[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.

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Company:	Pigeon Corporation
Representative:	Norimasa Kitazawa, President and Chief Operating Officer
Inquiries:	Tsutomu Matsunaga, Managing Officer, Business Strategy Division
Securities Code:	7956
URL:	https://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," as described below, comprising its Mission, Values, Action Principles and Vision, under its corporate philosophy of "Love" and its credo of "Only love can beget love," as the basis of its spirit and actions to be shared by all Pigeon Group employees, both in Japan and abroad.

The "Pigeon Way" is more than a mere slogan. The Company believes that having all employees become strongly aware of the "Pigeon Way" and putting it into action will inevitably improve corporate value, and that its corporate value encompasses both social and economic value. We are aiming to achieve the goal of improving social value mainly by becoming an indispensable part of society, while delivering joy and happiness to our target customers, by providing solutions and new value. The Company established the following six priority materialities (Key Issues) to be addressed in terms of Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG); 1) enhancement of business competitiveness and R&D capabilities, 2) Sustainable reduction of environmental impact, 3) enhancement of stakeholder support capability, 4) improvement of the quality of human resources, 5) creation of comfortable working environment, and 6) development of a solid management base, all of which will be incorporated into our business strategies. Meanwhile, we are aiming to achieve the goal of improving economic value mainly by increasing free cash flow consistently, efficiently, and strategically, as we move into the future.

Based on this approach, the Company defines corporate governance as "the system that pays due respect to the views of our shareholders, customers, employees, business partners and local communities, and that ensures transparent and fair as well as prompt and bold decision-making" and the purpose of corporate governance as the means to achieving "the Company's sustained growth and the improvement of corporate value in the medium- to long-term."

The Company will continue to further strengthen this system in accordance with the above definition and make efforts to continuously enhance its corporate governance in pursuit of further improving its corporate value.

<Pigeon Way>
Corporate Philosophy:

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Pigeon Corporation

CORPORATE GOVERNANCE

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.

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.

(Principle 3.1 Full Disclosure)
(iv) Policies and procedures of the Board of Directors for the appointment and dismissal of senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members

<Procedures for appointing and dismissing senior management>
The appointment and dismissal of senior management are referred to the Board of Directors to be decided, after the Representative Directors comprehensively consider the candidates' experience, perception, and character, as well as their level of contribution toward enhancing the corporate value of the Pigeon Group, while taking into account the views of Outside Directors.
Moving forward, the Company will consider clarification of the standards for appointment and dismissal from a more objective perspective.
<Procedures for nominating candidates for Directors>
Candidates for Directors are nominated by the Representative Directors, after comprehensively considering their experience, perception and character, and exchanging opinions with Outside Directors, in order to add objective perspective. They are then 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 Board of Directors 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.

(Supplementary Principle 4.1.3)

With regard to successor plans for the Chief Executive Officer (CEO), etc., the Company provides senior management with training opportunities to help them fully understand the roles and responsibilities demanded of the CEO, etc.
The Company provides a selection program for next-generation management training to employees who are candidates for senior management, and aims to foster human resources from an early stage.
Candidates for successor to the CEO are nominated by the Representative Directors, and determined after exchange of opinion with the Outside Directors, in order to add objective perspective. Moving forward, the Company will consider measures to further clarify these standards.

(Supplementary Principle 4.3.2)
Although the appointment and dismissal of the CEO is currently determined at the discretion of the Board of Directors, given the fact that this is the most important strategic decision that can be made by the Company, we will expend ample time and resources to appoint a qualified CEO, by considering more objective, timely, and transparent procedures.

(Supplementary Principle 4.3.3)
If the CEO is recognized not to be demonstrating his or her functions fully, a decision to dismiss the CEO is currently made at the discretion of the Board of Directors. Moving forward, the Company will consider objective, timely, and transparent procedures.

(Supplementary Principle 4.10.1)
With regard to remuneration for Directors, the Company has established a voluntary Remuneration Committee chaired by an Independent Director with a majority consisting of Independent Directors, as a voluntary advisory body to the Board of Directors, in order to increase the independence, objectivity, and transparency of the details of the executive remuneration system. The Remuneration Committee deliberates on matters such as the basic policy on executive remuneration and the details of the executive remuneration system, and provides advice and proposals to the Board of Directors. No independent voluntary advisory committee has been established regarding the nomination of senior management and Directors. Moving forward, the Company will consider objective, timely, and transparent procedures.

(Supplementary Principle 4.11.3)
To further improve the current state and management methods of the Board of Directors of the Company, we create opportunities to collect opinions and advice from Outside Directors and reflect them in the Board of Directors. Currently, attendees of the Board of Directors' meetings, including Outside Directors and Outside Audit & Supervisory Board Members, are holding active discussions. The Company continues to consider appropriate methods and criteria for evaluating the effectiveness of the Board of Directors, including questionnaire surveys and third-party evaluations.

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

1. Securing the Rights and Equal Treatment of Shareholders

(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 our shareholders with sufficient time for considering proposals, the Company sends the convocation notice no later than three 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. (referred to below as the "Tokyo Stock Exchange"), on the Electronic Voting Platform, and on the Company's website no later than approximately one 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, offers voting via the Internet and uses the Electronic Voting Platform.
- When investors who hold shares of the Company in street names express an interest in attending the General Meeting of Shareholders, the Company allows them to sit in after undergoing the necessary procedures, although it does not permit the exercise of voting rights. The necessary procedures are disclosed on the Company's website.

(Principle 1.3 Basic Strategy for Capital Policy)
The Company's business model is to generate profits efficiently from slim assets. We believe that the Company's current capital structure is fully capable of underpinning the future growth of the Group's businesses, without major reliance on outside financing.
The Company's Sixth Medium-Term Business Plan sets a WACC of 5% after disclosing the method for its calculation, and sets high targets that greatly exceed the Company's capital costs for PVA (Pigeon Value Added, a performance indicator), ROIC (return on invested capital), and ROE (return on equity). The Company carries out concrete measures to achieve these targets and discloses progress in biannual results briefings. For downsizing and improving the efficiency of working capital in particular, we set targets for CCC (cash conversion cycle), targets that the Group as a whole strives to meet. The WACC of 5% is used as the base hurdle rate for investment projects.
As for dividend policy, pursuant to our Sixth Medium-Term Business Plan, our target is to reach approximately 46.0 billion yen in operating cash flow over a three-year period, and to direct approximately 20.0 billion yen of that cash flow into capital investments and strategic M&As for growth. Meanwhile, our basic policy is to proactively return profits to shareholders while stabilizing our financial position, targeting year-on-year increases in cash dividends in each fiscal period and a total shareholder return ratio of 55% on a consolidated basis.

(Principle 1.4 Cross-Shareholdings)
The Company may hold shares as cross-shareholdings, with the aim of improving relations and collaboration with business partners. As of the submission date of this report, the Company holds only two stocks listed in Japan (65 million yen on its balance sheets as of January 31, 2019) as cross-shareholdings.
Regarding individual cross-shareholdings, the Company confirms the background and objectives of holding the shares, the status of transactions, and the potential for a medium- to long-term expansion of transactions, etc. The Company reviews whether or not shares can continue to be held each year, as well as the number of shares to hold, and obtains approval for cross-shareholdings by the Board of Directors, as a disclosure item of the annual securities report.
Furthermore, 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 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

(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 positive communication with people in local communities. With regard to the environment, in addition to complying with relevant laws and regulations, such as the Energy Saving Act and Law Concerning the Promotion of the Measures to Cope with Global Warming, the Company establishes energy-efficient systems and is promoting specific activities. As a supplier of daily commodities, we have a large lineup of environmentally friendly products that pay meticulous attention to each stage of the manufacturing process, including the selection of raw materials and parts, in order to avoid an adverse impact on the global environment, not only while our products are in use, but also after they have been discarded.

Specifically, the Company is engaged in the following initiatives.

- The Company is conducting joint research with the hospital and clinic neonatal intensive care units (NICUs) to develop exclusive products so that infants with low birth weight or disabilities can also drink mother's milk and packaged milk with minimal effort. These products include nipples for infants with low birth weight, nipples for babies with weak sucking function, and nursing bottles specially designed for babies with cleft lips and/or palates.
- The Pigeon Group has specified the volume of our greenhouse gas emissions, both direct and indirect. We have also established a consistent Groupwide method for calculating reductions in greenhouse gas emission volumes at our various factories, and strengthened our system for managing carbon dioxide emission reductions and electricity savings.
- For the raw materials of products, the Company is committed to the sustainable use of resources. For example, we do not use any natural rubber but instead use silicon rubber made from silicon and silica gel.
- The Company is very stringent and cautious when selecting raw materials and ingredients to ensure that they are derived from food additives that have no impact on the human body. For our body soaps and other liquids and detergents, we strive to prevent pollution by identifying sources of pollution and waste related to our production activities while working to reduce the volume of waste and minimize the operation time of our waste incinerators.
- The Pigeon Group 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.
- The Company launched the "Pigeon Smile Breastfeeding Period Research Group" in collaboration with various experts on mothers and babies during breastfeeding, with the aim of identifying issues faced while breastfeeding and providing solutions to them. 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."
- The Company established the "Pigeon Scholarship Foundation" with the aim of realizing 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. To that end, the foundation provides scholarship support, without obligation of repayment, to students in the neonatal, pediatric, and obstetrics departments of universities (students majoring in medicine at domestic general universities or medical universities).
- In China, aid to elementary schools impacted by the Sichuan Earthquake of 2008 grew into an effort to build and donate schools in areas without an adequate educational infrastructure. Moving forward, the Company plans to donate one school per year.

(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, in an effort to provide a rewarding workplace that encourages our employees to have pride and motivation in working for the Pigeon Group over the long term, we are engaged in the following initiatives, stated in 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."

- We are upgrading various frameworks and systems to create a comfortable working environment for our employees, while building a corporate culture that helps our employees perform their tasks more easily and providing them with opportunities to participate in capacity development, training, and practice. We are particularly committed to upgrading various systems and facilities to support employees in terms of balancing work and child-care, and developing an environment conducive to the advancement of women. These include setting up a breastfeeding/pumping room called the Lactation Lounge, promoting our work-at-home system, and launching the "Life Design Leave," a system enabling employees to take time off for fertility treatment. Moreover, to encourage male employees to take an active part in child-care, we adopted a parental leave plan called "One Month Together," offering one month's paid leave to male employees to encourage more men to take parental leave, aiming at fostering employees who are well versed on the subject of raising children.
- To discourage excessively long working hours, foster a good work-life balance, and increase labor productivity, the Company has implemented various measures including a rule to leave the workplace by 7:00 p.m. and setting one day per week as a "no overtime day."

(Principal 2.6 Roles of Corporate Pension Funds as Asset Owners)
The Company has introduced a corporate defined contribution pension plan to support the asset formation of its employees. The Company's financial status will never be affected by the future performance of pension management. Furthermore, in order to support our employees' asset formation, we brief all new permanent employees regarding the features of the pension management institutions, managed products, and methods of selection. We also strive to enrich our employees' knowledge regarding asset management, through use of the educational tools provided by the pension management institutions, etc.

3. Ensuring Appropriate Information Disclosure and Transparency

(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 Sixth Medium-Term Business Plan on its website.
  Please refer to the following URL:
  https://www.pigeon.com/ir/assets/pdf/20170314tyuukei_e.pdf
  The Company also reports on its progress in IR materials, such as Integrated Reports and HEART REPORTs, which are also available on the Company's website at the following URL:
  https://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" commensurate with position, "bonuses" provided as short-term incentives, and "stock remuneration" provided as a medium- to long-term incentive. The retirement benefits system for Directors was abolished as of the conclusion of the 62nd Ordinary General Meeting of Shareholders, held on April 25, 2019.

Basic remuneration amounts are determined for each position, according to the level of the responsibilities of duties. Bonus amounts will vary within a range from 0% to 150%, in accordance with the achievement level of the Pigeon Group, with respect to consolidated business performance (net sales, operating income, and PVA). The stock remuneration consists of 60% performance-linked remuneration and 40% non-performance-linked remuneration. In principle, the performance-linked remuneration will vary within a range from 0% to 150%, in accordance with the achievement level against benchmarks, including the performance indicators and non-financial indicators set out in the Medium-Term Business Plan. In fiscal year 2019, due in part to introduction of the system during the Medium-Term Business Plan, the performance-linked remuneration will vary within a range from 0% to 150%, in accordance with the achievement level against consolidated business performance (net sales, operating income, and PVA). Remuneration for Outside Directors is limited to "basic remuneration," in order to further safeguard their independence from the management of the Company.
Remuneration for executives is determined by the Board of Directors, following deliberations by the Remuneration Committee, within the limit for the remuneration for Directors approved by the 62nd Ordinary General Meeting of Shareholders, held on April 25, 2019 (a maximum of 800 million yen per year (including a maximum of 100 million yen per year for Outside Directors); however, this amount does not include the employee salary portion for those Directors who serve concurrently as employees). The Remuneration Committee is an advisory body to the Board of Directors, established to increase the independence, objectivity, and transparency of the details of the executive remuneration system. In accordance with the Company's Remuneration Committee Rules, the Remuneration Committee is chaired by an Independent Director, and the majority of its members are Independent Directors. The committee meets at least twice per year, deliberates on matters such as the basic policy on executive remuneration and the details of the executive remuneration system, and provides advice and proposals to the Board of Directors.

An overview of the executive remuneration policy is shown below.

<Basic policy on executive remuneration>
The Company's basic policy on remuneration for Directors (hereinafter referred to as "executive remuneration" in this policy) shall be as follows, in accordance with the Company's basic policy regarding corporate governance:

1. It should contribute to "management that improves the corporate value" of the Group over the medium- to long-term;
2. It should contribute to the hiring of talented managers toward the achievement of "Global Number One," based on the "Pigeon Way"; and
3. The remuneration system should be highly independent, objective, and transparent, and accountable to stakeholders.

<Remuneration levels>
The Company determines levels of executive remuneration in accordance with the aforementioned basic policy on executive remuneration, after surveying and analyzing its business environment and the compensation levels in its peer group of companies in the same industry (manufacturing) and of the same size, through external databases, etc.

<Remuneration mix>
The remuneration for the Company's Directors (excluding Outside Directors) consists of "basic remuneration" commensurate with position, "bonuses" provided as short-term incentives, and "stock remuneration" provided as a medium- to long-term incentive. The remuneration for Outside Directors and Audit & Supervisory Board Members consists of "basic remuneration" only.

(iv) Policies and procedures of the Board of Directors for the appointment and dismissal of senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members

<Procedures for appointing and dismissing senior management>

The appointment and dismissal of senior management are referred to the Board of Directors to be decided, after the Representative Directors comprehensively consider the candidates' experience, perception, and character, as well as their level of contribution toward enhancing the corporate value of the Pigeon Group, while taking into account the views of Outside Directors. Moving forward, the Company will consider clarification of the standards for appointment and dismissal from a more objective perspective.
<Procedures for nominating candidates for Directors>
Candidates for Directors are nominated by the Representative Directors by comprehensively considering their experience, perception 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 Board of Directors 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 and dismissals 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 61st Ordinary General Meeting of Shareholders (Reference Documents for the General Meeting of Shareholders) (URL: https://www.pigeon.com/ir/assets/pdf/180404e_syousyu.pdf), the Notice of the 62nd Ordinary General Meeting of Shareholders (Reference Documents for the General Meeting of Shareholders) (URL: https://www.pigeon.com/ir/assets/pdf/190403e_syousyu.pdf) posted on the Company's website.
If a senior management is dismissed, the Company shall disclose the dismissal in a timely and appropriate manner.

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 Directors 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 for the role of Outside Directors in the supervising functions for the execution of business. Accordingly, the Board of Directors operates in a way that elicits lively opinions from Outside Directors, who give advice, etc., on the Company's management strategies and take the role of enhancing corporate governance and supervising the appropriateness of decision-making. The four Audit & Supervisory Board Members, including two 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 4.9 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 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 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 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 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 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 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 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, perception, 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 (9 meetings of the Board of Directors were held in the 62nd fiscal year ended January 31, 2019) in advance, and schedules the meetings so that members are able to attend.

(Supplementary Principle 4.11.3)
To further improve the current state and management methods of the Company's Board of Directors, we create opportunities to collect opinions and advice from Outside Directors and reflect them in the Board of Directors. Currently, attendees of the Board of Directors' meetings, including Outside Directors and Outside Audit & Supervisory Board Members, are holding active discussions. The Company continues to consider appropriate methods and criteria for evaluating the effectiveness of the Board of Directors, including questionnaire surveys and third-party evaluations.

(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 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)
In accordance with the Company's Disclosure Policy, the Company strives to disclose fair, timely, and appropriate information to its shareholders and investors.
The Business Strategy Department has been established as the department in charge of IR, and the responsible person in charge is the Business Strategy Division Manager. The Company holds second quarter and annual results briefings as well as Medium-Term Business Plan briefings, which are attended by the President and COO, and others. With a view toward increasing the transparency and reliability of operating information, domestic and overseas IR activities are carried out with the attendance of the Director in charge of the IR Department, the President and COO, other Internal Directors, and Outside Directors, based on meeting content and necessity.
For details regarding IR activities, please refer to the III. 2. Investor Relations Activities, below.

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)	6,213,000	5.10
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	4,679,000	3.84
SMBC NIKKO SECURITIES INC.	4,145,200	3.40
THE BANK OF NEW YORK MELLON 140042	3,710,578	3.05
BBH FOR MATTHEWS ASIA DIVIDEND FUND	3,077,300	2.52
Y. N Co., Ltd	3,000,000	2.46
BNYMSANV RE MIL RE FSI ICVC-STEWART INV ASIA PACIFIC LEADERS FD	2,977,300	2.44
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 5)	2,371,400	1.94
THE BANK OF NEW YORK MELLON 140044	2,240,838	1.84
JAPAN SECURITIES FINANCE CO., LTD.	2,152,100	1.76

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 Matthews International Capital Management, LLC on December 9, 2016, stating that it held 6,622,000 shares
2) Report of Possession of Large Volume (Change Report) submitted by three affiliates of Mitsubishi UFJ Financial Group, Inc. on November 5, 2018, stating that they held 5,447,000 shares
3) Report of Possession of Large Volume (Change Report) submitted by Baillie Gifford & Co. and one of its affiliates on November 27, 2018, stating that they held 13,073,000 shares
4) Report of Possession of Large Volume submitted by BlackRock Japan Co., Ltd. and seven of its affiliates on December 6, 2018, stating that they held 6,844,000 shares
5) Report of Possession of Large Volume (Change Report) submitted by Matthews International Funds on December 14, 2018, stating that it held 4,836,000 shares
6) Report of Possession of Large Volume (Change Report) submitted by Aberdeen Standard Investments (Japan) Limited and four of its affiliates on February 7, 2019, stating that they held 5,340,000 shares
7) Report of Possession of Large Volume submitted by Nomura Securities Co., Ltd. and one of its affiliates on February 7, 2019, stating that they held 6,470,000 shares
8) Report of Possession of Large Volume submitted by the two affiliates of Sumitomo Mitsui Trust Bank, Limited on February 21, 2019, stating that they held 6,232,000 shares
9) Report of Possession of Large Volume (Change Report) submitted by Colonial First State Asset Management (Australia) Limited and two of its affiliates on April 18, 2019, stating that they held 8,023,000 shares
10) Report of Possession of Large Volume submitted by JPMorgan Securities Japan Co., Ltd. and three of its affiliates on April 19, 2019, stating that they held 6,189,000 shares

3. Corporate Attributes

Stock Exchange Listings and Market Classification	First Section, Tokyo Stock Exchange
Fiscal Year-end	December
Industry	Other products
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	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	3
Number of Outside Directors Designated as Independent Officers	3

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											
Erika Okada	Academic											

* 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, and has been appropriately executing his duties as an Outside Director to enhance corporate governance by providing advice, etc., on the Company's management strategies from the perspective of management focused on shareholders by keeping in mind capital efficiency. 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) CEO of Hatoyama Soken Corporation, Outside Director of LINE Corporation, Outside Director of transcosmos inc.	He has abundant management experience and a wealth of knowledge in establishing and executing international business strategy in operating companies, and he has been appropriately executing his duties as an Outside Director to enhance corporate governance by providing advice, etc., on the Company's management strategies. 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.

Name	Independent Officer	Supplementary Explanation relating to These Items	Reason for Election
Erika Okada	○	Designated as an Independent Officer (Significant Concurrent Positions) Professor, Graduate School of Hitotsubashi University Outside Director of Resona Bank, Limited	She is currently using her high level of expertise regarding marketing, nurtured through research at universities and graduate schools, along with her international perspective, nurtured through research experience at overseas universities, to appropriately execute her duties as an Outside Director to enhance corporate governance by providing advice and proposals. Therefore, the Company has appointed her as an Outside Director. Furthermore, the Company has designated her 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	Yes

Status of Voluntary Committees, Composition of Members, and Attributes of Chairperson

	Name of Committee	Total Members	Standing Members	Internal Directors	Outside Directors	Outside Experts	Others	Chair-person
Voluntary Committee Equivalent to a Nominating Committee	-	-	-	-	-	-	-	-
Voluntary Committee Equivalent to a Remuneration Committee	Remuneration Committee	5	0	2	3	0	0	Outside Director

Supplementary Explanation
At the meeting of the Board of Directors held on December 3, 2018, the Board resolved to establish a voluntary Remuneration Committee chaired by an Independent Director with a majority consisting of Independent Directors, as an advisory body to the Board of Directors, in order to increase the independence, objectivity, and transparency of the details of the executive remuneration system. The committee also met on the same day. The Remuneration Committee meets at least twice per year, deliberates on matters such as the basic policy on executive remuneration and the details of the executive remuneration system, and provides advice and proposals to the Board of Directors. In order to introduce an objective perspective from outside of the Company, as well as expertise on the executive remuneration system, the Company employs an outside remuneration consultant, with whose support it considers the details of the remuneration system, while taking into account matters such as external data, the economic environment, industry trends, and management conditions.

[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, formulates annual plans based on assessments of risk within the Pigeon Group, and conducts regular internal audits of the Company and its domestic and overseas subsidiaries, from the perspective of confirming operational effectiveness, efficiency, compliance, and asset preservation. Audit results are reported to the President and COO and 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.

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	1

Relationship with the Company (1)

Name	Attributes	Relationship with the Company *												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Koichi Otsu	From another company												○	
Atsuko Taishido	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
Koichi Otsu	○	Mr. Otsu is a part-time lecturer at Waseda Business School (Graduate School of Business and Finance), and while the Company has donated an annual amount of two million yen to the university (for the year ended January 31, 2019), this donation amount is small, as stated above. Accordingly, he has been judged to have no risk of a conflict of interest occurring with general shareholders, and has been designated as an independent officer. (Significant Concurrent Positions) President of Otsu International, Inc., Visiting Professor at Tama Graduate School of Management and Information Sciences, Outside Director and Audit & Supervisory Committee Member of Sprix, Ltd.	He has professional expertise and deep foresight in the realm of accounting and finance. He is sufficiently experienced in providing recommendations and proposals regarding management from a broad perspective and teaching corporate finance at a variety of educational institutions. The Company considers that he can utilize his hands-on management experience to provide advice and proposals, in addition to the insights in his areas of expertise. In light of the above, the Company deems that he is capable of performing duties as an Outside Audit & Supervisory Board Member. Therefore, the Company has appointed him as a new Outside Audit & Supervisory Board Member. Furthermore, the Company has designated him as an independent officer because it is judged that, although he falls under Rule 211, Paragraph 4, Item 6, Clause j of the Enforcement Rules for Securities Listing Regulations in 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, the involved amount is small, as indicated at left, and thus 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
Atsuko Taishido		It is judged that there is no risk of a conflict of interest occurring between Ms. Taishido and general shareholders, as she does not fall 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. However, in accordance with the rules set by Mori Hamada & Matsumoto, to which she belongs, the Company has not designated or registered her as an independent officer. (Significant Concurrent Positions) Partner of Mori Hamada & Matsumoto, Outside Audit & Supervisory Board Member of Kanda Holdings Co., Ltd., Outside Audit & Supervisory Board Member of Jupiter Telecommunications Co., Ltd.	She has professional expertise as an attorney and high-level insight regarding various risks in global corporate management. She possesses experience particularly in providing professional advice and proposals to the management in the realm of corporate governance and internal control. The Company considers that she will utilize her abundant experience in solving corporate management problems of many companies as an attorney to provide advice and recommendations from a range of viewpoints. In light of the above, the Company deems that she is capable of performing duties as an Outside Audit & Supervisory Board Member. Therefore, the Company has appointed her as a new Outside Audit & Supervisory Board Member.

[Independent Officers]

Number of Independent Officers	4

Other Information on Independent Officers

The main activities of the independent directors/Audit & Supervisory Board Members during the fiscal year ended January 31, 2019 (the fiscal year from February 1, 2018 to January 31, 2019) are as follows.

Takayuki Nitta

Mr. Nitta attended all nine meetings of the Board of Directors and all two meetings of the voluntary Remuneration Committee held during the fiscal year under review. 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 regarding the Company's management strategy, and has also been providing advice and proposals to enhance the objectivity of the Board of Directors and corporate governance.

Rehito Hatoyama

Mr. Hatoyama attended all nine meetings of the Board of Directors and all two meetings of the voluntary Remuneration Committee held during the fiscal year under review. By leveraging his wealth of knowledge and experience in management in establishing and executing international business strategy in operating companies, he has been providing advice and proposals, and has also been providing advice and proposals to enhance the objectivity of the Board of Directors and corporate governance.

Erika Okada

Ms. Okada attended five of the six meetings of the Board of Directors and one of the two meetings of the voluntary Remuneration Committee held since she took office on April 26, 2018, during the fiscal year under review. By leveraging her high level of expertise regarding marketing, nurtured through research at universities and graduate schools, and her international perspective, nurtured through research experience at overseas universities, she has been providing advice and proposals, and has also been providing advice and proposals to enhance the objectivity of the Board of Directors and corporate governance.

Koichi Otsu

Mr. Otsu was elected and took office as an Outside Audit & Supervisory Board Member at the 62nd Ordinary General Meeting of Shareholders, held on April 25, 2019.

Atsuko Taishido

Ms. Taishido was elected and took office as an Outside Audit & Supervisory Board Member at the 62nd Ordinary General Meeting of Shareholders, held on April 25, 2019.

[Incentives]

Status of Implementation of Measures to Grant Incentives to Directors	Introduction of the performance-linked remuneration system

Supplementary Explanation Relating to These Items

For the Company's Directors (excluding Outside Directors), the Company has introduced a system of "bonuses" as incentives linked to short-term business performance and "stock remuneration" as incentive linked to medium- to long-term business performance. For details regarding this system, please refer to the "Disclosed Policy for Deciding the Amounts or Calculation Method of Remuneration," below.

Grantees of Stock Options	

Supplementary Explanation Relating to These Items

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[Directors' Remuneration]

Disclosure Status (of Individual Directors' Remuneration)	Partial disclosure

■ Supplementary Explanation Relating to These Items

The total amount of remuneration, etc., paid to the Company's Directors in the 62nd fiscal year (the fiscal year ended January 31, 2019) is as follows. This information is also disclosed in the business report and the annual securities report.
11 Directors: 457 million yen (including three Outside Directors: 32 million yen)

Directors with total remuneration equal to or exceeding 100 million yen are also disclosed individually in the annual securities report.

Policy for Deciding the Amounts or Calculation Method of Remuneration	Yes

■ Disclosed Policy for Deciding the Amounts or Calculation Method of Remuneration

Remuneration for Directors is comprised of "basic remuneration" commensurate with position, "bonuses" provided as short-term incentives, and "stock remuneration" provided as a medium- to long-term incentive. The retirement benefits system for Directors was abolished as of the conclusion of the 62nd Ordinary General Meeting of Shareholders, held on April 25, 2019.
Basic remuneration amounts are determined for each position, according to the level of the responsibilities of duties. Bonus amounts will vary within a range from 0% to 150%, in accordance with the achievement level of the Pigeon Group, with respect to consolidated business performance (net sales, operating income, and PVA). The stock remuneration consists of 60% performance-linked remuneration and 40% non-performance-linked remuneration. In principle, the performance-linked remuneration will vary within a range from 0% to 150%, in accordance with the achievement level against benchmarks, including the performance indicators and non-financial indicators set out in the Medium-Term Business Plan. In fiscal year 2019, due in part to introduction of the system during the Medium-Term Business Plan, the performance-linked remuneration will vary within a range from 0% to 150%, in accordance with the achievement level against consolidated business performance (net sales, operating income, and PVA).
Remuneration for Outside Directors is limited to "basic remuneration," in order to further safeguard their independence from the management of the Company.
Remuneration for executives is determined by the Board of Directors, following deliberations by the Remuneration Committee, within the limit for the remuneration for Directors approved by the 62nd Ordinary General Meeting of Shareholders, held on April 25, 2019 (a maximum of 800 million yen per year (including a maximum of 100 million yen per year for Outside Directors); however, this amount does not include the employee salary portion for those Directors who serve concurrently as employees). The Remuneration Committee is an advisory body to the Board of Directors, established to increase the independence, objectivity, and transparency of the details of the executive remuneration system. In accordance with the Company's Remuneration Committee Rules, the Remuneration Committee is chaired by an Independent Director, and the majority of its members are Independent Directors. The committee meets at least twice per year, deliberates on matters such as the basic policy on executive remuneration and the details of the executive remuneration system, and provides advice and proposals to the Board of Directors.

[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 Business Strategy 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.

[Status of Retired Representative Director and President, etc.]

■ Information on consultants, advisors, etc., who are former Representative Director and President, etc.

Name	Position/Title	Duties	Type of Work/Conditions (Full/Part-Time, Paid/Unpaid, etc.)	Date of Retirement	Term of Office
-	-	-	-	-	-

Total number of consultants, advisors, etc., who are former Representative Director and President, etc.	0

■ Other Matters

After retiring as Representative Directors, individuals may serve as officers of industry groups. The Company had a fixed-term (two-year) part-time advisor system; however, due to the abolishment of this system, no advisor agreements were concluded with former Representative Directors that retired at the conclusion of the 62nd Ordinary General Meeting of Shareholders, held on April 25, 2019.

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 10 Directors (9 men and one woman; 9 Japanese and one non-Japanese), including three Outside Directors, and four Audit & Supervisory Board Members (three men and one woman, all of whom are Japanese), 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 sustained 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 lively opinions of Outside Directors as well as the internal and Outside Audit & Supervisory Board Members, thereby strengthening the business-execution supervision functions.

An Outside Director gives advice, etc., on the Company's management strategies and takes the role of improving the appropriateness 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, etc., we are striving to improve the supervision 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 carries out frank 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 all Directors and Audit & Supervisory Board Members 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 performed accounting or audit work for the Company for the 62nd fiscal year (the fiscal year ended January 31, 2019) are Mami Kato, Engagement Partner, and Chie Ukai, Engagement Partner, both of PricewaterhouseCoopers Aarata LLC.

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, to enhance corporate governance and further improve its corporate value, the Company elected one Outside Director at the 58th Ordinary General Meeting of Shareholders, held on April 28, 2015, one Outside Director at the 59th Ordinary General Meeting of Shareholders, held on April 27, 2016, and one Outside Director at the 61st Ordinary General Meeting of Shareholders, held on April 26, 2018, bringing the current total number of Outside Directors to three.

Furthermore, as a company with an Audit & Supervisory Board, the Company appoints four Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members), who supervise the legality of the decision-making of the Board of Directors. 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 years. The two 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 weeks prior to the date of the General Meeting of Shareholders
Allowing the Electronic Exercise of Voting Rights	The exercise of voting rights using a PC, smartphone or mobile phone is 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.
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 approximately one month before the date of the General Meeting of Shareholders, and disclose the results of voting at the General Meeting of Shareholders (in Japanese and English) on the Company's website. When investors who hold shares of the Company in street names express an interest in attending the General Meeting of Shareholders, the Company allows them to sit in after undergoing the necessary procedures. The necessary procedures are disclosed on the Company's website. Furthermore, 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 setting up a temporary daycare center during the Meeting.

2. Investor Relations Activities

	Supplementary Explanation	Explanation by Representative
Establishment and Publication of Disclosure Policies	Available via the Company Website. Please refer to the following URL. https://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 and COO. From this fiscal year, the Company also plans to hold teleconferences at the end of the first and third quarters, in order to provide results briefings and hold question and answer sessions. In addition, the Company holds small meetings and individual meetings as needed, with the participation of the President and COO 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
Posting Investor Relations Materials on the Company Website	On an IR site that it has prepared on its Website, the Company discloses IR materials in Japanese (https://www.pigeon.co.jp/ir/) and English (https://www.pigeon.com/ir/). Available IR materials include Summaries of financial results, results briefing materials, Integrated Reports, Fact Books, 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 a Business Strategy Department through which it promotes IR activities. The responsible person in charge is a managing officer and the division manager of the Business Strategy 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.
Promotion of Environmental Protection, Corporate Social Responsibility (CSR), and Other Activities	The Pigeon Group has obtained ISO-14001 certification for environmental management systems at many of its business offices and affiliated companies. Our environmental activities are not aimed simply at temporarily reducing the environmental impact, but at maintaining an upward spiral for our environmental management systems by adopting the PDCA cycle. The Tsukuba Office and PHP Hyogo Corporation in Japan as well as Pigeon Industries (Thailand) Co., Ltd., Thai Pigeon Co., Ltd., Pigeon Manufacturing (Shanghai) Co., Ltd., and Lansinoh Laboratories Medical Devices Design Industry and Commerce Ltd. Co. overseas have obtained ISO-14001 certification. Furthermore, the Company has been conducting the Newborn Baby Commemorative Tree-Planting Campaign every year since 1986, with more than 140,000 trees planted thus far. The campaign not only helps create lifelong memories for parents and children but also contributes to safeguarding the environment by protecting forests. The Company hopes that this initiative is making a modest contribution to raising awareness of conserving the global environment. In China, since supporting primary schools which were damaged by the Sichuan Earthquake in 2008, we have continued to construct and donate schools to areas with an underprivileged educational environment every year. In the future, we plan to continue donating school buildings at the pace of one building per year.

	Supplementary Explanation
Establishment of Policy Concerning Disclosure of Information to Stakeholders	The Company states its approach to disclosure of information to stakeholders in the Code of Conduct, which has been established based on the aforementioned Corporate Ethics Policies, as per the following: ・ The Company discloses information in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other related regulations, in a timely and appropriate manner. ・ The Company strives to disclose information, excluding trade secrets held by the Company and information subject to confidentiality agreements, to stakeholders in an accurate and timely manner and maintain the transparency of its corporate activities. ・ The Company strives to always maintain positive communication with society through its public relations activities, while at the same time taking criticism of and comments on the disclosed information seriously and applying them to its corporate activities.

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 and COO.

- 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 and COO. 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 biannually and when 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.

● 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 group companies, the Business Strategy 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, the Compliance Self-Check is conducted once per year, as a survey to gauge and improve the degree of awareness and knowledge of compliance of each employee. Each department also holds meetings with themes such as the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the Act against Unjustifiable Premiums and Misleading Representations, and other laws related to the Company's business, and compliance issues such as harassment.

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. The details of the compliance education and the reports received via the internal reporting system are reported to the Board

of Directors and the Audit & Supervisory Board each year.

● 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, 2015, and 2017.

● Investor Relations Activities

In its IR activities, the Company holds second quarter and annual results briefings and Medium-Term Business Plan briefings, as well as briefings for individual investors, and strives to improve its website (both the Japanese and English versions). Furthermore, from this fiscal year, the Company also plans to hold teleconferences at the end of the first and third quarters, in order to provide results briefings. The Company actively promotes IR activities aimed at all shareholders including institutional investors, thus striving for prompt and accurate information disclosure, with a view toward increasing the transparency and reliability of operating information through domestic and overseas IR activities, with attendance of the Director in charge of the IR Department, the President and COO, other Internal Directors, and Outside Directors.

● 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 Website (https://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>

(i) 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.

(ii) 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 Business Strategy Department of the Business Strategy Division shall be responsible for supervision of information disclosure.

(iii) 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 Website promptly after disclosure.

(iv) 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 Website.

(v) 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.

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]

Pigeon Corporation

CORPORATE GOVERNANCE

