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Notice Regarding Partial Revision of Basic Policy for the Internal Control System

At the Board of Directors meeting held on December 13, 2022, the company passed a resolution to make the following

revisions to our basic policy for the internal control system. Revised sections are underlined below.

1. System to ensure that duties performed by our company's directors and employees, as well as directors and employees of subsidiaries, comply with laws, regulations, and the articles of incorporation
 - (1) We shall develop "Pigeon Way," a set of standards composed of our "Purpose," "Values," "Action Principles," and "Vision." We shall determine compliance-related regulations for the corporate ethics framework made up of our ethical guidelines and Code of Conduct based on the spirit of these standards and actions. The directors and employees of the Pigeon Group shall strictly comply not only with the law but also the standards and spirit of the communities they serve. We shall position the Pigeon Way as our standard for action with a strong ethical outlook.
 - (2) In order to appropriately and smoothly promote compliance throughout our group, the Risk Management Committee, chaired by the Director of the Global Head Office (GHO), shall nominate a Compliance Management Department and a staff member in charge of the department. The Compliance Management Department shall play the role of establishing and maintaining compliance-related rules and other frameworks, as well as leading and promoting compliance awareness centering on compliance education. In the event of a compliance-related incident or other problem, the Compliance Management Department shall respond to the problem in cooperation with the Risk Management Committee and, depending on the nature and content of the case, may consult with external lawyers as appropriate.
 - (3) In an effort to ensure early detection of any wrongdoings, we shall establish a Speak Up office as an internal reporting system and a Pigeon Partners Line as a reporting system for our business partners. When problems are detected inside or outside of the company, sufficient consideration shall be given to protection for the reporting/consulting individual before investigating facts. Based on the results of the investigation, the Risk Management Committee shall determine a department to be in charge of resolving the problem, and together with that department, shall determine whether response or corrective

measures are necessary as well as the details thereof, and shall lead the implementation of such measures.

Applicable contents shall be reported to upper-level organizations (the Management Committee or the 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 applications, such as appointing staff in charge of preventing false claims.

2. Systems related to saving and managing information pertaining to the performance of duties by directors
Information pertaining to the performance of duties by directors shall be recorded and saved in written documents or electronic format in accordance with the Rules for Document Control and Management, Confidential Information Management Bylaws and Rules for IT 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 Regulations which systematically define our group's risk management response and under supervision of the President and Chief Executive Officer, a GHO Risk Management Committee shall be established with the GHO Director as the Chairperson, the General Managers of business segments (Japan business, China business, Singapore business, Lansinoh business) and the Business Strategy Division Manager as the committee members. This committee shall collect, analyze, and evaluate comprehensive risk information for the corporate group as a whole, with priority risks shown in (2) as the core, which are aggregated from each business segment. The committee shall also consider and implement countermeasures either independently or with business segments as intermediaries. In addition, each business shall establish a Risk Management Committee with its General Manager as Chairperson, and these committees shall be overseen by the GHO Risk Management Committee. All of these risk management committees shall collect, analyze, and evaluate risk information related to the applicable business segments, including risk information related to the segments' subsidiaries, and shall consider and implement countermeasures.

(2) Our group shall establish "compliance risk," "financial risk," "information security risk," "SCM (supply chain management) risk," and "customer complaint risk" as priority risks, and the GHO Risk Management Committee and a department in charge of risk management nominated by the GHO Risk Management Committee shall take the lead in managing and responding to risks, especially across the Group.

(3) Auditing the status of risk management in each department and each subsidiary shall be performed through cooperation with the Internal Auditing Department, the Corporate Strategy Department, the Accounting & Finance Department, the Legal Department, and the Human Resources & General Affairs Department.

(4) Risk Management Committee shall be quickly convened based on the Rules for Risk Management or the business continuity plan (BCP) if a large-scale disaster or other risk to our group occurs. The Committee

shall work to minimize losses and promote 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 shall appoint outside directors for the purpose of receiving advice regarding management strategies, making objective decisions, and improving corporate governance. Moreover, our company shall practice management that elicits lively opinions from internal and outside directors and audit & supervisory board members, including issues presented by outside directors, and shall strengthen management and supervisory functions for execution of business. Furthermore, through a delegated managing officer system and a managing officer system, we shall seek mutual partnership between decision-making / management and supervisory functions and execution of business and shall clarify the operating responsibilities of directors.
- (3) A Management Committee meeting with attendance from all standing directors and senior managing officers shall be held approximately twice a month in order to strengthen and enhance the function of the Board of Directors. Through this 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) Our company shall determine Rules for the Division of Duties and Authority and clarify the approval process for the working scope of each post and operation, and directors and employees shall execute their duties in accordance with the applicable regulations. In addition, matters for which subsidiaries request approval from our company and which subsidiaries report to our company shall be determined in the Rules for Group Company Management, and subsidiaries shall carry out their business after acquiring approvals from our company and carrying out reporting to our company as necessary in accordance with the applicable regulations.
- (2) The division managers shall confirm the state of execution of business by directors of the subsidiaries they manage and shall report the performance of the subsidiaries and the execution of their 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. Audit & supervisory board members at our company and subsidiaries shall hold audit & supervisory board liaison committee meetings as necessary.
- (4) The Internal Auditing Department shall audit the level of appropriateness and efficiency for the execution of business throughout our group.
- (5) In order to ensure reliability and appropriateness in 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 operate this system appropriately.

6. Items pertaining to employee aids appointed upon request from an audit & supervisory board member and items pertaining to independence of said employees from directors and the effectiveness of instructions from audit & supervisory board members

Aids shall be appointed upon request from audit & supervisory board members. When 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 members' instructions to the aid shall be given independently from directors and the aid shall engage in work based on instructions from audit & supervisory board members.

7. Systems for company directors and employees and subsidiary directors, audit & supervisory board members, and employees to report to audit & supervisory board members and other systems for 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 office.
- (2) In addition to meetings of the Board of Directors, audit & supervisory board members shall attend Management Committee meetings and shall be permitted to provide opinions when requested or when necessary regarding items being discussed.
- (3) The Corporate Strategy Department shall notify audit & supervisory board members of the overview of proceedings and results for each meeting of the Board of Directors and Management Committees.
- (4) Our company's directors and employees, subsidiary directors, audit & supervisory board members, 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 office on matters that have a significant effect on our corporate group, matters that cause significant damage to our corporate group, and important compliance matters. Individuals will not suffer in any way for making these reports.
- (5) Our company shall promptly handle demands made by audit & supervisory board members or the audit & supervisory board for reasonable expenses or refunds incurred related 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 awareness of corporate activities such as finance and law shall be recruited as outside audit & supervisory board members. The majority of these individuals shall be CPAs and lawyers. In addition to enhancing the auditing environment of the audit & supervisory board members, outside

audit & supervisory board members shall also make efforts to execute appropriate and effective auditing services through cooperation with the Internal Auditing Department.

Revised: December 13, 2022