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Pigeon Corporation

Notice of the 62nd Ordinary General Meeting of Shareholders

April 3, 2019

Dear Shareholders,

Pigeon Corporation (the “Company”) cordially invites you to attend the 62nd Ordinary General Meeting of Shareholders of Pigeon Corporation (the “Meeting”). The details of the Meeting are provided below.

If you are unable to attend in person, you may exercise your voting rights in writing or electronically (via the Internet, etc.). After reviewing the Reference Documents for the General Meeting of Shareholders provided herewith, please exercise your voting rights through either of the methods described in page 3 by 5:15 p.m., Wednesday, April 24, 2019 (JST).

Sincerely yours,

Shigeru Yamashita
President and COO
Pigeon Corporation
4-4, Nihonbashi-Hisamatsu-cho,
Chuo-ku, Tokyo

Meeting Information

1. Date and Time:

Thursday, April 25, 2019, at 10:00 a.m. (JST)

2. Place:

Royal Park Hotel, 3F, Royal Hall
1-1, Nihonbashi-Kakigara-cho 2-chome, Chuo-ku, Tokyo

3. Purpose of the Meeting

Matters to Be Reported:

- a. Business Report and Consolidated Financial Statements for the 62nd Fiscal Year (from February 1, 2018 to January 31, 2019), as well as the audit reports on the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
- b. Non-Consolidated Financial Statements for the 62nd Fiscal Year (from February 1, 2018 to January 31, 2019)

Matters to Be Resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Partial Amendments to Articles of Incorporation
- Proposal 3:** Election of Four (4) Audit & Supervisory Board Members
- Proposal 4:** Election of One (1) Substitute Audit & Supervisory Board Member
- Proposal 5:** Payment of Retirement Benefits to Retiring Director
- Proposal 6:** Final Payment Associated with Abolishment of the Retirement Benefits System for Directors
- Proposal 7:** Revision of the Amount of Remuneration for Directors
- Proposal 8:** Determination of the Amount and Details of the Performance-linked Stock Remuneration, etc. for Directors

4. Exercise of Voting Rights

Please be informed that if voting rights are exercised both in writing and by the Internet, etc., the contents of the votes by the Internet, etc. shall be deemed valid.

If voting rights are exercised multiple times via the Internet, etc., the final vote cast will be considered effective. (However, this is restricted to the votes cast before the deadline for the exercise of voting rights.)

Notes:

- * You are kindly requested to submit the enclosed Voting Form to the receptionist when you attend the Meeting.
- * If any changes have been made to items in the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Non-Consolidated Financial Statements, such changes will be posted on the Company's website (<https://www.pigeon.co.jp/>).
- * Pursuant to the provisions of laws and regulations and the Company's Articles of Incorporation, the following items are posted on the Company's website (<https://www.pigeon.co.jp/>) and not contained in the documents provided with this notice; however, those items were audited by the Audit & Supervisory Board Members and the Accounting Auditor in preparing the audit reports in the same manner as the documents provided with this notice.
 - (1) Notes to consolidated financial statements
 - (2) Notes to non-consolidated financial statements

Guidance for Methods of Exercise of Voting Rights

In case you are attending the Meeting

Please submit the enclosed Voting Form to reception at the meeting venue.

Date and time: **Thursday, April 25, 2019, at 10:00 a.m. (JST)**
(Reception starts at 9:00 a.m.)

Place: **Royal Park Hotel, 3F, Royal Hall**

In case you are unable to attend the Meeting

Exercise of voting rights in writing

Please indicate your approval or disapproval for each of the proposals on the enclosed Voting Form and return it to us by mail.

If you do not indicate your approval or disapproval for a proposal, you will be assumed to have approved the proposal.

Exercise deadline: No later than 5:15 p.m. on Wednesday, April 24, 2019 (JST)

Exercise of voting rights via the Internet, etc.

Please access <https://evote.tr.mufg.jp/>, log in using the Login ID and Temporary Password indicated on the enclosed Voting Form and indicate your approval or disapproval by following the instructions on the screen.

* For details, please contact the Help Desk provided below.

Exercise deadline: No later than 5:15 p.m. on Wednesday, April 24, 2019 (JST)

* Please note that votes cannot be accepted from 2:00 a.m. to 5:00 a.m.

Inquiries related to systems, etc.

Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency Division (Help Desk)

Phone: 0120-173-027 (toll-free, within Japan)

Hours: 9:00 a.m. to 9:00 p.m.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

The Company hereby makes the following proposal on the appropriation of surplus:

Year-end dividends

The Company views the return of profits to shareholders as an important management priority. Our basic policy is to proactively return profits to shareholders through distribution of dividends from surplus and other means, while reinforcing our financial position by taking into consideration the medium-term changes in business conditions and the Pigeon Group's business strategies. Pursuant to our Sixth Medium-Term Business Plan (from the year ended January 31, 2018 through the year ending January 31, 2020), we have listed "year-on-year increases in cash dividends in each fiscal period" and "a total shareholder return ratio of 55% on a consolidated basis" as our goals.

Based on the above policy, we propose the appropriation of surplus for the current fiscal year as described below.

1. Type of dividend property:

Cash

2. Dividend property allotment and total amount thereof

Dividend per common share of the Company: ¥34

Total amount of dividends: ¥4,071,866,588

3. Effective date of distribution of dividends from surplus:

April 26, 2019

<Reference>

Record date	Dividend per share		
	Interim dividend	Year-end dividend	Annual dividend
January 31, 2018	¥31.00	¥35.00	¥66.00
January 31, 2019	¥34.00	¥34.00	¥68.00

* The annual dividend per share for the year ended January 31, 2019 is ¥68, an increase of ¥2 compared to the previous year.

Proposal 2: Partial Amendments to Articles of Incorporation

1. Reasons for the Proposal

- (1) The Company’s fiscal year has heretofore been from February 1 of each year to January 31 of the following year. However, by making the Company’s accounting period consistent with its overseas consolidated subsidiaries, the Company seeks to promote global business management and enhance the transparency of management information. In order to respond to unification of the accounting periods of consolidated companies, as stipulated in the International Financial Reporting Standards (IFRS), of which the Company is considering for future application, the Company proposes to change its fiscal year to the period from January 1 to December 31 of each year, and to make necessary amendments to Articles 12 (Convocation), 13 (Record Date for Ordinary General Meeting of Shareholders), 36 (Fiscal Year), 37 (Record Date for Distribution of Dividends from Surplus), and 38 (Interim Dividends) of the current Articles of Incorporation. In addition, in conjunction with this change, as the 63rd fiscal year will be the 11-month period from February 1, 2019 to December 31, 2019, Articles 1 to 3 of the Supplementary Provisions will be also established as a transitional measure.
- (2) As the “Act Partially Amending the Companies Act” (Act No. 90 of 2014) came into effect on May 1, 2015, the Company proposes to make necessary amendments to paragraph 3 of Article 30 (Term of Office of Audit & Supervisory Board Members) of the current Articles of Incorporation.

2. Details of Amendments

Details of the amendments are stated below.

(Amendments underlined)

Current Articles of Incorporation	Proposed Amendments
<p>CHAPTER 3. GENERAL MEETING OF SHAREHOLDERS</p> <p>Article 12. (Convocation) An Ordinary General Meeting of Shareholders of the Company shall be convened in <u>April</u> of each year, and an Extraordinary General Meeting of Shareholders shall be convened from time to time, whenever necessary.</p> <p>Article 13. (Record Date for Ordinary General Meeting of Shareholders) The record date for voting rights for Ordinary General Meeting of Shareholders of the Company shall be <u>January 31</u> of each year.</p>	<p>CHAPTER 3. GENERAL MEETING OF SHAREHOLDERS</p> <p>Article 12. (Convocation) An Ordinary General Meeting of Shareholders of the Company shall be convened in <u>March</u> of each year, and an Extraordinary General Meeting of Shareholders shall be convened from time to time, whenever necessary.</p> <p>Article 13. (Record Date for Ordinary General Meeting of Shareholders) The record date for voting rights for Ordinary General Meeting of Shareholders of the Company shall be <u>December 31</u> of each year.</p>
<p>CHAPTER 5. AUDIT & SUPERVISORY BOARD MEMBERS AND AUDIT & SUPERVISORY BOARD</p> <p>Article 30. (Term of Office of Audit & Supervisory Board Members) 1. and 2. (Omitted)</p>	<p>CHAPTER 5. AUDIT & SUPERVISORY BOARD MEMBERS AND AUDIT & SUPERVISORY BOARD</p> <p>Article 30. (Term of Office of Audit & Supervisory Board Members) 1. and 2. (No change)</p>

Current Articles of Incorporation	Proposed Amendments
<p>3. A resolution for the election of any substitute Audit & Supervisory Board Member, elected pursuant to <u>Paragraph 2</u>, Article 329 of the Companies Act, shall be effective until the commencement of the Ordinary General Meeting of Shareholders to be held for the last fiscal year ending within four (4) years after the election of the substitute Audit & Supervisor Board Member.</p> <p>4. (Omitted)</p>	<p>3. A resolution for the election of any substitute Audit & Supervisory Board Member, elected pursuant to <u>Paragraph 3</u>, Article 329 of the Companies Act, shall be effective until the commencement of the Ordinary General Meeting of Shareholders to be held for the last fiscal year ending within four (4) years after the election of the substitute Audit & Supervisor Board Member.</p> <p>4. (No change)</p>
<p style="text-align: center;">CHAPTER 6. ACCOUNTS</p> <p>Article 36. (Fiscal Year) The fiscal year of the Company shall be the one (1) year period from <u>February 1</u> of each year to <u>January 31</u> of the following year.</p> <p>Article 37. (Record Date for Distribution of Dividends from Surplus) The record date for the distribution of year-end dividends of the Company shall be <u>January 31</u> of each year.</p> <p>Article 38. (Interim Dividends) The Company may distribute interim dividends with a record date of <u>July 31</u> of each year, by a resolution of the Board of Directors.</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p style="text-align: center;">CHAPTER 6. ACCOUNTS</p> <p>Article 36. (Fiscal Year) The fiscal year of the Company shall be the one (1) year period from <u>January 1 to December 31</u> of each year.</p> <p>Article 37. (Record Date for Distribution of Dividends from Surplus) The record date for the distribution of year-end dividends of the Company shall be <u>December 31</u> of each year.</p> <p>Article 38. (Interim Dividends) The Company may distribute interim dividends with a record date of <u>June 30</u> of each year, by a resolution of the Board of Directors.</p> <p style="text-align: center;"><u>Supplementary Provisions</u></p> <p><u>Article 1.</u> <u>Notwithstanding the provision of Article 36. (Fiscal Year), the 63rd fiscal year shall be for 11 months from February 1, 2019 to December 31, 2019.</u></p> <p><u>Article 2.</u> <u>Notwithstanding the provision of Article 38. (Interim Dividends), in the event that the Company distributes interim dividends in the 63rd fiscal year, the record date shall be July 31, 2019.</u></p> <p><u>Article 3.</u> <u>The preceding two articles, as well as this article shall be deleted from the Articles of Incorporation at the conclusion of the 63rd fiscal year.</u></p>

Proposal 3: Election of Four (4) Audit & Supervisory Board Members

The terms of office of all four (4) existing Audit & Supervisory Board Members will expire as of the conclusion of the Meeting. Accordingly, the Company hereby proposes the election of four (4) Audit & Supervisory Board Members.

With respect to this proposal, the Company has obtained the consent of the Audit & Supervisory Board.

The candidates for Audit & Supervisory Board Members are as follows:

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company	Number of the Company's Common Shares Held	
1	Kazuhisa Amari (November 11, 1959)	March 1983	Joined the Company	44,600
		January 2004	General Manager of Product Strategy Dept., Marketing Div.	
		January 2006	Managing Officer and Division Manager of Research & Development Div.	
		April 2009	Director, Division Manager of Research & Development Div. and Supervision of Logistics Div.	
		January 2010	Director and Supervision of Research & Development Div. and Customer Service Center	
		April 2012	Director, Junior Managing Executive Officer and Supervision of Research & Development Div. and Customer Service Center	
		January 2013	Director, Junior Managing Executive Officer, Division Manager of Logistics Div. and Supervision of Research & Development Div., Quality Control Div. and Customer Service Center	
		Reappointment April 2013	Director, Junior Managing Executive Officer, Division Manager of Logistics Div. and Supervision of Quality Control Div. and Customer Service Center	
		January 2015	Director, Junior Managing Executive Officer and Division Manager of Logistics Div.	
		January 2016	Director, Junior Managing Executive Officer and Supervision of Logistics Div.	
		April 2016	Standing Audit & Supervisory Board Member (current position)	
Notable Concurrent Positions None.				
Reasons for Nominating Him as a Candidate for Audit & Supervisory Board Member Since assuming the position of Standing Audit & Supervisory Board Member in April 2016, the candidate has contributed to revitalizing the Board of Directors by expressing opinions from diverse perspectives while capitalizing on many years of extensive management experience during his terms as an executive and a Director of the Company. This enabled the Company to ensure sound management, and he has played a role in enhancing the Company's corporate governance. In light of the above, the Company continues to deem that he has adequate talent to perform the role of Audit & Supervisory Board Member.				

Note: There is no business relationship between the candidate and the Company.

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company		Number of the Company's Common Shares Held
2	<div style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointment</div> Nobuyuki Hashimoto (January 30, 1959)	April 1983	Joined Hirakata KINTETSU Department Store (currently known as KINTETSU Department Store)	4,000
		November 1984	Joined Gakusei Kikaku Center Co., Ltd.	
		July 1985	Joined the Company	
		January 2006	Block Manager of West Japan Block, Domestic Sales Div.	
		January 2008	General Manager of West Japan Sales Dept. of Domestic Baby & Mother Care Business Div.	
		January 2010	General Manager of East Japan Sales Dept. of Domestic Baby & Mother Care Business Div.	
		January 2013	Managing Officer and Deputy Division Manager of Domestic Baby & Mother Care Business Div.	
		April 2013	Managing Officer and Division Manager of Domestic Baby & Mother Care Business Div.	
		March 2017	Senior Managing Officer and Division Manager of Domestic Baby & Mother Care Business Div.	
		April 2018	Standing Audit & Supervisory Board Member (current position)	
		Notable Concurrent Positions None.		
		Reasons for Nominating Him as a Candidate for Audit & Supervisory Board Member Since assuming the position of Standing Audit & Supervisory Board Member in April 2018, the candidate has contributed to revitalizing the Board of Directors by expressing opinions with a holistic view of the Company while capitalizing on many years of extensive experience during his term as an executive in the Company. This enabled the Company to ensure management soundness, and he has played a role in enhancing the Company's corporate governance. In light of the above, the Company continues to deem that he has adequate talent to perform the role of Audit & Supervisory Board Member.		

Note: There is no business relationship between the candidate and the Company.

No.	Name (Date of Birth)	Career Summary	Number of the Company's Common Shares Held																											
3	<p>New appointment Outside Independent *Candidate for Independent Auditor based on provisions of the Tokyo Stock Exchange</p> <p>Koichi Otsu (May 26, 1966)</p>	<table border="1"> <tr> <td>April</td> <td>1989</td> <td>Joined The Fuji Bank, Limited (currently known as Mizuho Bank, Ltd.)</td> </tr> <tr> <td>July</td> <td>1995</td> <td>Joined Barclays de Zoete Wedd Securities Japan Limited (currently known as Barclays Securities Japan Limited)</td> </tr> <tr> <td>September</td> <td>1996</td> <td>Joined GLOBIS CORPORATION</td> </tr> <tr> <td>April</td> <td>1999</td> <td>Joined Entrepia Japan</td> </tr> <tr> <td>July</td> <td>2003</td> <td>Established Otsu Koichi Office, Head of Otsu Koichi Office</td> </tr> <tr> <td>April</td> <td>2004</td> <td>Reorganized Otsu Koichi Office to Otsu International, Inc., President of Otsu International, Inc. (current position)</td> </tr> <tr> <td>April</td> <td>2015</td> <td>Visiting Professor at Waseda Business School (Graduate School of Business and Finance)</td> </tr> <tr> <td>April</td> <td>2015</td> <td>Visiting Professor at Tama Graduate School of Management and Information Sciences (current position)</td> </tr> <tr> <td>August</td> <td>2015</td> <td>Outside Director and Audit & Supervisory Committee Member of Sprix, Ltd. (current position)</td> </tr> </table> <p>Notable 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.</p> <p>Reasons for Nominating Him as a Candidate for Outside Audit & Supervisory Board Member The candidate 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.</p>	April	1989	Joined The Fuji Bank, Limited (currently known as Mizuho Bank, Ltd.)	July	1995	Joined Barclays de Zoete Wedd Securities Japan Limited (currently known as Barclays Securities Japan Limited)	September	1996	Joined GLOBIS CORPORATION	April	1999	Joined Entrepia Japan	July	2003	Established Otsu Koichi Office, Head of Otsu Koichi Office	April	2004	Reorganized Otsu Koichi Office to Otsu International, Inc., President of Otsu International, Inc. (current position)	April	2015	Visiting Professor at Waseda Business School (Graduate School of Business and Finance)	April	2015	Visiting Professor at Tama Graduate School of Management and Information Sciences (current position)	August	2015	Outside Director and Audit & Supervisory Committee Member of Sprix, Ltd. (current position)	0
April	1989	Joined The Fuji Bank, Limited (currently known as Mizuho Bank, Ltd.)																												
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August	2015	Outside Director and Audit & Supervisory Committee Member of Sprix, Ltd. (current position)																												

- Notes: 1. There is no business relationship, including donations of any kind, between the candidate, Otsu International, Inc., Tama University, Sprix, Ltd., and the Company.
2. The candidate is a part-time lecturer at Waseda Business School (Graduate School of Business and Finance), which is not stated in the Career Summary above because the Company does not consider it a notable concurrent position. The Company has donated the annual amount of two million yen to the university (for the year ended January 31, 2019). Given that the amount is insignificant, it has been concluded that there is no risk of conflict of interest between the candidate and our general shareholders.
3. Mr. Koichi Otsu is a candidate for Outside Audit & Supervisory Board Member. If this proposal is approved, and the candidate takes office as Outside Audit & Supervisory Board Member, he will be designated as independent director/auditor as specified in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange (TSE), and the Company plans to notify the TSE to that effect.
4. To appoint appropriate personnel with high independence as Outside Audit & Supervisory Board Member, current Articles of Incorporation of the Company provide that the Company may enter into a limited liability contract with an Outside Audit & Supervisory Board Member which limits the Outside Audit & Supervisory Board Member's 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. Pursuant to such provision, if this proposal is approved, and the candidate takes office as Outside Audit & Supervisory Board Member, the Company plans to enter into the limited liability contract with him. The limit of liability for damages 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.

No.	Name (Date of Birth)	Career Summary	Number of the Company's Common Shares Held										
4	<p><u>New appointment</u> <u>Outside</u> <u>Independent:</u> *Candidate who meets the independence criteria for Independent Auditor stipulated by the Tokyo Stock Exchange</p> <p>Atsuko Taishido (July 3, 1975)</p>	<table border="1"> <tr> <td>October 2001</td> <td>Registered as Attorney (Tokyo Bar Association)</td> </tr> <tr> <td>October 2001</td> <td>Joined Mori Sogo (currently known as Mori Hamada & Matsumoto)</td> </tr> <tr> <td>January 2010</td> <td>Partner of Mori Hamada & Matsumoto (current position)</td> </tr> <tr> <td>June 2015</td> <td>Outside Audit & Supervisory Board Member of Kanda Holdings Co., Ltd. (current position)</td> </tr> <tr> <td>June 2018</td> <td>Outside Audit & Supervisory Board Member of Jupiter Telecommunications Co., Ltd. (current position)</td> </tr> </table> <p>Notable Concurrent Positions</p> <p>Partner of Mori Hamada & Matsumoto</p> <p>Outside Audit & Supervisory Board Member of Kanda Holdings Co., Ltd.</p> <p>Outside Audit & Supervisory Board Member of Jupiter Telecommunications Co., Ltd.</p> <p>Reasons for Nominating Her as a Candidate for Outside Audit & Supervisory Board Member</p> <p>The candidate 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. Although she has never been involved in corporate management other than serving as an outside auditor, the Company considers that she will utilize her 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.</p>	October 2001	Registered as Attorney (Tokyo Bar Association)	October 2001	Joined Mori Sogo (currently known as Mori Hamada & Matsumoto)	January 2010	Partner of Mori Hamada & Matsumoto (current position)	June 2015	Outside Audit & Supervisory Board Member of Kanda Holdings Co., Ltd. (current position)	June 2018	Outside Audit & Supervisory Board Member of Jupiter Telecommunications Co., Ltd. (current position)	0
October 2001	Registered as Attorney (Tokyo Bar Association)												
October 2001	Joined Mori Sogo (currently known as Mori Hamada & Matsumoto)												
January 2010	Partner of Mori Hamada & Matsumoto (current position)												
June 2015	Outside Audit & Supervisory Board Member of Kanda Holdings Co., Ltd. (current position)												
June 2018	Outside Audit & Supervisory Board Member of Jupiter Telecommunications Co., Ltd. (current position)												

Notes: 1. There is no business relationship between the candidate, Mori Hamada & Matsumoto, Kanda Holdings Co., Ltd., and Jupiter Telecommunications Co., Ltd., and the Company.

2. Ms. Atsuko Taishido is a candidate for Outside Audit & Supervisory Board Member. The candidate fulfills all of the requirements for independent director/auditor as specified in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange (TSE). Therefore, it has been concluded that there is no risk of conflict of interests between the candidate and our general shareholders. However, in accordance with the rules set by Mori Hamada & Matsumoto to which the candidate belongs, the Company will not designate or register her as independent director/auditor.

3. To appoint appropriate personnel with high independence as Outside Audit & Supervisory Board Member, current Articles of Incorporation of the Company provide that the Company may enter into a limited liability contract with an Outside Audit & Supervisory Board Member which limits the Outside Audit & Supervisory Board Member's 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. Pursuant to such provision, if this proposal is approved, and the candidate takes office as Outside Audit & Supervisory Board Member, the Company plans to enter into the limited liability contract with her. The limit of liability for damages 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.

Proposal 4: Election of One (1) Substitute Audit & Supervisory Board Member

The validity of election of Ms. Tokiko Maruno, who was elected as substitute Audit & Supervisory Board Member at the 58th Ordinary General Meeting of Shareholders held on April 28, 2015, will expire as of commencement of the Meeting. Accordingly, in order to prepare for a possible situation in which the number of Audit & Supervisory Board Members falls below the number required by laws and regulations, the Company proposes the election of one (1) substitute Audit & Supervisory Board Member.

With respect to this proposal, the Company has obtained the consent of the Audit & Supervisory Board.

The candidate for substitute Audit & Supervisory Board Member is as follows:

Name (Date of Birth)	Career Summary		Number of the Company's Common Shares Held
<p><u>Outside</u> <u>Independent</u> *Candidate who meets the independence criteria for Independent Auditor stipulated by the Tokyo Stock Exchange</p> <p>Sachiko Omuro (April 25, 1980)</p>	October 2004	Registered as Attorney (Daini Tokyo Bar Association)	0
	October 2004	Joined Mori Hamada & Matsumoto	
	January 2018	Partner of Mori Hamada & Matsumoto (current position)	
	<p>Notable Concurrent Positions Partner of Mori Hamada & Matsumoto</p> <p>Reasons for Nominating Her as a Candidate for Substitute Outside Audit & Supervisory Board Member The candidate has professional expertise and high-level insight as an attorney. Although she has never been involved in corporate management, the Company considers that she is capable of providing wide-ranging advice and proposals in her areas of expertise based on the experience as an attorney in solving corporate management problems. In light of the above, the Company deems that she is capable of performing duties as an Outside Audit & Supervisory Board Member.</p>		

- Notes: 1. There is no business relationship between the candidate, Mori Hamada & Matsumoto, and the Company.
2. Ms. Sachiko Omuro is a candidate for substitute Outside Audit & Supervisory Board Member. The candidate fulfills all of the requirements for independent director/auditor as specified in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange (TSE). Therefore, it has been concluded that there is no risk of conflict of interests between the candidate and our general shareholders. However, in accordance with the rules set by Mori Hamada & Matsumoto to which the candidate belongs, if the candidate takes office as Audit & Supervisory Board Member, the Company does not plan to designate or register her as independent director/auditor.
3. To appoint appropriate personnel with high independence as Outside Audit & Supervisory Board Member, current Articles of Incorporation of the Company provide that the Company may enter into a limited liability contract with an Outside Audit & Supervisory Board Member which limits the Outside Audit & Supervisory Board Member's 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. In the event that the candidate takes office as Audit & Supervisory Board Member, the Company plans to enter into such limited liability contract with her. The limit of liability for damages 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.

Standards for the Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company stipulates the standards for the independence of its Outside Directors and Outside Audit & Supervisory Board Members (“outside officers”) as follows.

1. Relationships with the Company and its subsidiaries (hereinafter collectively referred to as “Pigeon Group”)
An outside officer shall not be currently acting and shall not have acted in the past ten (10) years as a director, auditor or employee of Pigeon Group.
2. Relationships with business partners
An outside officer shall not be currently acting and shall not have acted in the past three (3) years as either of the following:
 - (1) A major business partner of Pigeon Group (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 (or in cases where the party is a corporation, a director, auditor or employee thereof)
3. Relationships with shareholders
An outside officer shall not currently be or shall not have been in the past three (3) years a major shareholder of the Company (or in cases where the major shareholder is a corporation, a director, auditor or employee thereof).
4. Relationships with advisors and consultants
An outside officer shall not be currently acting and shall not have acted in the past three (3) years as either of the following:
 - (1) A member, partner or other employee of Pigeon Group’s Independent Auditor or a member, partner or other 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 member, partner or other employee thereof) and who gains from Pigeon Group a substantial amount of cash or other assets other than remuneration for Directors and Audit & Supervisory Board Members
5. Relationships with donation recipients
An outside officer shall not be currently acting and shall not have acted in the past three (3) years as director, auditor or employee of a corporation or other entity that receives substantial donations from Pigeon Group.
6. Relationships involving close relatives
An outside officer shall not be a close relative of any person mentioned in 1 to 5 above (excluding immaterial person).

Notes:

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.
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.
3. A “major shareholder” refers to a shareholder who holds 10% or more of the voting rights in the Company (including indirect shareholdings).
4. A “substantial amount of cash” refers to an amount of cash over the past three (3) years averaging ¥10 million 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.
5. “Substantial donations” refers to average donations over the past three (3) years of ¥10 million or more annually, or exceeding 2% of an entity’s consolidated net sales or its total revenues, whichever is higher.
6. A “close relative” refers to a spouse or a relative who is within the second degree of kinship.

Proposal 5: Payment of Retirement Benefits to Retiring Director

The Company hereby proposes the payment of retirement benefits to Mr. Akio Okoshi, who will retire as Director as of the conclusion of the Meeting, in order to reward him for his service while in office, in accordance with the Company's "Rules on Retirement Benefits for Directors."

Having joined the Company in 1969, Mr. Okoshi has built his career as an executive by serving both in Japan and overseas, and assumed the position of President and COO in 2007. During his term as a President and COO, he contributed to the enhancement of the Group's corporate value by proactively carrying out initiatives in domestic and overseas IR, raising the Company's presence, and building a base in the stock market, along with other efforts. Furthermore, he also contributed to building the Company's future human capital by focusing on the thorough implementation of the "New Human Resources System," which he established during his term as an executive manager in the human resources and general affairs department. In addition, during his 12-year term as a Representative Director, he built growth foundations for overseas businesses through the formulation and implementation of global marketing strategies and accelerated the expansion of both domestic and overseas businesses, thereby contributing to the sustained growth of the Company.

Accordingly, in recognition of his achievement, the Company proposes to pay retirement benefits to Mr. Okoshi, along with an additional special service bonus.

The Company also proposes the decision on the details of payment such as timing and method of payment be delegated to the Board of Directors.

The specific amount of payment and career summary of the retiring Director are as follows:

Name	Amount (¥ thousand)	Career Summary	
Akio Okoshi	170,428	April 2004	Director of the Company
		April 2006	Managing Director
		April 2007	President and COO
		April 2013	Chairman of the Board and CEO (current position)

Proposal 6: Final Payment Associated with Abolishment of the Retirement Benefits System for Directors

As part of efforts to review its executive remuneration system, at the meeting of the Board of Directors held on March 11, 2019, the Company resolved to abolish the retirement benefits system for Directors at the conclusion of the Meeting.

In conjunction with this change, the Company proposes to make the final payment associated with abolishment of the retirement benefits system for Directors to Messrs. Yoichi Nakata, Shigeru Yamashita, Norimasa Kitazawa, Eiji Akamatsu, Tadashi Itakura, and Yasunori Kurachi, in order to reward them for their service during their terms of office until the conclusion of the Meeting, in accordance with the Company's "Rules on Retirement Benefits for Directors."

Mr. Yoichi Nakata led operations as a Representative Director for 30 years, from 1977 to 2007. He proactively engaged in the formulation of the Corporate Philosophy and Credo, the adoption of the CI (Corporate Identity), the public offering of stock, and the establishment of overseas Group companies, etc., promoted the Company's management reforms, and thereby laid the foundation as a global company. He also devised the "Newborn Baby Commemorative Tree-Planting Campaign," and built the foundation for our current CSR activities. Furthermore, he established the Joso Laboratory (now the Central Laboratory), which is the core of the Group's basic research and R&D, and established the fundamentals of the Group's R&D process.

Since assuming the position of Representative Director in 2013, Mr. Shigeru Yamashita has established the "Pigeon Way," which is the cornerstone of all the actions of the Group's employees, by newly adding its Mission, Values, Action Principles, and Vision to the Corporate Philosophy and Credo. By personally taking an active role in promoting the penetration of the "Pigeon Way" within the Group, he has enhanced the cohesiveness of the entire Pigeon Group. Furthermore, based on the belief that corporate value consists of both social and economic value, he promoted improvement of management quality, and introduced unique Pigeon Value Added (PVA) benchmark. Along with the effort to improve PVA, he made a tremendous contribution to the enhancement of the Group's corporate value, while at the same time proactively promoting information disclosure. As a result of these efforts, the Company received the Excellence Award (2014) and the Grand Prix (2015) of the Corporate Value Improvement Awards presented by the Tokyo Stock Exchange, as well as the IR Special Award (2015) and the Best IR Award (2018) presented by the Japan Investor Relations Association, and the Porter Prize (2016).

Accordingly, in recognition of their achievements, the Company proposes to pay retirement benefits to Messrs. Yoichi Nakata and Shigeru Yamashita, along with an additional special service bonus.

The Company also proposes that the payment date be at the retirement of each Director, while the method of payment and other matters shall be delegated to the Board of Directors.

The specific amounts of the final payments associated with the abolishment of the retirement benefits system, along with a career summary of each Director, are as follows.

Name	Amount (¥ thousand)	Career Summary	
Yoichi Nakata	343,451	March 1969 May 1977 May 1983 April 2000 April 2007	Vice President and Director of the Company Vice President and Representative Director President and COO Chairman and CEO Executive Advisor and Member of the Board (current position)
Shigeru Yamashita	126,598	April 2009 April 2011 April 2012 April 2013	Director of the Company Managing Director Director and Managing Executive Officer President and COO (current position)
Norimasa Kitazawa	38,103	April 2012 April 2013 April 2014 March 2016	Director, Junior Managing Executive Officer of the Company Director, Managing Executive Officer Director, Senior Managing Executive Officer Vice President and Director (current position)
Eiji Akamatsu	43,494	April 2011 April 2012 April 2013 April 2014	Director of the Company Director, Junior Managing Executive Officer Director, Managing Executive Officer Director, Senior Managing Executive Officer (current position)
Tadashi Itakura	20,845	April 2014 March 2017	Director, Junior Managing Executive Officer of the Company Director, Managing Executive Officer (current position)
Yasunori Kurachi	27,276	April 2013 April 2018	Director, Junior Managing Executive Officer of the Company Director, Managing Executive Officer (current position)

Note: The above payment amounts total to ¥599,767 thousand. Regarding remuneration for Outside Directors, a retirement benefits system has never been established for these Directors. Furthermore, the retirement benefits system for Audit & Supervisory Board Members was abolished at the conclusion of the 56th Ordinary General Meeting of Shareholders held on April 25, 2013.

Proposal 7: Revision of the Remuneration Amount for Directors

The current remuneration amount for Directors was approved at the 52nd Ordinary General Meeting of Shareholders held on April 28, 2009, at “a maximum of ¥500 million per year (excluding the salary portion for employees),” and has remained unchanged since that time. However, in order to raise the motivation and morale of Directors towards improving the Company’s performance through appropriate corporate management, by linking their remuneration more closely to the performance, the Company proposes, in accordance with the Company’s Executive Remuneration Policy (see page 22 below), to revise the remuneration amount for Directors to “a maximum of ¥800 million per year (including a maximum of ¥100 million for Outside Directors).” Furthermore, the Company proposes to pay Directors (excluding Outside Directors) a bonus linked to performance for each fiscal year, in addition to basic fixed remuneration within the remuneration amount.

The number of Directors shall be ten (10) (including three (3) Outside Directors). The remuneration amount for Directors shall not include the employee salary portion for those Directors who serve concurrently as employees, in a conventional manner.

Furthermore, the Company proposes to introduce a performance-linked stock remuneration system for Directors (excluding Outside Directors), which is separate from the remuneration amount indicated above, in Proposal 8.

Proposal 8: Determination of the Amount and Details of the Performance-linked Stock Remuneration System, etc. for Directors

1. Reasons for the proposal and reasons for which such remuneration is justified

In accordance with the Company's Executive Remuneration Policy (see page 22 below), the Company asks for approval to abolish the retirement benefits system for Directors and to introduce a new performance-linked stock remuneration system (the "System"), which will deliver shares of the Company to Directors (excluding Outside Directors; hereinafter the same shall apply) according to their position, the achievement level of performance targets, and other factors.

The Company believes that the introduction of the System for Directors is justified, as it aims to further clarify the link between remuneration for Directors and the Company's performance as well as shareholder value, and to enhance the awareness of Directors toward contributing to the improvement of the Company's medium- to long-term performance and corporate value improvement.

The Company has submitted this proposal for approval, after taking into consideration the results of deliberation regarding the introduction of the System by the Remuneration Committee.

This proposal asks for approval to pay stock remuneration to Directors separately from the remuneration amount for Directors (a maximum of ¥800 million per year (including a maximum of ¥100 million for Outside Directors); however, this amount does not include the employee salary portion for those Directors who serve concurrently as employees), which is being proposed in Proposal 7 "Revision of the Remuneration Amount for Directors."

The number of Directors who are eligible for the System shall be seven (7).

2. Amount and other details of the remuneration, etc. of the System

(1) Outline of the System

Under the System, shares of the Company will be acquired through a trust, using the remuneration amount for Directors contributed by the Company as funds. Then the shares of the Company and money equivalent to the converted value of the shares of the Company (the "Company's Shares, etc.") will be delivered or paid (the "Grant") to Directors. The System shall comprise a "Fixed Portion," which delivers shares of the Company according to a Director's position, and a "Performance-linked Portion," which delivers shares of the Company according to the achievement level of the performance targets (See (2) and further for details, as stated below).

1) Persons eligible for the Grant of the Company Shares, etc. under the System	• Directors of the Company (excluding Outside Directors)
2) Impact of shares of the Company subject to the System on the total number of issued shares of the Company	
Maximum amount of money to be contributed by the Company (as stated in (2) below)	• ¥600 million for three (3) fiscal years • However, for the initial target period of the System starting from the current fiscal year, ¥200 million for one (1) fiscal year

Method of acquisition of shares of the Company (as stated in (2) below) and the maximum number of shares of the Company to be Granted to Directors (as stated in (3) below)	<ul style="list-style-type: none"> • As shares of the Company will be acquired from the stock market, dilution will not occur. • The maximum number of points to be provided to Directors in a single fiscal year shall be 41,000 points (equivalent to 41,000 shares). • The ratio of the number of shares equivalent to the maximum number of points to be provided to Directors in a single fiscal year to the total number of issued shares (as of January 31, 2019; excluding treasury stock) shall be approximately 0.03%.
3) Details of conditions for performance achievement (as stated in (3) below)	In principle, varies within a range from 0% to 150%, according to the achievement level of the targets, including performance indicators in the Medium-Term Business Plan (e.g., CAGR of consolidated net sales, EPS growth rate, and ROE) and non-financial indicators (e.g., mitigation of climate change and diversified employment promotion).
4) Timing of the Grant of the Company's Shares, etc. (as stated in (4) below)	Upon the retirement of Directors

(2) Maximum amount of money to be contributed by the Company

The System will cover the three (3) consecutive fiscal years corresponding to the period of the Company's Medium-Term Business Plan (the "Target Period"). However, the initial Target Period of the System, starting from the current fiscal year shall be the single fiscal year of the fiscal year ending December 31, 2019 (if Proposal 2 "Partial Amendments to Articles of Incorporation" is approved), which is the remaining period of the current Medium-Term Business Plan (the "Initial Target Period"). In the event that the trust period is extended, as described in the fourth paragraph of this item (2), the Target Period shall be the subsequent consecutive three (3) fiscal years.

The Company shall contribute an amount of money every Target Period, at a maximum of ¥600 million (¥200 million for the Initial Target Period) as remuneration for Directors of the Company. In addition, it will also establish a trust (the "Trust") with a trust period of three (3) years (one (1) year for the Initial Target Period) (including the extension of the trust period, as stated in the fourth paragraph of this item (2); hereinafter the same shall apply), which covers Directors who satisfy the beneficiary requirements as beneficiaries.

The Trust will acquire shares of the Company from the stock market, using the entrusted amount money as funds, in accordance with the instructions of the trust administrators. The Company will provide points (as described in (3) below) to Directors during the trust period, and the Trust will Grant the Company's Shares, etc.

At the expiration of the trust period of the Trust, the Trust may be continued by making amendments to the trust agreement and additional entrustments, in lieu of establishment of a new Trust. In this case, the trust period of the Trust shall be extended by three (3) years, and the Target Period shall be the three (3) fiscal years following the extension of the trust period. For each extended trust period, the Company shall make additional contributions within ¥600 million, and shall continue providing points to Directors during the extended trust period, while the Trust shall continue to Grant the Company's Shares, etc. during the extended trust period.

However, when such additional contributions are made, if there are shares of the Company (excluding shares of the Company equivalent to the points provided to Directors that have not been Granted) and money remaining in the trust assets on the final day of the trust period prior to the extension (“Residual Shares, etc.”), the sum of the amount of Residual Shares, etc. and the money to be additionally contributed by the Company shall be within ¥600 million.

If amendments to the trust agreement or additional entrustments are not made at the expiration of the trust period of the Trust, new points shall not subsequently be provided to Directors. However, if there are Directors in office at this time who may satisfy the beneficiary requirements, the trust period of the Trust may be extended for a maximum of ten (10) years, until the Directors retire from their office and the Grant of the Company’s Shares, etc. to the Directors is complete.

(3) Method of calculating the number of shares of the Company to be Granted to Directors and the maximum number thereof

The number of shares of the Company to be Granted to Directors shall be calculated according to the number of points provided to the Directors each year.

On March 1 of each year during the Target Period, for the “Fixed Portion,” Directors will be provided with “fixed points” corresponding to their position, and for the “Performance-linked Portion,” Directors will be granted “basic performance points.” On March 1, immediately following the expiration of the Target Period, the “performance-linked points” will be calculated by multiplying the “basic performance points” accumulated during the Target Period by a performance-linked coefficient corresponding to the achievement level of the performance targets, etc. of the Medium-Term Business Plan during the Target Period (equations for each portion are as stated below).

The Company’s Shares, etc. shall be Granted to Directors at the time of their retirement, according to the accumulated number of “fixed points” and “performance-linked points” (or basic performance points, if performance-linked points have not been calculated) that the Directors have received.

1) Fixed Portion

(Fixed points)

Basic stock remuneration amount x 40% ÷ Average acquisition unit price of the Company’s shares ^{*1}

2) Performance-linked Portion

(Basic performance points)

Basic stock remuneration amount x 60% ÷ Average acquisition unit price of the Company’s shares ^{*1}

(Performance-linked points)

Accumulated basic performance points x Performance-linked coefficient ^{*2}

*1 The average acquisition unit price of shares of the Company by the Trust. If the trust period of the Trust is extended by making amendments to the trust agreement and additional entrustments, it will be the average acquisition unit price of shares of the Company acquired by the Trust after the extension.

*2 In principle, the “Performance-linked coefficient” will vary within a range from 0% to 150%, according to the achievement level of the targets, including performance indicators in the Medium-Term Business Plan (e.g., CAGR of consolidated net sales, EPS growth rate, and ROE) and non-financial indicators (e.g., mitigation of climate change and diversified employment promotion). In the Initial Target Period, this coefficient will vary within the range from 0% to 150% according to the achievement level of the targets for consolidated performance (net sales, operating income, and PVA).

One (1) point shall equal one (1) share of the Company. However, in the event that circumstances arise during the trust period whereby an adjustment to the points is deemed to be fair, such as a share split or consolidation of shares of the Company, the number of shares of the Company per point shall be adjusted according to the ratio of the split or consolidation, etc.

The maximum number of points to be provided to Directors in a single fiscal year (the sum of the total number of fixed points for the fiscal year and the basic performance points for the fiscal year multiplied by the maximum performance-linked coefficient) shall be 41,000 points. This maximum number has been determined by taking into consideration the maximum amount of money to be contributed by the Company in the above item (2), and with reference to historical share prices, etc.

The maximum number of shares of the Company to be Granted to Directors during the Target Period shall be the number of shares equivalent to the maximum number of points for a single fiscal year multiplied by three (3), or the number of years in the Target Period (total of 123,000 shares; however, in the Initial Target Period, it shall be 41,000 shares, which is equivalent to the maximum number of points multiplied by one (1), or the number of years). In the event that the points are adjusted as described above, the maximum number of shares of the Company to be Granted to Directors shall also be adjusted accordingly.

(4) Timing and method of the Grant of the Company's Shares, etc. to Directors

The Grant of the Company's Shares, etc. shall be made to Directors at the time of their retirement. At this time, the Directors will receive the delivery of shares of the Company equivalent to 50% of the points provided to them until the time of their retirement (shares of less than one unit will be rounded up). The rest of the points will be translated by the Trust into money equivalent to the converted value of the Company's shares, and paid out to the Directors.

In the event that a Director dies during the trust period, his or her heir shall receive payment of money equivalent to the converted value of all shares of the Company corresponding to the points provided until that time, after conversion within the Trust.

In addition, if a Director becomes a resident of a foreign country during the trust period, he or she may receive payment of money equivalent to the converted value of all shares of the Company corresponding to the points provided until that time, after conversion within the Trust.

(5) Voting rights for shares of the Company

To ensure neutrality toward management, the voting rights for shares of the Company held within the Trust shall not be exercised during the trust period.

(6) Other details of the System

Other details of the System shall be determined by the Board of Directors when the Trust is established, and each time amendments to the trust agreement and additional contributions to the Trust are made.

For details of the System, please refer to the press release, "Notice Regarding Abolishment of the Retirement Benefits System for Directors and Introduction of a Performance-linked Stock Remuneration System," dated March 11, 2019.

[Reference]

Executive Remuneration Policy

(1) Basic policy for corporate governance

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 Company believes that having all employees become strongly aware of the “Pigeon Way” and putting it into action will inevitably improve corporate value. It also believes 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 will establish the following six priority issues or materialities to be addressed in terms of Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG); 1) enhancement of business competitiveness and development capabilities; 2) continuous 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 from the next fiscal year onwards. 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.

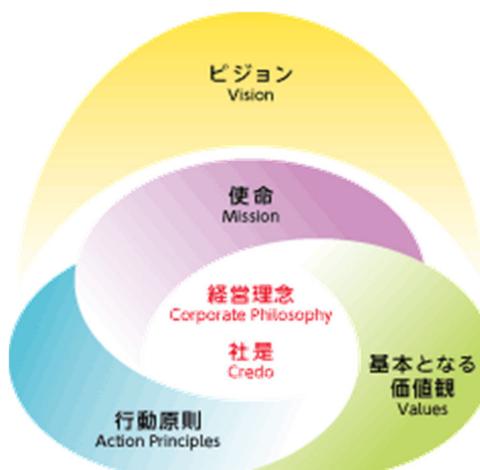
■ Vision

— The goal Pigeon Group aims to achieve
To be the baby product manufacturer most trusted by the world’s babies and families, i.e. “Global Number One”

■ Action Principles

— The basic guideline for driving all of our actions

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



■ Mission

— Our purpose of working and what we promise to achieve for consumers
We will bring joy, happiness and inspiration to babies and families around the world by providing them with products and services that embody love.

■ Values

— Important attributes for all Pigeon employees

- Integrity
- Communication, Consent, Trust
- Passion

(2) Basic policy on executive remuneration

The Company's basic policy on remuneration for Directors (the "executive remuneration") 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.

(3) 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 remuneration levels in its peer group of companies in the same industry (manufacturing) and of the same size, through external databases, etc.

(4) Remuneration mix

The remuneration for the Company's Directors (excluding Outside Directors; hereinafter the same shall apply) 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.

1) Outline of the remunerations

<Basic remuneration>

The basic remuneration will be paid monthly to Directors of the Company based on the amount determined by their position in the Company according to the level of the responsibilities of their duties.

<Bonuses>

The bonuses will be paid to Directors of the Company for the purpose of providing Directors with incentives to the Pigeon Group's consolidated business performance in each fiscal year, the performance of their respective departments, and the execution of their duties.

The consolidated performance will vary within a range from 0% to 150% according to the achievement level of the targeted "net sales" indicating the scale of main business, "operating income" indicating the profitability of main business, and "PVA" (Pigeon Value Added), the unique management benchmark indicating the amount of corporate value created exceeding capital cost. The targeted net sales and operating income figures are determined in the performance forecast released in the Summary of Financial Results at the beginning of each term and the targeted PVA figures are the values planned at the beginning of each term.

The President's bonuses will be determined based only on consolidated performance. Other Directors ranked as Vice President and below will receive a qualitative review taking into consideration the performance of their respective departments and the results of the execution of their duties, and will receive adjustments of $\pm 10\%$ against achievement of targets for consolidated performance after deliberation by the Remuneration Committee.

<Stock remuneration>

The stock remuneration is paid to Directors at the time of their retirement for the purposes of providing them with incentives to improve the Pigeon Group medium- and long-term performance and corporate value, and of encouraging Directors to share a sense of interest with shareholders.

The stock remuneration consists of 60% performance-linked remuneration (Performance Share) and 40% non-performance-linked remuneration (Restricted Stock).

- Performance-linked remuneration (Performance Share)

In principle, the performance-linked remuneration will vary within a range from 0% to 150% in accordance with achievement level against benchmarks including performance indicators (such as the

compound annual growth rate (CAGR) of the consolidated net sales, growth rate of earnings per share (EPS), and return on equity (ROE)) and non-financial indicators (such as mitigation of climate change and diversified employment promotion) set out in the Medium-Term Business Plan. The Company uses the aforementioned indicators and other factors for further boosting the sustained growth of top-line (net sales) and the profitability and efficiency from the fiscal year 2020 onwards; however, the Company plans to review them after completion of the current Sixth Medium-Term Business Plan in light of the Medium-Term Business Plan that will be newly set out. In fiscal year 2019, the performance-linked remuneration will vary within a range from 0% to 150% in accordance with achievement level against the consolidated performance (including net sales, operating income, and PVA).

- Non-performance-linked remuneration (Restricted Stock)

A fixed number of shares will be allocated as stock remuneration in order to strengthen links with shareholder value.

In principle, the Company recommends Directors hold an amount of the Company's shares equal to or exceeding basic remuneration (annual amount).

If the Board of Directors determines that there was serious misconduct during a Director's term of office, it may restrict the provision or demand the return of stock remuneration after deliberation by the Remuneration Committee.

Stock remuneration will be allocated through a trust-based stock remuneration system. This system will grant units (points) to eligible persons every year, and will issue shares in the Company corresponding to the number of units (points) from the trust at the time of retirement. The management of the Company's shares is slated to be entrusted to Mitsubishi UFJ Trust and Banking Corporation.

2) Standard model of the structure of remuneration payable to Directors (with the achievement level of 100% for each indicator)

Basic remuneration: 60%

Bonuses: 20%

Stock remuneration: 20%

(5) Decision-making process

In order to increase the independence, objectivity, and transparency of the details of the executive remuneration system, the Company will establish a Remuneration Committee as an advisory body to the Board of Directors. The chairman and the majority of members of the committee are Independent Outside 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.

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.

(6) Policies for information disclosures, etc.

Based on the Disclosure Policy of the Company, the Company promptly and actively discloses the details of the executive remuneration system through its annual securities reports, reference documents for the general meeting of shareholders, business reports, corporate governance reports, and integrated reports, which are required to be documented and disclosed in accordance with relevant laws and regulations, as well as the Company's website. Moreover, the Company actively engages with institutional investors.