice no later than three (3) weeks before the date of the General Meeting of Shareholders. Prior to dispatching the convocation notice, it also discloses information included in the notice in both Japanese and English at the Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange"), on the Electronic Voting Platform, and on the Company's website no later than approximately one (1) month before the date of the General Meeting of Shareholders.
- Bearing in mind the percentage of foreign and institutional investors, the Company, in an effort to ensure convenience of the exercise of voting rights by such shareholders, has commenced the use of voting via the Internet and the Electronic Voting Platform, starting with the Ordinary General Meeting of Shareholders held in April 2016.
- In cases where investors who hold shares in street names express an interest in attending the General Meeting of Shareholders and exercising their voting rights, although the Company does not permit the exercise of voting rights in principle, it allows such shareholders to sit in on the meeting after undergoing the necessary procedures.

(Principle 1.3 Basic Strategy for Capital Policy)
The Company views the return of profits to shareholders as an important management priority. Our basic policy is to proactively return profits to shareholders through the distribution of dividends from surplus and/or other means, while reinforcing our financial position by taking into consideration medium- to long-term changes in the business environment and the Group's business strategies. Pursuant to our Fifth Medium-Term Business Plan, announced in March 2014, we are targeting year-on-year increases in cash dividends in each fiscal period and a total shareholder return ratio of 45%-50% on a consolidated basis. In order to promote this policy and meet shareholder expectations, it is critical to understand efficient investment returns, ROE (return on equity), ROIC (return on invested capital), CCC (cash conversion cycle), PVA (Pigeon Value Added, a performance indicator), and various other KPIs within the Pigeon Group, and to quantitatively evaluate and confirm those indicators to improve management quality.
Moreover, "further improvement of corporate value," which is one of the Company's objectives, specifically refers to the ability to provide value required by consumers, and to effectively and efficiently utilizing capital entrusted by investors to maximize cash generation. Regarding PVA, which is one of the performance indicators, the Company has used it for each business unit since 2014. PVA is broken down into components and monthly planning and results management are conducted for each component, the results of which are used by the Company to carry out initiatives to enhance both profitability and efficiency.

(Principle 1.4 Cross-Shareholdings)
Policy on Cross-Shareholdings
(1) The Company holds shares as cross-shareholdings only when it is determined that such shareholdings would contribute to improvements in the corporate value of the Pigeon Group through the realization of stable business operations backed by sound business relationships and collaboration with the counterpart.
(2) Regarding shareholdings of major financial institutions and important business partners, the Company evaluates the fair values of the investments every six (6) months, and upon reviewing the necessity of such shareholdings, obtains the approval of the Board of Directors as a disclosure item of the annual securities report.
(3) The Pigeon Group exercises voting rights for cross-shareholdings after considering proposals from the perspective of improving the corporate value of the Pigeon Group, while paying due respect to the management policy of the company it invests in.

(Principle 1.7 Related Party Transactions)
The Company believes that the monitoring of conflicts of interest is a typical role and function expected of Outside Directors. The Company directly confirms with the Directors and Audit & Supervisory Board Members every six (6) months the existence of important transactions between the Company and its major shareholders, competing transactions between the Company and its Directors or Audit & Supervisory Board Members, conflict-of-interest transactions (self-dealing and indirect transactions) as well as related party

transactions, and reports the results to the Board of Directors. In addition, the "Board of Directors Rules" stipulate that a resolution of the Board of Directors is required when engaging in such transactions.

2. Appropriate Cooperation with Stakeholders Other Than Shareholders
(General Principle 2)
In addition to improving its various performance indicators, the Company, under the guidance of the "Pigeon Way" formulated in March 2014, is actively encouraging its employees around the world to thoroughly understand and share the meaning of the Corporate Philosophy, Values, and Action Principles that form the unwavering core of the Company, and to make sure that they are reflected in their daily operations. In particular, the Company is making efforts to carry out appropriate cooperation with stakeholders and deepen mutual understanding based on the Values of "Integrity," "Communication, Consent, Trust," and "Passion."

(Principle 2.3 Sustainability Issues, Including Social and Environmental Matters)
Guided by the Mission of the "Pigeon Way," "We will bring joy, happiness and inspiration to babies and families around the world by providing them with products and services that embody love," the Company is striving not only to deliver joy and happiness to society and its target customers by solving problems and providing new value through its business activities, thereby becoming an indispensable part of society, but also to foster a sense of trust, and to achieve harmonious coexistence through its environmental considerations and positive communication with people in local communities. Specifically, the Company is engaged in the following initiatives.

- In addition to complying with relevant laws and regulations, such as the Energy Saving Act and Law Concerning the Promotion of Measures to Cope with Global Warming, the Company establishes energy-efficient systems and promotes specific activities. As a supplier of daily commodities, we are committed to paying due consideration to the global environment, not only while our products are in use, but also after they have been discarded. To this end, we pay meticulous attention to each stage of the manufacturing process, including the selection of raw materials and parts.
- The Company promotes the acquisition of ISO-14001 certification for environmental management systems.
- The Company is engaged in the ongoing tree-planting activity, "Newborn Baby Commemorative Tree-Planting Campaign," which was launched in 1986. Through this initiative, we help create lifelong memories for parents and children, and continue to build relationships with local communities and help safeguard the environment by protecting the forest.

(Principle 2.4 Ensuring Diversity, Including Active Participation of Women)
The Pigeon Group believes that corporate value encompasses both social 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 do not take care of our employees, we cannot succeed in business. For this reason, we are engaged in the following initiatives, in an effort to provide a rewarding workplace that encourages our employees to have pride and motivation in working at the Pigeon Group for a long time.

- We uphold one of our Corporate Ethics Policies: "Pigeon shall respect its employees' human rights and personalities at all times, offering them fair, discrimination-free merit ratings to help their self-fulfillment."
- Having defined our Action Principles in the "Pigeon Way," we promote the understanding and implementation of these principles among our employees, while at the same time requiring complete compliance with laws and regulations.
- We are upgrading various frameworks and systems to create an appropriate working environment, while building a corporate culture that helps our employees perform their tasks more easily and providing them with opportunities to participate in technical development, training, and practice.
- We are upgrading various systems to support employees in terms of balancing work and child-care, encouraging male employees to take an active part in child-care, and developing an environment conducive to the advancement of women.

3. Ensuring Appropriate Information Disclosure and Transparency
(General Principle 3)
The Company has established a Disclosure Policy in order to provide fair, timely, and appropriate information to its shareholders and investors. The Company discloses information in accordance with the Tokyo Stock Exchange's Rules on timely disclosure, as well as other material information in a timely manner, in addition to proactively disclosing information deemed effective for better understanding of the Pigeon Group.

(Principle 3.1 Full Disclosure)
(i) Corporate philosophy, credo, Management strategies and business plans
- Corporate philosophy and credo
  Please refer to "Basic Policy" presented in I.1., above.
- Management strategies and business plans
  The Company has publicized its Fifth Medium-Term Business Plan on its website. Please refer to the following URL:
  http://www.pigeon.com/ir/assets/pdf/5th Medium-Term Business Plan.pdf
  The Company also reports on its progress in IR materials, such as Annual Reports and HEART REPORTs, which are also available on the Company's website at the following URL:
  http://www.pigeon.com/ir/library/

(ii) Basic policy regarding corporate governance
Please refer to "Basic Policy" presented in I.1., above.

(iii) Policies and procedures of the Board of Directors for determining remuneration for the senior management and directors
Remuneration for Directors is comprised of basic remuneration and retirement benefits. The Board of Directors determines the amount of basic remuneration based on the consolidated business performance (consolidated net sales and consolidated operating income) achieved by the Pigeon Group in each fiscal year, within the limit for the remuneration for Directors approved by the General Meeting of Shareholders (500 million yen per year). Retirement benefits for Directors are calculated in accordance with the Company's "Rules on Retirement Benefits for Directors," and are determined by following the process of submitting proposals that separately indicate each amount of retirement benefits to be paid to the General Meeting of Shareholders and obtaining approval.
Remuneration for Outside Directors and Standing and Outside Audit & Supervisory Board Members is limited to a fixed amount in order to further safeguard their independence from the management of the Company. Remuneration for Audit & Supervisory Board Members is determined by consultation among the Audit & Supervisory Board Members within the limit of the total amount of remuneration for Audit & Supervisory Board Members approved by the General Meeting of Shareholders (100 million yen per year).

(iv) Policies and procedures of the Board of Directors for the appointment of senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members
<Procedures for appointing senior management>
Candidates for senior management are nominated by the Representative Directors by comprehensively considering their experience, knowledge, and character, and are appointed by the Board of Directors.
<Procedures for nominating candidates for Directors>
Candidates for Directors are nominated by the Representative Directors by comprehensively considering their experience, knowledge and character, determined by the Board of Directors, and proposed for election by the General Meeting of Shareholders.
<Procedures for nominating candidates for Audit & Supervisory Board Members>
Candidates for Audit & Supervisory Board Members are nominated by the Company and deliberated by the Audit & Supervisory Board. After obtaining the consent of the Audit & Supervisory Board, they are proposed for election by the General Meeting of Shareholders. For Outside Audit & Supervisory Board Members, individuals with high perception of corporate activities such as finance and law shall be nominated as candidates. The majority of these individuals shall be CPAs and lawyers.

(v) Board of Directors' explanations with respect to individual appointments of senior management and nominations of candidates for Directors and Audit & Supervisory Board Members based on (iv) above
Regarding individual reasons for the election of Directors and Audit & Supervisory Board Members, please

refer to the Notice of the 59th Ordinary General Meeting of Shareholders (Reference Documents for the General Meeting of Shareholders) posted on the Company's website (URL: http://www.pigeon.com/ir/assets/pdf/160405e_syousyu.pdf) and "Reason for Election" under "Relationship with the Company (2)" of II.1. [Audit & Supervisory Board Members], below.

4. Responsibilities of the Board
(Supplementary Principle 4.1.1)
The Company's Board of Directors makes decisions or reports on matters that are to be solely determined by the Board of Directors, pursuant to laws and regulations and the Articles of Incorporation, as well as important matters stipulated in the "Board of Directors Rules." The "Board of Directors Rules" and other internal rules specifically stipulate matters to be resolved by the Board of Directors and matters to be reported thereto. Furthermore, the Company has structured its corporate governance by means of meetings of the Management Committee with the President and COO acting as chairperson and an internal audit system, in addition to a Board of Directors and Audit & Supervisory Board System. The Board of Directors, which includes internal and outside directors who do not concurrently serve as executive officers and Audit & Supervisory Board Members, responds promptly and appropriately to changes in the business environment and strives to make management decisions rationally and effectively to establish sustained growth and a solid operating foundation, while seeking mutual partnership between decision-making/management functions and execution of business. Under such circumstances, expectations are high regarding the role of the Outside Directors in the management and supervising functions for the execution of business. Accordingly, starting from the current fiscal year, the number of Outside Directors has been increased to two (2), and the Board of Directors operates in a way that elicits lively opinions from the Outside Directors. The Outside Directors give advice, etc., on the Company's management strategies and take the role of improving the objectivity of the decision-making process and enhancing corporate governance. The four (4) Audit & Supervisory Board Members, including two (2) Outside Audit & Supervisory Board Members, in accordance with the audit policy, the division of audit work, etc., conduct rigorous supervision and auditing through measures such as attending important meetings including those of the Board of Directors, carrying out interviews with the Directors, reviewing important resolution documents and other documentation, and investigating the status of operations and property.

(Principle 4.8 Effective Use of Independent Directors)
Currently, the Company appoints two (2) Outside Directors and two (2) Outside Audit & Supervisory Board Members.
Since its public listing, the Company has strengthened its corporate governance through its current form of business management, which consists of the Board of Directors and the Audit & Supervisory Board.
The Company appointed one (1) Outside Director in April 2015 and increased the number to two (2) in April 2016. The Outside Directors have been fulfilling their functions from an independent standpoint, to provide advice on management strategy, improve the objectivity of the decision-making process, and enhance corporate governance.

(Supplementary Principle 4.8.1)
Currently, the Outside Directors and Outside Audit & Supervisory Board Members exchange information, as necessary. Furthermore, the Outside Directors make efforts to gather information on issues relating to the everyday execution of business by attending the internal audit debriefing sessions.
Going forward, the Company will consider holding meetings comprising Independent Outside Directors and Outside Audit & Supervisory Board Members, in an effort to ensure that the exchange of information and the sharing of awareness are conducted from a neutral standpoint that is independent from management.

(Principle 4.9 Independence Standards and Qualification for Independent Directors)
The Company stipulates the standards for the independence of its Outside Directors and Outside Audit & Supervisory Board Members ("outside officers"), as follows.
1. Relationships with the Company and its subsidiaries (hereinafter collectively referred to as "Pigeon Group")

An outside officer shall not be currently acting and shall not have acted in the past ten (10) years as a director, auditor or employee of Pigeon Group.

2. Relationships with business partners

An outside officer shall not be currently acting and shall not have acted in the past three (3) years as either of the following:

(1) A major business partner of Pigeon Group (Note 1) (or in cases where the major business partner is a corporation, a director, auditor or employee thereof)

(2) A business partner who has major transactions with Pigeon Group (Note 2) (or in cases where the party is a corporation, a director, auditor or employee thereof)

3. Relationships with shareholders

An outside officer shall not currently be or shall not have been in the past three (3) years a major shareholder of the Company (Note 3) (or in cases where the major shareholder is a corporation, a director, auditor or employee thereof).

4. Relationships with advisors and consultants

An outside officer shall not be currently acting and shall not have acted in the past three (3) years as either of the following:

(1) A proper employee, partner or employee of Pigeon Group's Independent Auditor or a proper employee, partner or employee of a certified public accountant or an audit firm that provides advice to Pigeon Group on accounting matters

(2) A person who does not fall under any of the above, but is a certified public accountant, tax accountant, attorney or other consultant (or in cases where the person is a corporation, association or other entity, a proper employee, partner or employee thereof) and who gains from Pigeon Group a substantial amount of cash (Note 4) or other assets other than remuneration for Directors and Audit & Supervisory Board Members

5. Relationships with donation recipients

An outside officer shall not be currently acting and shall not have acted in the past three (3) years as director, auditor or employee of a corporation or other entity that receives substantial donations (Note 5) from Pigeon Group.

6. Relationships involving close relatives

An outside officer shall not be a close relative (Note 6) of any person mentioned in 1 to 5 above (excluding immaterial person).

(Note 1) A "major business partner of Pigeon Group" refers to a business partner with respect to which the Pigeon Group's business transactions with such business partner in the most recent fiscal year amount to 2% or more of annual consolidated net sales of Pigeon Group.

(Note 2) A "business partner who has major transactions with Pigeon Group" refers to a business partner with respect to which such business partner's business transactions with Pigeon Group in the most recent fiscal year amount to 2% or more of annual consolidated net sales of the business partner.

(Note 3) A "major shareholder" refers to a shareholder who holds 10% or more of the voting rights in the Company (including indirect shareholdings).

(Note 4) A "substantial amount of cash" refers to an amount of cash over the past three (3) years averaging 10 million yen or more per year in the case of an individual, or averaging 2% or more of consolidated net sales or total revenues in the case of an entity.

(Note 5) "Substantial donations" refers to average donations over the past three (3) years of 10 million yen or more annually, or exceeding 2% of an entity's consolidated net sales or its total revenues, whichever is higher.

(Note 6) A "close relative" refers to a spouse or a relative who is within the second degree of kinship.

(Supplementary Principle 4.11.1)

Taking into account the balance between the knowledge, experience, and ability of the Board of Directors as a whole, candidates for Directors, while not exceeding the number of Directors stipulated in the Articles of Incorporation, are nominated by the Representative Directors by comprehensively considering their experience, knowledge, and character, and determined by the Board of Directors.

(Supplementary Principle 4.11.2)
The Company discloses the notable concurrent positions of Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Audit & Supervisory Board Members, in the convocation notice of the Ordinary General Meeting of Shareholders each year and the annual securities report. No limit on the number of concurrent positions allowed is formally set, since the practical manner in which each individual is involved in the roles and responsibilities of a Director or Audit & Supervisory Board Member of the Company is more important. The Company instead indicates the number of meetings of the Board of Directors to be held each year (13 meetings of the Board of Directors were held in the 59th fiscal year) in advance, and schedules the meetings so that members are able to attend.

(Supplementary Principle 4.11.3)
Although the Company does not currently conduct an evaluation of the effectiveness of the Board of Directors, going forward, it intends to conduct self-evaluation surveys of the Board of Directors as a whole, and to compile and evaluate the results of such surveys in an effort to enhance corporate governance.
In addition, in order to improve the function of the Board of Directors in terms of its roles and responsibilities, and to facilitate more lively and constructive discussions, as of April 2015 the Company began to appoint Outside Directors to enhance the operation of the Board of Directors through evaluations and proposals from an outside perspective.

(Supplementary Principle 4.14.2
In order to appropriately fulfill their expected roles and responsibilities, Directors and Audit & Supervisory Board Members undergo training by means such as attending various outside seminars, in an effort to acquire the knowledge required to perform their duties. The Company's two (2) Standing Audit & Supervisory Board Members hold membership in the Japan Audit & Supervisory Board Members Association, at which they gather the latest information on audits.
The Company also provides support to individual Directors and Audit & Supervisory Board Members when they require training that is in line with their roles and responsibilities.

5. Dialogue with Shareholders
(Principle 5.1 Policy for Constructive Dialogue with Shareholders)
The Company places emphasis on its dialogue with shareholders as a means to ensure mutual understanding. Dialogue is conducted in an appropriate manner by the Investor & Public Relations Department, after conferring with the President and COO, as well as the Managing Officer in charge regarding the optimal method of implementing such dialogue. In addition, the Company is engaged in activities to deepen shareholders' understanding of the Company's management strategies and business environment, including results briefings, HEART REPORTs, and information disclosure on the Company's website.
The Company conducts shareholder identification surveys twice a year in principle, or as necessary, and makes efforts to monitor its shareholder structure.

2. Capital Structure

Ratio of Shares Held by Foreigners	30% or more

[Major Shareholders]

Name or Designation	Number of Shares Held (Shares)	Shareholding Ratio (%)
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	4,989,200	4.10
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	4,820,200	3.96
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	4,177,315	3.43
Yoichi Nakata	4,038,804	3.32
BBH FOR MATTHEWS ASIA DIVIDEND FUND	3,806,100	3.13
THE NOMURA TRUST AND BANKING CO., LTD. (TRUST ACCOUNT)	3,792,700	3.12
JP MORGAN CHASE BANK 385164	3,300,800	2.71
Y. N Co., Ltd.	3,000,000	2.47
BBH FOR MATTHEWS JAPAN FUND	2,683,500	2.21
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	2,171,334	1.78

Controlling Shareholder (excluding parent company)	―――
Parent Company	None

Supplementary Explanation

While the following Reports of Possession of Large Volume are open to public inspection, the Company has not been able to verify the number of shares actually held. Consequently, the above [Major Shareholders] is based on the Shareholders' Register.

1) Report of Possession of Large Volume (Change Report) submitted by the Nippon Life Insurance Company and one of its affiliates on November 9, 2015, stating that they held 7,652,000 shares
2) Report of Possession of Large Volume submitted by Matthews International Funds on December 21, 2015, stating that it held 6,096,000 shares
3) Report of Possession of Large Volume (Change Report) submitted by Matthews International Capital Management, LLC on January 28, 2016, stating that it held 8,052,000 shares
4) Report of Possession of Large Volume (Change Report) submitted by Baillie Gifford & Co. and one of its affiliates on May 26, 2016, stating that they held 14,355,000 shares
5) Report of Possession of Large Volume (Change Report) submitted by Aberdeen Investment Management K.K. and one of its affiliates on July 20, 2016, stating that they held 6,998,000 shares
6) Report of Possession of Large Volume (Change Report) submitted by the Sumitomo Mitsui Trust Bank, Limited and two of its affiliates on July 22, 2016, stating that they held 6,588,000 shares

3. Corporate Attributes

Stock Exchange Listings and Market Classification	First Section, Tokyo Stock Exchange
Fiscal Year-end	January
Industry	Other products
Number of Employees as of January 31, 2014 (consolidated)	1,000 or more
Net Sales (Consolidated) as of January 31, 2014	¥10 billion or more and less than ¥100 billion
Number of Consolidated Subsidiaries as of January 31, 2014	10 or more and less than 50

4. Guideline on Protection of Minority Shareholders in Conducting Transactions with Controlling Shareholders

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5. Other Exceptional Circumstances that Might Have a Material Impact on Corporate Governance

The Company has no parent company or listed subsidiary.

II Overview of Business Management Organization and Other Corporate Governance Systems related to Managerial Decision-Making, Business Execution, and Management Supervision

1. Items Relating to Organization Structure and Operations, etc.

Form of Organization	Company with Audit & Supervisory Board Members

[Directors]

Number of Directors Stipulated in the Articles of Incorporation	15
Term of office of Directors Stipulated in the Articles of Incorporation	Two years
Chairperson of the Board of Directors	Chairman (except when concurrently serving as President)
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	2
Number of Outside Directors Designated as Independent Officers	2

Relationship with the Company (1)

Name	Attributes	Relationship with the Company *									
		a	b	c	d	e	f	g	h	i	j	k
Takayuki Nitta	From another company											
Rehito Hatoyama	From another company											

* Selection criteria regarding relationship with the Company
* "○" if the individual in question "presently/recently" falls under each item; "△" if he/she had "in the past" fallen under each item.
* "●" if a close relative of the individual in question "presently/recently" falls under each item; "▲" if he/she had "in the past" fallen under each item.

a. A person who executes business of the Company or its subsidiary
b. A person who executes business or a non-executive director of the parent of the Company
c. A person who executes business of a fellow subsidiary of the Company
d. A person/entity for which the Company is a major business partner or a person who executes business for such person/entity
e. A major business partner of the Company or a person who executes business for such business partner
f. A consultant, accounting expert or legal expert who receives large amounts of cash or other assets in addition to remuneration for directors and audit & supervisory board members from the Company
g. A major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
h. A person who executes business for a business partner of the listed company (excluding persons categorized as any of d, e or f above) (relates exclusively to the individual in question)
i. A person who executes business for another company holding cross-directorship/cross-auditorship with the Company (relates exclusively to the individual in question)
j. A person who executes business for an entity receiving contributions from the Company (relates exclusively to the individual in question)
k. Others

Relationship with the Company (2)

Name	Independent Officer	Supplementary Explanation relating to These Items	Reason for Election
Takayuki Nitta	○	Designated as an Independent Officer (Significant Concurrent Positions) Partner of Misaki Capital Inc.	He has a wealth of knowledge in corporate management nurtured through extensive experience at a management consulting company and investment management companies, has been providing advice on management strategy focused on shareholders by keeping in mind the capital efficiency, and has been appropriately executing his duties as an Outside Director to enhance the objectivity of decision-making of Board of Directors and corporate governance. Therefore, the Company has appointed him as an Outside Director. Furthermore, the Company has designated him as an independent officer because it is judged that, by not falling under the conditions provided in III. 5. (3)-2 of the Guidelines Concerning Listed Company Compliance, etc., and the conditions provided in Rule 211, Paragraph 4, Item 6 of the Enforcement Rules for Securities Listing Regulations, there is no risk of a conflict of interest occurring with general shareholders.
Rehito Hatoyama	○	Designated as an Independent Officer (Significant Concurrent Positions) Outside Director of LINE Corporation, Outside Director of transcosmos inc.	He has abundant experience and a wealth of knowledge regarding management in terms of international business strategy and execution of such strategy in operating companies. Moreover, the Company deems him capable of providing advice on its management strategy, improving objectivity of decision-making by the Board of Directors, and enhancing corporate governance. Therefore, the Company has appointed him as an Outside Director. Furthermore, the Company has designated him as an independent officer because it is judged that, by not falling under the conditions provided in III. 5. (3)-2 of the Guidelines Concerning Listed Company Compliance, etc., and the conditions provided in Rule 211, Paragraph 4, Item 6 of the Enforcement Rules for Securities Listing Regulations, there is no risk of a conflict of interest occurring with general shareholders.

Presence or Absence of a Voluntary Committee Equivalent to a Nominating Committee or Remuneration Committee	No

[Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Yes
Number of Audit & Supervisory Board Members Stipulated in the Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Department

Audit & Supervisory Board Members, the Internal Audit Department, and Accounting Auditors mutually collaborate by holding regular debriefing sessions and, at any time as necessary, exchanging information and opinions.

In accordance with the audit policy, the division of work, etc., the four Audit & Supervisory Board Members, which includes two Outside Audit & Supervisory Board Members, conducts rigorous auditing through measures such as attending important meetings including those of the Board of Directors, giving an audience to the Directors, viewing important resolution documents and other documentation, and investigating the status of operations and property. In addition, Audit & Supervisory Board Members regularly holds meetings with the Representative Directors and, by receiving reports on matters such as important company issues and giving feedback from the Audit & Supervisory Board Members regarding information and the like heard from within the company, it carries out exchanges of opinions.

Furthermore, with regard to internal control, the Company has established an Audit Department (comprising six persons) as its Internal Audit Department, and it has incorporated a PDCA cycle. Through this cycle, the Company conducts audits on whether the business execution of the whole Pigeon Group is being carried out appropriately and efficiently based on the annual plan, makes continual improvement proposals to top management for resolution of issues, and, on this basis, makes improvements.

Election of Outside Audit & Supervisory Board Members	Elected
Number of Outside Audit & Supervisory Board Members	2
Number of Outside Audit & Supervisory Board Members designated as Independent Officers	2

Relationship with the Company (1)

Name	Attributes	Relationship with the Company *												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shigeru Nishiyama	Certified Public Accountant													
Shuji Idesawa	Attorney													

* Selection criteria regarding relationship with the Company
* "○" if the individual in question "presently/recently" falls under each item; "△" if he/she had "in the past" fallen under each item.
* "●" if a close relative of the individual in question "presently/recently" falls under each item; "▲" if he/she had "in the past" fallen under each item.

a. A person who executes business of the Company or its subsidiary
b. A non-executive director or a "Kaikei-Sanyo" (accounting advisor) of the Company or its subsidiary

c. A person who executes business or a non-executive director of the parent of the Company
d. An Audit & Supervisory Board Member of the parent of the Company
e. A person who executes business of a fellow subsidiary of the Company
f. A person/entity for which the Company is a major business partner or a person who executes business for such person/entity
g. A major business partner of the Company or a person who executes business for such business partner
h. A consultant, accounting expert or legal expert who receives large amounts of cash or other assets in addition to remuneration for directors and audit & supervisory board members from the Company
i. A major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
j. A person who executes business for a business partner of the listed company (excluding persons categorized as any of f, g or h above) (relates exclusively to the individual in question)
k. A person who executes business for another company holding cross-directorship/cross-auditorship with the Company (relates exclusively to the individual in question)
l. A person who executes business for an entity receiving contributions from the Company (relates exclusively to the individual in question)
m. Others

Relationship with the Company (2)

Name	Independent Officer	Supplementary Explanation relating to These Items	Reason for Election
Shigeru Nishiyama	○	Designated as an Independent Officer (Significant Concurrent Positions) Professor at Waseda University Graduate School of Commerce, Outside Audit & Supervisory Board Member of Mitsui Sumitomo Insurance Co., Ltd., Outside Director and Audit and Supervisory Committee Member of UNIPRES CORPORATION, Outside Audit & Supervisory Board Member of Ricoh Company, Ltd.	By making suggestions and proposals, etc., from the expert viewpoint of a graduate school professor and certified public accountant to ensure the appropriateness and fairness of the decision making of the Board of Directors, he has been performing his duties neutrally and objectively from an independent position as an outside Audit & Supervisory Board Member. The Company also believes that due to his considerable knowledge of finance and accounting, he is capable of adequately performing his duties as an outside Audit & Supervisory Board Member, and has therefore appointed him as such. Furthermore, the Company has designated him as an independent officer because it is judged that, by not falling under the conditions provided in III. 5. (3)-2 of the Guidelines Concerning Listed Company Compliance, etc. and the conditions provided in Rule 211, Paragraph 4, Item 6 of the Enforcement Rules for Securities Listing Regulations, there is no risk of a conflict of interest occurring with general shareholders.

Name	Independent Officer	Supplementary Explanation relating to These Items	Reason for Election
Shuji Idesawa	○	Designated as an Independent Officer (Significant Concurrent Positions) Attorney-at-law/Managing partner at Idesawa & Partners, Outside Audit & Supervisory Board Member of F@N Communications, Inc.	By making suggestions and proposals, etc., from the expert viewpoint of an attorney to ensure the appropriateness and fairness of the decision making of the Board of Directors, he has been performing his duties neutrally and objectively from an independent position as an outside Audit & Supervisory Board Member. The Company also believes that due to his specialized knowledge of and abundant experience in legal matters as an attorney, as well as his familiarity with corporate law, he is capable of adequately performing his duties as an outside Audit & Supervisory Board Member, and has therefore appointed him as such. Furthermore, the Company has designated him as an independent officer because it is judged that, by not falling under the conditions provided in III. 5. (3)-2 of the Guidelines Concerning Listed Company Compliance, etc. and the conditions provided in Rule 211, Paragraph 4, Item 6 of the Enforcement Rules for Securities Listing Regulations, there is no risk of a conflict of interest occurring with general shareholders.

【Independent Officers】

Number of Independent Officers	4

■ Other Information on Independent Officers

Outside Director and Audit & Supervisory Board Members that meet the qualifications of Independent Officers are all designated as Independent Officers (two Outside Director, two Outside Audit & Supervisory Board Members).

The main activities of the independent directors/Audit & Supervisory Board Members during the fiscal year ended January 31, 2016 (the fiscal year from February 1, 2015 to January 31, 2016) are as follows.

Takayuki Nitta

Mr. Nitta has attended all eight meetings of the Board of Directors since he took office on April 28, 2015. By leveraging his wealth of knowledge in corporate management nurtured through experience at a management consulting company and investment management companies, he has been providing advice and proposals on the Company's management strategies, as well as advice and proposals to enhance the objectivity of decision-making of the Company's Board of Directors and corporate governance.

Rehito Hatoyama
Mr. Hatoyama was elected and took office as Outside Director at the Company's 59th Ordinary General Meeting of Shareholders held on April 27, 2016.

Shigeru Nishiyama
Mr. Nishiyama attended 12 of the 13 meetings of the Board of Directors and all six meetings of the Audit & Supervisory Board held during the fiscal year under consideration. He conducted field audits of the major business offices and subsidiaries, and mainly through opinions from an expert viewpoint as a graduate school professor and certified public accountant, provided advice and proposals to ensure the appropriateness and fairness of the decision-making of the Board of Directors.

Shuji Idesawa
Mr. Idesawa attended all 13 meetings of the Board of Directors and all six meetings of the Audit & Supervisory Board held during the fiscal year under consideration. He conducted field audits of the major business offices and subsidiaries, and mainly through opinions from an expert viewpoint as an attorney, provided advice and proposals to ensure the appropriateness and fairness of the decision-making of the Board of Directors.

[Incentives]

Status of Implementation of Measures to Grant Incentives to Directors	Not implemented

■ Supplementary Explanation Relating to These Items
Taking into consideration the plan and the trends in business performance, stock options were granted in the past.

Grantees of Stock Options	

■ Supplementary Explanation Relating to These Items
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[Directors' Remuneration]

Disclosure Status (of Individual Directors' Remuneration)	Individual Directors' remuneration is not disclosed.

■ Supplementary Explanation Relating to These Items
The total amount of remuneration, etc., paid to the Company's Directors and Audit & Supervisory Board Members in the 59th fiscal year (the fiscal year ended January 31, 2016) are as follows.
Nine Directors: 379million yen (including one Outside Director: 8 million yen)
Four Audit & Supervisory Board Members: 64 million yen (including two Outside Audit & Supervisory Board Members: 16 million yen)

Policy for Deciding the Amounts or Calculation Method of Remuneration	Yes

■ Disclosed Policy for Deciding the Amounts or Calculation Method of Remuneration
At the 52nd Ordinary General Meeting of Shareholders of Pigeon Corporation, which was held on April 28, 2009, the Company received a resolution specifying an upper limit of 500 million yen per year for the remuneration of Directors (provided, however, that employee salary is not included) and an upper limit of 100 million yen per year for the remuneration of Audit & Supervisory Board Members. Within the ranges of those limit amounts, for each Director and Audit & Supervisory Board Members, the Company determines a remuneration level according to the person's official responsibilities.

Remuneration for directors is comprised of basic remuneration linked to business performance and retirement benefits. The amount of basic remuneration is determined on the basis of the consolidated business performance (consolidated net sales and consolidated operating income) achieved by the Pigeon Group in each fiscal year. Retirement benefits for Directors are calculated in accordance with the Company's "Rules on Retirement Benefits for Directors," and from the 56th Ordinary General Meeting of Shareholders held on April 25, 2013, proposals shall be submitted for resolution by separately indicating each amount of retirement benefits to be paid. Due to the fact that the calculation method is in accordance with the standards prescribed in the said rules, there is no room for discretion in the calculations. The remuneration for Outside Directors is limited to a fixed amount and there is no retirement benefits system for Outside Directors.

Retirement benefits system for audit & supervisory board members has been abolished and remuneration for audit & supervisory board members is limited to a fixed amount effective from the conclusion of the 56th Ordinary General Meeting of Shareholders held on April 25, 2013, in order to further safeguard their independence from the management of the Company. There is no retirement benefits system in place for outside audit & supervisory board members.

[Support System for Outside Directors (Outside Audit & Supervisory Board Members)]

Materials regarding the agenda of the meeting of the Board of Directors are sent in advance to Outside Directors, and the Corporate Administration Division, which serves as the secretariat of the Board of Directors, or the responsible department provides explanations, as necessary.

Upon meetings of the Audit & Supervisory Board, etc., and as necessary, the Standing Audit & Supervisory Board Members provide to the Outside Audit & Supervisory Board Members explanations of the Management Committee agenda and the contents, etc., of internal audit debriefing sessions.

Furthermore, in the Company's internal rules, it is provided that the Audit & Supervisory Board Members may request that the Board of Directors assign an employee to assist with the duties of the Audit & Supervisory Board Members.

2. Items relating to Functions of Business Execution, Audit and Supervision, Nomination, and Decision on Remuneration, etc. (Outline of the Current Governance System)

The current managerial structure comprises ten Directors (including two Outside Directors) and four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members). The Company strives to respond promptly and appropriately to changes in the business environment, and, in order to establish long-term growth and a solid operating foundation, it strives to carry out management decision making rationally and efficiently. In addition, since the year 2000, to strengthen the business execution function, the Company has introduced a managing officer system in which managing officers are responsible for execution of business. Furthermore, in April 2012, to provide for mutual partnership between decision-making/ management functions (governance) and execution of business, and to clarify the operating responsibilities of Directors, the Company introduced an entrusted managing officer system.

The Board of Directors has authority to supervise the execution of duties of directors and managing officers. As a general rule, the Board of Directors' meeting is held once a month with the board chairman acting as chairperson, and it takes decisions on matters (management objectives and important business-execution strategies such as the management strategy) prescribed in laws and regulations, in the articles of incorporation, and in the "Board of Directors Rules." Furthermore, the Board of Directors operates to elicit the vigorous opinions of the Outside Director as well as the internal and the outside Audit & Supervisory Board Members, thereby strengthening the business-execution control and supervision functions. The Outside Director gives advice, etc., on the Company's management strategies and takes the role of improving the objectivity of the decision-making process and enhancement of corporate governance. In addition, as a general rule, the Management Committee holds a meeting once a week, with the President and COO acting as chairperson. In

this manner, we strive to find early solutions to problems from the viewpoint of our work sites. With Audit & Supervisory Board Members attending this committee meeting and stating their opinions, we are striving to improve the management oversight function. In accordance with the audit policy, the division of audit work, etc., the four Audit & Supervisory Board Members, which includes two Outside Audit & Supervisory Board Members, conducts rigorous auditing through measures such as attending important meetings including those of the Board of Directors, giving an audience to the Directors, viewing important resolution documents and other documentation, and investigating the status of operations and property. In addition, the Audit & Supervisory Board regularly holds meetings with the President and COO, and, by receiving reports on matters such as important company issues and giving feedback from the Audit & Supervisory Board Members regarding information and the like heard from within the company, it carries out exchanges of opinions.

The Company has entered into a limited liability contract with each Outside Director and Outside Audit & Supervisory Board Member which limits his or her liability for damages prescribed in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The limit of liability for damages of the Outside Director or Outside Audit & Supervisory Board Member pursuant to the limited liability contract is the aggregate sum of the amounts prescribed in each item in Article 425, Paragraph 1 of the Companies Act.

Furthermore, the Company has established an Audit Department (with six members) as the internal audit function. Based on the annual plan, the Audit Department regularly implements internal audits of each section of the whole Pigeon Group including the subsidiaries. Audit results are reported to the President and COO and to the Audit & Supervisory Board, and, with the Audit Department conducting assessments and making continual improvement proposals, the internal audits are implemented through the PDCA cycle.

The Audit & Supervisory Board Members, the Audit Department, and the Accounting Auditors mutually collaborate through measures including regular debriefing sessions and, at any time as necessary, exchanges of information and opinions. Certified public accountants who have performed accounting or audit work of the Company are Designated and Engagement Partner, Mami Kato, and Designated and Engagement Partner, Takeshi Tadokoro, both of PricewaterhouseCoopers Aarata.

3. Reason for Adopting the Current Governance System

Since its public listing, the Company has strengthened its corporate governance through its current form of business management consisting of the Board of Directors and the Audit & Supervisory Board. Because results have hitherto grown steadily under this system, the Company judges that this system has been functioning effectively.

Moreover, the Company elected one (1) Outside Director at the 58th Ordinary General Meeting of Shareholders held on April 28, 2015, and one (1) more Outside Director at the 59th Ordinary General Meeting of Shareholders held on April 27, 2016, in order to enhance corporate governance and further improve its corporate value.

Furthermore, as a company with an Audit & Supervisory Board, the Company appoints two (2) outside audit & supervisory board members to fulfill the role of supervising management from an outside perspective.
In Japan, audit & supervisory board members are granted significant powers under the Companies Act for the purpose of auditing and supervising directors, including the power to attend and state their opinions at meetings of the Board of Directors and the power to investigate the operations and assets of the company they audit. Furthermore, the term of office of an audit & supervisory board member is guaranteed to be four (4) years. The two (2) Outside Audit & Supervisory Board Members not only supervise the legality of the conduct of Directors in consideration of the interests of shareholders, which is a legal role of Audit & Supervisory Board Members, but also sufficiently fulfill their supervisory roles by means such as providing advice regarding the appropriateness of management decisions, in consideration of the enhancement of corporate value.

III Status of Implementation of Measures related to Shareholders and Other Stakeholders

1. Measures toward Revitalization of the General Meeting of Shareholders and Facilitation of Exercise of Voting Rights

	Supplementary Explanation
Prompt Delivery of Convocation Notice of General Meeting of Shareholders	We forward the Convocation Notice three (3) weeks prior to the date of the General Meeting of Shareholders
Allowing the Electronic Exercise of Voting Rights	Since the 59th Ordinary General Meeting of Shareholders held on April 27, 2016, the exercise of voting rights using a PC or smartphone has become available by accessing the Internet voting website of the Administrator of Shareholders' Register designated by the Company.
Participation in the Electronic Voting Platform and Other Efforts to Enhance the Environment for the Exercise of Voting Rights by Institutional Investors	In order to enhance the environment for the exercise of voting rights by institutional investors, the Company has participated in the Electronic Voting Platform for institutional investors operated by ICJ, Inc. since the 59th Ordinary General Meeting of Shareholders held on April 27, 2016.
Provision of a Summarized Convocation Notice of the General Meeting of Shareholders in English	We provide the Convocation Notice (summary) in English on the respective websites of the Company and the Tokyo Stock Exchange.
Other	We post the Convocation Notice (in Japanese and English) on the respective websites of the Company and the Tokyo Stock Exchange, and disclose the results of voting at the General Meeting of Shareholders (in Japanese and English) on the Company's website. We organize the General Meeting of Shareholders in a manner that enables the attendance of as many shareholders as possible, by means such as providing assistance through a sign language interpreter and a child-care room during the Meeting.

2. Investor Relations Activities

	Supplementary Explanation	Explanation by Representative
Establishment and Publication of Disclosure Policies	Available via the Company Web site. Please refer to the following URL. http://www.pigeon.com/disclosure/	
Holding Regular Briefings for Analysts and Institutional Investors	The Company holds a results briefing twice a year, after the end of the second quarter and after the end of the fiscal year, with participation by the President. In addition, the Company holds small meetings and individual meetings as needed, with the participation of the President or the Vice President.	Yes
Holding Regular Briefings for Foreign Investors	The Company attends conferences sponsored by securities companies in Japan and overseas several times a year. The President attends on occasion.	Yes

	Supplementary Explanation	Explanation by Representative
Posting Investor Relations Materials on the Company Web site	On an IR site that it has prepared on its Web site, the Company discloses IR materials in Japanese (http://www.pigeon.co.jp/ir/) and English (http://www.pigeon.com/ir/). Available IR materials include financial results information (Summaries of financial results, results briefing materials, timely disclosure materials other than financial results information, annual securities reports, quarterly securities reports, notices of general meeting of shareholders, this report, etc.).	
Establishment of Investor Relations Department (Liaison)	The Company has established an Investor & Public Relations Department through which it promotes IR activities. The responsible person in charge is a managing officer and the division manager of the Corporate Administration Division.	

3. Measures to Respect the Position of Stakeholders

	Supplementary Explanation
Provisions of Internal Regulations to Respect the Position of Stakeholders	The Company has established universal Corporate Ethics Policies for putting into practice compliance (observance of laws and regulations and corporate ethics) management, and the provisions are clearly stated in them. Corporate Ethics Policies 1. Pigeon shall promote "management with compliance commitment" and fulfill its social responsibility as a company in all aspects of its corporate activities by constantly adhering to the highest ethical standards and being consistent with its corporate motto that "Only love generates love." 2. Pigeon shall, through the provision of its products and services, strive for harmonization with society and promote extensive contributions to society as a good corporate citizen. 3. Pigeon shall be actively involved in environmental protection initiatives in every sphere of its corporate activities, by acknowledging the preciousness of planet Earth. 4. 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. 5. Pigeon shall seek fair and open competition in its corporate activities, which it believes contributes to the sound growth of its business. 6. Pigeon shall promote efficient management by ensuring the appropriate administration of its tangible and intangible assets. 7. Pigeon shall ensure communications not only with its shareholders but also with society in general and shall secure transparency through the timely and appropriate disclosure of its corporate data.

	Supplementary Explanation
Promotion of Environmental Protection, Corporate Social Responsibility (CSR), and Other Activities	The Pigeon Group has obtained ISO-14001 certification for environmental management systems at the Tsukuba Office and its affiliated companies (PHP Hyogo Corporation and Pigeon Industries (Thailand) Co., Ltd.) and engages in environmental protection activities. As an even more extensive contribution to the Earth's environment, the Company has been conducting the Newborn Baby Commemorative Tree-Planting Campaign every year since 1986, so far planting more than 120,000 trees. The degree of that environmental contribution has been quantified by the Forestry Agency.
Establishment of Policy Concerning Disclosure of Information to Stakeholders	The establishment of such as policy is clearly stated in the aforementioned Corporate Ethics Policies.

IV Basic Policy and Status of Implementation of the Internal Control System

1. Basic Policy and Status of Implementation of the Internal Control System

Pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company shall determine a basic policy on construction of an internal control system, as follows.

1. System to ensure that duties performed by our Company's directors and employees, and directors and employees of subsidiaries comply with laws, regulations and articles of incorporation
(1) We shall develop "Pigeon Way" composed of Mission, Values, Action Principles and Vision under our corporate motto of "only love generates love" and our business philosophy of "providing the gift of love to all." Based on that spirit and action, we stipulate our compliance-related regulations. The directors and employees of the Pigeon Group strictly comply not only with the law but also the standards and spirit of the communities they serve. We position the Pigeon Way as our standard for action with a strong ethical outlook.
(2) In order to integrate compliance controls throughout our group, we shall establish a Compliance Committee (including external lawyers) which discusses compliance issues and assesses problems. The Director of Human Resources and General Affairs is appointed as Chairperson of the Compliance Committee.
(3) In an effort to ensure early detection of any wrongdoings, we shall establish a speak-up desk as an internal reporting system and a Pigeon Partners Line as a reporting system for our business partners. For in which problems are detected inside or outside of the company, sufficient consideration shall be given to protection for the reporting/consulting individual, and the Compliance Committee shall review appropriate responses and investigate facts. Applicable contents shall be reported to upper-level organizations (the Management Committee or Board of Directors).
(4) Rejection of relationships with antisocial forces shall be specified in the Code of Conduct. In addition to conducting education and training, we shall develop and thoroughly implement an internal system for practical application, such as appointing staff in charge of preventing false claims.

2. Items related to saving and managing information pertaining to the performance of duties by directors
The Director of Human Resources and General Affairs shall supervise the saving and managing of information pertaining to the performance of duties by directors. Information shall be recorded and saved in written documents or electromagnetic format in accordance with Rules for Document Control and Management. These documents and other formats shall always be available for review by directors and audit & supervisory board members.

3. Rules and other systems related to our Company and subsidiaries' risk management for losses
(1) Based on Risk Management Promotion Committee Regulations which systematically define our group's risk management response and under supervision of the President and Chief Operating Officer, a Director of the Risk Management Promotion Committee shall be appointed as a general supervisor of risk management throughout our group. The Risk Management Promotion Committee shall identify, evaluate and review responses for risks within our group. Overseas bases in each region shall establish a Risk Management Promotion Committee for identifying, evaluating and proposing responses to risks. Moreover, the division manager manages the risks of the subsidiaries the manager supervises.
(2) The responsible department shall be clarified for each risk category and continuous monitoring shall be performed. Risk categories shall be defined as "business risks," "financial risks," "hazard risks," and "compliance risks."
(3) Auditing the status of risk management in each department shall be performed through cooperation with the Internal Auditing Department, the Corporate Planning Department, the Accounting & Finance Department, and the Human Resources & General Affairs Department.
(4) A disaster response headquarters shall be quickly established based on business continuity plan (BCP) in the case that a large-scale disaster or other risk to our group occurs. The headquarters shall work to

minimize losses and effect recovery.

4. System for ensuring efficient performance of duties by directors
(1) By formulating a Medium-Term Management Plan and management plans for each individual fiscal year, we shall clarify goals to be achieved by our company and steadily implement priority management items.
(2) The board of directors shall make management decisions rationally and efficiently, and our Company appoints external directors for the purpose of receiving advice regarding management strategies and making objective decisions and improving corporate governance. Moreover, our Company shall practice management that elicits lively opinions from internal and external directors and audit & supervisory board members, including issues presented by external directors, and shall strengthen the management function for execution of business. Furthermore, through a mandatory executive officer system and an executive officer system, we shall seek mutual partnership between decision-making/management functions and execution of business, and shall clarify the operating responsibilities of directors.
(3) As a general rule, a Management Committee with attendance from all standing directors shall be held weekly in order to strengthen and enhance the function of the Board of Directors. Through the committee, the Board of Directors shall seek to quickly resolve issues through expeditious execution of business and decision-making for important policies.

5. System for ensuring proper operation in our company and corporate groups composed of subsidiaries
(1) In addition to overseeing internal controls and the execution of business at group companies, the Corporate Planning Department review current conditions and ensures the existence of appropriate monitoring systems and reporting systems. Items related to management of subsidiaries are performed in accordance with the Rules for Management of the Group Companies.
(2) The division managers shall confirm the state of execution of business by directors of the subsidiaries they manage, and shall report on the performance of the subsidiaries and the execution of business to our Company's board of directors each quarter.
(3) In addition to periodically auditing the execution of business by directors of subsidiaries, audit & supervisory board members shall also cooperate with audit & supervisory board members at subsidiaries in order to develop internal controls and monitor the operation of such controls. Our Company and subsidiaries' audit & supervisory board members shall hold audit & supervisory board meetings as necessary.
(4) The Internal Auditing Department shall audit the level of appropriateness and efficiency during the execution of business throughout our group.
(5) In order to ensure the reliability and appropriateness of financial reporting, our company and group companies shall comply with the Financial Instruments and Exchange Act. We shall strive to ensure a healthy internal controls environment, to strengthen control activities on a company-wide level, to construct an internal controls system which is capable of effective and valid evaluation, and to perform appropriate operation of that system.

6. Systems pertaining to applicable employees when an audit & supervisory board member has requested appointment of an employee aid and items pertaining to independence of that employee from directors and the effectiveness of instructions from audit & supervisory board members
Aids shall be appointed according the requests of audit & supervisory board members. In the case that an aid is appointed, the opinion of audit & supervisory board members shall be respected when making personnel decisions related to the aid. Moreover, the audit & supervisory board member's instructions to the aid shall be given independently from directors and the aid shall engage in such work based on instructions from audit & supervisory board members.

7. Systems for reporting to audit & supervisory board members by our Company's directors or employees, and directors and audit & supervisory board members, etc. and employees of subsidiaries and other systems pertaining to reporting to audit & supervisory board members
(1) Directors and employees shall promptly report to audit & supervisory board members any item other

than laws and regulations which will have a major impact on our company and our group, the status of internal controls, and the status of reporting using the speak-up desk
(2) In addition to meetings of the Board of Directors, audit & supervisory board members shall attend Management Committees and shall be able to provide opinions when requested or when necessary in regards to items being discussed.
(3) The Corporate Planning Department shall notify audit & supervisory board members every time regarding an overview of proceedings and results for meetings of the Board of Directors and Management Committees.
(4) Our Company's directors and employees, and directors and audit & supervisory board members, etc. and employees of subsidiaries or persons who have received reports from such parties may make reports directly to audit & supervisory board members via the speak-up desk on matters that have a significant affect on our Company group, matters that cause significant damage to our Company group and important compliance matters. Informants shall not be treated disadvantageously.
(5) Our Company shall promptly handle demands if demands are made by audit & supervisory board members or the audit & supervisory board for reasonable expenses or refunds incurred with regard to the performance of duties by audit & supervisory board members.

8. Other systems for ensuring effective auditing by audit & supervisory board members
The individuals with high perception of corporate activities such as finance and law shall be recruited as external audit & supervisory board members. The majority of these individuals shall be CPAs and lawyers. In addition to enhancing the auditing environment of audit & supervisory board members, external audit & supervisory board members shall seek the execution of appropriate and effective auditing services through a partnership with the Internal Auditing Department.

2. Basic Policy and Status of Implementation of Efforts towards Exclusion of Antisocial Forces

In addition to prescribing rejection of relationships with antisocial forces in the Code of Conduct and conducting education and training, the Company shall develop and thoroughly implement an internal system for practical application of the Basic Policy, such as appointing a person in charge of preventing false claims.

V Others

1. Presence or Absence of Introduction of Takeover Defense

Introduction of Takeover Defense	No

Supplementary Explanation Relating to These Items

At the meeting of the Board of Directors held on March 6, 2008, with the goal of ensuring and enhancing the corporate value of the Company and the common interests of the shareholders, the Company prescribed a basic policy on the Company's corporate control (referred to below as "the Basic Policy"). In light of the Basic Policy, as a measure to prevent inappropriate persons from controlling decisions on the Company's financial and business policies, by resolution at the 51st Ordinary General Meeting of Shareholders held on April 28, 2008, the Company obtained approval for and introduced Measures for the Large-Scale Purchase of Company Shares (Anti-Takeover Measures) (referred to below as "the Plan"). However, taking into consideration that procedures on large-scale purchases of company shares were partly put in place as a result of revisions, etc., of the legal system, the Company judged that the steady execution of the Medium-Term Management Plan leads to ensuring and enhancing the corporate value of the Company and thus the common interests of the shareholders. Therefore, by resolution of the Board of Directors at its meeting held on March 7, 2011, as of the conclusion of the 54th Ordinary General Meeting of Shareholders held on April 27, 2011, the Basic Policy was discontinued and the Plan expired.

Furthermore, even after expiration of the Plan, if the Company recognizes a situation where there are transactions and transfers of the Company's shares, and if a person who performs the act of a large-scale purchase of company shares (referred to below as "large-scale purchaser") appears, after carefully considering the opinions, etc., of the Company's Outside Audit & Supervisory Board Members and external experts, the Company shall assess the contents of the proposal from the large-scale purchaser and, as necessary, hold negotiations with the said large-scale purchaser. Likewise, when it is rationally judged that, if prompt measures are not taken, there is a risk that the Company's corporate value and the common interests of the shareholders will be damaged, as a proper duty of the Company's Board of Directors, to which management was entrusted by the shareholders, the Board of Directors shall actively request to the large-scale purchaser that the large-scale purchaser disclose information, and it shall strive to secure information and time for the shareholders to make an appropriate decision. In addition, as necessary, the Board of Directors shall promptly determine the necessity and contents, etc., of concrete countermeasures, which is considered to be the most appropriate within the scope permitted by the Companies Act, the Financial Instruments and Exchange Act, and the related laws or regulations, and, by taking steps to execute the countermeasures, it will strive to ensure the Company's corporate value and the common interests of the shareholders.

2. Other Items Relating to Corporate Governance System, etc.

- Status of Implementation of the Internal Control System

At the meeting of the Board of Directors held on May 22, 2006, the Company resolved to establish a system (Basic Internal Control Policy) to ensure that the duties performed by the Directors comply with laws, regulations and the Articles of Incorporation, as well as to ensure the appropriateness of other operations of the Company, based on the Companies Act and the Ordinance for Enforcement of the Companies Act. The Board of Directors of the Company conducts reviews as necessary and makes continual improvements to the Policy. Additionally, the Audit Department, in cooperation with the Accounting & Finance Division and other related departments, are engaged in the development of internal controls over financial reporting and other measures based on the Financial Instruments and Exchange Act.

The Company has set up the following related committees under the Risk Management Promotion Committee, which has been established under the supervision of the President.

- Compliance Committee
- Information Security Committee
- Personal Information Protection Committee
- QC Committee

- Status of Implementation of the Risk Management System

The Pigeon Group's risk management is operated by the Risk Management Promotion Committee, which was established under supervision of the President. The various risks surrounding the Pigeon Group are classified as "business risks," "financial risks," "hazard risks" or "compliance risks," and efforts are being made to reinforce the risk management system. Moreover, an effective system has been developed that allows for the prompt establishment of a disaster response headquarters to minimize losses and effect recovery, in case that a large-scale disaster or other risk to the Pigeon Group occurs. The Risk Management Promotion Committee, comprising the Managing Officer of Human Resources and General Affairs Division as a Director, and the division managers of each of the divisions of the Company as Committee members, is convened once every six months or as necessary. Details of the various risks surrounding the Pigeon Group, which have been identified and evaluated by the said Committee, and the corresponding responses for risks are reported each year to the Board of Directors. Overseas risks are also identified and evaluated from a global perspective and corresponding responses to risks are proposed. Furthermore, a "Compliance Committee" for compliance; an "Information Security Committee" for information security; a "Personal Information Protection Committee" for personal information; and a "QC Committee" for quality control have been established. The activities and policies of each Committee are reported to the Risk Management Promotion Committee.

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- Compliance

The Pigeon Group's compliance systems are operated by the Compliance Committee, in accordance with the "Pigeon Way," which forms the basis of our spirit and actions as well as the foundation for all activities. Universal corporate ethical guidelines have also been defined in order to implement compliance management. Furthermore, the corporate ethical guidelines provide the Code of Conduct by which each employee of the Pigeon Group, in compliance with all laws and regulations as well as social standards and the spirit, acts with sincerity and a high ethical sense, and serve as the guidelines to win the deep trust of its stakeholders. Accordingly, the Representative Directors and all Directors have been taking initiatives for thoroughly promulgating this spirit of ethics and compliance in recognition of the importance of continuing to communicate its corporate philosophy and the values of management to all employees of the Group companies. In terms of the consolidated subsidiaries, the Corporate Administration Division has been implementing cross-sectional responses among the Pigeon Group by developing a system capable of reviewing current conditions, from the perspective of ensuring appropriate monitoring and reporting systems. Moreover, the effectiveness of compliance education has been enhanced primarily through e-learning in Japan and the implementation of corporate ethics training in the overseas Group companies. Furthermore, compliance matters that are likely to occur in everyday operations are taken up in the monthly Pigeon Compliance Report, which is distributed to every employee for the purpose of deepening their understanding of the concept and the ways of dealing with such matters, etc. Additionally, Compliance Self-Check is conducted as a survey to gauge the degree of understanding of compliance by each employee, in an effort to comprehend the awareness of compliance among the employees and as reference for future education initiatives. Members of management also undergo self-inspections on compliance once a year as well as engage in initiatives to educate the workplace including the holding of departmental compliance meetings. The results of such monitoring are reported to the Board of Directors and the Audit & Supervisory Board each year. Furthermore, a "Speak-up Desk" has been established as an internal reporting system, and a "Pigeon Partners' Line" has been established as a reporting system for our business partners. In the event that problems are detected inside or outside the company, the Compliance Committee reviews appropriate responses and investigates the facts, while sufficient consideration is given to protect the reporting/consulting individual. As seen in such efforts among others, a system for the early resolution of problems has been put in place. The level of appropriateness is also ensured by consulting with a corporate attorney, as necessary.

- Personal Information and Information Security

In providing customers with products, services and information, the Pigeon Group considers information security and personal information protection to be an important task, and it is endeavoring to strengthen its control of such security and protection. For personal information, the Company regularly holds meetings of its Personal Information Protection Committee, and, for information security, it regularly holds meetings of its Information Security Committee, thereby putting in place the internal control system. Furthermore, with regard to its personal information protection system, as evidence of its being an enterprise that handles personal information appropriately in conformity with JIS Q 15001:1999, the "Requirements for compliance program on personal information protection" (currently JIS Q15001:2006, "Personal information protection management systems"), the Company received PrivacyMark certification from the Japan Information Processing Development Corporation, an incorporated foundation that operates the PrivacyMark® System, in July 2005. In addition, the Company has renewed the certification in 2007, 2009, 2011, 2013, and 2015.

- Investor Relations Activities

In its IR activities, with a view to increasing the transparency and reliability of operating information through activities such as biannual financial results briefings, a Medium-Term Management Plan briefing, business and new product briefings, improvement of its Web site (both the Japanese and English versions), briefings for individual investors, as well as domestic and overseas IR activities by the President and the Vice President, the Company actively promotes IR activities aimed at all shareholders including institutional investors, thus striving for prompt and accurate information disclosure.

- Overview of Timely Disclosure System

1. Internal System for Timely Disclosure

The Company has established a Disclosure Policy that summarizes the Pigeon Group's fundamental policy on information disclosure, and it publicizes the Disclosure Policy mainly on its Web site (http://www.pigeon.com/disclosure/).

Additionally, to realize the spirit of the policy, the Company has established Disclosure Rules in the Pigeon Group so that important financial, social, and environmental information related to the Pigeon Group (referred to below as "management-related information") is disclosed fairly and in a timely and appropriate manner.

Purpose of the Disclosure Rules
By establishing a policy on the fair, timely, and appropriate disclosure of important financial, social, and environmental information related to the Pigeon Group, the purpose of the Disclosure Rules shall be to observe laws and regulations related to securities dealing, to observe stock exchange regulations, and to foster an understanding of the Pigeon Group on the part of all stakeholders including shareholders, investors, and local communities, thereby contributing to appropriate assessment of the Pigeon Group.

Pursuant to the Disclosure Rules, the Company has constructed a reporting system for management-related information in the Pigeon Group. Furthermore, with regard to management-related information pertaining to consolidated subsidiaries, pursuant to each company's rules, the Company has constructed a system for the reporting of management-related information from each subsidiary company to the Company.

Disclosure Rules

・Important information related to the Pigeon Group shall be classified by its contents and importance into "legally required disclosure information," "individual disclosure information," and "other important information," and it shall be defined as management-related information.

・Disclosure of important information related to the Pigeon Group, such as quarterly earnings announcements and executive-level changes in management, shall be made promptly after resolutions of the Board of Directors. Furthermore, the Investor & Public Relations Department of the Corporate Administration Division shall be responsible for supervision of information disclosure.

・The Company has established disclosure control procedures, which are in conformity with the spirit of the Disclosure Policy, for management-related information. As a general rule, in accordance with the Tokyo Stock Exchange's Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security and the Like, the Company shall disclose legally required disclosure information on the system for notification of timely disclosure information, which is commonly referred to as TDnet and operated by the Tokyo Stock Exchange. Additionally, the Company shall promptly issue statements to the news media and perform disclosure procedures prescribed by other laws, regulations, and rules. Furthermore, the said information shall be posted on the Company's Web site promptly after disclosure.

・Disclosure of management-related information to only specific third parties is, as a general rule, prohibited. If such disclosure is made, the Company prescribes that disclosure of the said information shall be carried out by a method such as posting the contents promptly on the Company's Web site.

・The period from the day of completion of each fiscal quarter until the day of announcement of the financial results of the fiscal quarter in question shall be a Quiet Period. As a general rule, no replies shall be made to comments from external parties or inquiries concerning the results of the fiscal quarter in question.

2. Checking Function of the Internal System for Timely Disclosure
The Company has established, as its Internal Audit Department, an Audit Department with authority over the Company's internal control development and internal audits. The Audit Department develops the internal control and improves the internal audit system of each Group company.

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To verify whether fair, timely, and appropriate corporate information disclosure is made to all stakeholders including shareholders, investors, and local communities, the Audit Department regularly conducts internal audits of internal control of information disclosure processes in the Pigeon Group. The results of the internal audits are reported to the President and COO and to the Audit & Supervisory Board.

[Translation for Reference and Convenience Purposes Only]

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