

April 20, 2015

Company name: Pigeon Corporation

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Listings: First Section, Tokyo Stock Exchange (Stock code: 7956)

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### Announcement Regarding Partial Revision of Basic Internal Control Policy

At the Board of Directors meeting held on April 20, 2015, our company passed a resolution to make the following partial revision of our basic internal control policy as of May 1, 2015. Revised sections are shown using underlining.

#### Details

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 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 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 Affiliated 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.

Revised: May 1, 2015