

CORPORATE GOVERNANCE

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

Latest Revision: May 31, 2012
Company: Pigeon Corporation
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An Overview of Corporate Governance at Pigeon Corporation (the “Company”) is Described Below.

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

1. Basic Policy

Based on our corporate motto of “Only love generates love,” in every aspect of our business activities, the Company’s Directors and employees always maintain a strong sense of ethics, promote compliance-oriented management, and help fulfill Pigeon’s corporate social responsibilities as a company. Furthermore, to continuously enhance corporate value, we recognize that improving management efficiency and transparency and strengthening the management oversight function to achieve management objectives while maintaining a balance between shareholder value, customer value, and employee value are crucially important, and we are undertaking various efforts to enhance our corporate governance.

The Company is a company with Corporate Auditors and a Board of Corporate Auditors, and its managerial structure now (as of the submission date of this Corporate Governance Report) comprises ten Directors and four Corporate Auditors (including two Outside Corporate Auditors). The Company has structured its corporate governance by means of an internal audit system in addition to a Board of Directors and Board of Corporate Auditors System. The ten Directors respond promptly and appropriately to changes in the business environment and strive to make management decisions rationally and effectively to establish long-term growth and a solid operating foundation. In addition, with the goal of providing for mutual partnership between decision-making/management functions (governance) and execution of business, and with the goal of clarifying the operating responsibilities of Directors, the Company has, as of April 26, 2012, introduced an entrusted managing officer system in addition to its former managing officer system, thus endeavoring to further enhance its corporate governance. The Board of Directors operates to elicit the vigorous opinions of both the internal and the outside corporate auditors, thereby strengthening the business-execution control and supervision functions. Also, in accordance with the audit policy, the division of audit work, etc., the four-member Board of Corporate Auditors, which includes two Outside Corporate Auditors, conducts rigorous supervision and 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.

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2. Capital Structure

Ratio of Shares Held by Foreigners	30% or more
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[Major Shareholders]

Name or Designation	Number of Shares Held (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,688,300	13.26
Yoichi Nakata Japan	1,976,634	9.75
Japan Trustee Services Bank, Ltd. (Trust Account)	1,929,600	9.52
BBH Matthews Asia Dividend Fund	1,381,300	6.81
Japan Trustee Services Bank, Ltd. (Trust Account 9G)	660,200	3.26
JPMorgan Chase & Co. Bank 385174	527,000	2.60
Deutsche Securities Inc.	423,621	2.09
The Chase Manhattan Bank N.A. London	342,495	1.69
Pigeon Corporation Employees' Stock	331,950	1.64
Northern Trust Company AVFC Re Fidelity Funds	295,300	1.46

Controlling Shareholder (excluding parent company)	_____
Parent Company	None

Supplementary Explanation

3. Corporate Attributes

Stock Exchange Listings and Market Classification	First Section, Tokyo Stock Exchange
Fiscal Year-end	January
Industry	Other products
Number of Employees as of January 31, 2012 (consolidated)	1,000 or more
Net Sales (Consolidated) as of January 31, 2012	¥10 billion or more and less than ¥100 billion
Number of Consolidated Subsidiaries as of January 31, 2012	10 or more and less than 50

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

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

The Company has no parent company or listed subsidiary.

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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 a Board of Corporate Auditors
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[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	Not elected

[Corporate Auditors]

Establishment of the Board of Corporate Auditors	Yes
Number of Corporate Auditors Stipulated in the Articles of Incorporation	4
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Department

Corporate Auditors, 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-member Board of Corporate Auditors, which includes two Outside Corporate Auditors, 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 Board of Corporate Auditors regularly holds meetings with the Representative Directors, and, by receiving reports on matters such as important company issues and giving feedback from the Corporate Auditors 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 four persons) as its Internal Audit Department, and it has incorporated a PDCA cycle. Through this cycle, the Company conducts audits on whether the business execution of the whole Pigeon Group is being carried out appropriately and efficiently based on the annual plan, makes continual improvement proposals to top management for resolution of issues, and, on this basis, makes improvements.

Election of Outside Corporate Auditors	Elected
Number of Outside Corporate Auditors	2
Number of Outside Corporate Auditors designated as Independent Directors/Auditors	2

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Relationship with the Company (1)

Name	Attributes	Relationship with the Company ^{*1}								
		a	b	c	d	e	f	g	h	i
Shigeru Nishiyama	Certified Public Accountant				○				○	
Shuji Idesawa	Attorney				○				○	

*1 Selection criteria regarding relationship with the Company

- a. Coming from the parent company
- b. Coming from other affiliate company
- c. A major shareholder of the Company
- d. Serving concurrently as an outside director or outside corporate auditor of another company
- e. An executive director, executive officer, etc. of another company
- f. The spouse, relative within the third degree of consanguinity, or a person of similar status of an executive director, executive officer, etc. of the Company, or a specified related business entity of the Company
- g. Receives remuneration as an officer or other financial benefits from the parent company of the Company or its subsidiary
- h. Entered into a liability limit agreement with the Company
- i. Other

Relationship with the Company (2)

Name	Independent Corporate Auditor	Supplementary Explanation relating to These Items	Reason for Election as Outside Corporate Auditor (including the reason for designation as independent corporate auditor, if applicable)
Shigeru Nishiyama	○	Designated as an independent corporate auditor (Significant Concurrent Positions) Professor at Waseda University Graduate School of Commerce, Outside Corporate Auditor of Mitsui Sumitomo Insurance Co., Ltd.	By making suggestions and proposals, etc., from the expert viewpoint of a graduate school professor and certified public accountant to ensure the appropriateness and fairness of the decision making of the Board of Directors, he has been performing his duties neutrally and objectively from an independent position as an outside corporate auditor. Furthermore, the Company has designated him as an independent corporate auditor 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 5 of the Enforcement Rules for Securities Listing Regulations, there is no risk of a conflict of interest occurring with general shareholders.

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Name	Independent Corporate Auditor	Supplementary Explanation relating to These Items	Reason for Election as Outside Corporate Auditor (including the reason for designation as independent corporate auditor, if applicable)
Shuji Idesawa	○	Designated as an independent corporate auditor (Significant Concurrent Positions) Attorney-at-law/Managing partner at Idesawa & Partners, Outside Corporate Auditor of F@N Communications, Inc., Outside Corporate Auditor of Nextgen, Inc.	By making suggestions and proposals, etc., from the expert viewpoint of an attorney to ensure the appropriateness and fairness of the decision making of the Board of Directors, he has been performing his duties neutrally and objectively from an independent position as an outside corporate auditor. Furthermore, the Company has designated him as an independent corporate auditor 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 5 of the Enforcement Rules for Securities Listing Regulations, there is no risk of a conflict of interest occurring with general shareholders.

[Independent Directors/Corporate Auditors]

Number of Independent Corporate Auditors	2
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Other Information on Independent Directors/Corporate Auditors

The main activities of the independent directors/corporate auditors during the fiscal year ended January 31, 2012 (the fiscal year from February 1, 2011 to January 31, 2012) are as follows.

Shigeru Nishiyama

Mr. Nishiyama attended 18 of the 21 meetings of the Board of Directors and all five of the meetings of the Board of Corporate Auditors held during the fiscal year under consideration. He conducted field audits of the major business offices and subsidiaries and also, mainly by stating opinions from an expert viewpoint as a graduate school professor and certified public accountant, made suggestions and proposals to ensure the appropriateness and fairness of the decision making of the Board of Directors.

Shuji Idesawa

Mr. Idesawa attended 21 of the 21 meetings of the Board of Directors and all five of meetings of the Board of Corporate Auditors held during the fiscal year under consideration. He conducted field audits of the major business offices and subsidiaries and also, mainly by stating opinions from an expert viewpoint as an attorney, made suggestions and proposals to ensure the appropriateness and fairness of the decision making of the Board of Directors.

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[Incentives]

Status of Implementation of Measures to Grant Incentives to Directors	Not implemented
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Supplementary Explanation Relating to These Items

Taking into consideration the plan and the trends in business performance, stock options were granted in 2005.

Grantees of Stock Options	
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Supplementary Explanation Relating to These Items

[Directors' Remuneration]

Disclosure Status (of Individual Directors' Remuneration)	Individual Directors' remuneration is not disclosed.
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Supplementary Explanation Relating to These Items

The total amount of remuneration, etc., paid to the Company's Directors and Corporate Auditors in the 55th fiscal year (the fiscal year ended January 31, 2012) are as follows.

Nine Directors: 247 million yen

Four Corporate Auditors: 43 million yen (including two Outside Corporate Auditors: 12 million yen)

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

At the 52nd Ordinary General Meeting of Shareholders of Pigeon Corporation, which was held on April 28, 2009, the Company received a resolution specifying an upper limit of 500 million yen per year for the remuneration of Directors (provided, however, that employee salary is not included) and an upper limit of 100 million yen per year for the remuneration of Corporate Auditors. Within the ranges of those limit amounts, for each Director and Corporate Auditor, the Company determines a remuneration level according to the person's official responsibilities.

[Support System for Outside Directors (Outside Corporate Auditors)]

Upon meetings of the Board of Corporate Auditors, etc., and as necessary, the Standing Corporate Auditors provide to the Outside Corporate Auditors 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 Corporate Auditors may request that the Board of Directors assign an employee to assist with the duties of the Corporate Auditors.

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

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

The Board of Directors has authority to supervise the execution of duties of directors and managing officers. As a general rule, the Board of Directors' meeting is held once a month with the board chairman acting as chairperson, and it takes decisions on matters (management objectives and important business-execution strategies such as the management strategy) prescribed in laws and regulations, in the articles of incorporation, and in the Board of Directors Rules. Furthermore, the Board of Directors operates to elicit the vigorous opinions of the Corporate Auditors, thereby strengthening the business-execution control and supervision functions. In addition, a meeting of the Management Committee is held once a week with the President and COO acting as chairperson, and we thus strive to find early solutions to problems from the viewpoint of our work sites. With Corporate Auditors attending this committee meeting and stating their opinions, we are striving to improve the management oversight function. In accordance with the audit policy, the division of audit work, etc., the four-member Board of Corporate Auditors, which includes two Outside Corporate Auditors, 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 Board of Corporate Auditors regularly holds meetings with the President and COO, and, by receiving reports on matters such as important company issues and giving feedback from the Corporate Auditors regarding information and the like heard from within the company, it carries out exchanges of opinions. Furthermore, the Company has established an Audit Department (with four members) as the internal audit function. Based on the annual plan, the Audit Department regularly implements internal audits of each section of the whole Pigeon Group including the subsidiaries. Audit results are reported to the President and COO and to the Board of Corporate Auditors, and, with the Audit Department conducting assessments and making continual improvement proposals, the internal audits are implemented through the PDCA cycle.

The Corporate Auditors, the Audit Department, and the Accounting Auditors mutually collaborate through measures including regular debriefing sessions and, at any time as necessary, exchanges of information and opinions. Certified public accountants who have performed accounting or audit work of the Company are Senior Partner and Managing Partner, Jun Sugita, and Senior Partner and Managing Partner, Kota Yamamoto, both of BDO Sanyu & Co.

3. Reason for Adopting the Current Governance System

In accordance with the audit policy, the division of audit work, etc., the Board of Corporate Auditors, which currently comprises four Corporate Auditors (including two Outside Corporate Auditors), 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. Furthermore, the Board of Corporate Auditors regularly holds meetings with the President and COO, and, by receiving reports on matters such as important company issues and giving feedback from the Corporate Auditors regarding information and the like heard from within the company, it carries out exchanges of opinions. Thus, in the aspect of the management oversight function, we believe that the current governance system is a system that functions fully.

In addition, outside directors may have the merits of being able to make decisions from the point of view of a

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third party and being helpful with revitalization of the Board of Directors. Nonetheless, because they lack information as a result of their not seeing daily company operations, it is unclear whether they are able to give appropriate advice and make appropriate judgments. Consequently, we believe that outside directors are unnecessary in the present state of affairs.

The various measures implemented under the current governance system have produced tangible results. We recognize that the business-execution control and supervision functions for increasing the fairness and transparency of management and for carrying out efficient management are being sufficiently fulfilled. For this reason, we are adopting the current governance system.

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

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

	Supplementary Explanation
Prompt Delivery of Convocation Notice of General Meeting of Shareholders	We forward the Convocation Notice three (3) weeks prior to the date of the General Meeting of Shareholders
Provision of a Summarized Convocation Notice of the General Meeting of Shareholders in English	We provide the Convocation Notice (summary) in English
Other	We provide a child-care room for use during the hours when the General Meeting of Shareholders is being held; posts Convocation Notices (in Japanese and English) on the Company's Web site and the Tokyo Stock Exchange's Web site; provides the Business Report, which is presented at the General Meeting of Shareholders, in a visual format; and disclose the results of voting at the General Meeting of Shareholders

2. Investor Relations Activities

	Supplementary Explanation	Explanation by Representative
Establishment and Publication of Disclosure Policies	Available via the Company Web site in both Japanese and English	
Holding Regular Briefings for Individual Investors	The Company holds briefings for individual investors once or twice a year, with participation by the President.	Yes
Holding Regular Briefings for Analysts and Institutional Investors	The Company holds a results briefing twice a year, after the end of the second quarter and after the end of the fiscal year, with participation by the President. In addition, the Company holds small meetings and individual meetings as needed, with the President participating in some cases.	Yes
Holding Regular Briefings for Foreign Investors	The Company now holds a briefing for foreign investors once a year in Singapore, with participation by the President.	Yes
Posting Investor	On an IR site that it has prepared on its Web site, the	

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Relations Materials on the Company Web site	Company discloses IR materials in Japanese and English.	
Establishment of Investor Relations Department (Liaison)	The Company has established an Investor & Public Relations Department through which it promotes IR activities. The responsible person in charge is a managing officer and the division manager of the Corporate Administration Division.	

3. Measures to Respect the Position of Stakeholders

	Supplementary Explanation
Provisions of Internal Regulations to Respect the Position of Stakeholders	<p>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.</p> <p>Corporate Ethics Policies</p> <ol style="list-style-type: none"> 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 company philosophy 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	Same as above. As an even more extensive contribution to the Earth's environment, the Company has been conducting the Newborn Baby Commemorative Tree-Planting Campaign every year since 1986, so far planting more than 100,000 trees. The degree of that environmental contribution has been quantified by the Forestry Agency.
Establishment of Policy Concerning Disclosure of Information to Stakeholders	The establishment of such as policy is clearly stated in the aforementioned Corporate Ethics Policies.

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

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

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

1. Systems to Ensure that Duties Performed by Directors and Employees Comply with Laws, Regulations, and the Articles of Incorporation

(1) We shall define universal corporate ethical guidelines in order to embody our corporate motto of “only love generates love” and our business philosophy of “providing the gift of love to all,” and to implement compliance management. These guidelines shall be positioned as standards for ensuring that Directors and employees comply not only with laws and regulations but also with all social standards and the spirit, and to ensure action with a high ethical sense. Our Representative Directors and all Directors shall take the initiative for thoroughly promulgating this spirit of ethics and compliance.

(2) In order to integrate compliance controls throughout the Pigeon 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 Corporate Auditors.

3. Rules and Other Systems Related to Risk Management for Losses

(1) Based on Risk Management Committee Regulations which systematically define the Pigeon 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 the Pigeon Group. The Risk Management Promotion Committee shall identify, evaluate and review responses for risks within the Pigeon Group. Overseas bases in each region shall establish a Risk Management Promotion Committee for identifying, evaluating and proposing responses to risks.

(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 in the case that a large-scale disaster or other risk to the Pigeon Group occurs. The headquarters shall work to minimize losses and effect recovery.

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4. Systems 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) In addition to rationally and efficiently decision-making for management, the Board of Directors shall operate in a way that elicits active opinions from both internal and outside corporate auditors, and shall strengthen the management function for execution of business. Furthermore, through an entrusted managing officer system and a managing 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. Systems for Ensuring Proper Operation in the Corporate Group Comprising the Company and its 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) In addition to periodically auditing the execution of business by directors of subsidiaries, Corporate Auditors shall also cooperate with auditors at subsidiaries in order to develop internal controls and monitor the operation of such controls.
- (3) The Internal Auditing Department shall audit the level of appropriateness and efficiency during the execution of business throughout the Pigeon Group.
- (4) In order to ensure the reliability and appropriateness of financial reporting, the 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 a Corporate Auditor Has Requested Appointment of an Employee Aid and Items Pertaining to Independence of That Employee from Directors

Aids shall be appointed according the requests of Corporate Auditors. In the case that an aid is appointed, the opinion of Corporate Auditors shall be respected when making personnel decisions related to the aid.

7. Systems for Reporting to Corporate Auditors by Directors or Employees and Other Systems Pertaining to Reporting to Corporate Auditors

- (1) Directors and employees shall promptly report to Corporate Auditors any item other than laws and regulations which will have a major impact on the Company and the Pigeon 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, Corporate Auditors 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 Corporate Auditors every time regarding an overview of proceedings and results for meetings of the Board of Directors and Management Committees.
- (4) By using the “Speak-up Desk,” employees shall be able to directly report to Corporate Auditors regarding items which will cause significant damage to the Company or important items related to compliance.

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8. Other Systems for Ensuring Effective Auditing by Corporate Auditors

The individuals with high perception of corporate activities such as finance and law shall be recruited as outside corporate auditors. The majority of these individuals shall be CPAs and lawyers. In addition to enhancing the auditing environment of auditors, Outside Corporate Auditors 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.

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V Others**1. Presence or Absence of Introduction of Takeover Defense**

Introduction of Takeover Defense	No
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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 Corporate Auditors 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.

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 July 2007, July 2009, and June 2011.

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

Overview of Timely Disclosure System

1. Internal System for Timely Disclosure

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

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

Purpose of the Disclosure Rules

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

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

Disclosure Rules

- Important information related to the Pigeon Group shall be classified by its contents and importance into "legally required disclosure information," "individual disclosure information," and "other important information," and it shall be defined as management-related information.
- Disclosure of important information related to the Pigeon Group, such as quarterly earnings announcements and executive-level changes in management, shall be made promptly after resolutions of the Board of Directors. Furthermore, the Investor & Public Relations Department of the Corporate Administration Division shall be responsible for supervision of information disclosure.
- The Company has established disclosure control procedures, which are in conformity with the spirit of the Disclosure Policy, for management-related information. As a general rule, in accordance with the Tokyo Stock Exchange's Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security and the Like, the Company shall disclose legally required disclosure information on the system for notification of timely disclosure information, which is commonly referred to as TDnet and operated by the Tokyo Stock Exchange. Additionally, the Company shall promptly issue statements to the news media and perform disclosure procedures prescribed by other laws, regulations, and rules. Furthermore, the said information shall be posted on the Company's Web site promptly after disclosure.
- Disclosure of management-related information to only specific third parties is, as a general rule, prohibited. If such disclosure is made, the Company prescribes that disclosure of the said information shall be carried out by a method such as posting the contents promptly on the Company's Web site.

CORPORATE GOVERNANCE

▪ 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 Board of Corporate Auditors.

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